

washingtonpost.com

Super Rich Step Into Political Vacuum

McCain-Feingold Paved Way for 527s

By James V. Grimaldi and Thomas B. Edsall

Washington Post Staff Writers

Sunday, October 17, 2004; Page A01

This was going to be the year -- thanks to the 2002 campaign finance law -- when big money lost its influence in American politics.

But if the election comes down to which presidential candidate is better at getting supporters to the polls, the huge donations of a handful of wealthy liberals named Linda Pritzker, Stephen L. Bing, Peter B. Lewis and George Soros could determine the outcome. Together, they have given more than \$26 million to help finance the most extensive get-out-the-vote operation in history, the goal of which is to make John F. Kerry president.

The recipient of the largess, America Coming Together (ACT), is one of the so-called 527 organizations playing a crucial role in the presidential campaign. Named after a section of the tax code, the 527 groups are doing much of the advertising and field work traditionally left to party organizations.

This election year, the groups have become the main way for the wealthy to affect events. Six of the top 10 donors to 527 groups are billionaires, and all are on Forbes magazine's list of richest Americans. Eight dollars out of every \$10 collected from individuals by Democratic-leaning 527 groups have come from donors who have given at least \$250,000 each, according to an analysis by The Washington Post of data on 527 donations maintained by Center for Public Integrity.

Until recently, virtually all the money going to 527s went to Democratic groups. But in the last few months, Republicans have balanced the equation, collecting \$1 out of every \$3 raised through such groups as the Swift Boat Veterans for Truth, according to the Center for Public Integrity. Their donors have followed the same pattern as the Democratic ones: \$9 out of every \$10 collected by the GOP groups have come from

Advertisement

Cast your vote!

I am a:

REPUBLICAN F

DEMOCRAT

seeking a:

REPUBLICAN

DEMOCRAT M

Search

Don't settle. Go online.
date.com

The advertisement features a woman with red hair and a red top, standing with her arms crossed. The background is red with a white star in the top left corner. The text is white and black, with the date.com logo in red and white.

people who have given more than \$250,000 each, according to the latest data available from the Internal Revenue Service.

In the most recent filings of 527s to the IRS for the third quarter of 2004, pro-Republican groups outraised their Democratic counterparts \$62.8 million to \$36.5 million, including organizations financing both television ads and get-out-the-vote activities.

Among the first GOP givers were Carl H. Lindner Jr. and A. Jerrold Perenchio, both top Bush fundraisers known as "Rangers." They were quickly followed by other Rangers such as Alexander G. Spanos, \$5 million, and Dawn Arnall, \$5 million.

These big donors have stepped into the vacuum created by the continuing controversy over the role of the 527s. By banning the use of large "soft money" contributions to party organizations, the McCain-Feingold campaign finance law essentially made 527s the only conduit for unregulated and unlimited contributions. But many traditional sources of big money -- corporate chieftains and companies such as Microsoft, Boeing and General Electric -- have been reluctant to give to them for fear of becoming entangled in lawsuits challenging the legality of the groups.

In their place, two dozen superwealthy and largely unknown men and women have emerged as key contributors, each giving more than \$1 million. They espouse an eclectic mixture of causes and ideological motives. Among the pro-Democratic donors are Pritzker, a Hyatt hotel heiress who founded a Buddhist enclave in Montana; Bing, a Hollywood producer with a highly publicized love life; and Lewis, an insurance executive who has spent millions trying to legalize marijuana.

Only Soros, a Hungarian immigrant whose hedge fund investments have given him a personal wealth estimated at \$7.2 billion, has been willing to publicly discuss his reasons for spending so much to defeat President Bush, and whether he intends to continue giving to political groups. He said in a recent interview that he regarded the 2004 election as "an exceptional" one, and that after it is over, "I hope to return to the more less-engaged, less-participatory position that I had before."

But not before setting a record for the most money donated by an individual in an election cycle. Soros has now given almost \$24 million to more than half a dozen groups, including \$10 million to America Coming Together and its fundraising committee since Aug. 1, according to records filed Friday and data released by his office.

While ACT says it has worked hard to develop a list of hundreds of thousands of grass-roots supporters, 91 percent of contributions to ACT's 527 committee have come from donors giving \$100,000 or more, according to a Washington Post analysis of

ACT's donations, including ACT's disclosure report filed Friday. Separately, ACT's political action committee has collected \$24 million in \$5,000 or less contributions.

The founders of the biggest 527s -- ACT and The Media Fund -- vow to continue after the election. But the form and size of what survives is in doubt given the uncertainty over the future intentions of donors such as Soros, and pressure from advocacy groups, the Federal Election Commission and, until recently, the Republican Party, to diminish their power.

Their impact, however, will soon be clear. ACT says its 4,078 employees have registered 450,000 voters, and ACT's partner, America Votes, sets their voter-registration tally at more than 2 million. On Election Day, ACT says it will put 45,000 people on the street trying to get these new voters to the polls in crucial cities such as Akron, Ohio, Philadelphia, Milwaukee and Portland, Ore.

Benjamin L. Ginsberg, a Republican election law specialist whose role as an adviser to Swift Boat Veterans for Truth led to his resignation from the Bush campaign, paid his Democratic rivals a grudging compliment. "It's ironic," he said, "that the massive amounts of special interest soft money being spent by Democratic 527s on GOTV [get-out-the-vote] efforts could be the difference in the first election after McCain-Feingold was supposed to stanch the role of special interests."

527s for Soft Money

Twenty months before the law took effect, Harold Ickes, a former chief of staff to President Bill Clinton, sent out a 12-page warning to Democrats about its potential effect. "The ban on the use of soft money by national political parties will greatly advantage the Republicans," Ickes wrote March 12, 2001. "Were the Republicans smart, they would vote to a person to enact [McCain-Feingold] word for word, and laugh all the way to the next election."

The math appeared inescapable. Had McCain-Feingold applied in 1999-2000 and soft money -- large, unregulated contributions from individuals, corporations and unions -- been eliminated, the GOP would have outspent the Democrats by a crushing \$448 million to \$270 million, Ickes wrote.

McCain-Feingold eventually would limit individual hard money contributions -- federally regulated campaign contributions -- to \$2,000 to a federal candidate and to \$25,000 to a political party. The law also would prohibit political parties and federal candidates from accepting soft money.

Ickes saw only one way out: independent, nonparty, nonprofit 527s and 501c groups

that under the law could still receive large soft money donations. Many of the Democratic Party's leading operatives, including Democratic National Committee Chairman Terence R. McAuliffe, reached the same conclusion. Meeting at the DNC and in congressional offices, they launched a secret effort to continue the flow of soft money to nonparty groups even as their Democratic elected leaders publicly pressed for an end to soft money.

"We would laugh bitterly when we saw Democratic senators on the floor saying, 'Let's get big money out of politics and go back to grass-roots politics,' " said one of the key operatives, who did not want to be identified.

But the first efforts of these Democratic strategists and their allies in organized labor to create 527 organizations ended in failure. A group called the Partnership for America's Future, to be financed with as much as \$20 million contributed by the AFL-CIO's 63 member unions, fell apart because of a bitter dispute among organized labor leaders.

Steve Rosenthal, the AFL-CIO's former political director, who had created the partnership, began meeting with other Democrats, including Ickes and Ellen Malcolm, founder of EMILY's List. Their solution was to create ACT. The fact that it "was not going to be a wholly owned subsidiary of labor," said Service Employees International Union's Gina Glantz, made it possible to solicit large donations from wealthy liberals who might otherwise have been wary of investing massive amounts of money in a group controlled by the AFL-CIO.

Meanwhile, Soros, long active in promoting democracy in what once were Eastern Bloc countries and increasingly angry at President Bush, decided he would become engaged in American politics. He hired political consultants Tom Novick and Mark Steitz to come up with a strategy.

They interviewed many of the activists who had been discussing 527s since McCain-Feingold was passed and found that ACT tentatively planned to mobilize voters in four or five states at a budget of \$25 million. Ickes was planning to create The Media Fund to run issue advertising (about \$50 million worth) attacking Bush's record between April and August when a Democratic primary winner would be outspent by the unopposed incumbent.

Soros turned those plans on their head. At a two-day meeting at his Southampton, N.Y., home in July 2003, he convened a group of about 15 Democratic activists. Novick and Steitz presented their plan, advocating "a much larger and earlier ground game given the timing, given that Bush was going to have a money advantage." Their research showed that, in close elections, airwaves become so saturated with advertising that voters begin to tune out. "Late ads would likely be ineffective in a polarized situation," Novick said.

The next morning, Soros said he told the Southampton group he "was not particularly keen on paying for political advertising." Soros asked what it would cost to expand the ground game to all 17 swing states (since narrowed to 13 states). The consultants said there was no time to waste, that one horse had to be picked among the 527s to signal to donors which group would take the lead. ACT was the choice.

To get started, Malcolm said, they would need three times the proposed budget and an immediate commitment of about \$25 million. Soros pledged \$10 million, and so did Lewis. Rob McKay, an heir to the Taco Bell fortune, Robert D. Glaser, founder and CEO of RealNetworks Inc. software company in Seattle, and others pledged the rest. Malcolm volunteered to be president and raise an additional \$75 million.

'This Is the Ballgame'

But the optimism coming out of Southampton quickly collided with the chilly reality of the post-McCain-Feingold era. Soon after Soros's donation was disclosed in August, the billionaire came under attack, particularly from the Republican National Committee, which declared, "George Soros has purchased the Democratic Party." The RNC also challenged ACT's legality.

"Several people were frightened away," Soros said. The attacks were "very effective. I can't quote names. Several people said they do not want to get involved because they can't afford to expose themselves the way I can, particularly people in responsible positions in publicly quoted companies."

To jump-start fundraising, Soros threw a dinner in November in Manhattan headlined by Clinton, who, according to Ickes, told donors: "If we'd had these two groups in 2000, we wouldn't be sitting here tonight. This is the ballgame."

Based on interviews and a review of past contributions, several patterns emerge among ACT's big donors. First their dislike of Bush. "What nobody certainly envisioned was that Bush would provide such a powerful catalyst at the fundraising level," Ickes said.

They back liberal causes. Some have given in the past, but others are virtual newcomers to political giving. Many have inherited money. Some, such as Lewis at Progressive Insurance and Susie Tompkins Buell, co-founder of Esprit clothing, have earned millions in the business world but have stepped down as company officials and are otherwise unconstrained by corporate boards of directors.

In some cases, the money comes from people whose relationships or personal activities might cause second thoughts by a careful politician worried about appearances or controversy. As an independent organization, ACT does not have to worry as much

about accepting money from donors who espouse nontraditional causes or associate with controversial figures.

Some of the biggest donors rarely if ever grant interviews on any topic.

Bing declined numerous requests for interviews, saying through a spokesman that he is too "shy."

"He is probably the most committed Democrat I know," said director Rob Reiner, a friend of Bing. "Why has he given so much this year? Why do you think? We just have to get this president out of the White House."

Heir to a \$600 million New York real estate fortune, Bing is one of the biggest Democratic donors in history, giving \$9.5 million in the past 15 years mostly to party committees rather than politicians. Among Bing's causes are a California initiative that taxed cigarettes millions of dollars for education, health and child-care programs; opposing the recall of Gov. Gray Davis (D); and the Natural Resources Defense Council.

Bing has been known more as a staple of tabloids than political player, whether it is getting into spectacular legal fights involving other Hollywood figures, or fathering actress Elizabeth Hurley's son. He has also attracted attention in California for his friendship with Dominick "Donnie Shacks" Montemarano, a captain in the Colombo crime family convicted of racketeering charges in 1987 and recently sentenced to prison for assault.

Unlike Bing, Pritzker, the heir to the family empire that owns Hyatt hotels, is a virtual newcomer to the political scene. A trained psychotherapist and mother of three children, she was divorced in 1999 and moved to Montana, where she founded and has funded a Buddhist organization that lists her as president and director.

This month's Forbes list of the richest Americans places Pritzker's net worth at \$1.5 billion. But in the past 15 years, she has given a mere \$13,000 in campaign contributions to federal political committees. This year she changed that pattern, donating \$5 million to ACT, including \$4.1 million through Sustainable World Corp.

In response to a request for an interview, Pritzker said in an e-mail she "was impressed with the effectiveness of ACT, in encouraging and informing citizens in the voting process. Given that this is a presidential election year I thought it important to support the health of our democracy in this way." She did not respond to follow-up questions in an e-mail.

Lewis, whose bold, risk-taking skill turned Cleveland-based Progressive Corp. into one

of the nation's largest auto insurers, has become an active philanthropist and political maverick in retirement. He has declined interviews this year since he began turbocharging his political contributions, joining his political ally Soros in giving nearly \$20 million to 527 groups.

Ground Game

This is how ACT plans to spend the wealth of donors to sway the election: In 13 states, \$8-an-hour staffers such as Joe Florence, 22, go door to door armed with voter names downloaded into a Palm Pilot and colorful brochures attacking Bush's record on issues ranging from the economy to health care.

Florence compares his work to political bosses of yore. "Twenty years ago, you would have had precinct captains knocking on doors, and you don't have that anymore," the political science graduate said outside ACT's office in suburban Philadelphia recently. "What we're doing is a good thing."

Has the Democratic Party outsourced the job of voter mobilization to a start-up nonprofit group bankrolled by billionaires? FEC reports indicate the Democratic Party has nearly abandoned certain organizing activities historically central to its mission. In battleground states such as Pennsylvania, Ohio, Missouri and Florida, ACT and allied 527 groups have far more extensive voter registration and get-out-the-vote drives than state and national party groups, according to an analysis of spending in four states for The Post by Dwight L. Morris & Associates.

In those states, the Republican Party through August has spent \$1.3 million -- six times as much as Democrats -- on telephone banks, voter registration efforts and vans to get people to the polls.

Because ACT often seems remarkably in sync with Democratic Party activities, campaign finance reformers and Republicans earlier this year alleged in complaints filed with the FEC that the group violated the campaign finance law. The Republican Party's brief said Kerry had become "the largest beneficiary of illegal soft money in history."

Under the law, ACT must not coordinate with any political party, committee or candidate for office, but FEC rules on coordination are unclear in light of legal challenges that will not be settled until after the election.

Virtually all of the key participants in ACT, from the national level to the states, have had some significant role in Democratic politics in the past. More than a dozen of the officials, lawyers, board members and activists running the leading Democratic 527 groups have strong ties or previously were employed with the Kerry campaign or the

Democratic Party. Staff members have gone back and forth between the groups and the Kerry campaign.

Ickes, the chief of staff of ACT and former director of The Media Fund, is a member of the executive committee of the Democratic National Committee. Official minutes and meeting transcripts show the executive committee got campaign briefings from Kerry's campaign manager, Mary Beth Cahill, and top DNC officials.

Ickes denies that there was any coordination and said his attorney advised him that his committee membership was legal because there is no discussion regarding the DNC's communication strategies. "The executive committee of the DNC knows less about what the DNC is doing than the average newspaper reader," Ickes said.

After the election, Bush, Congress and the courts have all vowed to take a second look at 527s. Many people who work for the groups expect the law will be altered and the playing field changed again. If not, corporations and CEOs might resume soft money giving at 1980s levels again.

"Without congressional action, 527 organizations will become even more important in the 2006 election," FEC Commissioner Michael E. Toner said. "In a Senate or House contest, a group that can raise \$10 million has the ability to drive the entire election by spending that kind of money."

Researchers Alice Crites and Don Pohlman contributed to this report.

© 2004 The Washington Post Company

Advertising Links by Google

What's this?

Presidential Election '04

Christians are Banding Together. Free Bumper Stickers & Newsletter!
www.sojo.net

Bush Flip-Flop Song

"The Flop" -song humorously details Bush flip-flopping. Listen free!
www.politicalsongs.net

Bush vs. Kerry?

Who would you vote for? Register your opinion for shot at \$1000.
www.winsweepstakes.net