

## The McKay Foundation

*A son takes his parents' fortune and turns his back on their views in order to strengthen the Left*

**By Kevin Mooney**

**Summary:** *The Rodney King riots in Los Angeles back in 1992 initially gave the McKay Foundation purpose and direction. Since then, it has become a significant player in the left-wing network of philanthropies.*

**B**efore the late ACORN network perfected voter fraud techniques that were brought to light after Barack Obama was elected president, a billionaire in California sought to create a little mischief of his own at the ballot box. In 2002 the son of a conservative Orange County businessman led the charge for Proposition 52, which would have made it possible for people to cast votes on Election Day without presenting any form of identification.

Had the law passed, swarms of unregistered, unidentified wannabe voters would only need sworn, written statements from willing accomplices to vouch for them in the presence of poll workers. There would be no way for local and state officials to verify the legal status of individuals who took advantage of same-day voter registration. Anyone who places a premium on the sanctity and integrity of the ballot box will understand what this campaign was seeking.

With an eye toward the disputed 2000 presidential election and its many Florida recounts, then-California Secretary of State Bill Jones



**Taco Bell heir Rob McKay**

understandably expressed concern that his state's already overburdened poll workers would be overwhelmed by the additional challenges of verification that Prop 52 would bring about.

But don't tell that to Rob McKay, the politically active, left-leaning, San Francisco-based heir to the Taco Bell fortune who bankrolled the proposition with \$1.5 million of his own money. California had ranked near the bottom six of the 50 states in voter participation during most recent presidential

**June 2015**

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cycles before the 2002 election. McKay blamed this sad statistic on the fact that California required voters to be registered 15 days before an election.

“It’s just not acceptable in a democracy to have this unhealthy a level of voter participation,” he was quoted as saying at the time. “If you vote, you are a heck of a lot more likely to go to your kid’s school board meeting.”

The answer, he insisted, in another media interview before the 2002 election, was to “lower the barriers to voting as much as we can, to return some health and enthusiasm to our democracy.” The very distinct possibility of fraudulent votes canceling out the legitimate votes of average citizens whom McKay claims to champion didn’t seem to register.

John Fund, author of *Stealing Elections: How Voter Fraud Threatens Our Democracy*, cut to the heart of the matter. “It’s about time that someone stepped forward and admitted that the root cause of low turnout isn’t restrictive voting laws, but voter apathy,” he wrote. “People are fed up with mediocre candidates, gerrymandered districts and uncompetitive (and possibly illegitimate) elections.”

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**Publisher:** Terrence Scanlon

## **Foundation Watch**

is published by Capital Research Center, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

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The problem of voter fraud is particularly acute at the local level and in school board races where a few illegitimate votes could swing a close election, opponents of Prop 52 warned.

“There are a lot of us who think our current system is not secure enough,” Assemblyman Ken Maddox (R-Garden Grove), co-chairman of the opposition campaign, told the *Los Angeles Times*. “This goes in the opposite direction and makes it worse. The only thing needed to register on the day of an election is a name and a few pieces of junk mail.”

But McKay, who grew up in a politically conservative, wealthy household in Palos Verdes, California, just didn’t see it that way. “Great numbers of folks aren’t being spoke[n] to in any meaningful way by campaigns as they are currently run,” he told the *Contra Costa Times*. “This is a real opportunity to get the unengaged voter involved.”

Prop 52 fell short on Election Day, garnering just 40.6 percent of the votes. But for McKay, this was just a temporary setback as he would continue to distance himself from his family’s political convictions.

McKay is the son of Robert McKay Sr., a highly accomplished Sherman Oaks architect who designed the distinctive Spanish-style Taco Bell buildings on behalf of franchise founder, Glen Bell. The elder McKay went on to become Taco Bell’s president and helped turn what began as a small Southern California company into a nationally recognized chain. “We changed the eating habits of an entire nation,” Bell wrote in his 1999 biography. In 1978, McKay Sr. sold his 10 percent share in Taco Bell to PepsiCo for an estimated \$13 million.

How junior drifted so far away from senior’s political conservatism is not entirely clear. But McKay has said that a critical turning point for him came during his undergraduate days at Occidental College in Los Angeles. That’s when he took part in student demonstrations that sought American divestment from South Africa as a way to undermine *apartheid* policies. Later, during his time as

a banker in Chicago, McKay became further motivated politically when he observed homeless people and opted to move into philanthropy. After he entered graduate school at the University of California, Berkeley, he founded the McKay Foundation in January 1992, which was barely up and running when the Rodney King riots erupted in the City of Angels. The foundation devoted itself to helping Angelenos rebuild.

“My rude awakening to philanthropy was walking the streets around Florence and Normandie with National Guard escorts,” he recalled in an interview with the *Los Angeles Times*. The foundation began donating to local community organizations. “But there’s a limit to what charities can do,” he lamented. “You also have to think about political strategy.”

While McKay is also the managing partner of the McKay Investment Group, a venture capital firm, he has cut a larger figure for himself serving as the president of the McKay Foundation, which provides leftist organizations with critical financial backing.

To say McKay’s politics differ from his Orange County Republican parents would be an understatement. Yet he has benefitted from their largesse, earned by hard work and investment in the free market. Between 2007 and 2010, Rob Sr. and Elaine McKay funded their son’s foundation through their PepsiCo stock, and in turn the philanthropy wrote grants to support left-leaning organizations and to pay McKay Jr. his \$75,000 annual salary. A foundation report that came into the possession of a publication called *California Journal* provides some insight into McKay’s view of political activism.

“It’s about POWER,” the cover says. The report itself offers descriptions of 36 community-based programs the McKay Foundation has funded. The list includes the Los Angeles’ Bus Riders Union, San Diego’s Environmental Health Coalition, and Silicon Valley’s Working Partnerships USA. McKay is quoted as follows:

“Power. Not a comfortable concept in contemporary American society. Most people tend to think of it as a greedy and corrupting force, as some sort of zero-sum game that defines good and evil. At the McKay Foundation, however, we believe that power corrupts only when it is unchallenged. ...But the goal of the groups we fund is not merely to challenge existing authority; it is also to take power, to redistribute power in a legitimate and democratic fashion and to wield it for social justice; in short, to play the game fairly and win.”

That’s what McKay did when his foundation set up and funded the Living Wage Coalition in San Francisco back in 1998. While the foundation needed to observe certain restrictions to stay within the laws governing its tax-exempt status, it was permitted to educate legislators and the public on issues that relate to public policy proposals. The McKay Foundation did this very aggressively, and very effectively, over a two-year period. On Nov. 1, 2000, then-Mayor Willie Brown signed the San Francisco Minimum Compensation Ordinance into law.

From this point forward, McKay never looked back.

The McKay Foundation has funded the Democratic Party, albeit indirectly. The foundation gave \$100,000 in 2008 to the Denver Convention Planning Committee that organized the Democrats’ 2008 presidential nomination convention.

The foundation has also provided large grants to a host of left-wing organizations. Among them are Ms. Foundation for Women (\$800,000 since 2001); Los Angeles Alliance for a New Economy (\$420,000 since 2003); the shadowy Tides Foundation and its affiliate Tides Center (\$345,347 since 2004); the George Soros-funded Media Matters for America (\$285,000 since 2005); Northwest Federation of Community Organizations (\$270,000 since 1999); Coalition on Homelessness (\$265,000 since 2002); Applied Research Center (\$242,500 since 1999); Center for Civic Policy (\$225,000

since 2000); Green Corps (\$185,000 since 1999); Foundation for National Progress (\$165,000 since 1999); Center for Community Change (\$120,000 since 1999); Institute for America’s Future (\$110,000 since 2000); and New Mexico Community Fund (\$100,000 since 2006).

Many of the foundation’s grants are rather stingy but they do help to elucidate McKay’s radical left-wing beliefs. Among the small grant recipients are the ACORN Institute (\$60,000 since 2007), California ACORN (\$65,000 since 1999), and the Saul Alinsky-founded Industrial Areas Foundation (\$15,000 since 1999).

ACORN, known in full as the Association of Community Organizations for Reform Now, filed for bankruptcy in 2010 in the aftermath of highly publicized scandals involving voter fraud and financial misappropriation. But McKay’s financial contributions continue to yield dividends for community organizers who push for far-left policy changes under different names. The failure of Prop 52 turned out to be a critical turning point for McKay, because he responded by breaking out of the California orbit and turning his attention to national politics.

## **McKay Goes National with the Radical Left**

When President George W. Bush stood up for America after the Sept. 11, 2001 terrorist attacks, the radical Left stood up to give political cover to the country’s most lethal adversaries, as it frequently does. The danger to international peace and stability was not Osama bin Laden, al-Qaeda, or other terrorist networks with international reach; the enemy was an American president who reasserted American independence in an age of transnational interdependence. That’s what billionaire financier George Soros told members of the press as he pledged his support to a network of leftist outfits committed to blocking Bush’s re-election.

“America, under Bush, is a danger to the world,” Soros said in a 2003 interview with

the *Washington Post*. “And I’m willing to put my money where my mouth is.”

As Bush defied trans-nationalist Lilliputians in the European Union and the United Nations who opposed a vigorous American response to September 11, Soros worked to plug a gap in the Democratic Party’s finances that stem from the 2002 McCain-Feingold campaign finance law.

Previously, political parties paid for a significant portion of their television ads and get-out-the vote costs with unregulated “soft money” contributions from corporations, unions, and wealthy individuals. The McCain-Feingold law changes compelled non-party groups on both sides of the political spectrum to enter the fray, accept soft money, and take control of voter mobilization efforts. Soros committed millions of dollars of his own money to Progressive political actors such as non-profit 527 organizations and political action committees like Moveon.Org in a failed effort to oust Bush. While Soros did not achieve his desired results in November 2004, he did lay the foundation to provide McKay and others with a critical national infrastructure on which they were able to build and plan for the future.

In retrospect, the emergence of McKay as an instrumental figure of national prominence on the left was one of the most important and under-reported developments that emerged from the 2004 election cycle.

McKay describes himself as a “founding board member” of America Coming Together (ACT), another Soros-backed group founded in 2003 for the sole purpose of unseating Bush. Around this time McKay took part in a closed meeting at Soros’s Long Island home where he joined with other left-wing operatives to plot an agenda for the future, according to the *Washington Post*.

In 2003, the McKay Foundation gave \$1 million to America Coming Together. In some ways the group was viewed as an answer to the right-leaning Swift Boat Veterans for

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Truth, a 527 group that called attention to Sen. John Kerry's (D-Mass.) "willful distortion of the conduct" of American servicemen during the Vietnam War. The successful campaign against Kerry, the 2004 Democratic presidential nominee, was not lost on McKay.

An early supporter of Barack Obama's successful 2008 presidential campaign, he became the founder and director of the Fund for America that year. He received critical financial support for the 527 group from both Soros and President Obama's favorite union, the Service Employees International Union (SEIU). In many ways, the Fund for America was a reloaded, but much more successful version of America Coming Together.

Since he first joined forces with Soros in 2003, McKay has filled out his left-wing résumé. He still serves as a board member for *Mother Jones* magazine and previously sat on the board of Salon Media Group. McKay was also chairman of the 2004 California Help American Vote Act Advisory Committee and remains on the board of Progress Now. But the biggest step forward in his career as a political donor came in 2006, when McKay was elected chairman of the Democracy Alliance, the Left's foremost donor cabal, during the group's July meeting in Boulder, Colorado. (The Democracy Alliance was most recently profiled in the October 2014 *Foundation Watch*.)

As it happens, 2006 was the same year the Alliance launched its Secretary of State Project (SoSP), which was an effort to elect left-of-center candidates to be the top official overseeing elections in key battleground states. The project grew out of the Left's anger at the 2000 presidential election recount in Florida, when Republican Secretary of State Katherine Harris was accused by Democratic Party operatives of working to steal the election for George W. Bush.

The fact that McKay would become personally involved with the SoSP is not surprising, given his previous support for same-day voter registration, because secretaries of state are well-positioned either to investigate or

to ignore voter fraud allegations. In 2008, McKay personally donated \$25,000 to the SoSP, and in 2010 his foundation contributed \$10,000. The cynical, strategic targeting of the SoSP produced tangible results in both the 2006 and 2008 election cycles. The project helped to elect nine out of 11 candidates in key states in both years. That's what you call a good return on investment. The most notorious incident occurred in Minnesota's disputed 2008 Senate race between incumbent Norm Coleman (R) and Al Franken (D), which the *Wall Street Journal* editorial page flatly declares to have been "stolen" for Franken.

Under McKay's watchful eye, Democracy Alliance members have also funneled money to People for the American Way, EMILY's List, ACORN, Center on Budget and Policy Priorities, Progressive States Network, Center for Community Change, Sierra Club, and U.S. Public Interest Research Group (PIRG) Education Fund.

All kinds of interlocking relations grow out of the Democracy Alliance, which McKay has fostered in the past few years. His wife, Anna, for instance, currently serves as a development co-chair for the Rainforest Action Network (RAN), which is run by McKay's fellow Alliance board member James Gollin. Between 2008 and 2010, the McKay Foundation donated \$50,000 to RAN. (For more on RAN, see "Green Bullies: How Environmental Groups Use the Tactics of Intimidation," *Green Watch*, May 2011.)

The Alliance was co-founded in 2005 by Soros, the late Peter B. Lewis of Progressive Insurance, and subprime mortgage hucksters Herb Sandler and his late wife Marion. Today it has about 150 members in its network of progressive donors, according to the Washington Free Beacon. This network includes "full members" who contribute \$200,000 a year to groups that McKay personally helped to select when he chaired the Alliance's board, the Beacon reports.

"Membership in the Alliance is by invitation-only," the group declares on its website. Members pay about \$30,000 a year in dues, according to other media reports. "We provide you with personalized products and services to help you navigate the progressive landscape and make the most of your philanthropy."

The Alliance has been coy and secretive about its membership, but Soros's son Jonathan inadvertently let the cat out of the bag last year during the Alliance's spring meeting in a Chicago hotel. He left behind a partial membership list that the Washington Free Beacon picked up. The list includes bankers, high-tech entrepreneurs, and Hollywood VIPs, but what really stood out was the influx of newer members who are connected with organized labor. On the other hand, given that unions dominate the lists of America's biggest political donors and that they (unlike their poor members whose dues they extract) donate overwhelmingly for Democrats, it makes sense that union bosses would end up mixing with trust fund babies like McKay.

Noel Beasley, the president of Workers United, a textile union affiliated with SEIU, was on the list. So was Keith Mestrich, president of the union-controlled Amalgamated Bank. Other labor officials who are proud new Alliance members include Larry Cohen, president of the Communications Workers of America (CWA), and Randi Weingarten, president of the American Federation of Teachers.

The heightened profile that organized labor occupies within the Alliance may also result from the favored position that labor's agenda occupies in the Obama White House. McKay, the Washington Free Beacon reports, has been instrumental in moving the Alliance into close concert with Team Obama. In 2011, the group removed its prohibition on campaign fundraising at the behest of Vice President Joe Biden. It then made room for Priorities USA, a 501(c)(4) pressure group closely connected with Obama, at its lavish

conventions. White House records show that McKay has been a visitor at least eight times since 2009. And why not, since he threw himself into Obama's re-election. In early 2012, McKay organized a \$35,800-a-plate fundraiser for the president. The event was chock full of Democracy Alliance members. McKay is also a board member of Priorities USA Action, the super PAC affiliate of Priorities USA that is famous for two things: its record (\$65 million) as the highest-spending super PAC for Obama in 2012, and its infamous TV ad blaming the tragic cancer death of an ex-steelworker's wife on Mitt Romney (a story that turned out to be false).

In interviews with the media, McKay has made it clear that in many ways he views the Alliance as a counterweight to the Koch brothers and their support for free-market causes. In spring 2013, the Alliance met over a five-day period at a hotel in Laguna Beach, California, in close proximity to where the Kochs held their donor meeting at the Renaissance Esmeralda golf resort in Palm Springs.

"We keep an eye on what they're doing," McKay told the *Chicago Tribune*. "The thing that I think keeps everyone on edge is the overwhelming dollars that they can throw at stuff. I'm proud of the numbers we've generated over time, but we all know we're going to have to be successful with less."

But the Alliance is hardly in the poor house. By the time the conference ended, members had pledged \$50 million to a cluster of groups on the left. "We were really pleased with the way people stepped up," McKay was quoted as saying. But more than anything else, the conference provided insight into where McKay, and other affluent liberal and progressive donors, may be concentrating their efforts as the Obama presidency mercifully winds down.

There appears to be more of an effort made now to make inroads into Congress and build a permanent, lasting infrastructure. Two organizations that walked away as

winners from the 2013 conference were Organizing for Action and the National Immigration Forum. OfA started life as the Barack Obama election campaign and after 2012 turned into a 501(c)(4) pressure group to support the president's agenda; it lobbies members of Congress on such causes as universal background checks for gun buyers. The National Immigration Forum is a slick, well-funded group plugged into the battle for "comprehensive" immigration reform rooted in proposals that critics on the right describe as amnesty.

The 2014 elections, which put Republicans in the majority in the U.S. Senate while also strengthening GOP control of the House, certainly did not break the Alliance's way. But if there is a lesson conservatives can learn from McKay, it would be his willingness to double down and press forward after setbacks. That's what he did after the defeat of Prop 52 back in 2002, and that's how he responded to the defeat of his preferred presidential candidate in 2004.

Left-wingers who were despondent because all the money they spent on pro-Democratic Party 527 groups in 2004 did not translate into a win for Kerry became re-energized after McKay stepped up to assume leadership of the Democracy Alliance. After America Coming Together failed to unseat Bush in 2004, McKay founded the Fund for America with a little help from his friend Soros. The Fund for America pumped \$4 million into the Campaign to Defend America and another \$4.6 million to America Votes during the 2008 presidential cycle. The group, which operated out of SEIU's office in DC, ended its operations that year, but it served its purpose.

### The Future

What is the future for McKay and his foundation? At the Democracy Alliance, McKay was replaced as board chairman last summer by John Stocks, executive director of the National Education Association. But recall that McKay first gained notoriety as a local boy in California willing put up substantial sums of money on behalf of left-of-center

causes. Now he looks out to see that the great downside of the Obama presidency, from the left's perspective, is the electoral hollowing out of the Democratic Party on the local and state level.

This is a challenge McKay and other wealthy left-wing donors appear poised to confront. Some of the groups the Alliance has identified as worthy recipients of substantial donations aimed at reversing the right's progress at the state level are the Ballot Initiative Strategy Center, whose name is self-explanatory, and the State Innovation Exchange, a left-wing counterpart to the American Legislative Exchange Council (ALEC), which is a membership group for state legislators and corporations that has a history of advancing free market policies at the state and local level.

More importantly, the Alliance is aiming to establish state chapters in 27 states that have 70 percent of the American population, according to leaked documents from recent Alliance gatherings. If money does start to flow in the direction of leftist outfits that will challenge conservative statehouse victories, you can expect the name McKay to be part of the equation.

*Kevin Mooney is an investigative reporter for the Daily Signal at the Heritage Foundation.*

**FW**

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**Terrence Scanlon, President**

# PhilanthropyNotes

**John M. Templeton Jr.**, RIP: As we go to press, the sad news has arrived of the death at age 75 of John M. Templeton Jr., a former pediatric surgeon who was president and chairman of the **John Templeton Foundation** of Pennsylvania. Our thoughts and prayers go out to his wife and family. Dr. Templeton not only presided over the giving done by his father's foundation but was also a very generous donor personally. *Foundation Watch* will feature a fuller tribute to his philanthropy in our next issue.

ABC News chief anchor **George Stephanopoulos** was forced to admit that he failed to disclose a major conflict of interest—\$75,000 in donations to the embattled **Bill, Hillary and Chelsea Clinton Foundation**—to viewers while covering **Hillary Clinton's** presidential campaign. Just two weeks before on the “Daily Show,” he said, “Everybody knows that when donors give that money, what you get is access and the influence that comes with that access.” The Daily Beast's **Lloyd Grove** mocked the former Clinton White House aide's *mea culpa* as “a passive-aggressive non-apology.” Stephanopoulos said the gifts “were a matter of public record ... [but] in hindsight, “I should have taken the extra step of personally disclosing my donations to my employer and to the viewers on air during the recent news stories about the Foundation. I apologize.”

Stephanopoulos has since recused himself as moderator of ABC's February GOP debate in New Hampshire but stubbornly refuses to refrain from covering the 2016 presidential election, a fact that has some Republican lawmakers urging a boycott of the news network. The anchor's bias was obvious in an April 26 interview with *Clinton Cash* author **Peter Schweizer**. When the author said there was a “troubling pattern” between donations to the foundation and Mrs. Clinton's actions as secretary of state, Stephanopoulos slapped him down hard. “We've done investigative work here at ABC News, found no proof of any kind of direct action,” the disingenuous anchor said.

New leftist-inspired **Federal Communications Commission** regulations aimed at strangling the Internet with red tape “make 46 references to a group funded by billionaire **George Soros** and co-founded by a neo-Marxist,” the Daily Caller reports. The group is **Free Press** and its key co-founder is extreme-left academic **Robert McChesney**. “Advertising is the voice of capital,” McChesney told the Socialist Project in 2009. “We need to do whatever we can to limit capitalist propaganda, regulate it, minimize it, and perhaps even eliminate it,” said the man who calls his advocacy nonprofit “Free Press.” “The fight against hyper-commercialism becomes especially pronounced in the era of digital communications.” Free Press favors so-called net neutrality which would cripple the Internet by turning it into a regulated public utility. (See “The Push for State-controlled Media,” *Organization Trends*, September 2014.)

The **National Football League**, a 501(c)(6) nonprofit, said it will give up its tax-exempt status because it had little financial impact on the NFL and the tax exemption had become a “distraction.” Sports law professor **Michael McCann** said, “The NFL just probably realized it didn't have much to give up and they're gaining the ability to not reveal salary information.” In 2013 NFL Commissioner **Roger Goodell** took in a hefty \$35 million in salary and bonuses.

## Goldman Sachs WATCH

Goldman Sachs paid Bill Clinton \$200,000 for a speech in 2011, a few months before the bank began lobbying Hillary Clinton's State Department, the International Business Times reports. It is unclear if Mrs. Clinton provided a quid pro quo but the revelation of the payment is likely to bring more scrutiny “of the Clinton family's often overlapping personal, philanthropic and official business interests.” Government records “show that the firm was specifically lobbying the department on ‘proposed legislation’ linked to a series of budget bills.” One of the measures called for the “continued congressional authorization for the Export-Import Bank,” a government-backed lender criticized for its pork-barrel spending on large corporations.