

EXAMINING THE EFFECTS OF STATE-LEVEL LOBBYING  
REGULATIONS ON POLICY OUTCOMES:  
A FIFTY-STATE COMPARATIVE  
ANALYSIS

by

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## Abstract

This project investigates the impact of lobbying regulations at the state level on policy outcomes through a fifty-state comparative analysis. Using the Newmark (2017) index as a measure of lobbying regime restrictiveness in each state, the study evaluates whether states with more stringent lobbying regulations are less likely to adopt policies associated with corporate or elite interests. Dependent variables selected were minimum wage, corporate tax rates, occupational licensure, universal school choice, adoption of California emissions standards, and right-to-work laws. Through a combination of OLS and logistic regression analyses, statistically significant relationships were identified in four of the six models. Stricter lobbying laws were found to be associated with higher minimum wages, higher corporate tax rates, greater likelihood of adopting California emissions standards, and a lower likelihood of enacting right-to-work laws. The findings suggest that anti-lobbying rules play a modest but meaningful role in shaping policy outcomes, especially those most squarely involving direct economic considerations. The results contribute to the growing literature assessing the real-world consequences of these regulations and to the debate on the efficacy of reforms aimed at curtailing special interest influence.

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## Introduction

Concerns regarding the power of special interest groups are deeply rooted in the history of American politics stretching back to the founding era. In *Federalist No. 10*, James Madison wrote of “a number of citizens, whether amounting to a minority or majority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community” (Madison, 1787). These Madisonian “factions,” today commonly referred to as interest groups or special interests, are visible and omnipresent in U.S. politics with some of the largest (AARP, National Rifle Association, etc.) boasting membership rosters in the millions (AARP, n.d.; National Rifle Association, n.d.). However, the core purpose of these groups remains that which Madison so eloquently identified: to unite in furtherance of the group’s common interest without inherent regard for the interests of wider society.

To influence legislators, bureaucrats, and other political actors, special interest groups undergo lobbying activities. While the precise definition of lobbying varies by jurisdiction, it can be generally understood as the act of supporting, opposing, otherwise influencing, or attempting to influence legislation or regulations. Lobbyists, therefore, are professionals who receive compensation to lobby or who engage in lobbying as part of their employment. Lobbying activity can take place at any level of government, from municipalities to the federal government.

The lobbying industry has grown over the years to now total over \$4 billion annually at the federal level with over 12,000 registered lobbyists (Giorno, 2023). All this money changing hands raises the question as to what influence lobbyists and special

interests have over the policy outcomes of government. Scholarly and regulatory efforts have primarily focused on addressing lobbying at the national level. At the state level, lobbying regulations vary significantly, and there is little research into how effective these restrictions are at curtailing the influence of special interests. Were there to be significant evidence of the effectiveness of these laws, state lobbying regulations may serve to bring policy outcomes in greater alignment with the public will and interest. To that end, this paper examines whether the stringency of state regulations on lobbying activity influences a state's adoption of policies that affect economic interest groups.

### **Literature Review**

States have desired to regulate the relationships between lobbyists and legislators for decades, employing various methods such as ethics laws, registration requirements, and reporting requirements (Rosenthal, 2001). Despite the notion that lobbyists provide information to officials on their constituent groups' stances on issues, the public has long perceived lobbying activities as a threat to democratic rule and to public policy in the public interest (Rosenthal, 2001). Thus, these regulations are designed to reduce the appearance of impropriety, boost public trust in government, and reign in bribery and vote-buying by special interests (Newmark, 2005). They work to "structure the relationship between lobbyists and state legislators by defining lobbyists for purposes of registration, mandating reporting requirements, and creating prohibitions of limitations on gifts, rules for campaign contributions, and statutory definitions for conflicts of interest" (Ozmy, 2010). However, as these restrictions have proliferated at both the federal and state level, there has been significant debate as to whether additional laws or regulations substantially affect lobbying activities.

Previous research has attempted to address various aspects of this question, with significant discussion related to whether registration requirements affect the number of lobbyists within a state. Brinig, Holcombe, and Schwartzstein (1993) make the case that such regulations serve as barriers to entry for lobbyists and raise the costs of influencing policymakers. It can be expected then that low demanders of legislation will exit as the marginal benefit received from further lobbying is exceeded by the marginal cost of doing so. The total number of lobbyists would be expected to decrease as a result. Others have argued that the expectations of these regulations are either so minimal or so poorly enforced that they serve as negligible barriers to entry (Opheim, 1991; Thomas and Hrebener, 1991). Lowery and Gray (1997) suggest that lobbying laws may be exercises in symbolic politics where politicians can claim credit for reigning in the influence of special interests while affecting very little in practice. They note that this account seems to fit the pattern of revision in lobbying laws in response to Watergate-era scandals (Thomas and Hrebener, 1991) as well as legislative scandals in Arizona, South Carolina, and California in the 1990s. If lobbying laws serve to do little more than placate concerns about special interest influence in politics, then the public may be being painted an overly rosy picture of the representativeness of their government.

Some more modern scholarship concludes that restrictions do affect the number of lobbyists registered within a state but not necessarily the volume of underlying lobbying activities. This is a result of increased evidence that lobbyists and clients are not complying with transparency laws (Thomas and LaPira, 2017). For example, following the enactment of an Obama-era ban on lobbyists serving on advisory committees, some lobbyists canceled their registrations (Bogardus and Leven, 2012). Strickland (2018,

2021) concludes there is a clear trade off faced by reformers between increasing the public's knowledge about the activities of lobbyists and restricting their activities. For example, laws may make it difficult for registered groups to contribute to campaigns, but these groups will be less likely to register as a result (LaPira and Thomas 2017). These effects are amplified by definitional considerations that may fail to fully encompass all attempts to influence legislators. This research lends to the notion that lobbying restrictions do little to stymie the effect of interest lobbying on policy outcomes.

Other research into lobbying regulation has explored whether regulations affect the composition or diversity of interest group communities within states. Lowery and Gray (2001) note it is clear the interests represented by these communities differs significantly from the distribution of those interests in greater society. For example, scholars have consistently found a high proportion of business interests among interest organizations, lobbyists, and political action committees (Schlozman and Tierney 1986; Schattschneider 1960; Thomas and Hrebenar 1990). To Lowery and Gray (1998), lobbying regulations have little effect on the diversity of interests represented and therefore the gap remains persistent. Thus, to the extent that lobbying communities represent interests that are substantively divorced from those of the general public, lobbying regulations may do little to correct for this. In that case, the Madisonian view of factional pluralism, where numerous and diverse interests balance each other through competition, would be deeply eroded.

In evaluating the effectiveness of lobbying regulations, other relevant concerns have also been raised. Namely, regulation may change the mix of information that legislators receive if it disproportionately influences activities done on behalf of different

types of interests (Brinig, Holcombe, and Schwartzstein, 1993). Additionally, the validity of registration data as a measure of the size or density of interest communities is debatable if the stringency of regulations affects registrations (Hamm, Weber, and Anderson, 1994).

Despite the wealth of scholarship in addressing questions of the effects of regulations on lobbying community size, composition, and diversity, comparably little has gone to determining whether these regulations lead to differences in policy outcomes. Given the public's widespread concern about special interests, finding that states with more stringent regulations passed laws less in alignment with traditional corporate economic interests would be *prima facie* evidence for the effectiveness of these policies in curbing influence. By contrast, no significant relationship between the restrictiveness of lobbying laws and state economic laws may imply that these rules are inadequate to reign in the influence of interests in policymaking.

One attempt at bridging this gap in the literature was Ozymy's (2010) extensive survey of state legislators on perceptions of interest group influence. Using data on the number of lobbying regulation and an opinion survey of legislators, he found evidence of a perception that interest groups exert less influence in states with stricter regulations. They also were more likely to report the same phenomena when the scope of lobbying regulation had increased in the preceding two or three years. Building further, Flavin (2014) found that states with stricter lobbying regulations have more egalitarian patterns of political representation. However, there remains no modern identifiable study that correlates the restrictiveness of these regulations with policy outcomes on economic issues likely to garner significant lobbying attention. Flavin measured the representation

gap between citizens and policies on an ideological scale in attempting to observe the effects of state lobbying indirectly. This paper attempts to get at the same effect more directly through a fifty-state comparison of states on restrictiveness of lobbying laws and their economic policies on key issues associated with economic interest groups.

In summary, existing research is inconclusive on the degree to which existing lobbying laws serve as a barrier for entry for those seeking to influence the government. There remains a healthy debate on whether these regulations are merely performative with little impact on underlying lobbying activity. Research into lobbying regulation's effect on influence at the state level is comparatively scarce in recent years, but the perception of legislators is that interest groups exert less influence when regulations are stricter (Ozmy, 2010). Others have tried to measure whether states with stricter lobbying regulations display more egalitarian patterns of political representation (Flavin, 2014); however, no scholarship to date has attempted to observe the effect of lobbying regulations on policy outcomes themselves through a fifty-state comparison. This paper attempts to fill that gap and answer the question of whether increased lobbying restrictions decreases the likelihood of states adopting policies associated with traditional corporate and elite interests.

### **Theoretical Approach**

The traditional argument in favor of lobbying regulations is that they work to erect guardrails around the relationship between lobbyists and elected officials. Under this view, lobbying regulations work to curtail both the vote-buying and influence peddling behaviors that would otherwise exist (Newmark, 2005) as well as provide the public access to information on which interests are attempting to shape policy. The

effectiveness of these regulations, therefore, rests in the degree to which they substantively impact the actions and considerations of lobbyists and public officials as well as provide for transparency regarding lobbying activities. To illustrate the theory behind how these laws work to affect the lobbyist-legislator relationship, I begin with a theory of the decision-making process of legislators.

Contrary to the traditional public interest view of elected officials as primarily interested in acting for the public benefit, this paper follows the work of public choice scholars such as James Buchanan and Gordon Tullock. Namely, it is assumed that politicians are primarily motivated by self-interest to attain reelection or higher office. To that end, the decision-making process of legislators can be seen as a cost-benefit analysis of whether an action leaves them more likely or less likely to be re-elected. Lobbyists and their interest backers may offer the benefit of campaign contributions, for example, but supporting their interests may cost votes if a legislator is perceived to be bought-and-paid-for or breaks dramatically with public opinion.

There are other cost-benefit considerations before lobbying regulations are brought to the table. Chief among them is the oft-discussed theory of rational ignorance (Downs, 1957) which holds that voters are unlikely to inform themselves enough about politics to hold political actors to account. Under this view, it would be expected that, in the absence of any restrictions on lobbying, legislators would generally entertain their overtures given the near total absence of disincentive from constituent discovery. However, as Brinig, Holcombe, and Schwartzstein (1993) noted, lobbying restrictions raise the costs of these activities and act as a countervailing force. As the costs of lobbying increase, fewer demanders of policy will engage in it. With less benefit to be

gained from entertaining interests, policymakers are expected to be less likely to enact policies in line with interest groups. It is this theory of how lobbying regulations affect influence activities and how those activities in turn affect policymakers that underpins the hypotheses of this paper.

Not all issues draw the same level of attention from special interest groups and their lobbyists. It was previously noted that economic interests tend to be overrepresented in state lobbying communities. Thus, it is theorized that on issues associated with traditional economic and corporate interests, there will be observable differences in public policy depending on the constraints placed on lobbying. Namely, the hypotheses presented here predict that across the states, there will be a noticeable decline in the adoption of state policies associated with corporate and elite interests as anti-lobbying laws grow more restrictive. This is because it is theorized that these interests are overrepresented in lobbying communities at the state level and will therefore be the most affected by attempts to reign in lobbying.

**Hypothesis 1:** In a comparison of states, those with more restrictive laws regulating lobbying will have a higher minimum wage.

The minimum wage is a ubiquitous issue among the states that engenders a significant amount of lobbying activity. And while it is true that labor interest groups often advocate for an increase in the wage baseline, business interests typically lobby to keep the statutory minimum down—and far outspend their counterparts. It should be acknowledged there may be instances of business interests seeking to keep wage floors high to stifle smaller competitors. However, entire industries like restaurateurs consistently come down firmly against higher wages. According to Gurciullo (2015), the

2014 federal elections cycle saw pro-labor groups like the Service Employees International Union spend around \$140 million compared to the \$1.6 billion contributed by groups like the U.S. Chamber of Commerce and National Restaurant Association (sometimes referred to as “the other NRA”). It is assumed that this same disparity in interest group pressure exists at the state level such that the corporate interest is traditionally in favor of downward pressure on minimum wages (especially circa-2015 timeframe of the data analyzed herein). An overwhelming business skew in lobbying activity against a higher minimum wage would suggest that effective anti-lobbying laws would increase the statutory wage. This is expected because there would be a reduction in the potential electoral benefit received for legislators to vote in the corporate interest relative to labor.

**Hypothesis 2:** In a comparison of states, those with more restrictive laws regulating lobbying will have a higher corporate rate.

Like the minimum wage, corporations have a vested interest in the profit motive to keep tax burdens as low as possible. Nationally, the largest 55 corporations that paid \$0 in corporate income taxes spent over \$450 million in 2020 on lobbying activities (Fonger, 2021). It is difficult to see why the same corporate interests would not undertake similar efforts to affect their state corporate income rates. It is therefore anticipated that under a less restrictive anti-lobbying laws, a significant amount of lobbying activity keeps downward pressure on corporate tax rates. Under more restrictive regimes, this activity is expected to be diminished to some degree making higher corporate rates more likely in relative terms.

**Hypothesis 3:** In a comparison of states, those with more restrictive laws regulating lobbying will have less of their labor force occupationally licensed.

While less oft-discuss by the public, rent-seeking through the enactment of new professional licensure regulations has found footing in economist circles for years. Occupational licensure laws require those that wish to practice a particular occupation to first fulfill government requirements or undergo examinations before doing so. The justification for many such laws is that they protect the protect public health and safety, but they also serve as barriers for entry into an industry. By making it more difficult for new participants to enter a profession, and therefore bid prices for services down through increased competition, an above-average rate of return (“rent) can be earned by those already in the industry. It is this phenomenon that has led many to conclude that these laws have grown to include many examples of economic protectionism. Kleiner and Vorotnikov (2017) explain how this came to be quite simply, “licensing laws can be explained by the observation that licenses are most often created in response to lobbying by those already at work in an occupation and their industry associations.” With increased restrictions on these lobbying activities in a given state, it is therefore anticipated that a lower percentage of that state’s workforce will face occupational licensure requirements.

**Hypothesis 4:** In a comparison of states, those with more restrictive laws regulating lobbying will be less likely to enact school choice legislation.

In 1955, Milton Friedman in “The Role of Government in Education” proposed a new instructional model for the nation’s youth where the government would give parents vouchers redeemable for approved educational services. The idea was to break the near

monopoly of modern public schools on education and increase competition and outcomes. In the decades since, supporters of vouchers and similar policies—now known as school choice—have pushed hard for their preferred policies, and deep-pocketed donors have spent hundreds of millions on the cause (Prokop, 2023). Until the last several years, these efforts bore little fruit outside of targeted programs for low-income families as wider efforts have been viewed as subsidizing wealthier families' private or religious school tuition while draining public schools of resources. However, the push has found footing in a number of states including West Virginia in 2021, Arizona in 2022, and eight more in 2023 (Prokop 2023). Like with the minimum wage, it is true that a great deal of lobbying takes place on both sides of this issue, and teachers' unions are some of the most active and well-funded interest groups in the nation. However, it is hypothesized that increased lobbying restrictions would cause school choice policies to become less likely to be enacted primarily because of historical voter opposition even in so-called red states (Prokop 2023). Returning to our model of policymaker decision-making, restrictions on lobbying will decrease the benefit to reelection of supporting school choice to a greater degree than restrictions would decrease the electoral benefit of opposing school choice assuming voters prefer the latter. Because this dependent variable falls less directly within a traditional corporate or elite interest, it may also be useful in identifying the breadth of any effect of regulations found.

**Hypothesis 5:** In a comparison of states, those with more restrictive laws regulating lobbying will be more likely to enact the California Clean Air Act standards.

The opposition to environmental protection regulations by corporate lobbyists is perhaps more infamous than any other. Spurred by the profit motive, these corporations have a vested interest in blocking or watering down government regulations that increase their costs. The Air Quality Act of 1967 (later, the Clean Air Act) was one of the first federal attempts at environmental protection, and while it prevented states from setting standards stricter than the federal standards, it contained an exemption for California to implement harsher restrictions due to its persistent smog issues (Barczewski, Lattanizo, and Peterson, 2024). Section 177 of the Clean Air Act permitted other states deemed in “nonattainment” with air quality standards to adopt stricter California standards with the rationale that some may have a compelling need. These standards heavily regulate emissions, such as those from tailpipes, that increase costs to corporations like auto manufacturers. It is hypothesized that lobbying restrictions would increase the likelihood of states adopting the California standards by diminishing the ability of these corporations to influence policymakers.

**Hypothesis 6:** In a comparison of states, those with more restrictive laws regulating lobbying will be less likely to enact right-to-work legislation.

Right to work laws refer to laws that protect an “employee’s ability to work for an employer without joining a union or paying agency fees for representation” (NCSL, 2023). Proponents believe these laws are necessary to protect workers and labor competition while critics argue they are intended to undermine labor unions to the benefit of corporate employers. Large labor unions boast sizable memberships and amass millions to fight for their own interests in government, and it is hypothesized that states with more restrictive lobbying laws will be less likely to enact right to work laws. This

hypothesis is justified because the consistent decline in union membership over the last half-century (Bureau of Labor Statistics, 2024) coupled with increased corporate consolidation is likely to have relatively favored corporate lobbying power in recent years. Thus, anti-lobbying regulation would have a greater adverse effect in absolute terms of those hoping to enact right to work legislation.

The findings of this paper could answer multiple questions relevant to the modern discussion on the influence of lobbyists. Most directly, it could help to identify whether there is evidence of the effectiveness of anti-lobbying laws at the state level. Findings contrary to any or all of Hypotheses 1 through 6 may be cause for concern if lobbying laws seemingly have no effect on policy outcomes that heavily implicate large economic or corporate interests. By contrast, evidence to support Hypotheses 1 through 6 would provide evidence against the argument that lobbying laws are merely performative and achieve little in affecting the balance of power in government. Additionally, if this paper can help to discover which type of issues are resistant to efforts to curtail influence, then it can contribute to future discussion on how to tailor regulations to further minimize the power of special interests regarding issue areas.

### **Methodology**

When searching for the effect that anti-lobbying laws may have on policy outcomes, it is impossible to determine what laws states would have enacted had their regulations on influence been different at the time. The best alternative is to compare all fifty states on a wide range of issue areas to elucidate differences between outcomes under restrictive and unrestrictive anti-lobbying regimes. This paper conducts six such quantitative analyses between two variables, a dependent variable (policy outcome) and

independent variable (lobbying restrictiveness). These variables will be operationalized using existing datasets from each state in the nation. Hypotheses 1 through 6 present six dependent variables (minimum wage, corporate tax rate, proportion of workforce licensed, school choice laws, CA Clean Air Act standards, and right-to-work laws). The dependent variables for Hypotheses 1 through 3, including minimum wage, the corporate tax rate, and the proportion of workforce licensed, shall be measured using interval level indicators. An ordinary least squares (OLS) linear regression analysis will be conducted for each dependent variable and the interval level data for the independent variable, lobbying restrictiveness. These analyses will reveal how much each variable increases or decreases as lobbying laws become more restrictive. The indicators dependent variables for Hypotheses 4 through 6 are dummy variables representing the presence or absence of school choice, CA Clean Air Act, or right-to-work statutes. As a result, a linear regression is not possible, and a logistic regression will be utilized between each dependent variable and the independent variable. These analyses will reveal how much the likelihood of a state having any of those respective laws increases or decreases as lobbying laws become more restrictive. The rest of this section details the specific ways each dependent variable concept is operationalized, which data sets are utilized, and what limitations are inherent in the methodology selected.

### **Independent Variable: Restrictiveness of Lobbying Regulations**

To measure the variation in how restrictive lobbying regulations are among the states, an indicator is needed that considers the disparate ways in which legislatures have attempted to reign in lobbying activities. These include the broadness of defining what constitutes lobbying under state law, what activities are prohibited by those defined as

lobbyists, and what reporting and/or disclosure requirements exist for lobbyists.

Historically, the best source of data on states lobbying regime restrictiveness was the *Book of the States* (BoS) data examining state statutes, constitutional provisions, and materials from oversight departments and agencies. This approach has been utilized and evaluated by several scholars (Opheim 1991; Newmark 2005; Ozymy 2010; Flavin 2015). Newmark (2005) utilized the BoS data to create an additive index measuring state lobbying regulation up through the mid-2000s. However, BoS data breaking down lobbying restrictiveness by state has not been published since 2005. Newmark (2017) reproduced an updated dataset (2015 Newmark index) and used the same method employed by the *Book of the States* but reflected laws up through the end of 2015. Moreover, this updated data did not rely on state agency self-reporting and, therefore, removed the possibility that some of the data was misreported by governments (Newmark, 2017).

The 2015 Newmark additive index, copying the methodology of the 2005 Newmark measure, examined three different areas of lobbying regulations and determined whether each component was present/absent in each state. If a state included the provision, that was coded as a 1, and if it did not then a 0 was coded. The sum (from a low of 0 to a high of 19) reflects the overall restrictiveness of a state's lobbying regulations. The three domains reviewed were definitions of lobbyists/lobbying, prohibited activities, and registration and reporting/disclosure requirements (Newmark, 2017).

### ***Definitions***

Definitions included whether undergoing the following activities mandated registering as a lobbyist: legislative lobbying, administrative agency lobbying, elected officials as lobbyists, and public employees as lobbyists (Newmark, 2017). Definitions also included the presence or absence of compensation standards (a certain amount of money received for lobbying), expenditure standards (a certain amount of money spent on lobbying), and time standards (a certain amount of time devoted to lobbying efforts (Newmark, 2017).

### ***Prohibited Activities***

The prohibited activities component of the index included if lobbyists are prohibited from making campaign contributions at any time; if they are prohibited from making contributions during legislative sessions; solicitations by officials or employees for contributions or gifts; contingent compensation; and revolving door restrictions (Newmark, 2017). Contingent compensation was defined as lobbyists receiving remuneration only if some lobbying-related goal was achieved, and revolving door laws prohibit lawmakers from becoming lobbyists without a waiting period having lapsed.

### ***Registration and Reporting/Disclosure Requirements***

Registration and disclosure requirements included whether the following required reporting or disclosure: attempting to influence legislation or administrative action, expenditures benefitting public officials or public employees, compensation received, total compensation received (by employer), categories of expenditures, total expenditures toward lobbying, and contributions received from others for lobbying.

### *Operationalization*

The 2015 Newmark additive index assigned an overall score up to 19 to each state based on the above measures which are depicted in the table below. These values shall constitute the interval-level variable for lobbying regulation restrictiveness.

Table 1. All U.S. States Ranked by Restrictiveness of Lobbying Laws, Descending					
State	2015 Newmark index	State	2015 Newmark index	State	2015 Newmark index
Kentucky	19	Arkansas	14	Oklahoma	12
Colorado	18	Hawaii	14	Utah	12
California	17	Iowa	14	West Virginia	12
Arizona	16	South Carolina	14	Idaho	11
Maine	16	Virginia	14	Kansas	11
Massachusetts	16	Illinois	13	Louisiana	11
Wisconsin	16	Minnesota	13	Missouri	11
Alaska	15	New York	13	New Hampshire	11
Connecticut	15	North Carolina	13	Delaware	10
Maryland	15	Tennessee	13	Georgia	10
New Jersey	15	Texas	13	Ohio	10
Oregon	15	Indiana	12	Florida	9
Pennsylvania	15	Michigan	12	South Dakota	9
Rhode Island	15	Mississippi	12	Nevada	8
Vermont	15	Montana	12	North Dakota	7
Washington	15	Nebraska	12	Wyoming	7
Alabama	14	New Mexico	12		

2015 Newmark index data compiled by Newmark (2017)

### **Dependent Variable: Minimum Wage**

The concept of the minimum wage is defined as the lowest wage that workers in a state may legally be paid under statute or constitutional provision. This does not include subminimum wage workers which is the rate paid to service workers whose wages are supplemented by gratuity income. Operationalizing this concept is straightforward as at

any given time there is an exact dollar figure minimum wage in each U.S. state (either at or above the federal labor price floor of \$7.25 per hour). For purposes of this paper, data from the National Conference of State Legislatures shall be utilized with data reflecting the current state minimum wages in effect as of April 9, 2024.

Table 2. Minimum Statutory Wage in All U.S. States, April 2024					
State	Minimum Wage	State	Minimum Wage	State	Minimum Wage
Alabama	\$7.25	Louisiana	\$7.25	Ohio	\$10.45
Alaska	\$11.73	Maine	\$14.15	Oklahoma	\$7.25
Arizona	\$14.35	Maryland	\$15.00	Oregon	\$14.70
Arkansas	\$11.00	Massachusetts	\$15.00	Pennsylvania	\$7.25
California	\$16.00	Michigan	\$10.33	Rhode Island	\$14.00
Colorado	\$14.42	Minnesota	\$10.85	South Carolina	\$7.25
Connecticut	\$15.69	Mississippi	\$7.25	South Dakota	\$11.20
Delaware	\$13.25	Missouri	\$12.30	Tennessee	\$7.25
Florida	\$12.00	Montana	\$10.30	Texas	\$7.25
Georgia	\$7.25	Nebraska	\$12.00	Utah	\$7.25
Hawaii	\$14.00	Nevada	\$12.00	Vermont	\$13.67
Idaho	\$7.25	New Hampshire	\$7.25	Virginia	\$12.00
Illinois	\$14.00	New Jersey	\$15.13	Washington	\$16.28
Indiana	\$7.25	New Mexico	\$12.00	West Virginia	\$8.75
Iowa	\$7.25	New York	\$15.00	Wisconsin	\$7.25
Kansas	\$7.25	North Carolina	\$7.25	Wyoming	\$7.25
Kentucky	\$7.25	North Dakota	\$7.25		

2024 Minimum Wage data compiled by NCSL (2024)

### **Dependent Variable: Corporate Tax Rate**

The concept of the corporate tax rate is defined as the percentage rate at which taxes are levied upon the income of corporations doing business within a state. This does not include other taxes which may be imposed upon businesses including gross receipt taxes as they are not directly comparable. To operationalize this concept, the Loughhead (2024) dataset from the Tax Foundation will be utilized which details the corporate

income tax rates in effect for all states as of January 1, 2024. While most states either levy a flat corporate tax on all businesses or no tax at all, there are a minority of jurisdictions that levy marginal tax rates based on the level of corporate income. Where marginal rates exist, the top marginal rate is selected for use in this paper's analysis. That is because it is assumed that to the extent that any corporations undergo lobbying activities to lower their tax burden, those that have the most financial resources and pay the higher taxes are most incentivized and positioned to do so.

State	Corporate Tax Rate	State	Corporate Tax Rate	State	Corporate Tax Rate
Alabama	6.50%	Louisiana	7.50%	Ohio	*
Alaska	9.40%	Maine	9.00%	Oklahoma	4.00%
Arizona	4.90%	Maryland	8.00%	Oregon	7.60%
Arkansas	4.80%	Massachusetts	8.00%	Pennsylvania	8.00%
California	9.00%	Michigan	6.00%	Rhode Island	7.00%
Colorado	4.00%	Minnesota	9.80%	South Carolina	5.00%
Connecticut	7.50%	Mississippi	5.00%	South Dakota	0.00%
Delaware	8.70%	Missouri	4.00%	Tennessee	6.50%
Florida	5.50%	Montana	7.00%	Texas	*
Georgia	6.00%	Nebraska	6.00%	Utah	5.00%
Hawaii	6.40%	Nevada	*	Vermont	8.50%
Idaho	5.80%	New Hampshire	7.50%	Virginia	6.00%
Illinois	9.50%	New Jersey	9.00%	Washington	*
Indiana	4.90%	New Mexico	5.90%	West Virginia	6.50%
Iowa	7.10%	New York	7.00%	Wisconsin	7.90%
Kansas	6.50%	North Carolina	2.50%	Wyoming	0.00%
Kentucky	5.00%	North Dakota	4.00%		

\*Denotes a state with no corporate income tax that levies a gross receipts tax; excluded from calculations

Corporate Income Tax Rate data compiled by Loughhead (2024)

### Dependent Variable: Proportion of Workforce Licensed

The concept of the proportion of a state's workforce under licensure is defined at the percentage of the labor force within a jurisdiction that has a license to work in their current occupation. Important differences exist between possessing a license to legally work in a field and a work possessing a certificate signaling some level of competence. Not all self-reported certified workers may be required to possess a certification in order to practice their occupation, and since the goal herein is to focus on the effects of lobbying laws on government-imposed protectionist barriers to entering a field, only licensed workers will be examined. The Kleiner and Vorotnikov (2017) dataset shall be utilized which provides an interval level estimate of the percentage of the workforce under licensure in each state using survey data from 2012 and 2013 while also extracting out workers who are certified only.

State	% Licensed	State	% Licensed	State	% Licensed
Nevada	26.6	Arkansas	20.1	Nebraska	18.2
Iowa	24.3	Virginia	20.1	Ohio	18.1
Maine	24.2	Oregon	19.8	Alabama	18.1
Idaho	23.6	New Jersey	19.6	Wisconsin	18.0
Wyoming	22.8	Kentucky	19.4	Indiana	17.9
North Dakota	22.6	Montana	19.2	South Carolina	17.8
Louisiana	22.4	Arizona	19.1	Massachusetts	17.8
West Virginia	22.0	Pennsylvania	19.1	Illinois	17.7
Minnesota	21.8	Oklahoma	19.0	Colorado	17.6
Connecticut	21.5	North Carolina	18.9	Rhode Island	17.4
Washington	21.5	Texas	18.9	California	17.2
Tennessee	21.3	Mississippi	18.7	Utah	16.3
Hawaii	21.3	Maryland	18.6	New Hampshire	16.0
Florida	21.1	Michigan	18.6	Kansas	16.0

Missouri	21.0	Vermont	18.5	Delaware	15.2
South Dakota	20.9	Alaska	18.4	Georgia	14.4
New York	20.7	New Mexico	18.4		

Percentage under licensure data compiled by Kleiner and Vorotnikov (2017)

**Dependent Variable: School Choice Laws**

School choice in common parlance has become a wide-reaching umbrella term used to describe several different policy attempts at reforming education in the United States. School choice policies include tax-credit scholarships, education savings accounts, and vouchers to name a few. For the purposes of this paper, the concept of school choice will be limited to universal programs available to all K-12 students in a state (not means tested) and applicable toward tuition attending a private school. This distinction is drawn in order to more directly examine the most extreme form of school choice. Because these universal programs extend to upper- and middle-class families and most greatly affect the education system within a state, it is believed that these policies are most likely to garner lobbying attention from resourced individuals and groups. The Stanford, Liberman, and Ifatusin (2024) tracker shall be utilized to reflect states with universal programs. For purposes of creating the dummy variable for analysis, those states without such programs shall be coded as 0. As of November 8, 2024, twelve states have such programs and shall be coded as 1. These are Alabama, Arizona, Arkansas, Florida, Indiana, Iowa, Montana, North Carolina, Ohio, Oklahoma, Utah, and West Virginia.

**Dependent Variable: California Clean Air Act Standards**

Since its exemption under the Clean Air Act was enacted, California has propagated several regulations stricter than the federal requirements. These include, but are not limited to, the state's zero-emission vehicles (ZEVs) standards, low-emission

vehicles (LEVs) standards, and advanced clean trucks (ACT) standards. The concept of states adopting CA clean air standards for the purposes of this paper will be defined as states having adopted the same standards as California for zero-emission vehicles. These requirements are designed for vehicles to reach 100% zero-emission by 2035 (California Air Resources Board, 2024). The variable is defined in this way for two reasons: Firstly, all states that have adopted California's standards for ZEVs have also adopted its standards for LEVs. Secondly, the standards for ZEVs are the most restrictive with the greatest implications for the existing business of the automotive industry. As a result, industry interests have the greatest motivation for expending resources to lobbying state governments to not adopt these standards or repeal these standards, and effective anti-lobbying regulations would therefore have the most observable impact on the status of adopting the ZEV standards. For this variable, the U.S. Department of Energy's (2024) dataset will be utilized which categorizes all 50 states by their adoption or non-adoption of ZEV standards. For purposes of coding the dummy variable, non-adoption states will be coded as 0, and states that have adopted California standards (including CA itself) will be coded as 1. The states that have adopted these standards are California, Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, Virginia, and Washington (U.S. Department of Energy, 2024).

### **Dependent Variable: Right-to-Work Laws**

The concept of right-to-work laws shall be defined as constitutional or statutory provisions that prevent labor unions from compelling workers to become members as a consequence of their employment. This concept can be readily operationalized by

employing the National Conference of State Legislatures (2023) dataset which combines data from the U.S. Department of Labor and state websites. For purposes of coding the dummy variable, states without any constitutional or statutory provision prohibiting closed shop shall be coded as 0, and states with one or more such provisions shall be coded as 1. Table 5 displays the NCSL data on which states have such provisions and when they were adopted, totally 26 current states.

State	Year Constitutional Amendment Adopted	Year Statute Enacted	State	Year Constitutional Amendment Adopted	Year Statute Enacted
Alabama	2016	1953	Nevada		1952
Arizona	1946	1947	North Carolina		1947
Arkansas	1944	1947	North Dakota		1947
Florida	1968	1943	Oklahoma	2001	2001
Georgia		1947	South Carolina		1954
Idaho		1985	South Dakota	1946	1947
Indiana		2012	Tennessee	2022	1947
Iowa		1947	Texas		1993
Kansas	1958		Utah		1955
Kentucky		2017	Virginia		1947
Louisiana		1976	Wisconsin		2015
Mississippi	1960	1954	West Virginia		2016
Nebraska	1946	1947	Wyoming		1963

Data compiled by NCSL (2023); Sources: U.S. Dept. of Labor, state websites

### Methodological Limitations and Controls

Inherent in this approach to examining the effects of lobbying regulations are a number of limitations based on the availability of data, the nature of the policy process, and those stemming from state-level research. Firstly, while the latest comprehensive

quality data available for all fifty states' lobbying restrictions is Newmark (2017), the dataset itself is from 2015 and nearly a decade old. To ensure that the lobbying restrictiveness index utilized in the analysis below accurately reflected the rules in place when the dependent variable policy outcomes were decided, updating Newmark's (2017) index may be advantageous. However, doing so would not change that some dependent variables, such as occupational licensure, have even the recent data compiled from surveys over a decade ago.<sup>1</sup>

The nature of the way in which laws get enacted at the state level presents alternatives to enacting or repealing the dependent variable policy outcomes that would not be affected by lobbying regulations neatly. Namely, several U.S. states provide for ballot initiatives or referendums that can pass amendments and statutes into law by a direct vote of the citizenry or repeal those enacted by the legislature. While it is probable that the influence of powerful moneyed interests remains present in ballot referendum campaigns, these activities are governed more squarely by campaign finance rules and their effects fall outside the theoretical incentives framework of policymakers presented in this paper. The implication for quantitative analysis is that some of the resulting data points in the dependent variables may differ from what the interaction of policymakers, electoral pressures, and lobbyists alone would produce. It is possible, however, that to the extent that these differences exist, they act to reinforce the null hypotheses and therefore

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<sup>1</sup> The difficulties associated with gathering and maintaining accurate and up-to-date data for all fifty states make these limitations very much a feature of state-level research and were thus not deemed fatal to this project.

increase the strength required for the hypothesized relationships to appear in regression analysis. This would seemingly require that it generally be true that when referenda take place, any outcomes are opposite to those hypothesized to be favored by lobbying activities (e.g. propositions raising or maintaining the minimum wage level but not lowering it). Regardless, it is an inescapable limitation of using state policy outcomes as variables in a way that is not present at the federal level.

Another limitation of U.S. state-level empirical research is that the sample size is quite low—limited to a maximum of 50 jurisdictions. While this is not so low-n as to prevent all quantitative analysis, it significantly limits the degree to which other variables can be controlled for simultaneously and, therefore, the degree to which the intended effect can be isolated. In a process as complex as policymaking, there are a number of additional pressures that must be considered, and the chief among them is the influence of political party or the prevailing partisanship of the state itself. It is believed that the status of a state as primarily Democratic or Republican is, of all possible controls, the most likely to have an influence on the dependent variables selected. Thus, it will be utilized as a control variable in the OLS regression of the Hypothesis 1 through 3 variables (minimum wage, corporate tax rate, and occupational licensure). For purposes of coding the variable, states will be Democratic if they voted for that party's presidential nominee in the 2016 presidential election and Republican if not. Unfortunately, this control could not be extended to the logistic regression of the Hypothesis 4 through 6 variables because there was insufficient variation among the Republican states with the CA Clean Air Act regulations, and there was insufficient variation among Democratic states on School Choice.

A final consideration is that the states form a skew left distribution along the 2015 Newmark index independent variable which introduces the issue of inconsistent variance in regression calculations. To account for this violation of the homoscedasticity assumption, all regression calculations shall be done utilizing robust standard errors—the conventional approach to these scenarios.

### **Results**

The quantitative analysis proceeds in two parts. The first section examines ordinary least squares (OLS) regressions of the 2015 Newmark index independent variable and the dependent variables of minimum wage, corporate tax rate, and proportion of workforce occupationally licensed (Hypotheses 1 through 3) controlling for the state's partisan tendency (Democratic State). The second section examines logistic regressions of the 2015 Newmark index and the dependent variables of school choice, CA Clean Air regulations, and right-to-work provisions (Hypotheses 4 through 6). All calculations were completed using 50 observations (one for each state) except for the corporate tax rate calculations given the four states without corporate income tax rates, but with significant gross receipt taxes.

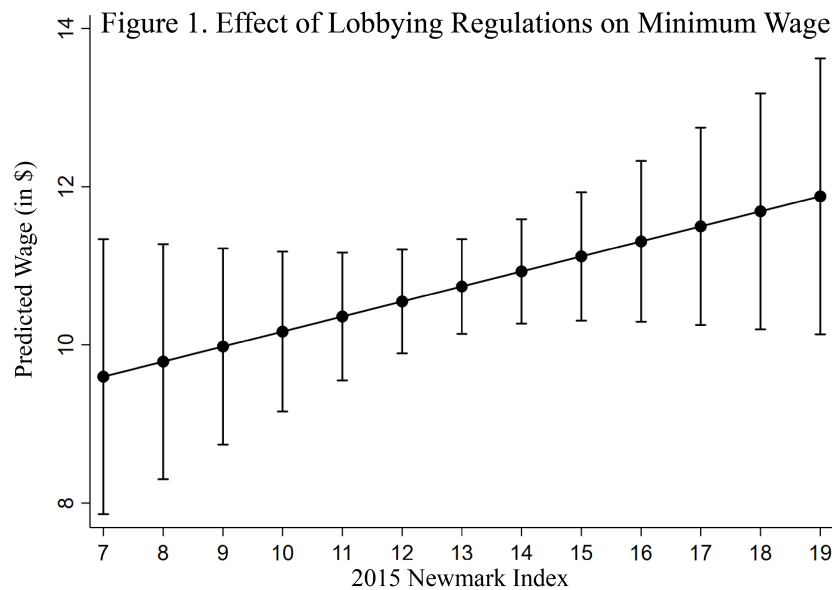
The results of the OLS regressions are summarized in Table 6. Consistent with the expectation that a state's partisan affiliation would have a significant effect on that state's minimum wage, the relationship with the control variable was statistically significant at the  $p < 0.01$  level. There was no significant relationship between a state's partisan tendency and either the corporate tax rate or the proportion of that state's workforce affected by licensure requirements. Even after controlling for these strong effects,

however, observable relationships exist between the restrictiveness of states' lobbying regulations and the first two variables.

Table 6: Effect of Lobbying Regulation - OLS			
	Min Wage	Corp Tax Rate	% Licensed
Lobbying Regulation	0.19*	0.00364**	-0.00208
	(0.135)	(0.0017)	(0.00175)
Democratic State	4.652***	0.0124	0.00391
	(0.703)	(0.00797)	(0.00874)
Constant	6.408***	0.00572	0.221***
	(1.635)	(0.0215)	(0.0226)
Observations	50	50	50
R-squared	0.597	0.23	0.044

Robust standard errors in parentheses

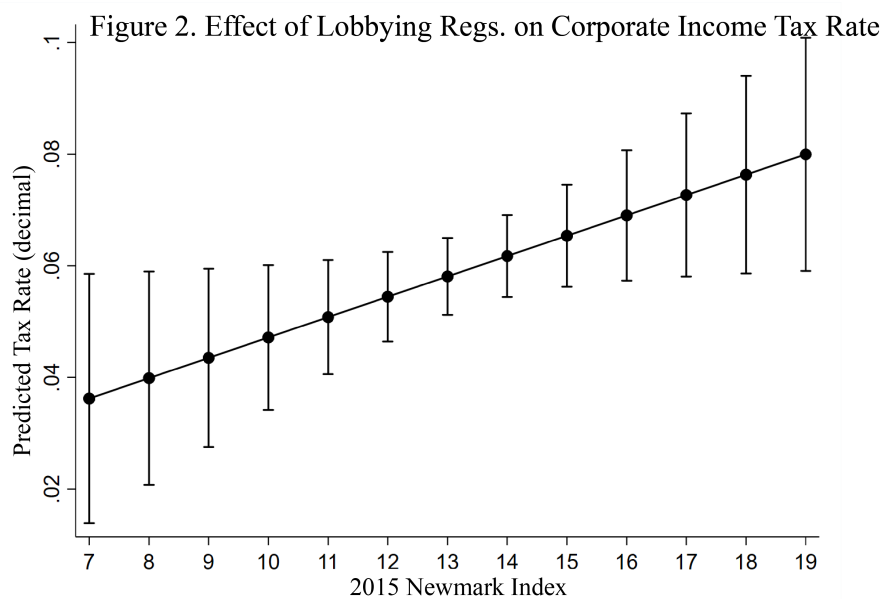
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1



With the control, there is a statistically significant positive relationship between a state's 2015 Newmark index rating and the minimum statutory wage at the  $p < 0.1$  level. The 0.19 coefficient indicates that for each one-unit increase in the lobbying restrictiveness index, a state's minimum wage increases by \$0.19 holding all else constant. As shown in Figure 1, this positive relationship matches the directional prediction of Hypothesis 1. The r-squared value of 0.597 implies that this model has moderate-to-strong explanatory power, and the included variables included explain approximately 59.7% of the variation in minimum wage across the states. While this model therefore captures a meaningful portion of the variation, it leaves room for additional explanatory variables.

There is also a positive relationship between a state's 2015 Newmark rating and its corporate income tax rate statistically significant at the  $p < 0.1$  level. The coefficient indicates an increase of .247 percentage points on average with each one-unit increase in the lobbying restrictiveness index holding all else constant. Compared to the minimum

wage model, the r-squared value indicates that 34.2% of the variation in corporate taxes across states is explained by the included variables and comparably less explanatory power. However, Figure 2 displays that the upward tendency of this observed relationship matches that of the predicted relationship in Hypothesis 2 (more restrictive lobbying laws are associated with higher corporate taxes).



The results of the logistic regression models are summarized in Table 7. Of the three analyses conducted, two models rendered statistically significant relationships at least at the  $p < 0.1$  level (CA Clean Air and Right to Work). There was no significant relationship identified in the School Choice model. Unlike in the OLS regression models, logistic regression does not predict the change in the dependent variable per each unit of change in the independent's value. Rather, the logistic models predict how the log-odds probability of each dummy dependent variable being a certain value changes with movement in the independent. For the purposes of this paper, the question is how likely

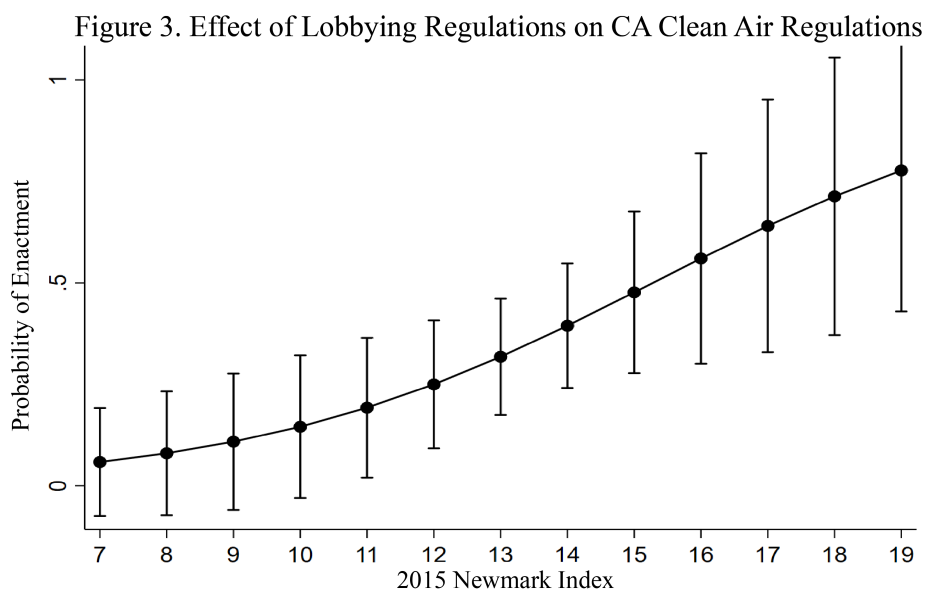
states are to enact each of the dummy dependent. The rest of this section discusses each model with significance in more detail and interprets the associated coefficients.

Table 7: Effect of Lobbying Regulation – Logistic Regression

	School Choice	CA Clean Air	Right to Work
Lobbying Regulation	-0.0888 (0.105)	0.335* (0.180)	-0.293** (0.138)
Constant	-0.0156 (1.398)	-5.121** (2.463)	3.893** (1.794)
Observations	50	50	50

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

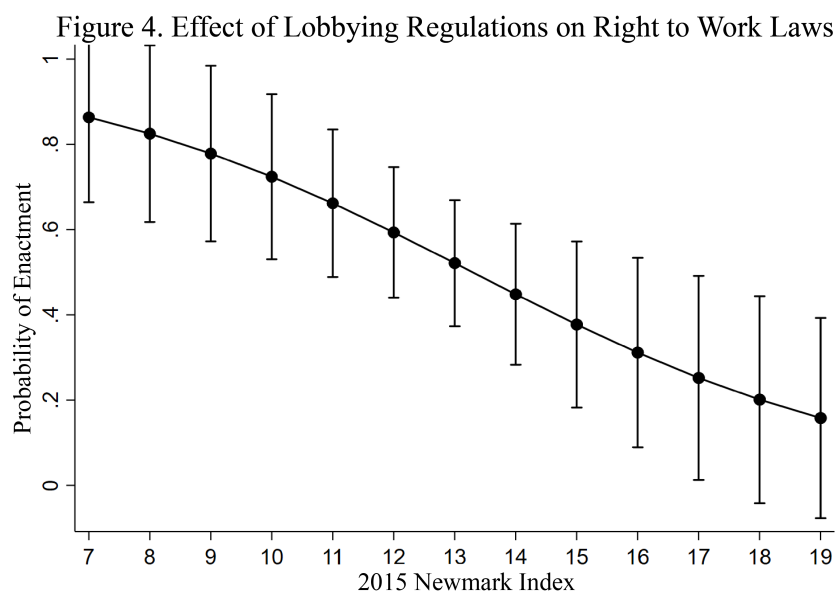


A statistically significant positive relationship was identified between a state's lobbying restrictiveness and the likelihood of it adopting the California Clean Air standards for Zero Emissions Vehicles (ZEVs). Figure 3 displays this upward-sloping relationship consistent with that predicted in Hypothesis 5. The coefficient of 0.0335 must be converted to an odds ratio:

$$\text{Odds Ratio} = e^{0.335} \approx 1.398$$

An odds ratio of approximately 1.398 indicates that the odds of a state enacting the California standards for ZEVs are roughly 1.398 times (or 39.8%) higher when the restrictiveness of lobbying laws increase by one unit on the Newmark index.

Finally, a statistically significant positive relationship exists between the restrictiveness of a state's anti-lobbying laws and the probability of it enacting a right-to-work statute or constitutional provision. Of all six models conducted herein, only this relationship was statistically significant at the  $p < 0.05$  level making it the most significant of any modelled. Again, an odds-ratio conversion is employed to interpret the coefficient:



$$\text{Odds Ratio} = e^{-0.293} \approx 0.746$$

An odds ratio of roughly 0.746 indicates the odds of a state enacting a right-to-work provision are approximately 0.746 times (or 25.4%) lower with each one-unit increase in how strict its lobbying regulations are. Figure 4 displays this negative relationship consistent with that predicted by Hypothesis 6.

### **Discussion**

Of the hypothesized relationships between the restrictiveness of a state's anti-lobbying regulations and the six selected policy indicators, statistically significant evidence for directional relationships in line with those predicted were found for four of the six. The exceptions were Hypothesis 3 and 4's predictions of relationships between lobbying restrictions and the proportion of workforce under licensure and likelihood of adopting universal school choice. However, all findings provide interesting insights given what they suggest (or do not suggest) about the wider impact of lobbying activities on policy outcomes.

The modeled relationships with dependent variables for Hypotheses 1, 2, and 5 all produced statistically significant results, but only at the  $p < 0.1$  level which is generally considered the least rigorous acceptable threshold in social science. However, this does not mean that nothing at all can be gleaned from the results. The relationships for minimum wage and corporate tax rates continued to show statistical significance after the inclusion of the Democratic State control (significant at the  $p < 0.001$  level), demonstrating that the effect was robust to the inclusion of these additional factors. Moreover, the modeled relationship with Hypothesis 6's dependent right-to-work

variable met the more rigorous  $p < 0.5$  threshold of significant, and so there is evidence that some relationship exists between these policy outcomes and lobbying regulations.

It was never posited that the restrictiveness of lobbying regulations was the primary variable impacting any of the selected dependent variables. For example, corporate tax rates are nearly certainly strongly influenced by other factors such as state economic priorities, political ideologies, or fiscal needs, rather than lobbying regulations alone. However, this does not preclude the secondary importance of lobbying activity and guardrails surrounding it in the policy process.

The relatively weak effects identified for nearly all of the four significant relationships suggests lobbying regulations are not primary drivers of outcomes but peripheral in their effect. What can be said with a reasonable degree of confidence, however, is that there is evidence to suggest that lobbying regulations do have some effect on the policy process and that to the extent that effect exists it seems to trend against policy positions herein believed to be favored by corporate or otherwise elite interests. When one considers the alternative, even the small effects identified provide some modicum of relief as no evidence to reject any or most of the null hypotheses would suggest that lobbying regulations have zero effect on policy outcomes. This would either mean that policymakers are completely unaffected by the billions of dollars and hours in lobbying annually (a seemingly facially naïve conclusion) or that lobbying regulations as presently constituted lack all utility to reign in lobbying influence (presumably more likely). Fortunately, the fact that evidence was identified of a relationship between lobbying regulations and policy outcomes works to assuage this concern, and the findings

of this paper may provide some reassurance to those who fear the impossibility of affecting the incentives facing political actors through reigning in lobbying.

In a separate way, the inability to reject the null in favor of Hypothesis 3 is interesting in its own right as occupational licensure is often believed by public choice economists to be an avenue for interests' rent-seeking. At first glance, the lack of a statistically significant relationship between lobbying restrictiveness and the degree of occupational licensure within a state may demonstrate that little rent-seeking activity is undergone to affect licensure requirements such that regulations have little impact. However, it is not necessarily true that the findings here bring into question that rent seeking occurs in licensure contexts because distinctions may exist between the policymaking process of occupational requirements and other variables like the minimum wage. Kleiner and Vorotnikov (2017) discuss one such potential different in noting that "licensing boards created to administer licenses are often composed in whole or in part of members of the relevant occupation... 'captured' by people with a vested interest" (p. 8, 2018). If rent seeking occurs through regulatory capture instead of through direct lobbying of legislators or other policymakers, then public choice conclusions about special interests and licensure are not mutually exclusive with effective lobbying laws. Similarly, the lack of a relationship in the School Choice model may suggest that important distinctions exist between that policy issue and the rest of those selected. Namely, while well-resourced elites have tended to support the expansion of universal programs as notes in the theoretical framework, it may be true that their lobbying activity on the issue is lesser in relative terms. Alternatively, it may be that lobbying efforts by

choice opponents (teachers' unions in particular) is significant enough that lobbying regulations curtail influence more equally on both sides.

Overall, the findings presented here demonstrate that the null can be rejected in favor of Hypotheses 1, 2, 5, and 6. The evidence indicates at the 90% confidence level that lobbying regulation restrictiveness has some effect on the minimum wage and corporate tax rate within a state as well as its likelihood of adopting the California Clean Air Act ZEV standards. Additionally, the evidence indicates at the 95% confidence level that lobbying regulation restrictiveness has some effect on the likelihood that a state adopts a right-to-work provision either by statute or constitutional provision. Importantly, all these hypotheses were directional with the underlying assumption being that traditional corporate or elite interests would be most curtailed by lobbying regulations.

### **Conclusion**

The quantitative analysis of this paper provides evidence that there is some effect on policy outcomes by a state adopting more restrictive laws against lobbying. Namely, stricter anti-lobbying policies are associated with a higher minimum wage, corporate tax rate, adoption of CA clean air standards, and permitting closed union shop within a state. Whether these outcomes are desirable as to warrant the enactment of additional lobbying regulations is a normative question independent from this paper. However, these findings do cut against notions that attempts to curtail the influence of special interests through anti-lobbying laws are without impact or effect. Unsurprisingly, the strength of the effects observed is weak enough to suggest that lobbying regulation is secondary in its effect on policy outcomes compared to other factors which may be issue specific. These findings are consistent with the limited modern state-level lobbying research including Ozymy's

(2010) conclusion that legislators believed lobbying influence diminished with greater restrictions and Flavin's (2014) findings that restrictions were positively correlated with more equitable representation. One limitation to this paper's findings is that the additive index utilized for the independent variable treats all lobbying restrictions with each import regardless of whether they expanded who must register as a lobbyist or prohibited an influence activity. Future research into the effects of lobbying activity at the state level may wish to drill down into the three Newmark domains (definitions, disclosures, and prohibitions) to isolate the effects of each. It may also be desirable to account for the effects of particularistic factors that also influence state policy outcomes such as ballot referenda and initiatives. However, because it can be rejected with reasonable confidence that lobbying regulations have no effect on policy outcomes, it appears that lobbying activity is affecting the incentives and decisions of policymakers, and Madison's warning against the effect of "factions" on government appears as prescient as ever.

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