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### Inside the grassroots money machine

Elizabeth Tung

*Cuny Graduate School of Journalism*

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## **Inside the grassroots money machine**

By Liz Tung

Martinique White is a canvasser – one of the legion of grassroots fundraisers who plant themselves on city sidewalks each day, asking passersby if they have a minute for the environment, or animal rights or, in this case, LGBTQ equality.

Today, she'd been deployed to Fort Greene Park in Brooklyn. It's a hip, increasingly well-heeled neighborhood filled with students, artists and young families – exactly the kind of place where a progressive fundraiser ought to do well. But just two hours into her shift, White wasn't having much luck.

"People act like you're invisible – like you don't exist," she said. She was hugging her tablet, filled with stats on LGBTQ inequality, to her chest. "It's exhausting."

White, 26, was hard to miss. She was dressed in a neon-yellow shirt and positioned in the dead center of the pavement, just down the street from a bustling farmer's market. She also happened to be one of the few black faces in the mostly white crowd – a fact that doesn't usually play to her favor.

"People of color don't do as well as other people," she said with a shrug. "So it can be a real struggle."

Down the sidewalk, her partner – a perky white college student named Kaylee Rowena – wasn't doing much better.

"I'm glad I'm only doing it part-time now," she said, as she watched a couple walk away. "Doing it full-time over the summer, I was having mental breakdowns every week."

Rowena says it isn't just the rejections that make canvassing hard. It's the emotional and physical risks that come with thrusting yourself into strangers' attention day after day.

"A lot of people will walk past and say homophobic things, or yell things about God at me," she said, adding that some of her coworkers have even faced physical altercations. "It takes a lot of strength to get through that. There are some days I don't."

Despair is a common ailment among canvassers. It's a tough job, made harder by the fact that a lot of canvassing companies, including White and Rowena's employer, the Fund for the Public Interest, have a policy of firing workers who fail to meet predetermined fundraising standards. That pressure, paired with the spiritual beating they receive on a daily basis, means that most new hires either quit or are fired within the first week or two.

It's a fact that many in the canvassing world shrug off as the nature of the beast. Canvassing is hard, they say, and not everyone can do it.

But recently, a growing chorus of voices has protested that the high turnover rate isn't OK – and it isn't an accident.

"They're just funneling people through there – oftentimes people who really badly need a job, and they're kind of exploiting that," said Shane Burley, a journalist and labor organizer who covered canvasser strikes in Oregon.

Burley says canvassers receive inadequate training, support and compensation for the kind of work they're expected to do.

"I mean you're dealing with a lot of street abuse," he said. "And there's no resources for them, and they're getting paid next to nothing."

According to critics, these conditions are the direct result of a profit model that depends on treating workers as disposable.

It's a confounding accusation for an industry supposedly built on progressive values. Even more confounding is the man they say is behind it – Doug Phelps, an elder of the left whose power is matched only by his pedigree. Phelps cut his teeth working with consumer rights crusader Ralph Nader, spent years as a public interest activist and today is a major donor to the Democratic party. He also helped shape the political canvassing industry, and heads up two of its biggest groups: the Fund for the Public Interest, and its for-profit clone, Grassroots Campaigns. The two groups manage campaigns for progressive giants ranging from the Human Rights Campaign to the ACLU.

And that's only the beginning of Phelps' political reach. He also rules over an extensive nonprofit empire known as the Public Interest Network. It includes dozens of advocacy groups, several major fundraising and investment firms, and a yearly revenue stream of more than \$50 million.

Despite all this, Phelps has managed to keep a fairly low profile. He stays out of the spotlight, maintains an austere online presence and exists at a remove from his many organizations' rank and file. That hasn't stopped a growing fascination with Phelps and his intricate, mysterious network of organizations.

Since the early 2000s, when labor complaints against his groups first arose, rumors have spread across the internet about the extent of his personal wealth and private political agenda. Posts dating back years make mention of his multiple mansions, hidden millions and habit of using nonprofits as his own personal piggy bank.

Of course, in an industry where workers rarely last more than a few weeks, rumors have a way of fizzling out. Neither White nor Rowena have ever heard of Doug Phelps, and they don't seem particularly concerned about their employer's history of labor complaints. They're proud of what they do – a fact that White tries to remind herself of on days like today.

"The best part about the job is fighting for marginalized communities," she said. "When people thank me, and give me hugs on the street for standing out here, being out here in the cold, the heat, the rain – it's really nice. I feel good about what I'm doing."

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White isn't the only young idealist who's found herself drawn to street canvassing. Over the past 20 years, thousands of would-be activists have churned their way through the industry, many of them attracted by job listings like these:

CAMPAIGN JOBS – FIGHT DISCRIMINATION! GET PAID TO DO IT!

WORK TO SUPPORT REPRODUCTIVE RIGHTS, BIRTH CONTROL & SEX EDUCATION

HELP STOP POLLUTERS  PROTECT THE ENVIRONMENT, avg \$400-650/wk

The ads themselves are light on the details – but that's part of the point. Canvassing companies must cast a wide net to maintain their workforce, which means jobs that feature a low bar to entry and big (but vague) promises.

The Bureau of Labor Statistics doesn't track canvassers, but anecdotal reports suggest that their numbers are rising. Over the past decade, the number of canvassing groups working in the U.S. has doubled, following a market trend that's taken off overseas.

“It’s been a very strong formula for some charities in the UK and Europe,” said Michael Nilsen, vice president of the Association for Fundraising Professionals.

And now, he says, it seems to be gaining traction in American cities.

The field is ripe for it. Charitable giving has been climbing steadily in the U.S. since the 1970s, and hit an all-time high last year of \$390 billion.

Researchers say at least part of that was likely due to the presidential election. In the weeks after Trump’s win, progressive groups, including Planned Parenthood and the ACLU, reported unprecedented spikes in contributions. Since then, donations have continued to swell, and with them, demand for fundraisers.

Though canvassing is less efficient than other fundraising methods, like telemarketing or direct mail, it offers a few key advantages. It allows nonprofits to identify new donors, is more effective at signing up monthly givers, and adds a human touch that’s more important in an age of media saturation.

“There’s so many organizations out there, so many people sending direct mail, emails, that it’s kind of easy to get lost,” Nilsen said. “So I think there are some organizations that are taking the tack of a more personal touch.”

Canvassing in the U.S. was pioneered by an encyclopedia salesman, who in 1971 turned his skills of persuasion to progressive politics. It soon caught on among grassroots activists, first as a way of mobilizing voters, and later as a means of raising funds.

It proved especially popular among the young activists working for Ralph Nader’s newly formed public interest groups, which would later coalesce into a consumer rights federation known as the United States Public Interest Research Group, or U.S. PIRG. One of those young activists was Doug Phelps, a Harvard law student who rose to become the executive director of the Massachusetts Public Interest Research Group (MassPIRG).

Their great experiment with canvassing started in 1975 as part of a campaign to pass a “bottle bill,” legislation that would introduce five-cent deposits in exchange for recycled bottles. They undertook a massive door-to-door canvassing operation to rally public support for the mostly unknown proposal. It proved so effective that the bill not only went up for a vote, it survived a veto from the governor thanks to voter outcry.

Based on that success, the PIRGs, led by Phelps, formed a dedicated canvassing arm in 1982 called the Fund for Public Interest Research (which would later become the Fund for the Public Interest). They weren’t just hungry for more political wins. In the wake of a 1981 court decision striking down mandatory student fees for the university-based PIRG system, the nonprofit federation was on the hunt for a new source of cash flow.

But relying on canvassing for funds was risky. Face-to-face fundraising is a famously low-margin business, largely because it requires major manpower for uncertain returns.

So Phelps and his cohorts went about figuring out how to optimize the process from top to bottom. This was the birth of what some in the industry call the “PIRG model,” which has proven so effective that it’s become an industry standard. It was conceived based on a single organizing principle: efficiency.

To avoid time waste, or ineffective appeals, they instituted “raps,” or scripts that each canvasser would memorize and deliver to potential donors. For every possible response, there was a counter-response, designed to maximize time and money.

Standards were quantified, on both an individual and a collective level. Today, every office receives a fundraising goal, which determines the pace of their campaign, the amount of territory to be covered, and the number of workers recruited.

Canvassers are given a set number of people to talk to each shift, and a quota to make by the end of the night. If they surpass their quota, they receive a cut of the earnings. If they fail to meet quota for more than two or three weeks, they're fired. The only thing that isn't counted, employees have grumbled, is the hours.

That's led to myriad complaints, legal and otherwise, against both the Fund and Grassroots Campaigns dating back to the early 2000s. Since then, the two groups have followed a parallel path of legal problems and bad publicity, with allegations ranging from unpaid wages, to union-busting, to dangerous working conditions. Both have received government censure for unfair working conditions; both have shut down offices or fired staff en masse in response to unionization attempts; and both have paid out hefty sums to settle class-action lawsuits alleging violation of overtime and minimum wage laws.

Attorney Robert Nelson represented the plaintiffs in a 2006 class-action suit against Grassroots Campaigns. Even now, he's struck by the audacity of the company's behavior.

"Before or since, I have never seen such egregious, almost gleeful, unbelievably blatant violations of the labor code," he said.

Despite that, Nelson says, several of his clients were reluctant to pursue the case, fearful that it would hurt "the cause."

"There's such an almost cult-like culture that Grassroots develops and cultivates," he said. "It was really hard for a couple of them to contemplate going against that publicly by filing a lawsuit."

Others in the group channeled their ideals in a different direction. For a period of time, they refused to settle, hopeful that a prolonged, public dispute would change Grassroots' ways.

"And the point that I remember making at the time was, that strikes me as kind of dating someone with all sorts of bad habits, hoping you'll change them and make it better," Nelson said. "And that's not going to happen unless the other side wants it to happen."

They ended up settling for \$600,000. And as it turned out, Nelson was right. Despite years of lawsuits and bad press, neither Grassroots Campaigns nor the Fund seems to have changed their practices much. On job review websites like Glassdoor, both groups feature below-average ratings, with hundreds of reviews detailing many of the same problems that date back more than a decade.

While some of the complaints are echoed in reviews for other canvassing companies, none have earned the degree of enmity directed at both groups. Over the years, that discontent has spawned multiple websites dedicated to spreading the word about the Fund's and Grassroots Campaigns' alleged misdeeds. Some have even tried to mobilize action. But these efforts, inevitably, have ended up fizzling out.

That may be in part because the leadership of both groups, which ultimately traces back to Doug Phelps, has been unresponsive to complaints. As Nelson understands it, that's in large part because their survival depends on squeezing everything they can from their workers.

"For better or for worse, this is Grassroots' business model," he said. "They need so many people, boots on the ground at any given time, and they need people to be working at a breakneck pace. But they just don't have the capacity."

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Doug Phelps' career as an activist dates back to his college days at Colorado State University. It was there, in the fall of 1968, that Phelps cemented his trajectory as a leader, and his status as a local legend.

That year, Colorado State had been a hotbed of activism. Among other things, students were up in arms over a ban on selling beer at the student union. Grumbling erupted into spontaneous protest early in the fall semester, and Phelps, who was the student body president, decided to take action. He made a dramatic pronouncement – that if the university refused to accede to student demands, he would resign his post, and hold a protest to “liberate” the center.

Just a few days later, the school rejected the proposal. That afternoon, Phelps found himself at the center of a protest in the student union, standing behind a wooden podium, flanked by a tower of Coors beer.

The moment is immortalized in a series of black-and-white photos showing Phelps – skinny and serious, with black-rimmed glasses and a golden cap of neatly combed hair – leading the room in a ritual chugging of beer. Though he later claimed that he hadn't actually drunk the beer, the image of him holding the can to his lips was enough, both to make an impact, and to get him detained by campus police.

Though the protest, which was later dubbed a “beer-in,” has become a popular part of school lore, it didn't go over quite so well at the time. Students who disagreed with his tactics voted Phelps out of office, while university officials threatened to boot him from the school.

Still, it served as a launch pad, not only for Phelps' activism career, but for his growing public profile. After graduation, Phelps enrolled in Harvard Law School, got involved with Ralph Nader's public interest movement, and went full-on hippie, ditching his clean-cut look for long hair and a wild beard.

By the spring of 1972, the 24-year-old law student had truly started coming into his own – so much so, that he decided to run for Congress in Colorado. Phelps didn't make it past the first cut, but the campaign earned him some major publicity, and helped launch a whirlwind period of travel and activism.

After a couple of years, he returned to Harvard, where he completed his degree and launched a public interest law program. As newly minted lawyers discarded 70s idealism for 80s commercialism, Phelps shifted more of his energies to MassPIRG, and finally to the Fund.

As the Fund grew, so did its revenues, opening up opportunities for the expansion of Phelps' Public Interest Network. By the early 2000s, the network had doubled its number of organizations, opening up new fundraising markets and opportunities for advocacy.

But the biggest market was one Phelps couldn't have anticipated. In 2002, Congress passed the Bipartisan Campaign Reform Act, otherwise known as the McCain–Feingold Act, which limited the amount that individuals and corporations could give to candidates and national parties. It also banned federal “soft money” donations, which for years the Democratic Party had relied on heavily.

In the lead-up to the 2004 election, this spelled potential trouble for Democrats, leading DNC chair Terry McAuliffe to approach Phelps and ask if he could do for the DNC what he'd done for U.S. PIRG.

The result was Grassroots Campaigns, which formed at the end of 2003, just in time to snag a multimillion-dollar contract with the DNC. Since then, the company has continued to dominate the canvassing industry, snagging big-name clients in both the political and the nonprofit worlds.

While Grassroots' financials aren't public, some of its revenues are recorded in FEC filings, along with the yearly reports that most states release about charitable fundraising. An analysis of 2014 revenues for four states and all FEC filings shows that the group earned at least \$34,483,207. That number, though just a fraction of their total revenue, is 50 percent higher than that of the Fund.

Phelps has reaped the benefits of his position of power. Public records show that he owns at least five properties in Denver and Santa Barbara, with a combined worth of \$3.2 million. An even better metric of his wealth may be his personal donation history. Over the past five years, Phelps has donated more than \$400,000 to charitable and political causes.

Both his work and his wealth have earned Phelps clout in the political sphere. Over the past 10 years, Phelps has logged several personal visits to the White House, hosted DNC fundraising events at his Santa Barbara ranch, and was one of an elite group of donors who contributed \$50,000 or more to Obama's inauguration celebration.

And all of it he's done relatively quietly – until, that is, the summer of 2015, when a political donation that blurred the lines between himself and the Public Interest Network raised the hackles of Phelps' workers.

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It was a warm Saturday in 2015 when Hillary Clinton stood up before a cheering crowd on Roosevelt Island, and declared war on dark money.

"We have to stop the endless flow of secret, unaccountable money that is distorting our elections, corrupting our political process, and drowning out the voices of our people," she said.

It was the launch speech for her 2016 presidential run, and with this – the final point in her four-pronged platform – Clinton was sending a message. She was a leader progressives could get behind, someone whose commitment lay with the people, not with corporations.

Less than two months after her speech, the illusion was shattered. Clinton's super PAC, the AP reported, had accepted "a \$1 million contribution that cannot be traced."

Clinton received bruising backlash in the media, along with a sharp rebuke from campaign finance reformer Fred Wertheimer, who declared the transaction "an out-and-out laundering operation."

Back in Denver, Doug Phelps was also getting some heat. That's because the two groups that had contributed that \$1 million to Clinton belonged to him, or more accurately, to the Public Interest Network. Word quickly spread among the network's staff that Phelps had orchestrated the donation.

"It felt like a betrayal," said a former employee, who asked that he be referred to only as Patrick. "It just rubbed people the wrong way."

Patrick says that part of the outrage came from the fact that the donation had never been announced to staff. That put many of them in an awkward position, partly because the Public Interest Network touts itself as non-partisan, and partly because a lot of the network's employees and members were Bernie supporters.

Even more embarrassing was the fact that the PIRGs had for years been railing against dark money contributions, regularly pushing out petitions, press releases and educational materials designed to highlight the problem.

As it turns out, the Public Interest Network doesn't just donate to super PACs – it has several of its own. The most prominent are Fair Share Action, Environment America Action Fund and Environment America Voter Action, which together made a staggering \$23.6 million in campaign donations between 2012 and 2016.

The volume of the network's political spending has raised troubling questions in the minds of some employees.

"I don't know where the money in these super PACs comes from," Patrick said. "But since they're all controlled by NAOPI" – another one of Phelps' umbrella groups – "presumably they're coming from within the organizations."

That could mean that some, maybe even most, of the money donated to super PACs came from the pockets of donors who thought they were contributing to a campaign to save the bees or improve our healthcare system.

Thanks to the Public Interest Networks' Byzantine family tree, that kind of transubstantiation is not only easy to do, it's easy to hide.

Though the network is only home to about 15 organizations – more than half of which are essentially inactive, judging by their tax filings – state-level affiliates balloon that number to at least 130. That means a lot of opportunities for the network to trade donations internally, and in the process hide their origins or sidestep limits on how much money different kinds of nonprofits can donate.

Adding another wrinkle to the network's complicated web of money are the multiple for-profit companies and LLCs that Phelps has looped in as contractors or partners.

During the 2014-2015 tax year, Public Interest Network groups invested at least \$6.3 million with Paradigm Partners, the parent company of a financial firm called Green Century Funds, which Phelps partly owns. Another \$1,266,707 went to a company called 1543 Wazee LLC, which doesn't have an online presence or any government filings that describe its business. It does, however, list a property owned by Phelps as its address. The same is true for 1543, LLC, which received another \$2.5 million in investment from groups in the network.

It's impossible to know the true nature of these groups and their relationships. But what is clear is that the network is, at the very least, skirting the lines of ethical and legal financial management when it comes to their political donations. Over time, it's only gotten worse, as the network introduces more and more new groups.

"That's the really key thing, is all these orgs are the same thing. They're just different ways of branding this give-us-money message," said Patrick. "That's not to say that giving money to nonprofits is bad, but it's just done so systematically deceptively in the Public Interest Network. That's kind of the part that bothers me."

Former canvass director at the Fund, Drew Stephan, agrees, but argues that all of the moral compromises may be for a greater good.

"It's certainly antithetical to the work they do, and I'm sure people would be aggravated," he said. "But you know, the only way to change the game is to play the game."

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But not everyone's willing to play the game, especially when their role is as little more than pawns.

For Patrick, and a lot of other network staff, the final straw came in 2016, when U.S. PIRG released an official statement coming out against a new Department of Labor rule that would expand overtime pay to include more workers. It read, in part:

“Organizations like ours rely on small donations from individuals to pay the bills. We can’t expect those individuals to double the amount they donate. Rather, to cover higher staffing costs forced upon us under the rule, we will be forced to hire fewer staff and limit the hours those staff can work – all while the well-funded special interests that we’re up against will simply spend more.”

The statement, which the group pasted on its website, earned an immediate backlash on social media from members and former employees alike.

One former employee named Amanda Becker wrote on Facebook:

“Your people who are on the ground are furious about the position you’ve taken and they feel powerless. They want to make an impact, they want to champion for the disenfranchised, they want to be a part of moving this country in the right direction and you have made them feel powerless. Speaking out could mean being out of a job. Shame on you.”

Another, Laura Rost, commented that as a canvasser, she was often asked to “volunteer” two or more hours every day on top of her eight-hour shift:

“The DOL has laws like this in place to protect the workers from policies like yours. Just because you’re working on a good cause doesn’t mean the employees shouldn’t be given a fair wage. Practices like yours burn out activists and make them cynical about nonprofits.”

For Patrick the statement by U.S. PIRG was the final straw. After the donation incident, he’d begun researching the Public Interest Network’s labor and financial history, and was disturbed by what he found.

He’d already quit the job, but now he had a reason to do something with all the information he’d found. So he started a website called the Public Interest Primer that offers muckraking in a user-friendly format. It’s already jumped to third place in the Google results for “Doug Phelps.”

Patrick isn’t the only one who’s continued to nurture an almost perverse fascination with both the network and Doug Phelps. There are at least half-a-dozen other sites, forums and social media groups dedicated to the topic, started by different generations of canvassers reaching back more than a decade.

Though Phelps rarely responds publicly to criticism, he did send out an email to the Public Interest Network alumni list serve after finding out they’d be hit with a request to sign a petition in favor of the overtime rule. In it, he addresses the backlash against PIRG’s statement, sounding alternately annoyed, baffled and even wounded:

“From an organizing point of view, I understand it. It is hard to build and sustain an institution; it is easy to tear one down. Letter signers and critics have little to lose, and a pissing match gives them leverage. What is hard to understand, given all the institutions in the world with which we surely have multiple and more profound disagreements, is what drives critics’ selection of causes to occupy their time? And why do they get so vitriolic, and stuck, unable to ‘move on’ and agree to disagree?”

Coming from a guy who sometimes seems prone to blurring the lines between himself and his creations, Phelps’ response almost makes sense.

As for Patrick, he thinks it’s something a lot simpler – just another corporate head following his instincts.

“I think he started out as a progressive, but greed took over and he lost his way,” Patrick said. “And he took the organizations with him.”