

Kochonomics

Rigging the System at the Local Level

By Charles Posner, Tiffany Germain, and Anna Chu

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Introduction and summary

Today, some five years after the end of the Great Recession, too many American families are still struggling to make ends meet and are living paycheck to paycheck. Millions of Americans find their cost of living soaring and face the sobering reality that their jobs are not paying enough to support their families. But while working and middle-class families are being squeezed, America's millionaires and billionaires, 1 rich CEOs, 2 and big corporations 3 are living a very different existence and are seeing their wealth, pay, and profits skyrocket.

This inequality is not the result of some luck of the draw or happenstance; it is by design. These millionaires and billionaires, CEOs, and big corporations use a wide array of tactics to make sure that the economic and political system works for them. The billionaire brothers Charles and David Koch are no strangers to this approach. They have used their immense wealth and considerable connections to build a network of political action groups, think tanks, issue advocacy organizations—most notably Americans for Prosperity, or AFP—and like-minded elected officials⁴ to rig the system to benefit their bottom line, often at the expense of everyone else.

The Koch brothers have significant financial interests motivating them. Charles and David Koch are ranked as the fifth- and sixth-richest individuals in the world, with an estimated worth of more than \$52 billion each. With Charles as CEO and David as executive vice president, the brothers oversee Koch Industries, Inc., America's second-largest privately held company, a business empire heavily invested in oil and gas, chemicals, transportation, and manufacturing.

Over the years, the Koch brothers have used their vast network to attack government on multiple fronts and levels across multiple issues. But despite the fact the Koch network engages on a broad range of issues—from dismantling workplace protections and repealing the Affordable Care Act to discrediting climate change to repealing a zoo tax in Columbus, Ohio—these attacks have as their overarching purpose to sow discontent with and shrink government. Tim Phillips, head of the Koch-funded AFP, admitted as much when he explained

that his organization's attacks on the Affordable Care Act were really about reducing the size of government. "We have a broader cautionary tale," said Phillips. "The president's out there touting billions of dollars on climate change. We want Americans to think about what [the government] promised with the last social welfare boondoggle and look at what the actual result is."

In the Koch's telling, the motivation for their actions is driven by a deeply held libertarian philosophy that the less government does, the better off people and businesses will be. 8 But taken to its logical conclusion, this anti-government agenda, if successful, results in a low-tax and low-regulation governing structure that further fattens the pocketbooks of the already wealthy Koch brothers while eliminating the essential government functions that we all benefit from.

Moreover, the Koch brothers' goal extends far beyond just influencing elections. As Phillips said, "It's a little frustrating when someone says, 'Oh, this is a political effort about the U.S. Senate.' They don't look at the totality of what Americans for Prosperity is doing."9 As the National Journal reported, what Americans for Prosperity is doing is making sure that "every gear in the machine churns toward one objective: remaking the country in a fiscally conservative image—at the local, state, and federal levels. Its vision is a country with fewer taxes, less regulation, and the nearly unfettered right of individuals to do what they want without interference from a meddlesome government."10

In recent years, the Koch brothers have taken their anti-government, lowregulation lobbying efforts to the local level, wading into county tax debates, city transportation decisions, and even school district bond measures. As Eli Miller, director of the Ohio chapter of AFP, put it: "There is no issue we won't get involved in."11 This local approach is an increasingly important prong in their multifaceted effort to limit government as much as possible, resulting in a system that benefits their business while in many cases negatively affecting everyday citizens.

These cases include a variety of advocacy efforts: some that have gained a broad spotlight for their incredulity, and others that are less newsworthy but just as illustrative of their goal. The instances below describe some of the ways in which the Koch network has operated at the local level to weaken all levels of government and the negative effects that push has on local residents. A partial list of Koch-funded efforts include:

- Putting politics over kids in Illinois school districts by working to defeat initiatives intended to update school facilities and avoid cuts to school staff positions and programs
- Ignoring the environmental consequences by investing in a local board election in Iron County, Wisconsin, to expand mining operations
- Mounting a campaign to defeat a tax increase for the popular Columbus Zoo, depriving this Ohio institution of a stable revenue source and the ability to grow
- Lobbying to ban a locally designed mass transit system in Nashville,
 Tennessee, that would improve the city's connectivity and reduce commuting times for residents
- Opposing a proposed 1.75 percent food and beverage tax increase in the tiny town of Fremont, Nebraska, that would fund emergency capital improvement projects
- Nixing a proposed 1 percentage point income tax increase in Gahanna,
 Ohio, meant to prevent cuts to public safety, save jobs, and keep community centers open
- Undermining public education in communities across the country by promoting school privatization and attacking teachers unions through local school initiatives and school board elections

Let's take a closer look at Kochonomics at work.

Putting politics over kids in Illinois

The work of the Illinois chapter of AFP, a branch of the Koch-funded national advocacy group based in Arlington, Virginia, illustrates the depths to which the Koch network will go in opposing tax increases of any kind, even if the resulting revenue is earmarked to help students or fix infrastructure. As part of its 2013 agenda, the Illinois AFP chapter spent significant resources identifying and opposing local initiatives that contained any sort of government revenue increase. In two of these cases, the Illinois AFP helped defeat measures introduced by local school districts seeking to prevent cuts to school activities and to update school facilities. 12

After first identifying more than 100 referenda in 57 Illinois counties that would raise government revenue through tax increases or bond issuances, the Illinois AFP selected 35 ballot measures to target through its Local Anti-Tax Initiative. According to a post on the group's Facebook page, in the days leading up to the local elections, the Illinois AFP "placed over 100K robo-calls, dropped 63k mailers and made over 3000 volunteers calls." Of the 35 referenda targeted, the group announced that it had been successful in defeating 25 measures. 15

One of the ballot measures that the Koch-backed group worked to defeat was a referendum in the North Palos School District 117. The referendum asked voters to approve the issuance of \$30 million in bonds by the school district to "build and equip a new junior high school building [and] improve the site thereof." North Palos' nearly 50-year-old Conrady Junior High School building had a space crunch and was in need of significant repairs. The estimated cost for homeowners would be \$83 per \$100,000 in property value, or \$120 per year for the average home. With just 20 percent turnout, the measure fell short by 721 votes, 61 percent to 39 percent.

Another measure targeted as part of the Illinois AFP's Local Anti-Tax Initiative was a ballot measure in St. Clair County related to O'Fallon School District 90.²²

Faced with budget shortfalls that would result in program cuts, lost jobs, and larger class sizes, the school district sought to raise its share of property taxes from 1.40 percent to 1.89 percent.²³ This would result in homeowners paying an additional \$2.58 a week per \$100,000 of property value.²⁴ With an average property value in the district of \$121,500,²⁵ that amounted to an average tax increase per home-owning household of \$3.13 per week—or \$163 per year.

The Koch network got busy opposing the ballot measure although its failure promised many negative effects for residents. According to the measure's supporters, without increased school revenue, class sizes would increase and the schools would be forced to eliminate 53 staff positions. Furthermore, elementary school programs such as physical education and music would be eliminated along with junior high programs such as art and technology, as well as extracurricular activities throughout the district, including 39 sports teams. ²⁶ Despite the likelihood of deep school program cuts, the referendum was soundly defeated, 2,479 votes for and 4,517 votes against the measure. ²⁷

Polluting water sources in Iron County, Wisconsin

Tiny Iron County, with some 6,000 people in northern Wisconsin, is a place where board elections are generally uncontested affairs with members receiving a few hundred votes. ²⁸ This past April, however, 10 of the 15 county seats were challenged. ²⁹ It is not a stretch to assume that controversy surrounding a proposed 4-mile-long open-pit iron ore mine was a key reason for the unusually competitive board race. ³⁰

In 2011, the mining company Gogebic Taconite, or GTac, submitted an application for a mineral exploration license in Iron County.³¹ GTac is a subsidiary of the Cline Group, which is owned by Florida coal magnate Chris Cline.³² Between 2011 and 2012, pro-mining groups donated more than \$11 million to Gov. Scott Walker (R), including thousands of dollars in campaign contributions directly from Cline and GTac employees.³³ Then, in 2013, having survived a recall election, Gov. Walker signed new state mining legislation, championed by the state AFP chapter, which removed key environmental protections designed to protect the state's water sources and cleared the way for the proposed Iron County mine.³⁴ With restrictions removed, the mine could potentially move forward.

However, some Iron County residents, including a collection of Native American tribes, protested the proposed mine, pointing out that the region provides a key source of clean water for the Bad River watershed and Lake Superior.³⁵ The Bad River in particular is home to 40 percent of Lake Superior's wetlands and wild rice beds, on which tribal members rely.³⁶ A key provision of the new legislation signed into law by Gov. Walker would allow mine operators such as GTac to dump mining waste directly into local bodies of water, which would threaten local and state water supplies.³⁷

The fight over the proposed mine became a central issue in Iron County once the Koch brothers and the state chapter of their political arm, AFP, became involved. David Fladeboe, the Wisconsin state director of AFP, said that "the mining issue has been a big one for us. It's not just been an issue fought at the state level, but also at the local, and we wanted to talk about it." Following the defeat of a pro-mining

candidate in a February primary election, AFP sent a field director to Iron County, organized volunteers to go door to door to talk to voters, and mailed two rounds of fliers: one attacking candidates who opposed the mine and a second praising those supporting it.³⁹ The Daily Beast reported one of the fliers claimed that Iron County was being targeted by "wealthy environmental groups outside of Wisconsin." In reality, pro-mine supporters outspent mine opponents by more than 600-to-1.41

In April 2014, five pro-mining candidates won seats on the county board after receiving assistance and grassroots support from AFP, while four other Kochbacked candidates lost. ⁴² A spokesman for GTac mining company said the most anti-mine candidates lost and that the current board has been cooperative. ⁴³ GTac is preparing to file a formal application for a mining permit, which if approved by the county board, would allow for an open-pit mining operation, a plant site, and waste disposal facilities. ⁴⁴ Six local Indian bands have since asked the Environmental Protection Agency to evaluate the impacts of the mine. ⁴⁵

While complaining about "wealthy environmental groups from outside of Wisconsin," 46 the billionaire Koch brothers became involved in a local board election with the goal of expanding mining operations, despite the threat to Wisconsin's water quality and the economic effects that water degradation will have on local communities.

Denying a beloved Columbus landmark

The Columbus Zoo is a staple of the Columbus, Ohio, and Franklin County community, drawing roughly 2 million visitors per year.⁴⁷ "Jungle" Jack Hanna, its director emeritus, has become a recognizable media figure appearing on numerous national television shows to display animals. Since 1985, the zoo has received a portion of its operating budget from a modest levy on the residents of Franklin County.⁴⁸ In fact, Franklin County has voted three separate times to renew the small tax to support the zoo's growth when it was set to expire, including multiple times to increase it.⁴⁹

In 2014, the zoo levy was once again set to expire and was put on the ballot in Franklin County, this time as a permanent measure. Included was an increase that would cost homeowners \$44 per year per \$100,000 of property value, \$23 more than the current levy of \$21 per year. ⁵⁰ Not only was the measure intended to give the zoo a stable funding stream, but it was also meant to go toward the development of a downtown zoo to complement the main zoo located in the northern suburbs. ⁵¹ The fiscally conservative *Columbus Dispatch* editorialized that the measure was "vital to preserving a community treasure for generations to come." ⁵² The levy was endorsed by the Columbus Chamber of Commerce, the Columbus chapter of the NAACP, the Columbus Urban League, and other civic groups. ⁵³

This local issue caught the attention of AFP, and the Virginia-based group's Ohio chapter swung into action to stop the measure. The Ohio AFP sent mailers to county residents that warned of a "money grab" and manipulated the impact of the proposed tax increase, calling it a "105% property tax increase" while failing to mention that it affects a very small portion of property taxes. According to Eli Miller, director of the AFP Ohio chapter, the group also knocked on thousands of doors, made as many phone calls, ran radio ads, polled voters, and placed thousands of robocalls using computerized autodialing equipment to deliver a prerecorded message. Miller was defiant about his group's role in the traditionally noncontroversial zoo levy campaign: "There is no issue we won't get involved in if you're going to raise taxes."

Although it went unmentioned, another possible reason for AFP's involvement could be a Koch-affiliated business interest in Columbus. Georgia-Pacific Chemicals, LLC, a Koch Industries subsidiary, owns a facility in the city and would see its property taxes go up with the levy's passage.⁵⁷

On May 6, the zoo levy was soundly defeated with 70 percent of Franklin County voters opposing the measure. ⁵⁸ Local political experts pointed to the lack of organizing on the part of zoo advocates as one reason why the levy failed. Another reason must certainly be the AFP opposition effort. "If this whole initiative had been broadly understood, maybe the Koch brothers would have been ignored," said Herb Asher, a professor emeritus of political science at the Ohio State University. ⁵⁹

It was mission accomplished for the Koch brothers, but for Columbus residents the levy's defeat means the zoo will not be moving downtown and other ways must now be found to stabilize funding this local treasure.

Derailing new transit in Nashville

The Amp, a proposed 7.1-mile rapid transit bus project that would travel along one of Nashville's major travel corridors, was touted as being crucial to alleviating traffic congestion and strengthening the city's appeal. According to the Nashville Metropolitan Transit Authority, commuting times for motorists along the proposed Amp route are expected to nearly double in the next three years as the city expands. The Amp project, with buses running on a dedicated lane, would not only greatly reduce the commuting time for its users along this route, but would also shorten commute times for motorists by taking more cars off the road. Additionally, the Amp would help Nashville compete with peer cities such as Charlotte, North Carolina, and Austin, Texas, which have added public transit to strengthen the local economy and attract new jobs and residents. The Amp's projected cost of \$174 million was to come from a mix of federal, state, and local government funding. Huther Amp lost its political juice and never made it off the drawing board, thanks to the Koch brothers.

The Koch brothers, through their conglomerate Koch Industries, Inc., have financial interests in oil and gas that would be directly threatened by transit programs and renewable energy solutions such as the Amp. That is why their network quietly worked to kill the proposal using their national advocacy group, AFP, and the organization's Tennessee affiliate. The director of AFP's Tennessee chapter lobbied Republican state Sen. Jim Tracy, who introduced a bill targeted at stopping the Amp project. 65 On March 27, 2014, the Tennessee Senate voted to pass Sen. Tracy's bill—SB 2243—which contained an amendment that prohibits metropolitan governments from "constructing, maintaining or operating any bus rapid transit system using a separate lane, or other separate right-of-way, dedicated solely to the use of such bus rapid transit system on any state highway or state highway right of way."66 Although the bill did not mention the Amp by name, its aim was clear given that the transit proposal would do exactly what the new law prohibited. Upon the bills passage, StopAmp.org Inc., the leading opposition group, publicly acknowledged AFP's role in a news release, thanking it "for their tireless support in helping pass this legislation."67 Meanwhile, a spokeswoman for the Nashville Metropolitan Transit Authority, referring to the Koch brothers, said she worried that "our entire future transit plan is going to be dictated by people who live out of state."68

The Koch involvement in the Nashville mass transit proposal indicates the extent to which the billionaire brothers will protect their bottom line, even if it pits them against conventional business interests. Among the leading supporters of the Amp project was a broad coalition of business and community groups, including the Nashville Area Chamber of Commerce, major hospital systems, business and civic associations, and dozens of other drivers of the city's economy.⁶⁹ It is likely although impossible to calculate—that Koch business interests themselves would have indirectly benefitted as well from the continued growth and appeal of a city where cars are still the primary way to get around. But for the Koch network focused more on protecting their short-term bottom line and preventing public services, the desire to kill the project trumped any potential benefits.

Opposing emergency funds in Fremont, Nebraska

In 2013, the town of Fremont, Nebraska, with a population of roughly 26,000,70 considered increasing the food and beverage tax to help fund "emergency" capital improvement projects. It took just one month for the Koch brothers and their AFP arm to put the kibosh on those plans.

On January 5, 2013, Fremont Mayor Scott Getzschman announced that the town was revisiting a 2011 proposal to raise the food and beverage tax because many of the town's planned improvement projects had "gotten to a point where now it's an emergency and you've got to fix it."71 While no specifics on how the additional tax revenue would be used were made public, the proposed tax increase of 1.75 percent would have added 35 cents to the cost of a \$20 meal.⁷²

Not waiting for additional details, the AFP Nebraska chapter immediately launched a campaign opposing the tax. Referring to the proposed tax increase as an "occupation tax," the group issued press releases, 73 organized activists to attend events, 74 created and circulated a petition against the tax, and made staff available to the media to discuss the issue. 75 Matt Litt, AFP deputy state director, denounced the tax increase as "too high of a burden" and tied it to "the other taxes that are coming into effect because of Obama care [sic]."⁷⁶

Almost exactly a month later, on February 6, Fremont's city council issued a statement saying that it had "listened to citizen input" and was putting the bill on hold.⁷⁷ The AFP Nebraska chapter issued a press release to celebrate its victory.⁷⁸

Nixing funding for public safety in Gahanna, Ohio

Gahanna, Ohio, resisted raising its income tax for as long as it could but in 2013, city leaders decided that they finally needed to bring the city's tax rate in line with the rest of the region or be forced to close community centers, cut back on public safety, and eliminate jobs. However, the Koch network and AFP made it a priority to stop the city from upping taxes.

Gahanna is one of the few suburbs of Columbus with an income tax rate lower than 2 percent.⁷⁹ Faced with an \$8 million budget gap, the city council introduced a ballot measure to increase the tax rate from 1.5 percent to 2.5 percent.⁸⁰ The measure appeared on the May 5, 2013 primary ballot; with a dismal 12 percent turnout, it was defeated by just 122 votes.⁸¹ Following the vote, Mayor Becky Stinchcomb warned, "Cuts are inevitable. And people will feel them."82

Despite the loss, the city council decided to reintroduce the tax referendum on the general election ballot in November 2013. The plan this time was to mount a bigger campaign to get the facts out and increase voter turnout. 83 In making the case to voters, the city's finance director warned that without the tax increase Gahanna could be forced to shut down its senior center and swimming pools and eliminate nearly a hundred part-time and seasonal jobs. 84 Furthermore, Mayor Stinchcomb outlined cuts that included eliminating police officers.⁸⁵

The Gahanna city council probably did not expect to have to go up against the Koch brothers and AFP. The Ohio chapter of AFP worked hard against the referendum, dipping into its playbook to distort the size of the tax increase. The group repeatedly called it a "67% tax increase" and asked voters, "Have your wages increased 67%?" The truth was that the proposed increase only affected a small portion of residents' overall tax obligations. 86 AFP Ohio members attended a council meeting, 87 knocked on doors, and made phone calls. AFP Ohio's state director Eli Miller also placed on op-ed on a statewide conservative news website.⁸⁸

In November, the measure went down to defeat again and this time by an even wider margin despite a bigger turnout.89 Flush with victory, the Koch brothers and AFP turned their attention elsewhere while the residents of Gahanna prepared for cuts to the police force, for scaled back road maintenance and snow removal services, and the possible closure of the senior center.90

Undermining public education in communities nationwide

Public education is one of the greatest extenders of opportunity in the history of the United States. It stands in opposition to the Koch brothers' vision of a system where government at all levels is weak and the interests and bottom lines of the wealthiest are favored. In numerous cases, the Koch network has used its resources to undermine public education by promoting policies that would defund public schools and redistribute resources to private schools; fund groups that blatantly spread lies about the Common Core; and attack teachers. This assault on public education has occurred not only at the national level but at the local level as well, through the introduction of school initiatives promoting freemarket ideology and the active influencing of school board elections.

Consider the activities of Youth Entrepreneurs, or YE, a nonprofit organization operating in Kansas and Missouri and funded primarily by Charles Koch. 91 YE, which reportedly has reached more than 1,000 students, offers year-long courses to public- and private- school students. 92 According to the Huffington Post, the group's ultimate goal is to advance the message that "government, in short, is the enemy of liberty."93 YE's initial appeal to students asks simply, "do you want to make money?"94 And its official mission is to offer youth "business and entrepreneurial education."95 But lesson plans and class materials reveal a more radical ideology: arguing in favor of low taxes and less regulation and against higher wages—such as increasing the minimum wage—and the social safety net. 4 The upshot is that, by making a point to attract public school students to its programs, this Koch-funded group leverages the taxpayer-funded system that offers educational opportunities to all children and then undermines it: students who enter with the notion that they will learn important, versatile business skills are then inculcated in the Koch anti-government philosophy.

The Koch network has been an active participant in local school issues in a number of ways and fronts. On several occasions, state chapters of AFP have activated their resources—in at least one case numbering in the hundreds of thousands of dollars---to influence the outcome of local school board races.

In April 2014, the city of Kenosha, Wisconsin, was facing an important school board election with two pivotal seats open. Going into that election, the Kenosha school board had approved a new union contract with its teachers, despite Act 10, a newly enacted state law limiting public-sector collective bargaining. ⁹⁷ Opposed to the new teacher contract, AFP decided to get involved in the school board election. 98 The Koch-backed outside group did not endorse particular candidates, and declined to say how much it was spending on the race, but it did organize a field team to conduct phone banks and door-to-door canvasses. 99 Although the race was technically nonpartisan, the local newspaper editorialized that among the four candidates running, there became a "red team and a blue team": one alliance of candidates appearing on Tea Party radio stations, 100 and another set of candidates who were endorsed by the local teachers union. 101 Powered in part by AFP's support, the more conservative candidates narrowly won the election. 102 Just two months later, in June, the new school board voted to nullify the collective bargaining agreement it had approved just months earlier, weakening the ability of teachers to advocate for the resources and materials they need. 103 (In August, the Wisconsin State Supreme Court upheld the constitutionality of Act 10.¹⁰⁴) Studies show that when teachers and administrators form collaborative and constructive partnerships student performance improves. 105 The Koch brothers are fostering school climates that prevent these partnerships from developing.

The Koch brothers were similarly active in Douglas County, Colorado, a wealthy suburb of Denver that has for years been a leader in the effort to "reshape public education into a competitive, free-market enterprise." 106 The Douglas school board refused to negotiate with the teachers union, abolished tenure, and implemented a voucher program that gives taxpayer money to private and parochial schools, which would have zero public oversight or accountability and oftentimes push their own religious ideologies. In November 2013, the election of four members of its sevenperson school board became a proxy battle over how far education reform should go, garnering national attention. AFP was there in a big way, spending more than \$350,000 on the campaign through its foundation, the Americans for Prosperity Foundation.¹⁰⁷ Calling itself Colorado's "largest free-market educational organization," AFP urged residents through ads, phone banks, and other efforts to "remain vigilant" or else "return control of the district to the hidebound teacher unions." 108 Like in Kenosha, the nonpartisan race in Douglas County divided largely along partisan lines—and the AFP-backed candidates all came out ahead. 109

One of the earliest examples of the Koch network of political groups getting involved in local policy was the AFP's intervention in the school board elections of Wake County, North Carolina. The county had a busing program to achieve economic diversity in its schools that The Washington Post called "one of the nation's most celebrated integration efforts."110 In 2009, conservatives, backed by AFP-North Carolina founder and major Koch ally, Art Pope, ran a campaign to be elected to the school board and took action to overturn the program. 111 AFP also provided support for anti-busing activists. 112 When the new school board voted to eliminate the program, AFP issued a release calling it a "wasteful and ineffective policy of social engineering" and announcing that they were "pleased to play a small part in this fight."113 However, the victory was short-lived. In a direct rebuke to the Pope-backed GOP candidates, in 2011, Democrats won four out of the five county school board seats in a race that saw almost double the turnout of the previous election.¹¹⁴ In short order, the new board fired the school superintendent and pressed for a new integration plan. 115

Instead of focusing on improving public education and fostering proven methods of collaboration with teachers, school boards, and administrators, the Koch brothers push education policies that adversely affect academic performance for all students and especially the disadvantaged students who need a free, highquality education the most.

Conclusion

Whether opposing funds to support teachers and students, pay for police officers, maintain roads and bridges, protect the environment, revitalize a downtown, or sustain a beloved landmark, the Koch brothers and their network increasingly work to weaken local governments and institutions all to benefit their bottom line never mind the pain and harm to everyone else.

In a very real sense, the operations and efforts of the Koch network stand in direct opposition to the small-government views espoused by many of the conservative politicians who support its activities. Kochonomics is not about taking power away from the federal government and giving it to states and localities to make their own decisions. As the Koch influence continues to grow, the true agenda of Kochonomics becomes clearer: using the network's vast resources to take power away from officials at all levels of government and give it to a pair of billionaire brothers and those who agree and profit with them.

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