Hidden in Plain Sight:
The Role of Corporate Board of Directors in Public Charity Lobbying

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December 13, 2020

Abstract:

Using IRS tax filings by public charities linked to lobbying disclosure and corporate board data, we show that charities with corporate directors on their boards spend more money on lobbying for the connected firms' industry interests. The effects of board connections are stronger when charities are connected to firms with greater lobbying expenditures or when charities are constrained on funding. We rule out spurious factors by controlling for firm-charity pair fixed effects, and address concerns of reverse causality using director turnovers as shocks to firm-charity connections. Consistent with quid-pro-quo relationships between firms and charities, we find that connected firms benefit from increased procurement contracts, and that connected charities receive more grants and donations. Our results highlight executive charitable engagement as a complementary avenue for corporate political activities.

Keywords: Corporate Political Activities, Corporate Governance, Board of Directors, Political Connections, Lobbying, Public Charities, Nonprofit Organizations

JEL Classification: D72, G34, G38, P16

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1. Introduction

In an era of heightened demand for corporate social responsibility, there is extensive interest in a broad range of corporate ESG profiles and philanthropic activities of firms including their interactions with nonprofit organizations. In particular, a heated debate has focused on the potential dark side of corporate-nonprofit relationships: Do nonprofit organizations serve as conduits, or "dark money" channels, for corporate political activity?[1] While some skeptical light has been cast on private foundations established by corporations, another concern relates to undisclosed transactions between firms and public charities. In fact, corporate executives are often heavily involved with charities, and their affiliations may not always lead to altruistic outcomes. Despite the importance of these questions, there has been limited research in this area. This study fills this gap by showing that corporate directors serving on public charity boards often affect the lobbying behavior of public charities, aligning them with corporate industry interests.

While it may not be surprising that private foundations owned or operated by firms should serve the firm's political interests (see Bertrand, Bombardini, Fisman, and Trebbi, 2020; Bertrand, Bombardini, Fisman, Hackinen, and Trebbi, 2020), it is more concerning if public charities engage in similar behavior – particularly since these are nonprofit organizations with charitable objectives founded and supported by a dispersed group of small donors, who may be less expected to serve the political interest of private industries. Nonetheless, our study shows that public charities have been increasingly lobbying for issues that are of key interest to corporations. Not only are more charities engaging in political lobbying over time (see Figure 1), many of these charities share connections with firms in various industries through their boards of directors (see Figure 2; Cai, Xu, and Yang, 2020). Strikingly, the annual amount spent by charities lobbying for issues of connected industry interests has nearly doubled over the past decade (see Figure 3). Moreover, charity

[1] See Reich (2018) and The New York Times for examples of this debate.

lobbying for corporate interests (*CLC*) fluctuates closely with economic policy uncertainty, and more intriguingly with the average political risk exposure of individual connected firms (see Figure 4).

Motivated by these facts, we study the impact of board connections between firms and public charities on the lobbying behavior of charities. Using 990 IRS tax filings by public charities manually linked to lobbying disclosure and corporate board data, we document large and significant effects of firm-charity board overlap on the lobbying tendencies of charities. Specifically, we find that charities that have corporate directors serving on their boards spend significantly more on lobbying for top issues that overlap with the industry interests of their connected firms. We also find that the effect of board connections on charity lobbying is more pronounced when the firm itself had lobbied more actively in the trailing five years, and when the charity is smaller and more dependent on grants and donations. These findings indicate that firms and charities share aligned interests, which are not always apparent to policymakers or the general public. More specifically, firms enjoy the political lobbying benefits provided by charities who in turn benefit from increased access to charitable funding.

To help illustrate these results, consider the example of Mr. Earl Graves Sr., who served on the board of trustees of the American Museum of Natural History throughout our sample period. Until 2007, he was also an independent director on the board of AMR Corp (currently American Airlines Group). During this time, the American Museum of Natural History was surprisingly an active lobbying client in aerospace, in 2004 being one of the top five lobbying clients in this area together with companies such as Boeing, Lockheed Martin, Northrop Grumman, and Best Air Holdings (currently Virgin America).[2] Interestingly, the Museum stopped lobbying in the aerospace area after Mr. Graves Sr. left the board of AMR at

[2] See OpenSecrets.org.

the beginning of 2008. This example well represents behavior we find to be widespread among various types of charities, including healthcare organizations and universities.

The example also helps us draw nuanced interpretations from our results. Like most directors in our sample, Mr. Graves Sr. was an independent director serving on multiple boards. Given the numerous independent directorships often held by corporate directors, the lobbying effects of board connections are more naturally interpreted as indirect complementary benefits of charity affiliations arising from the equilibrium of corporate and charity incentives, rather than the consequences of direct and costly endeavors by directors pushing for charity lobbying behind closed doors.

A natural concern is that the observed links between firm-charity board connections and charity lobbying are not always strategically designed, and they instead may be driven by spurious factors. For example, independent of their firms' interests, corporate directors may personally choose to affiliate with charities that share their political values and goals. We rule out this possibility by controlling for firm-charity pair fixed effects, thus setting a high bar for refuting our interpretations. To further address reverse causality issues, we also use director turnovers to identify shocks to board connections between firms and charities. We find that charities spend less on lobbying for issues that benefit firms they had been connected to after a director turnover severs the firm-charity connection. In particular, the effect of a director turnover on charity lobbying is strongest when the director leaves the boards of both the firm and charity, further solidifying the role of connections through directors in shaping pro-industry lobbying by charities.

What do firms gain when connected charities lobby on their behalf, and what incentivizes charities to engage in such lobbying? Consistent with quid-pro-quo relationships, we find that both firms and charities benefit from their board connections. While firms obtain more revenue enhancing procurement contracts from governmental agencies when they share a director with a charity, charities also benefit from lobbying for

the connected firm's interest in the form of significantly more grants and donations that likely come through doors opened for them by corporate executives. These findings support the notion that firm-charity board connections are determined in equilibrium by the demand of both parties, including the charity's incentive to raise funds, rather than unilateral corporate pressure.

To put our findings into context, it is first important to note that lobbying is regarded as one of the most important avenues of political engagement. It is known that in general, interest groups spend roughly ten times more on lobbying expenditures than they do on campaign contributions, and a common interpretation of this fact is that lobbying buys more direct influence on policy than do contributions (see Ansolabehere, de Figueiredo, and Snyder Jr., 2003; Igan, Mishra, and Tressel, 2011; Bertrand, Bombardini, and Trebbi, 2014; Zingales, 2017). Therefore, lobbying is a first-order variable to examine in a study of political activity. While the dollar magnitude of charity lobbying pales in comparison to direct corporate lobbying (see Figure 5), it should be noted that pro-corporate charity lobbying is best viewed as a complementary return on executive charitable activity that comes at low or no direct cost to firms. More importantly, the returns to lobbying are known to be much greater than returns to conventional capital investments (see Tullock, 1972), implying that even modest amounts of lobbying can be highly valuable for firms.[3] It should also be noted that these magnitudes are economically important from the perspective of charities and within the context of what would normally be expected to comprise their spending.

Second, our sample of board connections between firms and charities that disclose lobbying activity is fairly representative, covering approximately 70% of all US firms that have directors who also serve on charity boards. Given that our results hold for over half of this sample where political incentives are likely to be higher, we estimate that our findings

[3] For example, according to a back-of-the-envelope calculation, it took only $212,000 in lobbying expenditures to defeat a proposed amendment to the Farm Bill in 1985 to cut various agricultural subsidies, the annual transfers of which are estimated at $1 billion per year (see Zingales, 2012).

reflect the nature of at least one-third of all US firms whose directors serve on the boards of charities, corresponding to over 2,000 firms. While our results do not imply that all charitable activities pursued by corporate directors reflect ulterior firm value maximizing motives, they do suggest that corporate political incentives often align well with charity funding needs, reaching far beyond the small number of firms that use their own private foundations for political purposes (see Bertrand et al., 2020; Bertrand et al., 2020).

Our study provides unique insights into the connections between individual philanthropy by corporate directors and the political interests of firms. In doing so, we contribute not only to the debate on whether charitable organizations serve corporate political interests, but also to a broader literature that studies the motivations for corporate and individual prosocial behavior (see Navarro, 1988; Bénabou and Tirole, 2006; 2010). Much of this literature has focused on the agency view of corporate social responsibility, namely that firms, executives, and directors engage in charitable activities for their private benefits such as the fulfillment of their personal moral values or the betterment of their reputations and career prospects, principally at the expense of shareholder value (see Brown, Helland, and Smith, 2006; Borghesi, Houston, and Naranjo, 2014; Krüger, 2015; Masulis and Reza, 2015; 2020; Cai, Xu, and Yang, 2020). As an alternative to this perspective, our findings suggest that a large fraction of executive prosocial behavior through charitable organizations entail a quid-pro-quo relationship between charities that need funding and firms that can benefit from political lobbying, consistent with directors operating to maximize shareholder value.

By highlighting corporate director appointments with public charities as a less-recognized complementary avenue of political lobbying, our findings also contribute to a long-standing literature on the political influence of firms that builds on the idea that interest groups can use financial resources in the political process to affect policy-making (see Snyder Jr., 1990; Grossman and Helpman, 1994; 2001; Goldberg and Maggi, 1999; Gawande

and Bandyopadhyay, 2000). Many economists have shown that the value of political connections can be significant (see Fisman, 2001; Faccio, 2006; Ferguson and Voth, 2008; Cooper, Gulen, and Ovtchinnikov, 2010; Akey, 2015), and that such connections can be important for firms that are more exposed to political uncertainty (see Julio and Yook, 2012; Acemoglu, Johnson, Kermani, Kwak, and Mitton, 2016; Akey and Lewellen, 2017). The payoffs of investing in such connections come in many forms, such as preferential access to finance (see Claessens, Feijen, and Laeven, 2008; Duchin and Sosyura, 2012; Houston, Jiang, Lin, and Ma, 2014), laxer regulation and enforcement (see Kroszner and Strahan, 1999; Johnson and Mitton, 2003; Yu and Yu, 2011; Correia, 2014), bailouts (see Faccio, Masulis, and McConnell, 2006), and more.

Despite such mounting evidence on the value of political connections, not much is understood about what constitutes corporate political activities beyond well-known methods such as campaign contributions, direct lobbying, and personal ties with politicians (see Goldman, Rocholl, and So, 2009; 2013; Ovtchinnikov and Pantaleoni, 2012), which have been argued to underestimate the true extent of corporate political reach (see Tullock's (1972) puzzle). An alternative route that has received much suspicion from the media – dubbed "dark money" – is where corporate philanthropy serves as a conduit for political engagement.[4]

While the corporate-charity links we describe may be broadly viewed as an alternative "dark money" channel, it is important to note that these links are not explicitly hidden. Indeed, data regarding board composition and lobbying are publicly available for both public corporations and public charities. Moreover, our finding that the effects of board connections on pro-corporate charity lobbying are stronger for firms that lobby themselves,

[4] For example, corporations can use their charitable arms (i.e. private foundations) to channel money to their favored politicians' congressional districts or influence public policy opinions (see Bertrand et al., 2020; Bertrand et al., 2020). Widely considered even more pernicious is the possibility that firms could influence the behavior of public charities to deviate from their purported organizational purposes that justify broad public support.

suggests that corporations are not simply nudging connected charities to lobby in areas where the firm is reluctant to do so on its own behalf. Instead, our results highlight in detail how the relatively unexplored shared interests of corporations and charities play an important role in influencing public policy. In this regard, our study guides policy makers who debate how to regulate or tax the activities of public charities and bring more transparency to the political process.

This paper is organized as follows. In the next section, we provide some institutional details on public charities and political lobbying, explain how we construct our data, and provide descriptive statistics of our sample that guide our main analysis. We then present the results of our analysis and discuss their implications. Finally, we briefly summarize our findings and make some concluding remarks.

2. Data and Sample Overview

2.1. Institutional Details and Data

2.1.1. Public Charities and Lobbying Allowances

Public charities are nonprofit organizations that raise funds or receive contributions from many dispersed sources, including the general public, governmental agencies, corporations, private foundations, or other public charities, to conduct activities and direct operations for the furtherance of charitable purposes for which they are tax-exempt under Section 501(c)(3) of the United States tax code.[5]

While public charities are strictly prohibited from supporting or participating in campaigns for or against political candidates to public office, they are not precluded from

[5] In contrast, private foundations typically have a single major source of funding (i.e. gifts from one family or corporation), rather than from many sources. Most private foundations have as their primary activity the giving of grants to other public charities or individuals, rather than the direct operation of charitable programs (see https://www.irs.gov/charities-non-profits/charitable-organizations/public-charities).

political lobbying activities to advocate or influence policies. Indeed, charities can engage in either direct or grassroots lobbying within fairly generous limits, insofar as such lobbying does not constitute a "substantial part" of the organization's activities. While this provision is meant to leave room for charities to undertake legislative activities in furtherance of their program goals, the baseline "substantial part" test depends largely on the subjective case-by-case evaluation by the Internal Revenue Service (IRS). To avoid this subjectivity, charities may elect to subject themselves to a predefined "expenditure test" under Section 501(h) that explicitly outlines the limitations to lobbying. Under this rule, charities can spend up to 20% of the first $500,000 of their total annual exempt purpose expenditures on lobbying, 15% of expenditures in excess of $500,000, 10% of expenditures over $1 million, and 5% of expenditures above $1.5 million, with a total lobbying cap of $l million.[6] Moreover, violating such rules has modest consequences. In a given year, violating charities are levied a 25% tax on the portion of lobbying expenditures that exceed the limit, and their tax-exempt status is revoked only if their lobbying exceeds the limit by more than a 50% margin over a four-year period. Overall, public charities have considerable leeway in their ability to conduct political lobbying.

2.1.2. Public Charity Data

Under Section 501(a) of the tax code, the IRS mandates that such public charities file Form 990 at the end of each tax year.[7] In these filings, charities disclose their financial information and provide a list of their employees and board members. To facilitate inspection by the general public, the IRS has made the full version of these filings publicly available since 2010

[6] Grassroots lobbying is capped at 25% of the total allowable lobbying ceiling under the "expenditure test".

[7] The IRS mandates that tax-exempt organizations under Section 501(a) with gross receipts of $200,000 or more, or total assets of $500,000 or more, at the end of the tax year file Form 990. Smaller charities are allowed to file a lighter version of Form 990, namely Form 990EZ if gross receipts (total assets) are below $200,000 ($500,000) for the tax year or Form 990N if gross receipts are normally below $50,000. Certain large political organizations (Section 527) or nonexempt charitable trusts (Section 4947(a)(1)) that are not treated as private foundations must also file Form 990 or 990EZ. Private foundations are required to file Form 990PF where they must further disclose their grant giving activities.

through a number of sources including Google BigQuery or Amazon Web Services (AWS). The IRS also maintains select financial data from these filings in the Statistics of Income (SOI) Tax Stats database, from which third parties such as the National Center for Charitable Statistics (NCCS) compile historical data dating back as early as 1989.

To construct the dataset for our study, we start by hand collecting information on key financials and employment of public charities disclosed in Form 990 filings from AWS. This data is available from 2010 onward and includes the full list of individuals on the charity's payroll as well as their roles, which forms the basis for identifying board connections between charities and corporations. We complement this data with historical information on annual assets, grants, and donation receipts since 1999 collected from NCCS. Using the IRS Exempt Organizations Business Master File, we retain pure charities with meaningful presence by excluding business and professional organizations, subordinated charities, and small charities with less than $1 million in assets as of the beginning of the sample period. We build our sample by manually linking this public charity dataset with other sources of data on corporate boards and lobbying disclosures as detailed below.

2.1.3. Corporate Boards of Directors, and their Connections to Charities

We collect biographic information on the directors of publicly traded US firms from BoardEx, spanning the sample period from 1999 to 2017. Importantly, we collect information on the director's extracurricular activities outside the firm, or "*other activities*", and combine this information with the IRS Form 990 data to identify whether corporate directors are on the boards of public charities.

From BoardEx directors' *other activities*, we manually match both the names of the directors and their associated outside organizations with the names of the personnel and charities from the Form 990 filings each year.[8] For the matches we find for the period during

[8] From the extracurricular activities of directors recorded in BoardEx, we exclude generic memberships with outside associations (e.g. AICPA).

which Form 990 filings are available (i.e. 2010 and onward), we extrapolate the matches for the entire period for which BoardEx indicates the director-charity association holds. This enables us to overcome the relatively short sample period of Form 990 filings available through AWS and construct a sample of firm-charity director connections for an extensive period from 1999 to 2017.

2.1.4. Lobbying Activity

The United States Lobbying Disclosure Act (LDA) of 1995 was legislated to bring increased accountability and transparency to the federal lobbying process. Federal lobbyists have since been required to register with the Clerk of the House of Representatives and Secretary of the Senate, and file semi-annual reports if their activities on behalf of a client exceed $10,000 per year. We download this data which is publicly available at the Senate Office of Public Records (SOPR) website for the period 1999 to 2017, and use this information to identify the lobbying activities of public charities and corporations. Because the LDA database does not have standard identifiers that can be used to link lobbying clients to public charities or corporations, we conduct an extensive name match between LDA clients and both the charitable entities in the Form 990 dataset as well as the corporations from the BoardEx database.

From each semi-annual LDA report filed by a federal lobbyist, we focus on two key variables related to lobbying, namely the *topic* the lobbyist lobbied for on behalf of the client, and the *dollar amount* spent on that topic. When one value is reported for the dollar amount spent by a lobbyist for a client on several topics, the dollar amount is equally divided across the listed topics. Each year, we then identify whether a charity or firm lobbied for a topic as indicated by whether they appear as clients in the LDA reports, and quantify how much they spent on lobbying for a topic by aggregating the dollar amounts at the charity-topic-year or firm-topic-year level.

2.1.5. Other Data

Finally, we collect firm financial variables from Compustat – such as total assets, market-to-book equity, and total debt – and retain firms with assets that are equal to or greater than $1 million as of the beginning of the sample period.

We also compile information on government procurement contracts allocated to firms, to examine the returns to corporations on their connections with charities that lobby on their behalf. The Federal Funding Accountability and Transparency Act of 2006 requires full disclosure to the public of all entities or organizations receiving federal funds (e.g., grants, contracts, awards, purchase/task/delivery orders, loans and other forms of financial assistance, etc.). Pursuant to this Act, all disclosure since 2001 is made publicly available at USASpending.gov. From this website, we collect data on prime transactions of all contracts and grants between 2001 and 2018. We then manually match the names and addresses of the federal fund recipients with those covered in Compustat each year, and aggregate the Federal Action Obligations across all transactions at the firm-year level.

To conduct tests relating the effects of firm-charity board connections on charity lobbying to channels associated with firm political incentives, we collect additional data on firm-level exposure to political risk. Specifically, we download the firm level political risk measure constructed by Hassan, Hollander, van Lent, and Tahoun (2019), who derive the *P-Risk* measure via textual analysis on quarterly earnings conference calls of individual firms by counting the occurrences of political bigrams in conjunction with synonyms for risk and uncertainty. As a control for the average level of political news, we also obtain their *P-Sentiment* variable, which is the net count of positive versus negative words in conjunction with political bigrams. We annualize the quarterly firm level *P-Risk* and *P-Sentiment* measures by taking the average of the four quarters in a year.

2.2. Measurement

Based on these data sources, we measure two key variables - firm-charity board connections and charity lobbying activity for connected corporate interests. We discuss the measurement of these variables in this section.

2.2.1. Firm-Charity Board Connections

After obtaining a comprehensive individual and organizational name match between the BoardEx directors' *other activities* database and IRS 990 filings as described above, we create an indicator variable, $Connected_{i,j,t}$, which is equal to one if firm i and charity j share a common director as of year t and zero otherwise. We use this as our baseline explanatory variable to explain the lobbying behavior of charity j in relation to firm i's interests.

Alternatively, we use director turnovers, where the director who was constituting a firm-charity connection leaves the board of either the firm or charity, to identify events where a firm-charity connection is severed. Using these turnover events, we implement a difference-in-differences framework to solidify the interpretation of our baseline tests, as we describe in Section 3.

2.2.2. Charity Lobbying for Corporate Interests (CLC)

To assess whether corporate director appointments lead charities to deviate from their organizational purpose to promote corporate interests, it is first necessary to determine what type of lobbying serves the firm's interest. To this end, we define the firm's lobbying interest as the lobbying interest of the industry to which the firm belongs. Specifically, we aggregate corporate lobbying activity per topic at the Fama-French 30 industry level, and use these as weights in aggregating the charity's lobbying activity across topics to measure how intensely the charity lobbies in the interest of the connected firm. We exclude topics TAX and BUD (i.e. Budgets), which are likely of interest to firms, regardless of industry, and to nonprofits alike. Specifically, our main dependent variable, charity lobbying for corporate interest (CLC) is defined as follows.

$$CLC_{i,j,t} = \frac{\sum_k w_{i,j,k,t} \cdot CL_{j,k,t}}{\sum_k w_{i,j,k,t}} \quad (1)$$

$w_{i,j,k,t}$ is the aggregate lobbying of firms in the same industry as firm i connected to charity j in topic k, and $CL_{j,k,t}$ is charity j's lobbying in topic k. $CLC_{i,j,t}$ is then computed as the weighted average of charity j's dollar lobbying across all topics, where the weights are the aggregate lobbying in each topic by firms in connected firm i's industry.

This measure provides a quantitative summary of how the charity's lobbying activity overlaps with corporate lobbying interests of the connected firm measured at the Fama-French 30 industry level. For all topics for which the connected firm's industry does not lobby, a weight of zero is assigned, and therefore the *CLC* measure does not include any of the charity's lobbying in such topics. Moreover, since the measure is a weighted average of spending across topics, it underweights and overweights the most and least important topics for which the connected firm's industry lobbies, respectively, making it less likely that the variation in the measure is driven by extreme cases of lobbying for certain topics.

2.3. Sample Overview

Based on the various data sources described above, we start by investigating the basic properties of the combined dataset to understand the nature of our sample of firms, charities, and their connections through shared board directors.

2.3.1. Corporate Directors

As summarized in Table 1, our sample starts with a broad sample of firms in the intersection of BoardEx and Compustat that includes on average 2,540 firms each year for the period from 1999 to 2017, or 3,844 unique firms over the full sample period. These firms have on average 9.4 directors on their boards, and have one director each year who also serves on the boards of public charities. More than half of all firms (i.e., 63.9%) have directors with charity board memberships, and 10.7% of all corporate directors in our sample serve on

charity boards. Over time, there has been an overall increase in board size by roughly three directors on average between 1999 and 2017.

Interestingly, the average number of directors per firm serving on charity boards has nearly doubled during this period from 0.65 directors to 1.07, with an increasingly larger fraction of all directors working on charities over time, begging the question of what might be driving the increasing association between corporate directors and public charities. Part of the answer comes from the way our data is constructed, as we start from a set of charities that file IRS 990 forms during the 2010 to 2016 period, and extend their coverage back to 1999 and up to 2017 using historical data on director extracurricular activity from BoardEx. Hence, we do not have information on charities that ceased to exist prior to 2010. Nevertheless, it is worth noting that there is no discontinuous drop in the fraction of firms or directors associated with charities prior to 2010, and that we include year fixed effects in all of the regressions in our main analysis such that the impact of sample composition each year does not bias our results.

2.3.2. Industry Lobbying Interests

As our measure of charity lobbying for corporate interest (*CLC*) quantitatively summarizes how the charity's lobbying activity overlaps with corporate lobbying activity at the Fama-French 30 industry level, it is helpful to examine the topical lobbying behavior of industries as compared to that of charities. Table 2 provides a detailed documentation of topic level lobbying activity within each industry and charity organization type.

Panel A of Table 2 tabulates the list of Fama-French 30 industries and the time-series averages of the number of firms in each industry, the industry's concentration of assets measured by the Herfindahl-Hirschman index (HHI), the industry's aggregate spending on lobbying, the top LDA issue lobbied for by each industry ranked by the proportion of firms lobbying for each topic, and the fraction of aggregate industry lobbying spent for the top issue. The top issues that industries lobby for usually correspond well to interests specific to

the industry, and are different from the issues that charities primarily care about. This is seen clearly by comparing the lobbying activity of industries with those of charities, shown similarly in Panel B.[9] More visibly, Figure 5 shows how the importance of each topic is different for industries and charities, by comparing the amount of their lobbying for each issue side-by-side. Charities spend a disproportionate amount on lobbying for health issues (i.e., HCR) than for any other issue, which firms also lobby heavily on. Otherwise, charities overall do not lobby as much as corporations, and there is little cross-topic correlation in the lobbying activities between firms and charities.

Consequently, when a charity becomes connected to a firm and subsequently begins lobbying for topics that are in the firm's interest, it is likely that the shift in lobbying is driven by the charity's service to the firm, rather than an unobserved change in the charity's operations. That being said, we recognize that these shifts may be driven either by the firm's political incentive or by the charity's funding incentive. We conjecture that both forces are at play, and our results confirm that this is indeed the case.

Overall, an examination of lobbying activity across topics, industries, and charitable organization types provide empirical validation for our *CLC* measure.

2.3.3. Main Sample and Characteristics of Firm-Charity Board Connections

In Table 3, we summarize the distribution of our sample of connected charities and firms, which provides insights into the nature and extent of these connections, and how they are related to other firm or charity characteristics.

In Panel A, we start by broadly summarizing the total number of unique charities and firms that share board connections. There are 3,871 unique charities and 5,433 firms that share a director at some point during the period from 1999 to 2017. The average connected

[9] In Table A.1. of the Appendix, we further tabulate the top three issues that each of the Fama-French 30 industries and charity types lobby for.

charity has on its board corporate directors serving on the boards of 3.3 different firms, which suggests pervasive board connections between charities and firms. It is important to note that many charities that are connected to firms do not lobby. In fact, most charities do not lobby at all – Only 843, or approximately one fifth, of the connected 3,871 charities have lobbying activities that are disclosed pursuant to the LDA – and even these non-lobbying charities have board connections with 2.7 different firms. In sharp contrast, however, the majority of firms, 3,844 of 5,433, do have directors who serve on the boards of a disproportionately smaller number of lobbying charities. Lobbying charities are larger in size compared to non-lobbying charities (i.e., on average $409.8 million vs. $145.7 million), and are connected to a much larger number of firms (i.e., 5 vs. 2.7). Lobbying charities spend on average close to $22,500 each year lobbying for the connected firm's industry interest. These statistics suggest that while there is a large subset of charities that are unlikely to channel "dark money", a small number of charities attract a large number of firms who do channel their political incentives through their board connections. Given the distinct and large subset of non-lobbying charities that do not serve corporate political interests in terms of lobbying, we henceforth focus our empirical analysis on lobbying charities to further study the quid-pro-quo incentives they share with a large number of firms with whom they establish board connections.[10]

In Panel B, we summarize our main sample that forms the basis of our analysis. To construct the sample, we take pairs of firms and lobbying charities that have board connections at least once during the sample period from 1999 to 2017, and track each firm-charity pair throughout the entire sample period. There are 843 unique lobbying charities and 3,844 unique firms in the final sample. Of these, 828 charities and 3,639 firms remain or become unconnected during certain periods, indicating substantial variation in connections within firm-charity pairs. The bulk of our analysis focuses on the impact of these within-pair

[10] In Table A.2. of the Appendix, we also provide detailed summary statistics for a "benign" sample of non-lobbying charities and firms with whom they share board connections.

variations, mitigating concerns of endogenous relationships between board connections and firm-charity types. For this main sample, we report the mean, standard deviation, 25th, 50th, and 75th percentiles of numerous continuous variables separately for connected and unconnected firm-charity-year observations, as well as the differences in means along with their t-statistics. In addition, we also report the proportions of specific types of charities (i.e., 501(c)(3) charities; organizations promoting education, health, and sciences; special interest advocacy groups) and firms (i.e., firms that lobby themselves). Most charities are 501(c)(3) organizations that are tax-exempt for charitable purposes (i.e., 93% and 92% of connected and unconnected charities, respectively) and a vast majority of them are charities that promote education, health, and sciences (i.e., 75% and 69% of connected and unconnected charities, respectively).

Charity lobbying for corporate interests (*CLC*) is economically meaningful, with an average of $23,000 spent by a connected charity lobbying for each paired firm's industry during a given year, as compared to the $22,000 that unconnected charities spent lobbying for those firms. Given that the average connected charity shares board connections with five firms, this adds up to a significant amount from the perspective of charities whose activities are generally not expected to include such spending. More importantly, such lobbying incurs low to zero direct cost to firms, and often yields much higher returns than conventional capital investments (see Tullock, 1972).

CLC is also highly skewed, with zero median values for both connected and unconnected charities. After taking the log of *CLC* to dampen this skewness, we find that connected charities spend significantly more than unconnected charities unconditionally, with a t-statistic of 5.9 on the difference in means.[11] To account for differences in the paired firms' characteristics (e.g., connected firms are larger), we also adjust *CLC* by triple-sorted tercile means with respect to firm asset size, market-to-book, and debt-to-assets, and we

[11] We take the log of CLC+1 as CLC has many zero values.

again find that connected charities spend more on *CLC* than unconnected ones. Overall, a preliminary view of *CLC* indicates that charities spend more on lobbying for corporate interests when they share board connections. It should be noted that *CLC* is likely to be correlated with other confounding factors at the year, firm, charity, and firm-charity pair levels. In all of our analysis, we not only control for firm characteristics, but also a rich set of fixed effects.

Surprisingly, Panel B also illustrates that smaller asset-sized charities spend disproportionately more dollars on lobbying for corporate interests compared to larger charities, and they spend significantly more when they are connected to the firms they lobby favorably for. This is consistent with a funding demand channel, where small constrained charities put their lobbying activities up "for sale" to firms that may be able to open doors to larger donor pools and fundraising opportunities. Unconditionally, charities also tend to be connected to firms that lobby themselves and to firms with greater exposure to political risk, consistent with the political incentives of firms also playing a role in equilibrating firm-charity board connections. Consistent with a quid-pro-quo relationship where charities and firms both benefit from board connections, connected charities receive substantially larger grants and donations while connected firms procure significantly more contracts from government – almost four times more than their unconnected counterparts.

Overall, an initial study of the data motivates a hypothesis that connections between firms and charities through common directors arise from the willingness of charities in need of funding to provide firms with political assistance in the form of lobbying.

3. Results

In this section, we present results from our main analyses. We begin with OLS tests of the effects of firm-charity board connections on charity lobbying behavior, and then broaden our investigation of the channels that might explain these effects.

3.1. The Impact of Firm-Charity Board Connections on Charity Lobbying Activity

We start our analysis with firm-charity-year level OLS regressions of the logarithm of charity lobbying for corporate interest, $\log(CLC)_{i,j,t}$, on a dummy variable, $Connected_{i,j,t}$, following the regression equation:

$$log(CLC)_{i,j,t} = \beta \cdot Connected_{i,j,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_j + \alpha_t + \epsilon_{i,j,t} \qquad (2)$$

As detailed in Section 2, $CLC_{i,j,t}$ is computed as the weighted average of charity j's dollar lobbying across all topics, where the weights are the aggregate lobbying in each topic by firms in connected firm i's industry, and $Connected_{i,j,t-1}$ is a dummy variable equal to one if firm i and charity j had a shared director on their boards in year $t-1$. Firm-year level control variables include the logarithm of total assets, market-to-book equity, and total debt as a fraction of total assets, all measured at year $t-1$. α_i, α_j, and α_t are firm, charity, and year fixed effects, respectively.[12] The coefficient, β, estimates the effect of a firm-charity board connection on the intensity with which the charity lobbies in favor of the firm's industry interests. We adjust for standard error clustering at the firm-charity level.

Table 4 reports the results from this regression. The coefficient from the baseline regression with firm, charity, and year fixed effects indicates a positive and significant impact of firm-charity board connections on the charity's pro-firm lobbying behavior. In economic magnitudes, sharing a corporate director on its board induces the charity to spend 10% more on lobbying for issues that the connected firm's industry lobbies for heavily. The coefficient is highly significant at 1%. The result is also robust to controlling for firm-by-charity pair fixed effects.

[12] Alternatively, we control for firm-by-charity fixed effects (i.e., $\alpha_{i,j}$) instead of firm and charity fixed effects separately (i.e., α_i and α_j).

As alternative dependent variables, we also use $CLC\%_{i,j,t}$, which is the weighted average of dummies indicating whether the charity lobbies in each topic using the same Fama-French 30 industry lobbying weights, and $\boldsymbol{I}(CLC)_{i,j,t}$, which is an indicator variable equal to one if $CLC_{i,j,t}$ is positive. These variables abstract away from the charity's dollar lobbying expenditures and focus on whether or not the charity lobbies for a specific topic. As seen in the third and fourth specifications, the results are robust to using these alternative measures of charity lobbying.

While over 90% of our sample of charities are pure 501(c)(3) charitable organizations, we ensure that our results are not driven by the small number of interest and advocacy groups that comprise less than 5% of our charities by simply dropping them. In an untabulated summary, we also find that the overwhelming majority of directors in our sample who constitute firm-charity board connections are independent directors, consistent with the common nature of independent director associations with charities as documented by Cai, Xu, and Yang (2020). We confirm the robustness of our results to dropping the small number of board connections formed by inside directors (e.g., executive directors). These results, reported in the last two columns of Table 4, highlight the "dark" nature of these effects that manifest from unlikely sources that are hidden in plain sight: 501(c)(3) organizations that are supposedly devoted to charitable causes, and independent directors whose focus are on the effective monitoring of management.

The baseline results strongly support the hypothesis that charities with corporate directors on their boards tend to lobby more for topics of industry interest for the connected firm. Next, we explore potential channels that might be driving this main result.

3.2. Potential Channels

3.2.1. Assisting Shareholder Value Maximization, or Spurious Selection?

While our results point toward an unexplored "dark money" channel where firm-charity board connections represent a hidden source of political capital for firms that is willingly provided by charities, a natural concern is that the results may alternatively be driven by biases due to spurious factors. For example, there may be charities that tend to lobby in favor of corporations because of their own political values, and corporate directors may have personal preferences to be associated with such charities independent of what the firms' objectives may be.

However, this explanation is unlikely to drive our results. In fact, the results are robust to controlling for firm-by-charity pair fixed effects, meaning that any predetermined characteristic or preference specific to charities and directors cannot be driving the within-pair association between board connections and charity lobbying behavior. Such preferences of charities and directors would have to vary together within firm-by-charity pairs, but one would be hard-pressed to imagine why this should be the case absent common shocks affecting the preferences of both firms and charities. Such common shocks are also an unlikely culprit, as we control for year fixed effects as well. A more natural interpretation is that the firm's lobbying incentive aligns with the charity's incentive to behave in the firm's interest, driving the charity's lobbying behavior in equilibrium. We revisit this quid-pro-quo relationship later in the paper.

On the other hand, examining whether politically motivated firms actively seek board connections with charities provides insights into the extent to which firm incentives drive our results. For example, if firms dynamically seek connections in response to their exposures to political risk, one might interpret our findings as firms coercing charities to engage in pro-corporate lobbying. Conversely, firms may not proactively establish connections as a function of their political incentives, indicating that industry-friendly charity lobbying may not result from unilateral corporate pressure but rather from the charity's own volition, and that firm-charity connections themselves do not always start out

endogenously based on corporate political motives. In the section below, we examine these alternatives.

3.2.2. Do Firm Political Incentives Drive Firm-Charity Board Connections?

To provide further context regarding the impact of firm-charity board connections on the lobbying behavior of charities, we investigate the determinants of connections. If firm political incentives constitute important drivers of the effects of board connections, a natural hypothesis that follows is that firms with higher exposures to political risk or greater lobbying demand should be more incentivized to establish director connections with charities to reap the political benefits of such relationships. Such firms would also actively seek connections if they aim to hide their lobbying activities, substituting direct self-lobbying with "under-the-radar" lobbying through connected charities.

To test this hypothesis, we run the following firm-year level regressions of a dummy variable indicating whether the firm has a connection with a lobbying charity on explanatory variables measuring the firm's exposure to political risk or its appetite for political lobbying.

$$\boldsymbol{I}(Connected)_{i,t} = \beta \cdot PRisk_{i,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_t + \epsilon_{i,j,t} \quad (3.1)$$

$$\boldsymbol{I}(Connected)_{i,t} = \beta \cdot FirmLobby_{i,t-5\to t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_t + \epsilon_{i,j,t} \quad (3.2)$$

In Equation (3.1), we use Hassan et al.'s (2019) text-based variable, *P-Risk*, as a measure of firm-level political risk to examine whether firms with greater exposure to political risk are more likely to affect charity lobbying behavior through their connections, as a way to buy protection from political downside risk. We first annualize the quarterly *P-Risk* measure by taking the average of the four quarters in a year. To facilitate interpretation of the regression coefficients, we then take the standardized Z-score of *P-Risk* by subtracting its sample mean and dividng by its standard deviation, and use its lagged value as the explanatory variable to explain whether the firm has a charity connection in year *t.* We further control for the standardized Z-score of *P-Sentiment*, which captures the "level" of

political sentiment, to isolate the effect of the second moment measured by *P-Risk*. In Equation (3.2), we alternatively use a proxy for the firm's lobbying demand, namely a dummy variable, $FirmLobby_{i,t-5\to t-1}$, indicating whether the firm had lobbied itself during the five trailing years from year $t-5$ to $t-1$. As additional controls, we include the logarithm of asset size, market-to-book equity, and leverage, as well as firm and year fixed effects. β captures the association of firm-level political risk or lobbying demand with the likelihood of the firm having a board connection with a charity.

Counter to the notion that connections with charities are primarily sought endogenously by firms with ulterior political motives, Table 5 shows that variations in firms' exposure to political risk do not affect their likelihood of establishing board connections with charities. When we control for the level of political sentiment, the effect of political risk – the second moment – remains insignificant. The effects are consistently weak when we replace the indicator dependent variable with a continuous measure of the number of charity connections held by the firm in a given year. To ensure that these non-results are not attributable to measurement issues in *P-Risk*, we replace this proxy for political incentives with $FirmLobby_{i,t-5\to t-1}$ and still do not find firm lobbying demand to explain connections in a statistically or economically important way. The last three columns of Table 5 further corroborate our interpretation by showing that political risk exposure and past lobbying activity are positively and significantly correlated with the amount firms spend directly on political lobbying in year *t*, indicating that *P-Risk* and $FirmLobby_{i,t-5\to t-1}$ are reasonable measures of firm political incentives.

Overall, the OLS results reported in Table 5 are inconsistent with corporate directors actively connecting with charities in efforts to alleviate firms' political uncertainty. While charities tend to associate with politically sensitive firms (see Table 3), the link between political incentives and connections are not causal within firms. Alternatively, our main results relating firm-charity board connections to *CLC* are more naturally interpreted as

charities pursuing their own incentives by willfully providing firms with complementary lobbying support. This interpretation implies that the effects of board connections on *CLC* may vary with the level of firm political incentives, even though these incentives may not be the primary driving factor establishing the connections in the first place. Next, we conduct several cross-sectional analyses to solidify our interpretation.

3.2.3. Corporate Lobbying Demand and the Impact of Board Connections on Charity Lobbying

First, we test whether the effects of board connections on charity lobbying are stronger when the connected firm also lobbies more itself, which is consistent with a political incentive channel where the connected charity's lobbying activity serves to complement the firm's own lobbying, but inconsistent with spurious selection. To test this, we begin by running our baseline OLS regression (see Equation 2) on different subsamples: a sample that only includes firm-charity pairs associated with firms that lobbied themselves during the previous five years (i.e., $t-5 \rightarrow t-1$); tercile subsamples sorted on the paired firm's total lobbying expenditure over the previous five years; and a sample associated with firms that never lobbied in the trailing five years. We also run the following regression on the pooled sample,

$$\begin{aligned}\log(CLC)_{i,j,t} = {} & \beta_1 \cdot Connected_{i,j,t-1} + \beta_2 \cdot Connected_{i,j,t-1} \times FirmLobby_{i,t-5\rightarrow t-1} \\ & + \lambda \cdot Controls_{i,t-1} + \alpha_{i,j} + \alpha_t + \epsilon_{i,j,t}\end{aligned} \tag{4}$$

where we further interact the $Connected_{i,j,t-1}$ indicator variable with a dummy variable, $FirmLobby_{i,t-5\rightarrow t-1}$, which is equal to one if the connected firm i had itself engaged in lobbying during the trailing five years, and zero otherwise. We control for lagged values of firm log assets, market-to-book equity, and leverage, as well as firm-by-charity (i.e., $\alpha_{i,j}$) and year (i.e., α_t) fixed effects. Standard errors are adjusted for clustering at the firm-charity level.

We report the results in Table 6. The first column of Table 6 shows that the impact of board connections on charity lobbying is particularly large and significant for firms that lobby themselves. When the firm itself lobbies, the connection induces the charity to spend 20% more on lobbying for the firm's industry interests. Compared to the unconditional effect of approximately 10% (see Table 4), this is twice as large in magnitude. More interestingly, the next four columns show that the effects of connections are monotonically increasing in the intensity of the firm's own lobbying activity, with very weak effects for connections with non-lobbying firms.

In the last regression reported in Table 6, the coefficient on the interaction term, $Connected_{i,j,t-1} \times FirmLobby_{i,t-5\rightarrow t-1}$, is positive, large in magnitude, and highly significant (i.e., 0.2, significant at 1%), while the coefficient on $Connected_{i,j,t-1}$ is indistinguishable from zero. This indicates that the effects of board connections on charity lobbying are disproportionately larger in connections established between charities and firms that lobby themselves, compared to connections with firms that never lobby where such effects are non-existent. This finding strongly supports the argument that the relation between firm-charity connections and charity lobbying activity for corporate interests is heavily affected by the firm's political incentives and demand for lobbying resources, which the charities are willing to provide.

Overall, the results indicate a "dark money" channel where firms with directors serving on charity boards are able to influence charities to conduct political lobbying that furthers the interests of firms and their industry peers. On the other hand, we find no evidence lending support to the alternative explanation that the effects might be driven by selection biases due to spurious matching between charities and directors with predetermined preferences.

3.2.4. Charity Incentives and the Effects of Board Connections

While our findings thus far indicate that firm political incentives are important in explaining the effects of firm-charity board connections, the fact that charities seem willing to extend political favors for firms through lobbying implies that charities themselves must also have incentives or demands that firms can satisfy in return. We conjecture that their incentives are most likely driven by their need for funding. As opposed to corporations, public charities do not generate profits that they can return to investors, meaning that whatever investments they require to conduct their operations must be given to them freely without any possible future compensation. Arguably, this need for generous donations is why charities often bring corporate directors onto their boards, who are not only wealthy themselves but also connected to a network of potential donors with deep pockets.

We indirectly test this conjecture by examining the effects of board connections on the pro-corporate lobbying behavior of charities with different asset sizes, grants and donations, or ratios of grants and donations to end-of-year assets. We hypothesize that smaller charities, charities that receive less grants and donations, and charities whose annual receipts comprise a significant fraction of their accumulated assets should be more constrained or dependent on funding, and therefore should have stronger incentives to bring well-connected corporate directors onto their boards. These charities would then also be more likely to lobby in favor of the connected firm, either to motivate or compensate the director who aids their funding efforts. To test this hypothesis, we break our sample into three tercile groups based on lagged charity assets, grants and donations, and the ratio of grants and donations to end-of-year assets. We then run our baseline OLS regressions (see Equation 2) and compare the results across these subsamples.

As reported in Table 7, we find that board connections associated with the smallest charities as well as charities that receive the least grants and donations are more likely to positively impact charity lobbying for corporate interests (*CLC*). Charities in the bottom asset (donation) tercile increase their *CLC* by 15% (11%) when they are connected to firms,

significant at the 1% (5%) level. In contrast, the medium tercile charities show no significant association between their board connections and lobbying behavior. Although the largest charities and those that receive the most donations also show positive *CLC* responses to connections, these effects are both economically and statistically less significant compared to the bottom tercile charities. Conversely, the last three columns of Table 7 show that the *CLC* of charities with the highest grants and donations to end-of-year assets ratio are most positively impacted by board connections with firms (i.e., increase by 10%, significant at the 10% level), whereas charities with lower ratios are not. In short, charities with tighter funding constraints or donation dependency are more likely to lobby in favor of firms with whom they share board connections.

The results thus far point to a quid-pro-quo relationship channel, where firms and charities each have their own incentives that can be mutually satisfied through their board connections. In additional tests, we further examine the potential benefits that accrue to both firms and charities from their connections.

3.2.5. Connections Affecting Charity Lobbying, or Charity Lobbying Affecting Connections?

Another alternative explanation for our finding is that firms may want to be optimally associated with charities that are politically aligned with themselves and thus positioned to lobby on their behalf, and that corporate directors seek charity boards where this might be possible. It is important to note that we are welcoming to the possibility that directors choose charities for reasons that are consistent with political motivations that benefit the firm. Nonetheless, we conduct tests to rule out the possibility that such a selection channel is so strong that rather than connections affecting charity lobbying, the causality goes in the other direction (i.e., charity lobbying behavior impacts their connections with firms). We do this by identifying shocks to board connections between firms and charities, using director turnovers where the previously connected director departs from either the firm or charity.

We implement a difference-in-differences framework, where we match a firm-charity pair that experiences a director turnover-induced shock to board connection (i.e. treated) with a firm-charity pair that does not (i.e. control) within a six-year window, three years before and after the turnover event (or pseudo-event for the control pair). For a treated firm-charity pair, a matched control pair is found in the same year that has the closest propensity score, estimated in a logistic model using the previous year's firm asset size and charity asset size. With the matched sample, we then run a difference-in-differences regression of the following specification.[13]

$$log(CLC)_{i,j,t} = \beta_1 \cdot Treat_{i,j} \times After_{i,j,t} + \beta_2 \cdot After_{i,j,t} + \lambda \cdot Controls_{i,t-1} + \alpha_{i,j} + \alpha_t + \epsilon_{i,j,t} \quad (5)$$

$Treat_{i,j}$ is an indicator variable equal to 1 if a firm-charity (i, j) pair loses a board connection due to a director turnover without replacement by another director, and 0 otherwise. $After_{i,j,t}$ is a dummy variable equal to 1 if the firm-charity-year (i, j, t) observation is within $[t + 1, t + 3]$ years of a turnover event year (for treated firm-charity pairs) or a pseudo-event year (for matched firm-charity pairs). Firm-year level control variables include the logarithm of asset size, market-to-book equity, and leverage. $\alpha_{i,j}$ and α_t are firm-by-charity and year fixed effects, respectively. $CLC_{i,j,t}$ is our main outcome variable that captures the intensity with which charity *j* lobbies for the industry interest of firm i in year t. The key coefficient is thus β_1, the interaction effect of $Treat_{i,j}$ and $After_{i,j,t}$, which captures the differential change in charity lobbying for treated firm-charity pairs after they lose a connection due to director turnovers, compared to those for matched firm-charity pairs. We adjust for standard error clustering at the firm-charity level.

[13] In Table A.2. of the Appendix, we provide detailed summary statistics for the matched sample. The summary illustrates that treated and control groups are similar across most characteristics, but substantially different in terms of the outcome variables we intend to explain with director turnovers, such as the number of board connections and *CLC*.

The results are reported in Table 8. In the first column, we examine the effects of all director turnovers at either the firm or charity that result in the severance of a connection. The coefficient on the interaction term is negative and significant. The magnitudes indicate that the charity spends 12% less on lobbying in the firm's interest once the connection is severed as the connected director leaves the directorship position. The effects are statistically significant at the 5% level. To account for the possibility that the relationships between firms and charities may persist once they are established even after directors depart from their board positions, we separately investigate the effects of connection-severing director turnovers that occur (i) only at the firm but not the charity, (ii) only at the charity but not the firm, and (iii) both at the firm and charity. Intuitively, we expect an ex-corporate director would be willing and able to continue assisting the fundraising activities of a charity she is involved with, as her social capital would remain substantial. As a result, the charity would also continue returning the favor by lobbying favorably for the firm. However, once the director leaves the charity board, it is much less likely for her to persistently aid the charity. Consequently, the charity would no longer be incentivized to lobby for the firm, especially if the director had also left the firm. These conjectures are confirmed in Columns (2) to (4), where we find no turnover effect when the director only leaves the firm's board but remains on the charity's board, an economically larger but statistically insignificant effect when she only leaves the charity's board without departing from the firm's, and a large impact that is both economically and statistically significant when she leaves the boards of both the firm and charity. In Column (4), a director's departure from both boards results in a 22% decline (significant at 1%) in the charity's corporate-friendly lobbying.

Overall, Table 8 shows that charities lobby less for top industry issues that benefit firms they had been connected to, after the connection is severed as a result of director turnovers. These results from analyzing the effects of director turnovers further rule out

potential concerns of reverse causality, corroborating our baseline results and bolstering our interpretations on the role of firm-charity board connections in public charity lobbying.

3.3. Quid-Pro-Quo? The Returns on Board Connections to Firms and Charities

Why do firms and charities form board connections, and why do charities willingly lobby in line with corporate interests when they are connected with firms? In our previous analysis, we have provided evidence consistent with the hypothesis that board connections arise as an equilibrium of demand for such connections by firms as well as charities. Further supporting this hypothesis, we present additional evidence suggestive of the returns on board connections to both firms and charities.

3.3.1. Governmental Procurement Contract Allocations to Connected Firms

We begin by testing whether firms benefit from their connections with charities. To identify benefits to firms that can clearly be interpreted as returns on investments in political capital, we examine the allocation of governmental procurement contracts as the dependent variable. Specifically, we source information on contracts and grants allocated to firms by governmental agencies from USASpending.gov (see Section 2). To account for lags in the bureaucratic process of allocating governmental contracts as well as the long-term, lumpy, and skewed nature of such allocations received by firms, we closely follow Goldman, Rocholl, and So (2013) by aggregating procurement contracts over three years before and after year t and taking the difference between the two three-year periods. Finally, we take the logarithm of this difference according to the following algorithm.

$$\widehat{log}\left(\underset{-3,+3}{\Delta} Proc\right)_{i,t} = \begin{cases} \log\left(\sum_{t}^{t+3} Proc - \sum_{t-3}^{t} Proc\right) & if \quad \sum_{t}^{t+3} Proc > \sum_{t-3}^{t} Proc \\ 0 & if \quad \sum_{t}^{t+3} Proc = \sum_{t-3}^{t} Proc \\ -\log\left[-\left(\sum_{t}^{t+3} Proc - \sum_{t-3}^{t} Proc\right)\right] & if \quad \sum_{t}^{t+3} Proc < \sum_{t-3}^{t} Proc \end{cases} \quad (6)$$

This functional transformation ensures that we have a well-behaved continuous variable that is not biased by overweighting disproportionate growth in procurement contracts that is not economically meaningful (i.e., For example, this measure correctly weights an increase from $100 million to $150 million more heavily than an increase from $1 million to $2 million). We then run the following firm-year level regressions to test the effects of board connections with charities on the amount of procurement contracts allocated to firms.

$$\widehat{log}\left(\underset{-3,+3}{\Delta} Proc\right)_{i,t} = \beta \cdot Connected_{i,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_t + \epsilon_{i,t} \quad (7)$$

In Equation 7, we test for the effect of having at least one charity connection by estimating the coefficient β on $Connected_{i,t-1}$. We control for the logarithm of firm asset size, market-to-book equity, leverage, as well as firm and year fixed effects. In addition, we also control for the outlier effect of being a "board connection hub" where the firm is connected to more than five different charities through its directors (i.e., $Connections > 5_{i,t-1}$), and the marginal effect of an additional charity connection (i.e., $\#Connections_{i,t-1}$).

The results are reported in Table 9. The coefficients on the explanatory variable, $Connections_{i,t-1}$, are positive and statistically significant. The estimates correspond to 14% to 15% higher growth in procurement contracts in the next three years relative to the previous three years, for firms that share board connections with charities as compared to unconnected firms. These results are also robust to controlling for outlier effects: While the coefficients on $Connections > 5_{i,t-1}$ are much larger in magnitude, implying that firms with

numerous charity connections are likely to receive over half an order of magnitude more contracts, the effect of having at least one connection retains its economic importance and statistical significance.

The results in Table 9 further corroborate the main takeaway of this study, namely that charities are often willing to provide political capital to connected firms, enabling them to go beyond their usual lobbying arrangements. The last piece of the puzzle is: What do charities get out of this arrangement?

3.3.2. Grants and Donations to Connected Charities

Finally, we examine whether charities benefit from their connections with corporations and the industry-friendly lobbying activities they conduct for connected firms. We conjecture that the strongest among charity incentives is likely their demand for charitable grants and donations provided by outside contributors. As wealthy individuals who are socially well-connected to other potential donors with deep pockets, corporate executives are capable of providing the funding charities need or opening doors to other funding networks that charities can tap into. Given this potential, it is reasonable to expect that charities may express demand to have such executives on their boards to establish an implicit quid-pro-quo relationship, where the charity would lobby in the interest of the executive's firm in return for the funding opportunities provided by the executive. To test this conjecture, we run the following charity-year level regressions to estimate the impact of board connections with corporations on the amount of grants and donations charities receive as a fraction of their assets.

$$\frac{Grants_{j,t} + Donations_{j,t}}{Charity\ Assets_{j,t-1}} = \beta \cdot Connected_{j,t-1} + \lambda \cdot Controls_{j,t-1} + \alpha_j + \alpha_t + \epsilon_{j,t} \qquad (8)$$

Similar to the analysis for firms, we estimate β that captures the effect of having corporate connections on the grants and donations received by the average charity (i.e.,

$Connected_{j,t-1}$), controlling for potential "connection hub" effects (i.e., $\boldsymbol{I}(Connections > 5)_{j,t-1}$) and the marginal effect of an additional connection (i.e., $\#Connections_{j,t-1}$). We control for the logarithm of charity asset size, and further include charity and year fixed effects in our regressions.

We report the results in Table 10. The coefficients on $Connections_{j,t-1}$ are positive and highly significant, implying greater receipts of grants and donations as a fraction of assets ranging from 4 to 5 additional percentage points, for charities with corporate board connections as compared to unconnected charities. It is important to note that these effects are not small in economic magnitude from the perspective of charities, considering the high margins on grants and donations enjoyed by charities, unlike other sources of operational revenues. These results are also robust to controlling for the effects of outlier charities that have many corporate connections and for the effects of marginal connections. Overall, our findings speak to an economically important impact of corporate board connections on charities' ability to raise funds in the form of charitable grants and donations, providing them with the incentive to become politically active on the behalf of firms.

In sum, the impact of firm-charity board connections on the charity's tendency to lobby for the connected firm's industry interest can be explained both by the demand for political insurance by firms exposed to political risk, and the demand for access to funding networks by public charities.

4. Conclusion

In this paper, we investigate an important question: What effects do corporate directors have on the political activities of charities whose boards they serve on? We present novel evidence that firm demand for political insurance and charity demand for funding access jointly influence the charity's political lobbying behavior to become more aligned with the industry interests of firms.

We begin by showing that firm-charity board connections have a significant and positive impact on the amount that public charities spend to lobby for firm interests. We then study the potential channels that may explain this result. We rule out explanations based on selection such as spurious matching between charities and directors, and further minimize endogeneity concerns using director turnovers as shocks to board connections.

We highlight a potential "dark money" channel, where charities provide firms with a less-recognized source of political capital that assists their pursuit of political incentives, consistent with a shareholder value maximizing view for corporate charitable engagement. We find that connections with firms that lobby themselves have much stronger effects on the lobbying activity of charities, and that firms with charity connections indeed reap larger political benefits in the form of increased procurement contract allocations.

We conjecture that firm-charity board connections do not arise out of unilateral corporate pressure, but rather as an equilibrium of both the firm's and charity's demand for such connections. Supporting this conjecture, connections with smaller charities that are likely to be constrained or dependent on grants and donations have a larger impact on charity lobbying, consistent with potential charity funding incentives. We also find that charities connected with firms receive larger grants and donations, suggesting that corporate executives help open doors for charities with funding needs. Also in line with this view, director turnovers negatively affect charity lobbying for corporate interests much more strongly when the director leaves the boards of both the firm and charity. Overall, the evidence is consistent with a quid-pro-quo relationship where both firms and charities seek potential benefits from their board connections.

We emphasize that not all firm-charity connections represent a political quid-pro-quo relationship. In fact, most charities do not lobby at all. However, a disproportionately large number of firms do establish such relationships with a small number of lobbying charities, who systematically lobby in line with industry interests when they have corporate directors

on their boards. Our findings illuminate an unexplored area in the much debated issue of "dark political money", contributing to our understanding of the variety and extent of corporate political activities, as well as the hidden consequences of corporate prosocial behavior.

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Figure 1. Lobbying Firms and Public Charities Over Time

This figure plots the number (lines) and fraction (bars) of lobbying firms and charities over the sample period from 1999 to 2017. Lobbying firms and charities are defined each year as firms and charities that had engaged in lobbying during the previous five years.

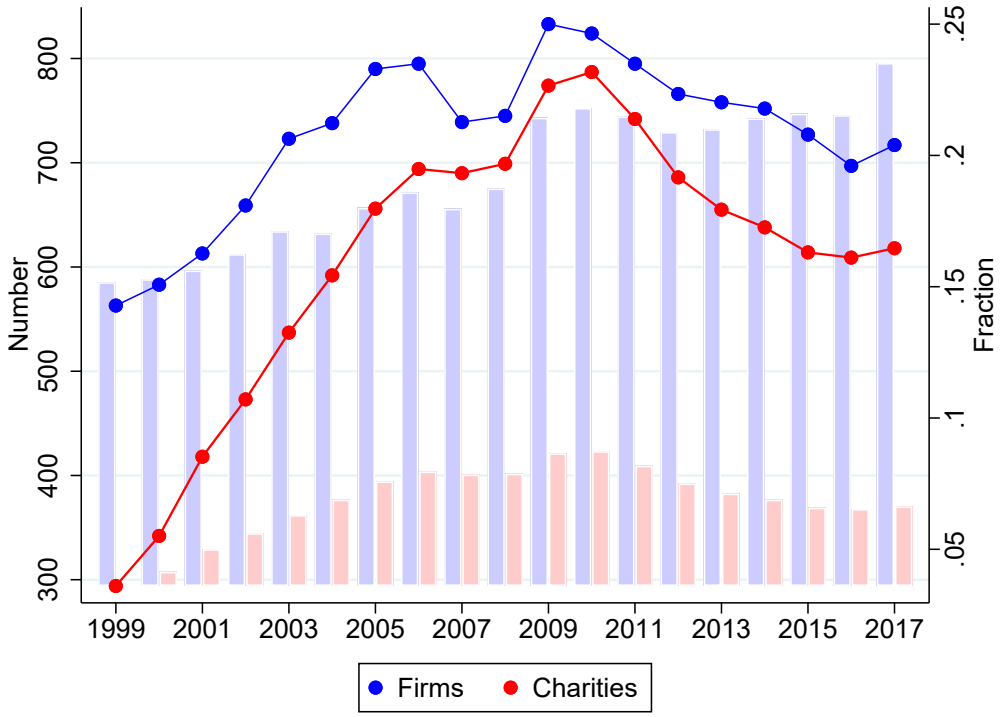

Figure 2. Board Connections between Firms and Public Charities Over Time

This figure plots the number of firm-charity connections (line), along with the number of new (blue squares) and ended (red squares) connections, firm entry (blue circles) and exits (red circles), as well as charity entry (blue triangles) and exits (red triangles), over the sample period from 1999 to 2017.

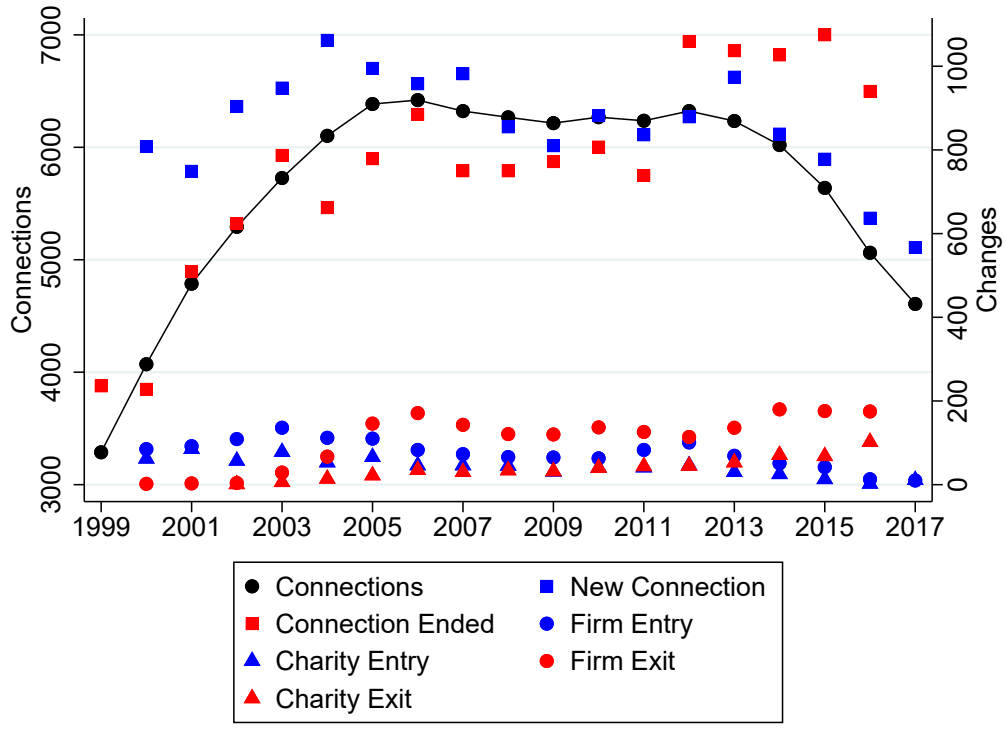

Figure 3. Growth of Public Charity Lobbying for Connected Corporate Interests

This figure plots the yearly average dollar spending by charities on lobbying for connected corporate interests (i.e., yearly average of CLC) over the sample period from 1999 to 2017. Average CLC is GDP deflated.

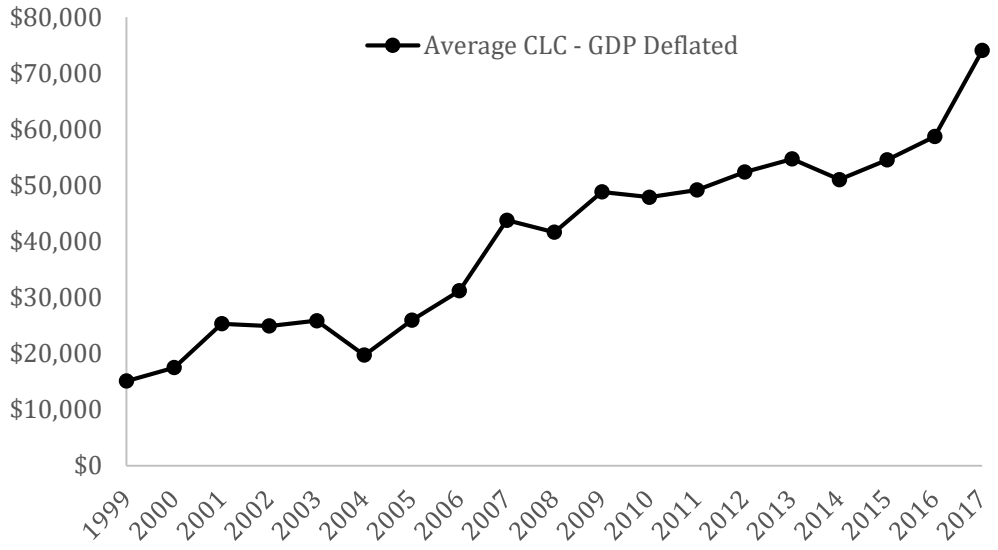

Figure 4. Political Uncertainty and Charity Lobbying for Connected Corporate Interests

This figure plots the yearly fluctuations in average dollar spending by charities on lobbying for connected corporate interests (i.e., yearly average of CLC) over the sample period from 1999 to 2017. Average CLC is GDP deflated and de-trended with respect to the linear trend over the sample period. Plotted together are the Economic Policy Uncertainty Index (see Baker, Bloom, and Davis, 2016) and average firm-level political risk exposure (see Hassan et al., 2019).

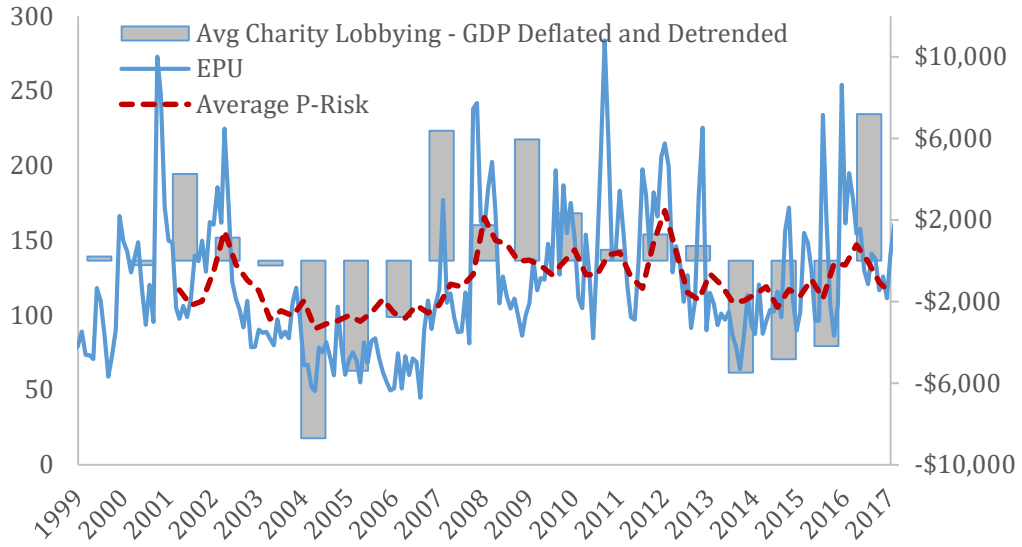

Figure 5. Lobbying Interests of Firms and Public Charities

This figure plots the time-series averages of dollar spending by all firms and charities on lobbying for topics of top interest for firms and charities. The topic dictionary is given in Table A.1.

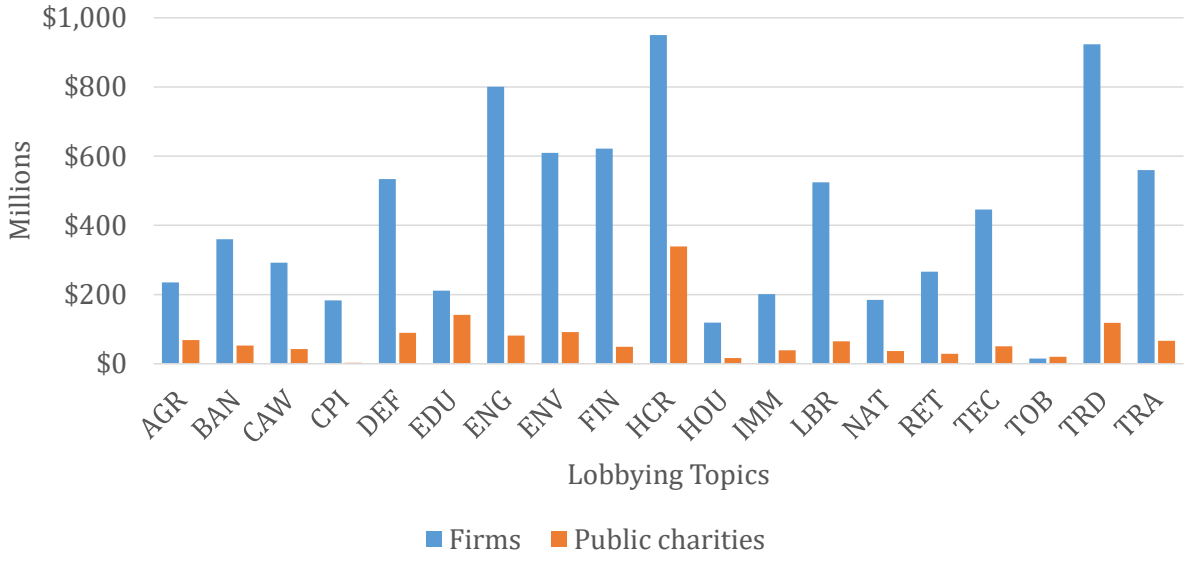

Table 1. Corporate Directors on Charity Boards

This table presents summary statistics of corporate directors and their charity board memberships over the period from 1999 to 2017. The number of firms and the average number of directors per firm, as well as the average number of directors per firm who have charity board memberships are shown for each year. The fraction of firms that have a director who is on a charity board, as well as the fraction of all directors who serve on charity boards are also shown for each year. The full sample averages are shown at the bottom.

Year	No. Firms	No. Directors		% of Firms Connected	% of Directors
		All	Charity Brd	to Charities	on Charity Boards
1999	2,389	7.16	0.65	44.50%	8.72%
2000	2,485	8.32	0.78	50.50%	8.79%
2001	2,576	9.11	0.86	54.97%	9.00%
2002	2,658	9.24	0.92	57.98%	9.45%
2003	2,742	9.44	0.97	60.98%	9.90%
2004	2,814	9.52	1.00	63.22%	10.30%
2005	2,835	9.56	1.05	65.15%	10.80%
2006	2,769	9.66	1.07	65.40%	10.81%
2007	2,695	9.71	1.07	64.71%	10.75%
2008	2,586	9.70	1.10	66.20%	11.07%
2009	2,516	9.68	1.10	66.49%	11.08%
2010	2,470	9.63	1.12	66.68%	11.35%
2011	2,427	9.61	1.14	67.94%	11.64%
2012	2,395	9.63	1.17	68.98%	11.83%
2013	2,428	9.65	1.20	70.88%	12.23%
2014	2,463	9.67	1.18	70.56%	11.97%
2015	2,433	9.75	1.15	70.32%	11.71%
2016	2,330	9.82	1.12	70.30%	11.30%
2017	2,258	9.91	1.07	68.82%	10.72%
Average	2,540	9.41	1.04	63.93%	10.71%

Table 2. Top Lobbying Interests

Panel A of this table presents for each of the Fama-French 30 industries the number of lobbying firms, average industry concentration measured by the Herfindahl-Hirschman index (HHI) of firm assets within each industry, average industry total lobbying expenditures, top lobbying issue for each industry based on the industry's aggregate lobbying expenditures, and the percentage of the industry's aggregate lobbying expenditures spent on the top issue. Panel B presents similar statistics for charities across different types of charity organizations as defined in the IRS Exempt Organizations Business Master File.

Panel A. Fama-French 30 Industries

Industries	No. Firms	Assets HHI	Lobbying ($ million)	Top Lobbying Issue	% Spending in Top Issue
Food Products	17	0.08	17.15	Agriculture	16%
Beer & Liquor	3	0.06	6.26	Trade (Domestic & Foreign)	11%
Tobacco Products	2	0.23	0.95	Tobacco	42%
Recreation	9	0.08	2.62	Gaming/Gambling/Casino	22%
Printing and Publishing	5	0.12	1.75	Education	27%
Consumer Goods	7	0.05	6.35	Trade (Domestic & Foreign)	11%
Apparel	3	0.12	0.86	Trade (Domestic & Foreign)	29%
Healthcare, Medical Equipment, Pharmaceutical Products	74	0.11	87.11	Health Issues	21%
Chemicals	23	0.07	15.00	Energy/Nuclear	17%
Textiles	1	0.25	0.62	Trade (Domestic & Foreign)	44%
Construction and Construction Materials	12	0.06	7.58	Energy/Nuclear	14%
Steel Works, etc	7	0.09	7.15	Trade (Domestic & Foreign)	19%
Fabricated Products and Machinery	15	0.07	10.60	Energy/Nuclear	15%
Electrical Equipment	7	0.22	1.19	Energy/Nuclear	38%
Automobiles and Trucks	11	0.04	17.92	Transportation	7%
Aircraft, ships, and railroad equipment	12	0.05	44.16	Defense	10%
Precious Metals, Non-Metallic, Industrial Metal Mining	4	0.16	1.82	Natural Resources	34%
Coal	2	0.13	1.77	Labor Issues/Antitrust/Workplace	19%
Petroleum and Natural Gas	22	0.06	42.04	Energy/Nuclear	13%
Utilities	51	0.09	58.90	Energy/Nuclear	17%
Communication	24	0.08	58.47	Telecommunications	18%
Personal and Business Services	63	0.04	55.10	Education	7%
Business Equipment	53	0.05	59.98	Defense	10%
Business Supplies and Shipping Containers	11	0.04	7.14	Environmental/Superfund	8%
Transportation	22	0.06	41.29	Transportation	13%
Wholesale	10	0.15	6.51	Health Issues	25%
Retail	19	0.05	17.48	Health Issues	12%
Restaraunts, Hotels, Motels	9	0.06	6.28	Labor Issues/Antitrust/Workplace	11%
Banking, Insurance, Real Estate, Trading	80	0.07	101.71	Financial Inst./Investments/Securities	15%
Everything Else	6	0.17	3.37	Energy/Nuclear	27%

Table 2. Top Lobbying Interests (continued)

Panel B. Charity Types

Charity Activities	No. Charities	Assets HHI	Lobbying ($ million)	Top Lobbying Issue	% Spending in Top Issue
Religious Activities	5	0.13	0.52	Education	26%
Schools, Colleges, and Related Activities	146	0.07	59.10	Health Issues	15%
Cultural, Historical, or Other Educational Activities	23	0.07	3.04	Education	19%
Other Instructions and Training Activities	29	0.06	19.81	Communications/Broadcasting/Radio/TV	11%
Health Services and Related Activities	89	0.09	47.28	Health Issues	20%
Scientific Research Activities	38	0.08	38.44	Health Issues	16%
Farming and Related Activities	1	0.14	0.13	Environmental/Superfund	33%
Mutual Organizations	2	0.10	0.88	Insurance	14%
Employee of Membership Benefit Organizations	11	0.05	9.61	Environmental/Superfund	11%
Sports, Athletic, Recreational, and Social Activities	3	0.15	0.29	Animals	31%
Youth Activities	11	0.09	1.39	Education	22%
Conservation, Environmental, and Beautification Activities	14	0.11	4.46	Natural Resources	19%
Housing Activities	4	0.14	0.77	Housing	32%
Inner City or Community Activities	5	0.10	1.43	Education	26%
Civil Rights Activities	3	0.07	0.56	Foreign Relations	14%
Litigation and Legal Aid Activities	0	0.33	0.00	Health Issues	33%
Legislative and Political Activities	6	0.04	13.27	Trade (Domestic & Foreign)	7%
Advocacy	9	0.08	4.33	Foreign Relations	15%
Other Activities Directed to Individuals	9	0.04	4.77	Agriculture	10%

Table 3. Summary Statistics

This table presents descriptive statistics of the sample. Panel A reports the number of charities and firms, the number of firms connected to each charity, charity asset size, and charity lobbying for corporate interests, or CLC, for the sample of all firm-charity board connections, connections associated with non-lobbying charities, and connections associated with lobbying charities (i.e., the main sample). Panel B reports for the main sample the distributions of variables and the differences of their means (and their t-statistics) between connected and unconnected firm-charity observations. Reported in Panel B are: charity lobbying for corporate interests, or CLC (raw, logarithmized, mean-adjusted within firm size/market-to-book/leverage triple-sorted terciles, for firm-charity pairs associated with small/medium/large charities), the number of connected firms per charity, charity grant and donation receipts, charity assets, the fraction of different charity types (i.e., 501(c)(3)s, education/health/science organizations, and interest/advocacy groups), the number of connected charities per firm, firm-level P-Risk (see Hassan et al., 2019), firm procurement contracts, firm assets, firm market-to-book equity, firm leverage (i.e., debt-to-assets), and the fraction of firm types (i.e., lobbying firms, firms in regulated industries).

Panel A. Sample Composition

Charity Lobbying	No. Charities	No. Firms	Conntd. Firms per Charity	Charity Size ($ million)	Charity Lobbying for Corp. Int. (CLC, $ thousand)
-	3,871	5,433	3.32	206.73	9.36
No	3,028	4,607	2.67	145.72	-
Yes	843	3,844	5.01	409.77	22.45

Panel B. Main Sample Summary

	Connected (C=843, F=3,844)					Unconnected (C=828, F=3,639)					Diff	t-stat
	Mean	St.Dev	25%	50%	75%	Mean	St.Dev	25%	50%	75%		
Charity-Firm Pairs												
CLC ($ thousand)	22.89	93.26	0.00	0.00	4.82	22.16	91.07	0.00	0.00	4.26	0.73	1.43
CLC ($ thousand) - $Log(CLC+1)$	4.06	4.58	0.00	0.00	8.48	3.91	4.57	0.00	0.00	8.36	0.15	5.93
CLC ($ thousand) - Char Adjusted	0.62	92.46	-24.72	-16.28	-9.89	-0.41	90.28	-26.72	-16.65	-10.22	1.03	2.03
CLC ($ thousand) - Small Charities	49.59	135.53	0.00	0.00	8.47	43.95	127.19	0.00	0.00	7.26	5.64	4.43
CLC ($ thousand) - Med Charities	14.62	87.30	0.00	0.00	1.02	13.26	82.20	0.00	0.00	1.05	1.36	1.67
CLC ($ thousand) - Large Charities	7.11	19.47	0.00	1.25	7.61	7.38	21.15	0.00	1.07	7.40	-0.27	-1.36
Charities												
No. Connected Firms	5.01	6.25	1.00	3.00	6.00							
Grant Receipts ($ million)	50.86	182.88	2.50	8.65	29.63	12.85	55.69	0.81	2.92	8.22	38.01	12.35
Assets ($ million)	519.42	1,439.45	24.57	106.84	386.75	120.62	286.85	7.51	30.63	100.37	398.80	17.43
Fraction of Charity Types												
501(c)(3)	0.93					0.92					0.01	
Education/Health/Science	0.75					0.69					0.06	
Interest Groups/Advocacy	0.04					0.05					-0.01	
Firms												
No. Connected Charities	1.76	1.24	1.00	1.00	2.00							
P-Risk	0.11	0.99	-0.45	-0.17	0.31	0.03	0.94	-0.48	-0.23	0.21	0.08	6.16
Procurements ($ billion)	0.20	1.67	0.00	0.00	0.02	0.05	0.37	0.00	0.00	0.01	0.15	6.27
Assets ($ billion)	16.63	98.31	0.35	1.54	6.37	6.33	79.42	0.14	0.61	2.22	10.31	12.35
M/B	5.70	278.06	1.29	2.05	3.56	4.95	154.65	1.17	1.89	3.34	0.75	0.33
Debt/Assets	0.24	0.26	0.06	0.20	0.37	0.24	0.50	0.02	0.17	0.36	0.01	2.28
Fraction of Firm Types												
Lobbying Firms	0.28					0.15					0.13	
Regulated Industries	0.22					0.21					0.02	

Table 4. The Impact of Board Connections on Charity Lobbying Activity

This table presents results from firm-charity-year level OLS regressions of the logarithm of charity lobbying for corporate interest, $log(CLC)_{i,j,t}$, on a $Connected_{i,j,t-1}$ dummy variable, following the regression equation:

$$log(CLC)_{i,j,t} = \beta \cdot Connected_{i,j,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_j + \alpha_t + \epsilon_{i,j,t}$$

$CLC_{i,j,t}$ is computed as the weighted average of charity j's dollar lobbying across all topics, where the weights are the aggregate lobbying in each topic by firms in connected firm i's industry, following the equation:

$$CLC_{i,j,t} = \frac{\sum_k w_{i,j,k,t} CL_{j,k,t}}{\sum_k w_{i,j,k,t}}$$

where $w_{i,j,k,t}$ is the aggregate lobbying of firms in the same industry as firm i connected to charity j in topic k, and $CL_{j,k,t}$ is charity j's lobbying in topic k. $Connected_{i,j,t-1}$ is a dummy variable equal to one if firm i and charity j had a same director on their boards in year $t-1$ and zero otherwise. As alternative dependent variables, we also use $CLC\%_{i,j,t}$, which is the weighted average of dummies indicating whether the charity lobbies in each topic using the same weights, and $\mathbf{I}(CLC)_{i,j,t}$, which is an indicator variable equal to one if $CLC\%_{i,j,t}$ is positive. The last two columns report results using the baseline $CLC_{i,j,t}$ variable on subsamples including only firm-charity observations associated with 501(c)(3) charities or connections established through independent directors. Firm-year level control variables include log of total assets, market-to-book equity, and total debt as a fraction of assets, all measured at $t-1$. Firm, charity, and year fixed effects are included as well. In all but the first column, we further control for firm-by-charity fixed effects which subsume firm and charity fixed effects. Standard errors are clustered at the firm-charity level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable				Subsamples	
	Baseline Measure log(CLC)		Alternative Measures CLC%	**I**(CLC)	501(c)(3) Charities	Indep. Directors
	(1)	(2)	(3)	(4)	(5)	(6)
Connected	0.095***	0.085***	0.185**	0.009**	0.083**	0.103***
	(0.028)	(0.032)	(0.085)	(0.004)	(0.034)	(0.034)
log(Firm Assets)	-0.009	-0.010	0.144	0.000	-0.011	-0.000
	(0.033)	(0.032)	(0.089)	(0.004)	(0.035)	(0.035)
M/B	0.005*	0.005*	0.007	0.001	0.005*	0.004
	(0.003)	(0.003)	(0.007)	(0.000)	(0.003)	(0.003)
Debt/Assets	0.156	0.160	0.472	0.033**	0.202	0.117
	(0.124)	(0.122)	(0.352)	(0.015)	(0.135)	(0.132)
Observations	118,833	118,730	118,730	118,730	108,575	103,430
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	No	No	No	No	No
Charity FE	Yes	No	No	No	No	No
Firm-by-Charity FE	No	Yes	Yes	Yes	Yes	Yes
Adj R^2	0.679	0.701	0.815	0.579	0.629	0.688

Table 5. Do Politically Motivated Firms Seek Charity Connections?

This table presents results from firm-year level OLS regressions of an indicator variable, $\mathbf{I}(Connected)_{i,t}$, for whether the firm has a connection with a charity, on the standardized Z-score of firm-level political risk, $P\text{-}Risk_{i,t-1}$ (see Hassan et al., 2019), or a dummy variable, $FirmLobby_{i,t-5\to t-1}$, indicating whether the firm had lobbied itself in the previous five years.

$$\mathbf{I}(Connected)_{i,t} = \beta \cdot PRisk_{i,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_t + \epsilon_{i,t}$$

$$\mathbf{I}(Connected)_{i,t} = \beta \cdot FirmLobby_{i,t-5\to t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_t + \epsilon_{i,t}$$

In columns (4)-(6) and (7)-(9), the dependent variable, $\mathbf{I}(Connected)_{i,t}$, is replaced by the firm's number of connections with charities and the logarithm of firm lobbying expenditures, respectively. In Columns (2), (5), and (8), firm-level political sentiment, $P\text{-}Sentiment_{i,t-1}$ (see Hassan et al., 2019), is further included as a control. Firm-year level control variables include log of total assets, market-to-book equity, and total debt as a fraction of assets, all measured at $t-1$. Firm and year fixed effects are included as well. Standard errors are clustered at the firm level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable								
	I(Connected)			No. Connections with Charities			log(Lobbying Amount)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
P-Risk	-0.001	-0.001		-0.005	-0.006		0.083***	0.083***	
	(0.004)	(0.004)		(0.012)	(0.012)		(0.030)	(0.029)	
P-Sentiment		-0.003			-0.013			0.006	
		(0.004)			(0.011)			(0.034)	
FirmLobby			-0.008			0.035			4.432***
			(0.014)			(0.045)			(0.163)
log(Firm Assets)	0.067***	0.067***	0.062***	0.171***	0.171***	0.153***	0.859***	0.858***	0.461***
	(0.012)	(0.012)	(0.007)	(0.030)	(0.030)	(0.018)	(0.114)	(0.114)	(0.051)
M/B	0.000	0.000	0.000***	0.000	0.000	0.000***	0.000	0.000	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Debt/Assets	-0.024	-0.025	-0.009	-0.021	-0.023	-0.009	-0.236	-0.235	0.005
	(0.035)	(0.035)	(0.007)	(0.082)	(0.082)	(0.012)	(0.270)	(0.270)	(0.025)
Observations	29,967	29,967	53,058	29,967	29,967	53,058	29,967	29,967	53,058
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj R^2	0.459	0.459	0.411	0.716	0.716	0.665	0.802	0.802	0.801

Table 6. Complementing Firm Lobbying Activity

This table presents subsample results from firm-charity-year level OLS regressions of the logarithm of charity lobbying for corporate interest, $log(CLC)_{i,j,t}$, on $Connected_{i,j,t-1}$, a dummy variable equal to one if firm i and charity j shared a director on their boards in year $t-1$ and zero otherwise, following the regression equation:

$$log(CLC)_{i,j,t} = \beta \cdot Connected_{i,j,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_j + \alpha_t + \epsilon_{i,j,t}$$

$CLC_{i,j,t}$ is computed as the weighted average of charity j's dollar lobbying across all topics, following the equation:

$$CLC_{i,j,t} = \frac{\sum_k w_{i,j,k,t} CL_{j,k,t}}{\sum_k w_{i,j,k,t}}$$

where $w_{i,j,k,t}$ is the aggregate lobbying of firms in the same industry as firm i connected to charity j in topic k, and $CL_{j,k,t}$ is charity j's lobbying in topic k. This regression is run on subsamples comprising firm-charity pairs associated with lobbying firms, top/medium/bottom firm lobbying terciles, and non-lobbying firms. In the last column, the regression is augmented by an interaction term between $Connected_{i,j,t-1}$ and $FirmLobby_{i,t-5\to t-1}$, a dummy variable equal to one if the connected firm i engaged in lobbying itself during the previous five years and zero otherwise, and run on the full sample:

$$\begin{aligned} log(CLC)_{i,j,t} =& \beta_1 \cdot Connected_{i,j,t-1} + \beta_2 \cdot Connected_{i,j,t-1} \times FirmLobby_{i,t-5\to t-1} \\ &+ \lambda \cdot Controls_{i,t-1} + \alpha_{i,j} + \alpha_t + \epsilon_{i,j,t} \end{aligned}$$

Firm-year level control variables include log of total assets, market-to-book equity, and total debt as a fraction of assets, all measured at $t-1$. Firm-by-charity and year fixed effects are included as well. Standard errors are clustered at the firm-charity level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable: log(CLC)					
	Lobbying	Lobbying Terciles			Non-Lobbying	Full
	Firms	Top	Med	Bottom	Firms	Sample
	(1)	(2)	(3)	(4)	(5)	(6)
Connected	0.202***	0.213***	0.175**	0.110	0.019	0.006
	(0.050)	(0.081)	(0.089)	(0.085)	(0.041)	(0.038)
Connected x FirmLobby						0.197***
						(0.056)
log(Firm Assets)	-0.036	0.167	-0.128	-0.015	0.009	-0.011
	(0.063)	(0.121)	(0.104)	(0.096)	(0.039)	(0.032)
M/B	0.006	0.009	0.004	0.004	0.004	0.005*
	(0.004)	(0.007)	(0.007)	(0.006)	(0.003)	(0.003)
Debt/Assets	0.545**	0.322	0.930**	0.577*	0.007	0.160
	(0.227)	(0.504)	(0.378)	(0.335)	(0.144)	(0.122)
Observations	45,636	15,315	15,044	14,710	72,761	118,730
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm-by-Charity FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj R^2	0.714	0.716	0.734	0.762	0.711	0.701

Table 7. Charity Funding and the Impact of Connections on Charity Lobbying

This table presents subsample results from firm-charity-year level OLS regressions of the logarithm of charity lobbying for corporate interest, $log(CLC)_{i,j,t}$, on $Connected_{i,j,t-1}$, a dummy variable equal to one if firm i and charity j shared a director on their boards in year $t-1$ and zero otherwise, following the regression equation:

$$log(CLC)_{i,j,t} = \beta \cdot Connected_{i,j,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_j + \alpha_t + \epsilon_{i,j,t}$$

$CLC_{i,j,t}$ is computed as the weighted average of charity j's dollar lobbying across all topics, following the equation:

$$CLC_{i,j,t} = \frac{\sum_k w_{i,j,k,t} CL_{j,k,t}}{\sum_k w_{i,j,k,t}}$$

where $w_{i,j,k,t}$ is the aggregate lobbying of firms in the same industry as firm i connected to charity j in topic k, and $CL_{j,k,t}$ is charity j's lobbying in topic k. This regression is run on subsamples comprising firm-charity pairs associated with charities in tercile groups sorted on asset size, grant and donation receipts, and the ratio of grants and donations to end-of-year (i.e., contemporaneous) assets. Firm-year level control variables include log of total assets, market-to-book equity, and total debt as a fraction of assets, all measured at $t-1$. Firm-by-charity and year fixed effects are included as well. Standard errors are clustered at the firm-charity level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable: log(CLC)								
	Charity Asset Size			Grant & Donation Receipts			(Grant & Donation)/Assets		
	Top	Med	Bottom	Top	Med	Bottom	Top	Med	Bottom
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Connected	0.114*	-0.055	0.147***	0.084	-0.016	0.105**	0.102*	0.048	0.018
	(0.061)	(0.051)	(0.050)	(0.059)	(0.055)	(0.047)	(0.057)	(0.055)	(0.050)
log(Assets)	-0.060	0.066	-0.012	-0.019	-0.001	-0.013	-0.006	0.005	-0.040
	(0.062)	(0.053)	(0.053)	(0.061)	(0.056)	(0.047)	(0.060)	(0.055)	(0.050)
M/B	0.006	0.009**	-0.005	0.005	0.006	0.002	-0.001	0.009*	0.006
	(0.005)	(0.005)	(0.004)	(0.005)	(0.005)	(0.003)	(0.005)	(0.005)	(0.004)
Debt/Assets	0.101	0.005	0.211	0.287	-0.028	0.224	0.271	0.015	0.146
	(0.228)	(0.212)	(0.186)	(0.241)	(0.210)	(0.177)	(0.225)	(0.209)	(0.183)
Observations	39,187	39,300	39,221	37,530	37,310	37,085	36,854	37,448	36,669
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm-by-Charity FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj R^2	0.628	0.633	0.784	0.623	0.584	0.814	0.649	0.691	0.784

Table 8. Changes in Board Connections from Director Turnovers

This table presents results from firm-charity-year level difference-in-differences regressions of $log(CLC)_{i,j,t}$ on $Treat_{i,j}$, a dummy variable equal to one if a firm-charity pair loses a board connection due to a director turnover in either the firm or charity and zero otherwise, and its interaction with $After_{i,j,t}$, which is a dummy variable equal to one if the firm-charity-year observation is within $[t+1,\ t+3]$ years of a turnover event year (for treated firm-charity pairs) or a pseudo-event year (for matched firm-charity pairs). The regression is run on the full sample, and separately for subsamples where the turnover occurs in only the firm, charity, or both.

$$log(CLC)_{i,j,t} = \beta_1 \cdot Treat_{i,j} \times After_{i,j,t} + \beta_2 \cdot After_{i,j,t} + \lambda \cdot Controls_{i,t-1} + \alpha_{i,j} + \alpha_t + \epsilon_{i,j,t}$$

Treated firm-charity pairs are matched with control firm-charity pairs with the closest propensity score, estimated in a logistic model using the previous year's firm asset size and charity asset size, as of the year before the turnover event. $CLC_{i,j,t}$ is computed as the weighted average of charity j's dollar lobbying across all topics, following the equation:

$$CLC_{i,j,t} = \frac{\sum_k w_{i,j,k,t} CL_{j,k,t}}{\sum_k w_{i,j,k,t}}$$

where $w_{i,j,k,t}$ is the aggregate lobbying of firms in the same industry as firm i connected to charity j in topic k, and $CL_{j,k,t}$ is charity j's lobbying in topic k. Firm-year level control variables include log of total assets, market-to-book equity, and total debt as a fraction of assets, all measured at $t-1$. Firm-by-charity and year fixed effects are included as well. Standard errors are clustered at the firm-charity level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable: log(CLC)			
	All	From Firm	From Charity	From Both
	(1)	(2)	(3)	(4)
Treat x After	-0.123**	-0.023	-0.114	-0.218***
	(0.054)	(0.089)	(0.112)	(0.081)
After	0.017	0.023	0.010	0.009
	(0.043)	(0.074)	(0.091)	(0.076)
log(Firm Assets)	-0.011	0.041	-0.107	-0.018
	(0.079)	(0.082)	(0.099)	(0.082)
M/B	-0.001	-0.006	0.003	0.001
	(0.004)	(0.005)	(0.007)	(0.005)
Debt/Assets	0.097	-0.319	0.257	0.198
	(0.205)	(0.269)	(0.379)	(0.289)
Observations	49,758	17,495	11,135	21,118
Year FE	Yes	Yes	Yes	Yes
Firm-by-Charity FE	Yes	Yes	Yes	Yes
Adj R^2	0.791	0.803	0.829	0.783

Table 9. Quid-Pro-Quo: Governmental Procurement Contracts to Firms

This table presents results from firm-year level OLS regressions of the logarithm of the long difference between aggregate government procurement contracts received by the firm over the next three years and the previous three years (i.e., $\widehat{log}(\underset{-3,+3}{\Delta} Proc)_{i,t}$), on $Connected_{i,t-1}$ denoting a dummy for whether the firm has at least one board connection with a charity. $\widehat{log}(\underset{-3,+3}{\Delta} Proc)_{i,t}$ is computed as follows.

$$\widehat{log}(\underset{-3,+3}{\Delta} Proc)_{i,t} = \begin{cases} log(\sum_{t}^{t+3} Proc - \sum_{t-3}^{t} Proc) & \text{if} \quad \sum_{t}^{t+3} Proc > \sum_{t-3}^{t} Proc \\ 0 & \text{if} \quad \sum_{t}^{t+3} Proc = \sum_{t-3}^{t} Proc \\ -log[-(\sum_{t}^{t+3} Proc - \sum_{t-3}^{t} Proc)] & \text{if} \quad \sum_{t}^{t+3} Proc < \sum_{t-3}^{t} Proc \end{cases}$$

Results from the following regressions are reported.

$$\widehat{log}(\underset{-3,+3}{\Delta} Proc)_{i,t} = \beta \cdot Connected_{i,t-1} + \lambda \cdot Controls_{i,t-1} + \alpha_i + \alpha_t + \epsilon_{i,t}$$

In the second and third columns, we also control for the absolute number of connections with charities (i.e., $\#Connections_{i,t-1}$) and an indicator variable for whether the firm has at least five board connections with charities (i.e., $Connections > 5_{i,t-1}$). Firm-year level control variables include log of total assets, market-to-book equity, and total debt as a fraction of assets, all measured at $t-1$. Firm and year fixed effects are included as well. Standard errors are clustered at the firm level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable: $\widehat{log}(\underset{-3,+3}{\Delta} Proc)_{i,t}$		
	(1)	(2)	(3)
Connected	0.149**	0.144**	0.150*
	(0.063)	(0.063)	(0.080)
Connections > 5		1.107***	1.121***
		(0.353)	(0.361)
# Connections			-0.005
			(0.044)
log(Firm Assets)	0.038	0.032	0.032
	(0.064)	(0.064)	(0.064)
M/B	0.006	0.005	0.005
	(0.006)	(0.006)	(0.006)
Debt/Assets	0.160	0.175	0.176
	(0.217)	(0.215)	(0.214)
Observations	14,859	14,859	14,859
Year FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Adj R^2	0.149	0.152	0.152

Table 10. Quid-Pro-Quo: Charity Grant and Donation Receipts

This table presents results from charity-year level OLS regressions of grant and donation receipts as a fraction of lagged charity assets, on $Connected_{j,t-1}$ denoting a dummy for whether the charity has at least one board connection with a firm.

$$\frac{Grants_{j,t} + Donations_{j,t}}{CharityAssets_{j,t-1}} = \beta \cdot Connected_{j,t-1} + \lambda \cdot Controls_{j,t-1} + \alpha_j + \alpha_t + \epsilon_{j,t}$$

In the second and third columns, we also control for the absolute number of connections with firms (i.e., $\#Connections_{j,t-1}$) and an indicator variable for whether the charity has at least five board connections with firms (i.e., $Connections > 5_{j,t-1}$). Charity-year level control variables include log of total charity assets measured at $t-1$. Charity and year fixed effects are included as well. Standard errors are clustered at the charity level (*** p<0.01, ** p<0.05, * p<0.1).

	Dependent Variable: Grant and Donation Receipts/Charity Assets		
	(1)	(2)	(3)
Connected	0.048***	0.048***	0.043**
	(0.018)	(0.018)	(0.018)
Connections > 5		0.043*	0.028
		(0.023)	(0.024)
# Connections			0.004*
			(0.002)
log(Charity Assets)	-0.286***	-0.287***	-0.288***
	(0.033)	(0.033)	(0.033)
Observations	12,292	12,292	12,292
Year FE	Yes	Yes	Yes
Charity FE	Yes	Yes	Yes
Adj R^2	0.773	0.773	0.773

Table A.1. Top Lobbying Interests

Panel A of this table presents for each of the Fama-French 30 industries the top three lobbying issues for each industry based on the industry's aggregate lobbying expenditures, and the percentages of the industry's aggregate lobbying expenditures spent on these top three issues. Panel B presents similar statistics for charities across different types of charity organizations as defined in the IRS Exempt Organizations Business Master File. A dictionary for the issue codes is given in Panel C.

Panel A. Fama-French 30 Industries

Industries	Top Lobbying Issues					
	Top 1	% Spending	Top 2	% Spending	Top 3	% Spending
Food Products	AGR	16%	TRD	13%	FOO	11%
Beer & Liquor	TRD	11%	FOO	10%	AGR	9%
Tobacco Products	TOB	42%	GOV	14%	TRD	12%
Recreation	GAM	22%	CSP	8%	TRD	7%
Printing and Publishing	EDU	27%	COM	11%	CPT	9%
Consumer Goods	TRD	11%	HCR	9%	CHM	7%
Apparel	TRD	29%	SPO	10%	CPT	8%
Healthcare, Medical Equipment, Pharmaceutical Products	HCR	21%	MMM	18%	CPT	11%
Chemicals	ENG	17%	TRD	12%	ENV	10%
Textiles	TRD	44%	LBR	21%	FOR	7%
Construction and Construction Materials	ENG	14%	ENV	9%	TRD	8%
Steel Works Etc	TRD	19%	ENG	12%	ENV	11%
Fabricated Products and Machinery	ENG	15%	TRD	11%	DEF	9%
Electrical Equipment	ENG	38%	DEF	26%	TRD	6%
Automobiles and Trucks	TRA	7%	DEF	7%	ENV	6%
Aircraft, ships, and railroad equipment	DEF	10%	AVI	7%	TRD	7%
Precious Metals, Non-Metallic, and Industrial Metal Mining	NAT	34%	ENV	14%	TRA	9%
Coal	LBR	19%	NAT	17%	ENG	16%
Petroleum and Natural Gas	ENG	13%	ENV	10%	FUE	8%
Utilities	ENG	17%	ENV	13%	UTI	12%
Communication	TEC	18%	COM	15%	CPT	10%
Personal and Business Services	EDU	7%	CPI	7%	CPT	6%
Business Equipment	DEF	10%	TRD	8%	HOM	7%
Business Supplies and Shipping Containers	ENV	8%	TRD	7%	DEF	7%
Transportation	TRA	13%	AVI	10%	LBR	8%
Wholesale	HCR	25%	MMM	23%	PHA	13%
Retail	HCR	12%	LBR	9%	TRD	7%
Restaraunts, Hotels, Motels	LBR	11%	IMM	10%	FOO	10%
Banking, Insurance, Real Estate, Trading	FIN	15%	BAN	11%	INS	10%
Everything Else	ENG	27%	ENV	25%	WAS	14%

Table A.1. Top Lobbying Interests (continued)

Panel B. Charity Types

Charity Activities	Top Lobbying Issues					
	Top 1	% Spending	Top 2	% Spending	Top 3	% Spending
Religious Activities	EDU	26%	DEF	21%	TRA	7%
Schools, Colleges and Related Activities	HCR	15%	MMM	12%	PHA	9%
Cultural, Historical of Other Educational Activities	EDU	19%	SCI	7%	GOV	7%
Other Instructions and Training Activities	COM	11%	CPT	10%	TEC	10%
Health Services and Related Activities	HCR	20%	MMM	16%	PHA	10%
Scientific Research Activities	HCR	16%	MMM	14%	PHA	12%
Farming and Related Activities	ENV	33%	AGR	13%	TRA	6%
Mutual Organizations	INS	14%	RET	14%	TEC	14%
Employee of Membership Benefit Organizations	ENV	11%	FOO	7%	AGR	6%
Sports, Athletic Recreational and Social Activities	ANI	31%	EDU	21%	AGR	7%
Youth Activities	EDU	22%	HCR	14%	LAW	5%
Conservation, Environmental and Beautification Activities	NAT	19%	RES	15%	AGR	13%
Housing Activities	HOU	32%	EDU	9%	ENG	7%
Inner City or Community Activities	EDU	26%	ECN	8%	HOU	8%
Civil Rights Activities	FOR	14%	CIV	10%	EDU	9%
Litigation and Legal Aid Activities	HCR	33%	IMM	33%	TRA	33%
Legislative and Political Activities	TRD	7%	ENG	7%	DEF	5%
Advocacy	FOR	15%	DEF	14%	ENG	10%
Other Activities Directed to Individuals	AGR	10%	LBR	6%	HCR	6%
Activities Purposes and Activities	HCR	27%	MMM	17%	EDU	10%
Other Purposes and Activities	ENV	7%	HCR	7%	DEF	6%

Table A.1. Top Lobbying Interests (continued)

Panel C. LDA Issue Dictionary

ACC	Accounting	HCR	Health Issues
ADV	Advertising	HOU	Housing
AER	Aerospace	IMM	Immigration
AGR	Agriculture	IND	Indian/Native American Affairs
ALC	Alcohol & Drug Abuse	INS	Insurance
ANI	Animals	LBR	Labor Issues/Antitrust/Workplace
APP	Apparel/Clothing Industry/Textiles	LAW	Law Enforcement/Crime/Criminal Justice
ART	Arts/Entertainment	MAN	Manufacturing
AUT	Automotive Industry	MAR	Marine/Maritime/Boating/Fisheries
AVI	Aviation/Aircraft/Airlines	MIA	Media (Information/Publishing)
BAN	Banking	MED	Medical/Disease Research/Clinical Labs
BNK	Bankruptcy	MMM	Medicare/Medicaid
BEV	Beverage Industry	MON	Minting/Money/Gold Standard
BUD	Budget/Appropriations	NAT	Natural Resources
CHM	Chemicals/Chemical Industry	PHA	Pharmacy
CIV	Civil Rights/Civil Liberties	POS	Postal
CAW	Clean Air & Water (Quality)	RRR	Railroads
CDT	Commodities (Big Ticket)	RES	Real Estate/Land Use/Conservation
COM	Communications/Broadcasting/Radio/TV	REL	Religion
CPI	Computer Industry	RET	Retirement
CSP	Consumer Issues/Safety/Protection	ROD	Roads/Highway
CON	Constitution	SCI	Science/Technology
CPT	Copyright/Patent/Trademark	SMB	Small Business
DEF	Defense	SPO	Sports/Athletics
DOC	District of Columbia	TAX	Taxation/Internal Revenue Code
DIS	Disaster Planning/Emergencies	TEC	Telecommunications
ECN	Economics/Economic Development	TOB	Tobacco
EDU	Education	TOR	Torts
ENG	Energy/Nuclear	TRD	Trade (Domestic & Foreign)
ENV	Environmental/Superfund	TRA	Transportation
FAM	Family Issues/Abortion/Adoption	TOU	Travel/Tourism
FIR	Firearms/Guns/Ammunition	TRU	Trucking/Shipping
FIN	Financial Inst./Investments/Securities	URB	Urban Development/Municipalities
FOO	Food Industry (Safety, Labeling, etc.)	UNM	Unemployment
FOR	Foreign Relations	UTI	Utilities
FUE	Fuel/Gas/Oil	VET	Veterans
GAM	Gaming/Gambling/Casino	WAS	Waste (Hazard/Solid/Interstate/Nuclear)
GOV	Government Issues	WEL	Welfare

Table A.2. Summary Statistics for Alternative Samples

This table presents descriptive statistics of alternative samples consisting of non-lobbying charities and firms with whom they share board connections (Panel A) and the matched sample used for the director turnover test in Section 3 (Panel B). Reported in Panel A (Panel B) are the distributions of variables and the differences of their means - and their t-statistics - between connected and unconnected firm-charity observations (treated and control groups). Reported variables include: charity lobbying for corporate interests, or CLC, the number of connected firms per charity, charity grant and donation receipts, charity assets, the fraction of different charity types (i.e., 501(c)(3)s, education/health/science organizations, and interest/advocacy groups), the number of connected charities per firm, firm-level P-Risk (see Hassan et al., 2019), firm procurement contracts, firm assets, firm market-to-book equity, firm leverage (i.e., debt-to-assets), and the fraction of firm types (i.e., lobbying firms, firms in regulated industries).

Panel A. Non-Lobbying "Benign" Charity Sample

	Connected (C=3,028, F=4,607)					Unconnected (C=2,936, F=4,370)					Diff	t-stat
	Mean	St.Dev	25%	50%	75%	Mean	St.Dev	25%	50%	75%		
Charities												
No. Connected Firms	2.67	4.02	1.00	1.00	3.00							
Grant Receipts ($ million)	13.85	57.84	0.92	3.45	10.21	7.55	39.88	0.47	1.99	5.46	6.31	13.12
Assets ($ million)	198.64	1,578.34	7.45	26.73	104.81	79.98	954.56	5.03	13.42	42.92	118.66	9.73
Fraction of Charity Types												
501(c)(3)	0.95					0.92					0.03	
Schools/Education/Science	0.65					0.61					0.04	
Health	0.03					0.03					0.00	
Firms												
No. Connected Charities	1.92	1.33	1.00	1.00	2.00							
P-Risk	0.10	1.03	-0.46	-0.19	0.29	0.00	0.94	-0.50	-0.27	0.16	0.10	7.97
Procurements ($ billion)	0.18	1.56	0.00	0.00	0.01	0.04	0.26	0.00	0.00	0.00	0.14	6.46
Assets ($ billion)	14.18	90.57	0.32	1.31	4.99	4.92	71.34	0.11	0.48	1.75	9.25	12.83
M/B	5.79	267.40	1.22	1.94	3.36	2.97	73.84	1.10	1.82	3.23	2.81	1.40
Debt/Assets	0.24	0.24	0.05	0.19	0.36	0.33	9.03	0.02	0.16	0.36	-0.09	-2.01
Fraction of Firm Types												
Lobbying Firms	0.25					0.14					0.12	
Regulated Industries	0.25					0.21					0.04	

Table A.2. Summary Statistics for Alternative Samples (continued)

Panel B. Matched Sample for Director Turnover Tests

	Treated (C=707, F=2,372)					Control (C=561, F=1,595)					Diff	t-stat
	Mean	St.Dev	25%	50%	75%	Mean	St.Dev	25%	50%	75%		
Charity-Firm Pairs												
CLC ($ thousand)	20.46	84.17	0.00	0.00	5.26	29.35	109.56	0.00	0.00	5.51	-8.89	-10.37
Charities												
No. Connected Firms	4.41	6.01	1.00	2.00	6.00	5.16	6.00	2.00	3.00	6.00	-0.75	-7.54
Grant Receipts ($ million)	62.18	207.02	3.05	10.73	37.73	67.63	218.21	2.95	10.83	40.19	-5.45	-1.51
Assets ($ million)	600.40	1,566.37	28.73	126.44	465.38	642.05	1,623.14	33.80	143.11	525.68	-41.66	-1.57
Fraction of Charity Types												
501(c)(3)	0.93					0.93					0.01	
Schools/Education/Science	0.75					0.76					-0.01	
Health	0.05					0.05					0.00	
Firms												
No. Connected Charities	1.35	1.62	0.00	1.00	2.00	2.12	1.54	1.00	2.00	3.00	-0.77	-42.93
P-Risk	0.11	0.95	-0.44	-0.16	0.31	0.15	1.06	-0.43	-0.14	0.35	-0.04	-2.86
Procurements ($ billion)	0.24	1.91	0.00	0.00	0.02	0.23	1.81	0.00	0.00	0.02	0.01	0.43
Assets ($ billion)	23.23	130.48	0.43	2.05	8.74	24.01	126.71	0.51	2.22	8.95	-0.78	-0.53
M/B	7.66	370.86	1.25	2.02	3.50	3.47	36.82	1.33	2.11	3.61	4.19	1.33
Debt/Assets	0.25	0.24	0.07	0.21	0.38	0.24	0.22	0.06	0.21	0.36	0.01	3.99
Fraction of Firm Types												
Lobbying Firms	0.33					0.32					0.01	
Regulated Industries	0.22					0.25					-0.02	