



THE COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CAMPAIGN & POLITICAL FINANCE

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December 29, 2017

Robert Haskins  
Strong Economy for Growth, Inc.  
22 Stonebridge Road  
Wayland, MA 01778

Re: CPF-17-84

Dear Mr. Haskins:

This office has completed our review of Strong Economy for Growth, Inc.'s ("SEFG") financial activity in 2016. SEFG fully cooperated with OCPF's review.

Based upon our review, OCPF has determined that SEFG solicited, received, and expended money to influence Question 2 and Question 4<sup>1</sup> on the 2016 state election ballot. SEFG undertook this activity without first organizing a Massachusetts ballot question committee and without disclosing its relevant financial activity. As a result, OCPF has determined that SEFG violated several sections of the Massachusetts campaign finance law.

#### Background

Organized in 2013, SEFG is a 501(c)(4) tax exempt social welfare organization based in Massachusetts. According to its federal tax return (IRS Form 990), SEFG sought to promote "common good and general welfare....by engaging in research, education and communications efforts to provide citizens with information regarding economic opportunities and individual liberties."<sup>2</sup>

During 2015, SEFG advocated for additional charter schools in Massachusetts. In 2016, its activities expanded to include advocacy against the legalization of the commercial marijuana industry, including lobbying, issue advocacy and public education. SEFG sought to influence the vote on Questions 2 and 4 in 2016 by contributing to the ballot question committees organized with OCPF.

<sup>1</sup> Question 2 related to expanding the charter school cap. Question 4 concerned the legalization of recreational marijuana.

<sup>2</sup> See IRS Form 990, SEFG (2014-2016).



In August 2015, Great Schools Massachusetts Committee (“GSM Committee”), organized to support an anticipated ballot question in 2016 that would become known as Question 2.<sup>3</sup> The GSM Committee received the majority of its initial funding from individuals prior to certification of the ballot question in July 2016. After August 1, however, it received funds primarily from 501(c)(4)s, including SEFG.

In April 2016, The Campaign for a Safe and Healthy Massachusetts Committee (“The SHM Committee”), organized with OCPF. The SHM Committee opposed an anticipated ballot question in 2016 that would become known as Question 4.

### The Financial Activity

Upon review of SEFG’s bank statements, OCPF learned that SEFG’s fundraising receipts and expenditures increased dramatically during the second half of 2016. In some cases, the contributions that SEFG made to the ballot question committees could not have occurred without significant and timely donations received by SEFG. SEFG made large contributions to both ballot question committees, accounting for over 86.5% of all SEFG expenditures in that time frame. While SEFG did make other expenditures in addition to its contributions to the GSM and SHM Committees, it was apparent that SEFG was operating as a ballot question committee.

OCPF’s review of SEFG’s bank records and other relevant documents revealed specific financial activity demonstrating an intent to influence the election. For example, on October 20, 2016, less than 20 days prior to the election, SEFG deposited a \$25,000 donation with “Charter School Initiative” written on the check’s memo line. “Charter School Initiative” likely referred to Question 2 on the November ballot.

Additionally, another 501(c)(4) entity, QXZ, Inc. (“QXZ”), whose major donor is a publicly known charter school advocate<sup>4</sup>, wired \$600,000 into SEFG’s account on August 29, 2016. QXZ had never donated to SEFG before. SEFG, on the same day that it received the funds from QXZ, wired a contribution of \$300,000 to the GSM Committee. SEFG, prior to receiving the \$600,000 donation from QXZ, did not have sufficient funds available in its account to make the contribution to the GSM Committee. SEFG’s balance at the time of QXZ’s donation was less than \$60,000.

SEFG’s bank documents also disclosed the receipt of a \$200,000 wire transfer from Julie Schauer on September 30, 2016. Schauer had never made a donation to SEFG before, but is publicly identified as an anti-marijuana advocate.<sup>5</sup> From August 1 through November 8, SEFG contributed \$178,000 to the SHM Committee to oppose Question 4. OCPF believes that the funds donated to SEFG by Schauer were used, in part, to allow SEFG to contribute to Question 4.

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<sup>3</sup> The GSM Committee, which organized on August 20, 2015, was initially called Public Charter Schools for Mass. It changed its name to “Great Schools Massachusetts” on July 8, 2016.

<sup>4</sup> For further information, see the article found at this link: [https://www.huffingtonpost.com/laura-goldman/this-billionaires-plan-co\\_b\\_13963394.html](https://www.huffingtonpost.com/laura-goldman/this-billionaires-plan-co_b_13963394.html)

<sup>5</sup> An article describing Schauer’s anti-marijuana position can be found at this link: <http://www.latimes.com/politics/essential/la-pol-sac-essential-politics-updates-millionaire-gives-to-campaign-against-1473448537-htmllstory.html>

### Legal Analysis

Section 1 of the campaign finance law defines a political committee as “any committee, association, organization, or other group of persons... which receives contributions or makes expenditures for the purpose of ... opposing or promoting a ... question submitted to the voters.” Such an entity is a ballot question committee. Section 5 requires that “each political committee shall organize by filing with the director... a statement of organization.”

The determination of whether an entity, including a 501(c)(4) corporation, must organize as a political committee and disclose contributions and expenditures depends on an assessment of various factors, “including the timing and context of the donations.” See 970 CMR 1.22(5) and (7). The determination includes an analysis of an entity’s cash flow. If an organization contributes to a ballot question committee from its general treasury that is “not paid from general organizational income,” the organization must identify donors who provided the necessary funding on a “last in, first out” basis. See 970 CMR 1.22(9). These donors are presumed to have had “reason to know” that the funds they provided would be used to make the expenditures, and such donors must be listed as “contributors” to a ballot question committee. Despite OCPF’s attempts to contact several donors, the donors either did not successfully rebut this presumption or return our calls. OCPF was unable to conclude whether all donors to SEFG knew that donations would be used to influence the ballot questions.

Based on the timing and amounts of the donations into SEFG’s account and its subsequent contributions to the GSM and the SHM Committees, OCPF believes that SEFG was soliciting and receiving funds for the purpose of making contributions to the Committees. SEFG was, therefore, a ballot question committee within the meaning of the Massachusetts campaign finance law. By failing to register with OCPF in a timely manner, SEFG violated M.G.L. c. 55, §§ 1 and 5.

In addition, SEFG also violated Sections 18 and 10 of the campaign finance law. Section 18 requires that political committees file accurate reports of contributions and expenditures. SEFG violated M.G.L. c. 55, § 18 when, while acting as a ballot question committee, it failed to file timely or accurate campaign finance reports disclosing its contributors. Section 10 states that an entity may not make contributions in a manner that disguises the true source of its contributions. SEFG violated M.G.L. c. 55, § 10 by soliciting and receiving funds to support Question 2 and to oppose Question 4 without disclosing the contributors, and by then providing funds to the GSM and SHM Committees in a manner intended to disguise the true source of the contributions.

### Remedial Action

To resolve this matter, SEFG, on December 29, 2017, organized a ballot question committee, Strong Economy for Growth Ballot Question Committee (“SEFG BQC”), by filing a Statement of Organization (Form 101BQ) with OCPF. SEFG BQC has now filed a report disclosing \$1,252,500 in receipts, identifying all donors for the period August 1 through November 8, 2016. The report also listed \$1,168,000 in expenditures to the two ballot question committees.<sup>6</sup>

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<sup>6</sup> SEFG contributed \$990,000 to Question 2 and \$178,000 to Question 4.

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SEFG's Statement of Organization and campaign finance report are available for public inspection on OCPF's website ([click here](#)).<sup>7</sup>

In addition, SEFG has made a payment to the Commonwealth in the nature of a civil forfeiture in the amount of \$31,000. This amount of \$31,000 represents the funds currently available in SEFG's bank account. SEFG has further agreed not to engage in any election-related activity in Massachusetts through 2018. Should SEFG anticipate becoming involved in future electoral matters, OCPF strongly encourages SEFG to contact this office to ensure compliance with the campaign finance law.

In accordance with the opinion of the Supervisor of Public Records, this letter is a public record. A copy has been provided to the person(s) who brought this matter to our attention.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Sullivan". The signature is written in black ink and is positioned above the printed name and title.

Michael J. Sullivan  
Director

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<sup>7</sup> SEFG did not make expenditures, other than the donations to these two ballot question committees, to influence the ballot questions. All of the donations are listed in the SEFG BQC.