



# Politics and Philanthropy Strange Bedfellows

By Rick Cohen

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On both sides of the Rio Grande, two political heavyweights have concocted an unsavory mixture of philanthropy and politics draped in the clothing of helping children.

In Mexico, critics compare the philanthropy of first lady Marta Sahagún de Fox through her personal foundation, Fundacion Vamos Mexico (Let's Go, Mexico Foundation) to the charity—and political ambitions—of Argentina's Eva Peron. On this side of the border, no one compares House Majority Leader Tom DeLay to Señora Marta, as she is sometimes called in Mexico, much less Evita, but the DeLay Foundation for Kids and DeLay's Celebrations for Children have earned the criticism of campaign finance watchdogs such as Common Cause and Democracy 21 and philanthropic watchdogs like NCRP.

Like Peron's charity for Argentina's *descamisados*, Sahagún's charitable endeavors for children have made her a visible national figure. She is frequently seen as a co-leader of Mexico with her husband, President Vicente Fox of the conservative National Action Party. Vamos Mexico has made highly publicized donations of bicycles, computers and a manual on child rearing as some of its major endeavors. As Fox's term comes to an end, the first lady and the president himself have more than hinted that she would be a capable and desirable successor.

Her foundation is no small part of her political trajectory. Launched in 2001 with the help of an Elton John concert at Castillo de Chapultepec in Mexico City, Vamos Mexico has received contributions from Mexico's political and economic elites, including corporate executives looking for favors and subsidies from the Fox administration. Charity disclosure requirements in Mexico lag behind those in the U.S., and Sahagún released (to London's *Financial Times*) partial financial reports from 2001 and 2002 in January of this year.

Sahagún long refused to reveal the names of 93 individuals who donated an average of \$40,000 each to the foundation in 2002 or the



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names of corporate contributors until, under virulent public pressure, she published in February a list of contributors. Among the corporate contributors to Vamos Mexico are Coca-Cola Mexico, once headed by none other than President Fox himself,

and Telmex, the regulated telephone utility, and the individual donors included people doing significant business with Pemex, the state-owned oil company. One of the more interesting donors turned out to be the largest shareholder in Estrella Blanca, a bankrupt bus company, who donated \$1.9 million while negotiating his way out of the company's debt. Other corporate partners include Wal-Mart, Tupperware and Ford Motor Co., to note a few with U.S. ties.

While the Vamos Mexico Web site (<http://www.vamosmexico.org.mx>) is limited to Sahagún's speeches and the foundation's philosophy of "connectivity and linkages"—and the partial audited statements prepared by KPMG—there is nothing at all on the DeLay Foundation Web site (<http://www.delayfoundation.org>) as of early March (though the foundation's mission statement plus three years of its 990s are available at Guidestar).

DeLay and his wife, Christine, have been longtime advocates for children, particularly foster children. The DeLays and the Foxes come to some of this concern from their religious beliefs, and there is no reason to doubt the sincerity of their concerns for children, even if critics in both nations might suggest that the policies of Fox's National Action Party and DeLay's Republican Party actually further impoverish and deprive rather than help the children they

profess to want to help. The poverty statistics of Mexico are staggering. A higher proportion of Mexico's population (40 percent) lives in extreme poverty than India's (25 percent), Brazil's (23 percent), and Algeria's (22 percent), providing a massive challenge to Mexico's still nascent philanthropic sector. In the U.S., three of the nation's 10 poorest counties are located in south Texas, the state that gave the nation President Bush, Majority Leader DeLay and the DeLay Foundation. Like Vamos Mexico, the DeLay Foundation could have plenty to do if it were truly focused on the needs of abused and neglected children.

So far, there hasn't been all that much to show for the DeLay Foundation's philanthropy. The foundation's 990 for its fiscal year ending in July 2002 showed \$1,333,077 in direct public support and \$248,096 in total expenses, leaving it with a fund balance of \$1,999,272. This 990 was before the elimination of the Congressional Gift Ban, which may have well boosted the foundation's fundraising to new dimensions. It includes a grant of \$125,000 for the Oaks at Rio Bend. Rio Bend is a DeLay Foundation project developing an eight-home residential community on a 50-acre site for 248 abused and neglected children in the Fort Bend County foster care system. The site is listed as a 2001 donation to the DeLay Foundation by the George Foundation and is valued at more than \$400,000.

Despite the Rio Bend plan, political priorities seem to lurk behind the majority leader's charities for children. DeLay has been the polestar of successful political fundraising through his many PACs, particularly Americans for a Republican Majority (ARMPAC), but the still minimal but relentless pressure of campaign finance reform is aiming at lawmakers' involvement in soft money contributions. What better way to adjust to the new reality than by cloaking soft money fundraising behind the tapestry of philanthropy, children and 501(c)(3) charitable status?

When DeLay and House Speaker Denny Hastert united in January 2003 to eliminate the

congressional gift ban, the DeLay Foundation immediately began soliciting money for golf outings for members of Congress and their families, paid for by unnamed donors, without disclosure of which lawmakers received the gifts or what the gifts were worth. NCRP criticized the move, and with campaign finance watchdogs (but none from the philanthropic sector), called for disclosure, but the majority leader dismissed the requests.

Last November, DeLay devised a new strategy, centered on the creation of a new nonprofit, Celebrations for Children (CfC). CfC would host parties and outings at the upcoming Republican National Convention, soliciting charitable contributions from \$10,000 to \$500,000, enabling donors to participate in late-night parties, yacht cruises and access to a luxury suite to rub shoulders with Republican bigwigs and lawmakers. The new charity, to be managed by DeLay's daughter, Dani Ferro, and political operatives late of DeLay's PACs, would devote 75 percent of the donations to children's charities (including the DeLay Foundation). It would be hidden behind the now-defunct gift ban, though, and thus would not be required to disclose the sources and amounts of contributions or an itemization of the participating lawmakers' take.

In the *Chronicle of Philanthropy* ("House Leader Misuses Charity for Partisan Goals," November 27, 2003), NCRP criticized the CfC strategy, noting the interest among lobbyists of both parties in replicating the DeLay fundraising experiment, and called on the IRS to investigate whether CfC truly merited nonprofit charitable status. Since that time, NCRP has joined with Common Cause asking Congress to call for an ethics investigation into the matter.

Among philanthropic and nonprofit leadership organizations beyond NCRP and the campaign finance advocates, the DeLay shenanigans have been studiously ignored. The Council on Foundations, a foundation lobbying group, should be condemning the DeLay scheme as a subterfuge for politicking dressed up as philan-

*Political priorities seem to lurk behind the majority leaders charities for children. What better way to adjust to the new reality of campaign finance reform than by cloaking soft money fundraising behind the tapestry of philanthropy, children and 501(c)(3) charitable status?*

Tom DeLay, Eva Peron (center) and Marta Sahagún de Fox are all known for using their political power to raise funds ostensibly to support children in their countries. But sometimes such efforts are merely a means for powerful economic and political interests to purchase access to and influence with political leaders.



***In 1996, the first president of the Dole Foundation acknowledged the “protection money” function of the foundation’s fundraising: “I think a lot of folks wanted to find themselves in the good graces of the Senator by having supported a charity that is very personally important to him.”***

thropic endeavor, but they haven’t and probably won’t. Some council board members have been too busy chortling about having landed DeLay as their champion against Section 105 of H.R. 7 (the Charitable Giving Act of 2003). Section 105 would have modified private foundations’ payout requirements by excluding their administrative and operating costs from qualifying distributions, in net effect increasing their payout from 5 percent to an estimated 5.4 percent. DeLay’s “compromise” not only undid that change, but also resurrected a long discredited requirement of foundations counting expenditures that are only charitably related, and added language that signals congressional approval for high levels of foundation trustee fees.

Other national leadership organizations should also join in, but because they’re so tied to seeing the nonitemizer tax deduction provisions of the Charitable Giving Act make it into law, they will also take a dive. Joined by the White House, DeLay actively supports the enactment of the nonitemizer tax deduction, which will cost the federal government more in foregone revenues than it creates in charitable giving and generate the bulk of its charitable giving for religious organizations and religiously affiliated charities.

Like the relative silence about DeLay’s charities in the U.S., there has been relatively little critical commentary about Vamos Mexico until recently. In the Mexican Congress, the opposition Party of the Democratic Revolution has just called for a Senate investigation of Vamos Mexico. According to preliminary financials for 2002, Vamos Mexico raised \$14 million in its first 15 months of existence, gave some 30 percent to charities, and spent another 34 percent on overhead, with the remainder devoted to an endowment. Some have criticized these expenditures as failing to come close to the standards for public foundations

enunciated by the Mexican Center for Philanthropy. Others have suggested that Vamos Mexico squeezes out the fundraising prospects of other Mexican charities, all dependent on a relatively small base of prospective donors, many of them the nation’s corporate leaders.

Tom DeLay didn’t invent politicians’ foundations. Sen. Bob Dole had the Dole Foundation, which was committed to helping the disabled. In 1996, the first president of the Dole Foundation acknowledged the “protection money” function of the foundation’s fundraising: “I think a lot of folks wanted to find themselves in the good graces of the senator by having supported a charity that is very personally important to him.” The Dole Foundation’s contributors included agribusiness behemoth Archer Daniels Midland and Gallo Winery, both beneficiaries of Dole-sponsored legislation.

The DeLay Foundation is hardly likely to be the last of these political foundations, especially if the IRS gives the nonprofit green light to CFC. In Pennsylvania, Democratic State Sen. Vincent Fumo is connected to the Citizens Alliance for Better Neighborhoods, run by his deputy chief of staff. Like DeLay and Sahagún, Fumo has resisted revealing the donors to his 501(c)(3), although he recently acknowledged \$17 million in donations from Peco Energy Co. NCRP’s op-ed in the *Chronicle of Philanthropy* noted the foundation donations that lured the Democratic National Convention to Boston and the convention’s financial shortfalls that might make philanthropic fundraising an attractive budget-gap filler.

Similarly, Marta Sahagún de Fox did not invent the political charities of politically ambitious presidential spouses, either. Eva Peron’s personal history and her creation of the Fundación de Ayuda Social (Social Aid Foundation) precede Sahagún’s. It remains to be

seen whether Sahagún will be called the equivalent of Santa Evita or receive from the Mexican Congress Eva Peron's title of "Jefa Espiritual de la Nación" (Spiritual Leader of the Nation), despite the adulation she receives from much of Mexico's poor and the fawning attention she gets from the powerful inside and outside Mexico.

Sahagún was a featured speaker at the annual conference of the Council on Foundations (COF) in Dallas in 2003. She had enthralled and captivated the leadership of the council long before. In an article in *Foundation News & Commentary* (November/ December 2001), the head of the council described her as "forthright and magnetic" as she sought the advice of COF's senior staff in 2001 just before the establishment of Vamos Mexico in October. They discussed "transparency and accountability." In her Dallas speech, Sahagún concluded that the "public and private sectors must be held accountable for their actions," citing accountability as the "spirit of the activities and programs promoted by the Council on Foundations." Based on her defensive acquiescence to calls for transparency about Vamos Mexico's finances, the COF message on accountability and transparency had relatively minimal effect. Based on the COF silence about DeLay's philanthropic experimentation, one wonders what the council actually said to Sahagún about foundation accountability and transparency.

Times have changed since the era of Eva Peron. Without impugning Marta Sahagún's or

Tom DeLay's concerns for children, neither can get away with using charity and philanthropy as a means for powerful economic and political interests to purchase access to and influence with political leaders. In the wake of the probity implosions of corporate giants such as Enron, Tyco and Xerox and nonprofits such as the Nature Conservancy, the Red Cross, and the National Capital United Way, not to mention more than just a few foundations, transparency and accountability have become watchwords for much of the U.S. nonprofit sector. Politicos on both sides of the Rio Grande should neither demand nor expect exceptions for their own favored charitable institutions. ○

*Rick Cohen is executive director of the National Committee for Responsive Philanthropy (NCRP). NCRP is an independent nonprofit organization founded in 1976 by nonprofit leaders across the nation who recognized that traditional philanthropy was falling short of addressing critical public needs. NCRP's founders encouraged foundations to provide resources and opportunities to help equalize the uneven playing field that decades of economic equality and pervasive discrimination had created. Today NCRP conducts research on and advocates for philanthropic policies and practices that are responsive to public needs. For more information on NCRP or to join, please visit [www.ncrp.org](http://www.ncrp.org) or call (202) 387-9177 or use the enclosed membership form.*

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## AXIS OF IDEOLOGY : Conservative Foundations and Public Policy



*Axis of Ideology: Conservative Foundations and Public Policy*, released in March 2004, is NCRP's latest research on right-wing philanthropy. It provides an updated and expanded analysis of conservative grantmaking both at the national and state levels, and challenges the political center and the left to promote more activist, advocacy-oriented grantmaking programs to counter the right-wing agenda that currently dominates American politics. The report documents and analyzes the public policy grantmaking practices of 79 conservative foundations and the work of nearly 350 conservative nonprofit organizations that have had amazing success influencing policy decisions in cities, state capitals and Washington, D.C.

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