Partisan Bias and Performance Improvement Efforts in Program Administration:

Evidence from Unemployment Insurance Programs in the American States

George A. Krause[†]
University of Georgia

and

Ji Hyeun Hong[‡]
University of Georgia

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[†] Alumni Foundation Distinguished Professor of Public Administration, Department of Public Administration and Policy, School of Public and International Affairs, University of Georgia, 280G Baldwin Hall, Athens, GA 30602. gkrause@uga.edu. ***Corresponding Author***.

‡ Ph.D. Candidate, Department of Public Administration and Policy, School of Public and International Affairs, University of Georgia, 204 Baldwin Hall, Athens, GA 30602. jihyeun.hong@uga.edu.

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Abstract

One critical way that public agencies can improve administrative performance is through its discretionary efforts at detecting program errors. Yet, this requires an alignment between political and administrative objectives within executive branch governance. Specifically, we hypothesize that agency efforts for detecting benefit overpayment errors from state unemployment insurance (UI) programs will be higher under Republican partisan gubernatorial control of state UI agency heads compared to Democratic counterparts. Based on panel data from fifty state UI agencies between 2002-2021, we find that the estimated partisan differential between Republican and Democratic governors with direct appointment control over UIP agency heads are associated with a within-state average of $ 2.647 million higher correction of benefit overpayments to unemployed claimants (i.e., a per claimant overpayment case partisan differential of $ 618.68). State UIP agencies investments in performance improvement that identify program waste reflect the importance of partisan incentives, coupled with unity in executive branch governance.

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A considerable body of research in public administration has focused on evaluating administrative performance by analyzing program benefit errors. On a substantive level, this research has addressed a myriad of important issues relating to public management such as (1) how caliber of agency leadership impacts program payment errors (Park 2022b), (2) how some groups of citizens are treated differently than others (e.g., Compton, et al. 2023; Peeters and Wildak 2023), and (3) how organizational adaptation to technology can shape administrative performance (e.g., Greer and Bullock 2018; Krause and Hong **nd**; Young, et al. 2022; Widlak and Peeters 2020)**.** Although this body of research has advanced our understanding of the sources of administrative errors, these studies focus exclusively on the routinized, mandatory identification of such errors culled from quality control samples based on enormous volumes of transactions. Quality control samples are highly informative for gauging both the caliber and nature of administrative performance, but they cannot provide insight into the extent that public agencies seek to improve their performance by exerting discretionary effort to uncover program waste.

Yet, an open puzzle worth understanding is how public agencies use their discretion to *voluntarily* detect program errors. Only a tiny fraction of program errors is identified by involuntary, routinized procedures that represent U.S. federal mandated quality control samples of transactions. For the 2002-2021 period analyzed in this study, BAM's benefit overpayment error sample coverage represents an average 1.43% of the population of benefit overpayment detection cases identified between 2002-2021 (SD: 2.53%, Min: 0.02%, Max: 61.45%).[1] The remaining benefit overpayment errors detected are through agency-initiated efforts analyzed in this study. In this study, our focus is on these agency performance improvement efforts by detecting program errors consistent with policy objectives. This type of administrative behavior is distinct from the

[1] This is computed as the Number of Benefit Overpayment Errors Detected with BAM)/(Number of Benefit Overpayment Errors Initiated by Agency + Number of Benefit Overpayment Errors Detected with BAM).

case processing task activities central to program administration (e.g., receiving and disseminating benefit applications or cost invoices, determining benefits eligibility, verification of information provided by program beneficiaries).

We propose a theory to understand performance improvement efforts undertaken by public agencies. Our theory is grounded in three key premises. First, because organizational search is "… *stimulated by a problem and is directed toward finding a solution to that problem*.", it naturally follows that agency performance improvement efforts are biased since problems are defined based on a given organization's objectives (Cyert and March 1963: 201-202). Second, effective executive oversight shapes the incentives for agency effort (Turner 2017: 84). Finally, effective executive oversight requires unity of executive branch governance is necessary to translate chief executives' administrative goals into reality (e.g., Bowling and Wright 1998; Johnson 2015; Seifter 2019; Wilson 1989: 197-200; Woods 2004). The testable implication of our theory is that direct appointment of state UI agency heads by governors in the American states determines the extent to which agencies engage in performance improvement efforts. This is because direct gubernatorial appointment authority offers a clear line of accountability between governors and state executive agencies responsible for handling this class of administrative activities. Due to core partisan constituency differences between support for labor (unemployed workers) vis-à-vis business (employers) (Hertel-Fernandez 2019; Gottschalk 2000), we hypothesize that Republican governors who enjoy direct appointment authority of state UI agency heads will be more active than Democratic counterparts with direct appointment authority in detecting administrative errors that correct benefit overpayments to unemployed claimants of state UI programs (with state UIP agency heads appointed through other means falling somewhere in between each type of unified partisan executive branch governance regime). Agency initiated error detection efforts makes it feasible to transfer excess benefits received by UI program beneficiaries to employers by crediting the latter's UIP fund account balances (U.S. Department of Labor 2020: 5-7). Analysis of error detection efforts

offer insight into the relative priorities exercised by state UI agencies to address monetary discrepancies in program administration.

Panel data findings of unemployment insurance programs (UIP) in fifty American states from 2002-2021 yields support for understanding how appointment structures affect how partisan governors shape the rectification of these programmatic errors by state UIP agencies. Republican governors exercising direct appointment control over UIP agency heads are associated with a within-state average of $ 2.647 million greater identification of benefit overpayment errors to unemployed claimants relative to those agencies where Democratic governors enjoy direct appointment powers. This represents a within-state average per claimant overpayment case partisan differential of $ 618.68 ($ 2,646,708 / 4,278). This study's findings offer insight into a vital, yet little understood, administrative activity – agency performance improvement efforts – and how it systematically varies depending upon which party controls executive administration of these policies. More broadly, this study paradoxically reveals that the unity of executive branch governance between elected political principals (governors) and unelected administrators (state agencies) does not unequivocally enhance the quality of administration through greater agency effort at performance improvements by identifying benefit overpayment errors. Rather, these agency performance improvement efforts are inherently biased since it constitutes an organizational search problem that often entails the retraction of benefits from program beneficiaries (unemployed claimants) distributed to employer UIP fund balances.

Performance Improvement in State Unemployment Insurance Programs

Background on State Unemployment Insurance Compensation Programs (UIPs)

The Unemployment Insurance Program (UIP) was created as a joint state-federal program in 1935 under the Social Security Act to provide short-term financial aid to unemployed workers. The UIP is partially funded by taxes on employers. Employers that routinely lay off more workers, leading them to claim unemployment benefits, are required to pay higher unemployment tax rates

under the experience-rating system (Kovalski and Sheiner 2020; U.S. Department of Labor **nd.a**). The financing of UIPs necessarily pits unemployed claimants (*Labor*) versus employers (*Business*) as opposing economic interests. Specifically, claimant-based benefit overpayment errors detected by the agency can result in psychological costs of stigmatization that lowers participation by unemployed citizens to obtain benefits from such programs (Herd and Moynihan 2018), and also incur economic costs (Friedman 2020). Once detected by the agency, the financial burden for paying back the overpaid amount falls on the claimant, unless the claimant requests a waiver under limited circumstances (cf. See U.S. Department of Labor 2021: Table 6-2. Recovery of Nonfraud Overpayments for greater details on each state provision). Employers' unemployment insurance account balances are reimbursed (i.e., credited) when claimant overpayment errors are detected by state UIP agencies (U.S. Department of Labor 2011: 3; cf. See Federal Unemployment Tax Act Section 3303(a)(1) for the original provision). Discretionary detection of administrative errors involves reallocating agency resources—diverting personnel, technology, and attention from core functions like claims processing and tax administration (LeBlanc 2023). While these efforts aim to reduce "*payment error, waste, fraud, and abuse within Federal spending*" (U.S. Public Law 112-248), the recovery process imposes financial hardship on claimants, who must repay benefits they were initially deemed eligible to receive—often through cash transfers or withheld tax refunds (Friedman 2020). Therefore, state UIP overpayment error detection efforts are beneficial for employers at the expense of unemployed citizens, thus constituting a zero-sum transaction.

State UIP agencies enjoy substantial discretion in administering this program within the parameters defined by federal laws and Department of Labor guidelines. Agency heads are responsible for managing this program. Anecdotal evidence suggests that these agencies exercise significant decision-making power throughout the administrative process ranging from investment decisions for fraud detection software, adjustment of eligibility criteria for claimants, and the stringency of improper payment detection. For example, a recent audit in Michigan revealed that its

unemployment insurance agency director had instructed staff "*not to find fraud against claimants*" and to reallocate payment accuracy investigators to claims processing unit during the Covid pandemic (LeBlanc 2023). Determination of eligibility criteria is also a discretionary function of agency executives. For instance, the administrative priorities of the Texas Workforce Commission in recent years differ from those in the state of Michigan based upon the respective executive directors' decisions to reintroduce work-search requirements for unemployment benefits after temporarily waiving them (Venkataramanan 2020). State UIP agencies exercise considerable policymaking authority that extends beyond 'red tape' requirements imposed by elected officials on administrative activities (Herd and Moynihan 2018). Governors' ability to affect the distribution of policy benefits and costs among labor and business interests from this program, therefore, is contingent upon them possessing direct appointment authority. In turn, state UIP agencies use their discretionary authority to identify program waste that varies depending upon which party controls executive branch governance of these programs.

State UIP Agency Error Detection Efforts in State Unemployment Insurance Programs

Administrative errors represent an important source of variation involving policymaking bias that has tangible distributional consequences. Administrative errors constitute decision-making biases that benefit one outcome or set of interests relative to another. For instance, previous studies examine program overpayment errors in U.S. federal programs (e.g., Greer and Bullock 2018; Lee 2021; Park 2022c). These studies, while highly informative for advancing our understanding of administrative performance, focus on prior decision errors generated from mandatory quality control BAM sample surveys of the population of payment transactions. Not only are BAM mandated samples capable of only identifying a small fraction of the total volume of benefit overpayment errors, but also fail to account for performance improvement efforts undertaken by state UIP agencies which represent the overwhelming portion of program waste identified from such administrative errors (Widlak and Peeters 2020: 42-43).

This study offers a novel analysis of administrative error detection that is determined at an agency's discretion through their own initiated efforts — as opposed to those that are identified based on federal mandatory BAM quality control samples.[2] Our dependent variable of interest thus represents administrative effort by state UIP agencies seeking to identify program waste through benefit overpayment errors. In the realm of state-level UIPs, these performance improvement efforts involve cross-referencing central office wage-record files with benefit payments made during the same period or conducting field surveys to verify payroll information directly from employers (U.S. Department of Labor 1990). These activities represent a *discretionary* investment in performance improvement since these field investigations conducted by each state UI agency's Benefit Payment Control (BPC) unit differ from those generated by routinized, federal-mandated weekly summary evaluations obtained through each state UIP agency's Benefit Accuracy Measurement (BAM) quality control survey.[3]

The substantive focus of this study is restricted to state UIP agencies' overpayment detection efforts for both legal and substantive reasons. Section 303(a) in the Social Security Act requires that state UIP agencies' administration of unemployment benefits to be "… *to insure full payment of unemployment compensation when due…."* and to have these payments *"….found by the Secretary*

[2] Performance Improvement Plans (PIPs) represent a distinct type of agency performance improvement that is formally activated by supervisors to address underperforming individual employees as a part of remediation process to avoid either demotion or removal from their formal position (Park 2022a: 7; OPM **nd**). Agency performance improvement analyzed in this study focuses on discretionary effort exerted to produce agency programmatic outputs.

[3] For example, the total number of Georgia BPC's state agency-initiated overpayment detection investigations between 2015 – 2019 ranged from 5,284 cases (in year 2015) to 15,366 (in year 2019) cases a year. Georgia BAM unit's investigation is informed by a randomly drawn quality control sample of relatively stable size over years ranging from 51 cases (in year 2018) to 64 cases (in year 2016 and 2017).

of Labor to be reasonably calculated (Social Security Act 1935: 1750)."[4] These overpayment reporting efforts are required by all state UIP administering agencies on a quarterly basis in the form of *ETA-227 Overpayment Detection and Recovery Activities* to the U.S. Department of Labor ETA to confirm that required standards are met. Benefit overpayment to unemployed program beneficiaries represent the most common form of administrative error. This class of administrative errors receives the most attention and scrutiny (Smith and Stettner 2003).

Moreover, benefit overpayment errors yield tangible zero-sum distributional policy consequences for labor versus business interests (Klein and Willging 1972; Flahive 2021).[5] Although UIP taxation rate mechanisms do not establish a direct one-to-one link between individual overpayments and employer tax rates, they nonetheless impact employer costs by weakening state UI trust fund balances, which in turn trigger tax increases on employers. As noted by the U.S. Department of Labor (2023: 19), employers' "*tax rates depend on the state's fund balance*," with lower balances resulting in higher tax schedules. For instance, when Michigan's unemployment compensation fund fell below $2.5 billion in 2020, the agency announced that employer taxes would rise the following year and simultaneously launched an overpayment recovery effort

[4] The Employment Security Manual Section 7511, Part V, states that the Secretary of Labor interpreted these federal requirements to further mandate that state unemployment agencies to guarantee methods "*(1) to detect benefits paid through error by the State Workforce Agency (SWA) or through willful misrepresentation or error by the claimant or others, (2) to deter claimants from obtaining benefits through willful misrepresentation, and (3) to recover benefits overpaid.*".

[5] Because underpayments are rather modest in scope, the federal government does not mandate state UIP agencies to report specific instances of underpayment error detection beyond the purview of mandatory BAM sample estimates (Overpayment Detection and Recovery Activities 2022: 80196−80197). Specifically, underpayment error detection is relatively infrequent when compared to overpayment error detection (U.S. Department of Labor ETA 2019: 6).

targeting roughly 3,000 claimants (LeBlanc and Chambers 2020). Next, we propose a theory of performance improvement undertaken by public agencies that seeks to explain variations in their voluntary efforts at program waste detection.

Governors, Appointment Structures, and Partisan Differences in Performance Improvement Efforts in State Unemployment Insurance Programs

The administration of state unemployment insurance programs is a highly salient and appropriate venue for analyzing performance improvement efforts by state UIP agencies since governors are subject to blame for mismanagement of these programs in many states, including Kentucky (Schreiner 2021), Illinois (Mahr and Petrella 2022), and Michigan (LeBlanc 2023; Roberts 2020). Governors in the American states are aware of program (mis)management of state UIPs and hold agency leaders accountable, while serving as an electoral issue for incumbent governors. Yet, issues of mismanagement can cut both ways – emphasizing program waste versus program accessibility as competing performance objectives (Hong 2025). Republican controlled state UIP agencies might prefer aggressive benefit overpayment error detection as a means for signaling to taxpayers the government's commitment to curbing wasteful expenditures. Similarly, Republican policymakers tend to prioritize employer and business interests, viewing expanded unemployment benefits as burdens on employers (Flahive 2021; Romm 2021). In contrast, Democratic officials place greater relative emphasis on the interests of claimants, prioritizing access, timeliness, and equity in benefit delivery (e.g., see LeBlanc 2023).

Although labor groups do not advocate for program waste through benefit overpayment errors, they have raised concerns that overpayment recovery processes can impose substantial administrative and economic burdens on claimants (Holler, et al. 2024; Widlak and Peeters 2020). As a result, Democratic leaders may be more cautious about identifying and seeking to retroactively recouping overpaid benefits, particularly when overpayments are of a non-fraudulent nature. The Michigan Unemployment Insurance Agency faced a class-action lawsuit in 2022 from claimants who

received overpayment notifications, arguing that the repayment demands for benefits issued more than a year earlier were made without due process and caused financial harm to claimants, many of whom were still unemployed (Roberts 2022). The case illustrates the political risks associated with aggressive overpayment enforcement, showing how claimant backlash and legal challenges can emerge when agencies pursue repayment efforts.

We analyze these mismanagement issues by advancing a theory of performance improvement that seeks to understand how they systematically vary across states and time. Organizational search is a necessary condition for understanding agency performance improvement efforts for two reasons. First, the search process requires agencies to invest effort in tasks which are costly to perform for the organization (Cyert and March 1963; March and Simon 1958). Time, attention, and resource constraints, dedicated to performance improvement efforts 'crowd out' core mission tasks relating to case processing and the like (Drolc and Keiser 2021; Nielsen 2014). State UIP agencies exert discretionary performance improvement effort by assessing claimant overpayment errors by cross-matching claimed weeks of benefits against actual wages, as well as investigating work search activities by these unemployed workers.

Second, performance improvement efforts result in problem-oriented organizational searches that seek to identify solutions (or resolutions) consistent with the nature of problems. Therefore, search is inherently biased insofar that problems (e.g. program waste) are defined in a manner that "*reflects variations in training, experiences, and goals of the participants in the organization*". (Cyert and March 1963: 202). In terms of identifying program waste through benefit overpayment errors, state UIP agencies exhibit 'biases' in addressing such performance improvement efforts. As stated earlier, detecting benefit overpayment errors entail zero-sum transactions with distributional consequences. Each transaction that reduces wasteful spending on program beneficiaries (unemployed citizens) redound to the benefit of business by enabling the crediting of employers UI account fund balances. From a political economy perspective, the

Republican party's policy decisions often favor business interests while Democratic party's policy decisions are more closely aligned with labor and working-class interests (e.g., Bartels 2016; Franko and Witko 2018; Gottschalk 2000; Hacker 2004; Hertel-Fernandez 2019; Kelly and Witko 2012). It is therefore natural to infer that state UIP agencies controlled by Republican governors will prefer to exert greater performance improvement effort when it comes to the benefit overpayment error detection compared to Democratic controlled state UIP agencies.

But attaining such performance improvement goals requires effective executive oversight (e.g., Turner 2107). Relatedly, effective executive oversight crucially depends upon agency heads' being aligned with governors' partisan administrative priorities (e.g., Bowling and Wright 1998; Johnson 2015; Seifter 2019; Wilson 1989: 197-200; Woods 2004). That is, unity of executive branch governance depends upon governors possessing direct appointment authority over state UIP agency heads. Otherwise, state UIP agencies are more likely to either "shirk" or "sabotage" partisan administrative goals of governors by exerting task effort that is not consistent with governors' priorities. To ensure alignment between political and administrative objectives is especially crucial for benefit overpayment error detection since claimants have no incentive of being detected for receiving more program benefits than they were legally entitled (see Prendergast 2007: 182). Unity of executive branch governance requires gubernatorial direct appointment authority of state UIP agency heads to ensure that the preferred level of benefit overpayment error detection reflects partisan governors' performance improvement priorities for either greater or lesser effort in reducing program waste while ensuring employers' UIP fund balances improve.

However, various appointment structures exist for state UIP agency heads. **Figure 1** displays the *proportion* (left Y-axis) and *frequency* (right Y-axis) breakdown of appointment structures in agencies responsible for administering UIPs in 50 American states during the 2002-2021 sample period. The first panel represents the simple binary distinction between those state UIP agency heads who are not a direct gubernatorial appointment (*Non-Gov Direct Appointment*, 172 state-

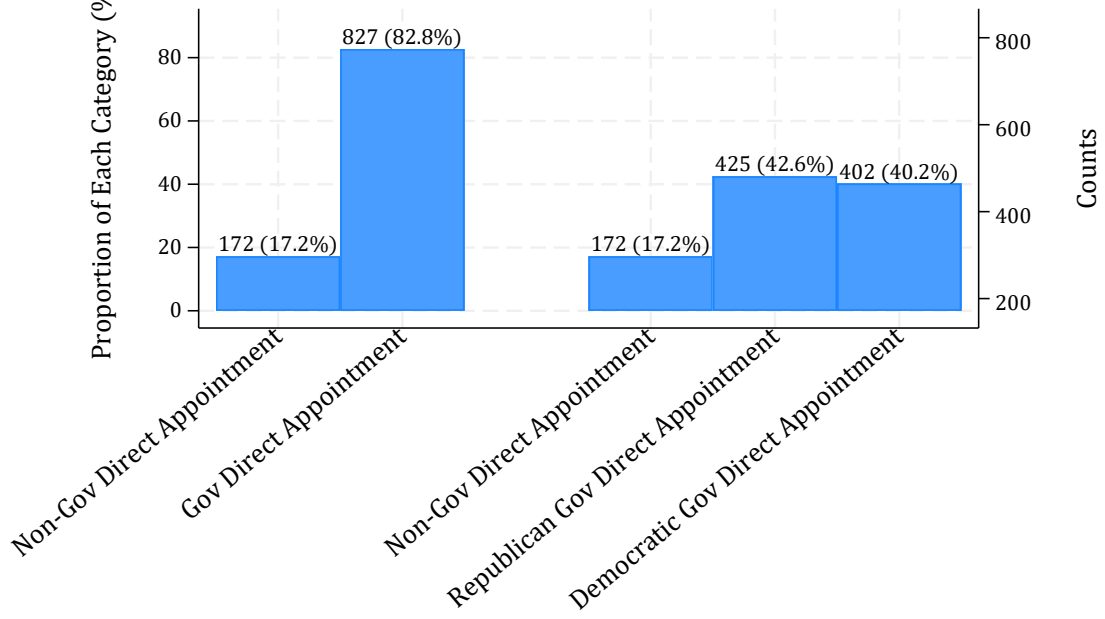
year observations, 17.2% of sample[6]) versus those that involve the governor directly selecting the individual to serve in this agency leadership position (*Gov Direct Appointment*[7], 827 state-year observations, 82.8% of sample). Appointment structures can also be disaggregated by direct partisan gubernatorial appointments (*Republican Gov Direct Appointment*; *Democratic Gov Direct Appointment*). This measure permits partisan distinctions when governors enjoy direct appointment authority that is critical to effective executive branch coordination. The baseline category, *Non-Gov Direct Appointment*, is previously defined, and the remaining sample observations are comprised of 425 state-year observations (42.6%) where Republican governors held direct appointment authority over state UIP agency heads (*Republican Gov Direct Appointment)*, and the remaining 402 state-year observations (40.2%) are represented by Democratic governors holding such direct appointment authority over these agency officials *(Democratic Gov Direct Appointment*).

Which institutional actor(s) possessing appointment authority confers an institutional mechanism that can either facilitate or blunt executive branch governance with respect to performance improvement efforts. The extent that executive branch governance facilitates partisan

[6] I Includes categories A (Appointed by Agency Head, 2.8%), AG (Appointed by Agency Head and Approved by Governor, 4%), B (Appointed by Board or Commission, 5.8%), BS(Appointed by Board or Commission and Approved by Senate, 0.2%), CE (Elected by Public, 2%), CG (Appointed by Cabinet Secretary and Approved by Governor, 0.2%), and CS (Civil Service Position, 1.7%), and independent governors (0.5%).

[7] Includes categories G (Appointed by Governor, 17.1%), GB (Appointed by Governor and Approved by Board or Commission, 2%), GC (Appointed by Governor and Approved by Council, 2%), GE (Appointed by Governor and Approved by Either House in State Legislature, 2%), GLS (Appointed by Governor and Approved by Legislative Joint Committee, 1.9%), and GS (Appointed by Governor and Approved by State Senate, 57.8%).

Figure 1. Distribution of Appointment Authority
(Unemployment Insurance Agency Heads in the American States, 2002-2021)



governors' policy preferences rely heavily on unity of executive administration. State UIP agency head appointments, directly chosen by governors to serve in at-will positions, will be more likely to attain effective executive branch governance in line with the governors' partisan policy preferences compared to those state UIP agency heads not directly appointed by governors. Put another way, when governors hold direct appointment authority over state UIP agency heads, they can more effectively steer administrative priorities in line with their party's broader economic agenda. We posit that State UIP agencies will exert the most effort at detecting benefit overpayment errors when Republican governors enjoy direct appointment authority, followed respectively by non-direct gubernatorial appointments and Democratic governors with direct appointment authority. Next, the empirical strategy for evaluating these partisan biases involving the discretionary exercise of agency performance improvement efforts are presented.

Data and Empirical Strategy

The data of interest under investigation are total annual 2010 constant-dollar amount of

benefit overpayment errors detected by each of the 50 state UIP agencies between 2002-2021 (N × T = 999 observations).[8] The detection of these administrative errors arise from non-fraudulent activities based on the "*misrepresentation of the facts, failure to provide timely and/or accurate information to support a claim of benefits, or a general misunderstanding of obligations and benefit rights*" (U.S. Department of Labor ETA 2017: 162) *that it not due to a 'willful' misrepresentation.*" (U.S. Department of Labor ETA 2017: 165). That is, fraud-induced overpayment errors are excluded from these measures since fraudulent activities are often identified by sources external to both the agency's discretion and control.[9]

The dependent variable, *Benefit Overpayment Error Detection*, is measured as the annual sum of claimant-responsible non-fraud benefit overpayments that are detected by state agencies -- adjusted in 2010 constant dollars.[10] These data constitute aggregate policy outputs generated from state UIP agencies' efforts at identifying benefit overpayment errors made to unemployed claimants. As noted earlier, these measures reflect agency priorities regarding the willingness to exert performance improvement effort to identify excessive payments to unemployed citizens that can be credited to employers UIP account fund balances.[11]

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[8] See in **Appendix A** (**Table A2**) for descriptive statistics and data sources for variables. The sample covers 999 observations instead of 1,000 (N×T=50×20), as the U.S. Department of Labor's raw database excludes 2014 Florida due to insufficient BAM sampling (U.S. Department of Labor 2014: 3).

[9] For additional information, please see **Appendix A**: ***Overpayment Detection for Claimants*** subsection [6-7]).

[10] U.S. Department of Labor ETA. 2022. ETA-227 Overpayment Detection and Recover Activities – Regular Program, 2002-2021 [Dataset]. https://oui.doleta.gov/unemploy/DataDownloads.asp *[Accessed: September 26, 2022]*.

[11] The monetary value associated with the volume of these cases exhibits considerable variation. Benefit overpayment error detection per case ranges between $ 7.73 and $ 4,912.16 (Median = $ 473.33). Additional information on the legal aspects of benefit overpayment error detection can be found in **Appendix A: *B.***

The overall average amount of state UIP agency-initiated benefit overpayment error detection for a given state-year is $ 12 million with an overall standard deviation of $ 28.6 million, ranging between $ 0.003 to $ 474 million (within-state standard deviation: $ 29.2 million, ranging between $−57.1 million and $154 million). Given the positive skewness in these benefit overpayment errors data (skewness = 7.64), the median amounts reveal that the size of the overall/within-state median state-year *Benefit Overpayment Error Detection* is $ 3.787million / $−0.597 million. State UIP agency efforts at identifying benefit overpayment errors constitute substantial administrative activity. Based on data from fifty American states between 2002-2021, the average annual state volume of benefit overpayment error transactions detected by state UIP agencies based on their own search efforts is substantial (Mean = 17,807, SD = 29,288, Min = 32, Max = 341,210). The corresponding overall average per case value of benefit overpayment error detection efforts in a state-year is $ 568.73 (SD = $ 422.67, Min= $ 7.73 Max = $ 4,912.16).

The primary covariates of interest relate to the state agency head's appointment authority. States vary in gubernatorial control over selection of the state UIP agency head. In some states, UIP agency heads are directly appointed by the governor. For example, agency heads may be directly appointed by the Governor without approval, approved by either or both state legislative chambers, a legislative joint committee, or a council. In other states, governors lack direct appointment authority over state UIP agency heads. In these instances, agency heads are selected by a parent agency head (such as a cabinet secretary), a board or commission, elected by the public, or filled through a non-appointed civil service position.[12] **Table 1** presents these pair of classifications, one

Overpayment Detection for Claimants: Substantive Consequences and Their Legal Bases subsection [7-8].

[12] The raw data of the state agency head's appointment mechanism indicator variables was obtained from the *Book of the States* between 2002-2021. Additional details regarding the coding of this information into the variables analyzed in this study appear in **Table A1 listed in Appendix A**.

that reflects the binary distinction between (1) non-direct [including non-partisan governors with direct appointment powers]/direct gubernatorial appointment authority distinctions], (2) non-direct/Republican governor direct/Democratic governor direct trichotomous classification.[13] Each state-year appointment authority is coded to account for changes in appointment authority and gubernatorial partisan control within each state during the sample period. In addition, we both perform and report sensitivity checks using a restricted sample that affects the baseline non-direct gubernatorial appointment authority cases by omitting cases with non-partisan governors (n = 5), as well as those governors lacking direct appointment authority but enjoying approval power over state UIP agency heads (n = 42).

TABLE 1

Distribution of Partisan Appointment Authority: State UIP Agency Heads

Category Number	Category Title	Definition
0 / 0	Non-Direct Gubernatorial Appointment Authority	Governors ***DO NOT*** appoint state UI agency heads; or serve as non-partisan/independent governors.
1 / NA	Direct Gubernatorial Appointment Authority	Governors select state UI agency heads
NA / 1	Direct Appointment Authority: Republican Governors	Republican governors appoint state UI agency heads.
NA / 2	Direct Appointment Authority: Democratic Governors	Democratic governors appoint state UI agency heads.

State UIPs incentives for exerting performance improvement effort at identifying benefit overpayment errors might also be shaped by political factors that may potentially confound

[13] The appointment variables analyzed in this study exhibit sufficient within-state variation through time based on the between-within standard deviation ratio (Non-Partisan Gubernatorial Direct Appointment [**Models 1** & **2**]: Full Sample: 2.253 = 0.3479 /0.1544, Restricted Sample: 2.293 = 0.3114 / 0.1358; Partisan Gubernatorial Direct Appointment [**Models 3** & **4**]: Full Sample: 1.413 = 0.5934 / 0.4199, Restricted Sample: 1.334 = 0.5504 / 0.4127).

executive branch coordination effects attributable to the primary mechanism of interest – the nature of gubernatorial appointment authority. *Election Year* is a binary indicator equal to 1 if there is a gubernatorial election in a given state for a given year, and equal to 0 otherwise. This variable accounts for electoral incentives for agency performance improvement when it comes to detection of state UIP benefit overpayment errors. During gubernatorial election years, UIP agencies are predicted to increase their error detection efforts, on average, as the incumbent governor may benefit from rooting out program waste for electoral purposes in terms of either credit claiming or avoiding blame. *Economic Policy Liberalism* accounts for the degree of economic policy liberalism reflected by state government policymaking in given year (Caughey and Warshaw 2016).[14] When a state's policies are comparatively liberal, UIP agencies might respond accordingly by reducing effort when it comes to identifying benefit overpayment errors since these redound to the benefit of employers at the expense of program beneficiaries. *Public Sector Unionization* accounts for organized public sector union effects on UIPs. This variable is defined as the percentage of unionized public sector workforce for a given state-year and is thus hypothesized as being associated with lower levels of benefit overpayment detection efforts by state UIP agencies given the distribution consequences of such activities on claimants and employers, respectively.

Additional control variables are included to account for both resource and demand-side effects influencing state UIP agencies' detection efforts. *Agency Budget Size*, measured as the log-transformed 2015 constant dollar total administrative expenditure of the state UIP agency for a given year. This covariate captures resource-based investments for agencies that might shape their

[14] Christopher Warshaw and Devin Caughey. "Mass Ideology and Policy Liberalism of American States from 1936-2020," http://www.chriswarshaw.com/data.php *[Accessed: October 16, 2022]*. This measure is based on the state-year posterior median of a dynamic latent measure analyzing state economic policies (e.g., taxes, social welfare, and labor regulation).

detection behavior. Simply, more resource-rich agencies have greater organizational capacity to detect administrative errors. *Unemployment Rate* is measured as the percentage of seasonally adjusted unemployment rates of a given state within a given year[15], and hence, reflects demand-side effects that are external to the agency. This covariate should be positively correlated with benefit overpayment error detection efforts since rising unemployment conditions should bear greater pressures on UIPs than compared to when economic conditions reflect lower levels of unemployment. *Ln* (*Total Paid Claims*) account for demand-side effects internal to state UIP agencies which are likely to be correlated with such error detection efforts. This control variable is measured as the natural log of the total number of paid claims made by each state UIP agency for a given year. This 'scale effect' control covariate is expected to be positively associated with benefit overpayment detection efforts as they increase the demand for such efforts. *Ln* (*BAM Sample Estimate of Total Claimant Error)* is the natural log of the sampling estimate of total claimant errors from the population of these transactions during a given state-year. [16] This measure accounts for supply-side effects relating to the severity of claimant errors. Higher sampling estimates of claimant errors should be indicative of greater problem severity, and thus yield greater agency detection efforts for benefit overpayment errors. *Ln (Employer Appeals Count)* is the natural log of the total number of appeals submitted by employers to the state UI agency's appeals board to review specific

[15] U.S. Bureau of Labor Statistics. "Local Area Unemployment Statistics. 2002-2021," https://beta.bls.gov/dataQuery/find?fq=survey:%5Bla%5D&s=popularity:D *[Accessed: December 22, 2022]*.

[16] Automated filing methods (i.e., internet and telephone), are shown to have a lower incidence of sampling errors (Compton, et al., 2023). These data, however, are restricted to only the BAM quality control sampling error estimates, and thus do not exist for error detection efforts initiated by state UI agencies. The most feasible solution given these data limitations is to account for such sampling error rate variation. We include the BAM quality control sampling estimates from total claimant errors as a control covariate.

payment decisions made by the agency (U.S. Department of Labor 2017: I-5-4), typically requesting a review for potential overpayment errors imposing financial liability on employers (U.S. Department of Labor **nd.b**). A rise in the volume of employer appeals might have a complementary, positive effect by spurring additional agency-initiated effort at detecting benefit overpayment errors to claimants. However, higher levels of employer appeals might exert a substitution effect between agency priorities by dampening agency-initiated efforts at error detection. Under this alternative hypothesis, employer appeals represent an opportunity cost for state UIP agencies since it requires additional administrative effort that might reduce agency performance improvements at detecting overpayment errors to claimants.

A lognormal regression modeling approach is applied to these data since the dependent variables exhibit both strong positive skewness and leptokurtosis. Lognormal regression models are ideally suited for explicit modeling of positively—skewed continuous data that are bounded between zero and positive infinity. Lognormal regression is preferrable to OLS—Log estimation when such transformations yield distortions in the dependent variable that render them a poor representation of the actual data generating process.[17] The lognormal regression model has been widely used in the analyses of data with similar distributional properties — including the analysis of stock prices (Errunza and Losq 1985) and income distribution (Alexeev and Clifford 1993). Finally, all models include both state and year fixed effects, plus robust standard errors that are cluster-adjusted by state.

[17] The 0.632 bivariate correlation between the level and natural logarithm of the *Benefit Overpayment Error Detection* measure reveals the nature of this data mapping problem. As these correlations become weaker, log transformations of these variables are likely to yield biased statistical inferences since they are not representative of the true data generating process (see Diwakar 2017).

Statistical Evidence

The maximum likelihood estimates from the lognormal regression models in **Table 2** analyze the effect of direct gubernatorial appointment authority versus a baseline where governors lack direct appointment authority (**Models 1 & 2**), as well as making partisan distinctions regarding direct appointment authority (**Models 3 & 4**). **Models 1** & **3** include the full sample of data, while **Models 2** & **4** omit observations in the *Non-Gubernatorial Appointment Authority* baseline subset of cases where Governors only enjoy approval authority over appointment selections made by other institutional actors ($n = 42$), or in state-years where non-partisan governors ($n = 5$) hold office. By excluding these cases, it can be assessed whether the findings in the manuscript are not merely an artifact of how gubernatorial appointment authority is operationalized as an empirical measure.

Greater agency resources [*ln(Agency Budget Size)*] are associated with higher levels of state UIP agency-initiated detection of benefit overpayment errors. This finding suggests that slack resources and economies of scale often enjoyed by larger agencies affords them greater opportunities to exert effort in discretion-based performance improvement activities such as benefit overpayment error detection. Interestingly, rising state unemployment rates (*Unemployment Rate*) are inversely related to such discretionary agency detection efforts. One possible explanation for this seemingly counterintuitive finding is that higher unemployment rates might place greater stress on state UIP agencies by 'crowding out' discretionary error detection activities in favor of processing unemployment claims. Contrary to expectations, increases in state economic government policy liberalism (*Economic Policy Liberalism)* are positively related to benefit overpayment error detection efforts by state UIP agencies. This counterintuitive finding might reflect a buffering effect by state UIP agencies against policies made by electoral institutions that favor dominant state economic policy interests. Put another way, it is plausible that the finding is indicative of that these program error detection efforts are not representative of a broader class of state economic policies covered by this broad, aggregate measure of economic policy liberalism.

Finally, evidence from only the partisan-based gubernatorial direct appointment authority models (**M3** & **M4**) shows that election year pressures result in marginally higher benefit overpayment error detection efforts than non-election years, and that the volume of employer appeals of payment decisions made by a state UI agency to claimants exerts a substitution effect on state UIP agency-initiated benefit overpayment detection efforts.

TABLE 2

Gubernatorial Appointment Authority Models of Overpayment Errors: Unemployment Insurance Programs in the American States (2002-2021)

Variable	(Full Sample) (M1)	(*Restricted Sample*) (M2)	(Full Sample) (M3)	(R*estricted Sample*) (M4)
Gubernatorial Direct Appointment	0.116 (0.090)	0.125 (0.089)	_____	_____
Republican Gubernatorial Direct Appointment	_____	_____	0.264* (0.138)	0.274** (0.139)
Democratic Gubernatorial Direct Appointment	_____	_____	−0.505 (0.377)	−0.494 (0.375)
Election Year	0.138 (0.130)	0.138 (0.130)	0.158* (0.094)	0.159* (0.094)
Economic Policy Liberalism	1.105*** (0.280)	1.107*** (0.280)	1.116*** (0.244)	1.117*** (0.244)
Public Sector Unionization	−0.040 (0.036)	−0.040 (0.036)	−0.019 (0.022)	−0.019 (0.022)
Unemployment Rate	−0.150*** (0.030)	−0.151*** (0.030)	−0.085*** (0.029)	−0.086*** (0.029)
ln (Agency Budget Size)	1.916** (0.786)	1.917** (0.787)	1.690*** (0.580)	1.690*** (0.582)
ln (Total Paid Claims)	−0.288 (0.510)	−0.291 (0.511)	0.064 (0.409)	0.063 (0.410)
ln (BAM Total Claimant Error)	0.205 (0.134)	0.207 (0.134)	0.112 (0.120)	0.113 (0.121)

ln (Total Employer Appeals)	−0.202	−0.201	−0.368*	−0.367*
	(0.191)	(0.191)	(0.207)	(0.207)
Constant	−13.176	−13.203	−12.342	−12.365
	(10.071)	(10.070)	(7.964)	(7.971)
Year Fixed Effects	**YES**	**YES**	**YES**	**YES**
State Fixed Effects	**YES**	**YES**	**YES**	**YES**
Log-Likelihood	−17598.72	−16792.67	−17532.65	−16729.77
AIC	35,265.44	33,653.34	35,129.30	33,521.53
BIC	35,432.27	33,818.53	35,286.32	33,672.15
Number of Observations	999	952	999	952

Note: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses. * $p \leq 0.10$ ** $p \leq 0.05$ *** $p \leq 0.010$.

Figure 2 reveals that **e**stimates of partisan bias in agency performance improvement levels at identifying benefit overpayment errors is associated with partisan gubernatorial direct appointment authority of state UIP agency heads. To facilitate meaningful evaluations of estimated benefit overpayment errors, substantive marginal effect estimates are derived by multiplying an interquartile change of the dependent variable by the corresponding appointment authority coefficient estimate appearing in **Table 2**. In turn, this provides a substantive effect that is anchored to the amount of natural variation observed in these data. All estimates are interpreted as constant total dollar amount within-state deviations from the baseline category where the governor lacks direct appointment authority. The full sample of benefit overpayment error estimates are denoted as solid squares, those from the restricted sample are denoted as hollow squares.

The top panel of **Figure 2** [***Gubernatorial Direct Appointment***] is based on the appointment authority estimates from models **M1** and **M2** reported in **Table 2**. Numerically, a standardized interquartile marginal increase in benefit overpayment error detection is associated with a within-state average of $0.379 million ($88.62 per case) and $0.402 million ($93.20 per case) higher amount when governors exercise direct appointment authority compared to when they do not. These estimates, however, fail to uncover statistically discernible differences between when

governors enjoy direct appointment authority over state UIP agency heads compared to when they lack such authority ($p = 0.198$, $p = 0.162$).[18] These estimates, however, might mask partisan differences when governors maintain direct appointment authority over state UIP agency heads.

When partisan governor distinctions are considered in the form of **Republican and Democratic Gubernatorial Direct Appointment** estimates found in models **M3** and **M4** appearing in **Table 2**, however, these estimates reveal that Republican governors with direct appointment authority are primarily responsible for a substantially higher level of agency performance improvement when it comes to detecting benefit overpayment errors in state UIPs (see **middle panel: *Partisan Distinctions***). Specifically, Republican governors with direct appointment authority have a greater within-state average of \$0.796 (\$0.832) million with a probability value equal to 0.056 ($p=0.048$) detection amount of benefit overpayment errors compared to the baseline when governors lack direct appointment authority in the full (**M3**) and restricted (**M4**) sample models. This substantive effect constitutes a within-state average partisan detection difference of \$154.11 and \$161.04 per benefit overpayment case in each respective model.[19] Democratic governors with the same appointment powers exhibit a within-state average estimate of $\$-1.851$ ($\$-1.811$) million less than the gubernatorial non-direct appointment baseline amount. Yet, these **M3** and **M4** model estimates are not statistically discernible from the baseline category where governors lack direct appointment authority in the full sample ($p = 0.181$) and restricted sample ($p = 0.189$), respectively.

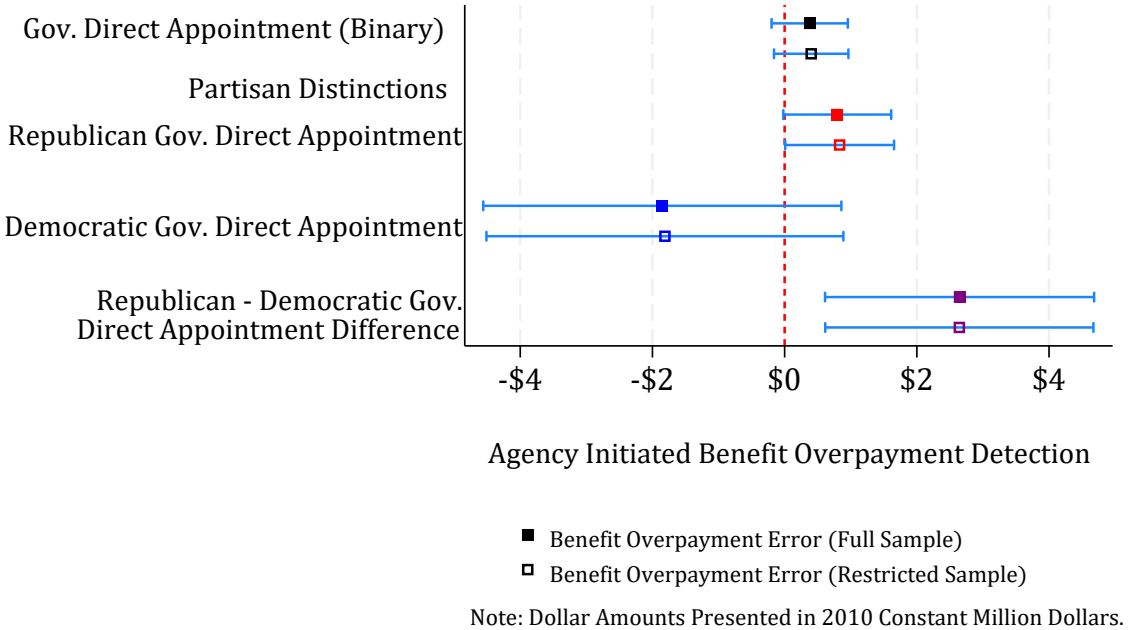
[18] This average value per case is computed as the estimated within-state marginal effect divided over the within-state interquartile difference in the relevant case count (Full Sample: \$379,099.58/ 4,278= \$88.62; Restricted Sample: \$401,711.54/ 4,309 = \$93.23).

[19] This average value per case is computed as the estimated within-state marginal effect divided over the within-state interquartile difference in the relevant case count (Full Sample: \$795,652.15/ 5,163 = \$154.11; Restricted Sample: \$831,464.7/ 5,163 = \$161.04).

The bottom pair of estimates in **Figure 2** capture partisan differential estimates when governors hold direct appointment authority over state UIP agency heads. State UIP agencies operating under Republican governors with direct appointment authority over agency heads cull a much higher level of benefit overpayment errors compared to Democratic governors enjoying this same appointment authority by a within-state average $2.647 million (p = 0.011) and $2.643

Figure 2. Appointment Authority Effects on
Benefit Overpayment Error Detection

(Unemployment Insurance Agency Heads in the American States, 2002-2021)



Note: Dollar Amounts Presented in 2010 Constant Million Dollars.

million (p = 0.011) in the full (**M3**) and restricted (**M4**) sample models (see **bottom panel:** ***Republican— Democratic Gov. Direct Appointment Difference***].[20] This represents a respective within-state average per benefit overpayment case partisan differential estimate of $618.68 ($2,646,708/ 4,278) and $613.22 ($2,642,958 / 4,310) in these statistical models. This evidence

[20] This is computed as the interquartile difference of the respective benefit overpayment errors multiplied by the ***Republican Gubernatorial Direct Appointment*** and ***Democratic Gubernatorial Direct Appointment*** corresponding estimates.

reveals that state UIP agencies whose leaders are chosen by partisan governors exhibit tangible differences in identifying program waste.

Summary of Sub-Mechanism Analyses

The supplementary analyses conducted in **Appendices B** and **C** (see ***Online Appendix Document***) respectively seek to explore possible underlying sources involving partisan bias in the detection of administrative errors. One sub-mechanism explored is the extent that governors exert control over direct appointment authority. This issue is addressed in **Appendix B** by estimating statistical models that demarcate direct gubernatorial appointment authority between those instances when governors exert either effective or actual unilateral authority ('unconstrained' control) control over these appointments versus when they do not ('constrained' control).[21] These particular findings indicate that governors with constrained direct appointment authority, thus requiring additional institutional approval over their state UIP agency heads choices, experience a higher within-state average detection of benefit overpayment errors which represents a marginal interquartile range effect that is $1.525 [$1.561] million higher than compared to non-direct

[21] ***Unconstrained Gov. Direct Appointment Authority*** represents either *actual* unilateral control by governors since there is no institutional check on these appointment choices, or *effective* unilateral control insofar that the institution(s) charged with checking the governor's appointment authority is controlled by the same party as the governor. ***Constrained Gov. Direct Appointment Authority*** represents a potent effective check on these gubernatorial appointment choices since it requires formal approval from government institution(s) that happens to be controlled by the opposition party to the governor. These data come from Carl Klarner. 2013, "State Partisan Balance Data, 1937 - 2011", https://doi.org/10.7910/DVN/LZHMG3, Harvard Dataverse, V1 (*Retrieval Date: November 4, 2022*), and also the National Conference of State Legislatures, " Legislative Partisan Composition Table, 2012- 2021," https://www.ncsl.org/research/about-state-legislatures/partisan-composition.aspx# (*Retrieval Date: November 4, 2022*).

gubernatorial appointment authority baseline in the full and restricted sample models. This represents a respective $378.88 and $386.17 average per case benefit overpayment error detection amount in each of these models. The primary source of these partisan differences is attributed to Republican constrained governors exhibiting the highest benefit overpayment error within-state detection amounts in the full and restricted sample models ($2.002 and $2.118 million higher than compared to non-direct gubernatorial appointment authority baseline). This is a $481.16 and $505.25 average per case benefit overpayment error amount that is detected by state UIP agencies. This seemingly counterintuitive finding suggests that governors who lack complete unilateral control over state UIP agency heads appointments translate into state UIP agencies with more favorable administrative outcomes with respect to partisan-based differences in detection of administrative errors that benefit business interests at the expense of labor. This finding is compatible with prior evidence revealing that inferior government performance is associated with vesting governors with excessive formal executive powers in the areas of administrative personnel choices (Krause, Lewis, and Douglas 2006) and fiscal policy tools (Krause and Melusky 2012).

An alternative sub-mechanism centers on whether the partisan bias effects observed in this study vary based on the prior occupational-related business experience of both governors and appointed state UIP agency heads. For instance, U.S. mayors with prior business backgrounds are less inclined towards redistributive policies, and that such behavior is distinct from generic partisanship (Kirkland 2021). In **Appendix C,** this issue is considered by estimating models with interactions between the direct gubernatorial appointment authority indicator variables and separate binary indicators whether (1) the governor had prior business experience, or (2) the state UIP agency head had prior business experience[22]. Most of these estimates are numerically modest

[22] These binary indicators equal one if the governor [agency head] had prior business experience of serving in an executive position (e.g., CEO, President, Chairman, Partner, Founder, Principal, or Owner/Co-Owner) since

in relative terms. The lone exception is where Republican governors select state UIP agency heads with prior business experience. In both these full sample and restricted sample alternative models, state UIP agencies headed by an individual with prior business experience that is directly appointed by a Republican governor exhibits a marginal interquartile within-state average increase in benefit overpayment error detection amounts of $2.102 million (or $453.34 per case) and $2.081 million (or $432.30 per case) higher than compared to the non-direct gubernatorial appointment authority baseline in these full and restricted sample alternative models. Although a governor's prior business experience does not conditionally impact agency performance improvement efforts in a partisan manner, clearly Republican governors exhibit a partisan effect that is manifested by appointing state UIP agency heads with prior business experience.

Appendix D evaluates alternative model specifications that omit year unit effects (i.e. only include state unit effects). In each instance, these alternative model specifications yield an inferior model fit to those models presented here with both state and year unit effects, while suggestive of model misspecification attributable to omitted variable bias based on Wald linear restriction tests. Finally, **Appendix E** considers differential gubernatorial appointment regime effects between southern and less populated segment of the Midwest 'Great Plains' states covering the Western Midwestern portion of the North Central United States compared to all remaining states.[23] In

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one's college graduation. Equal zero if they lacked such prior business experience. This category may include those with prior government service experience only (e.g., elected official, working directly for an elected official, appointed positions, or civil service administrative experience) or those who have neither government or business experience, such as individuals whose experience is limited to the nonprofit sector or to practicing as an attorney. These data are compiled by the authors from online biographical sources and stored as PDF file copies. They can be obtained by request from the authors.

[23] The Southern states are represented by: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and

summary, although agency performance improvement efforts are higher in these regions relative to other parts of the nation, they are estimated with substantial imprecision that render these estimates as null findings, while also revealing that such differential regional effects fail to improve model fit. Moreover, the baseline regions' within-state UIP agency estimates are quite similar in magnitude to those reported in the manuscript, albeit with less precision attributable to the statistical power reduction from these additional terms in these alternative model specifications.

Discussion

Public agencies are concerned about performance, especially in the current era of substantial resource constraints, coupled with greater demands for accountability. One common approach to investigating performance is to assess the nature and occurrence of program errors based on formal, routinized program evaluation involving quality control survey samples that represents a small fraction of both the total volume and dollar amount of administrative errors identified by public agencies (Compton, et al. 2023; Greer and Bullock 2018; Krause and Hong **nd**; Park 2022a,b; Young, et al. 2022; Young, et al. 2024; Widlak and Peeters 2020). Although these quality control samples are highly informative for providing information on the caliber of administrative decision-making, they do not reflect incentives underlying discretionary administrative behavior to improve the caliber of program administration.

This study seeks to understand performance improvements efforts *voluntarily* undertaken by public agencies. Performance improvement requires a search process, whereby public agencies seek to identify and correct problems that require costly investments relating to time, attention, and resources that are neither mandatory nor constitute core mission tasks such as program

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West Virginia; the Midwest West North Central States are represented by Iowa, Kansas, Minnesota, Missouri, North Dakota, Nebraska, and South Dakota. Regional determinations are based on U.S. Census classifications (https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf).

benefits (i.e., processing claims and making program benefit determinations). Such tasks are especially costly for agencies to undertake in terms of resources (Wei, et al. 2023) and cognitive demands and opportunities imposed on agency task environments (Chen 2024; Hong 2019).

Such discretionary tasks dedicated to performance improvement efforts 'crowd out' core mission tasks relating to case processing and the like (e.g., Drolc and Keiser 2021; Nielsen 2014). Because agency performance improvement efforts represent discretionary tasks, performance improvement efforts signify organizational priorities (Cyert and March 1963; March and Simon 1958) for a host of reasons ranging from political salience (Hong, et al. 2020: 1245) to favoring one set of groups at the expense of others (Maynard-Moody and Musheno 2022). Performance improvement efforts are indicative of an agency's intentional willingness and investment of scarce time and resources by agencies to identify problems associated with program administration.

We propose a theory to understand variation in agency performance improvement. Our theory rests on the idea that organizational search processes are inherently biased since they require purposeful investment of administrative effort (Cyert and March 1963; March and Simon 1958). Such efforts in administrative governance settings require effective executive oversight (Turner 2017: 84). In our study, effective executive oversight is manifested through the mechanism of gubernatorial direct appointment authority which ensures that executive branch governance translates chief executives' administrative goals into reality (e.g., Bowling and Wright 1998; Johnson 2015; Seifter 2019; Wilson 1989: 197-200; Woods 2004). Taken together, our logic predicts that agency performance improvement efforts will reflect partisan bias that is attributable to the extent partisan governors have direct control over appointment authority of state agency heads. Because political parties have different preferences regarding the provision of benefits to business at the expense of labor (e.g., Bartels 2016; Franko and Witko 2018; Gottschalk 2000; Hacker 2004; Hertel-Fernandez 2019; Kelly and Witko 2012), it is natural to infer that Republican governors will prefer more discretionary effort by state UIP agencies to detect benefit overpayment

errors that redound to the benefit of employers UI fund account balances at the expense of unemployed citizens. Our evidence demonstrates that when governors appoint state UIP agency heads, systematic partisan differences arise in how these public bureaucracies engage in tasks to detect and correct administrative errors. State UIP agency efforts at detecting benefit overpayments to unemployed workers are notably higher under Republican governors than Democratic governors when each possess direct appointment authority.

A central tenet in public administration that government agencies play a central role in ensuring a lack of bias when dealing with citizens and constituent groups (e.g., Brodkin 1987; Frederickson 1990). Instead, the administration of many government programs often involves subterranean political processes; whereby, governance is linked to preferred policy outcomes that do not require explicit forms such as political bargaining or judicial review (Hacker 2004: 243; Herd and Moynihan 2018). We complement existing studies of 'biased' program administration grounded in formalized procedures by advancing a clear rationale, with corroborative empirical evidence, for understanding why discretionary tasks undertaken by public agencies will reflect different biases in program administration. Evaluating agency performance improvement efforts is an important topic in need of additional inquiry since it determines which interests benefit (and lose) from program administration that is distinct from legal and rule-based general policies that generate administrative burdens affecting clientele groups (Herd and Moynihan 2018). In closing, this study underscores a simple, yet underappreciated fact — that the costs and benefits incurred by citizens and groups alike from program administration can involve extralegal factors linked to executive branch governance priorities that are prescribed by neither law nor formal rules, but rather through the exercise of discretionary government authority.

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ONLINE APPENDIX

Partisan Bias and Performance Improvement Efforts in Program Administration:

Evidence from Unemployment Insurance Programs in the American States

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1. ***APPENDIX A***: Listing of State UIP Agency Head Appointment Authorities; Descriptive Statistics; and Detailed Description of Dependent Variables: Measures, Data Construction, and Legal Bases

2. ***APPENDIX B***: Sub-Mechanism, I: Distinguishing Among 'Unconstrained' Governors versus 'Constrained' Governors [i.e., Lack Unilateral Control: Actual or Effective]

3. ***APPENDIX C:*** Sub-Mechanism, II: Differential Gubernatorial Partisan Appointment Authority Effects Based On (1) Governors' Prior Business Experience, (2) State UIP Agency Head's Prior Experience, and (3) Neither (1) or (2) [Baseline Effects]

4. ***APPENDIX D:*** Comparison of Reported Unrestricted Model Specifications with Both State and Year Unit Effects Versus Alternative Restricted Model Specifications Omitting Year Unit Effects

5. ***APPENDIX E:*** Analyses of Models with Differential Gubernatorial Appointment Effects by Region Differences: South & Midwest: West North Central (i.e., Great Plains) States Compared to All Other States/Regions (i.e., Northeast, West, and Midwest: East North Central)

APPENDIX A

TABLE A1

Listing of State UIP Agency Head Appointment Authorities

Note: *The list only shows the first year & years with change for each state*

year	state	UIP Agency Name	Appointment Method	Appointment Method (**Appointed By** [Approval])
2002	Alabama	Department of Industrial Relations	CS	**Civil Service**
2013	Alabama	Department of Labor	G	**Governor**
2002	Alaska	Division of Employment Security	AG	**Agency Head** [Governor]
2002	Arizona	Employment and Rehabilitation Services Division	A	**Agency Head**
2002	Arkansas	Arkansas Employment Security Department	G	**Governor**
2002	California	California Employment Development Department	GS	**Governor** [Senate]
2002	Colorado	Colorado Department of Labor and Employment	GS	**Governor** [Senate]
2002	Connecticut	Labor Department	GE	**Governor** [General Assembly]
2002	Delaware	Department of Labor	GS	**Governor** [Senate]
2002	Florida	Agency for Workforce Innovation	G	**Governor**
2012	Florida	Florida Department of Economic Opportunity	GS	**Governor** [Senate]
2002	Georgia	Georgia Department of Labor	CE	**Constitutional: Elected by Public**
2002	Hawaii	Department of Labor and Industrial Relations	GS	**Governor** [Senate]
2002	Idaho	Department of Labor	GS	**Governor** [Senate]
2002	Illinois	Illinois Department of Employment Security	GS	**Governor** [Senate]
2002	Indiana	Indiana Department of Workforce Development	G	**Governor**
2002	Iowa	Iowa Workforce Development	GS	**Governor** [Senate]
2002	Kansas	Department of Human Resources	GS	**Governor** [Senate]
2002	Kentucky	Department for Employment Services, Cabinet for Workforce Development	AG	**Agency Head** [Governor]
2002	Louisiana	Office of Workforce Development	A	**Agency Head**
2010	Louisiana	Louisiana Workforce Commission	GS	**Governor** [Senate]
2002	Maine	Maine Department of Labor	GLS	**Governor** [Legislature's Joint Committee on Labor, Commerce, Research and Economic Development (LCRED) & state Senate]
2002	Maryland	Department of Labor, Licensing & Regulation	GS	**Governor** [Senate]
2002	Massachusetts	Division of Employment & Training	CG	**Cabinet Secretary** [Governor]

2004	Massachusetts	Massachusetts Department of Labor and Workforce Development	G	**Governor**
2002	Michigan	Employment Security Commission	GS	**Governor** [Senate]
2011	Michigan	Department of Licensing and Regulatory Affairs	CS	**Civil Service**
2012	Michigan	Department of Licensing and Regulatory Affairs	GS	**Governor** [Senate]
2015	Michigan	Michigan Talent Investment Agency	CS	**Civil Service**
2020	Michigan	Michigan Department of Labor and Economic Opportunity	GS	**Governor** [Senate]
2002	Minnesota	Minnesota Department of Economic Security	GS	**Governor** [Senate]
2002	Mississippi	Employment Security Commission	BS	**Board/Commission** [Senate]
2004	Mississippi	Mississippi Department of Employment Security (Office of Unemployment Insurance)	GS	**Governor** [Senate]
2002	Missouri	Missouri Department of Labor and Industrial Relations	GS	**Governor** [Senate]
2002	Montana	Montana Department of Labor and Industry	G	**Governor**
2004	Montana	Montana Department of Labor and Industry	GS	**Governor** [Senate]
2002	Nebraska	Nebraska Department of Labor	GS	**Governor** [Senate]
2002	Nevada	Department of Employment Training and Rehabilitation, Employment Security Division	G	**Governor**
2002	New Hampshire	Department of Employment Security	GC	**Governor [**Council]
2002	New Jersey	New Jersey Department of Labor	GS	**Governor** [Senate]
2002	New Mexico	New Mexico Department of Labor, UI Bureau	GS	**Governor** [Senate]
2002	New York	New York Department of Labor, Employment Security Division	GS	**Governor** [Senate]
2002	North Carolina	Employment Security Commission	G	**Governor**
2002	North Dakota	North Dakota Job Service	G	**Governor**
2002	Ohio	Ohio Department of Job and Family Services, Office of Unemployment Insurance Operations	GS	**Governor** [Senate]
2002	Oklahoma	Oklahoma Employment Security Commission	B	**Board/Commission**
2002	Oregon	Oregon Employment Department	GS	**Governor** [Senate]
2002	Pennsylvania	Department of Labor and Industry	GS	**Governor** [Senate]
2002	Rhode Island	Rhode Island Department of Labor and Training	G	**Governor**
2009	Rhode Island	Rhode Island Department of Labor and Training	GS	**Governor** [Senate]
2002	South Carolina	South Carolina Employment Security Commission	B	**Board/Commission**
2020	South Carolina	South Carolina Department of Employment and Workforce	GS	**Governor [**Senate]
2002	South Dakota	South Dakota Department of Labor	GS	**Governor** [Senate]

2002	Tennessee	Tennessee Department of Labor and Workforce	G	**Governor**
2002	Texas	Texas Workforce Commission	B	**Board/Commission**
2002	Utah	Utah Dept. of Workforce Services	GS	**Governor** [Senate]
2002	Vermont	Vermont Department of Labor	G	**Governor**
2007	Vermont	Vermont Department of Labor	GS	**Governor** [Senate]
2002	Virginia	Virginia Employment Commission	GB	**Governor** [Both Legislative Chambers]
2002	Washington	Employment Security Department	GS	**Governor** [Senate]
2002	West Virginia	Bureau of Employment Programs	GS	**Governor** [Senate]
2002	Wisconsin	Department of Workforce Development	GS	**Governor** [Senate]
2002	Wyoming	Department of Employment	GS	**Governor** [Senate]

The raw data of the state agency head's appointment mechanism was obtained from the *Book of the States* between 2002-2021. The data denotes appointment mechanism in thirteen different letter codes by combinations of appointing authority and approval authority for state agency head in each state and year (see Data Codebook page 3 for greater detail on these letter codes).

These letter codes were then converted into a binary indicator of (1) non-direct and direct appointment authority. Next, the second category was further refined based on partisan distinctions into (2) non-direct/Republican governor direct/Democratic governor direct, following the rule below.

1. **Non-Direct Gubernatorial Appointment Authority (0):** Lacking Gubernatorial Appointment Authority (A, B, BS, CE, CS, AG, CG). This category also includes lack of approval (AG and CG) as well as non-partisan, independent governors.

2. **Republican Gubernatorial Direct Appointment Authority:** Republican governor has a certain appointment authority either without approval institution (G), or constrained by an approval institution such as legislature (GE, GLS, GS), board (GB), or council (GC).

3. **Democratic Gubernatorial Direct Appointment Authority:** Democratic governor has a certain appointment authority either without approval institution (G), or constrained by an approval institution such as legislature (GE, GLS, GS), board (GB), or council (GC).

Table A2: Descriptive Statistics for Variable Analyzed in Manuscript

Variable	Mean	SD	Between SD / Within SD	Min	Max	Source
Benefit Overpayment Error Detection Initiated by State UIP Agencies [Claimant Responsible: in 2010 Constant Dollars]	12,000,000	28,600,000	19,000,000/ 21,500,000	247.301	474,000,000	U.S. Department of Labor "ETA-227. Overpayment Detection and Recovery Activities Report"
UIP AGENCY HEAD APPOINTMENT AUTHORITY COVARIATES						
Gubernatorial Direct Appointment (Binary)	0.828	0.378	0.348/0.154	0.000	1.000	The Book of the States. 2002-2021.
Gubernatorial Direct Appointment (Partisan Distinctions)[1]	1.230	0.722	0.593/0.420	0.000	2.000	The Book of the States. 2002-2021.
CONTROL COVARIATES						
Election Year	0.264	0.441	0.053/0.438	0.000	1.000	The Book of the States. 2002-2021.
Economic Policy Liberalism	−0.025	1.239	1.221/0.267	−2.471	3.325	Warshaw, Christopher, and Devin Caughey. "Mass Ideology and Policy Liberalism of American States from 1936-2020," http://www.chriswarshaw.com/data.php
Public Sector Unionization	36.579	17.665	17.427/3.759	4.300	76.200	Hirsch, B.T. and Macpherson, D.A. "Union Membership and Coverage Database," https://unionstats.com/
Unemployment Rate	5.671	2.037	1.065/1.742	2.108	13.783	U.S. Bureau of Labor Statistics. "Local Area Unemployment Statistics. 2002-2021."
ln(Agency Budget Size)	17.471	0.940	0.934/0.164	15.430	20.326	U.S. Department of Labor. "Resource Justification Model," https://oui.doleta.gov/rjm/
ln(Total Paid Claims)	14.135	1.176	1.105/0.429	10.718	17.876	U.S. Department of Labor. "Regular Benefits Information by State."
ln (BAM Total Claimant Error)	17.528	1.422	1.272/0.658	13.493	22.202	U.S. Department of Labor. "Benefit Accuracy Measurement Survey. 2002-2021." Publicly Available Upon Request.
ln(Total Employer Appeals Count)	8.155	1.341	1.284/0.428	4.595	10.935	U.S. Department of Labor "ETA-5130. Benefit Appeals Report"

[1] Three-group categorical variable, indicating "*1*" if Republican governors appoint state UIP agency heads and "*2*" if Democratic governors appoint state agency heads. The baseline category is "*0*" where governors do not have direct appointment authority. See **Figure 1** in the manuscript for a detailed overview of the distribution of appointment authority of each category.

Detailed Description of Dependent Variables: Measures, Data Construction, and Legal Bases

A. Measures and Data Construction

Benefit Overpayment Error Detection (Claimants): Annual sum of Columns **c19** and **c20** from ETA-227 Overpayment Detection and Recover Activities quarterly reports: The first dependent variable, *Benefit Overpayment Error Detection* is measured as the annual sum of claimant-responsible non-fraud benefit overpayments that are detected by state agency through its own initiatives in 2010 constant dollar – independent of those amounts detected via federal-mandated BAM quality control samples. Specifically, it is calculated by subtracting the amount of claimant-responsible overpayment errors detected via BAM from the total reported amount of claimant-responsible, non-fraudulent benefit overpayments (see Column **c19**, Regular UI – State UI – Nonfraud – Claimant Errors Dollar Amount and **c20**, Regular UI – UCFE/UCFX – Nonfraud – Claimant Errors Dollar Amount[2]) of the U.S. Department of Labor ETA-227 Overpayment Detection and Recover Activities – Regular Program (https://oui.doleta.gov/unemploy/DataDownloads.asp), then subsequently adjusted to 2010 constant-dollars by the authors.

This outcome measure only includes the state detection efforts targeting nonfraud overpayments caused by claimants, thus excluding detection efforts for fraudulent overpayments (which is separately reported in Column **c3** in the same dataset). By legal definition, fraud is attributable only to claimants, as defined by "*willful misrepresentation by the claimant."* (U.S. Department of Labor 2017: IV-2-163). We therefore restrict our focus to non-fraud (claimant) benefit overpayment error detection efforts by state UIP agencies. First, fraud-based error

[2] The regular State Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX) are the "*three major Unemployment Insurance programs (UIPs) (U.S. Department of Labor 2021: 1*)" that are federally monitored through the Benefit Accuracy Measurement reporting system.

detection constitutes a different administrative problem and related processes from the one characterized in this study. Unlike non-fraud benefit overpayment errors which are determined at the initiation of state UIP agencies using their administrative discretion, fraudulent activities are typically initiated by actors external to the state UIP agency, such as local law enforcement agencies or private actor complaints regarding identity theft (U.S. Department of Labor Office of Inspector General 2015: 4). This process stands in direct contrast to state UIP agencies using their own means to detect nonfraud benefit overpayment errors. In this way, our measurement scheme reflects agency targeting behavior, and not conflated from targeting by external sources. Second, we omit the state agency efforts to detect benefit overpayment errors that are not attributable to claimants, specifically those involving employers and state agencies, for the purposes of our study. Detection of employer-induced benefit overpayment errors not only involves a distinct operating procedure but also does not necessarily incur benefits for businesses. There is no direct relief from excess financial costs or burdens for these actual detected transactions, because federal law prevents 'an employer's account from being relieved of charges if the actions of the employer led to an improper payment' (U.S. Department of Labor Office of Inspector General 2013: 14). Claimant costs derived from these discretionary error detection efforts also vary by state in such cases where the benefit overpayment error is the fault of either employers or state UIP agencies; cf. cf. See U.S. Department of Labor (2021) Table 6-2. Recovery of Nonfraud Overpayments for greater details on each state provision). However, including these alternative sources of benefit overpayment error detections will conflate the costs to claimants and resulting benefits to employers resulting from state UIP agency-initiated error detection efforts.

For consistency purposes, this benefit overpayment detection error variable excludes those overpayment error detected activities in special unemployment compensation programs outside of regular UIPs, namely the Extended Benefits (EB) programs that extend benefits to workers who have exhausted regular UIP benefits in times of high unemployment (For details, see

https://oui.doleta.gov/unemploy/extenben.asp). Unlike the three regular UIPs (i.e., state UI, UCFX, and UCFE), the EB program is temporary by nature, and its financing structure, involving both federal and state funding, has been inconsistent across states over the sample period (Stone and Chen, 2014). Additionally, the scope of analysis is aligned with other federally mandated performance management systems, such as the Benefit Accuracy Measurement (BAM) survey (U.S. Department of Labor, 2021:1).

B. Benefit Overpayment Detection (for Claimants): Substantive Consequences and Their Legal Bases

According to the Federal Unemployment Tax Act Section 3309(a)(2), employers can only be reimbursed for claimant-induced benefit overpayment errors, thus creating a zero-sum transaction between unemployed workers and employers. When a state UIP agency detects a benefit overpayment of program benefits and determines that it is attributable to the claimant themselves, it must be repaid to the agency (Trade Adjustment Assistance Extension Act of 2011: 383). Subsequently, the benefit charges for the overpaid amount are removed from the employer's unemployment account, which had originally made an overcontribution to the UIP fund due to this claimant error (U.S. Department of Labor 2011: 3; cf. See Federal Unemployment Tax Act Section 3303(a)(1) for the original provision). Due to this federal regulation, when state UIP agencies detect and recoup claimant-induced benefit overpayment errors (i.e., ***Benefit Overpayment Error Detection***), it ultimately results in costs to claimants (i.e., unemployed program beneficiaries). These claimant-induced benefit overpayment errors is simply an overpayment from employers to claimants resulting from claimants' errors (claimants receiving excessive benefits than they are legally entitled to) (U.S. Department of Labor 2017: IV-2-162). Consequently, when UIP agencies detect and recoup these benefit overpayment errors, the financial burden falls on the claimant, unless the claimant requests a waiver under limited circumstances, such as proving a good conscience and/or financial hardship (U.S. Department of Labor 2023: 6-1).

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APPENDIX B

Sub-Mechanism, I: Distinguishing Among 'Unconstrained' Governors versus 'Constrained' Governors [i.e., Lack Unilateral Control: Actual or Effective]

Additional analyses is conducted that delves into the extent that the gubernatorial direct appointment effects observed in the manuscript are related to '*constrained*' governors that lack effective unilateral control over state UIP agency head appointments (requires approval/ confirmation from another government institution, as well as divided partisan control between the governor and approval/confirmation institution); or '*unconstrained*' governors enjoy effective unilateral control (lacking an approval/confirmation institution or experiences unified partisan control between these appointment institutions). The findings appearing in both **Table B1** and **Figure B1** reveal that constrained governors with direct appointment authority exert greater effort at benefit overpayment error detection compared to unconstrained governors. Please note that these estimates are less precise compared to the reported model estimates since the former are comprised of a smaller subset of cases since direct gubernatorial appointment authority is further divided between constrained and unconstrained governors. **Figure B1** displays that this non-partisan direct gubernatorial appointment authority within-state average estimate is $1.525 million ($378.88 per case) in the full sample's **Model BM1**, while being slightly higher in the restricted sample (**Model BM2**): $1.561 million within-state average ($386.17 per case) compared to the non-direct gubernatorial appointment baseline for this set of agencies.

The primary source of this difference involving benefit overpayment error detection between constrained and unconstrained governors is mostly attributed to Republican governors. In the full sample model (**Model BM3**), **Figure B1** reveals that Republican governors with constrained direct appointment authority have $2.002 million higher within-state average compared to the non-

direct gubernatorial appointment authority baseline ($481.16 per case).[3] This suggests that Republican governors are more effective at obtaining partisan policy goals by targeting unemployed workers to the redound of employers when their appointment authority is checked by another institution. In turn, this suggests that lacking complete unilateral control over appointment authority provides state UIP agencies with greater political cover (i.e. legitimacy) for engaging in partisan-based differences in detection of administrative errors that benefit business interests at the expense of labor.

TABLE B1

Alternative Measures of Gubernatorial Partisan Appointment Authority Encompassing Only Unilateral (Actual and Effective) Gubernatorial Control Over the Appointment Process: Unemployment Insurance Programs in the American States, 2002-2021

Variable	(*Full Sample*) (BM1)	(Restricted Sample) (BM2)	(Full Sample) (BM3)	(Restricted Sample (BM4)
Constrained Gubernatorial Direct Appointment	**0.426*** (0.151)**	**0.441*** (0.147)**	_____	_____
Unconstrained Gubernatorial Direct Appointment	**−0.510** (0.235)**	**−0.494** (0.238)**	_____	_____
Republican Constrained Gubernatorial Direct Appointment	_____	_____	**0.944*** (0.296)**	**0.960*** (0.294)**
Republican Unconstrained Gubernatorial Direct Appointment	_____	_____	**−0.223 (0.239)**	**−0.208 (0.244)**
Democratic Constrained Gubernatorial Direct Appointment	_____	_____	**0.016 (0.323)**	**0.030 (0.320)**
Democratic Unconstrained Gubernatorial Direct Appointment	_____	_____	**−0.342 (0.278)**	**−0.327 (0.277)**
Election Year	0.185** (0.085)	0.184** (0.085)	0.258** (0.113)	0.258** (0.114)
Economic Policy Liberalism	1.089*** (0.161)	1.093*** (0.160)	0.912*** (0.176)	0.915*** (0.175)

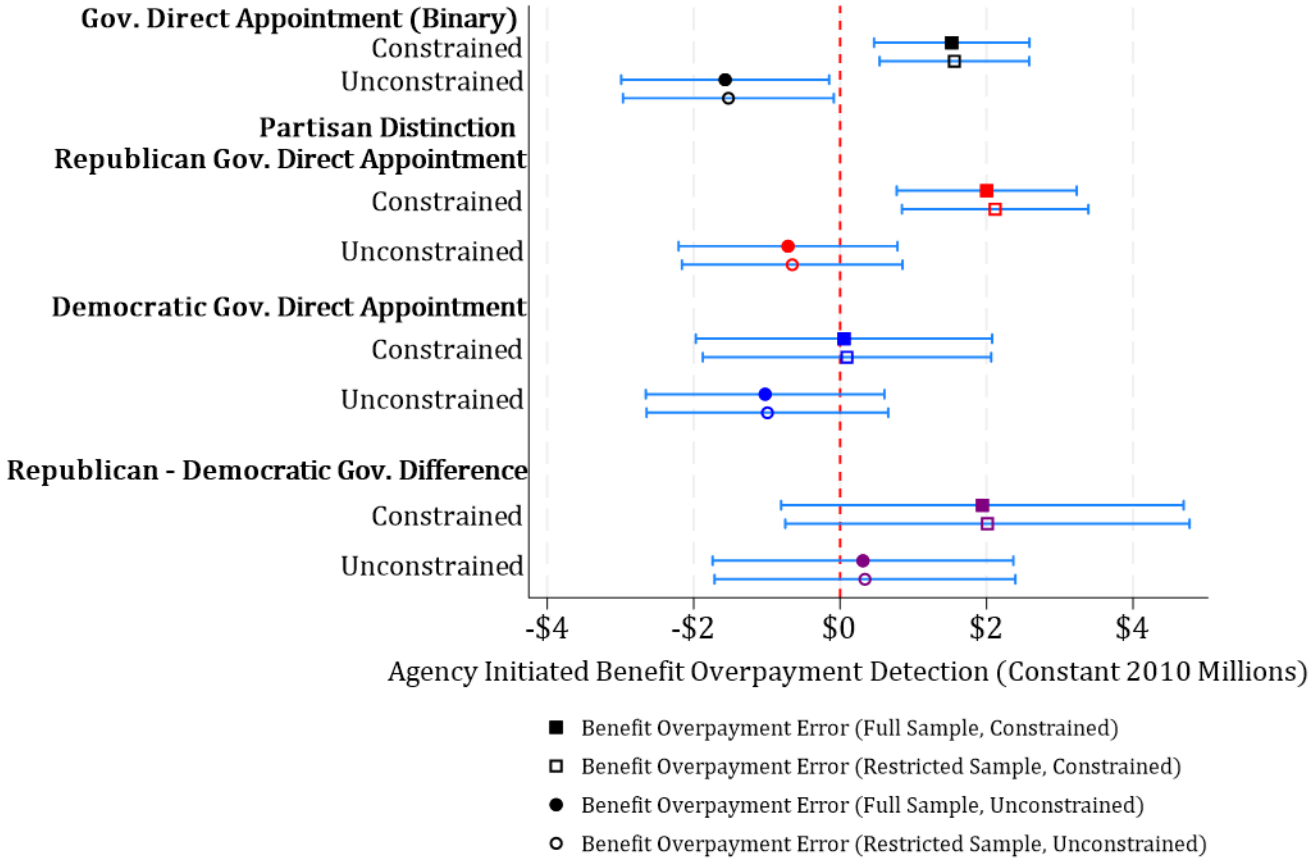
[3] This result is corroborated in the restricted sample (**Model BM4**) in **Figure B1**, with a $2.118 million within-state average higher relative to the non-direct gubernatorial appointment baseline ($505.25 per case).

Public Sector Unionization	0.014	0.014	0.014	0.014
	(0.028)	(0.028)	(0.024)	(0.024)
Unemployment Rate	-0.213^{***}	-0.215^{***}	-0.154^{**}	-0.154^{**}
	(0.056)	(0.056)	(0.071)	(0.072)
ln (Agency Budget Size)	1.545^{***}	1.548^{***}	1.158^{**}	1.158^{**}
	(0.284)	(0.282)	(0.476)	(0.477)
ln (Total Paid Claims)	−0.296	−0.300	0.023	0.020
	(0.447)	(0.446)	(0.500)	(0.502)
ln (BAM Total Claimant Error)	0.126	0.128	0.037	0.039
	(0.132)	(0.131)	(0.125)	(0.126)
ln (Total Employer Appeals Count)	−0.232	−0.231	−0.306	−0.305
	(0.165)	(0.165)	(0.201)	(0.202)
Constant	−5.947	−5.982	−2.320	−2.337
	(5.719)	(5.710)	(6.530)	(6.527)
Year Fixed Effects	YES	YES	YES	YES
State Fixed Effects	YES	YES	YES	YES
Log−Likelihood	−17486.03	−16685.15	−17442.50	−16643.63
AIC	35032.05	33430.30	34951.01	33353.25
BIC	35179.25	33576.06	35112.93	33513.58
Number of Observations	999	952	999	952

Note: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses. * $p \leq 0.10$ ** $p \leq 0.05$ *** $p \leq 0.010$.

Figure B1 Appointment Authority Effects on Agency Initiated Benefit Overpayment Error Detection

(Unemployment Insurance Agency Heads in the American States, 2002-2021)



APPENDIX C

Sub—Mechanism, II: Differential Gubernatorial Partisan Appointment Authority Effects Based On (1) Governors' Prior Business Experience, (2) State UIP Agency Head's Prior Experience, and (3) Neither (1) or (2) [Baseline Effects]

Another mechanism explored to further shed light on the gubernatorial direct appointment authority effects focuses on whether governors or state UIP agency heads have prior business experience in their professional career background. One might expect that those with a professional background in business, both governors and agency heads will prefer to target program benefit overpayment errors more vigorously than those individuals serving in these positions lacking prior business occupational experience. This is because greater detection efforts by state UIP agencies for identifying benefit overpayment errors will redound to the economic benefit of business/ employers at the expense of labor/unemployed workers. To empirically investigate this issue, a pair of binary indicators are operationalized that reflect whether governors and state UIP agency heads had prior business occupational experience prior to their respective election and appointment. The estimates from this analysis appear in **Table C1** and **Figures C1** and **C2**.

These estimates are not only modest, but also exhibit substantially less precision compared to the reported direct gubernatorial appointment authority estimates of primary interest, as well as those based on distinctions between 'constrained' and unconstrained' direct gubernatorial appointment authority covered in **Appendix B**. The sole exception where an estimate both substantively and significantly departs from the non-direct appointment authority baseline occurs when Republican governors have direct appointment authority over state UIP agency heads who happen to have a prior business professional experience. For both models **CM1** & **CM2** in **Table C1 (Top panel, bottom estimate in Figures C1** and **C2**), state UIP agencies headed by an individual with prior business experience that is directly appointed by a Republican governor exhibits a marginal interquartile within-state average increase in state UIP agencies' benefit overpayment error

detection that is $2.102 million (or $453.34 per case) and $2.081 million (or $432.30 per case) million higher than the non-direct gubernatorial appointment authority baseline. Business interests fare well from executive branch governance when a Republican governor has direct appointment authority in selection of a state UIP agency head with prior business occupational experience.

TABLE C1

Conditional Appointment Authority Models of Benefit Overpayment Error Detection By Business Experience of Governors and Agency Heads: Unemployment Insurance Programs in the American States (2002–2021)

Variable	(Full Sample) (CM1)	(*Restricted Sample*) (CM2)
Republican Gubernatorial Direct Appointment	**0.153**	**0.231**
	(0.300)	**(0.333)**
Democratic Gubernatorial Direct Appointment	**–4.086E–04**	**0.079**
	(0.414)	**(0.436)**
Republican Gubernatorial Direct Appointment × Governor Business Experience	**–0.748**	**–0.832***
	(0.459)	**(0.494)**
Democratic Gubernatorial Direct Appointment × Governor Business Experience	**–1.235***	**–1.319***
	(0.717)	**(0.760)**
Republican Gubernatorial Direct Appointment × Agency Head Business Experience	**0.864***	**0.855***
	(0.476)	**(0.482)**
Democratic Gubernatorial Direct Appointment × Agency Head Business Experience	**–0.436**	**–0.447**
	(0.619)	**(0.607)**
Governor Business Experience	0.270	0.353
	(0.350)	(0.401)
Agency Head Business Experience	–0.231	–0.220
	(0.386)	(0.395)
Election Year	0.130	0.129
	(0.085)	(0.085)
Economic Policy Liberalism	0.691**	0.692**
	(0.307)	(0.307)
Public Sector Unionization	0.017	0.017
	(0.024)	(0.024)
Unemployment Rate	–0.072	–0.073
	(0.050)	(0.051)
ln (Agency Budget Size)	1.002**	1.002**
	(0.466)	(0.467)
ln (Total Paid Claims)	0.032	0.030
	(0.453)	(0.456)

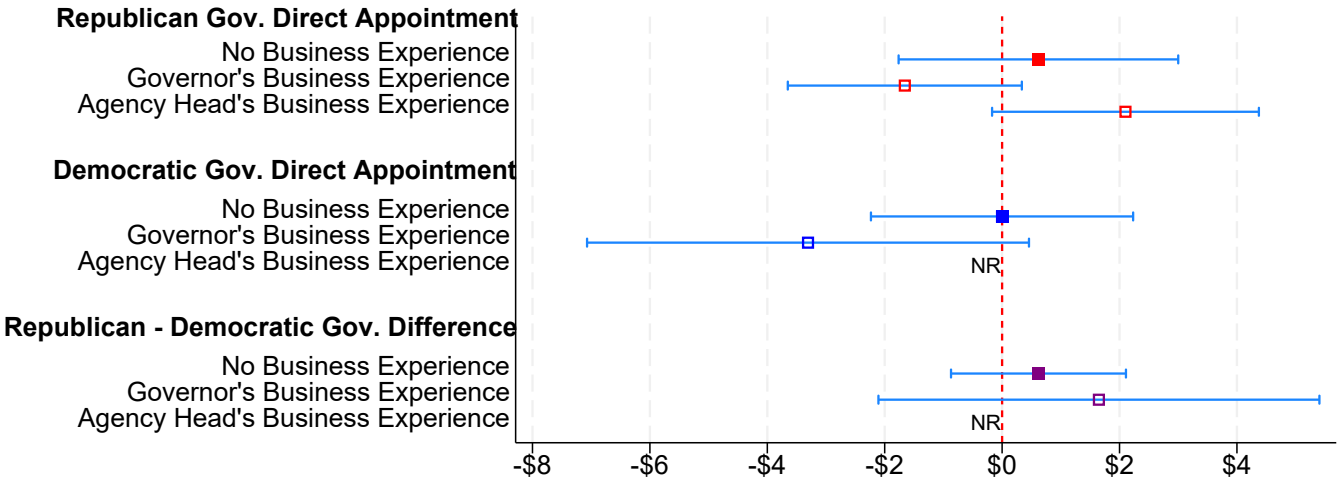
ln (BAM Total Claimant Error)	0.153	0.153
	(0.185)	(0.186)
ln (Total Employer Appeals Count)	–0.647***	–0.647***
	(0.192)	(0.193)
Constant	0.360	0.278
	(6.916)	(6.938)
Year Fixed Effects	YES	YES
State Fixed Effects	YES	YES
Log−Likelihood	–17407.00	–16609.73
AIC	34884.01	33289.45
BIC	35055.74	33459.50
Number of Observations	999	952

Note: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses.

* p ≤ 0.10 ** p ≤ 0.05 *** p ≤ 0.010.

Figure C1 Conditional Appointment Authority Effects on Agency Initiated Benefit Overpayment Error Detection by Governors and Agency Heads' Business Experience

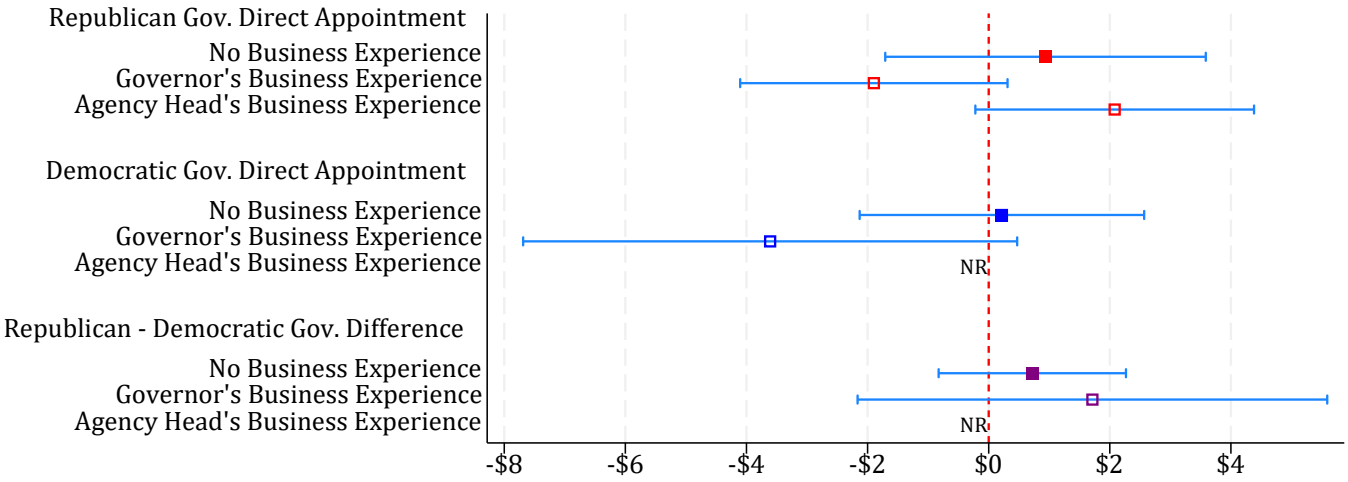
(Unemployment Insurance Agency Heads in the American States, 2002-2021 [FULL SAMPLE])



Note: NR refers to Not Reported due to excessively imprecise estimates

Figure C2 Conditional Appointment Authority Effects on Agency Initiated Benefit Overpayment Error Detection by Governors and Agency Heads' Business Experience

(Unemployment Insurance Agency Heads in the American States, 2002-2021 [RESTRICTED SAMPLE])



Agency Initiated Benefit Overpayment Detection (Constant 2010 Millions)

Note: NR refers to Not Reported due to excessively imprecise estimates

APPENDIX D

Comparison of Reported Unrestricted Model Specifications with Both State and Year Unit Effects Versus Alternative Restricted Model Specifications Omitting Year Unit Effects

Alternative models were estimated comparing the reported two-way fixed effect models containing both state and year unit effects against a restricted version of these models omitting the year unit effects. The results appear in **Appendix Table D1**. The core estimates of interest not only differ, but in some instances change both sign and significance. To adjudicate among these two sets of models based on statistical criteria, several model fit statistics were evaluated (Log-Likelihood Values, AIC and BIC statistics), as well as both descriptive and inferential tests based on differences involving AIC and BIC statistics, log-likelihood ratio statistic tests, and Wald coefficient linear restrictions tests. In every single instance, the unrestricted two-way fixed effect model specification does a vastly superior job of explaining the benefit overpayment error detection data than a restricted one-way fixed effects model specification. For instance, the BIC differentials far exceed the conventional thresholds routinely advocated in model selection ranging between 10 and 30 (e.g., Raftery 1995).[4] Further, both the Log-likelihood and Wald coefficient linear restriction inferential tests soundly reject the null hypothesis that there is no explanatory difference in overall model fit between these model specifications. Taken together, these results not only indicate that the two-way fixed effect models better represent these data compared to a one-way fixed effect model specification, but also suggests that both omitted variable bias and model misspecification are induced with a one-way fixed effects model specification.

[4] Adrian E. Raftery. 1995. "Bayesian Model Selection in Socia Research." *Sociological Methods and Research*. 25: 111-163.

APPENDIX TABLE D1

Comparison of Reported Unrestricted Models (*Both State and Year Unit Effects*) vs Alternative Restricted Models (*Only State Unit Effects*)

Variable	Model 1	Model D1	Model 2	Model D2	Model 3	Model D3	Model 4	Model D4
Gubernatorial Direct Appointment	0.116 (0.138)	−0.606** (0.289)	0.125 (0.089)	−0.678** (0.303)	_____	_____	_____	_____
Republican Gubernatorial Direct Appointment	_____	_____	_____	_____	0.264** (0.094)	−0.349 (0.267)	0.274** (0.094)	−0.462* (0.134)
Democratic Gubernatorial Direct Appointment	_____	_____	_____	_____	−0.505 (0.377)	−1.074*** (0.303)	−0.494 (0.375)	−1.192*** (0.251)
Model Log−Likelihood Value	−17,598.72	−17,789.22	−16,792.67	−16,974.18	−17,532.65	−17,738.16	−16,729.77	−16,924.97
Log−Likelihood Test $-2\ (LL_{\text{Unrestricted Model}} - LL_{\text{Restricted Model}})$	−381*** [0.000]	_____	−363.02*** [0.000]	_____	−411.02*** [0.000]	_____	−390.4*** [0.000]	_____
AIC Statistic	35,265.44	35,598.44	33,653.34	33,968.35	35,129.3	35,498.31	33,521.53	33,871.93
BIC Statistic:	35,598.44	35,647.51	33,818.53	34,016.94	35,286.32	35,552.29	33,672.15	33,925.38
AIC Unrestricted Model − AIC Restricted Model	−333	_____	−315.01	_____	−369.01	_____	−350.4	_____
BIC Unrestricted Model − BIC Restricted Model	−215.24	_____	−198.41	_____	−265.97	_____	−253.23	_____
Linear Restrictions: Omitted Year Unit Effects Test	26,556.16*** [0.000]	_____	25,876.74*** [0.000]	_____	84,993.68*** [0.000]	_____	87,762.94*** [0.000]	_____
State Unit Effects	YES	YES	YES	YES	YES	YES	YES	YES
Year Unit Effects	YES	NO	YES	NO	YES	NO	YES	NO
Control Covariates	YES	YES	YES	YES	YES	YES	YES	YES
Total Number of Observations	999	999	952	952	999	999	952	952

Notes: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses. Control covariates are included in all model specifications (omitted in table for presentation purposes). * $p \leq 0.10$ ** $p \leq 0.05$ *** $p \leq 0.010$.

APPENDIX E

Analyses of Models with Differential Gubernatorial Appointment Effects by Region Differences: South & Midwest: West North Central States Compared to All Other States/Regions (i.e., Northeast, West, and Midwest: East North Central)

We also consider differential gubernatorial appointment regime effects when it comes to benefit overpayment error detection efforts initiated by state UIP agencies. Specifically, we consider differences between regions where state bureaucracies might be systematically lower and tend to be (though not always) in Republican leaning or dominant states. We distinguish between southern and less populated segment of the Midwest 'Great Plains' states covering the Western Midwestern portion of the North Central United States compared to all remaining states.[5] Although multiplicative (interaction) coefficient estimates do reveal that state agency-initiated benefit overpayment error detection efforts are higher in these regions relative to the remainder of the nation, they are estimated with substantial imprecision that render these estimates as null findings (with p-values ≥ 0.513). Moreover, models that account for such differential regional effects fail to improve model fit, as evinced by the uniform null findings in both the log-likelihood ratio tests statistics and linear coefficient restrictions tests for these additional covariates. Moreover, the baseline regional groups' within-state UIP agency estimates are quite similar in magnitude to those reported in the manuscript, albeit with less precision attributable to the statistical power reduction from these additional terms in these alternative model specifications.

[5] The Southern states are represented by: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia; the Midwest West North Central States are represented by Iowa, Kansas, Minnesota, Missouri, North Dakota, Nebraska, and South Dakota. Regional determinations are based on U.S. Census classifications (https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf).

APPENDIX TABLE E1

Comparison of Reported Models vs Alternative Models with Conditional Regional Direct Gubernatorial Appointment Effects

Variable	Model 1	Model E1	Model 2	Model E2	Model 3	Model E3	Model 4	Model E4
Gubernatorial Direct Appointment	0.116	0.094	0.125	0.101	_____	_____	_____	_____
	(0.090)	(0.130)	(0.089)	(0.127)				
Republican Gubernatorial Direct Appointment	_____	_____	_____	_____	0.264*	0.223	0.274**	0.231
					(0.138)	(0.241)	(0.139)	(0.236)
Democratic Gubernatorial Direct Appointment	_____	_____	_____	_____	−0.505	−0.564	−0.494	−0.553
					(0.377)	(0.514)	(0.375)	(0.509)
South & Midwest: West NC States	_____	0.395	_____	0.377	_____	0.131	_____	0.119
		(0.815)		(0.817)		(0.935)		(0.935)
Gubernatorial Direct Appointment × South & Midwest: West NC States	_____	0.174	_____	0.209	_____	_____	_____	_____
		(0.315)		(0.319)				
Republican Gubernatorial Direct Appointment × South & Midwest: West NC States	_____	_____	_____	_____	_____	0.259	_____	0.293
						(0.478)		(0.476)
Democratic Gubernatorial Direct Appointment × South & Midwest: West NC States	_____	_____	_____	_____	_____	0.386	_____	0.424
						(0.772)		(0.770)
Model Log−Likelihood Value	−17,598.72	−17,598.66	−16,792.67	−16,792.59	−17,532.65	−17,532.27	−16,729.77	−16,729.36
Log−Likelihood Test $\chi^2 \sim (2)$	0.12	_____	0.16	_____	0.76	_____	0.82	_____
$-2\ (LL_{Unrestricted\ Model} - LL_{Restricted\ Model})$	[0.942]		[0.923]		[0.684]		[0.664]	
AIC Statistic	35,265.44	35,265.32	33,653.34	33,653.18	35,129.30	35,128.55	33,521.53	33,524.72
BIC Statistic:	35,432.27	35,432.15	33,818.53	33,818.37	35,286.32	35,285.56	33,672.15	33,685.06
AIC Unrestricted Model – AIC Restricted Model	−0.12	_____	−0.16	_____	−0.75	_____	−3.19	_____
BIC Unrestricted Model – BIC Restricted Model	−0.15	_____	−0.16	_____	−0.76	_____	−12.91	_____
Linear Restrictions: $\chi^2 \sim (2/3)$	1.40	_____	1.71	_____	1.61	_____	2.00	_____
Omit Region Additive and Multiplicative Terms	[0.496]		[0.425]		[0.657]		[0.572]	
State Unit Effects	YES	YES	YES	YES	YES	YES	YES	YES
Year Unit Effects	YES	YES	YES	YES	YES	YES	YES	YES
Control Covariates	YES	YES	YES	YES	YES	YES	YES	YES
Total Number of Observations	999	999	952	952	999	999	952	952

Notes: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses. Control covariates are included in all model specifications (omitted in table for presentation purposes). * $p \leq 0.10$ ** $p \leq 0.05$ *** $p \leq 0.010$.