

Nonprofit Political Spending in Illinois

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ABSTRACT

This report analyzes the flow of donations from organizations with 501(c)(4), 501(c)(5), and 501(c)(6) status to state-level political committees in Illinois. We identify \$13 million donated from these groups to political committees between 2011 and 2017 – a lower bound, as our dataset is non-exhaustive. Of that, \$8 million came from unions and the majority of the rest came from trade associations. We also find over \$875,000 from out-of-state organizations, most of it from Washington, D.C. In response to these substantial cash flows, we recommend that 501(c)(4), (c)(5), and (c)(6) organizations be subject to donor disclosure requirements, and that Illinois’s “self-funding” provision be abolished.

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MISSION STATEMENT

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I. EXECUTIVE SUMMARY

Using data on donations to political committees in Illinois between 2011 and 2017, this report documents millions of dollars of spending by 501(c)(4), 501(c)(5), and 501(c)(6) groups.¹ Our key findings are as follows:

- **Nonprofit groups donated almost \$13 million to political committees from 2011 to 2017, with rates of spending increasing substantially over time.**
- **About \$8 million of this money was from unions, while the majority of the remaining \$4 million was from trade associations.** Because of the sampling method used, it is difficult to say whether this distribution is representative of overall political spending by nonprofit groups in Illinois.
- **Between 2011-2017, just over \$875,000 has been spent by nonprofits who list their primary address as outside of Illinois. Over \$675,000 has come from nonprofits in Washington, D.C. alone.**
- **The number of nonprofit donations over \$10,000 has most likely increased over time, with at least sixty such donations made in 2016.**
- **It is impossible to systematically catalogue** these groups' total political expenditures as IRS data cannot meaningfully capture their independent expenditures.

These figures include neither the groups' independent expenditures nor all of their donations to political committees, yet it is clear that their political spending is substantial. The absence of donor reporting requirements for these groups means that wealthy individuals and corporations can funnel large sums of money into Illinois' elections while remaining anonymous.

II. BACKGROUND & METHODOLOGY

Contents

This report analyzes the flow of donations from 501(c)(4), 501(c)(5), and 501(c)(6) groups to state-level political committees in Illinois. First, it details the relevant data sources. Second, it discusses the limitations of the data and the implications of these limitations for interpreting the findings. Third, it offers key facts about the sample of political spending included in the study and the methodology used to isolate these funds. Then, it moves to analysis of our sample. It analyzes which nonprofit groups spend the most money, how their spending levels have evolved over time, how often they are from outside Illinois, and how often their donations are “large”, which we define as greater than \$5,000 and \$10,000, respectively. The report concludes with a short discussion of policy recommendations.

Data Sources and Scope

The donations data that form the basis of this report were drawn from the Illinois Sunshine database,² which is maintained by the Illinois Campaign for Political Reform (ICPR). This organization catalogues all political donation data collected by law under the Illinois State Board of

¹ For original data or other inquiries, please contact policy@pauldouglasinstitute.org

² Available at <https://www.illinoisunshine.org/>.

Elections. In addition, ProPublica’s “Nonprofit Explorer”³ was used to determine whether an organization was a 501(c)(4), 501(c)(5), or 501(c)(6).

Importantly, this data does not include any *independent expenditures*⁴ made by nonprofit groups. An attempt was made to systematically document these independent expenditures using the Internal Revenue Service (IRS) 990 forms. However, it became clear that the publicly available parts of this form provide insufficient information to determine whether a group’s independent expenditures took place inside or outside Illinois—all kinds of political spending are lumped together. Moreover, this method could not capture political spending inside Illinois by out-of-state groups.

Data Limitations and Interpretation of Findings

There are a few key limitations to consider when interpreting the conclusions of this report. First, while the ProPublica database is quite tractable, the same is not true of the State Board of Elections data compiled by the ICPR. The same donor often reports donations using small variations of the same name and address. At other times, a deeper search reveals that the same donor organization uses completely different names and addresses at different times. Beyond making the data cleaning task more difficult, this practice threatens the accuracy of our results because it leaves unclear which donations are from the general funds of a nonprofit and which donations are from the separate segregated funds (SSF) by the organization.⁵ In the case when data for an organization alone left it uncertain whether the donation came from the organization’s general funds or SSF, it was excluded from the sample. Notably, it is impossible to rule out that some donations reported under the name of the parent organization were actually from the organization’s SSF, but we anticipate that the size of this bias is not so large as to undermine the general conclusions of this report.

Second, despite our stated limitations, all figures mentioned here are estimated *minimums* of the amount of political spending by nonprofit groups. As described in the methodology section below, the largest subset of nonprofits possible was extracted from the list of donor names, but many smaller donors were not analyzed for the sake of expediency. Additionally, as previously stated, independent expenditures are not included in this sample. These qualifications together imply that we capture only a fraction of the total election spending by these groups; nonprofit political spending in Illinois could be much larger.

Sample and Methodology

This study’s sample includes all donations between 2011 and 2017 to the 100 largest⁶ candidate committees, the 100 largest political action committees (PACs), all Super PACs,⁷ and the 50 largest

³ Available at <https://projects.propublica.org/nonprofits/>.

⁴ Independent expenditures refer to any communication-related spending that explicitly advocates for or against a candidate, but is not coordinated or in direct contact with the candidate, campaign staff, or political committee. For more, see ILCS 5/9-1.15:

<http://www.ilga.gov/legislation/ilcs/ilcs4.asp?ActID=170&ChapterID=3&SeqStart=40900000&SeqEnd=46700000>

⁵ A separate segregated fund (SSF) is a type of political action committee (PAC) connected to a corporation or an incorporated member organization. While nonconnected political action committees are financially independent from a particular organization, SSFs can expense operating and administrative expenses to the parent or connected organization, meaning the expenses are exempt from political contribution or expenditure disclosure. For more, see <https://transition.fec.gov/pages/brochures/ssfvnonconnected.pdf>.

⁶ Measured in terms of available funds as of 5/3/18.

⁷ A “Super PAC” is a colloquial term for political action committees that only engage in independent expenditure, and unlike connected or certain non-connected PACs, have no expenditure limits. For an overview of the several types of political action committees, see: <https://www.fec.gov/help-candidates-and-committees/registering-pac/types-nonconnected-pacs/>.

political party committees in Illinois. All donations are to state-level races—no money contributed to federal committees is included in the sample. Only donations filed under D-2 parts A1 (individual contributions), A2 (transfers in), and A5 (in-kind contributions) were kept.⁸ Donations filed under parts A3 (loans received) and A4 (other receipts—often refunds from vendors) were excluded. Each donor’s name was then searched in the “Nonprofit Explorer” database maintained by ProPublica in order to determine whether it was a 501(c)(4), 501(c)(5), or 501(c)(6). In the case that the organization did not appear in this database, a Google search was performed using its name and address in order to determine its organizational status. If no reliable information could be found, the organization was excluded from the sample.

We verified donor information in multiple phases. In the first phase, donor names were searched in order by the size of their donation. All donors giving to a handful of the largest committees were individually checked. In a second phase, all contributors to the entire sample who had made donations of at least \$5,000 or more were searched. In a third phase, the terms “Association,” “Assn,” “Asso,” “Assoc,” and “Assoc.” were searched for across all donors’ names, and all such donors were checked. Finally, the address given by the donor to the Illinois State Board of Elections was used to determine whether a donation should be classified as in-state or out-of-state.

III. ANALYSIS

Overall Spending Levels

In total, this report found 2,814 unique donations totaling over \$12.7 million. Their statistical distribution is described in Table 1:

Table 1: Statistical Summary of Donations Sample

	Percentiles	Smallest		
1%	16.42	2.59		
5%	72	3.13		
10%	114.16	4	Obs	2,814
25%	250	5.03	Sum of Wgt.	2,814
50%	500		Mean	4508.309
		Largest	Std. Dev.	13921.27
75%	1795.18	112296		
90%	10000	150000	Variance	1.94e+08
95%	25000	200000	Skewness	6.574076
99%	53900	250000	Kurtosis	70.31162

The donations included in the sample ranged in size dramatically, from just \$2.59 to \$250,000. Exactly half were worth \$500 or less, but their distribution was heavily skewed toward very large donations. This skewness reflects the special effort we made to capture all of the largest donations in the database, and our relative lack of focus on smaller donations. Thus, while our sample well represents the *largest* donations made by nonprofit groups in Illinois, it does not produce a representative distribution of *all* donations. Due to the donations left out by our methods and

⁸ State of Illinois. Illinois State Board of Elections. 2018. Accessed May 14, 2018. https://www.elections.il.gov/Downloads/CampaignDisclosure/PDF/2011_D-2.pdf.

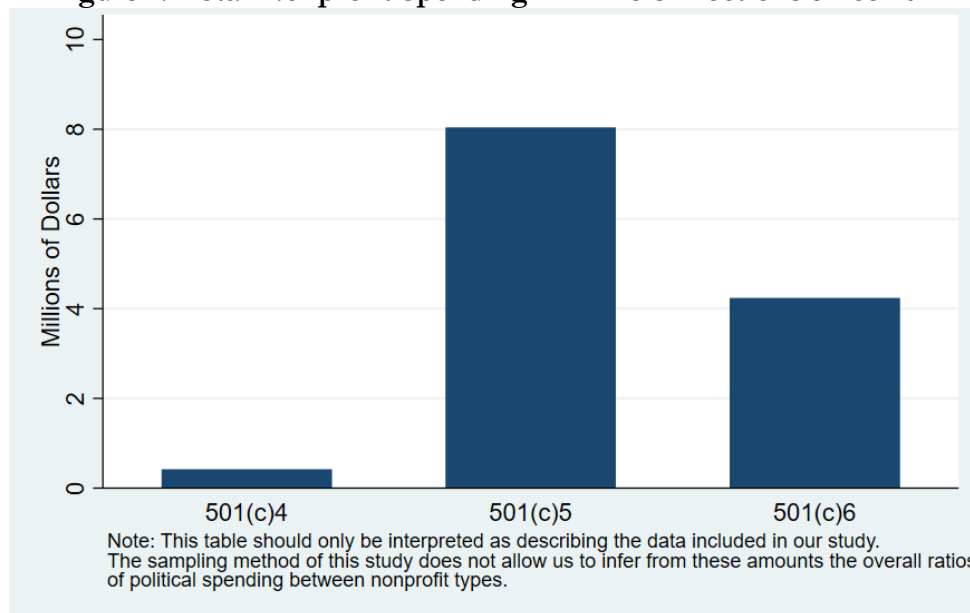
available data, the \$12.7 million can be thought of as a lower bound or minimum on the amount of political spending by Illinois nonprofits between 2011 and 2017.

Spending Levels by Tax Status

As reflected in the charts below, a large proportion of the money in the sample came from 501(c)(5)s, which typically represent unions. This finding is in part attributable to the fact that unions often transfer large sums of member dues to their separate segregated funds (SSF), eventually meant for political spending. A cursory search of the largest donations, however, makes it clear that unions also give large donations to non-SSF political committees, meaning there are multiple ways in which these organizations engage in political expenditure. The second largest spenders in our sample were trade associations and chambers of commerce, who file taxes as 501(c)(6)s. As these organizations were, generally speaking, easier to identify on the basis of their names, they made well over half of the donations included in the sample. However, their donation size is, on average, much smaller than unions’.

Finally, the sample includes only a small number of donations from 501(c)(4)s. Despite the fact that the sampling method employed here cannot produce a representative picture of all nonprofit donations, the extreme rarity of donations from these organizations within our sample suggests that they contribute to political committees far less frequently. This finding might seem odd because the purpose of 501(c)(4)’s is explicitly “to further the common good and general welfare of the people of the community (such as by bringing about civic betterment and social improvements).”⁹ Political activities, though they cannot constitute the majority of a 501(c)(4)’s work, would seem at least as central to their mission as to the missions of unions or trade associations. While it remains possible that they are not as politically active in Illinois as the other forms of nonprofits, it is also possible that 501(c)(4)s have more independent expenditures than the other groups.

Figure 1. Total Nonprofit Spending in Illinois Elections since 2011



⁹ "Social Welfare Organizations." 2018. Internal Revenue Service. Accessed May 14, 2018. <https://www.irs.gov/charities-non-profits/other-non-profits/social-welfare-organizations>.

Table 2. Total Nonprofit Spending in Elections since 2011

Organization Type	Total Amount of Donations	Total Number of Donations
501(c)(4)	\$416,205.40	76
501(c)(5)	\$8,035,183.00	974
501(c)(6)	\$4,234,993.00	1,764

Spending Trends Over Time

Figure 2 and Table 3 reveal key insights about spending patterns over time. First, nonprofits in Illinois spend, at a minimum, millions of dollars per year since 2011 in elections. Second, noticeable spikes in spending take place in election years, with over \$2,500,000 spent in 2016 alone. Third, there is an upward trend in time on the whole. Finally, it appears that 501(c)(6)s in the sample previously constituted a larger proportion of the whole than they do now. Table 3 confirms this hypothesis: before 2015, 501(c)(6)s regularly constituted over 40% of all nonprofit spending in the sample.

Figure 2. Total Nonprofit Spending in Illinois Elections 2011-2017

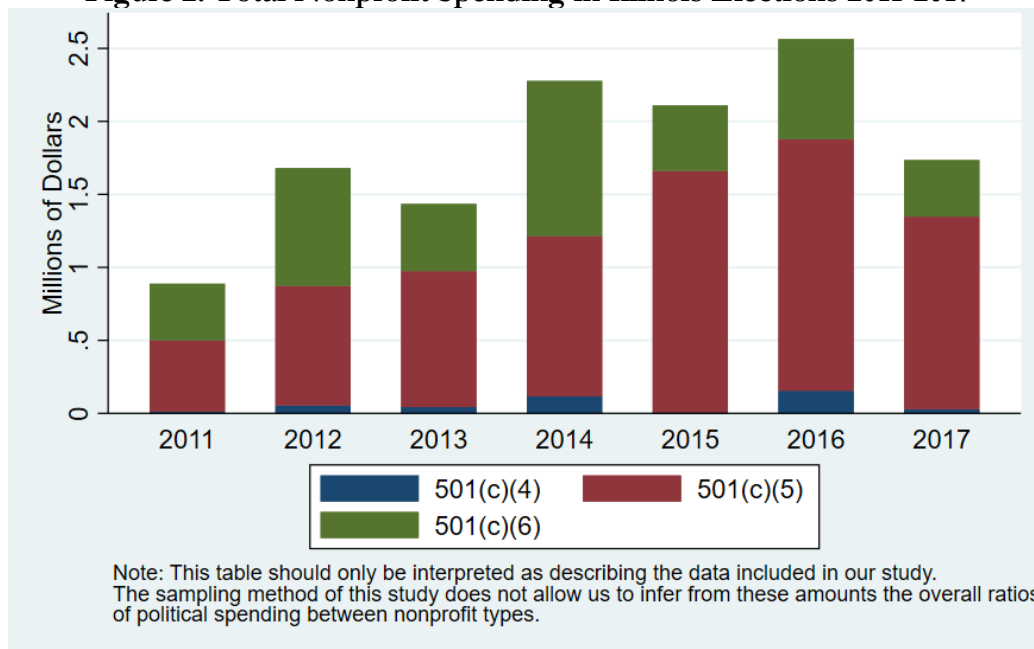


Table 3. Proportions of Nonprofit Spending 2011-2017

Year	501(c)(4) %	501(c)(5) %	501(c)(6) %
2011	1	55	44
2012	3	49	48
2013	3	65	32
2014	5	48	47
2015	0	79	21
2016	6	67	27
2017	2	76	22

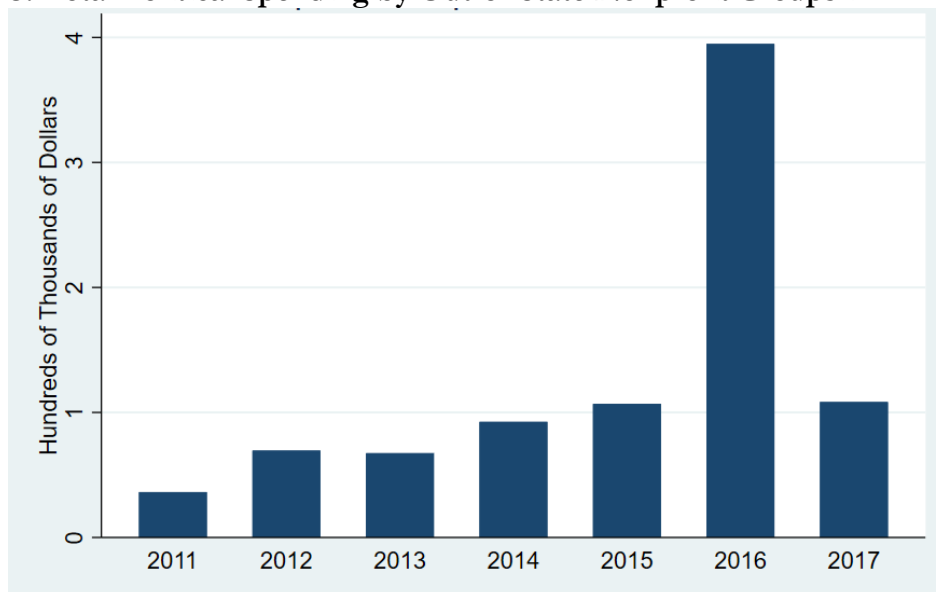
Out-of-State Spending

Since 2011, out-of-state nonprofits have given at least \$875,000 to political committees in Illinois. More than \$675,000 of this money—about 75%—has come from Washington, D.C. As the below figures illustrate, the proportion of all nonprofit donations from out of state usually hovers at about 4.5%, with a noticeable spike in 2016. This sharp increase illustrates the potential for out-of-state groups to have an outsized influence in Illinois’ elections, especially in important election years.

Table 4. Proportion of Out-of-State Nonprofit Donations 2011-2017

Year	2011	2012	2013	2014	2015	2016	2017
% of Donations from Out-of-State	4	4	5	4	5	15	6

Figure 3. Total Political Spending by Out-of-State Nonprofit Groups in IL 2011-2017



Large Donations

Under Illinois laws, donations to non-super PAC political committees are supposed to be subject to caps of a few thousand dollars per donor, depending upon the donor type (individuals vs. corporations vs. other political committees, etc.).¹⁰ However, these rules are subject to exceptions whenever (i) a candidate for statewide office gives him or herself over \$250,000 or (ii) over \$250,000 in independent expenditures are made on behalf of a candidate. For other offices, the same rules apply at the lower threshold of \$100,000. In this case, *all contribution caps* in the race are abolished for *all candidate committees* in the race. There were 26 primary elections across Illinois in 2017 where these caps were removed, and there are a handful of general elections in 2018—most notably, the governor’s race—where contribution caps are gone.¹¹ In light of this rule, it is not uncommon to see donations exceeding \$10,000 being given to candidate committees. Super PACs are also free to accept donations of any size, and nonprofits who operate SSFs are also allowed to transfer large sums of member donations directly to the SSF without regard for contribution caps.

¹⁰ For the 2017 election contribution caps, see: State of Illinois. Illinois State Board of Elections. Campaign Disclosure Division. 2017. Accessed May 14, 2018.

<https://www.elections.il.gov/Downloads/CampaignDisclosure/PDF/ContributionLimits.pdf>

¹¹ State of Illinois. Illinois State Board of Elections. Contribution Limits Off Search. Springfield, IL: Illinois State Board of Elections, 2018. Accessed May 14, 2018.

<https://www.elections.il.gov/CampaignDisclosure/ContributionLimitOffElecSelect.aspx>.

We can draw several insights from Figures 5 and 6. First, all types of nonprofits make high numbers of large donations, with dozens occurring each year. Second, the total number of large donations is generally increasing with time, with considerable spikes observed in election years. Finally, the majority of donations over \$5,000 are also over \$10,000.

Figure 4. Minimum Number of \$5,000+ Donations by Nonprofits

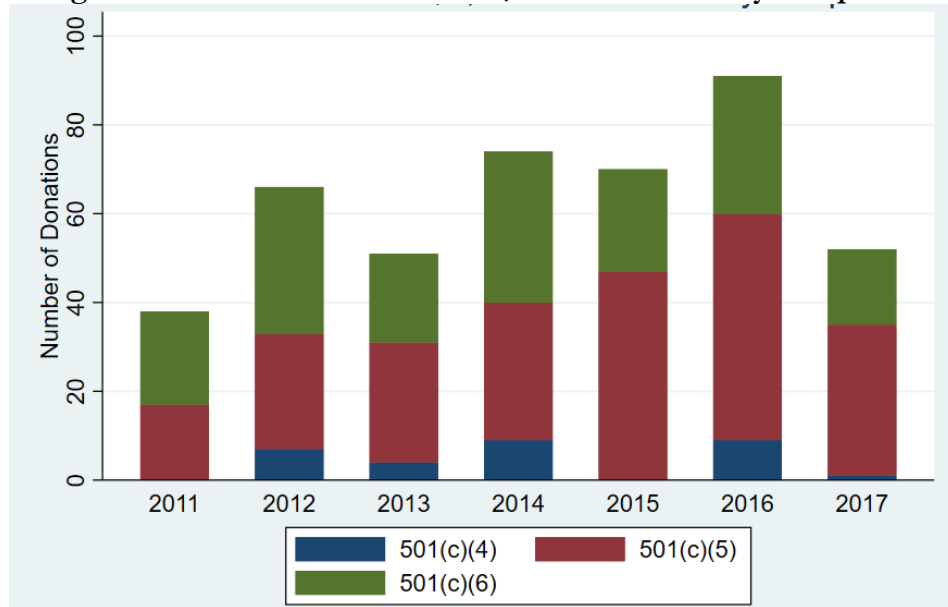
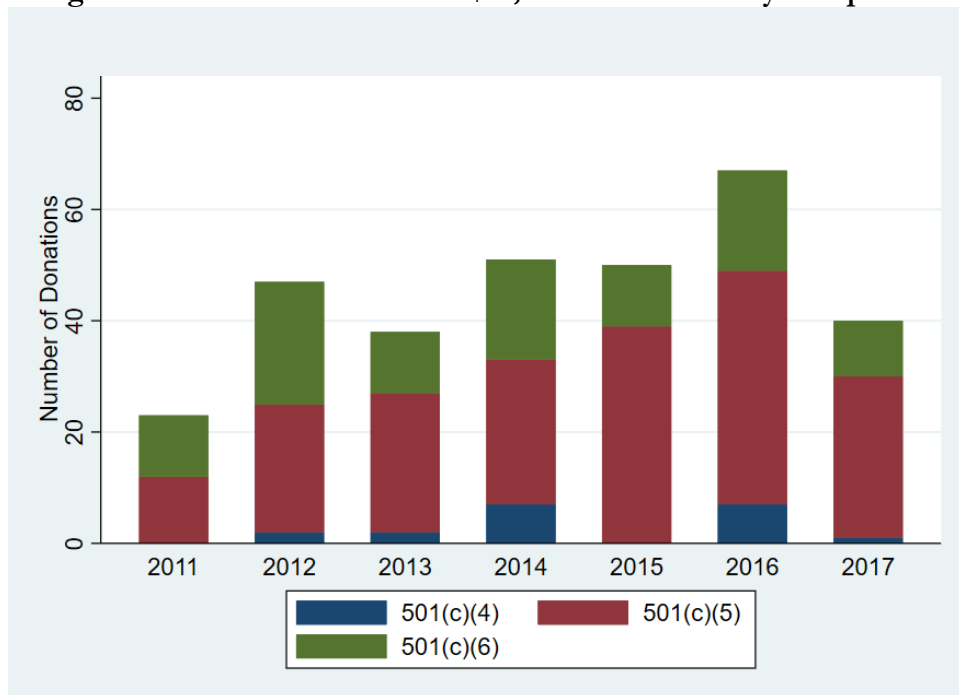


Figure 5. Minimum Number of \$10,000+ Donations by Nonprofits



IV. POLICY RECOMMENDATIONS

The findings detailed above have immediate implications for policy.

1. Apply donor reporting requirements more broadly

The proportionally large amount of money donated by these groups suggests that they should be subject to the same donor reporting requirements as all other political actors. SB2089, which has been stalled in the Illinois State Senate since April, 2017, would have made progress in controlling this inequity by introducing additional reporting requirements, among other provisions.¹² The fact that nonprofits' spending has been increasing over time and that so much of it comes from out-of-state makes the need for these reporting requirements all the more urgent.

2. Abolish the self-funding provision

The frequency of large political donations suggests that a significant number of political actors are taking advantage of “self-funding” status provided for by Illinois campaign finance law. This fact suggests that Illinois' campaign finance regulations are still enabling large sums of money to enter state races, and so lawmakers should consider abolishing the self-funding provision. While admittedly, neither of these proposals appear politically feasible in the short term, efforts by civil society groups, advocates, and legislators can work to change this reality.

V. CONCLUSION

This report described the best available data sources on political spending by nonprofits in Illinois between 2011 and 2017. Then, it offered a method for making these data tractable before presenting an analysis of almost \$13 million in political spending. The key findings were that unions are by far the largest nonprofit political spenders, that the overall level of spending by nonprofits has increased over time, that hundreds of thousands of dollars in donations come from out-of-state spenders, and that dozens of “large” donations are made every single year. The analysis supported two key policy recommendations: the approval of SB2089, which would extend donor reporting requirements to nonprofit groups, and the repeal of “self-funding” status in Illinois campaign finance law.

¹² State of Illinois. Illinois General Assembly. Legislative Information System. 2017. Accessed May 14, 2018. <http://www.ilga.gov/legislation/BillStatus.asp?DocNum=2089&GAID=14&DocTypeID=SB&SessionID=91&GA=100>

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