



CONTROLLING THE MEANS OF PRODUCTION OF POLITICS

ANALYSIS & STRATEGY 2023



TABLE OF CONTENTS

OVERVIEW	02
THE DOMINANT APPROACH TO POLITICS AND ITS ALTERNATIVE	02
THE MEANS OF PRODUCTION OF POLITICS MARKET ANALYSIS	06
FEDERAL ELECTIONS	07
STATE ELECTIONS	14
LOCAL ELECTIONS	16
BALLOT MEASURES	19
OPERATIVES AND FIRMS	22
A FRAMEWORK FOR ALTERNATIVES	27
OPPORTUNITIES	29
RECOMMENDATIONS & STRATEGY	31
CONCLUSION	33
ENDNOTES	34
FIELD VENDOR STRATEGY DOCUMENT	35

OUR DEMOCRACY IS IN CRISIS.

The mainstream practice of Democratic and progressive politics that led us to this point is bereft of solutions that will get us out of this crisis. The current means of production of politics is ill-equipped to defeat the fascist, white supremacist, anti-democratic faction of American politics that has captured the Republican Party. This multi-billion dollar political industry does not serve our people. In fact, it undermines our ability to build lasting multiracial governing coalitions.

We must build a new kind of political practice: one that recognizes the problem of power, acknowledges people's despair about their own agency, and addresses their loss of faith in every level of government, while growing their hopes and vision for a better future. Our political practice must be rooted in an understanding of community and belonging, where regular people own and benefit from the political power they build.



OVERVIEW

This analysis was conceived as a strategy for organizers, donors, and grassroots leaders to better understand who controls the means of production of politics, the overall market of political spending, and paths to creating alternatives. The goals of this analysis are to:

- » Advance an understanding of the overall market and firms that provide services to Democratic candidates and parties, progressive groups, ballot initiatives, and other funders and donors.
- » Demystify business models of various political firms, ranging from mail firms to media companies to consulting entities.
- » Provide basic power mapping for billions of dollars that move through the market and how firms succeed in this context.
- » Analyze the customer base of these firms.
- » Provide insight into relationships between for-profit firms and the candidates and elected officials they serve, and how that transfers into influence over governing.
- » Develop strategic recommendations regarding alternative possibilities, market share potential, indicators of success and value, and thoughts on timeline.

This analysis and the strategy laid out are based on innovative work in several states - notably Ohio and Florida - but also drawing on the experience and reflections of organizers who built large scale political programs across the country. While it would take time and resources to create alternatives and for social movement leaders and groups to “own the means of production of politics,” it is clear we have the talent, expertise, and relationships to do so.

THE DOMINANT APPROACH TO POLITICS AND ITS ALTERNATIVE

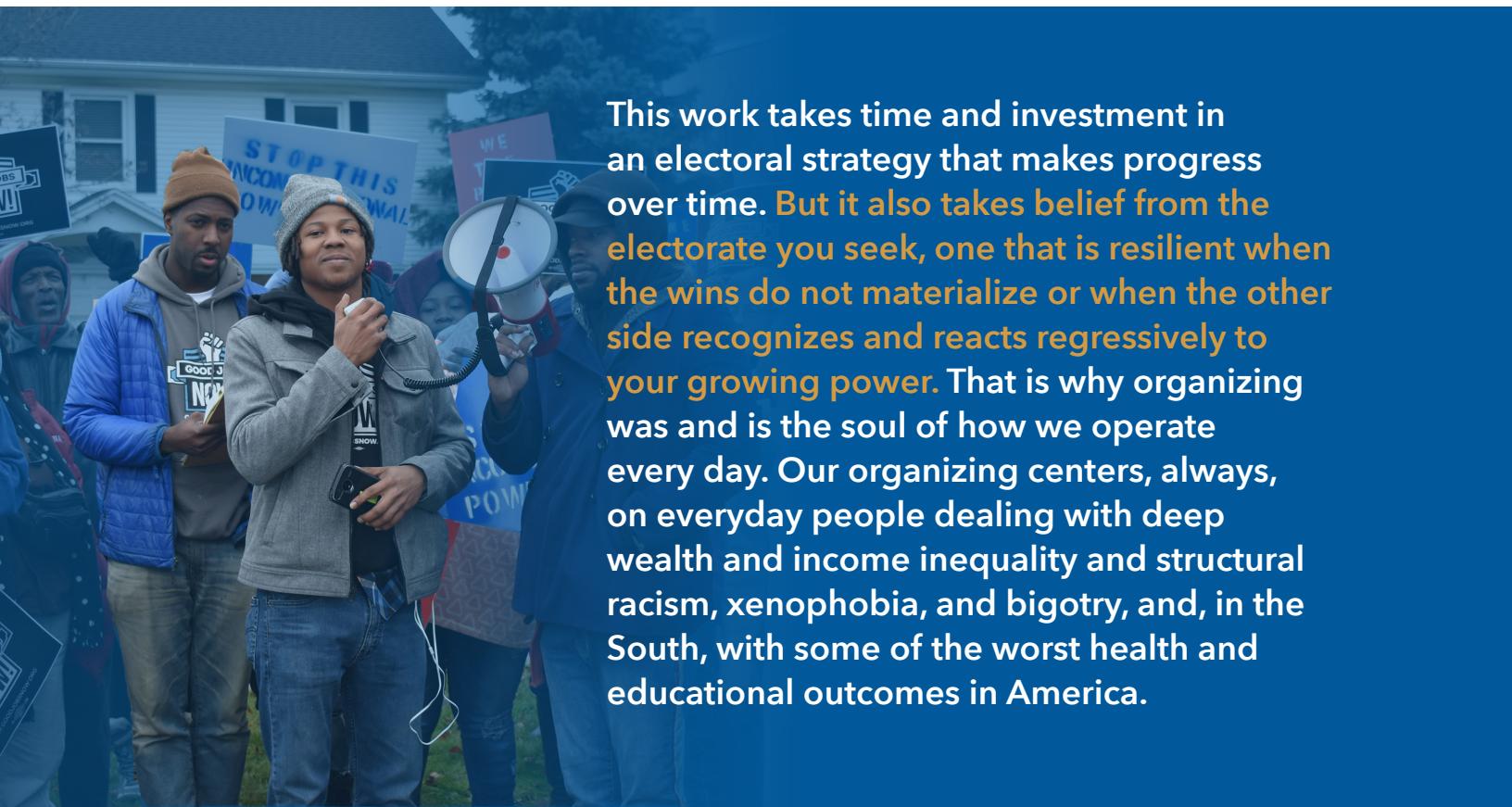
The mainstream approach to “progressive” or Democratic Party politics has failed for many reasons. First, this approach atomizes voters, viewing them as random consumers of politics. This leads to the development of “treatment programs” where operatives prescribe the right amount of TV ads, mail pieces, digital ads, and other products that the individual voter will consume. This strip-mining approach is increasingly less effective as voters revolt against its transactional, shallow nature that fails to account for their true interests and worldview.

Second, the mainstream approach consistently prioritizes the courting of likely voters with an emphasis on moderate white voters, deploying top-down national strategies and squandering opportunities in states like Arizona, Georgia, and Texas by devaluing the potential of millions of eligible voters of color who together have the power to decisively win elections. Third, this approach is dominated by cobbled-together, short-term objectives and boom-and-bust

funding cycles that fail to build lasting capacity and organization in all states, most notably in large battleground states where hundreds of millions of dollars have been invested over the last five presidential cycles alone. Fourth, these firms are largely white-led and consist of very few people who come out of grassroots organizing, movement work, or labor organizing. Finally, the mainstream approach treats elections as ends in and of themselves - rather than a single element of a larger strategy to achieve progressive governing power through transformational organizing and leadership development. The mainstream approach is characterized by:

- » Focus on electing Democrats with little concern for accountability or governance following the election.
- » Priorities such as tactical scale and efficiency, absent deep and long-term engagement with voters, which lends itself to tactics accelerated by late money dumps where a “field program” organizes brief canvassing bursts for two months every two to four years.
- » Targeting, narrative, and strategy that are driven by DC-based technical experts, rather than embedded practitioners who actually live in these communities and who understand the voters there and know the turf.

This approach does not build strong democratic institutions, robust parties, or durable governing coalitions committed to transformative politics. Over the past decade, a set of state leaders emerged to challenge this practice of politics and is both building and calling for an alternative. Former state senator and gubernatorial candidate Stacey Abrams and her longtime chief of staff Lauren Groh-Wargo made the case for a new practice of politics in their 2021 opinion piece *How to Turn Your State Blue*.¹ They explained their ten-year strategy to flip Georgia and why organizing must be the “soul” of the work:



This work takes time and investment in an electoral strategy that makes progress over time. **But it also takes belief from the electorate you seek, one that is resilient when the wins do not materialize or when the other side recognizes and reacts regressively to your growing power.** That is why organizing was and is the soul of how we operate every day. Our organizing centers, always, on everyday people dealing with deep wealth and income inequality and structural racism, xenophobia, and bigotry, and, in the South, with some of the worst health and educational outcomes in America.

Abrams and Groh-Wargo are two of a growing number of state based leaders who understand that all of their work flows from organizing and building a base of people, and that voters' identity and worldview are shaped in community - not through three months of advertising blitzes. The five principles of this alternative approach to politics follow.

PEOPLE ARE ORGANIZED INTO POLITICAL MOVEMENTS. THEY DO NOT JUST ARRIVE THERE.

Membership organizations, unions, political parties, and community institutions are essential centers of gravity for moving constituencies of people into political action and creating political homes.

This approach is supported by academic literature on political participation. In Ziad Munson's research on pro-life activists, he argues that the reasons commonly held for individuals to become pro-life activists - that conservative religion spurs people to action or that individuals choose to become anti-abortion activists on their own because the issue is intensely important to them - are actually not the driving factors. Instead, Munson found that anti-abortion beliefs are as often the result of activism, and the role of organized religion in the process of making activists is not as decisive as many presume:

For most of those who get involved, pro-life activism begins not because of any epiphany; not because they first arrive at some new realization or unequivocal beliefs about the evils of abortion, but because they are drawn into activities in a series of small steps that, at first, happen without much thought about their larger meaning.

The process begins at a turning point in a person's life, when s/he bumps into someone already in the pro-life movement, interacting with a friend, neighbor, or colleague in the course of an ordinary day. Such encounters happen all the time, but they can open the door to new forms of activism when they occur during a juncture of change in a person's life course - for example, after someone leaves home for college, relocates to a new part of the country, retires, or goes through any other event that brings modifications in daily routines and habits.

During such turning points, a person may dip a toe into anti-abortion activities, not so much out of a preconceived commitment to the cause, but because of simple curiosity, solidarity with a friend, or a promise to go with a neighbor to an anti-abortion meeting.

Only after people get involved in meetings or events, do most neophytes begin to develop clear pro-life beliefs. Thereafter, some go on to greater levels of movement participation over many years, while others pull back after the initial engagements.

Munson's research draws out the distinction between a patient commitment built over time in a relationship with others versus an issue mobilization approach.

PEOPLE ARE ORGANIZED INTO POLITICAL MOVEMENTS THROUGH THEIR RELATIONSHIP WITH OTHERS.

Their worldviews are shaped through their participation. A top-down approach fails to grasp the everyday nature of politics or the ways in which worldview evolves: it does not build organization or capacity, let alone transform people. And when that approach fails, defend themselves by pointing their fingers at the voters who “vote against their self interest” or are “apathetic and disconnected.” These actions ignore the fact that they never sought to shape or change the worldview of voters in the first place.

PEOPLE VOTE WHEN THEY FEEL THEIR VOTE MATTERS AND THAT THEY HAVE OWNERSHIP OVER THE OUTCOMES.

In Hahrie Han’s 2009 book, *Moved to Action*, she analyzes what motivates political participation by people who face significant barriers to action. She writes: “People act not only because they generally care about politics but also because they care about addressing problems in their own lives or living up to a personal sense of who they are.”

LONG-TERM POWER BUILDING IS DEVELOPED THROUGH CONSISTENT INVESTMENT OVER TIME.

Long-term power building is developed through consistent investment over time in strategic geographies, constituencies, and issue campaigns; winning elections is one component of this strategy, and is not always realized in the short term.

SUCCESSFUL NARRATIVES ARE THOSE THAT MOTIVATE OUR BASE, MOVE INDEPENDENTS, AND CONFRONT OUR OPPOSITION BY ADDRESSING ISSUES HEAD ON.

They also do not shy away from addressing race and class. In fact, it is only by creating shared narratives based on real aspiration that we neutralize concerns about race and class and build a progressive, multiracial majority that we can move beyond the operative class politics that are described above.

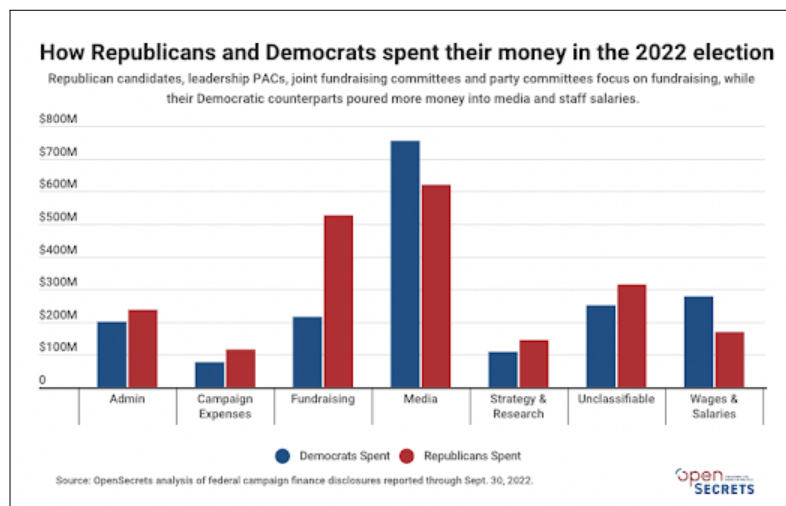
THE MEANS OF PRODUCTION OF POLITICS: MARKET ANALYSIS

The rapid increase of spending on politics has not resulted in a more vibrant or healthy democracy, nor dramatic increases in voter turnout over time. Instead, our democracy is more vulnerable today arguably than at any time since the Civil War. And too many voters remain on the sidelines because they do not believe that the American political process will ever benefit them. Earlier in this analysis, we laid out the dominant approach to politics and why it is failing. Below, we look at how electoral dollars are spent in local, state and federal races, how that spending is distributed and which key firms control the means of production of politics.

Spending in politics continues to grow at a dizzyingly accelerated and exponential rate. The 2020 elections at the federal level were the most expensive cycle ever with federal spending at \$14.4 billion - double the cost of the 2016 elections.² At \$9.9 billion 2020 US congressional race spending exceeded presidential race spending of \$6.5 billion. That same year, state races raised approximately \$1.9 billion.³

The 2022 midterm election saw record-breaking spending exceeding \$16.7 billion between federal and state elections according to OpenSecrets:

- \$7.8 billion: State-level candidates, party committees, and ballot measures
- \$948 million: Groups influencing state ballot measures
- \$8.9 billion: Federal candidates and political committees



The landscape of spending to political vendors can be broken into eight core categories: TV/media firms, digital firms, campaign consulting, fundraising consulting, mail firms, field vendors, research and polling, and legal/compliance firms. Many vendors contain one or more of these strategic capacities at the firm.

A look at FEC filings focused on federal campaigns showed minimal spending on field efforts: just \$50 million in overall disbursements. The largest bucket of spending by far was on advertising, traditional and digital. According to AdImpact, \$8.9 billion was spent on advertising across traditional media and digital.⁴ Traditional media, broadcast and cable, represented 73 percent of this spending. It is followed by digital, which saw a decline in spending compared to 2020. However, Democrats are outspending Republicans in digital. Based on our analysis of publicly available data and contracts, 50 percent of digital advertising is going towards raising more money⁵ further feeding the cycle of increased spending and increased ad dollars.

The political industry is a growing sector of the economy that shows no signs of slowing. Political advertising in 2022 was seen as a boon to media companies that were facing a slowdown in traditional consumer marketing. The political ad world is attracting big players. The largest Democratic firm in 2022, Waterfront Strategies collected \$328 million in 2022, and is owned by GMMB which is in turn owned by one of the five largest media firms, Omnicom Group, a \$3.46 billion firm.

Profit margins for these companies are often obscured, particularly in digital and traditional media. Our review of contracts and interviews with individuals found dramatic inconsistencies in pricing and fees, and commissions were difficult to extrapolate from contracts that were shared with us. By our estimates, profits easily range from seven to 20 percent in these major categories, with digital media margins higher than traditional media. We think that in some cases profit margins on contracts in digital and TV could exceed 20 percent, but due to a lack of transparency in contracting, we have had difficulty pinpointing this in specific contracts.

These trends are likely to continue as the sophistication of online political fundraising increases, political polarization remains constant, and big donors and corporations increasingly see their fate determined by who is governing. This increased spending on politics has not resulted in a more vibrant or healthy democracy, nor dramatic increases in voter turnout over time. Instead, our democracy is more vulnerable than at any time in the past 60 years and millions of voters remain on the sidelines because they do not believe that the American political process will ever benefit them. Earlier in this analysis, we laid out the dominant approach to politics and why it is failing. Below, we look at how money is spent across the various levels of elections (federal, state, and local), the distributions of spending, and the key firms that currently control the means of production of politics.

FEDERAL ELECTIONS

Federal presidential election years are the largest pools of political spending. Interestingly, spending for US house and US senate races exceeded Presidential race spending in 2020: \$9.9 billion to \$6.5 billion. The rapid and concentrated growth in spending has allowed both established firms and new firms to quickly get to scale.

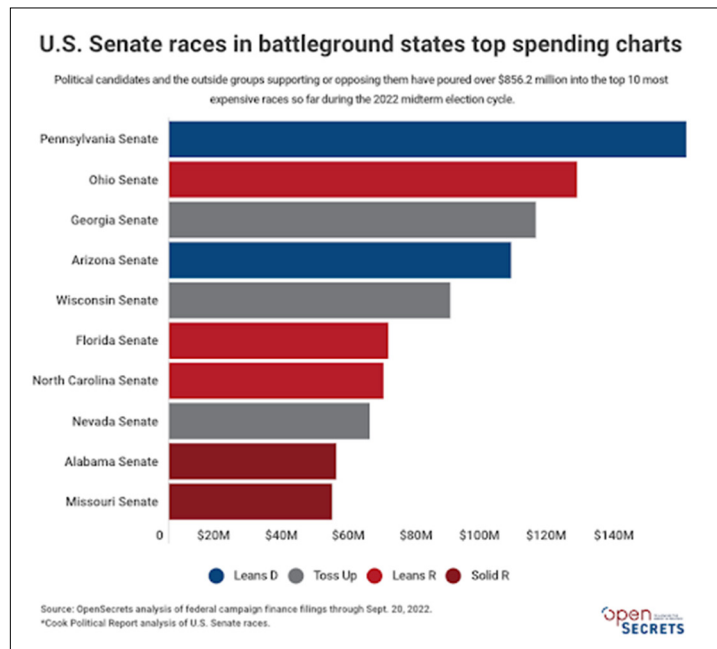
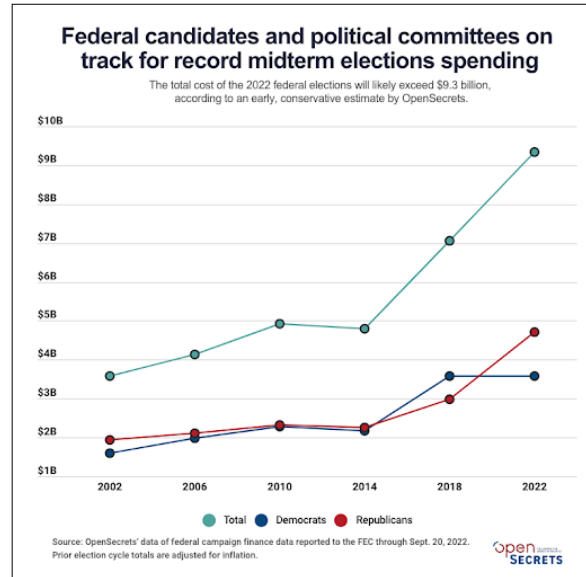
Spending in competitive US senate races in 2022 ranged from about \$90 million to \$160 million per race. Based on an analysis of federal filings, there is some variation in how money is

spent in states for particular campaigns, but the overall allocation of dollars by category is consistent.

We believe that this discipline comes out of national campaigns led by DSCC and DCCC, which have a hand in how these resources are spent, and to some degree the firms that receive contracts. We find dominant vendors who repeat across federal races and gubernatorial, taking the big pieces of the pie on political contracting.

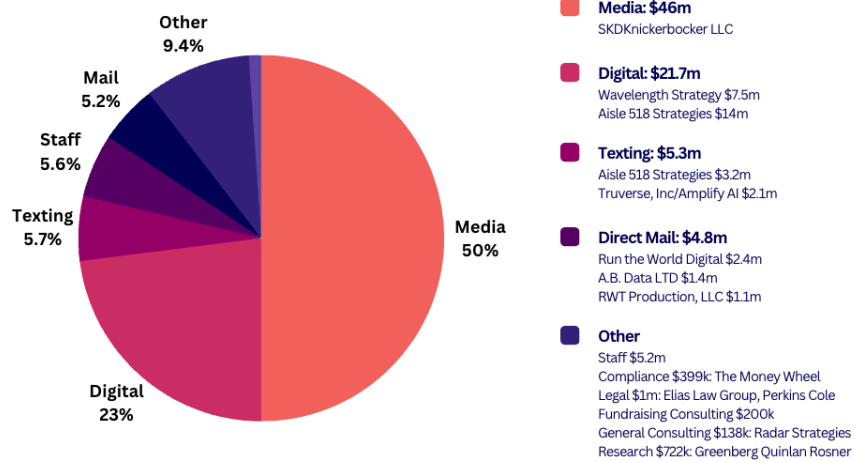
A review of budgets of key US Senate races shows very similar allocations of resources by category: nearly 50 percent on traditional media, a quarter of resources on digital spending, and then significantly smaller amounts on mail, texting, and staff which all ring in at around five percent of spending each. Most other expenses include research and polling, compliance and legal, general consulting, and general fundraising consulting (note that a significant amount of fundraising expenses are classified as digital).

The charts on the following page outline the campaign spending and firms used for two US Senate races in Arizona and Florida – reflecting remarkable consistency regarding the allocation of resources.



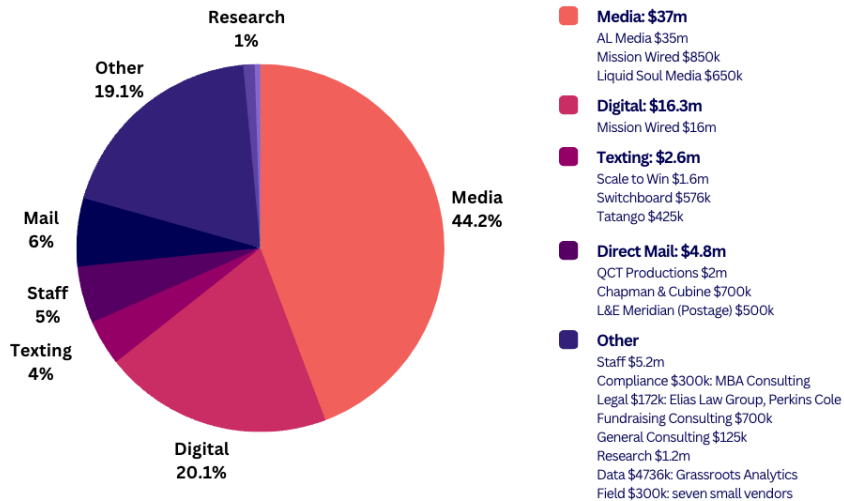
Mark Kelly for US Senate

2022 Spending



Val Demings for US Senate

2022 Spending



Top 10 Vendors in Federal Elections, 2022	
Waterfront Strategies (D)	\$ 328,472,511
Flexpoint Media (R)	\$ 272,989,454
Targeted Victory (R)	\$ 187,336,081
Mainstreet Media Group (R)	\$ 181,812,565
Grassroots Media (D)	\$ 157,597,801
AL Media (D)	\$ 104,321,926
Nebo Media (R)	\$ 90,960,652
RWT Production (D)	\$ 90,805,679
Left Hook Communications (D)	\$ 89,375,715
SKDKnickerbocker (D)	\$ 87,609,847

We also see repeats of contractors across campaigns with direct ties to DCCC and DNC. Note that many of these big players also reappear in gubernatorial or other hotly contested statewide races where significant money is spent.

AL Media group, for example, appears in Val Deming's US senate race and was also a vendor for Raphael Warnock's US senate campaign. In total, AL Media, a Chicago-based firm, brought in \$104 million, including \$8.4 million from DCCC. RWT Production, a direct mail vendor (also a preferred vendor at DCCC) shows up consistently across US

senate and US congressional races and brought in \$90.8 million in federal political contracts.

TV/Media firms continue to be the highest expenditures in federal races. Below are the largest firms from the last cycle and their federal receipts. Some of these players cater not just to political work but also have a diversified client base. However, a fair number of the big players have had a short onramp, bringing on lucrative federal races that have solidified their firms and place in high dollar campaigns.

Largest TV/Media Firms, 2022	\$ 1.4 billion
Grassroots Media (D)	\$ 136,256,792
Left Hook Communications (D)	\$ 76,241,805
SKDKnickerbocker (D)	\$ 54,285,980
AL Media (D)	\$ 52,529,993
Buying Time LLC (D)	\$ 51,014,185
Ax Media (R)	\$ 49,615,600
Screen Strategies Media (D)	\$ 42,615,600
FP1 Strategies (R)	\$ 42,096,092
Target Enterprises (R)	\$ 42,091,332
Win Creative LLC (D)	\$ 36,330,478

Digital Media spending has also skyrocketed in the last decade. A recent academic analysis⁶ of digital advertising over the last decade depicts the rapid growth in federal digital advertising by candidates and PACs and how it has significantly outpaced growth in other sectors of political expenditures. On the right are two charts detailing federal digital spending broken out by category and growth in digital spending compared to other political expenditures over time.

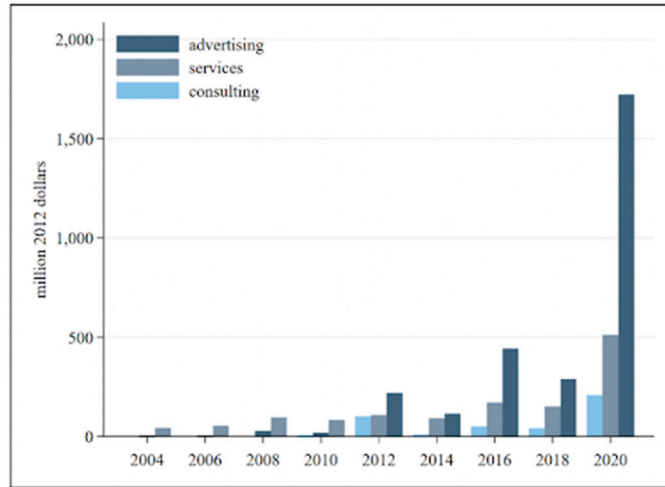


Figure 1: Digital Spending, 2004-2020
Note: includes operating and independent expenditures

AdImpact's⁷ look at 2022 digital ads across federal and state races showed that gubernatorial races, US senate races, and issue groups spent the most on digital advertising. In 2022, AdImpact found that the largest category of digital spending was fundraising.

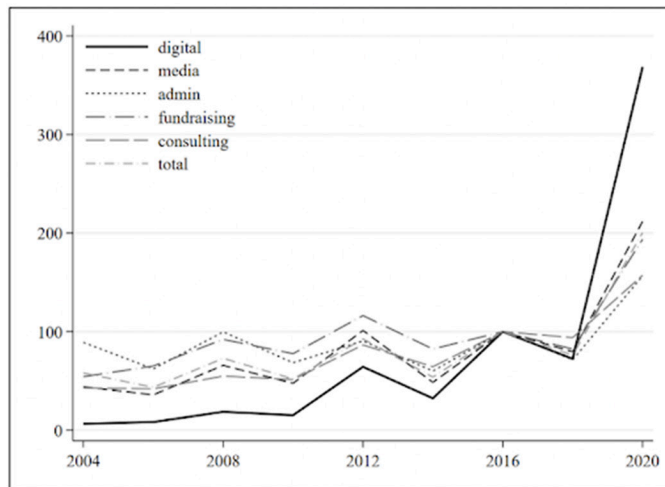
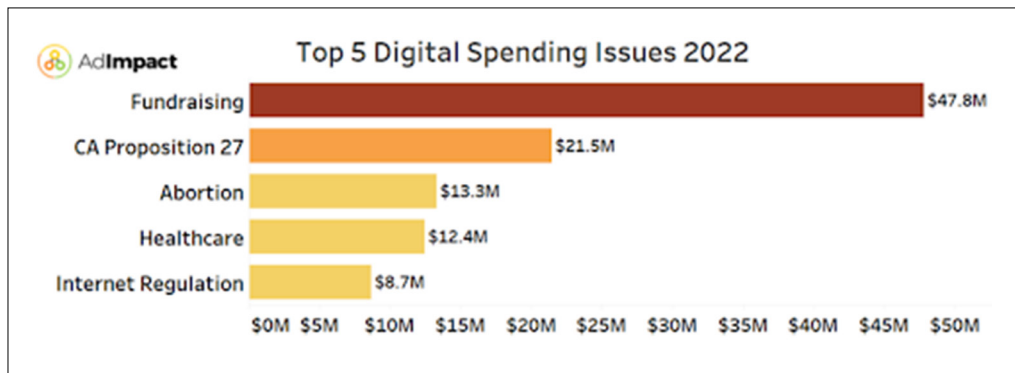


Figure 2: Index of Political Expenditures (2016=100)
Note: includes operating and independent expenditures



In Georgia's US senate race, \$24 million was spent on digital advertising with Raphael Warnock outpacing Hershel Walker at \$13.8 million on digital spending. However, based on our analysis of FEC filings, we found \$35 million was spent by Warnock on activity classified as digital under the FEC description.

Our look at FEC data showed that ad expenses for US senate races were approximately a quarter of most budgets. What is very clear about expenditures is that a significant amount of digital spending is going towards advertising to raise additional resources. Candidates are spending extremely large amounts of money to raise significant amounts of money, with one campaign in 2022 spending \$20 million to raise \$60 million.

Digital Spending, 2022	\$ 567 million
Warnock for GA	\$ 35,831,832
Mark Kelly for Senate	\$ 21,639,290
Fetterman for PA	\$ 17,166,553
Demings for US Senate	\$ 16,426,913
Team Herschel, Inc.	\$ 16,083,095
Doctor Oz for Senate	\$ 12,212,765
Georgians for Kelly Loeffler	\$ 11,720,518
Stop Republicans	\$ 10,757,524
Marco Rubio for Senate	\$ 10,669,031

Largest Digital Firms, 2022	\$ 567 million
Targeted Victory (R)	\$ 35,831,832
Middle Seat (D) <i>Fetterman, Porter, Kuncze</i>	\$ 21,639,290
Wavelength Strategy (D) <i>Kelly, Maste</i>	\$ 17,166,553
Tag LLC (R)	\$ 16,426,913
AL Media LLC (D) <i>Warnock only</i>	\$ 16,083,095
Mothership Strategies (D) <i>Stop Republicans, Progressive Turnout Project, Congressional Black Caucus, Elect Democratic Women, Progressive Takeover</i>	\$ 12,212,765
Mission Wired (D) <i>Deming</i>	\$ 10,757,524

Digital contracts are the most obscure about profit margins. We believe, based on industry research and conversations with groups who have contracted with digital firms, that profit margins on contracts are typically at least 20 percent.

On top of unclear profit margins, the value-add of digital work on voter engagement is similarly murky. Current standards in the political digital arena lack hard metrics and evidence of the impact program has on GOTV efforts and persuasion, and the industry does not appear to be going out of its way to figure out how to build metrics-based accountability outside of basic clicks and view rates. Firms seem to have been able to set hard metrics on the consumer side of digital marketing but have not yet found it possible to have the same high-level analysis in the political realm.

To the left are the campaigns that spent the most money on digital in 2022, as well as the largest firms that carried out that work.

Despite a lack of transparency, significant amounts of resources continue to be spent across campaigns on digital advertising. The steep rise in spending has also given rise to many new firms taking on significant contracts. Analysis of FEC data shows more concentrated digital firms among Republican vendors and more dispersed contracting among Democratic vendors. Similar to media, many of these vendors are similar across federal and major statewide gubernatorial races.

Largest Mail Firms, 2022		\$ 308 million
RWT Productions (D)		\$ 24.5 million
Mission Control (D)		\$ 15 million
Axiom Strategies (R)		\$ 9.8 million
Deliver Strategies (D)		\$ 9.3 million
Southwest Mail Center (R)		\$ 8.9 million
AMS Communications (D)		\$ 6.5 million
Nexus (D) - Senate Majority PAC only		\$ 6.3 million
Burdick Consulting (D)		\$ 4.8 million

Mail continues to be a big component of political spending with \$308 million spent in the last cycle at the federal level. While losing market share to digital spending at the federal level, mail continues to be a significant expenditure for local candidates who cannot afford TV ads, or for whom the strategy is not feasible for their geography, and do not have the sophistication to run a digital strategy. To the left are the largest mail firms in 2022 federal spending.

Field, the work of door-to-door canvassing, persuasion, and GOTV mobilization, represented the smallest amount of federal expenditures in 2022. These figures do not encompass voter registration work that occurs primarily through 501(c) c3 organizations, or ballot initiatives that are reported separately. While there are national players here, we also see regional vendors. We believe that as we get down to more state house and local campaigns, we will see more significant allocations toward field efforts.

Largest Field Firms, 2022				\$ 50 million
DSCC	\$ 8.5m	Scale for Change		\$ 1.9m
OTG Strategies	\$ 5.4m	Shawmut Svc		\$ 1.9m
Workers Vote	\$ 2.3m	Second Street Assoc		\$ 1.7m
DCCC	\$ 2.3m	The Outreach Team		\$ 1.7m
NV Dem Victory	\$ 2.1m	Campaign Industries LLC		\$ 1.6m
Planned Parenthood	\$ 2.1m	TX Toolbelt		\$ 1.3m
TX Org Project	\$ 1.9m	Vanguard Field		\$ 1.2m
Americans for Prosperity	\$ 1.8m	The Operations Grp		\$ 1.1m
In Union USA	\$ 1.7m	Talent Wave		\$ 1m
Dem Party of WI	\$ 1.7m	NRA		\$ 865k

At the federal level, becoming a dominant vendor would take a significant breakthrough and would likely require the blessing of the national party infrastructure. However, getting just one US senate level campaign and/or several US congressional races could yield significant margins.

While media firms seem to have a particular level of expertise, digital seems to be a more open field with newer and less experienced firms playing in the federal arena and overseeing significant amounts of resources. However, a digital firm would need to be focused not just on GOTV efforts but must have digital fundraising expertise. Mail and field take much smaller slices of the pie, and also might provide the easiest breakthroughs at the federal level. Mail will likely have the lowest barrier to entry and while field takes expertise, many community organizations have already developed the capacity to run accountable field programs at scale.

STATE ELECTIONS

The multi-billion dollar state political markets that elect governors, auditors, secretaries of state, Supreme Court justices, state legislators, and others is also significant and potentially contestable terrain. State spending in 2022 is estimated to be \$7.8 billion with state ballot measures spending almost \$1 billion. California alone spent \$3.9 billion on statewide races in 2022.

State expenditures are much harder to aggregate because states have their own reporting systems. TransparencyUSA.org compiled cycles for a number of battleground states, providing insight into spending. To the right is an analysis of spending in a set of those states.

In the more traditional battleground states of Arizona and Ohio, we see similar patterns of spending in gubernatorial races as state senate races, with the bulk of money going towards TV. And, we also see some of the same firms that do national work for statewide candidates. The largest vendor for Katie Hobbs, Arizona’s Democratic governor, was AL Media at \$4.6 million; AL Media also contracted with Demings and Warnok. AL Media also had significant contracts with the Arizona Democratic Party, where they were paid \$18 million.

We do see some divergence for state legislative candidates in both firms and in the allocation of spending. State house candidates in Arizona had an average of about \$100,000 in campaign expenditures

Statewide & State Legislative Spending, 2022	
Texas	
All Expenditures	\$ 882,087,249
Candidate Expenditures	\$ 488,750,000
Committee Expenditures	\$ 393,337,000
Ohio	
All Expenditures	\$ 197,147,508
Candidate Expenditures	\$ 89,128,037
Committee Expenditures	\$ 108,019,470
Arizona	
All Expenditures	\$ 320,790,140
Candidate Expenditures	\$ 100,038,419
Committee Expenditures	\$ 220,751,721

up to a high of \$350,000. Mail and printing costs (including yard signs) topped the list of expenditures along with a number of candidates prioritizing digital. Mail expenses range from \$30,000 to \$80,000, and some of the more expensive state house races spending on digital was \$150,000 to \$250,000 – both with Run the World Digital. The firm brought in a total of \$1.8 million in digital work at the state level in Arizona this cycle, plus an additional \$2.3 million from Mark Kelly’s US senate race. Run the World is a national player that largely does US congressional races but contracts with additional US senate races across the country.

Toplines from other states show similar raising and spending by state legislative candidates for both state house and state senate races. California is among the highest priced, with the average for a state house race ringing in at \$870,000 and \$1.1 million for state senate. Michigan was on the higher end of state legislative races, spending a total of \$49 million compared with state legislative races Minnesota who spent a total of \$28 million. The more competitive races for Michigan state senate were spending in the \$750,000 to \$800,000 range, versus Minnesota where the most spent by a state senate candidate was around \$450,000 but more often around the \$200,000 mark. The most expensive Democratic spending in the Michigan state house races was around \$400,000, but was an outlier. In both Michigan and Minnesota, most state house races came in between \$100,000 to \$200,000; in safe districts or those where the Democratic candidate did not have a chance, spending came in below \$100,000.

The top three spending categories are typically mail, TV, and digital – and tend to rotate. Michigan candidates spent a fair amount of resources on paid media and digital, and we believe that mail and some media was being moved through the party infrastructure. However, similar to Arizona and Ohio, spending in state legislative house districts primarily prioritized mail with TV and digital, vying for second with TV buys usually around the \$30,000 mark. In the higher-end Michigan races, TV was coming in around 30-40 percent of the budget, spending \$100,000 to \$150,000.

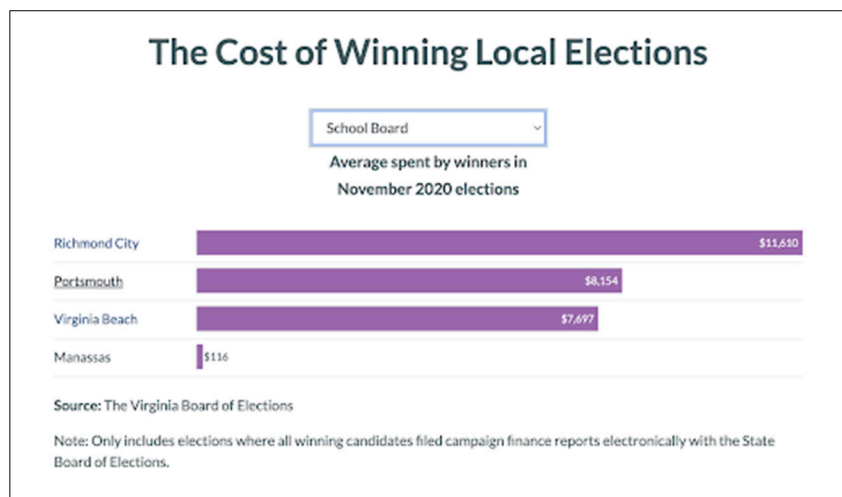
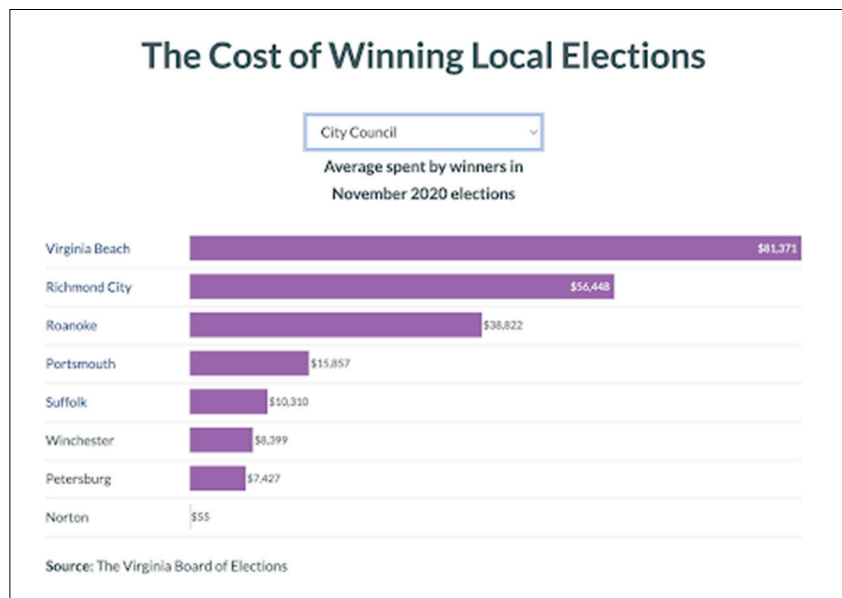
Media and TV vendors in state races tend to be more big city or DC vendors, rather than local players, but are not the usual vendors that we see in presidential and federal races. Though there do seem to be repeat vendors in states (and sometimes across states) in this second tier arena; for example, Sage Media repeats for legislative races in Michigan and Ohio. Mail vendors are most likely to be in-state vendors across the board for state house and state senate races. There are some out-of-state vendors, but again, most are not the same vendors we see in the federal races. Digital vendors do tend to be out of state, but outside of Run the World Digital which appear across many states, many of the digital vendors are not the same large national players.

There is a great deal of consistency between statewide office races and federal candidates both in terms of firms, strategy, and the amount of money being raised and spent. We begin to see variation with state legislative races which range greatly in terms of spending and the kind of tactics deployed and more variation of firms. It is worth noting that state-based 501(c)4 organizations and their associated PACs tend to play a much larger role in state legislative races than statewide or federal races.

LOCAL ELECTIONS

At the local level – municipal and county – there is an extremely wide range of expenditures and allocation of resources. Local elections in big cities and municipalities can be comparable to statewide elections and garner millions of dollars in campaign spending, including a barrage of television advertisements. The kind of spending in local races varies dramatically based on the size of the city or municipality, if elections are highly contested, and the election timing. But most local races are small affairs where candidates raise between \$2,500 to \$50,000 for a race, with most on the lower end of that scale.

This is illustrated by the Virginia Public Access Project⁸, which analyzed the average cost of running for city council and school board in various cities across the state:



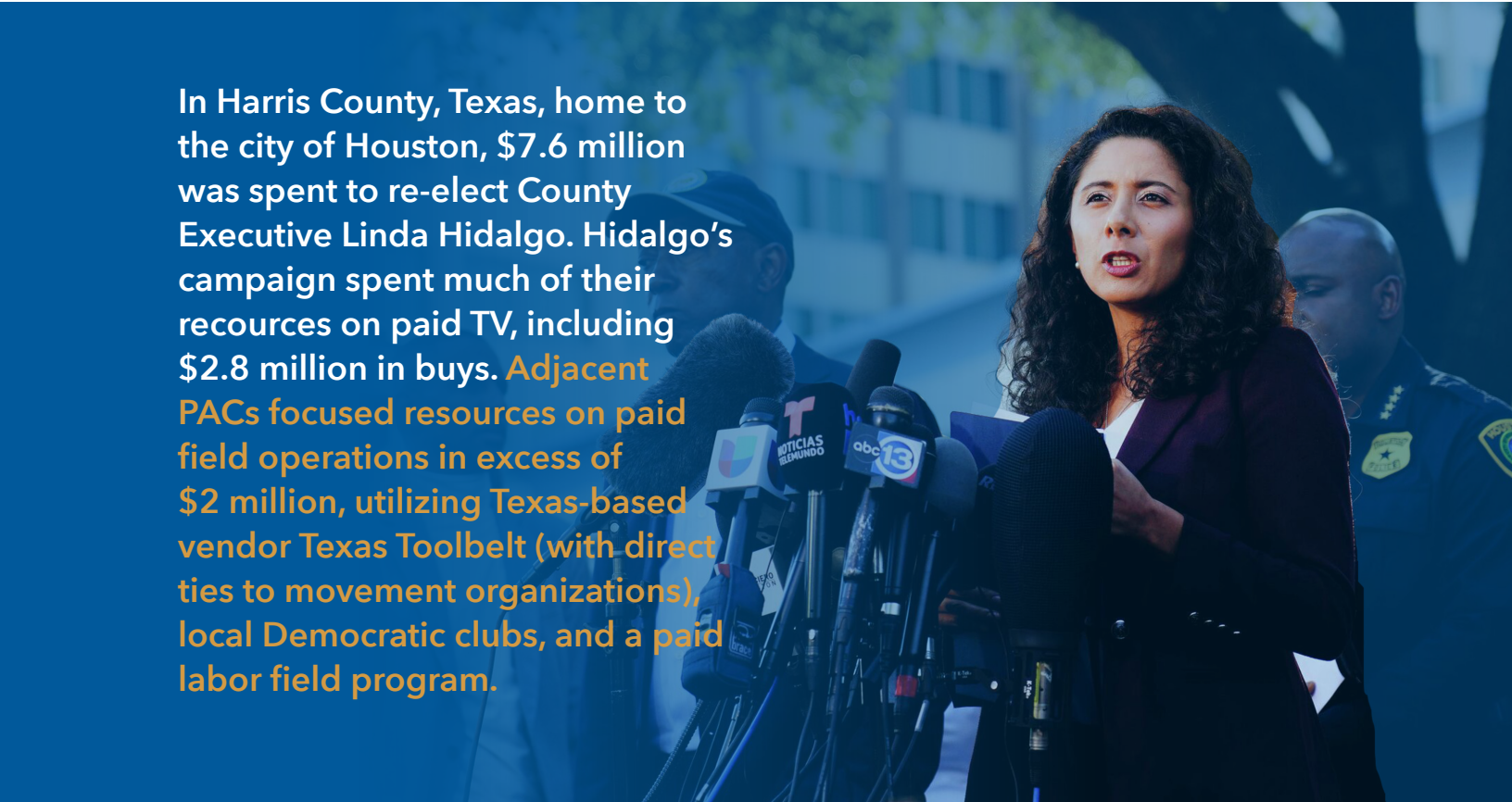
We generally see larger allocations of resources toward TV in the high-dollar city or countywide races, but then the second largest investment in these campaigns is often mail. Field vendors play a more significant role in mayoral and county commission/executive races. For low-dollar races without significant resources, top spending is usually on mail and printing (often yard signs) and a focus on field either through paid staff or local vendors. There is an increasing emphasis on digital, but not the dollars seen in statewide, state house, or state senate races.

On the extreme end, we have races like the Los Angeles mayoral election. In 2022, \$105 million was spent in the race: \$92.3 million for losing candidate Rick Caruso and \$12.5 million in support of now Mayor Karen Bass (\$6 million was spent by her campaign).

In Chicago's April Mayoral election opponent Paul Vallas spent \$18.6 but was defeated by Chicago Mayor Brandon Johnson who spent more than \$10 million.⁹ In Harris County, Texas, home to the city of Houston, \$7.6 million was spent to re-elect County Executive Lina Hidalgo, and \$10 million was spent by her ultra-right opponent.

Both Johnson and Hidalgo were helped through the significant investment of union, community organizing and progressive partnerships despite being outspent (in Texas this was via vendor Texas Toolbelt which had significant movement ties).

Large-scale campaigns draw out a mix of national vendors that vie for contracts in big money races at the state and federal level, as well as local vendors who either have developed relationships with these down-ballot candidates or have a demonstrated expertise in their specific locale. Most local players tend to be either mail or field vendors.



In Harris County, Texas, home to the city of Houston, \$7.6 million was spent to re-elect County Executive Linda Hidalgo. Hidalgo's campaign spent much of their resources on paid TV, including \$2.8 million in buys. **Adjacent PACs focused resources on paid field operations in excess of \$2 million, utilizing Texas-based vendor Texas Toolbelt (with direct ties to movement organizations), local Democratic clubs, and a paid labor field program.**

Another example at the local level is Phoenix. With a population of 1.6 million, it is the fifth-largest city in the country. The Phoenix mayoral election plays similarly to state and federal races with its prioritization of TV, but had a much larger emphasis on mail. Digital spending came in third. Current Mayor Kate Gallego used mostly out-of-state, national vendors in the 2018 race. Gallego spent \$963,000 on TV buys and production with AKPD Message and Media, a Chicago-based company. AKPD did not have any additional Arizona clients in 2022, but did bring in a total of \$22 million that year, primarily from US congressional races. In her first run for mayor, Gallego's campaign also spent approximately \$348,000 on direct mail with Convergence, a DC-based direct mail firm, and \$174,000 with Berkeley-based Saguario Strategies for digital consulting and digital advertising. Gallego spent \$77,000 on field with La Machine LLC.

There is a particular opportunity in small to mid-sized cities. For example, city council races in Youngstown, Ohio are determined in the May primary in the year following a gubernatorial election. Races are determined in the primary because city residents overwhelmingly vote Democrat, and Republicans rarely run for these seats. These are notoriously low-turnout elections. In Youngstown, total votes cast per ward runs between 600 and 1,400. In contested races, candidates win with vote totals of 286, 392, or 620 votes.¹⁰ The average amount of money raised for these small-scale races is less than \$5,000 and 60 percent of the budget is allocated to direct mail and yard signs. There is no campaign staff or fundraising infrastructure, and strategy is driven by volunteers. These races are not of interest to larger firms and even many small firms because they are not profitable. Yet, these races have implications for the leadership pipelines we cultivate in state, and significant implications for progressive governance and allocation of resources.

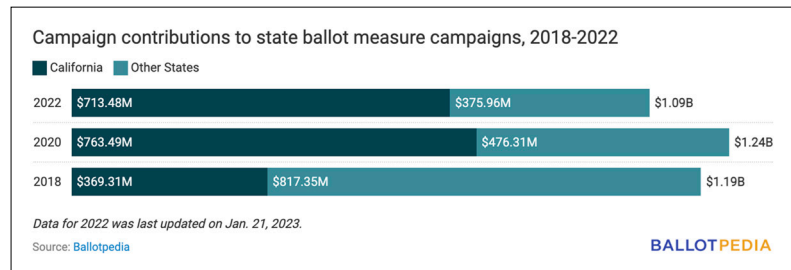
At the moment, national funders are scrambling for a strategy to implement Inflation Reduction Act (IRA) funds, and how we take advantage of that massive generational investment. Similarly, local governments received huge subsidies through the American Recovery Plan (ARP). Youngstown received \$82.5 million in ARP funds¹¹ - equivalent to 41.5 percent of their annual \$200 million operating budget. A \$80 million strategy in a city of 60,000 people could have a tremendous impact on social, racial, and economic justice. But that is not the lens that orients the city's leadership. They have allocated the largest percentage of received funds to raze vacant homes, provide discretionary funds to city council members, and plug budget gaps.

Traditional firms and operatives have left local races and talent to fend for themselves, and only pay attention when those candidates enter their orbit. But movement-owned and aligned firms could invest profits in funding these races and in the cultivation of local talent, viewing local races as key places to contest for power. There are many small firms in states - i.e., a local print shop - that provide nearly the same services of national firms, although they either tend to be less multifaceted or politics is only a small segment of their business.

BALLOT MEASURES

In 2022, voters in 38 states decided on 140 statewide ballot measures.¹² Voters approved 96 (68.6 percent) and rejected 44 (31.4 percent) of those measures. It is estimated that \$1.09 billion was raised to pass or defeat ballot measures last year. Spending on ballot measures has consistently reached a billion dollars in every recent cycle: \$1.2 billion was spent in 2020 and \$1.16 billion in 2018.

2022 was defined by abortion initiatives in California, Kentucky, Michigan, Montana, and Vermont. Marijuana initiatives were also on the ballot in Maryland, South Dakota, Arkansas, Missouri, and North Dakota. Spending peaked at \$418 million for CA Prop 27, which would have legalized online sports betting in the state. In 2022, California experienced the majority of spending, with four of the most expensive ballot measures. Michigan followed with \$44 million in spending (MI Prop 3 spending reached \$31 million). Massachusetts spent \$34 million on four ballot measures; Colorado spent \$22 million.



Measures with most contributions

The campaigns surrounding the following 10 ballot measures had received the most contributions:

Measure	Support	Opposition	Total	Outcome
California Proposition 27, Legalize Sports Betting and Revenue for Homelessness Prevention Fund Initiative	\$169,344,582	\$249,197,883	\$418,542,466	✗
California Proposition 26, Legalize Sports Betting on American Indian Lands Initiative	\$132,233,260	\$43,645,033	\$175,878,293	✗
California Proposition 29, Dialysis Clinic Requirements Initiative	\$7,978,567	\$86,357,629	\$94,336,195	✗
California Proposition 30, Tax on Income Above \$2 Million for Zero-Emissions Vehicles and Wildfire Prevention Initiative	\$47,995,250	\$24,848,984	\$72,844,233	✗
Michigan Proposal 3, Right to Reproductive Freedom Initiative	\$47,880,884	\$21,392,998	\$69,273,882	✓
California Proposition 31, Flavored Tobacco Products Ban Referendum	\$35,120,320	\$23,234,918	\$58,355,237	✓
Massachusetts Question 1, Tax on Income Above \$1 Million for Education and Transportation Amendment	\$32,098,401	\$14,720,313	\$46,818,714	✓
Michigan Proposal 2, Voting Policies in Constitution Initiative	\$23,604,735	\$8,086,944	\$31,691,679	✓
Nevada Question 3, Top-Five Ranked Choice Voting Initiative	\$23,018,272	\$2,425,000	\$25,443,272	✓
Illinois Amendment 1, Right to Collective Bargaining Measure	\$16,494,491	\$3,288,596	\$19,783,087	✓

In Michigan, we see what is typical for how spending occurs in a ballot strategy. The biggest recipients for MI Prop B were Know How Strategies/Sage Media, which was paid \$22 million for TV; Fieldworks was contracted \$7 million for qualification; and \$5.7 million was distributed to multiple firms for digital persuasion. In Colorado, the \$4.5 million ballot measure to decriminalize hallucinogen drugs allocated \$2.4 million to canvassing (Landslide Political) and \$1.6 million to Sage Media.

Overall, when we look at the ballot measure landscape, funds are being spent at significant levels on media/TV, then field (qualification efforts), and finally digital. Sage Media is a recurring actor in ballot measure TV/media work, in addition to state legislative races particularly in the Midwest.

ARIZONA CASE STUDY: STATE & LOCAL

In Arizona¹³, AL Media was by far the champion among Democratic vendors, raking in \$23 million from the state Democratic Party (\$18 million) and Katie Hobbs. Fieldworks LLC, a field vendor that works for Democrats and progressive causes, brought in a significant amount of resources: \$12.5 million across a number of progressive PACs with its largest clients being Healthcare Rising AZ and Invest in Arizona (sponsored by Arizona Education Association and Stand for Children).

By and large, media dominated at the state with much of those expenditures filtered through the Arizona Democratic Party, pointing to a great amount of centralization of primary political resources. Many of the statewide and down ballot candidates make contributions to the state party, who is very clearly leveraging those resources to a coordinated campaign that is largely centered around a TV strategy in-state. Meanwhile, down ballot candidates are leveraging their resources toward mail and digital. While mail consistently taps in at the \$50,000 to \$80,000 mark, when resources are allocated at either the state house or state senate level towards digital, they exceed \$100,000, tapping out at about \$250,000.

In the 2018 mayoral race, Kate Gallego spent \$963,000 on TV buys and production with AKPD Message and Media, a Chicago-based company. The campaign spent approximately \$348,000 on direct mail with Convergence, a DC-based mail firm, and \$174,000 with Saguaro Strategies, a firm based in Berkeley, California, for digital consulting (\$1,500 to \$2,500 payments) and then digital advertising.

The vast amount of opportunity for field direct voter contact efforts appear to sit with PAC committee expenditures, proposition campaign efforts, municipal-level campaigns and then some dispersed state house or state senate races. Outside of Fieldworks that dominates at the state level, dominant players locally in Phoenix appear to be Radar Strategies (\$75,000 in Phoenix City Council race), La Machine LLC (\$120,000 in the Yassamin for Phoenix mayoral campaign) and then Fieldcorp LLC (\$20,000 for Robinson for City Council). Fieldcorp LLC brought in \$1.8 million in state-level contracts across progressive PACs (Chispa & LUCHA) as well as state Senate and House candidates. La Machine also brought in state-level resources, approximately \$250,000, with their biggest client being Invest in Arizona.



THE ARIZONA OPPORTUNITY

In March 2023, we sat down with the LUCHA team in Arizona - a combination of staff and its member-led board. Specifically, the team is exploring the build out of a field vendor operation for many of the reasons we have heard echoed across similar state-based partners: the need to have an accountable vendor who can actually hit their goals and deliver campaign wins, the need for expanded capacity to contact unlikely voters to close win gaps, and the opportunity to generate additional revenues that can be pushed back into local campaigning efforts - particularly low-funded local races.

The Arizona team has a strong sense of the environment of vendors that is directly reflected in our analysis of the expenditure landscape over the last five years. Unlike media, digital, and direct mail, which appear to be centralized in the state Democratic Party, direct voter contact through field vendors largely sits outside of the party with issue-focused or community-based PACs which open up real opportunity for a competitive vendor rooted in the organizing space, against larger state vendors and Fieldworks, a national vendor. The Arizona Education Association has consistently been the big spender at the statewide committee level and a major spender on field.

The LUCHA team has also cleared the first major hurdle of identifying experienced key players who could drive a field vendor LLC and are on to internal discussions about ownership and infrastructure.

The 2024 election cycle will clearly be a big year for Arizona, and although it is unlikely that the federal races will make major investment in field efforts, a competitive US Senate race with Krysten Sinema's departure from the Democratic Party, could still open up opportunities in the primary and general elections. We can expect outside PACs to play big once again creating significant field vendor opportunities in addition to existing in-state progressive alliances. Definite opportunities will also exist in the Phoenix municipal elections in the fall of 2024 where field expenditures, while smaller, take a more significant percentage of expenditures. Generally, there will not be a lack of opportunity for a new independent vendor to get their feet wet in this cycle and get to substantive enough scale to both test their model, build a resume and generate revenue.




OPERATIVES & FIRMS

The contradiction between the Democratic Party and the progressive movement is that the Party's operative class - which drives strategy in politics and campaigns - is fundamentally disconnected from everyday communities. If they are accountable to anyone, it is only to a set of donors. In a Politico op-ed¹⁴, Leah Hunt-Hendrix derisively referred to these operatives as among the "well-connected, powerful few who enjoy a consequence-free existence."

Despite the spectacular implosion of the Clinton candidacy in 2016, four tough years of Trump as President and the looming threat of four more years of Trump, Democratic consultants continue to trumpet their successes after leading the "progressive" movement and democracy as we know it to the brink. Yet, election losses and political setbacks do not necessarily sink these operatives and firms. In states, we often see operatives continuing to be hired and relied upon, regardless of a decade or more of losses and failed strategy. They re-emerge after losses in a zombie-like way, dust themselves off, and reassert themselves back into roles as donor advisors, political plan writers, and consultants with new "tools" to fix all the problems that they themselves created.

In contrast, there is an emerging set of organizers, movement leaders, and donors that deeply believes in a practice of politics that is anchored in people, and that our task is to build a base and develop leaders capable of not just winning elections but governing beyond that win. They reject the notion that voters need a treatment plan like a sick patient: in need of the right TV ads, direct mail pieces, and door knocks to persuade them to vote for their candidate. Yet, grassroots organizers and movement leaders are often marginalized because they do not understand the mechanics of politics, do not have a clear power analysis of the landscape of partisan politics, and often do not know how to be effective operatives themselves.



We knew, too, that consultants grip the party tight, that they are increasingly at odds with the party's base, and that they are not very good at winning elections. "The 'election industrial complex' is spending millions of dollars, and [Democrats] are not putting our money where our people are," Jessica Byrd of Three Point Strategies told Fortune in July 2016. **But instead of punishing failure, and thus creating some measure of accountability, Democrats continue to funnel money to outfits... [that] have little success.**

The DNC is Broken: The New Republic, 2017

The nonprofit world is composed of a set of rules that organizers learn about fundraising. These organizers are trained to navigate and leverage foundations and donors, to cut deals with in-state and national networks and tables, to sell their work, and to position their work on in a multitude of venues. And while many of these skills are transferable to the for-profit world of firms and consultants, there are different sets of rules for how those actors work. The terms of the contracts are different. The flow of money is different. The relationship is flipped, as consultants are very rarely the supplicant: they are the expert. Accountability is different. Pay scales are different. And these firms and consultants operate fluidly across arenas. Through interviews for this research, a set of themes emerged on the key operating principles of consultants and firms.

KEY OPERATING PRINCIPLES OF CONSULTANTS & FIRMS

» OPERATE ACROSS A BROAD RANGE OF ARENAS

Political consultants and firms are not restricted by charitable status or by a base to whom they are accountable. They take contracts and influence nearly every arena: administrative, legislative, electoral, communications; and in nuanced ways inside of those arenas (see Changing States framework¹⁵ for a more detailed description of arenas of power).

» LEVERAGE RELATIONSHIPS ACROSS ARENAS FOR POWER & PROFIT

Political consultants and firms are expert traders in relationships. They run a campaign to get the mayor elected, and then take a contract with a foundation or corporation to lobby that same mayor to pass a set of policies. These consultants and firms then leverage that relationship to become the firm that handles all direct mail for city council candidates endorsed by that mayor. Community organizers do the same thing, but for the purpose of aligning institutions or moving the pieces of an issue campaign. Political consultants and firms build an insular network that protects them, reinforces influence, and consolidates power.

» ARE “EXPERTS”, REGARDLESS OF WHETHER THEY HAVE EXPERTISE

It is stunning how consultants often make the majority of decisions on campaigns due to deference shown by candidates and clients. They drive strategy. On one 2018 ballot initiative in a swing state, strategy was turned over to a right wing Republican firm from the start. This firm promised to fix the inside process, make the issue bipartisan, and get favorable ballot language approved. A national organization paid them hundreds of thousands of dollars and acquiesced to their advice at every turn, including no media for the first six months of the campaign and spurning Democratic support. At the close of the campaign, the firm failed to deliver on any of their promises and actually contributed to making criminal justice reform a toxic issue, helping to elect Republicans statewide. The national organization spent \$15 million on last-minute ads in an unsuccessful attempt to save the campaign. Yet national donors relied on these operatives and supported this strategy over the objections of leaders and donors in the state.

» OWN MULTIPLE PIECES OF THE MEANS OF PRODUCTION OF POLITICS

Increasingly, progressive firms are multifaceted. They produce mail, make media buys, design campaign strategy, and engage in lobbying and donor advising. These firms use the ownership of individual pieces to leverage more power. And their strategy is heavily influenced by moving more money back into their firm. For example, these firms are incentivized to spend more on media vs. “field”, or engagement with people, because media is more profitable and the firm handles those services. One of the largest PAC efforts to elect progressive officials at the county level does not fund any field or organizing as a part of its \$20 million strategy. This is, in large part, because the firm that is the general consultant is also the firm that does all of the media buys and direct mail. It is also because many of these firms believe that their model is the only way to succeed in politics.

» ARE ACCOUNTABLE ONLY TO A SET OF CLIENTS

How do we address what Leah Hunt Hendrix called the “consequence-free existence” of operatives and firms? While some of these firms may argue that they are judged by the races that they win or lose, data does not bear that out. In 2022, we celebrated losing the US House by a few seats. Democrats lost to a Republican Party that orchestrated an armed insurrection on the US Capitol. As Mike Podhozer, the former political director for the national AFL-CIO said, “you do not get to the Superbowl by beating the point spread.” These firms are not structured to be accountable to anyone except the client who has hired them for a particular cycle or moment.

» LEVERAGE A SINGLE VICTORY INTO A DECADE OF CONTRACTS

Perhaps one of the most fascinating things about the consultant class is their ability to turn one campaign into at least a decade of contracts. While former Obama staffers are the primary example of this capacity, there are many other examples. Unfortunately, brilliance on one campaign at a particular moment in time in a particular location does not result in success elsewhere.

» RARELY PROVIDE A DEBRIEF, BUT ALWAYS PROVIDE SPIN

When contracts are over, the operatives are gone. They do not get paid to learn from what happened or did not happen in states. These operatives craft a set of narratives that absolve themselves from responsibility and produce analyses that talk about how the electorate is moving – as if they are surfing the wave of public opinion. They do not interrogate the work, because there is no incentive to do so. These operatives do not ask fundamental questions about the value of tactics and how much money was spent. They do not evaluate what capacities were built across the course of a campaign. They do not think about how the millions of dollars spent strengthened or did not strengthen the state’s ecosystem, party infrastructure, labor unions, or community organizations. They do not evaluate because it is not part of their business model.

There is a myth that Democratic and progressive firms operate on tight profit margins and that they are primarily motivated to help the candidate, ballot initiative, or campaign win. This simply is not true. Rather, firms purposely obscure their margins and profitability so that clients and others do not understand their business models and where they collect fees for services, include profits for general management, and protect very healthy profit margins. Based on our review of contracts from multiple campaigns in the last few cycles, we estimate a range of profit margins for services:

Strategy/Service	Range of Profit Margin
TV and Ad Placement	10-15% fee for ad placement
Political Consulting	\$150–500 per hour
Direct Mail	\$0.40 profit per piece of mail
Field: GOTV/Persuasion	15-20% profit margin on overall program
Field: Voter Registration	\$6–10 profit margin per card
Legal/Compliance Consulting	\$200–500 per hour
Digital	10-20% fee for ad placement
Creative	\$150–500 per hour, flat fees also charged
Polling/Research	80% profit margin for firm partners
Retainers/Overhead	All firms build in fees for management/overhead

It is important to note that the above estimates are based on contract data that was made available to our team; we do not have access to the internal contracts and financials of some of the biggest and most profitable firms. But based on our collective experience running programs and on the contracts we have viewed, we feel these estimates provide a good range and insight.

CURRENT VENDOR LANDSCAPE

In 2018, members of this team reviewed seven national-level and four state-level political consulting firms, to better understand the breadth and impact of these organizations on the means of production of politics. We looked again at some of the largest players last cycle, and our findings reaffirm those of the 2018 report. GMMB, Waterfront Strategies, SKDKnickerbocker, Aisle 518 Strategies, Grassroots Media, Middle Seat, Left Hook, and Mission Control all reflect our findings, except that even more money is being spent on these top firms. Nearly \$2.8 trillion in federal payments were made to just these firms since 2003, not counting any work they have done in state races. GMMB/Waterfront, owned by the \$3.46 billion firm Omnicom Group, was the highest-paid consultant in each election cycle since 2012.

Our previous study's observations included:

» **FIRMS ARE LARGER AND LESS DIVERSE THAN EXPECTED**

National firms that were surveyed are larger than anticipated, with an average staff size of 64 employees (the largest employed 140 individuals at the time). Despite these numbers, a review of senior staff reveals few women or people of color in leadership positions. Additionally, Glassdoor reviews revealed extensive workloads and high turnover at the junior level, as well as a large gulf between junior and senior level salaries. That being said, compensation exceeds that of nonprofits across the board, with one respondent observing, "you will make 25-50 percent more than the same job at a nonprofit."

» **LEADERSHIP IS DEEPLY CONNECTED TO THE POLITICAL MACHINE**

At each firm, senior staff held extensive experience in progressive political cycles, often cutting their teeth on local and state elections and then moving to the pinnacle of electoral operations: presidential campaigns, the Democratic National Committee, the Democratic Congressional Campaign Committee, or the White House. In many cases, leadership founded the firm directly following an electoral cycle, allowing colleagues to trade on the relationships and results of a single campaign. Senior staff at several organizations also had experience at foundations and influential labor unions, further impacting how these firms are funded.

» **FIRMS HAVE LITTLE TO NO GRASSROOTS, COMMUNITY, OR LABOR ORGANIZING EXPERIENCE**

Only one of 50 top leaders surveyed had grassroots organizing experience. A handful more held experience in the labor movement. Nearly all leadership was based in electoral politics. There appears to be a massive gap in knowledge and experience regarding building a base of regular people around an issue, geography, or workplace. This speaks to the way in which these firms often work: highly transactional and with little concern about what happens when contracts end.

» **DESPITE PROGRESSIVE CREDENTIALS, FIRMS OFTEN ALSO SERVE LARGE CORPORATE CLIENTS**

Several firms translated a campaign win and political influence into lucrative contracts with corporate clients including Citi, Delta, Google, Lyft, Tesla, and Uber, as well as managing real estate portfolios and providing general communications consulting. These firms may share some values of movement actors, but their focus is building successful businesses rooted in individual interest, not to organize everyday people, engage in radical politics, or build power for workers.

A FRAMEWORK FOR ALTERNATIVES

The ambition of progressive leaders to “control the means of production of politics” is not simply to redistribute wealth back into movement ecosystems. Although, that goal in and of itself would be a vast improvement and translate into tens of millions of dollars for organizing each year if we were able to get to scale. Building an alternative set of firms is also fundamental to shaping how politics is done. It is a key component of a state-based ecosystem and it is essential to knit together lasting multiracial governing coalitions.

The current profit-driven system has resulted in band-aid strategies - versus the harder work of building the necessary multi-ethnic coalitions that are the backbone of a lasting democracy. The reality of building a lasting, durable political infrastructure takes work, time, and literacy in the local community and demographic nature of current and future voting blocks; something that the vast majority of firms lack or fail to invest in as they pursue a profit-driven approach to politics.

Alternative firms have the potential to be fundamentally better, as we have seen nonprofit organizations outperform for-profit firms doing the same task in many states with greater transparency, more efficiency, and a stronger commitment to winning. We envision a set of five core values and operating principles of alternative firms:

FIRMS ARE ACCOUNTABLE TO THE ECOSYSTEM

There are many ways to construct accountability between firms and state leaders, organizations, labor unions, and movement groups. Primarily, leaders and organizations should be part of the ownership structure of these firms. Mechanisms for accountability also can be built into the operating agreements of firms that prescribe the relationship with the ecosystem in the state. Additionally, the way in which firms design and execute programs in collaboration with groups on the ground, the clients with whom they contract, and who they employ contribute to the accountability of a firm. An alternative set of firms rooted in and connected to state-based ecosystems will understand the consequences of winning and losing over profits, and will therefore place a higher value in building winning campaign strategies that simultaneously build infrastructure.

FIRMS ARE ALIGNED WITH LONG-TERM POWER BUILDING

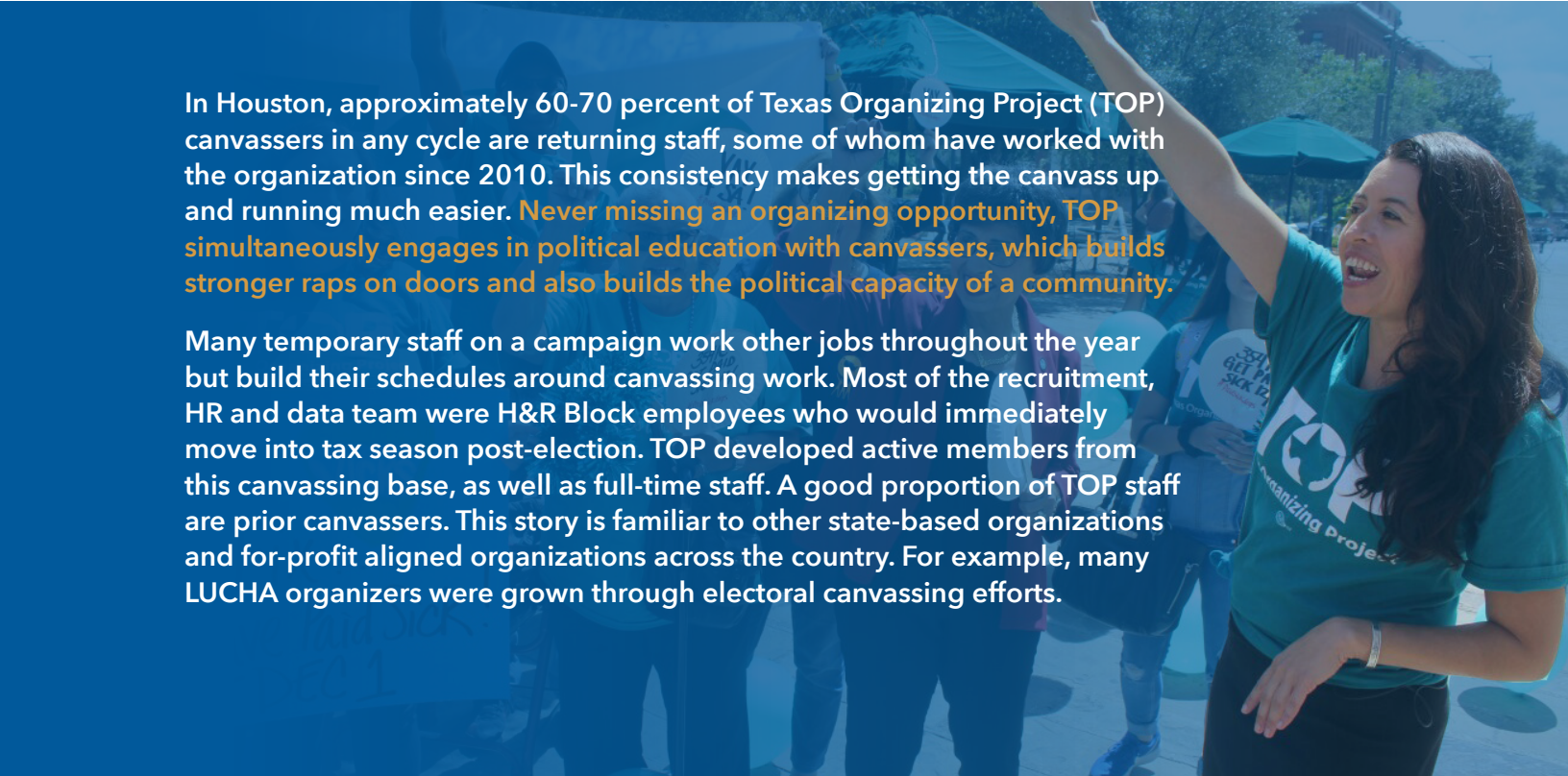
Every cycle, we are told to put long-term power building goals to the side in order to execute transactional electoral strategies that leave behind zero infrastructure. Simultaneously, billions of dollars are being spent on extractive programs by outside firms that have a “scorched earth” approach to their work on the ground. We cannot afford to run sandcastle electoral programs.¹⁶ Every program should help strengthen the state-based ecosystem in some way.

Across the country, organizations have echoed the same concern that large-scale electoral strategies come at the expense of long-term power building and organizing work – often gutting key staff and infrastructure for months during major election cycles. Adjacent firms should be designed to both protect and complement the year-round organizing work of power-building institutions. The millions spent to engage voters at scale would not be lost, instead connecting voters back directly into the work of aligned institutions. The capacities built at scale during elections will mean more skilled staff that can be utilized to support off-cycle organizing work. Most importantly, the narrative arch of elections would be built with an awareness of the long-term narrative of a state.

Perhaps the greatest tragedy and triumph of recent progressive electoral strategy was Organizing for America and the Obama campaign’s massive volunteer program. Now, 15 years later, there is nothing left of what could have been the building blocks of a new robust multiracial political organization. Instead, that infrastructure was squandered and other campaign operatives successfully sold a narrative that the Obama election was won by gifted young white men who understood data and targeting, most of whom went on to build consulting firms and rake in millions of dollars. That election was won on the backs of people of color and young people, who built the biggest volunteer program in history. Every cycle, billions of dollars are spent in fly-by-night programs that simply use local people and institutions and then shutter their doors the next day.

FIRMS ARE HIGH ROAD EMPLOYERS HIRING PEOPLE DIRECTLY IMPACTED BY THE ISSUES AROUND WHICH WE ORGANIZE

While this applies primarily to field vendors, it also can be said for every type of business. Firms should invest in talent that is embedded in the states where they work. Firms should be cultivating talent for the broader ecosystem and be connected to leadership pipelines.

A woman with long dark hair, wearing a green t-shirt with the Texas Organizing Project (TOP) logo, is smiling and pointing her right arm upwards. She is standing outdoors at what appears to be a community event or campaign stop, with other people and green umbrellas visible in the background. The scene is overlaid with a semi-transparent blue filter.

In Houston, approximately 60-70 percent of Texas Organizing Project (TOP) canvassers in any cycle are returning staff, some of whom have worked with the organization since 2010. This consistency makes getting the canvass up and running much easier. **Never missing an organizing opportunity, TOP simultaneously engages in political education with canvassers, which builds stronger raps on doors and also builds the political capacity of a community.**

Many temporary staff on a campaign work other jobs throughout the year but build their schedules around canvassing work. Most of the recruitment, HR and data team were H&R Block employees who would immediately move into tax season post-election. TOP developed active members from this canvassing base, as well as full-time staff. A good proportion of TOP staff are prior canvassers. This story is familiar to other state-based organizations and for-profit aligned organizations across the country. For example, many LUCHA organizers were grown through electoral canvassing efforts.

Existing nonprofit and aligned for-profit firms have been building capacity and skills locally, while also building the political knowledge base of the local electorate. They employ massive workforces of canvassers - many of whom are employed in the gig work economy - that have built this political canvassing into their job line-up year after year. These canvassers, who come from the communities in which GOTV programs are important, often work and re-work the same turf, building expertise and relationships.

A PORTION OF THE FIRM'S PROFITS IS USED FOR POLITICS, ORGANIZING, AND MOVEMENT WORK

This should be in the legal operating agreement of every firm. It could be structured as a distribution committee (or equivalent body) that makes decisions on investing profits in political and movement strategies. Many organizations have expressed a need to have resources that can sit outside the up and down cycles of non-profit foundation trends to ensure that locally-driven priorities have the consistent funding it needs. In addition, revenues for many local races and primaries are hard to come by and we know that these races are critical because of the direct impact these political institutions have on directly impacted communities, and because they are where we can most influence the pipeline and shift power up the ladder.

THE FIRM'S APPROACH TO DATA AND TARGETING IS ROOTED IN BUILDING THE ELECTORATE

The future of our democracy is rooted in a more expansive electorate, a notion most often disregarded by national campaigns and mainstream firms who are looking for the quicker wins and better, easier profit margins. Alternative firms would be rooted in expanding the electorate to build lasting electoral coalitions. Their electoral building strategies would expand upon their local knowledge in lieu of top-down algorithms, to create winning strategies.

OPPORTUNITIES

Is there a market for alternative firms? What kind of market share could be potentially captured? And where are the biggest opportunities to contest? We know that this industry is growing rapidly, and that new firms can emerge and capture significant market share in a very short period of time if they are perceived as innovative and win (or come close to winning) in races that were dismissed or seen as not winnable or challenging. Middle Seat is a recent example of this; Middle Seat was founded by the digital and media team from Bernie Sanders's first presidential run. 2018 was the firm's first cycle, and by 2022 they were the largest digital firm in the country for federal races, although they provide a broader set of services as well.

We also understand that these operatives and firms are entrenched, and that disrupting the market will not be easy. Already, these firms actively discredit the work of long-term power building organizations and present a worldview of politics centered on individuals as

consumers. In states, they are often entrenched in party infrastructure and have established relationships across a number of arenas. Many truly believe that the soul of politics is a better television ad with five pieces of mail and a barrage of emails and social media placements.

The means of production of politics affords opportunities up and down the ballot for new, emergent firms. The top of the ticket is tightly controlled by the political powers that be: the national Democratic Party infrastructure for competitive US senate and US congressional races and in some states, the state Democratic Party. However, you do not have to be one of the dominant anointed firms to generate a consistent base of work and substantive resources. The extremely large amounts of dollars spent in races do afford many entry points.

In higher ticket races, TV/media would be among the most significant contracts, but digital is emerging quickly, with real opportunities to build market share. One mail contract for a high-level race would be consequential, but larger numbers of contracts can be gained at the state house and local levels to generate consistent income. Just one contract with a competitive US congressional race and statewide race or state senate race would be significant. Primary races, where vendor competition is even more dispersed, is becoming more substantive as labor, PACs, and donors put resources behind progressive candidates against establishment Democrats. In addition, in these primary races we see more field vendor opportunities.

Local municipal and county and state house races likely offer the most significant opportunities. These are the spaces where we often have the best relationships, and there is less competition with major firms and fewer party-established barriers for entry. Most importantly, these races can serve multiple purposes, building consistent work for new vendors and building a pipeline for emerging values-driven candidates – particularly those emerging from directly-impacted communities. The ability to build independent resources would allow organizations to engage directly in low-dollar races that often lack funding while utilizing their expertise to build accountable, winning campaigns.

The initial market for alternative firms is from three sets of clients:

- » State-based groups with large-scale political programs that are either currently using vendors or are exploring moving their work over to a vendor
- » Candidates from our base or candidates who are looking for alternatives
- » Donors who are unhappy with the current return on their investment

There are enough contracts for firms to be able to launch and in some arenas – like field – to get to scale relatively quickly. But there are challenges in developing enough contractual income to retain key staff year-round as the profit margin on small programs is less.

RECOMMENDATIONS & STRATEGY

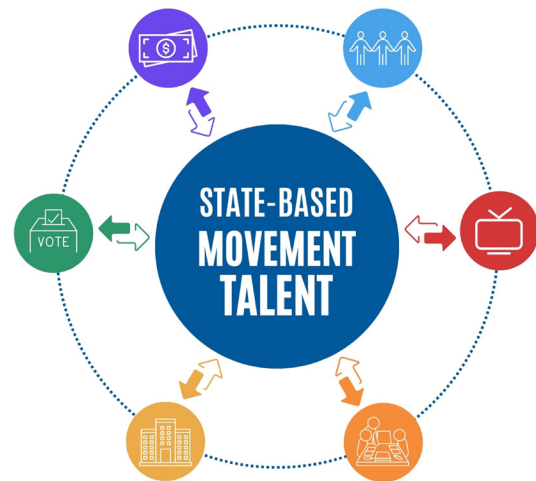
If grassroots organizers and movement leaders aspire to carry out visionary politics capable of addressing the current crisis of democracy and advancing a set of structural reforms, the path must include a strategy for owning the means of production of politics. Not only is this where billions of dollars are spent (or wasted), but it is how the practice of politics is determined. It is the pipeline for elected leadership and the pipeline for individuals who serve as the chief of staff, policy advisor, and many other roles inside of government. It has been a mistake to confine movement work to a set of charitable entities, rather than infusing it within the mainstream approach to politics. Building a multiracial democracy will only be achieved when we build community at every level, understand our work as year-round, and use every type of vehicle and entity at our disposal.

We propose the four starting points on how to accelerate the creation of entities that can control the means of production of politics in our states.

MAP & IDENTIFY TALENT IN STATES THAT CAN LEAD THESE EFFORTS

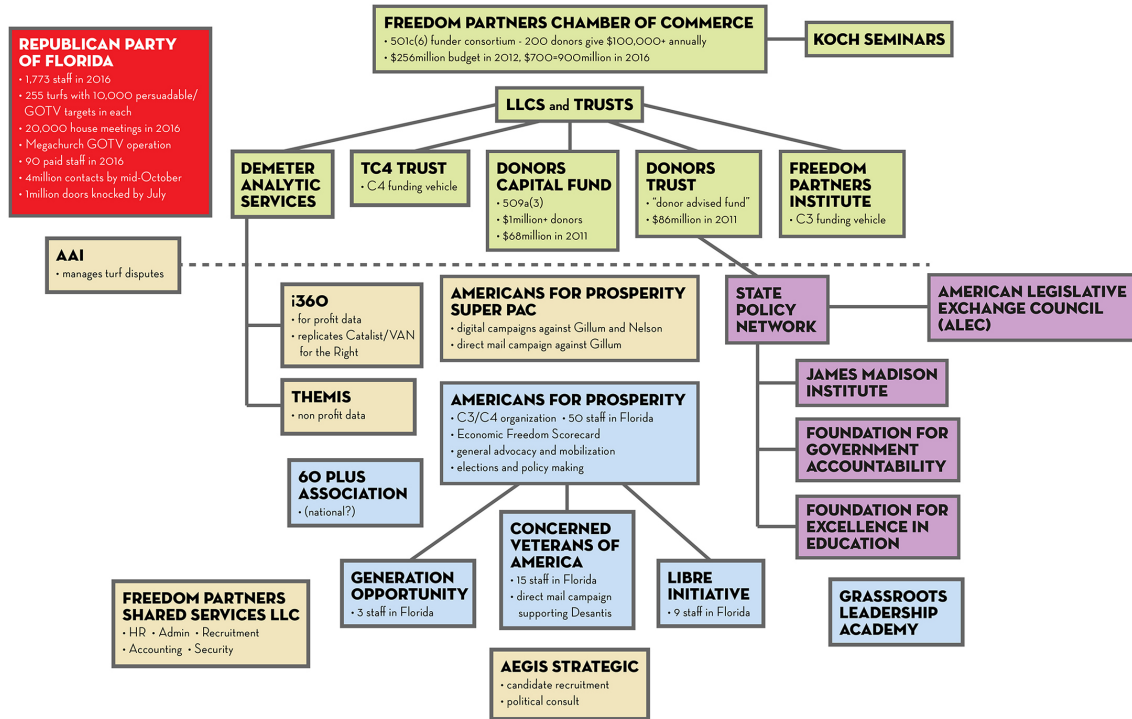
This strategy is twofold. First, it looks at talent within the current movement ecosystem that has interest and imagination about moving over to an aligned LLC. Similar to how NASA built and seeded business ventures and technology start-ups, our movement ecosystems contain innovation and political skills that have already been field tested. Without depleting that ecosystem, we must find and recruit inside talent that is ready and able to staff LLCs. Second, there is a significant amount of talent within existing political infrastructure that sees its deficiencies and is hungry for something else. We must capture that talent and tether it to our work and values.

It is important to note that we are not talking about a zero sum game of moving talent from one place to another. We are instead talking about expanding places where we can retain, recruit, and unleash talent. It is an unrealistic, mistaken strategy to demand that movement talent be confined to charitable infrastructure.



FIELD VENDORS Firms that blend voter persuasion/mobilization with organizing	MEDIA COMPANIES Firms that develop, place, and execute TV, digital, mail & creative
FUNDRAISING & POLITICAL CONSULTING PR & fund development	OPERATIONS HUB Aligned ecosystems that manage high-level back-end services
MOVEMENT ALIGNED NONPROFITS 501(c)3s & 501(c)4s	MOVEMENT ALIGNED BUSINESSES LLCs, PACs & Co-ops

An illustration of right wing state-based infrastructure below combines LLCs, nonprofits, trusts, and the state party. Florida is a red state because of the 2,000 staff across these entities.



INVEST IN THE CREATION OF HIGH-LEVEL OPERATIONS HUBS

Integrated, legally compliant, and aligned state-based ecosystems require ninja-like operations hubs with the capacity to manage back-end functions for a wide variety of entities. In the nonprofit sector, many states do not have access to strong operations teams that can manage compliance between 501(c)3, 501(c)4, and PAC structures; carry out human resource functions, including working with newly-created staff unions; handle complex accounting, budgeting, and audits; comply with election law compliance and reporting; and provide administrative support for leadership to focus on the organization's core work.

To execute our vision of expanded ecosystems, we need these capacities as well as the sophistication to manage relationships between nonprofits and LLCs; the movement of talent across those entities; legal and tax compliance; and accounting and finance that understands for-profit entities. This requires a significant investment of resources and recruitment of talent. There are two models worth noting: Community Building Strategies in Ohio and the Center for Empowered Politics in California. These entities must be structured as LLCs if they are to operate broadly across the ecosystem.

DEVELOP & PROVIDE BUSINESS MODELS FOR A SET OF STATES

RECRUIT OUTSIDE EXPERTISE TO SUPPORT/ACCELERATE ENTITIES

To execute a broader and more expansive view of the role of organizers and movement leaders, we cannot rely solely on expertise within our own bubble. While some of that talent is embedded, we do not possess the expertise needed for projects like a successful launch of complex media companies. We must recruit outside expertise as staff and consultants who can support nascent efforts in states – and we need a budget that can pay for that expertise.

RAISE STARTUP CAPITAL AND LEVERAGE RELATIONSHIPS FOR INITIAL CONTRACTS

Some entities that we advocate founding – such as field vendors and mail vendors – do not require significant amounts of initial capital. They do require a set of early contracts and clients that provide these startups with stability and the ability to reassure staff that the new entity can and will support them. Other ventures require a higher level of startup capital, especially if we seek to recruit high-level talent, and it will take time to build a client base. There are many parallels here to starting nonprofits and getting them to scale. For each state, initial startup budgets are required to launch these businesses.

CONCLUSION

This is not a short-term solution to the problems we face. It will take several cycles to begin to disrupt the status quo, and some states present more opportunities than others. There will be a reaction to this strategy, including resistance and efforts to discredit the strategy. Existing firms providing these services have hundreds of millions of dollars of profit to lose if the means of production of politics is shifted to movement ecosystems. Yet, we must pursue this strategy if we are ever going to build political infrastructure with the ability to transform people, hold together a multiracial governing coalition, and build an economy that serves workers rather than corporate interests.

We need organizations in states that have the ability to build a base, develop powerful relationships, and carry out dynamic multi-layered campaigns. We also need those organizations to be at the center of politics. In our current practice, the influence of community organizations stems from their ability to drive independent electoral programs (message, field, accountability, turnout, occasional endorsements), conduct legislative advocacy, and win organizing campaigns. What we find, however, is that most community organizations engaged in these activities need stronger relationships, more experience, and regular guidance to better operate in the political marketplace. Without relationships and access, people's organizations are stuck with "inside" or "outside" strategies; when, in fact, what we seek are co-creative strategies. To achieve the next level of governing influence, leaders and organizations must become increasingly adept *operatives*.

ENDNOTES

- 1 <https://www.nytimes.com/2021/02/11/opinion/stacey-abrams-georgia-election.html>
- 2 <https://www.opensecrets.org/news/2021/02/2020-cycle-cost-14p4-billion-doubling-16/>
- 3 <https://www.opensecrets.org/news/2020/11/2020-state-and-federal-races-nimp/>
- 4 https://www.insideradio.com/free/it-s-official-2022-was-a-record-setting-year-for-political-ad-spending/article_8905d662-7f7e-11ed-b33c-cf1c8ccf75f1.html
- 5 <https://adimpact.com/blog/breakdown-of-digital-political-ad-spend-for-the-2022-midterms/>
- 6 <https://journalqd.org/article/view/3608/2893>
- 7 <https://adimpact.com/blog/breakdown-of-digital-political-ad-spend-for-the-2022-midterms/>
- 8 <https://www.vpap.org/visuals/visual/cost-winning-local-election-2020/>
- 9 <https://www.nbcchicago.com/investigations/paul-vallas-outspent-brandon-johnson-nearly-2-to-1-in-race-for-chicago-mayor-campaign-finance-records-show/3124001/#:~:text=From%20announcing%20his%20exploration%20of,March%201%20and%20March%2031>
- 10 <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://vote.mahoningcountyoh.gov/DocumentCenter/View/829/2015-Primary-Election>
- 11 <https://www.wkbn.com/news/local-news/breakdown-of-where-youngstowns-82-7-million-arp-funds-are-going/>
- 12 https://ballotpedia.org/2022_ballot_measure_election_results
- 13 Analysis of 2022 spending was compiled by two primary data sources: Transparency USA and See the Money AZ.gov.
- 14 <https://www.politico.com/magazine/story/2017/02/democrats-progressives-new-leaders-david-brock-third-way-214811/>
- 15 <https://dornsife.usc.edu/eri/changing-states/>
- 16 Hahrie Han, Elizabeth McKenna, Michelle Oyakawa: Prisms of the People: Power & Organizing in Twenty-First-Century America, 2021

CONTROLLING THE MEANS OF PRODUCTION OF POLITICS

FIELD VENDOR STRATEGY DOCUMENT, 2023

TABLE OF CONTENTS

OVERVIEW	01
FIELD VENDORS	01
FIELD: THE CURRENT MARKET	02
FIELD: UNDERSTANDING THE MARGINS	03
FIELD: THE CASE FOR ALTERNATIVE FIRMS	03
OHIO MODEL	05
FLORIDA MODEL	07
BUILDING A FIELD VENDOR	08
LEGAL ISSUES TO BE CONSIDERED	09
CONCLUSION	10

OVERVIEW

This business plan is an addendum to the report Controlling the Means of Production of Politics: Analysis & Strategy 2023.


Inside a \$16-20 billion industry (2022 spending in statewide and federal elections), field is a small percentage of the overall spending in campaigns. However, there are strategic and financial reasons to build alternatives. This business plan is designed to be an entry point and starting place for groups and leaders in states who are considering launching a field vendor.

FIELD VENDORS

Field vendors serve as the mercenary grassroots army for the right and the left. They are most visible in states that allow for ballot initiatives, where each cycle a variety of measures are placed on the ballot, including voting rights, abortion rights, the legalization of gambling or marijuana, and public school funding. National field vendors drop programs into states to collect hundreds of thousands of signatures in order to qualify these measures for the ballot.

The ballot measure component of politics represents an additional \$1-2 billion of spending beyond candidates. The qualification process for which field vendors are hired represents about ten percent of that overall spending. Field vendors are also hired by progressive donors and organizations to perform large scale voter registration, get out the vote canvassing, and persuasion programs. And in some cases, field vendors execute broader community engagement and nonpartisan door to door canvassing, sign ups, and outreach.

Some vendors will only work with progressives, others only work with the right, and some vendors will work with either side if the price is right. The larger market analysis report argues for a new breed of field vendors that is not only progressive but has a different set of values and goals, and is part of an integrated state infrastructure.



Community organizations are often “funded” to be the lower cost field vendors: many donors and philanthropy view them as the ground troops to advance their policy, strategy, or civic engagement strategies. Voter registration programs are funded through 501(c)3 vehicles and canvassing operations are run through 501(c)4 organizations. **Contracts offered to nonprofit organizations are below market value compared to for-profit firms doing the same work.** Most field vendors are separate stand alone firms. This differs from other political LLCs that often blend a host of services that they offer to their clients.

FIELD: THE CURRENT MARKET

It is difficult to accurately assess how much is spent on field programs, due to candidate reporting that often characterizes field as “staff” or “other”, and we know that a fair amount of field money goes to c3/c4 organizations versus LLCs.

Based on our research and analysis, we estimate that spending to be between \$350 million and \$500 million per year, broken down as follows:

Current Estimated Spending on Field (Annual)	
Voter Registration Collection	\$20-30 million
Signature Gathering: State	\$112 million
Signature Gathering: Local	\$10-20 million
Canvass/GOTV/Persuasion	\$230-300 million

For ballot initiatives, [Ballotpedia](#) provides aggregated data on spending since 2010. Signature collection efforts totaled about \$120 million in 2022, and is broken down as follows:

Signature Collection Efforts, 2022	
\$118.29 million	Total spent on signature drives for certified ballot initiatives
\$4.08 million	Average cost for a petition drive (2020: \$2.06 million)
\$12.70	Average CPRS, or cost per required signature (2020: \$8.09)
\$18.8 million	Most expensive signature drive: California Proposition 27
\$25.44	Highest CPRS: Arizona Proposition 209

For voter registration, a national strategy called Everybody Votes raised tens of millions of dollars to fund efforts to achieve racial parity in registration in six to ten states from 2014 to 2020. Everybody Votes still exists but with a much smaller footprint. Voter Registration funding is difficult to track nationally, but we estimate that this currently sits at \$20 to \$30 million.

Money spent on canvassing is also difficult to ascertain, as it is often not clear from candidate reports how much is allocated to field, there is no place that aggregates how much c4s, PACs, and others spend on door to door work, and data is not easily accessible in reports disclosed by state and local parties. Canvassing remains buried behind television advertising, digital, and mail programs - and many operatives believe that field is costly, ineffective, and does not return significant benefit per cost. It is also true that field is the least profitable voter engagement strategy and that firms are incentivized not to invest in it.

For example, the firm that manages most of the progressive prosecutor races in the county as general consultant then develops a budget with no line item for field. Instead, the entire budget consists of mail, media, and digital creation and buys. And sure enough, their firm also provides those same services.

We concede that last-minute field programs where canvassers are dropped into a community for two months to get out the vote have limited and diminishing impacts. But field that is integrated into long-term power building and is nested in relationships that are being cultivated over time is not only essential to a good electoral program, it is essential to the overall goal of building a multiracial governing coalition.

FIELD: UNDERSTANDING THE MARGINS

We reviewed a few dozen field contracts over multiple cycles. In addition, we spoke to principals who have run field programs in various capacities in different states. Many variables determine profitability, including scale, legal and compliance complexity, previous presence and networks in the state, the degree to which there are other efforts happening simultaneously that are competing for canvassers, and other market conditions. The myth that there is no money in field is just that, a myth. Field vendors are profitable and while they might operate at margins that are less than other political firms, they construct contracts that are profitable regardless of the success of the campaign.

Below is a chart that describes what we understand to be the margins of the three core services of field vendors, fee range, average scale, and profit estimates.

Program	Cost Range	Contract Scale	Profit Margin
Signature Collection	\$12-24 per signature	\$2-10 million	12-20 percent
Voter Registration	\$25 per card	\$1-4 million	12-20 percent
Canvassing (GOTV/Persuasion)	\$4-7 per door	\$500,000-2 million	15-25 percent

If field was not profitable, there would not be the sheer number of firms that exist and continue to be launched. Some of the most prominent firms include Field Strategies, FieldWorks, Grassroots Campaigns, PCI Consultants, Landslide Political, NGS, Nia Interactive, Rocky Mountain Voter Outreach.

FIELD: THE CASE FOR ALTERNATIVE FIRMS

Overall, field is a small share of the means of production of politics. It amounts to 2.5 percent of political spending in a given cycle. Hence, building a field firm is not the path to disrupt the overall industry and it has lower margins compared to media, fundraising consulting or

other avenues. Yet, we believe that there are a host of reasons to create these firms. First, there is still significant money to be made with these firms that could make an impact on the state's ecosystem and would also allow for groups to run ballot initiatives at a much lower cost. Second, this is an area of low-hanging fruit where organizers and movement leaders often already have the skills and training to execute programs.

And finally, there are an important set of tactical reasons to own this particular means of production of politics. For movement organizations and state power building ecosystems having a field vendor allows them to do the following:

» **INTEGRATE MOVEMENT STRATEGY WITH FIELD PROGRAMS**

When field is performed by national firms dropping into a state or primarily for the purpose of profit, there is little consideration for what is left behind and little coordination or alignment with in-state groups. We must build capacity that accumulates over cycles versus sandcastles that wash back into the ocean with every tide. For example, one field vendor used its profits to build out state-of-the-art canvassing software and apps. That innovation sits inside of a for-profit vendor that no one has access to while groups are left to deal with the VAN. In addition, out-of-state vendors rarely understand relationships, strategy, and turf within the ecosystem. Field programs, regardless of how transactional, should always be rooted in a state power building plan.

» **OWN THE DATA**

Whoever collects data often owns that data. Having your own vendor ensures greater control of data post-election but also increases the ability to collect additional, important data regarding issues that people care about, as well as their willingness to get involved with community organizations.

» **ADDRESS THE HIGH BURDEN AND RISK OF HR COMPLIANCE**

Field jobs are often seasonal with staff sizes that rise and fall alongside campaigns and election cycles. Developing a large-scale field program is difficult from a logistical and human resource standpoint. A for-profit corporation can be both a high road employer and more nimble organization - insulating movement groups from the administrative burdens and legal liabilities of hiring and terminating temporary staff.

» **SERVE AS AN IMPORTANT COMPONENT OF A STATE'S LEADERSHIP PIPELINE**

These new firms would not only hire all of their talent in the state, but would also focus on employing individuals who are directly impacted by the issues organizations are trying to address and embed popular education programs for people who pass through the door.

» **STRATEGICALLY ENGAGE IN POLITICAL POWER BUILDING WORK**

Nonprofit groups often lack the freedom to engage in the full spectrum of activities that help to build power for their communities - including political activity and working to elect progressive candidates. If field capacity rests inside of an LLC, it can be used for candidate campaigns - especially when their own members decide to run for office.

OHIO MODEL

In 2018, a set of Ohio leaders launched the first movement-aligned field vendor, Black Fork Strategies (BFS) which initially had both individual and organizational owners. Anchored by contracts from the Ohio Organizing Collaborative and Ohio Organizing Campaign, BFS sought to build an in-state, accountable, and nimble entity. BFS runs voter registration, signature collection for ballot initiatives, get out the vote efforts, and more recently, a vaccination campaign focused on low-income residents.

BFS: By the Numbers	
Voter Engagement Ohio (2022)	45,700+ Voters Registered 185,600+ Doors Knocked 278,700+ Calls Made 75,000+ Text Messages 149,500+ Conversations
Issue 24 Cleveland (2021)	18,500 Signatures Collected (QC) 47.6% Validity Rate 10,000+ GOTV Doors Knocked
Justin Bibb IE Cleveland (2021)	10,000+ Doors Knocked
COVID Outreach Cincinnati (2021)	11,200+ Doors Knocked 1,200+ Canvass Conversations 5,500+ Hotspot Conversations 460 Vaccine Registrations 334 Walk-in Commitments
Voter Engagement NE Ohio (2020)	9,300+ Voters Registered 75,000+ Calls Made to Voters 50,000+ Texts Sent to Voters 13,000+ Voters Canvassed Not Listed in VAN
Voter Engagement Ohio (2018)	140,000+ Voters Registered 125,000+ Voters Registered 80,400+ Doors Knocked 28,250+ Canvass Conversations 35.2% Voter Contact Rate

BFS has primarily served as the field arm of the Ohio Organizing Collaborative and the Ohio Organizing Campaign, but it has the potential to play a much larger role. It has benefited the OOC (c)3 and OOC (c)4 greatly on the operations, compliance, and reporting end alone. When

the 501(c)4 hired its own staff, it would be required to provide detailed reporting on expenses for an independent expenditure (IE) during 48 and 24 hour reporting cycles; a (c)4 that uses a vendor only has to report the checks it writes to the field vendor. BFS has also created some legal distance between 501(c)3s and (c)4s and field programs. Opponents looking to attack the (c)3 or nonprofit with false accusations of voter fraud instead attack an unknown corporate field vendor. Additionally, corporations are not subject to the same financial disclosures as nonprofits, so in addition to creating distance, opponents could not research where funding originated and contracts are confidential. BFS also insulated nonprofits from the administrative and legal liabilities of hiring and terminating temporary staff.

How Money Moves: Below is an overview of how capital flows through BFS. This chart highlights how the legal structure of BFS has created new and independent money for candidate work in Ohio.



The field vendor in Ohio has also begun to generate revenue and launched an affiliated Super PAC that supported candidates in three congressional races.

FLORIDA MODEL

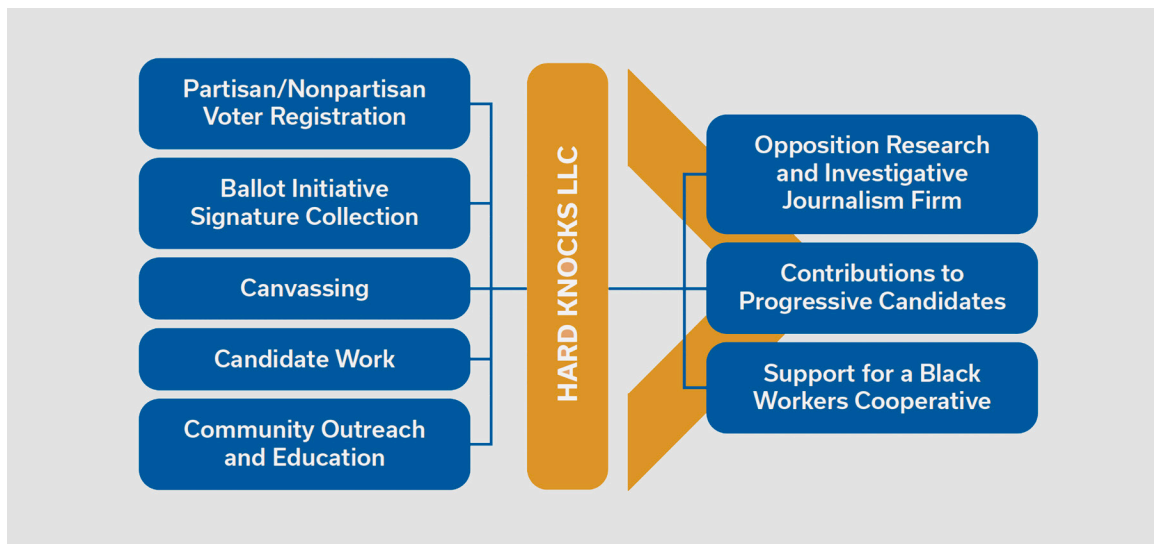
In 2018, an alignment of Florida progressive leaders from movement organizations and labor unions launched Hard Knocks LLC. As a field vendor, Hard Knocks provides canvassing, community engagement, and electoral services. Hard Knocks focuses primarily on GOTV efforts and door-to-door persuasion campaigns.

In 2018, Hard Knocks employed 1,811 full- and part-time field staff who worked on door-to-door voter canvassing efforts. They knocked on 1.9 million doors for Win Justice and the Florida Rights Restoration Coalition, helping to win 63 percent approval for a ballot initiative that overturned a 150-year voting ban for people with felony convictions.

In 2020, Hard Knocks employed 4,678 individuals and ran programs that knocked on nearly two million doors for the Florida general election, as well as 850,000 doors for the US senate runoff election in Georgia. During non-election years, core staff ranges from five to ten people, depending on projects.

Similar to BFS in Ohio, Hard Knocks is a movement aligned entity that is also contributing to building other valuable parts of the Florida infrastructure.

How Money Moves: Below is an overview of how capital currently flows through Hard Knocks LLC. The leaders of this organization are considering options and recently changed their legal structure to a S-corporation.



Both of these entities exemplify that field vendors launched by movement leaders can get to scale, be profitable, and immediately make an impact if they are supported by the ecosystem and have the staff to launch and build them.

BUILDING A FIELD VENDOR

There are many options to legally structure a movement-aligned field vendor. The structure depends on the primary goals of the entity, to what extent it will be profitable, and how leaders want to use those profits. If the goal is to generate unrestricted dollars for candidates or other ventures, a LLC model is most likely the best route. There are also several models for ownership that range from individual ownership to organizational ownership, or a combination of the two. There are no right or wrong answers on how to construct these structures, but there are clear directions based on the priorities and goals of the state ecosystem.

In terms of start-up resources to launch a field vendor, it requires capital to undertake legal set up and to hire initial staff. These resources could be provided by individuals, organizations, or could be obtained through a set of initial contracts. In both Ohio and Florida, community organizations and labor unions committed to using the field vendor and providing initial contracts when created, guaranteeing the vendor income in its first year.

Perhaps the most challenging aspect of launching a field vendor - beyond the high-level field staff needed to run the program - is having back-end operations support that is able to navigate human resources, compliance, and administrative needs. This is an acute need for a field vendor that hires hundreds of people and must navigate state election laws. We advocate the creation of a high-level operations hub that is either part of a general consulting LLC or is a stand alone LLC. The operations hub is able to provide services to all of the state's entities, charitable or for-profit, and aggregates talent.

In terms of governance, movement leaders must take time to align on how the corporation will be governed and how income will be spent. One model is to utilize a distribution committee that is legally written into the operating agreement, and where in-state movement leaders democratically decide how profits will be allocated. Corporations have far fewer rules governing them than nonprofits, which allows for creativity in governance that can make the entity accountable and in service of the ecosystem. Attention, however, must be paid to corporate governance from the start.

In terms of profitability, field vendors require scale to be profitable. Small contracts sometimes even lose money given the sophistication and high cost of legal compliance; operating across geographies requires significant start-up costs, etc. Movement leaders must have honest conversations about scale, profit loss, and the value of non-income producing contracts.

Finally, while the purpose of having a field vendor is to benefit the movement, it is a business that provides a service, has hard deliverables, and must make smart decisions around costs per voter registration card, signature collected, or doors knocked. Blending business skills with movement know-how is critical, and may require recruiting from other sectors of the economy.

LEGAL ISSUES TO BE CONSIDERED

This is a list of legal issues that need further explanation and, in some cases, research related to the creation of one or more LLCs or other for-profit entities to conduct certain functions on behalf of community organizations and other progressive organizations.

» STATE ENTITY LAW

Each state's laws governing the creation and operation of LLCs, corporations, or other types of legal "persons"; includes questions about ownership and control of the entity and distribution of any revenues

» FOR-PROFIT TAX LAW

The for-profit entities tax liability under federal, state, and local tax law

» PRIVATE BENEFIT, PRIVATE INUREMENT, EXCESS BENEFIT

Legal restrictions on tax-exempt organizations providing benefits to other non-exempt entities or to individuals, especially organization insiders; closely connected to guidance related to "joint ventures" with non-exempt organizations

» UNRELATED BUSINESS INCOME TAX

Tax on exempt organizations for net income from revenue-producing activities unrelated to the tax-exempt purposes of the organizations, except for certain income that falls within certain exclusions and exceptions (e.g., "passive" income, such as pure rental or investment income; activities not "regularly carried on"; etc.)

» PRUDENT INVESTMENT RULES

Limits on an exempt organization's ability to invest too much of its assets in high-risk ventures, which would be seen as not sufficiently protecting the assets devoted to socially beneficial purposes

» INVESTMENT INCOME AND 527(F) TAXES

501(c)(4)s (and other exempt organizations permitted to engage in electioneering) must pay a 35% tax on the lesser of the amount the organization spends on political activity and the amount the organization nets in investment income.

» CAMPAIGN FINANCE REPORTING

A key advantage of hiring a separate entity to provide services that are reportable expenditures under applicable campaign finance laws is that the organization hiring such a vendor can report just the payment to the vendor (as opposed to reporting payments to individual staffers and other costs if the work were to be conducted in house); however the vendor will have to have systems in place to allow the organizations hiring the vendor to appropriately report the amounts paid to the vendor (e.g., allocations among multiple candidates; timely receipt of the information; etc.)

» COMMON VENDORS AND COORDINATION

When a vendor (e.g. a canvassing LLC) does work for both independent electoral actors and for political candidates and parties, information the vendor receives from the political candidate or party that is used in the course of the otherwise independent political work could lead to the independent work being deemed “coordinated” with the candidate or party, and thus a possibly illegal in-kind political campaign contribution

» EMPLOYMENT ISSUES

Both federal, state, and local laws related to hiring employees, such as wage-and-hour rules, workers comp, unemployment insurance, anti-discrimination laws, etc.; these become more complicated if the for-profit entity is sharing staff with other nonprofit or for-profit entities under a common paymaster or payroll agent arrangement

» LIABILITY AND INSURANCE

To what degree might the entity (or people associated with it) be exposed to liability for its activities and to what degree might the organization want or be able to get insurance coverage against such losses (e.g., general liability, D&O, publishers liability, non-owned vehicles, etc.)

» BRANDING ISSUES

Less of a concern for a pure vendor providing services to other organizations, where the vendor is typically free to communicate in the name of the organization that has hired the vendor, but some laws (e.g. certain telemarketing laws) may require the vendor to disclose its own identity in such communications.

» PRACTICE OF LAW CONCERNS

The unauthorized practice of law issues and ethical issues related to the control of legal advice by non-lawyer board members if an entity other than a traditional law firm is created that provides legal advice to other organizations or individuals

CONCLUSION

Field Vendors are not easy enterprises to launch. And running a successful business, while having parallels to running a successful nonprofit, is not the same. Yet, if progressives are serious about building long-term power in their states, it is hard to imagine a path where they have influence without owning and wielding these kinds of companies that are able to do work both for the charitable sector and also for candidates, ballot initiatives, and government.

The potential value of having a field vendor far outweighs the risks and complexities of building one and state power ecosystems need all the tools to contest for power at their disposal.