

Where Does the Money Go? A Look at Five 2012 Ballot Initiatives

As part of our ongoing analysis of ballot initiatives in California, Forward Observer recently estimated maximum budgets for both “yes” and “no” campaigns, based on what successful campaigns had spent in 2012 and 2010.

But no matter the budget, how should campaigns allocate their budgets across key functions?

Forward Observer examined expenditure reports on file with the Secretary of State for each of the five business-funded ballot initiative campaigns in the 2012 cycle – No on 29, No on 30, Yes on 32, Yes on 33, and No on 37. These initiatives spent a total of \$199.1 million on 162 vendors. Based on campaign self-reporting and our own research, we categorized each vendor and tallied spending by campaign function. (A summary of the initiatives and their outcomes is provided on the final page of this brief.)

2012 BUSINESS INITIATIVE SPENDING -- BY FUNCTION

Expenditure	NO on 29	NO on 30	YES on 32	YES on 33	NO on 37	Total
Media Buys Radio, TV, Print, Internet	\$31,255,555 69.6%	\$43,812,372 87.1%	\$34,842,189 80.5%	\$10,362,325 62.2%	\$35,958,752 81.9%	\$156,231,193 78.5%
Literature Mailers, Postage	8,245,671 18.4%	4,558,864 9.1%	4,321,662 10.0%	2,553,844 15.3%	5,183,065 11.8%	24,863,106 12.5%
Consultants Strategists, PR / Earned Media, Web Development	2,427,715 5.4%	484,557 1.0%	1,285,031 3.0%	1,402,625 8.5%	1,471,404 3.3%	7,040,332 3.5%
Polling	939,544 2.0%	585,036 1.2%	538,648 1.2%	168,983 1.0%	973,610 2.2%	3,205,821 1.6%
Legal Non-accounting	1,849,426 4.1%	225,616 0.5%	234,375 0.5%	248,230 1.5%	168,030 0.4%	2,725,677 1.4%
Research / Economics	172,285 0.4%	15,000 0.0%	0 0.0%	23,182 0.1%	137,743 0.3%	348,210 0.2%
Other Petitions, Accounting, Fundraising, Office Expenses	55,756 0.1%	602,900 1.2%	2,066,813 4.8%	1,905,871 11.4%	4,092 0.0%	4,635,432 2.3%
TOTAL	\$44,915,952	\$50,284,345	\$43,288,718	\$16,665,060	\$43,896,696	\$199,050,771

As the above chart shows, 91cents out of every dollar spent by the five business-funded initiative campaigns went to advertising or direct mail. Digging deeper into the data, we came up with additional findings and insights:

Initiative Committees Spent Less Than 1% on Digital Campaign Firms

A total of nine online or digital campaign firms reported receiving \$1.9 million for services provided to the five business-funded ballot initiative campaigns in 2012. (A full list of these firms is below.) That sum is less than 1 percent of the total spent by these campaigns.

Digital Campaign Firms and 2012 Business Initiatives		
Prop	Firm	Fees Earned
29	Creative Media Group	\$75,880
29	McGarty Communications	\$16,580
32	Active Media Solutions Group	\$378,724
32	Custom Campaigns	\$33,612
32	Jedburghs LLC	\$212,272
32	Deep Blue Technologies	\$3,847
32	Creative Media Group	\$24,030
32	Elect Strategies	\$10,000
33	Marketplace Communications	\$863,421
33	Resonate Networks	\$245,000
TOTAL		\$1,863,366

The nine firms include those identified in official campaign expenditure reports as “online” or “web” consultants, as well as those which we identified as primarily digital campaign consultants through our own research.

However, the \$1.9 million total does not include online ad spending that is not specifically itemized by a vendor in expenditure reports. Media placement vendors identified digital advertising costs alongside radio, television and cable advertising costs in five out of approximately 250 filings. However, these filings did not specify the amount dedicated to each advertising medium – based on the information available it is impossible to determine the amount spent on online advertising.

Still, the \$1.9 million sum is less than 1 percent of the total spent by these campaigns – and well below the amount that the campaigns spend on law firms (\$2.7 million).

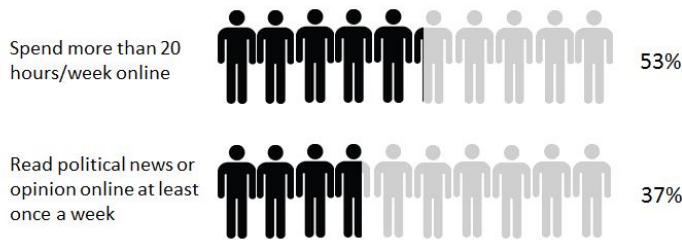
Budgets Must Change as Voters Shift Online

Of course, the media landscape is changing – and so is voter behavior. “This is likely the last ballot initiative cycle where digital campaign budgets will be at a this level,” predicts Lara Aulestia, Senior Director of Business Development for Resonate, a digital media firm that pioneered values-based targeting of voters and consumers. We project that over

time ballot committees will come closer to spending 20% of their total voter contact budget in online activity, which is roughly the proportion corporate clients are spending now on digital consumer marketing.”

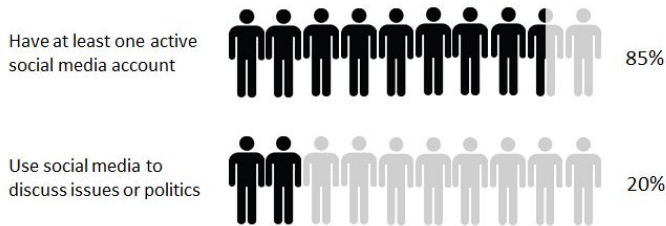
According to a Resonate survey released in early 2013, the war over voters is increasingly being fought in digital battlefields.

Online Habits of California Registered Voters



Source: Resonate Insights survey of 4,379 California registered voters, Q4 2012 / Q1 2013.

Social Media Habits of California Registered Voters



Source: Resonate Insights survey of 4,379 California registered voters, Q4 2012 / Q1 2013.

“The vast majority of California voters are now online, and are specifically embracing digital media as a source of political news and political discussion,” said Michael Horn, Vice President of Research at Resonate. “With 85% of California voters responding that they have at least one active social media account, and one in five voters saying they specifically use social media to discuss issues or politics, the non-wired voter is an endangered species.”

Initiative Campaigns Must Invest in Research and Economic Analysis in Order to Be Competitive Online

There is a strong connection between digital media and economic or issue research. A successful digital campaign requires a constant flow of interesting information – quotes, pictures, facts, charts, and economic analysis. Yet the five business-funded initiative campaigns we analyzed spent relatively little on economists or research.

“In any advocacy effort, an effective digital campaign is fueled by content,” said Aulestia. “Research drives the high-impact content that digital campaigns use to push a given agenda or idea. That means clients must continue to invest in robust economic analysis, issue research, coalitions and earned media as they grow their digital operations.”

No on 37 (the successful campaign against labeling GMO food) spent a total of \$138,000 on economic analysis and research, and No on 29 (the successful campaign against increased cigarette taxes) spent a total of \$172,000 – in both cases less than half a percent of the campaign’s total budget. That said, the other three campaigns spent much less on research – no more than \$25,000 each – while Yes on 32 spent nothing at all.

Our prior analysis showed one impact of this under-investment in economics and other research: the 2012 ballot pamphlet provided only very incidental arguments and facts based on economics – a missed opportunity for a state still struggling to emerge from a recession.

The bottom line: the digitization of modern initiative campaigns is beginning and will accelerate. Ballot committees must reassess how resources are allocated. To compete in the modern era of voter persuasion, funds should shift from television, radio and direct mail to digital campaigns – and the economic analysis, issues research and polling research functions that support them.

Methodology Notes

Forward Observer accessed online campaign records on file with the California Secretary of State for the ballot initiatives listed above, and classified expenditures by function.

Media Buys: Committee expenditure reports filed with the California Secretary of State do not conclusively outline specific aspects of digital and website expenses, including online advertising buys. Therefore, this analysis has combined all “media buys” – TV, radio, print, online – into a single category.

Consultants: Similarly, the expenditure reports do not provide specific information related to the function of each vendor. Therefore, this analysis cannot conclusively quantify the specific amounts spent on different campaign consultant functions (i.e., PR / Earned Media, Campaign Strategy / Management, Digital Strategy, etc.). This analysis has combined all of these consultant functions into a single category.

Other: All reports included expenditures that did not specifically align with a major category in the analysis. These expenditures included costs related to petitioning, accounting, fundraising, campaign paraphernalia, offices and office expenses.

Contributions: The only expenditures not included in the analysis were campaign contributions from one committee to another committee or political cause. For example, one No on 30 committee donated nearly \$11M to another No on 30 committee. These campaign contributions were not included in order to refrain from counting the expenditure twice – once as a contribution and again as campaign-related expenditures.

2012 BUSINESS INITIATIVES

PROPOSITION 29: to increase cigarette tax and fund cancer research – FAILED

PROPOSITION 30: to approve Governor Brown’s tax increases – PASSED

PROPOSITION 32: to ban corporate and union political contributions – FAILED

PROPOSITION 33: to allow car insurance based on history of coverage – FAILED

PROPOSITION 37: to mandate labeling of genetically engineered food – FAILED