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In N.C., conservative donor Art Pope sits at heart of government he helped transform

Outside In A new era of influence

By Matea Gold
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RALEIGH, N.C. — Art Pope is one of the most generous donors to the University of North Carolina at Chapel Hill, having lavished millions on his alma mater.

The retail magnate is also one of the university's staunchest critics — so much so that he has directed millions into creating a think tank that has blasted UNC as being wasteful and a bastion of political correctness.

But when Pope sent university leaders a letter this year chastising their state funding request, it was in yet another capacity entirely: as Republican Gov. Pat McCrory's budget director.

There is no one in North Carolina, or likely in all of American politics, quite like Art Pope. He is not just a wealthy donor seeking to influence politics from the outside, nor just a government official shaping it from within. He is doing both at the same time — the culmination of a quarter-century spent building a sphere of influence that has put him at the epicenter of North Carolina government and moved his state closer to the conservative vision he has long imagined.

“There are not many people as influential, because few people have invested the time and the money that he has on behalf of his state,” said Republican former governor James G. Martin, who tapped Pope, then 28, to be a lawyer in his administration in the 1980s.

From the outside, Pope's family foundation has put more than \$55 million into a robust network of conservative think tanks and advocacy groups, building a state version of what his friends Charles and David Koch have helped create on a national level.

On the inside, the budget director and his GOP allies — who took over the legislature in 2010 and the governor's mansion two years later with the backing of Pope and other big

donors — have passed numerous laws overhauling taxes, social services and voting rights.

McCrory has also eliminated a public financing program for judicial races — opening those contests to greater influence by wealthy donors — and has sought to cut funding for the state’s university system. Both are pet causes of Pope’s.

Pope, 58, oversees the action from his fifth-floor corner office overlooking the colonnaded State Legislative Building. He serves as a top adviser to McCrory with some familiar faces; at least four of the governor’s staffers worked at Pope-backed groups, including the chief of staff, Thomas Stith, and the policy director, Chloe Gossage.

For all of his pull, the revolution Pope helped set in motion is not going quite as planned. The tax overhaul, styled in part off ideas promoted by Pope-backed groups, has contributed to tight finances in North Carolina at a time when other states are flush with cash. Cuts to education have spawned widespread discontent among parents and teachers.

And what was supposed to be a brief legislative session this spring to approve a new budget broke down into a contentious power struggle between the newly ascendant Republican officials, with powerful Senate leaders squaring off against McCrory and his allies in the House. Relations grew so fraught that at one point Senate leaders threatened to subpoena Pope to answer questions about contradictory budget projections.

Soft-spoken, with a drawl that shows his roots in the town now called Fuquay-Varina, about 30 minutes south of Raleigh, Pope portrays his government work as a service to the state he loves.

“I believe in trying to make North Carolina a better place for its citizens,” he said during a recent interview in his state office. Pope describes himself as an advocate of “right-sized” government, in favor of a free-market economy and prudent fiscal practices.

Pope waved off questions about the extent of his influence. But he clearly relishes his role at the seat of power after spending years trying to push conservative measures in the Democrat-dominated General Assembly.

“I know what it’s like to be in the minority, because that’s where I was for most of my life,” said Pope, who served four terms in the House, in two separate stints. “We were the underdogs.”

The man widely viewed as one of the most influential people in Raleigh has an owlish, slightly ruffled demeanor, resembling a state bureaucrat more than a wealthy power broker.

“He’s very unassuming,” said Francis X. De Luca, president of the Civitas Institute, a conservative think tank backed by the John William Pope Foundation, which is named

for Art Pope's father. "If you put him in a room full of people, you wouldn't pick him out as the guy who causes all the problems."

But some in Raleigh view Pope as the force behind many of the governor's decisions.

"He drives the budgetary policy goals of the administration," said one Republican lobbyist in town who spoke on the condition of anonymity in order not to anger either man. "The governor yields to Art. His real power, his influence in state government, is really having that turf all to himself."

Pope vigorously rejects such characterizations.

"My job, my role, my goal is not to influence and direct the governor," Pope said emphatically. "My job is to analyze, to provide advice, facts, what the alternatives are. I present the information, and the governor decides."

McCrorry said Pope defers to him, while often catching mistakes in the calculations made by state departments and legislative staffers. "We need more nerds like him in state government," McCrorry said.

Pope's familiarity with the minute details of state finances was on full display on a muggy afternoon in May, when he spent 25 minutes standing at a lectern, methodically explaining the details of the governor's new budget to the news media.

McCrorry sat on a chair behind his budget director, nodding along. When Pope was done, the governor stood up with a grin.

"I wish I could've had a camera, from this angle, watching the reporters' faces while Art explained the budget, because now y'all know how I felt during hour after hour after hour," McCrorry said with a chuckle.

The governor took some questions. On most, he deferred to Pope.

"I tell you what I'm going to do. I'm going to have Art kind of explain the details of that number that you just presented, so you can hear all sides of that argument," McCrorry told a reporter who asked about whether cuts to the university system would lead to tuition hikes. "Art, if you don't mind? Because he can present it much better than I can."

McCrorry surprised many in Raleigh when he appointed the conservative benefactor to oversee the state's fiscal activities.

In taking the post, Pope had to step back from his daily duties as chief executive of Variety Wholesalers, a retail empire built by his father that stretches from Ohio to Florida. He also gave up his position on the board of Americans for Prosperity, the national conservative advocacy group backed by the Kochs.

But to those who have long known Pope — who made an unsuccessful bid for lieutenant governor between his staggered legislative terms — the move made perfect sense.

Pope “has been working all of his life to get in a position of influence in North Carolina,” said state Rep. Robert Brawley (R), a 20-year veteran of the General Assembly.

When he heard the news of Pope’s appointment, Brawley recalled, he thought to himself, “Oh boy, my buddy Art is in position.”

UNC budget

Pope’s relationship with the University of North Carolina, a storied institution in the state, shows how he wields influence through several roles simultaneously.

In late February, Pope fired off an unusual memo to the UNC leadership. In his three-page letter, he chided the university system for not providing a “realistic” budget request for the coming year, saying it would require cutting into money for courts, public schools and health care.

To critics, the episode showed Pope using his clout to carry out a long-standing personal agenda. As a legislator, he repeatedly pounced on what he viewed as wasteful UNC spending, complaining that administrative funds were spent on Palm Pilots and gourmet pizza. Since then, think tanks backed by his family foundation — particularly the John William Pope Center for Higher Education Policy — have regularly criticized the management of the university.

Chris Fitzsimon, founder and executive director of NC Policy Watch, a liberal think tank, called Pope’s memo to UNC “extraordinary,” adding, “No budget director before Art Pope would have done that on their own.”

Pope said his actions were not personal, adding that the memo had been approved by the governor and had the backing of legislative leaders.

The university said it was seeking to retain some cost savings and restore some previous cuts, and it offered to set aside a request for new construction funds.

That, however, still was not enough. McCrory’s new budget proposed reducing UNC’s net funding by \$47 million, roughly 2 percent of its budget. Among the suggested cuts were research centers deemed “not central to the educational mission.”

McCrory said that while Pope had raised some questions about UNC’s budget, the reductions were his call. “I made the final decision,” the governor said.

At the same time he has weighed in on UNC’s state funding, Pope and his family have given the flagship Chapel Hill campus millions of dollars through their foundation to support athletics and underwrite classes in politics, economics and Western civilization.

Most recently, the Pope Foundation donated \$1.3 million in April to endow a professorship and grant program at the UNC Lineberger Comprehensive Cancer Center.

“Your giving makes a real difference in our work and in the lives of others,” UNC-Chapel Hill Chancellor Carol L. Folt wrote to Pope after the gift.

Two months earlier, the recently arrived chancellor had an introductory meeting with Pope in his capacity as budget director in which they discussed the university’s finances, according to correspondence obtained through a public-records request.

In a follow-up letter to Pope, Folt wrote that she was “committed to regularly assessing university operations to ensure that Carolina remains as efficient and effective as possible.”

Pope’s presence is felt acutely on the Chapel Hill campus, where some faculty members say school officials are fearful of antagonizing a longtime critic who now holds sway over the university’s funding.

They point to an incident last fall, when UNC took steps to distance itself from a professor at its law school, Gene Nichol, after he drew fire from Pope-backed think tanks for a newspaper column in which he compared McCrory to Southern segregationist governors.

The heads of the Pope Center for Higher Education Policy and the Civitas Institute responded with their own piece, saying Nichol’s “nastiness and increasingly unhinged partisanship . . . reflects an arrogance and radicalism that have been building for years.”

Civitas also filed a public-records request for six weeks’ worth of Nichol’s e-mails, phone records and calendars, eventually obtaining more than 1,000 pages of materials.

Amid the controversy, UNC officials exchanged alarmed e-mails noting how much Nichol’s piece had angered the governor and his supporters, according to documents first reported on by the Raleigh News & Observer.

The university now requires Nichol, director of UNC-Chapel Hill’s Center on Poverty, Work and Opportunity, to include a disclaimer at the bottom of his columns reading, “He doesn’t speak for UNC.”

Nichol said in an interview that the disclaimer was “a continual reminder that we have a provost and chancellor more fearful of Art Pope than they are of protecting freedom of speech.”

In a statement, James W. Dean Jr., UNC-Chapel Hill’s executive vice chancellor and provost, said the university vigorously protects First Amendment rights and called the disclaimer consistent with UNC’s academic-freedom policies.

Still, Dean hinted at the careful political tightrope being walked by the university.

“We have a very close and collaborative working relationship with many state government officials, including Mr. Pope in his role as State Budget Director,” Dean said. “We have worked hard to demonstrate the critical role our public universities play in securing North Carolina’s economic future and will continue to do so.”

Judicial races

The heated policy battles that have cleaved North Carolina are now playing out in the courts. The state Supreme Court, which has a slight conservative majority, is slated to weigh in on several high-profile measures pushed through by the Republican-led legislature, including redistricting and school vouchers.

That has made a major target out of Robin Hudson, a Democratic justice on the court who is up for reelection this year and has faced a barrage of attacks.

Wealthy outside groups have a greater ability to affect such races than in recent years, thanks to the demise of a program that Pope opposed as a state lawmaker and helped end as budget director.

More than a decade ago, Pope strongly objected when the legislature passed created a pioneering campaign financing system for Supreme Court and Court of Appeal judicial elections.

“Candidate welfare,” he said at the time.

The voluntary program was celebrated by advocates of stricter campaign finance rules as a national model for limiting the ability of special interests to influence judges, by providing them with access to public funding.

“While other states were having just outrageous sums being spent on these statewide judicial races, North Carolina’s races stayed relatively inexpensive,” said Bob Phillips, executive director of Common Cause North Carolina, a government watchdog group.

When McCrory introduced his first budget in 2013, the program had been eliminated.

Supporters scrambled to find a way to salvage it, enlisting state Rep. Jonathan Jordan (R) to sponsor an amendment that would allow it to continue in a scaled-down form.

The day the issue was set to be discussed in the House, Pope took Jordan aside in a hallway outside the chamber, arguing that the amendment was unconstitutional.

Jordan shelved his measure. The lawmaker, who received \$16,000 in campaign contributions from the Pope family when he ran in 2010, did not return requests for comment.

Pope said it was appropriate for him to make the case about the merits of the governor's budget to a state lawmaker, acknowledging that he has long personally been opposed to such public campaign finance programs.

Asked if he played a role in McCrory's thinking, Pope said, "I gave my analysis and advice to the governor."

This year, outside money has targeted North Carolina judicial races, including an \$800,000 campaign that accused Hudson of being soft on child molesters. One of Hudson's challengers was Jeanette Doran, former executive director of the Pope-backed North Carolina Institute for Constitutional Law. She placed third in the May primary, but Hudson was forced into a runoff with another Republican.

Pope said he did not know Doran was going to run and has not put money into the campaign.

"I had no knowledge of what was going to happen," he said. "It was no grand plot."

Building a network

Pope's quarter-century-long effort to build a conservative public-policy infrastructure was inspired in part by his father, John William Pope, a savvy and frugal entrepreneur who took a handful of family dime stores and turned them into a multimillion-dollar corporation.

"I don't have any doubt that Mr. Pope's business philosophy, political philosophy, played a substantial role in shaping Art's role in politics and business," said former North Carolina Supreme Court justice Bob Orr, a longtime friend of Art Pope's who served as the first head of the Institute for Constitutional Law.

After practicing law for a few years, Art Pope jumped into politics, working as director of operations for Martin's 1984 gubernatorial campaign, using his early Apple IIe computer to model voter turnout.

Pope said that when he joined the Martin administration as a special counsel, he saw the imbalance in North Carolina's political environment. The state had been dominated by Democrats for so long that the newly elected Republican governor had to turn to neighboring Tennessee for conservative approaches to education.

Soon afterward, Pope went to work building a network of groups to generate conservative policy prescriptions, modeled in part on national groups such as the Heritage Foundation and Cato Institute.

In 1990, Pope and his father launched the John Locke Foundation, a think tank that is now the state's premier idea generator on the right. They followed it with the Pope Center on Higher Education Policy, a passion of Pope's father, who had served on UNC-Chapel Hill's board of trustees. The constitutional-law center was created to focus on

legal issues, while the Civitas Institute took on the task of holding elected officials accountable to conservative principles.

Pope was also instrumental in launching the North Carolina chapter of Americans for Prosperity, which worked to mobilize grass-roots support for free-market policies.

The financial muscle behind the groups is the Pope Foundation, which funds a range of arts, humanitarian and educational groups. But half of its total giving through June 2013 — \$55 million — went to the four policy groups and the national foundation arm of Americans for Prosperity, according to records provided by the Pope Foundation.

For much of their existence, the Pope-backed groups served as a “conservative government in exile,” said GOP political consultant Dee Stewart. “Those think tanks generated the ideas that conservative candidates ran on for many, many election cycles.”

The opportunity to put the policies into practice finally came when the GOP won control of the legislature and then captured the governor’s office — the first time since 1870 that Republicans controlled the two branches of North Carolina government.

Pope and his family played a significant role, donating more than \$500,000 to state candidates and party committees in 2010 and 2012, according to an analysis of state campaign finance data by the Institute for Southern Studies, a liberal research group. His company, Variety Wholesalers, gave almost \$1 million more to outside groups that ran independent campaigns.

Last year, the General Assembly approved a torrent of conservative measures that resembled ideas touted by Pope’s think tanks. Among them were bills that cut unemployment benefits, blocked the expansion of Medicaid, restricted access to abortions and ushered in new restrictions on voting.

In response, thousands of people descended on the capitol last summer as part of demonstrations dubbed “Moral Mondays.”

The Civitas Institute sought to puncture the demonstrations’ impact by creating an online database of those arrested in the protests. Along with mug shots, the database included names, race, age, arrest record, employer’s name and voting history. The site featured a “Pick the Protester” game that allowed readers to match mug shots with demographic characteristics.

De Luca, the institute’s president, said the project was aimed at showing that the protesters were whiter and wealthier than the communities they said they were representing. “It was not this mass movement,” said De Luca, who added that Civitas plans to update the database with arrests from demonstrations this year.

Pope, he said, does not dictate the group’s activities. He calls occasionally to ask for policy information — or if the group has done something controversial, De Luca said.

“Usually when he calls, I’ll say, ‘Okay, what did we do?’ ” he said.

GOP infighting

The budget stand-off in Raleigh this summer has illustrated a complicated truth about Pope’s role: Now that he is inside the system, he is penned in by the limits of the governor’s influence.

The state Senate — led by the powerful Phil Berger (R) — rolled over McCrory’s suggested budget and passed a version very different from the one in the House, whose appropriations chairman, Rep. Nelson Dollar (R), is a close Pope ally.

Budget talks stalled over a heated dispute about Medicaid projections. After Senate leaders threatened to subpoena Pope to explain the numbers, the budget director showed up for a hearing in which a senator sniped at him for trying to “dictate” the budget. Pope, for his part, scolded the lawmakers for trying to cut teacher assistants and programs to help the poor and elderly.

Still, Pope is finding ways to shape the political environment from the outside, even as he sits on the inside.

When this year’s legislative session opened, hundreds of demonstrators again gathered in front of the State Legislative Building to protest the policies enacted by the Republican majority. But the Moral Mondays protesters were met by a new player on the scene: Carolina Rising, a nonprofit group that touted gains made under the GOP leadership and handed out sun-shaped stress balls that proclaimed cheerfully, “Jobs Up Unemployment Down.”

Last month, the organization — run by Dallas Woodhouse, former state director for Americans for Prosperity — ventured into harder-edged politics, running an ad that took a shot at Attorney General Roy Cooper, a Democrat expected to challenge McCrory in 2016. Similar hits against Cooper are expected to follow.

On its Web site, Carolina Rising says it “relies on the generosity of private funding and the dedicated enthusiasm of the citizens of North Carolina.”

One of those enthusiastic citizens, according to people familiar with his role, is Art Pope.

Alice Crites contributed to this report.