U.S. democracy indicators show a system under serious strain in terms of trust, turnout, and ability of new entrants to participate

- Trust in government has declined from over 70% in the 1960s to under 20% today
- At 55% voter turnout, the U.S. trails nearly all Western democracies

Political resources are focused on single-issue organizations and electoral wins rather than building a modern democracy and economy

- The democracy market is estimated at ~$56B per year. We’ve defined the market as spending by politically relevant 501c3, c4, c5, c6, PAC, party, and direct candidate spend that impacts the health of our democracy.
- The ~$56B democracy market is small compared to US philanthropic spend ($410B/year), but its effect on the $4T federal budget and policies can thwart many philanthropic goals
- Beyond support to candidates, spending is largely single-issue focused and far more fragmented on the left and center
- Donors are highly consolidated. Super PACs have grown from $0.3B spent in 2014 to $0.8B spent in 2018. At least 100 donors giving over $1M made up 74% of Super PAC donations
SUMMARY FINDINGS (2 of 2)

Talent in the system has not renewed in decades and Congressional function has declined dramatically

- In the 2019 Congress, the average age of Democratic leadership was 64, 24% of legislators were female, and few had experience in modern economy sectors (e.g. tech, green energy, healthcare, finance)

- Effectiveness of Congress continues to rapidly decline, with members devoting only \(\frac{1}{4}\) of the time to committee hearings on legislation that it did 30 years ago

- Candidates continue to rely on party-referred consultants incentivized to buy TV ads despite increasing examples of successful low cost strategies that focus on digital and field organizing

A growing number of leaders from across sectors agree reform is essential now. Solutions are gaining traction but resources are very limited

- The call for reform now goes beyond traditional democracy advocates, such as business leader Katherine Gehl and HBS Professor Michael Porter’s analysis characterizing our political system as a failing duopoly

- Objective redistricting, ranked choice voting, automatic voter registration, public voucher systems and reforms to improve the function of Congress are among the promising reforms

- Initial estimates show less than .2% (or $122M) of democracy resources are directed toward promising reforms
DEMOCRACY MARKET MAP: WHAT WE SEEK TO UNDERSTAND

Key questions addressed

1. How do we define and scope the democracy investment market and its key segments?
2. Who are the key players? What are their role, scale, and objectives?
3. Who are key investors in each segment?
4. How do we define success? What are the democracy-related outcomes we should seek by 2018-2020+?
5. How do we measure results/ROI for organizations in a particular market segment?

Differentiators from other efforts

1. Takes a system view
2. Includes investments in candidates and organizations
3. Looks at multiple legal structures: 501c3, c4, PAC, for-profit, political parties
4. Uses holistic data sources and data science to analyze IRS 990s, FEC data, opensecrets, and other data sources
5. Benchmarks Democratic, Republican, and center/independent infrastructure

Note: the following findings represent a work in progress. Final results are pending the completion of a machine-assisted identification and classification of political nonprofits.
DEMOCRACY OUTCOMES, RESOURCES, AND TALENT
TRUST IN GOVERNMENT IS AT AN ALL TIME LOW

Percent of people who trust the government in Washington always or most of the time

... AND INDICATORS OF DEMOCRATIC FUNCTION SHOW THE DEPTH OF THE CHALLENGE

**MONEY IN POLITICS**

Politicians 4x more likely to meet with donors than with their constituents

**RIGGED ELECTIONS**

Only 16% of Congressional districts considered competitive

**LEGISLATIVE BREAKDOWN**

100% of committee chairs appointed by the Speaker’s office

**WEAK CIVIC CULTURE**

Voter turnout at just 56% in 2016 - placing US 26th of 32 peer OECD nations

76% of Americans say the government is run by a few big interests looking out for themselves

67% of Americans expected foreign interference in the 2018 election

58% of Americans rate honesty and ethics of Members of Congress low

47% of Americans say there’s not much ordinary citizens can do to influence the government

DEMOCRACY MARKET: UNDERSTANDING THE COMPLEX MAP OF POLITICAL ORGANIZATIONS AND RESOURCES

**Sources**
- Individuals
- Corporations/Industry Organizations
- Labor
- Foundations
- Foreign Entities

**Channels**
- Political Party Committees (DNC, RNC, etc)
- Separated Segregated Committees (aka: Corporate or Union PACs)
- Political Action Committees (non-connected PACs)
- Leadership PACs
- Hybrid PACs
- Super PACs
- 501c3s (Public Charities)
- 501c4s (Social Welfare Organizations)
- 501c5s (Unions)
- 501c6s (Trade Associations)
- For Profit Organizations

**Recipients**
- Candidates (Authorized Committee)
- Organizations (Spending on activities and programs to advance political outcomes)

Key:
- Organizations that may make "independent expenditures" in political campaigns.
~$56B IN SPEND BY POLITICALLY ACTIVE ORGANIZATIONS ANNUAL

- Non-Profit Public Charities: $16.4B
- Non-Profit Social Welfare Organizations: $3.8B
- Non-Profit Labor Unions: $16.1B
- Non-Profit Business Associations: $13.6B
- PACs: $1.7B
- Candidates: $2.2B
- Party Committees: $0.9B
- Companies: $1.6B
- Corporate Lobbying: $56.4B

*Note: Data on PACs, Candidates, and Party Committee spend based on analysis of 2017-2018 FEC data. Dollar amounts represent total organizational spend.
OF WHICH $7 B IS PURELY POLITICAL SPEND. THIS INCLUDES $0.5 B SPENT BY NON-PROFIT ORGS ON LOBBYING & CAMPAIGNS

Sources: IRS filings, Open Secrets
THE POLITICAL MARKET IS DWARFED BY THE FEDERAL BUDGET AND PHILANTHROPY, BUT ITS IMPACT ON BOTH SPHERES SIGNIFICANT

Influences social, economic and environmental budget and policy decisions

2016 Political Spend: ~$56B

2017 FEDERAL BUDGET: $4.2T
+ Federal policies, new regulations and laws set by elected officials

Impacts philanthropic ROI (positively or negatively)
E.g. philanthropic spend on environmental protection achieves little when federal protections and incentives, like those for clean energy, are eliminated

2017 Philanthropic Investment: $410B

501c4 ORGANIZATIONS WITH A POLITICAL LEAN ARE LARGELY SINGLE-ISSUE

501c4 Spending by Primary Issue Area Focus (2016)*
Partisan organizations with >$5M annual budget

Liberal leaning c4s
$513M

Conservative leaning c4s
$727M

*Source: IRS 990 Data

Note: Actors include politically relevant and partisan 501c4 organizations spending greater than $5 M (e.g. AARP not included)

*AARP, the nation’s largest 501c4, spent $1.6B in 2016. It too influences policy for a particular set of interests but in a relatively nonpartisan manner.
2018 SUPER PAC SPEND DOMINATED BY ENTITIES FOCUSED ON THE SENATE AND HOUSE

TOP 55 HIGHEST SPENDING SUPER PACs IN 2018 (As of Nov 2018, $761M)

Note: Data as of Nov 27 FEC data release, possible to change; Super PAC data does not include spending by Hybrid PACs (e.g. Priorities USA)

Source: OpenSecrets.org; Bipartisan Policy Center, “Campaign Finance in the United States”
LOBBING SPEND DOMINATED BY INDUSTRY GROUPS, AND FOREIGN SPEND IS GROWING

Top Lobbying Spenders\(^1\) (2017)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Total Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Chamber of Commerce</td>
<td>$82,260,000</td>
</tr>
<tr>
<td>National Assn of Realtors</td>
<td>$54,530,861</td>
</tr>
<tr>
<td>Business Roundtable</td>
<td>$27,380,000</td>
</tr>
<tr>
<td>Pharmaceutical Research &amp; Manufacturers of America</td>
<td>$25,687,030</td>
</tr>
<tr>
<td>Blue Cross/Blue Shield</td>
<td>$21,390,300</td>
</tr>
<tr>
<td>American Hospital Assn</td>
<td>$22,004,214</td>
</tr>
<tr>
<td>American Medical Assn</td>
<td>$21,535,000</td>
</tr>
<tr>
<td>AT&amp;T Inc</td>
<td>$19,717,000</td>
</tr>
<tr>
<td>Alphabet Inc</td>
<td>$18,370,000</td>
</tr>
<tr>
<td>Boeing Co</td>
<td>$16,740,000</td>
</tr>
<tr>
<td>Open Society Policy Center</td>
<td>$16,110,000</td>
</tr>
<tr>
<td>DowDuPont</td>
<td>$15,877,520</td>
</tr>
<tr>
<td>National Assn of Broadcasters</td>
<td>$15,460,000</td>
</tr>
<tr>
<td>Comcast Corp</td>
<td>$15,310,000</td>
</tr>
<tr>
<td>Bayer AG</td>
<td>$14,910,000</td>
</tr>
<tr>
<td>Lockheed Martin</td>
<td>$14,464,290</td>
</tr>
<tr>
<td>Northrop Grumman</td>
<td>$14,460,000</td>
</tr>
<tr>
<td>Public Sector Unions</td>
<td>$13,573,763</td>
</tr>
<tr>
<td>Transportation Unions</td>
<td>$13,389,679</td>
</tr>
<tr>
<td>Amazon.com</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>Southern Co</td>
<td>$10,970,000</td>
</tr>
<tr>
<td>National Retail Federation</td>
<td>$12,899,000</td>
</tr>
</tbody>
</table>

1. Highlighted lobbying spenders indicate an aggregated spending group.

Note: Total lobbying spend and top lobbying spenders includes and assesses all organizations that reported lobbying spend.

Source: OpenSecrets.org

LOBBYING SPEND DOMINATED BY INDUSTRY GROUPS, AND FOREIGN SPEND IS GROWING
MEMBERS OF CONGRESS HOLD A NARROW RANGE OF DEMOGRAPHIC AND PROFESSIONAL BACKGROUNDS

<table>
<thead>
<tr>
<th>PROFESSION</th>
<th>AGE</th>
<th>RACE</th>
<th>GENDER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DEMOCRAT</td>
<td>REPUBLICAN</td>
<td>NATIVE AMERICAN</td>
</tr>
<tr>
<td>BUSINESS</td>
<td>8%</td>
<td>6%</td>
<td>75%</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>9%</td>
<td>20%</td>
<td>6%</td>
</tr>
<tr>
<td>ENGINEERING</td>
<td>4%</td>
<td>4%</td>
<td>61%</td>
</tr>
<tr>
<td>LAW</td>
<td>23%</td>
<td>35%</td>
<td>3%</td>
</tr>
<tr>
<td>MEDICINE</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: NBC San Diego - “The New Congress”; US House of Representatives Office of the Clerk - “Membership Profiles”; CRS - “Membership of 116th Congress.” Note: Professional background is based on the Office of the Clerk’s categorization, “Business” refers to members with MBAs, “Education” refers to former professors and teachers, “Engineering” refers to those on the Clerk’s Engineers list, “Law” refers to those with JDs, “Medicine” refers to those on the Clerk’s Medical Professionals list.
CONGRESSIONAL FUNCTION IS CONTINUING ITS DRAMATIC DECLINE

Laws and Disorder
“Today’s Congress is dominated by party leaders and functions as a junior partner to the executive, an analysis by The Post and ProPublica finds.”

“[Former Senate Majority Leader Thomas A. Daschle] thinks of Congress as an institution that needs to be rebuilt from the ground up...”
LITTLE CORRELATION BETWEEN CITIZENS’ PREFERENCES & PROBABILITY THAT CORRESPONDING LEGISLATION WILL BE PASSED

Source: Gilens and Page, Sept 2014, Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens
DEMOCRACY REFORM OPPORTUNITIES
**THERE ARE SYSTEMS SOLUTIONS. SOME ARE STARTING TO HAPPEN.**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Opportunities (not comprehensive)</th>
<th>In Practice (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voter Turnout is Low</strong></td>
<td>☑️ Automatic voter registration</td>
<td>Automatic voter registration: 14 States &amp; DC</td>
</tr>
<tr>
<td></td>
<td>☑️ Day off for voting; weekend voting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>☑️ Mail-in ballots; online voting</td>
<td></td>
</tr>
<tr>
<td><strong>Election Outcomes Don’t Reflect Citizen Preferences</strong></td>
<td>☑️ Objective redistricting</td>
<td>Pennsylvania redistricting</td>
</tr>
<tr>
<td></td>
<td>☑️ Ranked choice voting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>☑️ Open primaries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>☑️ Electoral college reform</td>
<td></td>
</tr>
<tr>
<td><strong>Campaign Finance</strong></td>
<td>☑️ Vouchers</td>
<td>Seattle Democracy Vouchers</td>
</tr>
<tr>
<td></td>
<td>☑️ Public financing, matching funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>☑️ Limits on contributions/sources</td>
<td></td>
</tr>
<tr>
<td><strong>Ineffective Legislatures</strong></td>
<td>☑️ Reform rules and structures in Congress and state legislature</td>
<td>House GOP imposes term limits on committee chairs</td>
</tr>
<tr>
<td><strong>Talent Gap</strong></td>
<td>☑️ New candidates from outside politics with diverse backgrounds</td>
<td></td>
</tr>
</tbody>
</table>
2018 BALLOT MEASURE SUCCESSES INDICATE PUBLIC DEMAND FOR REFORM

Successful Ballot Measures (2018)

Successful ballot initiatives passed in 2018:
- 19/20 pro-democracy ballot initiatives passed

FEDERAL REFORM UPDATE: HR1 PASSED THE HOUSE ON PARTY LINES. BIPARTISAN BILL NEED TO PASS THE SENATE

HR1 reform package

Major provisions of HR1

→ Automatic & Same Day Voter Registration
→ Restoration of Voting Rights Act
→ Independent redistricting commissions
→ Small donor matching
→ Federal campaign disclosure & FEC reform
→ Election security
→ Ethics reform

BUT JUST 0.2% OF $56B IN POLITICAL SPEND ADVANCES THESE KEY REFORMS

Nonpartisan Spending on Highlighted Reforms (Preliminary)
Total: $122M

- Campaign Finance: 43%
- Voting Rights/Access: 28%
- Legislative Machinery: 7%
- Redistricting Reform: 12%
- Non-Traditional Candidates: 5%
- Primary Reform: 4%
- Ranked Choice Voting: 5%

Number of Organizations:
Total: 52

- Nonpartisan Spending on Highlighted Reforms (Preliminary)
Total: $122M

Note: Analysis limited to nonpartisan reform organizations; Organizations can be double counted in multiple reform categories; Spending data from most recent 990 filed (2015 or 2016)
Source: Katherine Gehl and Michael Porter Political Market Landscape Research
We Are Investing Our Time and Resources to Reinvent Democracy

The Leadership Now Project is a membership organization of business professionals concerned about the future of our democracy. Traditional models of giving to causes, candidates, and parties are insufficient for the challenges we face. A more strategic approach is required.

Leadership Now Project enables its members to strategically engage and invest in politics. We focus on the threats to the fundamentals of democracy that prevent principled leaders and meaningful policy from advancing. Issues including low voter turnout, gerrymandering, campaign finance rules, and a lack of highly qualified candidates are problems that require immediate attention as well as a long-term focus.

Members are diverse in their political views, professions, racial and ethnic backgrounds but are united by the belief that galvanized America’s founders, E Pluribus Unum - out of many, one.

Contact: Mairin Macaluso mairin@leadershipnowproject.org, Membership Director, leadershipnowproject.org
1. **WE MUST PROTECT OUR DEMOCRACY WHILE RENEWING IT**

   Core Principles of Democracy

   - From checks and balances to freedom of the press - must be relentlessly defended. Ending gerrymandering, ensuring voter access, and reforming campaign finance are essential to renew democracy.

2. **OUR ECONOMY MUST WORK FOR ALL**

   Today and for future generations. We must plant seeds for long-term national competitiveness, growth, and prosperity. We must be stewards for future generations by building an economy that does not destroy the planet.

3. **FACTS AND SCIENCE MATTER**

   We believe public policy and decision-making should be evidence-based.

   We may debate the quality of evidence, but should always accept the need for fact-based rationale.

4. **DIVERSITY IS AN ASSET**

   Inclusive teams can drive greater innovation, creativity, and performance.

   Our democratic system recognizes our differences and should work to bring us together.