Political Contributions and Friendly Public Pension Funds

ABSTRACT

This study investigates whether firms leverage political contributions to influence public pension funds' proxy voting behavior. We find a positive association between firms' political donations and pro-management votes, particularly for funds in states unrelated to firms' operations. This relationship strengthens for contested and contentious proposals, where management has pronounced incentives to sway outcomes. To establish causality, we exploit two regulatory shocks. The SEC Rule 14a-8 amendment, which tightens shareholder proposal requirements and reduces shareholder activism pressure, weakens the link between donations and pro-management votes. The link is intensified after a 2016 Supreme Court decision that reduces anticorruption enforcement, facilitating managerial access to political support. Politically influenced proposals increase the likelihood of management-sponsored proposals passing and shareholder-sponsored proposals failing. Our findings reveal a novel mechanism of political reciprocity in proxy voting, through which political connections may affect corporate decision-making.

Keywords: proxy voting; public pension funds; political donations; conflict of interest

JEL Classification: D72; G30; G23; H75

I. Introduction

Public pension funds (PPFs) hold a significant and growing share of the equity market, with assets under management expanding dramatically since 2010. These funds actively shape corporate governance through shareholder activism, yet their voting preferences differ sharply from those of other institutional investors (Del Guercio and Woidtke, 2019, Bolton et al., 2020, Duan et al., 2021).[1] Unlike profit-driven investors, PPFs' objectives are often shaped by political preferences and agendas (Karpoff, 2001, Romano, 2001, Andonov et al., 2018), creating conflicts of interest with corporate management and other shareholders. This study examines how firms leverage political connections to influence PPFs' governance actions. Specifically, we test whether donations to state officials secure PPFs' support in proxy voting.

PPFs play a crucial role in corporate governance (Del Guercio and Hawkins, 1999) through proxy voting activities (Woidtke, 2002, 2015, Del Guercio and Woidtke, 2019). These activities often oppose poor corporate governance or conflict with managerial preferences. Consequently, managers are motivated to resist such activities, which may threaten their power, compensation, or career prospects. One approach to mitigate these challenges is to employ political connections, fostering reciprocity with state officials who oversee PPFs. Studies document the favor exchange between firms and state officials (Khwaja and Mian, 2005, Butler et al., 2009, Duchin and Sosyura, 2012, Faccio and HSU, 2017). While political ties may enhance firm value (Akey, 2015), they also serve managerial self-interest (Yu and Yu, 2011, Fulmer et al., 2012, Bourveau et al., 2016), exacerbating agency conflicts (Shleifer and Vishny, 1994, Helland and Sykuta, 2004, Coates IV, 2012, Kramarz and Thesmar, 2013). This study investigates whether such ties distort PPFs' voting behavior, tilting governance outcomes toward managerial preferences.

[1] See https://corpgov.law.harvard.edu/2015/07/01/public-pension-funds-shareholder-proposal-activism/

Our study examines a novel form of political *quid pro quo* by investigating how political donations align PPFs' votes with management preferences. Prior research demonstrates that social or business ties influence proxy voting outcomes (Davis and Kim, 2007, Ashraf et al., 2012, Butler and Gurun, 2012), and Woidtke (2002) argues that corporate connections may weaken PPFs' monitoring effectiveness. Further, Del Guercio and Woidtke (2019), Bolton et al. (2020), Duan et al. (2021) show that PPFs' decisions are often politically motivated, creating conflicts with other shareholders' interests. However, prior work has not examined whether political connections directly sway PPFs' voting decisions. We fill this gap by providing the first evidence that political donations distort PPFs' voting alignment, a mechanism through which political connections may affect corporate governance and decision-making. Our analysis includes both management and shareholder proposals across various governance categories.

Using PPFs' voting records from the Diligent Market Intelligence database from 2014 to 2022, we analyze the impact of political contributions on PPFs' voting behavior across 40,607 proposals. A vote is classified as "with management" if it aligns with management's recommendation. We find a significant positive relationship between a firm's state–level political contributions and the percentage of PPFs voting "with management" from a state. Specifically, firms making state political contributions face, on average, 1.12% more funds from their respective states who cast pro-management votes than non-contributing firms. This relationship remains robust after controlling for firm–state relationships, state–level time-varying characteristics, firm characteristics, and corporate governance factors. The results are consistent when using the value of political contributions.

Notably, the relationship between firms' political contributions and state PPFs' voting behavior is driven primarily by firm-state pairs that are geographically distant or lack business ties. By aggregating contributions at the firm-state level, our empirical design isolates out-of-state influences on PPF voting. We find a significant positive correlation between

contributions and voting support only for PPFs outside firms' home states and states of business operations. This relationship disappears for PPFs in firms' home states or states related to their business operations. Unlike previously documented political benefits, voting support relies less on geographic proximity because it can be exercised remotely. This allows managers to easily extract political reciprocity through proxy voting with out-of-state PPFs, explaining why the influence of contributions concentrates on PPFs in states unrelated to firms' operations.

The positive relationship between political contributions and pro-management votes remains consistent when analyzing management- and shareholder-sponsored proposals separately. The results are particularly salient for shareholder proposals, where contributing firms have 2.2% more PPFs casting pro-management votes than non-contributing firms. This relationship persists even after controlling for proposal fixed effects. Shareholder proposals often reflect the intensity of shareholder activism, and corporate managers are especially motivated to influence proxy voting when such pressure is high. Although the political influence on management proposals is less pronounced, the out-of-state impact remains positive and statistically significant. Cross-sectional analyses across proposal categories reveal that political influence is stronger for Environmental & Social related proposals.

A plausible alternative explanation for these findings is that ideological alignment between firms and states drives the link between political contributions and voting patterns. To address this concern, we introduce a dummy variable indicating the ideological mismatch between firms' headquarters and the states of the pension funds. Our results show that the positive relationship between political contributions and favorable votes persists after accounting for ideological alignment. Furthermore, we examine this relationship separately for sub-samples divided by ideological alignment. The effect is weaker when firms and PPFs share similar political ideologies, contradicting the notion that ideological alignment drives our main finding and further ruling out the alternative explanation.

We further explore heterogeneous effects for contested proposals, where the "For" and "Against" votes are close to 50%. Because outcomes in such cases are highly sensitive to marginal changes, managers' incentives to influence become stronger. These proposals often involve executive compensation, career prospects, and corporate decision-making, areas affecting managers' interests and preferences. Thus, we expect political influence to be more pronounced in these cases. Our findings support this hypothesis, as we observe significantly stronger effects for proposals with narrower margins between "For" and "Against" votes.

Next, we examine the heterogeneous effects of contentious proposals where proxy advisory firms disagree with management recommendations. Proxy advisory firms, such as Institutional Shareholder Services (ISS) and Glass Lewis, play a critical role in shaping shareholder votes and corporate decisions by providing research and recommendations (Malenko and Shen, 2016). When these firms oppose management recommendations, shareholders tend to show reduced support for management positions. In such cases, corporate management teams may boost their efforts to engage shareholders and influence the information environment (Dey et al., 2024). Therefore, we expect intensified political influence in these scenarios. Our analysis using ISS and Glass Lewis recommendations confirms this expectation.

To establish causality for the link between political contributions and PPF proxy voting, we leverage two exogenous shocks that affect management's incentives to seek political support. The first shock is the amendment to SEC Rule 14a-8 in September 2020, which raised the eligibility requirements for shareholder proposals and reduced the pressure from shareholder activism. We hypothesize that the political impact of contributions would weaken following this amendment, as managers are less motivated to influence voting. Consistent with this hypothesis, our analysis reveals a 3.25% decline in political influence post-2020.

The second shock is a 2016 Supreme Court decision that changes anticorruption enforcement. *McDonnell v. United States* has effectively lowered political integrity standards for

state officials (Aggarwal and Litov, 2023) and eases firms' access to political support. Following *McDonnell v. United States*, we anticipate that firms exhibit greater political influence in corporate governance as they face reduced risks of corruption-related penalties from government agencies. Our findings support this hypothesis, demonstrating that after 2016, proposals from contributing firms have 1.7% more funds casting pro-management votes compared to non-contributing firms. Consistent with the out-of-state political influence, this difference increases to 1.96% when firms and funds are from unrelated states.

Having established that politically connected PPFs tend to vote in alignment with management preferences, we further investigate how these political connections influence voting outcomes. Corporate managers are motivated to secure the passage of management-sponsored proposals (Babenko et al., 2023) while preventing the success of shareholder-sponsored proposals (Bach and Metzger, 2019). Therefore, we hypothesize that political connections increase the likelihood of management proposals passing and shareholder proposals failing. Our logit regression results based on the proposal-level sample confirm this expectation. Contributing firms are 19.7% more likely to pass their management proposals and 69.38% more likely to defeat shareholder proposals than non-contributing firms.

We further explore the economic implications of political connections in proxy voting. Political influence may reduce information asymmetry between investors and firms, and curb shareholder activism that lacks clear performance benefits. However, such influence can also amplify managerial bias at the expense of shareholder value. To investigate these competing effects, we focus on contested and contentious proposals, as their outcomes are uncertain and particularly sensitive to marginal influences. Contrary to literature highlighting the value-enhancing effects of political connections, we find no statistically significant market response to politically influenced voting outcomes. This finding aligns with prior studies suggesting that PPFs' engagement in corporate governance does not consistently improve firm valuation (Wahal, 1996, Del Guercio and Hawkins, 1999, Gillan and Starks, 2000). Our results further

demonstrate that the political influence in PPFs' voting activities adds little value.

Additionally, we examine the relationship between firms' political connections and PPFs' participation in proxy voting. At the firm-state level, contributing firms have, on average, 0.04 more proposals voted on by PPFs from their home states. This negligible difference suggests that political connections have minimal impact on funds' voting participation, thereby alleviating concerns that selective voting by funds drives our main findings.

Related literature. This study contributes to several strands of literature. First, it advances the understanding of political connections and corporate agency conflicts. Theoretical work posits that interactions between state officials and financial markets are associated with agency conflicts (Stigler, 1971, Shleifer and Vishny, 1994). Empirical studies suggest that political connections may correlate with inefficiencies within firms (Coates IV, 2012, Kramarz and Thesmar, 2013). Our study provides new evidence on how political connections shape firm decision-making, demonstrating that political ties influence state pension funds' voting decisions in ways that prioritize management interests over those of other shareholders. In contrast to studies highlighting the benefits of political connections, we find that political connections' influence on proxy voting outcomes does not improve firms' valuation.

Second, this study contributes to the literature on managerial influence in corporate proxy voting. Prior research shows that corporate managers employ various strategies to shape proxy voting outcomes (Bach and Metzger, 2019, Babenko et al., 2023). Although institutional investors usually represent shareholders' interests, social and business connections can bias their votes toward management preferences (Davis and Kim, 2007, Butler et al., 2009, Ashraf et al., 2012, Cvijanović et al., 2016). By revealing that managers can extract political reciprocity through proxy votes, this study bridges the literature on political reciprocity with that on proxy voting, demonstrating how managers proactively leverage political influence to shape voting outcomes. Furthermore, it uncovers a previously undocumented mechanism of managerial influence in corporate governance.

Third, this study extends the literature on PPFs' proxy voting behavior. While most research focuses on mutual fund voting patterns, only a few studies examine PPFs' voting decisions. Bolton et al. (2020) document that PPFs tend to support social and environmental proposals while being less supportive of executive compensation packages. Duan et al. (2021) show that PPFs often vote in opposition to other shareholders' interests, typically aligning with shareholder activists while other funds may side with management. Our study adds to this study by providing direct evidence of how corporate managers leverage political connections to align PPFs' votes with their preferences.

The remainder of this paper is organized as follows. Section 2 presents the conceptual framework and hypotheses. Section 3 introduces the data, variables, sample construction, and descriptive statistics. Section 4 documents our main results on political influence on PPFs' votes. Section 5 explores heterogeneous effects on contested and contentious proposals. Sections 6 and 7 investigate the impact of the amendment to SEC Rule 14a-8 and the *McDonnell v. United States* decision. Section 8 examines the influence of political connections on voting outcomes, and Section 9 documents the market reaction to these outcomes. Section 10 analyzes the relationship between firms' political contributions and PPFs' participation in proxy voting. Finally, Section 11 concludes the study.

II. Conceptual Framework and Hypothesis Development

A. PPFs and Corporate Governance

PPFs are among the largest institutional investors, with defined benefit plans holding $4.8 trillion in total assets.[2] These funds have increasingly taken an active role in corporate governance, engaging in activities such as lobbying and proxy voting to influence corporate decision-making (Del Guercio and Hawkins, 1999, Woidtke, 2015).

PPFs' engagement has significant implications for board elections, corporate structure,

[2] https://corpgov.law.harvard.edu/2015/07/01/public-pension-funds-shareholder-proposal-activism/

and executive compensation. For example, in a recent proxy fight at Disney, Bob Iger secured his position with crucial support from the New York City Retirement Systems, countering activist investor Nelson Peltz's bid for board seats.[3] Similarly, the New York State Common Retirement Fund recently announced its intention to vote against incumbent Compensation and Management Committee members at certain companies, mentioning inadequate oversight of workforce management and human rights policies.[4] CalPERS has also taken a stand against excessive executive compensation, voting against a multibillion-dollar pay package proposed for Tesla's CEO.[5]

Supporters of this activism view it as a critical monitoring mechanism that holds corporate management accountable and exhibits resistance to management teams with independent decision-making. However, critics raise concerns that PPFs may lack the proper incentives to optimize fund performance, and their politically motivated actions could lead to suboptimal decisions (Murphy and Van Nuys, 1994, Romano, 2001). Empirical evidence suggests that PPFs' engagement in corporate governance often adds little value to firms (Wahal, 1996, Del Guercio and Hawkins, 1999, Gillan and Starks, 2000) and may conflict with the interests of other shareholders, particularly when driven by political agendas (Del Guercio and Woidtke, 2019).

B. Political Influences on PPFs

PPFs differ fundamentally from other institutional investors in their incentives and organizational structures (Karpoff, 2001). Their governance is often shaped by local state legislation, with state officials appointed to pension fund boards. This unique structure exposes PPFs to political influence, as their investment and management decisions may reflect the agendas of

[3] Nelson Peltz from Trian Fund Management was also supported by the California Public Employees Retirement System (CalPERS).

[4] https://www.osc.ny.gov/press/releases/2024/04/dinapoli-announces-state-pension-funds-2024-corporate-governance-stewardship-priorities

[5] https://www.calpers.ca.gov/page/newsroom/calpers-news/2024/calpers-to-vote-against-tesla-ceo-multibillion-dollar-pay-package

state politicians rather than purely fiduciary considerations (Karpoff, 2001, Woidtke, 2002).

The costs of politically influenced decisions are well-documented. Hochberg and Rauh (2013) argue that PPFs exhibit a pronounced home bias in their private equity investments, driven by political pressures rather than financial considerations. Their "self-dealing" hypothesis posits that PPFs are particularly susceptible to political influences in states with higher levels of corruption and quid pro quo activities. Similarly, Bradley et al. (2016) show that politically connected biases in state pension funds detrimentally affect fund performance. Andonov et al. (2018) further document that political representation on pension fund boards and political donations are associated with poor investment decisions, leading to the underperformance of PPFs' private equity portfolios.

C. Value of Political Connections

Political connections can provide firms with significant advantages, including favorable policies, government contracts, access to capital, and corporate bailouts (Correia, 2014, Faccio and HSU, 2017, Heitz et al., 2023). Politicians, in turn, benefit from campaign donations and corporate support, which enhance their electoral prospects (Bertrand et al., 2007, Claessens et al., 2008). Firms with political connections often experience improved market valuations and operational performance (Goldman et al., 2009, Amore and Bennedsen, 2013, Tahoun, 2014).

However, political connections can also serve the private interests of corporate management. For example, politically connected CEOs may delay SEC enforcement actions and face less severe penalties (Fulmer et al., 2012). Lobbying efforts can also delay the detection of corporate fraud (Yu and Yu, 2011), while politically connected executives are more likely to engage in insider trading and equity market fraud (Bourveau et al., 2016). These findings suggest that political contributions can distort market fairness, competition, and legal enforcement (Correia, 2014, Lambert, 2019, Mehta et al., 2020, Thompson, 2022).

D. Political Connection and Agency Conflicts

Political connections can exacerbate agency conflicts between corporate management and shareholders. Peltzman (1976) argues that regulations and political interventions are often designed to benefit specific interest groups. Similarly, Shleifer and Vishny (1994) contend that interactions between politicians and corporate managers can distort decision-making processes, reducing firm efficiency. Aggarwal et al. (2012) show that political donations often reflect managers' personal preferences rather than the company's interests. Stulz (2005) models how politician-firm interactions can lead to rent-seeking behavior by both parties.

Empirical evidence supports these theoretical claims. Coates IV (2012) find a negative correlation between political connections and firm performance, as measured by Tobin's Q, suggesting that such connections create agency conflicts that harm shareholder value. Kramarz and Thesmar (2013) show that social and political networks influence board composition, leading to overpaid CEOs, fewer CEO replacements, and fewer value-creating acquisitions. Fan et al. (2007) document that politically connected CEOs underperform their peers in the post-IPO period, often appointing bureaucrats to boards who lack relevant expertise.

E. Hypothesis

Conflicts of interest are common in proxy voting, with social and political connections significantly influencing investor behavior and voting outcomes. Davis and Kim (2007) and Cvijanović et al. (2016) demonstrate that business ties between firms and mutual funds shape voting patterns, particularly on issues such as executive compensation (Ashraf et al., 2012). Additional connections, such as shared educational backgrounds, labor union affiliations, and cross-ownership, further influence funds' voting behavior (Matvos and Ostrovsky, 2010, Butler and Gurun, 2012, Bodnaruk and Rossi, 2016, He et al., 2019).

Given the increasing engagement of PPFs in corporate governance and their susceptibility to political influence (Bolton et al., 2020, Duan et al., 2021), corporate management may

leverage political connections to secure their support during proxy voting processes. We hypothesize that firms' political contributions to the states of PPFs could sway voting outcomes in favor of management preferences.

Hypothesis: PPFs tend to cast pro-management votes when firms make political contributions to the states of these funds.

III. Data and Samples

A. Data

A.1. Political Contributions by Firms

We collect corporate political contributions to local, state, and federal elections using data from Bonica (2016), which includes all candidate and committee recipients in our sample. We aggregate these contributions at the state level, as political officials directly or indirectly influence the decisions of state PPFs. Contributors report their employers in these records, and we match 1,607 unique publicly traded firms from 2014 to 2022 using a fuzzy name matching process.[6] We include all employees whose donation activities may be influenced by management teams (Babenko et al., 2020). Figure 1 displays the yearly distribution of political contributions made by these firms. Contributions increased significantly after 2017, peaking at $481.5 million in 2020.

[Insert Figure 1]

A.2. Pension Funds Voting Records

We obtain PPFs' voting records from the Diligent Market Intelligence database, which collects voting data directly from PPFs (Duan et al., 2021). Some PPFs handle voting decisions internally, while others delegate voting to external investment management funds. Our

[6] We verify the names by checking the top five Google search results.

dataset includes voting records from both sources for the period 2014–2022. The list of PPFs is provided in Table A2 in the Appendix.

The dataset provides proposal-level characteristics, including sponsors, categories, vote percentages, voting outcomes, advisory firms' recommendations, and management recommendations. Proposals are categorized into six types: Board of Directors, Committee & Reporting, Corporate Structure, Environmental & Social, General Governance, and Remuneration. Our primary variable of interest is the percentage of votes by PPFs that align with management recommendations, aggregated at the state level for each proposal. We also identify contested proposals based on voting outcomes and contentious proposals based on disagreements between advisory firms and management recommendations.

Although SEC 13f reports provide limited holding information for fewer than 20 funds during our sample period, our dataset includes voting information from 82 PPFs. We include all proposals voted on between 2014 and 2022, capturing votes cast by both internally managed funds and external money managers influenced by PPFs. Our sample contains 209 unique management funds associated with the 82 PPFs, with the number of proposals voted on remaining stable across all sample years.

A.3. Firm Characteristics

Our firm-level control variables are firm size, Tobin's Q, profitability, capital expenditures, and R&D expenditures, obtained from Compustat. Firms' market valuations around voting dates are calculated using data from the Center for Research in Security Prices (CRSP).

We also include several corporate governance and institutional investor variables to account for factors that may influence proxy voting. The percentages of independent directors and CEO tenure are calculated using Execucomp and BoardEx. Institutional ownership is calculated using the Thomson/Refinitiv Institutional (13f) Holdings database. Definitions of all variables are provided in Table A1 in the Appendix.

B. Summary Statistics

After removing observations with missing characteristics, our final sample consists of 40,607 proposals. A proposal is considered potentially influenced by political contributions if the firm donated to politicians in the state where PPF investors cast their votes. Of the 40,607 proposals, 9,765 (approximately 24%) fall into this category.

[Insert Table 1]

Table 1 displays proposal-level information of the full sample and the sub-sample of politically-influenced proposals. Panel A displays general information. Panel B displays the distribution of proposals by sponsor and category. There are 39,655 management proposals and 952 shareholder proposals. Corporate managers exert greater control over the management-sponsored proposals (e.g., withdrawing proposals that are likely to fail) (Babenko et al., 2023). Compared with management proposals, shareholder proposals are more likely to be influenced by political contributions. We find that 23.1% (9,179/39,655) of the management proposals in our sample are voted on by firms that have contributed to politicians from the states of their PPF owners. The corresponding percentage is much higher for shareholder proposals, being 61.6% (586/952). Panel B of Table 1 presents the distribution of proposals by category. Among these categories, environmental and social proposals have the largest percentage (74.2%=251/338) of those potentially influenced by political contributions. Panel C reports the voting outcomes and management recommendations for these proposals.

Figure 2 presents the yearly distribution of all proposals and those affected by political contributions. Panel A plots the management proposals, and Panel B displays the proposals sponsored by shareholders. In both panels, the blue line represents all proposals, while the orange line represents proposals for which firms donate to (at least one of) the states of the voting PPFs.

[Insert Figure 2]

We construct a proposal–state sample for our main analysis of the impact of political contributions on proxy voting. Our sample contains 747,107 observations from 2014 to 2022. Table 2 presents more descriptive statistics.

[Insert Table 2]

The political contributions to states represent a firm's donations to politicians and committees in the states where state pension funds cast votes on the firm's proposals. About 9.9% of the firms make political contributions to state politicians. The political contributions are highly skewed. The median and average values are (close to) zero, and the 99th percentile of (log) political contributions from the focal firm to each state is 14.34.

We calculate the proportion of funds voting "For" ("Against") using the number of funds voting "For" ("Against") scaled by the total number of funds from the state. The average proportion of "For" PPFs from a state is 82.21%, while the average proportion of "Against" funds is 8.81%. A vote is defined as "with management" if it aligns with management's recommendation, either by voting "For" when the recommendation is "For" or by voting "Against" when the recommendation is "Against." The average percentage of funds voting with management from a state is 80.35%.

We define a proposal "contested" if the difference between votes "For" and "Against" is below 15% ($\frac{|F-A|}{F+A} < 0.15$). About 1.1% of the proposals are defined as contested proposals. When using a 5% margin to identify contested proposals, only 0.29% of the proposals satisfy this definition.

We define "contentious" proposals using dummy variables for whether management's recommendations differ from advisory firms' recommendations. "Disagree1" captures the difference between management's recommendations and ISS recommendations and "Disagree2" is defined using Glass Lewis recommendations.

Additionally, we summarize the statistics of firm characteristics and corporate governance measures, proposal outcomes, and a dummy variable describing the alignment of firm and state political ideologies. Market reactions are calculated using 1-day (5-day and 10-day) CARs around the meeting dates.

[Insert Figure 3]

Figure 3 presents the voting patterns of PPFs, displayed as the percentages of "For" votes according to the type of proposal. Panel A compares management and shareholder proposals. The blue bars represent all proposals, while the orange bars represent proposals with associated political contributions. The graph illustrates that political donations have a noticeable impact on the percentage of votes for management proposals. Panel B compares the percentages of "For" votes based on different management recommendations. The percentage of "For" votes is significantly higher for management-recommended "For" proposals and is considerably lower for management-recommended "Against" proposals.

IV. Political Contributions and Funds Voting With Management

A. Full Sample Analysis

In this section, we examine the relationship between political contributions and PPFs' votes. If managers influence their PPF investors and pursue favorable votes through political channels, we expect a positive correlation between firms' political contributions and pro-management votes from PPFs. We test this hypothesis by estimating Equation (1):

$$\begin{aligned}\text{Funds Voting With Management } (\%)_{p,j,t} = \alpha &+ \beta \cdot \text{Political Contribution to State}_{i,j,t-1} \\ &+ \gamma \cdot \text{Firm Controls}_{i,t} + \zeta \cdot \text{Prop. Controls}_{p} \\ &+ \delta \cdot \text{Corporate Governance Controls}_{i,t} + \xi_{i,j} + \eta_{j,t} + \varepsilon_{p,j,t}\end{aligned} \tag{1}$$

The dependent variable "Funds Voting With Management" represents the percentage of funds voting with management recommendations within state j for proposal p. The primary independent variables are the dummy variable of firm i's (where proposal p is voted) political contributions to the state j and logarithm of the amount, lagged by one year. The firm controls are size, profitability, Tobin's Q, capital expenditures, and R&D expenditures. The proposal controls are category, management, and advisory firms' recommendations. The corporate governance controls include percentage of independent directors, CEO tenure, and institutional ownership. firm–state fixed effects $\xi_{i,j}$ account for the relationships between firms and states, such as distance, headquarters, and other business relations. State–year fixed effects account for state-level time-varying political, economic, and demographic characteristics. Table 3 presents the estimation results.

[Insert Table 3]

Table 3 shows a significant correlation between firms' political contributions and pension funds' votes aligning with management recommendations. Firms making political contributions have 1.12% more supporting PPFs than non-contributing firms do, confirming our hypothesis that PPFs tend to vote with management when their state politicians receive contributions from the firm. This effect remains consistent when using the logarithm of contribution values. The relationship persists after including firm controls (columns 3–4) and corporate governance variables (columns 5–6), suggesting that our result is not driven by these potential confounding factors.

B. Out-of-State Influences

Although firm–state fixed effects account for firm–state relationships, we additionally examine the cases in which firms and PPFs' states have (or do not have) direct geographical or operational connections. We re-estimate Equation (1) for sub-samples of PPFs located in

firms' headquarter states, non-headquarter states, states with firm operations, and unrelated states. Table 4 presents the results.

[Insert Table 4]

The results reveal significant differences between related and unrelated firm–state pairs. Columns 1–2 examine PPFs located in firms' headquarter states, and the positive relationship reported in Table 3 disappears. This insignificance persists when including PPFs from both headquarter states and states with firm operations (columns 5–6). In contrast, the relationship remains robust for PPFs in non-headquarter states (columns 3–4) and states without firm operations (columns 7–8). For firms making out-of-state contributions, the economic magnitude increases. Contributing firms receive pro-management votes from 1.5% more PPFs than non-contributing firms (column 8).

This finding highlights how geographic proximity shapes the effectiveness of political connections. Prior research emphasizes that political benefits for firms or management, such as preferential policies or regulatory relief, inherently require proximity between politicians and firms' home states or core business operations. In contrast, our analysis reveals that proxy voting support remains a potent channel for political influence even when firms and politicians are from distant states. By aggregating firms' political connections at the state level, we are able to isolate the out-of-state influence and focus on examining firm-state pairs without preexisting business relationships or geographic proximity. Out-of-state political connections become less effective for traditional political benefits and the influence concentrates on voting support by PPFs from these states. In home or closely linked states, where firms can access multiple avenues for political engagement, this distinct sensitivity of PPF voting behavior disappears.

C. Proposal Sponsors and Categories

[Insert Table 5]

Table 5 examines the relationship between political contributions and PPFs' voting behavior across proposal sponsors and categories.

Panels A and B compare the effects of shareholder-sponsored versus management-sponsored proposals. Prior work suggests that management teams exert varying influence over proposals depending on the sponsor, reflecting differences in strategic priorities (Bach and Metzger, 2019, Babenko et al., 2023). Consistent with this notion, Panel A reveals a strong, statistically significant positive relationship between political contributions and PPF support for shareholder proposals, even after controlling for proposal fixed effects (columns 3–4). This aligns with descriptive evidence showing that 62% of shareholder proposals are plausibly subject to political influence, although they constitute only 2.3% of all proposals. The heightened sensitivity is likely due to managers' limited control over shareholder-sponsored proposals that incentivize greater reliance on political channels to sway outcomes.

Panel B demonstrates weaker magnitudes and statistical significance for management proposals (columns 1–2), suggesting corporate leaders face fewer constraints in directly shaping outcomes for proposals they sponsor. However, when restricting our sample to PPFs from non-related states, the relationship remains robust and significant (columns 3–4). This result is consistent with the out-of-state political influence on PPF voting, even for management-sponsored proposals.

Panel C of Table 5 investigates the heterogeneous effects of political contributions on votes by PPFs along the categories of the proposals. We create a dummy variable for each of the six categories and estimate Equation (2):

$$\begin{aligned}\text{Funds Voting With Management } (\%)_{p,j,t} = \alpha &+ \beta_1 \cdot \text{Political Contribution to State}_{i,j,t-1} \cdot \text{Categories}_p \\ &+ \beta_2 \cdot \text{Political Contribution to State}_{i,j,t-1} \\ &+ \gamma \cdot \text{Firm Controls}_{i,t} + \zeta \cdot \text{Prop. Controls}_p + \xi_{i,j} + \eta_{j,t} + \varepsilon_{p,j,t}\end{aligned} \tag{2}$$

We interact the dummy variable of political contributions with the proposal categories.[7] Proposal controls subsume the single terms of "Categories" dummy variables. While our earlier example highlighted an activist-driven proxy fight over board seats, most Board of Directors proposals involve routine elections, which explains why political influences are generally weaker for this category (column 1). Political effects are stronger for Environmental & Social proposals (column 4), consistent with the descriptive statistics that political contributions influence the greatest proportion (nearly 74%) of such proposals (Table 1, Panel B). The remaining categories exhibit less variation in the relationship between political contributions and pro-management votes by PPFs.

D. An Alternative Explanation: Political Ideological Alignment

A potential concern is that political contributions may proxy for underlying ideological alignment between firms and states, which could drive the observed relationship with voting outcomes. Although firm-state fixed effects account for time-invariant relationships, changes in political ideologies over time could still confound our results. To address this, we extend Equation (1) by adding a dummy variable indicating whether a firm's home state and a PPF's state exhibit divergent political ideologies. Panel A of Table 6 presents the estimation results.

[Insert Table 6]

The negative and significant coefficients on the ideology mismatch dummy imply that

[7] The (untabulated) results using a logarithm of contribution values are consistent.

PPFs are more likely to oppose management proposals when firms operate in states with political leanings opposing their own. Crucially, the positive relationship between political contributions and pro-management voting remains robust even after controlling for these ideological differences. This result confirms that our core findings reflect firms' political engagement.

Panel B further examines how the effect of political contributions varies based on ideological mismatch. By examining the sub-samples split using ideological alignment separately, we find that the influence of contributions on PPF voting becomes stronger when firms and PPFs originate from states with opposing political ideologies (columns 3–4). This pattern directly undermines the alternative explanation that shared ideology drives the link between contributions and voting behavior. Instead, it suggests that firms may strategically amplify political efforts when ideological divides, leveraging contributions to sway PPFs in politically conflicting states.

V. Heterogeneous Effects

In this section, we explore the heterogeneity in the relationship between political contributions and PPFs' voting behavior. We focus on two dimensions that amplify managerial incentives to influence voting outcomes: (1) contested proposals, which are decided by narrow margins, and (2) contentious proposals, where management recommendations conflict with those of proxy advisory firms.

A. Contested Proposals

Contested proposals are characterized by voting outcomes that are close to 50%, reflecting divided shareholder opinions. These proposals address critical issues such as executive compensation, board elections, and other corporate policies that impact managers' careers and control over the firm directly. Given the high uncertainty and sensitivity of these outcomes

to marginal changes, management has particularly strong incentives to influence the voting process (Soltes et al., 2017, Bach and Metzger, 2019, Babenko et al., 2023). We hypothesize that the influence of political contributions is more pronounced for contested proposals. We test this conjecture by estimating Equation (3). Table 7 presents the estimation results.

$$\begin{aligned}\text{Funds Voting With Management } (\%)_{p,j,t} = \alpha &+ \beta_1 \cdot \text{Political Contribution to State}_{i,j,t-1} \cdot \text{Contested}_p \\ &+ \beta_2 \cdot \text{Political Contribution to State}_{i,j,t-1} + \beta_3 \cdot \text{Contested}_p \\ &+ \gamma \cdot \text{Firm Controls}_{i,t} + \zeta \cdot \text{Prop. Controls}_p + \xi_{i,j} + \eta_{j,t} + \varepsilon_{p,j,t}\end{aligned} \tag{3}$$

[Insert Table 7]

The coefficients for the interaction terms demonstrate a strong influence of political contributions on voting outcomes for contested proposals. When contested proposals are defined using a 15% margin, firms that make political contributions to states receive supporting votes from 3.2% more PPFs than non-contributing firms (column 1). This effect nearly doubles to 6.3% when contested proposals are defined using a narrower 5% margin (column 3). These results remain robust even when political contributions are measured using the logarithm of contribution values (columns 2 and 4). Additionally, the coefficients for the contested proposal indicator variables confirm that management teams receive significantly less support for these proposals, confirming their heightened incentive to influence the voting process.

B. Contentious Proposals

Proxy advisory firms, such as Institutional Shareholder Services (ISS) and Glass Lewis, play a pivotal role in shaping voting outcomes (Malenko and Shen, 2016). When these firms oppose management recommendations, proposals become contentious, and shareholders are less likely to support management positions. In response, management teams often inten-

sify their efforts to sway voting outcomes through direct shareholder engagement, proposal modifications, and public relations campaigns (Dey et al., 2024). As a result, we expect that political influence on PPFs' votes becomes stronger for contentious proposals. To test this, we estimate Equation (4). Test results are reported in Table 8.

$$\begin{aligned}\text{Funds Voting With Management } (\%)_{p,j,t} = \alpha &+ \beta_1 \cdot \text{Political Contribution to State}_{i,j,t-1} \cdot \text{Disagree}_p \\ &+ \beta_2 \cdot \text{Political Contribution to State}_{i,j,t-1} + \beta_3 \cdot \text{Disagree}_p \\ &+ \gamma \cdot \text{Firm Controls}_{i,t} + \zeta \cdot \text{Prop. Controls}_p + \xi_{i,j} + \eta_{j,t} + \varepsilon_{p,j,t}\end{aligned} \tag{4}$$

[Insert Table 8]

The coefficients for the interaction terms consistently show that political contributions have a stronger effect on contentious proposals. The difference in the percentage of supporting PPFs from a state between contributing and non-contributing firms is 2.58% higher when ISS opposes management recommendations (column 1). This effect becomes 3.67% for proposals where Glass Lewis disagrees with management (column 3). These results remain robust when using the logarithm of contribution values (columns 2 and 4). Furthermore, the coefficients for the disagreement indicator variables are consistently negative, confirming the significant influence of proxy advisory firms on voting outcomes. When advisory firms' recommendations diverge from management proposals, PPFs' votes show significantly less alignment with management positions.

Our heterogeneity tests support the hypothesis that the relationship between corporate political donations and pro-management voting is stronger for both contested and contentious proposals. These proposals are associated with heightened uncertainty and managerial incentives to influence the voting process, highlighting managements's use of political contributions to sway outcomes in management's favor.

VI. Amendment to SEC Rule 14a-8

In this section, we examine causality by leveraging an exogenous shock: the amendment to SEC Rule 14a-8 on September 23, 2020. Large public employee pension funds, such as CalPERS, CalSTRS, NYC Common Retirement Fund, NYC Retirement Systems, and the Florida State Board of Administration, have emerged as influential institutional investors. These funds often pursue political and socially oriented agendas. Their activism can challenge executives' private benefits and entrenched leadership, pressing management teams to resist their activities. The SEC rule amendment provides a unique opportunity to study how changes in managers' incentives, driven by reduced activist pressures, affect their use of political connections to shape voting outcomes.

The amendment to SEC Rule 14a-8 modifies the eligibility criteria for shareholder proposals, limiting the number of proposals a person or entity may submit for a company's shareholder meeting. By increasing the eligibility requirements for submitting (or resubmitting) proposals, the amendment reduces the intensity of shareholder activism. Hence, management faces less pressure in proxy voting, reducing their incentives to influence the voting process. We expect this regulatory change to weaken the political influence on PPFs' votes. To test this hypothesis, we estimate Equation (5) and report the results in Table 9.

$$\begin{aligned}\text{Funds Voting With Management } (\%)_{p,j,t} = \alpha &+ \beta_1 \cdot \text{Political Contribution to State}_{i,j,t-1} \cdot \text{Post} \\ &+ \beta_2 \cdot \text{Political Contribution to State}_{i,j,t-1} \\ &+ \gamma \cdot \text{Firm Controls}_{i,t} + \zeta \cdot \text{Prop. Controls}_{p} + \xi_{i,j} + \eta_{j,t} + \varepsilon_{p,j,t}\end{aligned} \tag{5}$$

Here, "Post" is defined as follows:

$$\text{Post} = \begin{cases} 0, & \text{year} = 2018, 2019 \\ 1, & \text{year} = 2021, 2022. \end{cases}$$

[Insert Table 9]

Our analysis spans two years before and after the amendment year (2020). Post-amendment, the gap in the proportion of PPFs voting "with management" between firms with and without political contributions narrows by 3.25% compared to the pre-2020 period (column 1). After controlling for firm and proposal characteristics, this difference remains statistically significant at 2.64% (column 3). These findings confirm our expectation that corporate managers' reliance on political connections to influence votes is closely tied to the intensity of shareholder activism. The stronger relationship between firms' political donations and PPFs' alignment with management in the pre-amendment period is consistent with the higher pressures from shareholder activism during that time.

VII. *McDonnell v. United States*

Our second exogenous shock to support causality stems from a Supreme Court decision made in 2016. Political integrity is a critical factor shaping the interaction between state officials and financial markets (Butler et al., 2009). Corruption can intensify quid pro quo relationships (Faccio and HSU, 2017), increasing firms' incentives to influence proxy voting outcomes through political donations. A 2016 U.S. Supreme Court decision *McDonnell v. United States* reverses a corruption conviction, providing an exogenous shock to political integrity. Aggarwal and Litov (2023) find that following this decision, states with high corruption experienced reduced scrutiny from government agencies and weaker anti-corruption enforcement. We posit that this decision eases firms' access to exchange favors with politicians to influence PPFs' votes. To test this, we define the dummy variable "Post2" around

2016 and interact it with political contributions. Table 10 reports the estimation results.

$$\text{Post2} = \begin{cases} 0, & \text{year} = 2014, 2015 \\ 1, & \text{year} = 2017, 2018. \end{cases}$$

[Insert Table 10]

Our analysis reveals that after the 2016 Supreme Court decision, firms making political contributions receive support from 1.7% more PPFs in a state compared to non-contributing firms (column 1). This result is less significant when using the logarithm of contribution values (column 2). However, the findings are robust when restricting the sample to states unrelated to firms' headquarters and business operations. In these cases, contributing firms received support from 1.96% more PPFs than non-contributing firms (column 3). These results support our hypothesis that reduced political integrity increases the quid pro quo between corporate managers and politicians. They also confirm the out-of-state influence of political contributions on PPFs' votes.

VIII. Impact of Political Contributions on Voting Outcomes

We examine the impact of firms' political contributions on voting outcomes for both management and shareholder proposals. Managers initiate management proposals and have strong incentives to ensure their passage (Babenko et al., 2023). In contrast, shareholder proposals often arise from shareholder activism, targeting governance-related issues in response to poor corporate performance. Corporate managers are similarly motivated to counteract shareholder activists and prevent these proposals from succeeding (Bach and Metzger, 2019).

These differing objectives are reflected in management recommendations. For management proposals, management recommendations show 99.98% "For" votes and 0.02% "Against" votes. For shareholder proposals, these ratios shift dramatically to 9.9% "For" and 90.1% "Against."

Given the varying objectives of management in influencing proposals based on their sponsor, political contributions may lead to divergent outcomes. We hypothesize that management proposals are more likely to pass with political donations, while shareholder proposals face higher failure rates. To test this, we aggregate political contributions at the proposal level and estimate Equation (6) using the proposal sample. Results are presented in Table 11.

$$\begin{aligned} \text{Pass/Fail}_p = \alpha + \beta \cdot \text{Political Contribution to State}_{i,j,t-1} \\ + \gamma \cdot \text{Firm Controls}_{i,t} + \zeta \cdot \text{Prop. Controls}_p + \eta_t + \varepsilon_{p,j} \end{aligned} \tag{6}$$

[Insert Table 11]

The dependent variables are indicators of whether a proposal passes or fails. In Columns 1, 3, 5, and 7, the independent variable is the number of states (home to the firm's PPF owners) to which the firm donates, reflecting the breadth of political influence targeted at PPF owners' states. In Columns 2, 4, 6, and 8, the independent variable is a dummy indicating whether the proposal is influenced by political contributions. Using logit regression with year-fixed effects, we find that firms' political contributions are positively correlated with the likelihood of management proposals passing (columns 1–2) and shareholder proposals failing (columns 5–6). Compared to non-contributing firms, those donating to their PPF owners' states are 19.7% more likely to pass management proposals (column 2) and 69.38% more likely to defeat shareholder proposals (column 6). Political contributions also significantly reduce the likelihood of shareholder proposals passing (columns 7–8), but their impact on the failure of management proposals is statistically insignificant (columns 3–4).

IX. Market Reactions to Politically Influenced Voting Outcomes

We examine the economic implications of political influence on proxy voting outcomes. On the one hand, political connections may reduce information asymmetry between firms and

shareholders, potentially aligning PPFs with value-enhancing decisions. Moreover, they may reduce the shareholder activities that do not improve firms' performances. On the other hand, such connections could exacerbate agency conflicts if politically influenced votes prioritize managerial preferences over value-maximizing outcomes, thereby harming firm valuation and performance. To test these competing hypotheses, we calculate CARs around shareholder meeting dates and compare them for proposals in contributing and non-contributing firms. Table 12 presents the results of t-tests for these comparisons.

[Insert Table 12]

The 5-day and 10-day CARs show no significant differences between contributing and non-contributing firms. This lack of market reaction is likely because firms' political connections are publicly known, and their influence on voting outcomes provides little new information to alter market valuations. To isolate cases where political influence might introduce surprises, we focus on proposals with uncertain outcomes, specifically contested and contentious proposals, where political influence could meaningfully shift expectations. However, even within these subsamples, the differences in CARs between non-influenced and politically influenced proposals remain statistically insignificant and inconsistent in direction.

Our findings suggest that politically influenced voting outcomes through PPFs have mixed implications for corporate governance. While such influence may reduce information asymmetry between firms and PPFs and curb shareholder activism that lacks clear performance benefits, it can also distort proxy voting outcomes in ways that harm firm value. Unlike studies that focus on different events (Fisman, 2001, Acemoglu et al., 2016) or distinct types of political connections (Goldman et al., 2009), our setting does not provide conclusive evidence on whether markets perceive politically influenced proposals as value-creating or value-destroying. This ambiguity underscores the complexity of assessing the net impact of political connections on corporate governance and firm performance.

X. Political Contribution and PPFs' Participation in Proxy Voting

While our tests of the two regulatory shocks support the causal relationship between political contributions and PPFs' voting behavior, residual concerns remain that our main findings may be driven by selection bias. To address this concern, we construct a firm–state sample using all firms in our main analysis and analyze the relationship between political contributions and PPFs' participation in proxy voting. Table A3 in the Appendix provides additional firm-level descriptive statistics. We estimate the following equation:

$$\text{Number (\%) Voted on by State}_{i,j,t+1} = \alpha + \beta \cdot \text{Contributions to State}_{i,j,t} + \gamma \cdot \text{Controls} + \eta_i + \psi_{j,t} + \varepsilon_{i,t} \tag{7}$$

The dependent variables are the number and the proportion of firm i's proposals voted on by PPFs from state i's proposals voted on by PPFs from state j in year $t+1$. The independent variables are firm i's political contribution to state j in year t, measured both as the logarithm of the dollar value and as a dummy variable indicating the presence of contributions. The firm controls are firm size, profitability, Tobin's Q, capital expenditures, and R&D expenditures. All specifications include firm and state–year fixed effects to account for firm-level time-invariant and state-level time-varying characteristics. Standard errors are clustered at the firm level.

[Insert Table A4]

Table A4 presents the estimation results. Columns 1–2 report the results for the number of proposals voted on by state PPFs, including the total number of proposals as an additional control. Columns 3–4 estimate the percentage of proposals voted on by state PPFs. The results indicate a statistically significant positive relationship between firms' political contributions and state PPFs' participation in proxy voting.

Large institutional investors, such as PPFs, are typically required to vote actively on proposals for their portfolio firms. Our findings reveal a link between political connections and PPFs' ownership stakes, consistent with Bradley et al. (2016)'s observation that pension funds tend to overweight firms making political contributions. However, the economic magnitude of this relationship is modest. Specifically, contributing firms are associated with only 0.04 more proposals voted on by PPFs compared to non-contributing firms. This small difference suggests that while political connections are positively related to PPFs' participation in proxy voting, they do not substantially influence PPFs' voting decisions. Thus, our results alleviate concerns that selection bias drives the observed relationship between political contributions and PPFs' pro-management votes.

XI. Conclusion

This study investigates the influence of political connections on PPFs' proxy voting behavior. We document a significant positive relationship between firms' political contributions and PPFs' pro-management votes. Unlike the political benefits studied in prior literature, voting support from PPFs is not limited by proximity, making our findings particularly salient for PPFs in states unrelated to firms' operations. This effect persists across proposal sponsor and category. Robustness tests rule out alternative explanations, such as ideological alignment between firms and states.

Cross-sectional analyses reveal that PPF votes are most susceptible to political influence when managerial incentives to sway outcomes are strongest. Specifically, contested or contentious proposals, those with narrow voting margins and high uncertainty, exhibit more pronounced effects. To establish causality, we leverage two regulatory shocks. First, the SEC Rule 14a-8 amendment, which reduced shareholder activism pressure, weakened the link between political contributions and pro-management votes. Second, the 2016 Supreme Court decision, which lowered anticorruption enforcement standards and political integrity,

strengthened the effect of political contributions on PPFs' votes. Our tests on voting outcomes suggest that politically influenced management proposals are more likely to pass, while shareholder proposals tend to fail. Notably, the stock market shows little reaction to these influenced outcomes, indicating that such political interventions may not align with shareholder value creation.

This study bridges two distinct but interconnected literatures: corporate political connections and proxy voting governance. While prior research has extensively examined the role of mutual funds and other institutional investors in proxy voting, this study extends the understanding of PPFs' voting activities with the influence of political connections. It also contributes to the political connections literature by uncovering a novel form of political reciprocity: firms leverage political contributions to secure voting support from PPFs, thereby advancing management interests. Our study adds to the studies on agency conflicts arising from favor exchanges between corporations and politicians. We demonstrate that political connections can distort corporate governance processes, as PPFs' voting behavior becomes a conduit for political influence.

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Figure 1. Yearly trend of political contributions by sample firms

This figure displays the year-by-year distribution of sample firms' political contributions between 2014 and 2022. The amounts include contributions to both state and federal candidates.

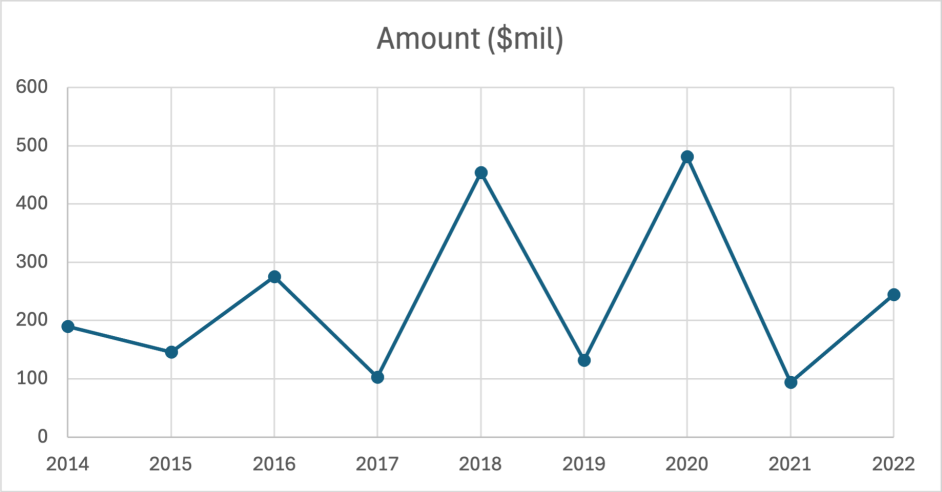
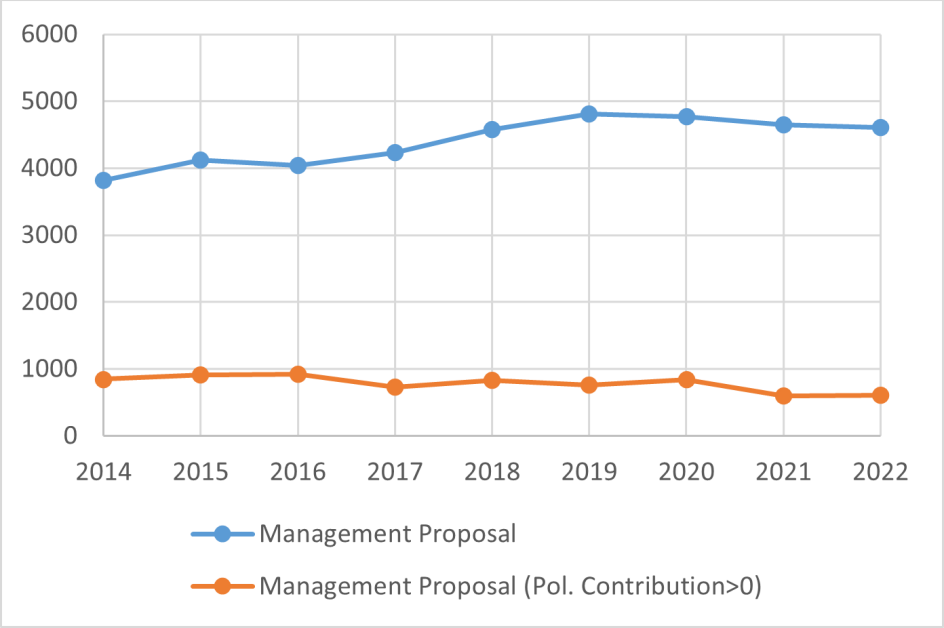
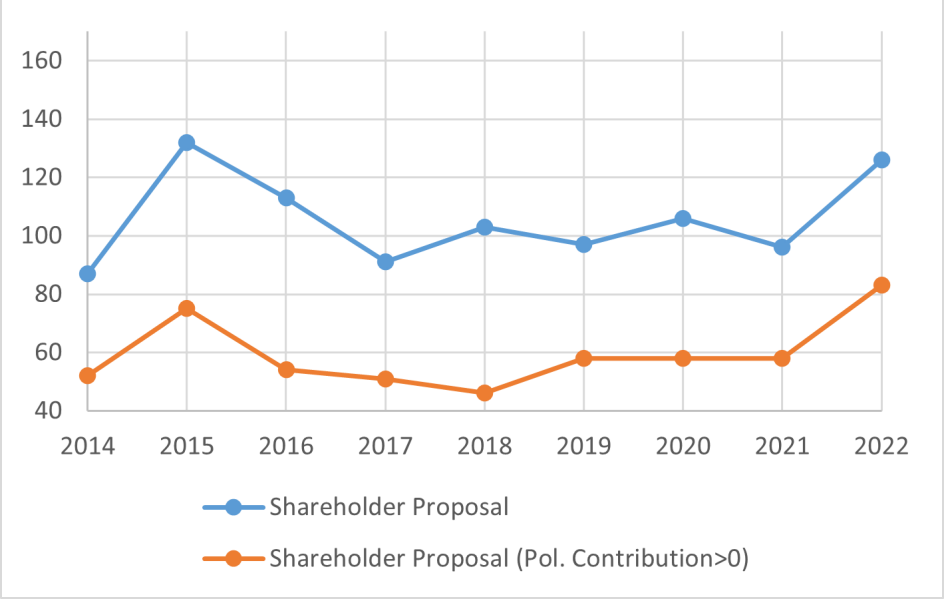


Figure 2. Yearly trend of proposals affected by political contributions

These figures report the yearly distribution of proposals influenced by political contributions between 2014 and 2022. Panel A plots the yearly trend for proposals sponsored by management. Panel B plots the yearly trend for proposals sponsored by shareholders. In both panels, the blue lines represent the total number of proposals voted on by PPFs, and the orange lines represent the number of proposals voted on by the PPFs for which state officials receive political contributions from the focal firm.



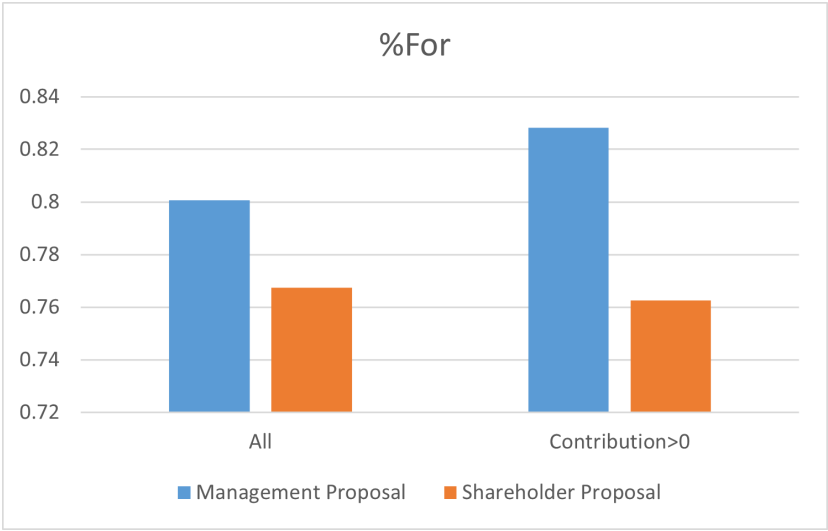
(a) Management Proposal



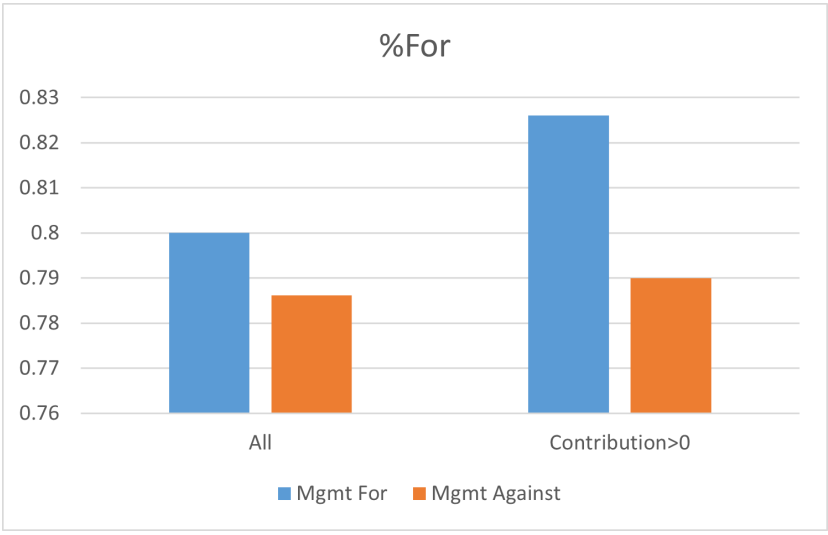
(b) Shareholder Proposal

Figure 3. Voting patterns

These figures present bar plots illustrating the fraction of "For" votes cast by PPFs. Panel A displays the distribution by proposal sponsor: the blue bars represent management proposals, and the orange bars represent shareholder proposals. Panel B shows the distribution by management recommendation: the blue bars represent proposals where management recommendations are "For," and the orange bars indicate proposals where management recommendations are "Against." In both panels, the left bars represent all proposals, while the right bars show the fractions of proposals potentially influenced by political donations.



(a) Distribution by Proposal Sponsor



(b) Distribution by Management Recommendation

Table 1. Descriptive statistics for the proposal sample

This table presents the descriptive statistics for the proposals used in proxy voting tests. Panel A reports general information. Panel B shows the distribution of proposals by sponsor and category, and Panel C summarizes the proposal characteristics. In all panels, we report the statistics for the full sample and the sub-sample of proposals influenced by political contributions.

Panel A: General Information

	All	Contributions> 0
# Proposals Voted on	40,607	9,765
# Firms	1,301	297
# State	40	40

Panel B: Distribution by Sponsor and Category

	All	Contributions> 0
Sponsors		
# Management Proposals Voted on by Pension Funds	39,655	9,179
# Shareholder Proposals Voted on by Pension Funds	952	586
Categories		
Board of Directors	29,441	7,159
Committees & Reporting	4,306	856
Corporate Structure	471	106
Environmental & Social	338	251
General Governance	652	226
Remuneration	5,399	1,167

Panel C: Proposal Characteristics

	All	Contributions> 0
Pass (%)	59.00	52.00
Fail (%)	1.56	4.00
Management Recommendation "For" (%)	97.90	94.40
Management Recommendation "Against" (%)	2.10	5.60

Table 2. Descriptive statistics for the proposal sample (cont'd)

This table provides more descriptive statistics. Percentages of funds voting With Management/For/Against are calculated at the proposal–state level, and political contributions are aggregated at the firm–state level. Variable definitions are listed in Table A1 in the Appendix.

Panel A: Proposal–State Variables

	N	Mean	sd	p1	p50	p99
𝟙 Contribution	747,107	0.0992	0.299	0	0	1
Contribution to State	747,107	1.191	3.642	0	0	14.34
% Votes With Management	747,107	80.35	26.31	0	91.11	100
% Votes For	747,107	82.21	23.87	0	91.67	100
% Votes Against	747,107	8.809	15.67	0	0	82.35
Firm Size	747,107	8.766	1.839	4.701	8.734	12.81
Profitability	747,107	0.0993	0.137	-0.342	0.0980	0.390
Tobin's Q	747,107	1.712	2.097	0.118	1.131	10.59
Capital Expenditures	747,107	0.0344	0.0429	0	0.0224	0.173
R&D Expenditures	747,107	0.414	16.08	0	0	1.764
% Indep. Director	613,344	0.703	0.116	0.429	0.700	0.917
CEO Tenure	615,224	8.547	7.274	1	6	32
Inst. Ownership	747,107	0.477	0.255	0	0.580	0.769
𝟙 Different Ideology	747,107	0.492	0.500	0	0	1

Panel B: Proposal Variables

	N	Mean	sd	p1	p50	p99
Passed	40,607	0.590	0.492	0	1	1
Failed	40,607	0.0155	0.124	0	0	1
(-1, +1) CAR (%)	40,090	-0.000208	3.948	-11.54	-0.0366	12.92
(-1, +5) CAR (%)	40,090	-0.176	6.353	-19.30	-0.137	18.58
(-1, +10) CAR (%)	40,090	-0.0677	8.610	-23.12	-0.180	26.60
𝟙 Management Proposal	40,607	0.977	0.151	0	1	1
𝟙 Board of Directors	40,607	0.725	0.447	0	1	1
𝟙 Committees & Reporting	40,607	0.106	0.308	0	0	1
𝟙 Corporate Structure	40,607	0.0116	0.107	0	0	1
𝟙 Environmental & Social	40,607	0.00832	0.0909	0	0	0
𝟙 General Governance	40,607	0.0161	0.126	0	0	1
𝟙 Remuneration	40,607	0.133	0.340	0	0	1
𝟙 Contest Proposal (15%)	25,163	0.0106	0.102	0	0	1
𝟙 Contest Proposal (5%)	25,163	0.00286	0.0534	0	0	0
𝟙 Disagree1	40,607	0.0453	0.208	0	0	1
𝟙 Disagree2	40,607	0.0418	0.200	0	0	1

Table 3. Political contributions and supporting PPFs

This table investigates the impact of political contributions on percentages PPFs in a state voting with management. Proposal controls are proposal category and management's and advisory firms' recommendations. Firm characteristics include firm size, Tobin's Q, profitability, capital expenditures, and R&D expenditures. Governance controls include CEO tenure, institutional ownership, and percentage of independent board directors. firm–state and state–year fixed effects are included. The t-statistics are in parentheses, with *, **, and *** indicating significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	Funds Voting with Management (%)					
	(1)	(2)	(3)	(4)	(5)	(6)
𝟙 Contribution (t-1)	**1.115***		**1.086***		**0.969***	
	(1.950)		**(1.903)**		**(1.659)**	
Contribution (t-1)		**0.104****		**0.101****		**0.090***
		(2.025)		**(1.965)**		**(1.719)**
Firm Size			0.918	0.916	1.077	1.075
			(1.491)	(1.489)	(1.440)	(1.438)
Tobin's Q			-0.072	-0.072	-0.109	-0.109
			(-0.585)	(-0.585)	(-0.602)	(-0.601)
Profitability			2.357	2.355	3.406	3.398
			(1.264)	(1.264)	(1.192)	(1.190)
Capital Expenditures			8.241	8.212	8.901	8.856
			(1.418)	(1.413)	(1.125)	(1.120)
R&D Expenditures			-0.004**	-0.004**	0.093***	0.093***
			(-2.240)	(-2.240)	(4.582)	(4.586)
IndependentDirectorPercent					10.209***	10.207***
					(2.945)	(2.945)
CEOTenure					-0.037	-0.037
					(-1.034)	(-1.040)
InstitutionalOwnership					2.486	2.490
					(1.541)	(1.542)
Observations	746,899	746,899	746,899	746,899	613,281	613,281
R-squared	0.764	0.764	0.764	0.764	0.755	0.755
Proposal Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4. Influence of out-of-state political contributions

This table examines the influence of out-of-state political contributions. Columns 1–2 present results for PPFs in firms' home states, while columns 3–4 show results for PPFs outside firms' headquarters states. Columns 5–6 report PPFs in states not related to firms' headquarters or business operations, and columns 7–8 present results for PPFs outside these related states. We control for firm and proposal characteristics, and include firm–state and state–year fixed effects. The t-statistics are in parentheses, with *, **, and *** indicating significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	Funds Voting with Management (%)							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
𝟙 Contribution (t-1)	**-0.375**		**1.110***		**-0.592**		**1.500****	
	(-0.216)		**(1.907)**		**(-0.597)**		**(2.264)**	
Contribution (t-1)		**0.033**		**0.100***		**-0.058**		**0.145****
		(0.219)		**(1.899)**		**(-0.661)**		**(2.417)**
Observations	24,867	24,867	722,032	722,032	68,111	68,111	678,781	678,781
R-squared	0.779	0.779	0.764	0.764	0.787	0.787	0.767	0.767
Home State	**Yes**	**Yes**	**No**	**No**				
Related State					**Yes**	**Yes**	**No**	**No**
Proposal Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 5. Proposal sponsors and categories

This table investigates the influence of political contributions by proposal sponsor and category. Panel A reports the results for shareholder proposals. Columns 1–2 include firm–state and state–year fixed effects, while columns 3–4 additionally include proposal fixed effects. Panel B presents the results for management proposals. Columns 1–2 report the results for the full sample, while columns 3–4 restrict the sample to non-related firm–state pairs. Panel C explores the heterogeneous effect across six proposal categories: Board of Directors, Committees & Reporting, Corporate Structure, Environmental & Social, General Governance, and Remuneration. The t-statistics are in parentheses, with *, **, and *** indicating significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Panel A: Shareholder Proposals

Dependent Variable(s):	Funds Voting with Management (%)			
	(1)	(2)	(3)	(4)
𝟙 Contribution (t-1)	**2.209****		**1.803*****	
	(2.590)		**(2.715)**	
Contribution (t-1)		**0.158****		**0.109****
		(2.310)		**(2.134)**
Firm Size	2.036	2.016		
	(1.371)	(1.343)		
Tobin's Q	0.298	0.292		
	(0.442)	(0.434)		
Profitability	-24.241	-24.160		
	(-1.592)	(-1.583)		
Capital Expenditures	41.592	41.339		
	(1.362)	(1.354)		
R&D Expenditures	33.574	33.526		
	(0.759)	(0.756)		
Observations	21,126	21,126	21,126	21,126
R-squared	0.807	0.806	0.851	0.851
Proposal Controls	Yes	Yes	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes
Proposal FE			Yes	Yes

Panel B: Management Proposals

Dependent Variable(s):	Funds Voting with Management (%)			
	(1)	(2)	(3)	(4)
𝟙 Contribution (t-1)	**0.947**		**1.367***	
	(1.558)		**(1.920)**	
Contribution (t-1)		**0.085**		**0.130****
		(1.521)		**(1.994)**
Firm Size	0.785	0.785	0.716	0.716
	(1.222)	(1.221)	(1.079)	(1.078)
Tobin's Q	-0.069	-0.068	-0.057	-0.057
	(-0.548)	(-0.548)	(-0.454)	(-0.453)
Profitability	2.482	2.480	2.193	2.189
	(1.316)	(1.316)	(1.158)	(1.156)
Capital Expenditures	6.459	6.445	8.309	8.282
	(1.116)	(1.113)	(1.407)	(1.403)
R&D Expenditures	-0.003**	-0.003**	-0.003**	-0.003**
	(-2.162)	(-2.162)	(-2.073)	(-2.073)
Observations	723,693	723,693	658,544	658,544
R-squared	0.743	0.743	0.749	0.749
Proposal Controls	Yes	Yes	Yes	Yes
Non-Related States			**Yes**	**Yes**
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes

Panel C: Proposal Categories

Dependent Variable(s):	Funds Voting with Management (%)					
	(1)	(2)	(3)	(4)	(5)	(6)
𝟙 Contributions (t-1)	1.804***	1.063*	1.074*	0.914	1.084*	1.063*
	(2.635)	(1.860)	(1.887)	(1.548)	(1.904)	(1.856)
𝟙 Board of Directors	0.052					
	(0.475)					
𝟙 Board of Directors * 𝟙 Contributions (t-1)	**-0.979***					
	(-1.804)					
𝟙 Committees & Reporting		-0.724***				
		(-8.785)				
𝟙 Committees & Reporting* 𝟙 Contributions (t-1)		**0.283**				
		(0.908)				
𝟙 Corporate Structure			1.823***			
			(4.576)			
𝟙 Corporate Structure* 𝟙 Contributions (t-1)			**1.421**			
			(0.650)			
𝟙 Environmental & Social				2.052		
				(1.484)		
𝟙 Environmental & Social * 𝟙 Contributions (t-1)				**4.594****		
				(2.195)		
𝟙 General Governance					-0.430	
					(-0.713)	
𝟙 General Governance* 𝟙 Contributions (t-1)					**0.067**	
					(0.042)	
𝟙 Remuneration						0.016
						(0.157)
𝟙 Remuneration * 𝟙 Contributions (t-1)						**0.201**
						(0.753)
Observations	746,899	746,899	746,899	746,899	746,899	746,899
R-squared	0.764	0.764	0.764	0.764	0.764	0.764
Proposal Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 6. The effect of political ideological alignment

This table examines whether political ideological alignment between firms and PPF investors' states affects our main results. Panel A includes a firm–state ideology alignment dummy (equals one if the firm and state share the same political ideology, and zero otherwise) as a control variable to test whether shared political views, rather than political contributions, drive PPFs' tendency to vote with management. Panel B explores how the relationship between contributions and voting behavior differs across ideologically aligned and misaligned firm–state pairs. The t-statistics are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Panel A: Political Ideological Mismatch as a Control Variable

Dependent Variable(s):	Funds Vote with Management (%)	
	(1)	(2)
𝟙 Contribution (t-1)	**1.088***	
	(1.906)	
Contribution (t-1)		**0.101****
		(1.966)
Firm Size	0.936	0.935
	(1.519)	(1.516)
Tobin's Q	-0.070	-0.070
	(-0.576)	(-0.576)
Profitability	2.343	2.342
	(1.257)	(1.257)
Capital Expenditures	8.190	8.162
	(1.409)	(1.405)
R&D Expenditures	-0.004**	-0.004**
	(-2.232)	(-2.232)
Different Ideology Indicator	-1.053	-1.044
	(-1.177)	(-1.166)
Observations	746,899	746,899
R-squared	0.764	0.764
Proposal Controls	Yes	Yes
Firm–State FE	Yes	Yes
State-Year FE	Yes	Yes

Panel B: Sub-sample Analysis

Dependent Variable(s):	Funds Vote with Management (%)			
	(1)	(2)	(3)	(4)
𝟙 Contribution (t-1)	**0.893**		**1.403****	
	(1.022)		**(2.385)**	
Contribution (t-1)		**0.091**		**0.132*****
		(1.173)		**(2.622)**
Firm Size	0.779	0.773	1.360*	1.362*
	(1.075)	(1.066)	(1.733)	(1.736)
Tobin's Q	-0.066	-0.066	-0.010	-0.010
	(-0.538)	(-0.540)	(-0.056)	(-0.055)
Profitability	3.109	3.109	1.198	1.194
	(1.452)	(1.452)	(0.500)	(0.499)
Capital Expenditures	8.796	8.753	7.262	7.243
	(1.219)	(1.214)	(0.977)	(0.974)
R&D Expenditures	-0.003**	-0.003**	-0.005	-0.005
	(-2.171)	(-2.172)	(-0.809)	(-0.809)
Observations	379,662	379,662	367,237	367,237
R-squared	0.770	0.770	0.764	0.764
Proposal Controls	Yes	Yes	Yes	Yes
Ideology	**Same**	**Same**	**Different**	**Different**
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes

Table 7. Contested proposals

This table examines the heterogeneous effect of political contributions for contested proposals. We interact political donations with the dummy variables for contested proposals. The t-statistics are reported in parentheses, with *, **, and *** indicating statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	Funds Vote with Management (%)			
	(1)	(2)	(3)	(4)
𝟙 Contribution (t-1)*Contested (15%)	**3.227****			
	(2.224)			
Contribution (t-1) * 𝟙 Contested (15%)		**0.274****		
		(2.298)		
𝟙 Contribution (t-1)*Contested (5%)			**6.310****	
			(2.406)	
Contribution (t-1) * 𝟙 Contested (5%)				**0.507****
				(2.536)
𝟙 Contribution (t-1)	0.950*		0.969*	
	(1.696)		(1.737)	
Contribution (t-1)		0.096*		0.098*
		(1.888)		(1.928)
Contest (15%)	-4.475***	-4.509***		
	(-4.867)	(-4.910)		
Contest (5%)			-6.063***	-6.054***
			(-4.958)	(-4.946)
Observations	500,797	500,797	500,797	500,797
R-squared	0.771	0.771	0.770	0.770
Proposal Controls	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes

Table 8. Management disagree with advisory firms

This table displays the heterogeneous effect of political contributions when management disagrees with advisory firms. We interact political contributions with the dummy variables for management recommendations that disagree with ISS or Glass Lewis recommendations. The t-statistics are reported in parentheses, with *, **, and *** indicating statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	Funds Vote with Management (%)			
	(1)	(2)	(3)	(4)
𝟙 Contribution (t-1) * 𝟙 Disagree1	**2.581***			
	(1.913)			
Contribution (t-1) * 𝟙 Disagree1		**0.217***		
		(1.850)		
𝟙 Contribution (t-1) * 𝟙 Disagree2			**3.673****	
			(2.233)	
Contribution (t-1) * 𝟙 Disagree2				**0.290****
				(2.106)
𝟙 Contribution (t-1)	0.922		0.816	
	(1.601)		(1.407)	
Contribution (t-1)		0.087*		0.079
		(1.651)		(1.479)
𝟙 Disagree1	-3.840***	-3.861***		
	(-4.937)	(-4.967)		
𝟙 Disagree2			-6.018***	-6.010***
			(-7.169)	(-7.232)
Observations	746,899	746,899	746,899	746,899
R-squared	0.764	0.764	0.764	0.764
Proposal Controls	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes

Table 9. Amendment to SEC Rule 14a-8

This table investigates the effect of amendment to SEC Rule 14a-8 by interacting political contribution variables with dummy variable "Post." The rule became effective in September 2020. We assign "Post" a value of one for the years 2021 and 2022 and zero for years 2018 and 2019. The t-statistics are reported in parentheses, with *, **, and *** indicating statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	Funds Vote with Management (%)			
	(1)	(2)	(3)	(4)
Post * 𝟙 Contribution (t-1)	**-3.251***		**-2.644***	
	(-1.944)		**(-1.862)**	
Post * Contribution (t-1)		**-0.255***		**-0.205***
		(-1.881)		**(-1.810)**
𝟙 Contribution (t-1)	2.005*		1.589*	
	(1.797)		(1.654)	
Contribution (t-1)		0.191**		0.154*
		(2.093)		(1.932)
Observations	329,300	329,300	329,300	329,300
R-squared	0.844	0.844	0.847	0.847
Proposal Controls	No	No	Yes	Yes
Firm Controls	No	No	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes

Table 10. ***McDonnell v. United States***

This table examines the effects of a Supreme Court decision in 2016. We assign "Post2" a value of zero for years 2014 and 2015 and one for years 2017 and 2018. Columns 3–4 are restricted to the sub-sample for which the states of PPFs are unrelated to firms' headquarters or business operations. The t-statistics are reported in parentheses, with *, **, and *** indicating statistical significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	Funds Vote with Management (%)			
	(1)	(2)	(3)	(4)
Post2 * 𝟙 Contribution (t-1)	**1.700****		**1.955****	
	(2.312)		**(2.505)**	
Post2 * Contribution (t-1)		**0.109**		**0.154***
		(1.362)		**(1.943)**
𝟙 Contribution (t-1)	-0.592		-0.507	
	(-0.823)		(-0.584)	
Contribution (t-1)		-0.001		-0.001
		(-0.010)		(-0.013)
Observations	368,571	344,935	336,056	314,302
R-squared	0.820	0.812	0.821	0.816
Proposal Controls	No	No	Yes	Yes
Non-Related States			**Yes**	**Yes**
Firm Controls	No	No	Yes	Yes
Firm–State FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes

Table 11. Impact of political donations on voting outcomes

This table reports the impact on voting outcomes for management and shareholder proposals separately. The independent variables are number of states the firm donated to and the indicator variable of firms making political contributions in year $(t-1)$. We use logit regression and include control variables and year-fixed effects. Columns 1–4 display results for management proposals, and columns 5–8 report results for shareholder proposals. Columns 1–2 and 7–8 present the likelihood of proposals passing, while columns 3–6 show the likelihood of proposals failing. The z-statistics are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable(s):	Passed		Failed		Failed		Passed	
	Management Proposals				Shareholder Proposals			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
# States Donated (t-1)	**0.0110*** **		**-0.0448**		**0.0221*** **		**-0.0834*** **	
	(0.00286)		**(0.0396)**		**(0.00712)**		**(0.0195)**	
𝟙 Contribution (t-1)		**0.180*** **		**-0.158**		**0.527*** **		**-0.913*** **
		(0.0370)		**(0.311)**		**(0.145)**		**(0.231)**
Observations	39,655	39,655	39,655	39,655	952	952	952	952
Pseudo R2	0.537	0.537	0.0295	0.0281	0.0766	0.0794	0.0923	0.0749
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Logit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 12. Market reactions to proposals influenced by political contributions

This table presents the comparison of cumulative abnormal return (CAR) between non-contributing proposals and contributing proposals. We test for statistical differences between the two groups using t-tests. *, **, and *** correspond to statistical significance at the 10%, 5%, and 1% levels, respectively.

	Non-contributing	Contributing	Difference	
	mean	mean	mean	T-value
Full sample	N = 30,074	N = 10,016		
(-1, +1) CAR (%)	0.023	-0.07	0.093	2.034**
(-1, +5) CAR (%)	-0.196	-0.117	-0.079	-1.073
(-1, +10) CAR (%)	-0.044	-0.138	0.093	0.938
Contest (15%)	N = 151	N = 111		
(-1, +1) CAR (%)	0.351	0.168	0.183	0.412
(-1, +5) CAR (%)	0.087	0.357	-0.27	-0.399
(-1, +10) CAR (%)	-0.557	0.98	-1.537	-1.943*
Contentious (ISS)	N = 1,232	N = 579		
(-1, +1) CAR (%)	0.009	-0.187	0.196	1.022
(-1, +5) CAR (%)	-0.14	-0.262	0.122	0.393
(-1, +10) CAR (%)	-0.111	-0.182	0.071	0.173
Contentious (Glass Lewis)	N = 1,069	N = 612		
(-1, +1) CAR (%)	0.009	-0.325	0.191	0.94
(-1, +5) CAR (%)	-0.14	-0.46	0.436	1.361
(-1, +10) CAR (%)	-0.111	-0.154	0.033	0.07

Appendix

Table A1. Variable definitions

Variable Name	*Description*
Proposal–State Characteristics	
% Funds Voting "For"	The number of funds voting "For" scaled by the total number of funds in the state.
% Funds Voting "Against"	The number of funds voting "Against" scaled by the total number of funds in the state.
% Funds Voting with Management	The number of funds voting with management ("For" or "Against") scaled by the total number of funds in the state.
Firm–State Characteristics	
Contribution to State	Logarithm of one plus a firm's political contribution to the state.
$\mathbb{1}$ *Contribution to State*	A dummy variable that equals one if a firm's political contribution to the state is positive.
$\mathbb{1}$ *Different Ideology*	A dummy variable that equals to one if the firm's headquarter state has different ideology from the state of the PPF and zero otherwise. Political ideology by state is defined following the Pew Research Center.
$\mathbb{1}$ *Home State*	A dummy variable that equals one if the state is the firm's headquarter state and zero otherwise.
$\mathbb{1}$ *Linked State*	A dummy variable that equals one if the firm's headquarter or subsidiaries are located in the state and zero otherwise.
Proposal Characteristics	
Passed	A dummy variable that equals one if the proposal passes.
Failed	A dummy variable that equals one if the proposal fails.
CAR (%)	Firms' cumulative abnormal returns around the date of the meeting.
$\mathbb{1}$ *Contested (15%)*	A dummy variable that equals one if the absolute value of $\frac{\%for-\%against}{\%for+\%against}$ is less than 15% and zero otherwise.
$\mathbb{1}$ *Contested (5%)*	A dummy variable that equals one if the absolute value of $\frac{\%for-\%against}{\%for+\%against}$ is less than 5% and zero otherwise.
$\mathbb{1}$ *Disagree1*	A dummy variable that equals one if the management recommendation is different from the ISS recommendation.
$\mathbb{1}$ *Disagree2*	A dummy variable that equals one if the management recommendation is different from the Glass Lewis recommendation.

Table A1. Variable definitions (cont'd)

Variable Name	*Description*
Firm Characteristics	
Firm Size	The logarithm of total assets.
Profitability	Net income scaled by total assets.
Tobin's Q	A firm's Tobin's Q.
Capital Expenditures	A firm's capital expenditure expenses scaled by total assets.
R&D Expenditures	A firm's research and development expenses scaled by total assets.
Corporate Governance Variables	
% Indep. Director	Percentage of independent directors.
CEO Tenure	Number of years a person serves as a CEO.
Inst. Ownership	Shares held by institutional investors scaled by total number of shares.

Table A2. List of PPFs

Fund Name	*State*
Alaska Retirement Management Board	AK
Arkansas Public Employees Retirement System	AR
Arkansas Teacher Retirement System	AR
Phoenix Employees' Retirement System	AZ
Arizona Public Safety Personnel Retirement System	AZ
Arizona State Retirement System	AZ
Contra Costa County Employees' Retirement Association	CA
San Francisco Employees Retirement System	CA
Los Angeles County Employees Retirement Association (LACERA)	CA
Los Angeles City Employees Retirement System (LACERS)	CA
San Diego County Employees Retirement Association	CA
California State Teachers Retirement System (CalSTRS)	CA
California Public Employees Retirement System (CalPERS)	CA
Orange County Employees Retirement System	CA
Alameda County Employees' Retirement Association	CA
University of California Retirement Plan	CA
Colorado PERA	CO
Colorado Public Employees Retirement Association	CO
Florida State Board of Administration	FL
Jacksonville Police and Fire Pension Fund	FL
Miami Firefighters' and Police Officers' Retirement Trust	FL
Employees' Retirement System of Georgia	GA
Employees Retirement System of the State of Hawaii	HI
Iowa Public Employees Retirement System	IA
Public Employee Retirement System of Idaho	ID
Chicago Municipal Employees' Annuity Benefit Fund	IL
Illinois Municipal Retirement Fund	IL
Chicago Teachers Pension and Retirement Fund	IL
Chicago Policemen's Annuity and Benefit Fund	IL
State Universities Retirement System of Illinois (SURS)	IL
Illinois State Board of Investment	IL

Table A2. List of PPFs (cont'd)

Fund Name	*State*
Indiana Public Retirement System	IN
Kansas Public Employees Retirement System	KS
Kentucky Teachers' Retirement System	KY
Kentucky Retirement Systems	KY
Teachers Retirement System of Louisiana	LA
Louisiana State Employees' Retirement System (LASERS)	LA
Massachusetts Pension Reserves Investment Management (PRIM)	MA
Boston Retirement System	MA
Maryland State Retirement and Pension System	MD
Maine Public Employees Retirement System - State and Teacher Retire	ME
Municipal Employees Retirement System of Michigan	MI
Minnesota State Board of Investment	MN
Public School and Education Employee Retirement Systems of Missouri	MO
Kansas City Missouri Employees' Retirement System	MO
Kansas City, Police Retirement System.	MO
Missouri State Employees Retirement System	MO
Public Employees' Retirement System of Mississippi	MS
North Carolina Retirement Systems	NC
Nebraska Public Employees Retirement System - School Employees Plan	NE
New Hampshire Retirement System	NH
New Jersey State Treasury	NJ
New Jersey Division of Investment	NJ
Public Employees Retirement Association of New Mexico	NM
New Mexico Educational Retirement Board	NM
Public Employees Retirement System of Nevada	NV
New York State Teachers Retirement System	NY
New York State Common Retirement Fund	NY
Teachers Retirement System of the City of New York	NY
New York City Employees Retirement System	NY
New York City Board of Education Retirement System	NY
New York City Pension Funds	NY
Ohio Public Employees Retirement System (OPERS)	OH
State Teachers Retirement System of Ohio	OH
Ohio School Employees Retirement System (SERS)	OH

Table A2. List of PPFs (cont'd)

Fund Name	*State*
Oklahoma Public Employees Retirement System	OK
Oregon Investment Council	OR
Oregon Public Employees Retirement System	OR
City of Philadelphia Board of Pensions and Retirement	PA
Pennsylvania Public School Employees' Retirement System (PSERS)	PA
Pennsylvania State Employees' Retirement System (SERS)	PA
South Carolina Retirement System	SC
Tennessee Consolidated Retirement System (TCRS)	TN
Texas Municipal Retirement System	TX
Houston Police Officers' Pension System	TX
Employees Retirement System of Texas	TX
Teacher Retirement System of Texas	TX
Virginia Retirement Systems	VA
Seattle Employees' Retirement System	WA
Washington State Investment Board (WSIB)	WA
State of Wisconsin Investment Board	WI
Wyoming Retirement System	WY

Table A3. Descriptive statistics for the firm sample

This table presents descriptive statistics for the firm–state sample between 2014 and 2022 for funds' participation in voting. Variable definitions are presented in Table A1 in the Appendix.

	N	Mean	sd	p1	p50	p99
# Proposals Voted on by State	76,942	9.628	4.463	2	10	20
Total # of Proposal	76,942	9.891	4.519	2	10	21
% of Proposals Voted on by State	76,942	0.975	0.0896	0.500	1	1
Contribution to State	76,942	0.592	2.266	0	0	10.67
$\mathbb{1}$ Contribution to State	76,942	0.0665	0.249	0	0	1
Firm Size	76,942	8.130	1.850	3.961	8.022	12.68
Profitability	76,942	0.0875	0.168	-0.519	0.0978	0.415
Tobin's Q	76,942	1.842	2.382	0.109	1.197	11.51
Capital Expenditures	76,942	0.0336	0.0432	0	0.0215	0.186
R&D Expenditures	76,942	1.014	24.80	0	0	6.100
$\mathbb{1}$ Home State	76,942	0.0363	0.187	0	0	1
$\mathbb{1}$ Linked State	76,942	0.100	0.300	0	0	1

Table A4. Political contributions and PPFs' participation in proxy voting

This table presents the results for the relationship between firms' political contributions and PPFs' participation in proxy voting. The dependent variables are a dummy variable of state pension funds' cast votes on the proposal and the percentage of proposals voted on by state pension funds. Firm controls include firm size, Tobin's Q, profitability, capital expenditures, and R&D expenditures. Firm and state–year fixed effects are included. The t-statistics are reported in parentheses, with *, **, and *** denoting significance at the 10%, 5%, and 1% levels, respectively. Standard errors are clustered at the firm level.

Dependent Variable(s):	# Proposals Voted on by State (t+1)		% of Proposals Voted on by State (t+1)	
	(1)	(2)	(3)	(4)
𝟙 Contribution to State	**0.041****		**0.002***	
	(2.021)		**(1.942)**	
Contribution to State		**0.006****		**0.0003****
		(2.178)		**(1.980)**
Firm Size	0.279***	0.279***	0.023***	0.023***
	(3.718)	(3.719)	(5.334)	(5.336)
Tobin's Q	0.014	0.014	0.001	0.001
	(1.444)	(1.443)	(1.631)	(1.630)
Profitability	-0.167	-0.167	-0.008	-0.008
	(-0.975)	(-0.976)	(-0.643)	(-0.644)
Capital Expenditures	0.803	0.802	0.044	0.044
	(1.150)	(1.149)	(0.787)	(0.786)
R&D Expenditures	0.000	0.000	-0.000	-0.000
	(0.546)	(0.545)	(-0.265)	(-0.265)
Total Number of Proposals (t+1)	0.818***	0.818***	-0.009***	-0.009***
	(26.785)	(26.786)	(-7.270)	(-7.270)
Observations	76,942	76,942	76,942	76,942
R-squared	0.957	0.957	0.388	0.388
Firm FE	Yes	Yes	Yes	Yes
State-Year FE	Yes	Yes	Yes	Yes