

Lever of Power: How Philanthropy Shaped the 2014 Election

By [David Callahan](#)

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For hedge fund billionaire Tom Steyer, it was climate change. For Michael Bloomberg and Bill Gates, it was gun control. For the Koch brothers, it was retaking the Senate.

Deep-pocketed donors were active again during this election, the most expensive midterm in history. But the role of private wealth in shaping last Tuesday's results went well beyond all the spending for TV ads and organizers on the ground. The election was also shaped by philanthropists playing a longer game, shaping the debate on key issues with hefty contributions pumped into 501(c)3s—nonprofit entities more associated with feeding the hungry than fueling campaigns.

Legal restrictions mean that wealthy individuals who use philanthropic organizations to channel their dollars can't engage in direct electoral activities. But they can do a lot to frame the arguments over policy and politics, through think tanks, advocacy groups, and media. Those patient (and tax-deductible) investments can pay big dividends at election time. What's more, nonprofits are legally allowed to engage in litigation over voting rules and to organize voters—work that can determine who gets to cast ballots in some states.

So how, exactly, did philanthropic dollars shape this year's election? Let's dig in and take a closer look.

Stoking Doom and Gloom

Voter anger at President Obama, along with a broader glum mood, was a core driver of Republican gains this year, and those emotions have remained intense even as the economy has rebounded, with unemployment falling to its lowest level since 2008.

One reason the President's polling numbers have stayed in the dumps and Americans have remained so gloomy is that a well-financed conservative network of 501(c)3 policy shops has pounded the administration for its every misstep, cast endless doubt on Obama's key policies, and ceaselessly argued that the economic glass is half full, no matter what the latest numbers show.

Bill Clinton famously claimed that a "vast right-wing conspiracy" was trying to bring him down. Today, though, the universe of conservative groups is both bigger and better funded than it was in Clinton's day. The Heritage Foundation's budget is over twice what it was in the 1990s, thanks to the generosity of foundations and wealthy individuals. Among other things, Heritage has relentlessly attacked Obama on the immigration and Common Core, both red meat issues for GOP base voters. The American Enterprise Institute, which houses many of the experts bashing

Obama's foreign policy, has experienced a spurt of funding in the past few years, including a recent \$20 million donation. The Cato Institute, where David Koch sits on the board, may be more influential than ever, supplying ammunition for libertarian critics of the president like Rand Paul.

Turn on the television on any evening or scan the op-ed pages on any morning, and you'll likely find a policy expert raking Obama's policies over the coals. Who's paying the salaries for these folks? Institutions bankrolled by conservative philanthropists who've opened their checkbooks as never before amid fears of a Democratic president. In 2013, the three top policy shops on the right—Heritage, AEI, and Cato—cumulatively pulled in nearly \$130 million in tax-deductible contributions. Broaden the net to include innumerable other conservative institutes at the national and state level, and we're talking hundreds of millions of dollars in philanthropic donations made last year alone.

That's big money, and it played a big role in shaping the overall narrative and mood in this election cycle. To be sure, progressive groups like the Center for American Progress returned fired—defending the administration's record on the economy and foreign policy, and touting its legislative achievements. These groups, too, are better financed than ever, thanks to philanthropists on the left who finally grasp the need to invest in big picture policy shops that can help shape the overall narrative of public debates.

In the end, though, the right's larger ideological steamroller won this round.

The Tug-of-War on Healthcare

Obamacare never became the decisive issue in 2014 that the GOP fantasized about, but it was high on the minds of voters and, in some races, became a major focal point.

A big reason the healthcare law didn't prove so toxic for Democrats is that it's been working better than expected, after a rough rollout. In turn, lots of credit for the law's success goes to private funders who've spent a fortune to get people signed up on the exchanges, the younger the better.

Enroll America, a 501(c)3 operated by Obama campaign veterans and bankrolled by charitable contributions, led the charge. Since nonprofits don't have to disclose their donors, it's hard to identify the individuals who've donated to Enroll America. But the Robert Wood Johnson Foundation has given the group [\\$23 million](#) since the beginning of last year, according to its grants database. The California Endowment spent even more on enrollment in the Golden State alone, including major outreach to Latinos.

Progressive funders have also quietly funded efforts to push Medicaid expansion in holdout red states, to help make sure that part of the law achieves its potential, as we [reported here](#). And a host of progressive policy groups have gotten money to generally tout the importance of expanding health coverage to all Americans and make sure that Obamacare.

Meanwhile, the fact that the ACA's negatives have remained so high, despite signs of success, partly reflects non-stop pummeling of the law by national think tanks such as Cato Institute and Heritage Foundation, and state groups like the Heartland Institute—work financed by conservative donors.

The message of these outfits, trumpeted in myriad policy briefs, op-eds, and broadcast interviews, has been that the ACA is, in Cato's words, "bad medicine"—that the law can't work, isn't working, and even if it did, would still be destructive to the American way of life. The disastrous rollout of Healthcare.gov dovetailed perfectly with this message, and funders made sure there was no shortage of resources to amplify the negative fallout of that episode for months on end.

Conservative donors have also showered money on the Pacific Legal Foundation, a 501(c)3 and the lead group raising constitutional doubts about the Affordable Care Act through lawsuits.

It's hard to judge the net result of all this spending on the 2014 election. Strong enrollments have saved Obamacare from tanking and helped neutralize this issue as a Democratic liability. But the law's enduring unpopularity helped the GOP, especially in some tight Senate races, as in Louisiana, where Democrat incumbent Mary Landrieu was clobbered with attack ads for her support of Obamacare.

Ending the Culture War

Even as Republican candidates had a strong night on Tuesday, they got little traction from exploiting social issues, a historic ingredient of GOP success. Indeed, one clear lesson of the 2014 election is that the culture war is over, and Republicans have lost.

A few years back, judicial rulings in favor of same-sex marriage would have been a boon to GOP candidates, helping mobilize base voters. This fall, though, Republicans were largely silent on the issue even as gay marriage bans fell in the states.

Why the shift? Well, among other things, a cabal of progressive funders have poured hundreds of millions of dollars into an effort to win acceptance for same-sex marriage and LGBT Americans more broadly. Much of this money went to 501(c)3s like Freedom to Marry and Human Rights Campaign, and came from the deep pockets of little-known philanthropists such as Tim Gill, who became wealthy through the software company Quark, and Jon Stryker, an heir to the Stryker medical instruments fortune.

These funders played the long game, and by winning, they didn't just change the legal options for millions of couples. They stripped the GOP of one of its most powerful wedge issues of recent times.

While philanthropic contributions to LGBT groups have soared in recent years, some conservative groups standing up for "family values" have seen a collapse of their funding. Case in point: The steep decline of Focus on the Family, a nonprofit which had once been a powerful policy and advocacy machine for the Christian right. Those days are over, thanks to a falloff in

donations as well as internal problems at the organization. Last year, the group [raised](#) \$71 million, down from [\\$118 million](#) in 2004.

Putting Climate on the Agenda

While Tom Steyer's big push on climate change is widely seen as a bust, green money still helped put this issue on the agenda in 2014 as never before. The topic of climate change came up in at [least 10 debates](#) between Senate candidates this fall, in contrast to zero mentions in the presidential debates in 2012. Gubernatorial candidates like Rick Scott in Florida also faced questions on climate change.

Steyer's 501(c)4 group, NextGen Climate, played a big role in surfacing the climate issue, but other environmental (c)4s have also spent big on organizing and advertising efforts, with outlays by all groups recently estimated at [\\$85 million](#) by the Washington Post, a record-breaking sum.

One reason this fall's green push got traction is that environmental philanthropists stepped up their spending in recent years to win the longer term argument over climate change—shoveling a mountain of cash into 501(c)3s for policy work and public education that dwarfs campaign spending this fall.

For example, just one donor—Nathaniel Simons, the son of hedge fund billionaire James Simons—has given over \$140 million to energy and environmental nonprofits since 2011 through a little-known foundation, Sea Change, that he controls with his wife. Big grants have gone to fund work on communications and messaging, to help change public opinion on the climate issue.

Of course, the results of such work can also be exploited by candidates or by 501(c)4s, a type of nonprofit that can directly engage in electoral activities which are off-limits to traditional 501(c)3 charities. As a result, 2014 has been a breakthrough year in terms of the resonance of climate arguments, as evidenced by how often the subject came up in candidates debates and in media coverage of campaigns. And the Sea Change Foundation has given millions to an outfit called the [Partnership Project](#), which works to coordinate the nation's top environmental groups and amplify their clout.

Those groups—all 501(c)3s, some with (c)4 arms—are now larger than ever, thanks to rising donations, including lots of new money that has come in from finance leaders. Among the organizations that has been super-sized is the Natural Resources Defense Council, which had a \$123 million budget in 2013 and enough clout to devise the rules that became the basis of the Obama Administration's tough crackdown on coal-fired plants earlier this year. In turn, those new rules became a fiercely contested issue in certain elections this fall, particularly in Kentucky and West Virginia, both states where Republican senatorial candidates won.

Ballot Initiatives: Weed and Wages

Some voters at the state level also dined this fall at tables set in part by philanthropists. Marijuana was legalized in Alaska and Oregon on Tuesday, as well as in the District of

Columbia. An initiative to legalize medical marijuana was also on the ballot in Florida, although voters went against that one. Earlier this fall, one analyst dubbed the 2014 election the “marijuana mid-terms.”

Pot’s big moment was nearly two decades in the making, and the push for legalization offers a powerful example of how private money channeled through 501(c)3 groups can help orchestrate a major change in American life.

Starting in the 1990s, two billionaire funders— financier George Soros and the insurance magnate Peter Lewis—spent a fortune to remake U.S. drug policy. Soros bankrolled new research and advocacy on drug policy, and tied that work into a broader assault by his foundation on harsh criminal justice policies. Lewis focused laser-like on winning acceptance for medical marijuana, investing in nonprofit research and advocacy efforts, including a \$500,000 grant to the Brookings Institution, and spending a reported [\\$40 million](#) financing state ballot initiatives.

With plenty of resources, drug reformers scored a long string of victories in the states that began in 1996, when California passed the nation’s first medical marijuana law. Since then, nearly two dozen states have passed such laws, which are widely considered a first step to decriminalization. Without the deep pockets of Soros and Lewis, the “marijuana mid-terms” would never have happened.

Philanthropists also helped put the minimum wage on this year’s election agenda, with voters approving pay hikes in four states: Arkansas, Alaska, Nebraska, and South Dakota. Over the past few years, a slew of nonprofits financed by progressive funders—both large outfits like the Ford Foundation as well as individual donors associated with the Democracy Alliance, a network of progressive donors—have worked steadily to push economic equity concerns to the top of the national agenda. This year’s minimum wage initiatives, and voter receptivity on the issue, is one reflection of that push.

At the same time, some of the strongest pushback against boosting wages has come out of national and state think tanks financed by conservative funders like the Bradley Foundation. Perhaps the most aggressive opponent of minimum wage hikes has been the Employment Policies Institute, a 501(c)3 with a budget of several million dollars a year financed largely by the restaurant industry—with corporate contributors receiving the same tax-deduction for giving to EPI they’d get from donating to a food bank.

This fall, the group weighed in on the minimum wage debate with op-eds and research, as well as online analysis of how states considering wage hikes might take an economic hit.

One final note on initiatives: Voters in Massachusetts enacted a new law to require companies to provide paid sick days; sick pay ordinances also were approved in Trenton, N.J., Montclair, N.J., and Oakland. This is another issue that progressive funders have pushed, including the Ford Foundation, which has given \$11 million to the nonprofit group Family Values @ Work, which advocates for paid leave and has helped state coalitions push the issue, including in Massachusetts.

The activities of groups like EPI and Family Values @ Work to shape public understanding of key issues are perfectly permissible for nonprofits. These efforts stand as additional examples of how policy work supported by philanthropic funders finds its way into political fights. The public doesn't know who's paying the salaries of experts, and the arguments of those experts often carry more heft than appeals coming from partisan officials.

Financing the Vote

Philanthropists also had a hand in determining who got to cast ballots this fall. As in the last election, fights over voter ID laws and other procedural issues in various states were closely watched by parties and candidates. But the front-line combatants in these fights tended to be 501(c)3 nonprofits.

On the eve of the election, [according](#) to the Brennan Center for Justice, litigation fights over voting rules were still underway in eight states. It will take time to analyze exactly how contested rules shaped electoral outcomes—particularly those related to voter ID, which many minority and young voters don't have—but the Brennan Center is already [saying](#) that restrictive rules may have helped decide some races for Republican candidates. In other states, lawsuits pushing back against these laws may have helped Democrats.

Nonprofits aren't barred from waging litigation battles, even when the partisan stakes are high, and several well-known organizations have been in the thick of these lawsuits, including the NAACP and League of Women Voters.

Another factor shaping the composition of the electorate this fall has been stricter enforcement of the National Voter Registration Act, the so-called “Motor Voter” law, which offers people a chance to register to vote when interacting with government agencies. In recent years, a number of states have begun offering voter registration materials to public assistance recipients, as the law requires, after facing litigation by democracy advocacy groups. Fuller enforcement of the NVRA has brought over 2 million people onto voter rolls since 2007, many of whom are low-income citizens who lean Democratic.

And who financed this litigation? Progressive funders like Ford and George Soros's Open Society Foundations, which are keen on tipping the balance toward what's been called the “new American majority” of nonwhite and young voters.

Grassroots drives to sign up new voters are another way to tilt the playing field, and another legal activity for nonprofits, within limits. One effort that drew scrutiny this fall is the New Georgia Project, a 501(c)3 created by a top Democratic leader in the state with private philanthropic backing that has sought to bolster registration rates among black, Latino, and young voters. It's not known exactly how much the group spent this year, but clearly it wasn't enough to make a decisive difference for Democratic Senate candidate Michelle Nunn, who went down to defeat.

The bigger picture here is that the wealthy are getting more clever about leveraging their money for power, and philanthropy has become a major vehicle for doing that. Indeed, in some ways, the great ideological battles of the past few decades can be seen as titanic clashes of opposing cabals of wealthy funders.

Funders on the right like Richard Scaife helped orchestrate America's shift to the right during the 1980s and 1990s by financing a "counter-establishment" of policy and legal groups that include places like Heritage and Cato. Philanthropists on the left, many clustered around the Democracy Alliance, started to push back hard during George W. Bush's first term, building a progressive infrastructure by heavily funding such groups as the Center for American Progress and Media Matters.

The dollar totals going to 501(c)3 may not compare with direct political spending, but they are still big, and this money keeps flowing to such groups every year, whether an election is happening or not.

And here's the thing: It may be that we ain't seen nothing yet. A decade ago, the Koch brothers had a combined net worth of \$8 billion—compared to \$82 billion today. Soros is also wealthier than he used to be, with a \$24 billion fortune. And, perhaps more importantly, lots of new super-rich funders, like Nathaniel Simons, have been getting into ideological philanthropy.

Who's likely to win this spending arms race in coming years? That's hard to say, and the past pattern has been like a moving see-saw, with funders mobilizing in response to a perceived disadvantage. But one thing is clear: Ordinary Americans will be losers here as their voices are drowned amid the rising tide of private money in public life.