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Steve Spinner Just Fixed the Worst Thing About Being a Politician

Mar 23, 2016 2:00 AM PDT

And he's selling the solution to both sides.

Photographer: Carlos Chavarria for Bloomberg Businessweek

Joshua Green
JoshuaGreen (http://twitter.com/JoshuaGreen)

In early January, Representative Steve Israel of Long Island, a well-regarded member of the House Democratic leadership team and a possible successor to House Minority Leader Nancy Pelosi, stunned his colleagues by announcing his retirement. Israel, who at 57 is young by congressional standards, recently published his first novel and told the *New York Times* that he hoped to spend more time writing. But he made no effort to hide what really drove him from a perch many politicians spend their whole career scrambling to reach: the abject misery of raising money. "I don't think I can spend another day in another call room making another call begging

for money," he confessed.

Any politician who's being honest will agree. As money has flooded the system, the cost of running a competitive race has soared, forcing lawmakers like Israel to raise ever-larger sums. The mental image of this process, as evoked by Bernie Sanders and other reformers, is of a candidate gliding through lavish Georgetown cocktail parties, swirling a glass of Moët as billionaires and lobbyists slip checks into his pockets. The reality is far more prosaic, even grubby: Because elected officials cannot use public offices for campaign activity, they cram into off-site cubicles like boiler-room stock touts and spend hours each day dialing for dollars. It's the unglamorous part of politics you don't see in *House of Cards* or *The West Wing*.

It could soon get easier. For months some of Washington's top campaign professionals have been buzzing about a product with the potential to turbocharge political fundraising and possibly much more. The product is a piece of software—an algorithm, actually—that is the distilled essence of a pioneering approach to fundraising developed by a few Silicon Valley entrepreneurs during Barack Obama's 2008 campaign, an innovation that helped lift him to the presidency. The approach grew out of a simple insight: You can raise a lot more money if, rather than just ask for a check, you ask people to reach out to their own social networks and raise money themselves.

"After porn and gambling, politics is the fastest adopter of new technology."

Steve Spinner

The person who best exemplified this approach for Obama was Steve Spinner, the young founder of a small sports science company. In 2007 he attended an Obama fundraiser and became smitten. Then he hosted one. Then he experienced a transformation, not uncommon in Northern California at the time, wherein Obama became not just a candidate, but a cause. A born networker, Spinner founded Entrepreneurs for Obama (later

rechristened Technology for Obama (http://www.tech4obama.com/)), one of many unofficial "affiliate groups" that sprang up to support the campaign. It raised a staggering $26 million. By the time Obama was sworn in, Spinner—an ordinary, middle-class guy—had become his eighth-largest fundraiser, according to a former campaign official, putting him in a league with the Spielbergs, Geffens, and Soroses. In 2012, Spinner was top three. A year later he started a company, RevUp Software, to pour all he'd learned about fundraising into a single piece of software. The technology mimics the process Spinner developed while raising money for Obama, mining peoples' contacts to identify the best fundraising targets and the personal details that might help close the deal. "The idea," he says, "is that the right tool can enable anyone in the position I was in—a volunteer—to do the same thing I did."

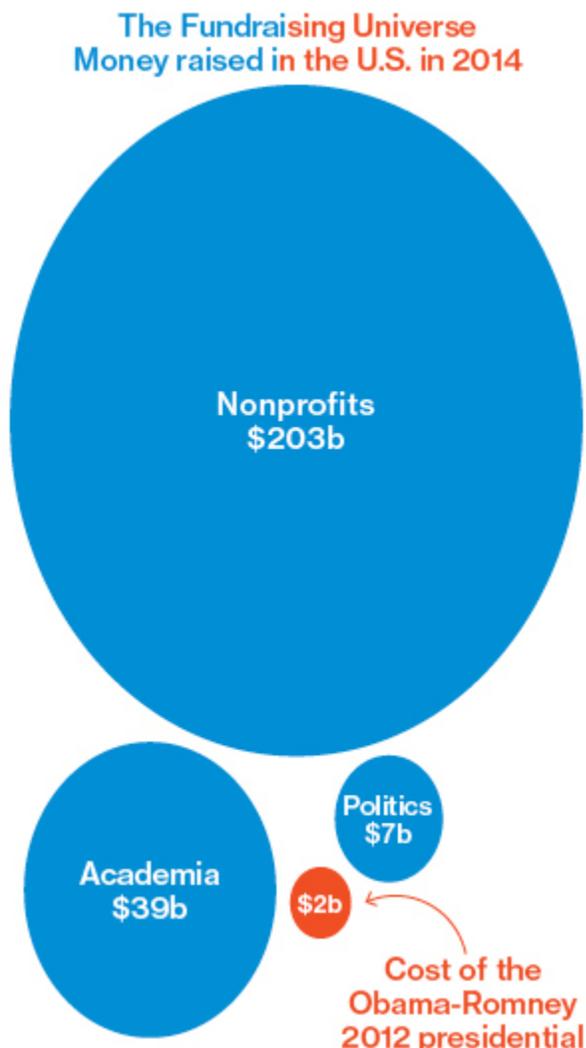Photographer: Carlos Chavarria for Bloomberg Businessweek
Steven Spinner photographed at his office in Redwood City.

Stop and consider for a moment how such a tool might transform politics. If volunteers could raise money in anything like the sums Spinner brought in, politicians like poor Steve Israel would be freed from their call-room shackles. The calls they did make would be more fruitful, because the software ranks targets by their propensity to give. Parties would love it, too, because they could recruit better candidates: Raising enough money to run competitively wouldn't seem nearly so daunting. And if committed laypeople were to tap into their own social networks, as Spinner did, they would bring new donors into a process whose old donors increasingly feel tapped out. A place like Washington that runs on money would regard such a tool as no less than a holy grail.

And, indeed, Washington does: RevUp has licensed its software (prices start at $13,500 a year) to congressmen, senators, and governors of both parties, as well as most of the national party committees on both sides; it's also attracted as partners and investors the marquee tech firms on the left (Blue State Digital, 270 Strategies) and right (Targeted Victory, Red Curve Solutions). "Mitt Romney's folks did a lot of what Steve's technology does," says Zac Moffatt, co-founder of Targeted Victory, who was Romney's digital director. "But we did it manually, so it couldn't scale. This was an

opportunity for technology to take that intelligence and weaponize it in an algorithm."

In early March, RevUp announced it had raised $5 million from such prominent nonpolitical investors as Pierre Omidyar, Reid Hoffman, Sean Parker, Evan Goldberg, and even a pair of ex-San Francisco 49ers, Ronnie Lott and Harris Barton. They're betting that the company's software can also be applied to the much larger, but stodgier, sectors of nonprofit and university fundraising, as yet untouched by the changes sweeping through political fundraising. "After porn and gambling," Spinner says, "politics is the fastest adopter of new technology." Collectively, these three sectors —politics, nonprofits, academia—represent a $250 billion market, so an algorithm to make fundraising even modestly more efficient could produce billions in new money.

The Fundraising Universe
Money raised in the U.S. in 2014

Nonprofits
$203b

Academia
$39b

$2b

Politics
$7b

Cost of the
Obama-Romney
2012 presidential

election

DATA: REVUP; GRAPHIC BY BLOOMBERG BUSINESSWEEK

Spinner is an unlikely white knight for the Washington establishment. Five years ago, Republicans were doing all they could to drive him out of town. After Obama's election, he took a job in the U.S. Department of Energy, on the team charged with awarding $30 billion in stimulus grants and loan guarantees to promising clean-energy companies. For a Silicon Valley type such as Spinner, the moonshot bid to rapidly advance a critical field of scientific inquiry was a dream job, "like NASA in the '60s," he says. But investing is risky. While the government's portfolio fared well overall (it included a little startup named Tesla), Republicans seized on the inevitable failures. In 2011 the solar startup Solyndra went bust and defaulted on a federal loan guarantee.

The DOE's program was supposed to act like a venture capital firm, investing in promising companies—only instead of taking equity, as VCs do, the government's aim was to grow the clean-technology industry and produce jobs. What attracted Obama's team to Solyndra (like George W. Bush's before it) was that its solar technology didn't depend on silicon, as other companies' did. When the DOE decided to invest, silicon was expensive, so Solyndra looked to have a serious competitive advantage—big enough that investors including Richard Branson had poured $1 billion into the company. But soon after the DOE gave Solyndra a $535 million loan guarantee, the price of silicon plummeted, eliminating the need for alternative technology. When Republicans went looking for a bad guy, they found an e-mail showing that Spinner had arranged a ribbon-cutting ceremony for Vice President Joe Biden. They turned Spinner into a piñata—even though he joined the DOE after the decision to fund Solyndra had already been made.

Romney, campaigning to deny Obama a second term, made Solyndra's bankruptcy the centerpiece of his indictment—a symbol of the president's supposed perfidy and incompetence. The media went berserk. An ABC News camera crew stalked Spinner at the 2012 Democratic National Convention in Charlotte, he says, at one point chasing him through the stadium halls. A

steady stream of threats poured in from enraged partisans. And though the GOP dropped the attack once Romney lost, Spinner had to hire a search-engine optimization firm to repair his online image.

It's a delicious irony—one Spinner unsportingly chooses to downplay—that the same Republicans who howled about Solyndra now rank among his most eager clients. "I'm flattered they thought I was worth going after, and I hold no grudges," is all he'll say. Republicans concede that, yes, it's all a bit awkward. "Look, I went in knowing how this would look," Moffatt, Romney's digital director, says. "Do I wish he hadn't worked on [Solyndra]? For sure. But I owe it to my clients. If I didn't believe this product would help them, I'd stay out of your story." That so many Republicans are signing on with RevUp reveals a lot about Washington—about the hypocrisy of most political attacks and the unrelenting pressure to raise money, but above all about the belief that an algorithm could alter the financial arms race of politics.
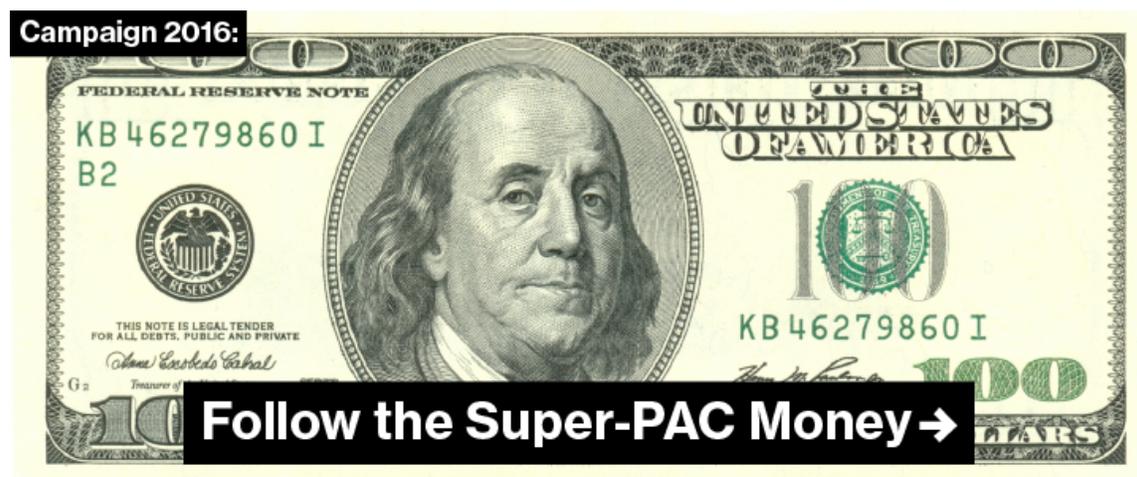
(http://www.bloomberg.com/politics/graphics/2016-fec-filings/march/table/)

When Obama decided to challenge Hillary Clinton for the Democratic nomination in 2007, she didn't initially register the scope of the threat, because her young opponent, while charismatic, lacked an obvious means to raise real money. Clinton had locked down most of the big Democratic donors. Silicon Valley was an exception. In the early to mid-'90s, when her husband ran for president, the Internet boom and the great fortunes it would yield still lay ahead. By the time Obama came along, however, a

prosperous class of technology workers had arisen and become radicalized against George W. Bush and the Iraq War.

Three factors came together in Silicon Valley to power Obama's campaign past Clinton and to the White House. First, she neglected to cultivate this major new source of wealth, leaving it to her opponent. Second, the McCain-Feingold campaign-finance law weakened the power of the large-dollar donors whom Clinton and the Democrats relied on to write big checks, putting a premium instead on those who could bring in lots of smaller checks. Third, and most important, Silicon Valley entrepreneurs recognized that social-media networks such as Facebook and LinkedIn, just then taking off, could be usefully applied to political fundraising.

Spinner was recruited to his first fundraiser by an engineer and venture capitalist named Mark Gorenberg, who recognized early on how the value to campaigns had shifted from "writers" to "raisers." "If the most that any one person could [legally] write a check for was $2,000," Gorenberg told me, "then the important people suddenly became those who would put their hand up and say, 'I'll raise $50,000 or $100,000.' " Spinner put up his hand. And because he was steeped in social networks—and through them connected to a tech class capable of writing $2,000 checks— that's where he turned to raise money. Nobody had yet thought to do this. "I remember poring over my friends' profiles, trying to figure out if they were Republicans or Democrats," he says. His method was time-consuming and arduous because this, along with other crucial facts, wasn't easy to discern. "Every day in 2008, half the people I reached out to told me I was an asshole for backing Obama over Clinton," says Spinner. "I lost friendships over it." Many friends, however, were intrigued by Obama and glad to be asked to help. Some were eager to do more than write a check, and so, encouraged by Spinner, they turned to their own networks to raise money. Collectively, this expanding network of raisers produced a tsunami of cash for Obama that ultimately overwhelmed Clinton and ratified the value of the model. "When I was on Obama's National Finance Committee," says Rusty Rueff, an entrepreneur Spinner recruited to run Technology for Obama, "the amazing thing was you'd be sitting next to a CEO who had maxed out and on the other side next to a schoolteacher who had raised maybe 10 times what the

CEO had. The schoolteacher is more important than the CEO, because the schoolteacher is out there raising and bundling in larger magnitudes." When Spinner returned home from his bruising stint at DOE, he started thinking about how the fundraising process could be made more efficient. The answer, he decided, was to combine what he knew about fundraising with what he knew about data science and technology. A friend introduced him to Aaron Redalen, an engineer with joint degrees in computer and library sciences, and together they established RevUp and set to work writing code.

From the outset, Spinner opted to make RevUp politically agnostic, like Google or Facebook, rather than an explicitly Democratic company. Why would someone who labored so hard to twice elect Obama—at no small reputational cost—willingly team up with his onetime Republican oppressors? Why not keep it in the family? Spinner insists he's sick of partisanship and motivated by a desire to break the grip of wealthy donors on both parties. But he's also motivated by the business opportunity: Being seen as merely a political company would limit his entree into the much larger market beyond politics that includes academia and nonprofits. "There's $4 billion to $8 billion in opportunity for companies in this sector," he says. While clients on the left who knew him from the Obama campaigns were eager to sign on, Spinner worked hard to court right-leaning investors and clients whose only association with him, if they had one at all, was the villainous portrait cooked up by the Romney campaign. "Obviously, I knew of him because we'd attacked some of his stuff," Moffatt says. "I took a meeting with him because somebody asked me to, and as we went through it, you could tell that he was legit. He was solving a lot of the things we [Republicans] were trying to solve."

After a year of beta testing, RevUp recently launched its data analytics software, into which anyone—candidate, staff, volunteer fundraiser—can upload a list of personal contacts from Gmail, Outlook, LinkedIn, or other sources, along with the candidate or cause for which he is raising money. The software then spiders through records aggregated from thousands of public and private websites and databases, checking the names against everything from dozens of public-election databases (such as the Federal

Election Commission's), to political groups (the Federalist Society, the Sierra Club), to thousands of charities and nonprofits (Boys & Girls Clubs, the Ms. Foundation for Women), even to colleges and universities. The information this journey yields is rich enough to determine a person's political leanings and even their past support for specific candidates, thus eliminating the possibility of awkward, friendship-wrecking phone calls. What spits out the other end is one's contacts ranked by their ability and likelihood to give, whether or not they've donated to a campaign before. "For me, the key to fundraising is respect," says Spinner. "You not only know who to call and what to talk about, but who not to call. It changes the whole dynamic." Yet getting people you know to cheerfully part with their money and allow themselves to be conscripted into a campaign, entails knowing more than their party or pattern of donation. It's part science, part seduction. Spinner often forges bonds over nonpolitical subjects—a shared alma mater, an employer, an ethnicity, a child's school. It's less a strategy than a mode of being. But he recognized the utility this holds for fundraising and built it into the software. You may know that your colleague drives a Prius and seems like she might support Sanders. RevUp can tell you that she also went to Stanford, joined the Sierra Club, loves skiing and poodles, and wrote Bernie a $500 check last fall. You'll have plenty to discuss. "What RevUp really is," says Joe Rospars, an Obama campaign veteran who founded Blue State Digital (a partner and investor in RevUp), "is a software version of Steve himself. He's put his personality and experience into code." Smoothing the approach for volunteer fundraisers helps. But the software's deeper value lies in its ability to unlock two major sources of funding that are difficult for even professionals to reach: people who've never donated to a campaign and people who give to the other party. In most campaigns, 95 percent of what's raised comes from previous political donors, who represent just 1 percent of the population.

Spinner is the campaign chairman for a Silicon Valley congressional candidate of Indian heritage named Ro Khanna (http://www.rokhanna.com/) . By identifying people who share an affinity—say, a South Asian background—the software has turned up hundreds of new donors. "For Ro, only 30 percent of his supporters were previous donors," says Spinner,

"while 70 percent are first-timers."

What often persuades clients to sign on is the ability to raise money behind enemy lines. "In theory, no Democrat would ever give to a Republican and vice versa," Spinner says. But many do. Often, they're drawn to a particular candidate or issue. To demonstrate how to find them, Spinner—a Democratic fundraiser and denizen of liberal Menlo Park, Calif.—uploads his own 6,933 contacts and optimizes them for an imaginary Republican congressional candidate. Within minutes, the software merges 605 duplicate entries, then ranks the 6,328 people on a 100-point scale. Hundreds of Spinner's contacts are shaded red or pink, including several prominent venture capitalists who are major Democratic donors. Another click reveals the Republican candidates or causes to which Spinner's contacts have given, which the software correlates with our own (fictitious) Republican. Were he real, it would alert us if a prospective donor had already given the legal maximum or given to the opposing candidate, so we would know not to embarrass him with a phone call. "What we see from the software," says Spinner, "is that you don't have to exclude half the population. You can get rewarded for talking to everyone—if you can find the right hook."

When Spinner ran this drill for a Republican committee staffer recently, she remarked that if he ever wanted to switch his allegiance, he could easily become a top fundraiser for Republicans.

Who's winning the 2016 delegate count? **See the graphic** 📊

(http://www.bloomberg.com/politics/graphics/2016-delegate-tracker/)

Presidential campaigns have ripple effects that reach far beyond the world of politics. RevUp's investors hope universities and nonprofits will be the next sectors to feel them. Both have fundraising structures that resemble the way national political campaigns operated until not long ago: They rely heavily on a paid staff of professionals to cultivate a list of familiar donors. In theory, limiting themselves to this model leaves a lot of money on the table.

RevUp's investors believe that there's another way. University and college capital drives are similar to political campaigns—the goal is to raise as much money as possible for a distinct cause in a set period of time. Similarly, most nonprofit foundations are like politicians in that they probably would appeal to a universe of people beyond their existing donors. "Every disease, body part, and social problem has its own foundation," Rospars points out. There's no reason beyond tradition that volunteers armed with RevUp's software couldn't do for spina bifida or the Humane Society what Spinner did for Obama.

Last year, Rueff, a Purdue University alumnus and cabinet officer for the school's Day of Giving capital campaign, persuaded Purdue's development office to give RevUp's software a try. It was, he admits, a bit perplexing to a buttoned-down staff of university fundraisers accustomed to doing things in their own way. "I was a bit of a John the Baptist, crying from the wilderness,

'There's another model!' " he says. Although the role the software played shouldn't be overstated, Purdue raised more than $13 million, the most any school has ever raised for higher education in a single day. "It opened their eyes," says Rueff, "to the possibility that a non-development officer—a layperson like me—could use software to raise money on behalf of the school."

Even so, the political world will make use of it first. But to what end? One consequence of Obama's campaigns was to democratize money in politics by bringing in millions of small donors to dilute the power of the large ones. A similar dynamic is playing out in Sanders's campaign. To Spinner, who's suffused with the full measure of Silicon Valley utopianism, his software has the potential to strengthen the democratic process by freeing up the Steve Israels of the world to do the civic-minded work we elect them to do. There is some evidence for this viewpoint. "For me," says Dave Calone, a Democratic congressional candidate in New York's 1st District, "it's reduced the amount of time you need to spend raising money, so I can focus more time on what really should matter: meeting voters, discussing the issues, coming up with solutions."

Old Washington hands like Rospars, however, betray a slightly more jaundiced view of what the influx of still more money into politics will yield—though he, too, offers a positive gloss: "The less that a group of people smoking cigars on South Capitol Street think they're Masters of the Universe that can control major political parties, the better for all of us."

Whether any of this comes to pass, it does appear that RevUp's software could make a lack of money less of a deterrent to running for office. One of the early surprises of this election cycle is the Republican campaign of a retired U.S. marine, David "Bull" Gurfein, for a congressional seat on Long Island. "I'm an outsider, not a politician," he says. "So I don't have the relationships with wealthy donors." Gurfein didn't initially give much thought to how he would raise money. "When you think about getting involved in politics, you mainly think about impacting the country in a positive way. The last thing you think about is fundraising. Then all of a sudden, it slaps you in the face."

His campaign manager signed on with RevUp in an effort to level the

playing field. Within the first 20 days of his campaign, Gurfein raised $132,000. "All of a sudden," he says, "people took us very seriously." It was especially gratifying because even friends had expressed doubts when he told them he was planning to run for Congress. "Everybody laughed," he says. "They said, 'Are you out of your mind? You're running against an eight-term incumbent.'"

But here's the funny thing about fundraising in politics: It can be as unpleasant for an eight-term congressman as it is for an upstart. And as it turns out, it was. The eight-term congressman who appeared unbeatable suddenly quit and gave Gurfein a clean shot at an open seat. His name? Steve Israel.

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