

Where Did the Money Go? A Look at Four 2014 Ballot Initiatives

After each election, Forward Observer analyzes expenditures of the major California ballot initiatives. Our analysis is intended to identify best practices and emerging trends, and to assist clients as they plan for the next election cycle.

In this report, we examine how four major ballot initiative committees invested \$136 million in the 2014 election cycle by campaign function. We did not analyze Propositions 1 and 2 which were placed on the ballot by the California Legislature.

Based on campaign self-reporting and our analysis, we categorized each vendor and tallied spending by campaign function. As shown in Table 1, 86 cents of every dollar spent by these four committees went to advertising or direct mail.

TABLE 1
2014 MAJOR BALLOT INITIATIVE SPENDING – BY FUNCTION

Expenditure	No on 45	No on 46	Yes on 47	No on 48	Total
Media Buys	\$40,978,443	\$44,206,186	5,922,794	2,068,668	\$93,176,091
Radio, TV, Print, Internet	72.3%	76.3%	61.0%	17.6%	68.5%
Literature	10,319,406	6,303,581	158,482	6,375,557	23,157,026
Mailers, Postage, Slate Mailers	18.2%	10.9%	1.6%	54.4%	17.0%
Consultants:	3,032,168	3,909,987	150,820	238,885	7,331,860
Strategists, PR/Earned Media, Web	5.4%	6.8%	1.6%	2.0%	5.4%
Polling	900,994	1,128,914	184,659	233,423	2,447,990
	1.6%	1.9%	1.9%	2.0%	1.8%
Legal	328,823	983,347	193,227	111,105	1,616,502
	0.6%	1.8%	2.0%	0.9%	1.2%
Research / Economics	283,777	140,331	0	47,754	471,862
	0.5%	0.2%	0.0%	0.4%	0.3%
Other	865,993	2,210,478	1,258,019	16,572	4,351,062
Accounting, Fundraising, Office Expenses	1.5%	3.8%	12.9%	0.1%	3.2%
Petition	n/a	n/a	1,847,882	2,636,173	4,484,055
			19.0%	22.4%	3.3%
TOTAL	\$56,709,604	\$57,899,477	\$9,715,883	\$11,748,137	\$136,073,101

Initiative Campaigns Increased Spending in Online and Digital Media

A total of 13 online or digital campaign firms reported receiving \$5.8 million for services rendered to these four major ballot initiative committees in 2014. This is up over 200 percent since the 2012 election cycle, in which a total of nine firms reported receiving \$1.9 million for digital and online services for five campaigns (see Table 2).

**TABLE 2
DIGITAL CAMPAIGN FIRMS AND MAJOR 2014 BALLOT INITIATIVES**

Campaign	Firm	Fees Earned
No on 45	Bully Pulpit Interactive	\$313,481
	Mfour Mobile Research, Inc.	\$126,070
No on 46	Talbot Digital	\$4,437,949
	Bluelabs	\$351,813
	Tubemogul	\$250,000
	Resonate	\$100,000
	Creating Digital, LLC	\$36,591
	Rocketfuel	\$25,000
	Relativity Strategic Communications	\$11,906
Yes on 47	Mandate Media, Inc.	\$82,660
	Democracy.com	\$2,383
No on 48	Shallman Communications	\$70,000
	Acosta Consulting	\$22,689
Total		\$5,830,542

The 13 firms include those identified in official campaign expenditure reports as “online” or “web” consultants, as well as firms we identified as primarily digital campaign consultants through our own research.

The \$5.8 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 11 out of 88 filings. 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.

Economic Study Critical in Prop 45 Campaign – Case Study

Superior content is the foundation of success at the ballot box. In the 2012 election cycle, five major initiative committees funded by the business community spent relatively little on economists or issue research. In the 2014 election cycle, campaigns increased their spending on issue research and economics. Economics played an important role in the successful effort to defeat Proposition 45, the rate regulation initiative which Consumer Watchdog and Insurance Commissioner Dave Jones sponsored.

The No on 45 campaign, Californians Against Higher Healthcare Costs, commissioned an analysis by Dr. Jon Kingsdale, PhD, of Wakely Consulting Group. He was the first executive director of the universal healthcare system in Massachusetts and an adviser to the Obama Administration during the drafting of the Affordable Care Act.

The Kingsdale Report analyzed the interaction of the Proposition 45's proposed regulatory regime by applying the average intervenor timeline from other insurance policies and overlaid that to the Covered California statutorily mandate schedule. His conclusion was that prospect of "lengthy delays" created by Proposition 45 would "disrupt the newly reformed insurance marketplace."

"The Kingsdale report was critical to educating voters, reporters and other stakeholders about the little-understood negative impacts Prop 45 would have had on California's efforts to expand access to health care," said Ned Wigglesworth, campaign manager for No on 45. "His credibility and the meticulous way he documented the problems Prop 45 would have caused were crucial in our efforts to get people to take a second look at a policy that many people would support at first glance."

After the report was published, concerned legislators considered the negative implications of Proposition 45 with greater scrutiny. "This report," said Senator Dr. Ed Hernandez (D-West Covina), Chair of the Senate Health Committee, "performed by a very credible expert on health policy, raises serious concerns that this ballot measure could place the successes we've had at risk and harm the low income Californians we are trying to help." His assembly counterpart, Chair of the Assembly Health Committee Dr. Richard Pan (D-Sacramento), said the report "raises a number of significant concerns about the negative impact the initiative will have on Covered California."

Major news outlets including the *Los Angeles Times* reported that "consultant Jon Kingsdale zeroed in on a provision of the initiative" that would allow outside groups the opportunity to inject "lengthy legal wrangling [to] severely disrupt the ability of the Covered California" to "meet its deadlines."¹ "The analysis," according to the *Sacramento Bee*, found that "rate increases would disrupt the new health care overhaul, destabilizing negotiations between the exchange and insurance companies and inviting costly legal challenges by outside organizations."²

¹ "Regulating state's health premiums could hurt exchange, report says," *Los Angeles Times*, May 8, 2014

² "Report: Rate-regulation measure would shake up Covered California," *Sacramento Bee*, May 8, 2014

Methodology

Forward Observer accessed online campaign records on file with the California Secretary of State for the ballot initiatives listed below and classified expenditures by function. Contributions from one to committee to another were not counted to avoid double counting expenditures.

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.

We categorized two civic donations as literature instead of “other”. Californians Against Higher Health Care Costs reported \$1,215,000 a donation to the California Republican Party (CRP). An in-kind mailer valued at \$1,115,904.32 as sent out on behalf of Prop 45 by the CRP. Therefore, the value of the in-kind mailer was categorized as “literature” and the different as a donation under the “other” category. The No on 46 committee, Patients, Providers and Healthcare Insurers to Contain Health Costs, reported a \$1,682,000 donation to the CRP. The CRP sent out in-kind mailers valued at \$779,086.71 to oppose Prop 46. \$779,086.71 was categorized as “literature” for No on 46 and the difference as “other.”

PROPOSITION 45: Requires changes to health insurance rates to be approved by Insurance Commissioner – FAILED.

PROPOSITION 46: Increases cap on pain and suffering damages in medical lawsuits for inflation – FAILED.

PROPOSITION 47: Reduces sentences for felony drug convictions to misdemeanors – PASSED.

PROPOSITION 48: Referendum on legislative compact North Fork Tribe to build a casino in the Central Valley – FAILED.