



The Defense Industry

An Analysis of Industry and Contractor Political Contributions: 2007 - 2012



PowerBase
ASSOCIATES

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About PowerBase Associates

PowerBase Associates provides cutting edge competitive intelligence and strategic advice to Fortune 500 companies, top associations, lobby firms and interest groups. The firm's research and in-depth analysis directly impacts your business, legislative and political outcomes.

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Prior to joining DCI in 2007, Feld served as Director of Strategic Initiatives in the Office of Senate Majority Leader Bill Frist. In that role, he assisted in crafting communications strategies and policy responses for the Republican Senate caucus. Feld moved to Capitol Hill from the National Republican Senatorial Committee, where he was Director of Statistical Analysis and later Research Director from 2003 to 2005.

Before stepping into the political arena, Dr. Feld was an analyst with the Campaign Study Group, a media consulting firm that provided campaign finance and database analysis to national news networks, leading newspapers and political websites. His career began in the Washington D.C. bureau of the *Los Angeles Times*, where he served as Senior Analyst in the newspaper's Special Investigations unit.

Feld holds a Ph.D. in American Government from Georgetown University, a Master of Arts from Boston College and a Bachelor of Arts from the University of Toronto. He has served on the Campaign Council for the Center for Cancer and Blood Disorders at Children's National Medical Center and on the Advisory Council of *National Journal*.

To learn more about specific companies and members of Congress in this study or to purchase other industry analyses, contact PowerBase Associates at info@powerbaseassociates.com or at 202-734-0949.

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Executive Summary

Significant Findings

- ✓ Since January 1, 2007 the political action committees of leading defense firms and Pentagon contractors have donated almost \$82 million to federal committees
- ✓ Over the past six years, \$42.4 million (52 percent) have flowed to Republican campaigns and affiliated committees, while 48 percent (\$39.4 million) has been donated to Democrats
- ✓ After Republicans gained control of the House of Representatives, GOP candidates and committees collected \$17.3 million or almost 60 percent of defense money
- ✓ Committees connected to current members of Congress have accepted \$61.3 million over the past six years from defense PACs
- ✓ In the Senate, 97 of the current members have collected a total of \$15.4 million in PAC contributions from defense contractors
- ✓ Of the 430 members currently serving in the House of Representatives, 426 have received PAC contributions from the defense industry
- ✓ House members collectively raised almost \$46 million from defense industry PACs – House Republicans have amassed almost \$5.9 million more than House Democrats
- ✓ In the House, 138 members have raised over \$100,000 from the defense industry in combined campaign committee and leadership PAC funds
- ✓ Sixteen leadership PACs connected to House members raised \$100,000 or more from defense PACs
- ✓ Since 2007, the top ten defense-related PACs contributed a total of \$62.5 million– or 76 percent of the industry's overall total
- ✓ The top PAC contributor is Honeywell, which has contributed over \$12.2 million to federal candidates and party committees
- ✓ Five other PACs connected to defense firms have donated over \$5 million

The Road to Sequestration

Background

In August 2011, Congress passed the Budget Control Act (BCA). The bill aimed to force massive cuts to defense and nondefense spending if Congress did not agree to a deal slashing the deficit by \$1.2 trillion. The legislation directed a 12-member panel of six Senators and six Representatives, dubbed the "Super Committee," to reduce the deficit by \$1.2-\$1.5 trillion over ten years. If the Super Committee failed to reach a deal on long-term deficit reduction, huge budget cuts would automatically be imposed by the method of sequestration.

Not surprisingly, a deal negotiated by the Super Committee failed to materialize. Now sequestration looms.

Only days after Americans ratified the governing status quo, the 112th Congress commenced its "lame duck" session. It must address the "fiscal cliff" facing the country. Congress essentially has until the end of the year to work out a deal before the Bush-era tax cuts expire on December 31, 2012. But along with the Bush tax cuts, emergency unemployment benefits, the payroll tax holiday and the Alternative Minimum Tax exemptions will also expire as calendars move to 2013. Economists and analysts warn this confluence of circumstances could throw the country back into recession.

And the window of opportunity is actually shorter than the six weeks remaining in 2012. Lawmakers really have fewer than 20 legislative days to solve all of these financial issues and address the fast-approaching first round of sequestration cuts.

Sequestration and Defense Cuts

Under the sequestration plan, mandatory defense cuts amounting to hundreds of billions of dollars will automatically occur, with discretionary defense cuts of \$54.6 billion for FY2013 taking effect on January 2, 2013. According to the Office of Management and Budget, these spending cuts will directly impact the private sector, since there are over \$15 billion in procurement reductions alone – an amount second only to the expected \$23.4 billion in operations and maintenance cuts.

In fact, lower government spending will directly impact a variety of private-sector companies in the defense industry including: defense contractors; weapons manufacturers; equipment vendors and suppliers; military construction agencies; aerospace; the ship and boat industry; and intelligence firms.

Roll Call recently reported that lobbyists worry defense contractors will take longer to recover if the Defense Department's budget remains a central point of contention. "For the past year, defense giants

and, to a lesser degree, technology firms, have begged lawmakers to avoid billions of dollars in cuts associated with sequestration," *Roll Call* reported.¹

Notwithstanding the impending sequestration timetable and the overall wrongheaded notion of cutting the deficit in such an arbitrary way, the Defense Department must expect its budget to be slashed.

The Budget Control Act created two rounds of defense spending cuts – the first of which is actually a cap on spending. The bill sliced \$487 billion in Pentagon spending over the next decade. In all, defense budget authority will drop by 9.4%.

CNN reported the Congressional Budget Office forecasted the Pentagon's budget will drop to \$491 billion in 2013 from \$554 billion in 2012. Afterward, the BCA insures defense spending over the next years will match inflation. Those reductions alone will save about \$500 billion over the next decade. "The Pentagon will still be spending more in 2013 after sequestration than it did in 2006, at the height of the Iraq war," said former Assistant Defense Secretary Lawrence Korb.²

Finally, there could be additional reductions. Senate Armed Services Chairman Carl Levin (D-MI) supports another \$100 billion in cuts over the next ten years. Levin points to nuclear weapons as one specific area the Pentagon could make reductions. "I think Defense has got to contribute, but I think we've got to be very, very careful that we don't do the draconian approach on defense or on any of the other important programs like education and so forth," Levin said.³

Sequestration or not, the Defense Department can expect to see a major decline in its budget authority. To help slow or even limit that process, the country's largest defense firms and Pentagon contractors have donated tens of millions of dollars to the very people whose decisions will directly impact a corporation's bottom line. That story is next.

¹ Janie Lorber and Kate Ackley, "Lobbyists Eager for Short-Term Fiscal Deal," *Roll Call*, 11/8/12

² Jeanne Sahadj, "\$1 trillion in defense cuts," money.cnn.com, 10/23/12

³ Kate Brannen, "Further Defense cuts could reach \$100B, Levin says," www.federaltimes.com, 6/12/12

The Defense Industry's Political Donations

Playing Both Sides: The Industry's Insurance Policy?

For years, observers have argued defense spending levels were unsustainable. And now, with billions of dollars expected to be cut from the Pentagon budget, many of the country's top defense contractors are probably pleased their employees have invested in a corporate insurance policy called a political action committee (PAC). Over the past three election cycles, from January 1, 2007 through October 15, 2012, PACs connected to leading defense firms and Pentagon contractors have donated almost \$82 million to candidate campaigns, leadership PACs and party committees.⁴

While the military is seen in popular culture as a conservative institution, political contributions by defense contractors have been more bipartisan – basically evenly split between the two parties. Over the past six years, about 52 percent or \$42.4 million have flowed to Republican campaigns and affiliated committees, while 48 percent (\$39.4 million) has been donated to Democrats. Overall, there is a \$2.9 million gap in total contributions between to the two parties dating back to 2007.

The overall numbers only tell part of the story. During the 2008 and 2010 election cycles, when Democrats controlled both chambers of Congress, defense PACs donated a majority of their dollars to Democratic committees. But after the 2010 election, with Republicans again in control of the House of Representatives, GOP candidates and committees collected \$17.3 million or almost 60 percent of defense money. Independent candidates, those who were not officially aligned with a major party, only amassed \$21,000 in total between 2010 and 2012.

CYCLE-BY-CYCLE CONTRIBUTIONS TO FEDERAL COMMITTEES

Election Cycle	To Democratic Party		To Republican Party		Total To Major Party Committees
	Total	Percent	Total	Percent	
2007-2008	\$11,734,795	51.24	\$11,165,529	48.76	\$22,900,324
2009-2010	\$15,960,774	53.36	\$13,941,967	46.61	\$29,909,241
2011-2012	\$11,752,365	40.48	\$17,266,796	59.47	\$29,033,661
Total	\$39,447,934	48.20	\$42,374,292	51.77	\$81,843,226

⁴ This study was compiled using PAC data filed with the Federal Election Commission by 60 of the nation's largest defense firms and Pentagon contractors. The companies included in this study were selected from a number of different sources, including the Center for Responsive Politics, the Business Insider's list of "25 Biggest Defense Companies In America" and Defense System's "Top 20 Defense Contractors."

Donations to Members of Congress and Leadership PACs

Since 2007, about \$74.2 million has flowed from defense industry PACs to members of Congress, leadership PACs and candidates for the legislative branch. Of that \$74 million, \$60.8 million went directly to candidate campaign committees, while \$13.4 million filled the bank accounts of leadership PACs. Overall, Republican candidates and leadership PACs both outraised their Democratic counterparts. Republican candidates collected \$1.8 million more than their Democratic competitors, while GOP leadership PACs amassed \$1.2 million more.

Party	Campaign Committees	Leadership PACs	Total
Democratic	\$29,489,329	\$6,113,605	\$35,602,934
Other	\$21,000	\$0	\$21,000
Republican	\$31,259,830	\$7,302,964	\$38,562,794
Total	\$60,770,159	\$13,416,569	\$74,186,728

Committees connected to current members of Congress – those who will be dealing with sequestration in the next few weeks – have accepted \$61.3 million over the past six years from defense PACs. Campaign committees raised \$49.6 million from these PACs, while leadership PACs connected to sitting members of Congress amassed another \$11.8 million. Just over \$34.1 million flowed to sitting Republican members and \$27.2 million went to Democrats.

In the Senate, 97 of the current members have collected a total of \$15.4 million in PAC contributions from defense contractors. Only Sens. John Kerry (D-MA), Bernie Sanders (D-VT) and Herb Kohl (D-WI) have not received any money from these companies – Kerry and Kohl do not accept PAC contributions at all. Though in the minority during the entire time of this study, Republican senators raised \$953,119 more than their Democratic counterparts from defense PACs. (See chart on page 6.)

Of the 430 members currently serving in the House of Representatives, 426 – the other 99 percent! – have collected defense PAC contributions.⁵ House members collectively raised nearly \$46 million from defense industry PACs – Republicans have amassed almost \$5.9 million more than House Democrats. Republican House members raised \$22.2 million from these PACs since 2007, and their respective leadership PACs collected another \$3.6 million.

Of the current members of Congress who have an affiliated leadership PACs, 270 have received at least \$1,000 from the defense PACs. In the Senate, DANPAC, the leadership committee of Daniel Inouye (D-HI), has received \$257,000 since 2007, while Richard Shelby's Defend America PAC took in \$209,500. Going across Capitol Hill to the House of Representatives, 16 leadership PACs connected to that chamber's members have raised \$100,000 or more from the defense industry.

⁵ There are currently vacancies in CA-18, KY-04, MI-11, NJ-10 and WA-01.

DEFENSE PAC CONTRIBUTIONS TO SITTING MEMBERS OF THE 112TH CONGRESS

Party	Contributions To House Members			Contributions To Senators			Overall
	Campaign	Leadership	Total	Campaign	Leadership	Total	Total
Democrats	\$17,433,037	\$2,570,206	\$20,003,243	\$4,609,045	\$2,593,400	\$7,202,445	\$27,205,688
Republicans	\$22,249,752	\$3,640,750	\$25,890,502	\$5,183,550	\$2,972,014	\$8,155,564	\$34,046,066
Total	\$39,682,789	\$6,210,956	\$45,893,745	\$9,792,595	\$5,565,414	\$15,358,009	\$61,251,754

Congressional leaders on both sides of the aisle have not been shy in collecting defense funds. The six House leaders – Reps. John Boehner (R-OH), Eric Cantor (R-VA), Kevin McCarthy (R-CA), Nancy Pelosi (D-CA), Steny Hoyer (D-MD) and James Clyburn (D-SC) – collectively have raised over \$3 million from the defense industry since 2007, with a majority - \$1.6 million (53 percent) – being donated to the Democratic leadership. In the Senate, leadership has raised only \$874,300, though Republican Whip Jon Kyl (R-AZ) had announced his retirement earlier this election cycle and thus only raised \$96,500 from the industry. Sen. John Cornyn (R-TX), the incoming Republican whip, has collected \$373,500 from defense interests, though he is not included in the current leadership totals.

In the House, 138 members have raised over \$100,000 from the defense industry in combined campaign committee and leadership PAC funds. The top recipient is Rep. Howard “Buck” McKeon (R-CA), who chairs the House Armed Services Committee. McKeon has raised \$841,500 from defense industry PACs since 2007, including \$541,000 for his campaign committee and \$300,500 for 21st Century PAC, McKeon’s leadership PAC. House Minority Whip Steny Hoyer (D-MD) is the House’s second leading recipient with a combined campaign and leadership PAC total of \$792,400. Appropriations Committee Chairman Hal Rogers (R-KY) is the sixth largest recipient of defense industry largesse.

TOP HOUSE RECIPIENTS OF DEFENSE PAC CONTRIBUTIONS

Rank	Member	Party	State	Campaign	Leadership	Total
1	McKeon, Howard P “Buck”	Rep	CA	\$541,000	\$300,500	\$841,500
2	Hoyer, Steny H	Dem	MD	\$467,400	\$325,000	\$792,400
3	Reyes, Silvestre	Dem	TX	\$477,500	\$142,000	\$619,500
4	Cantor, Eric	Rep	VA	\$301,500	\$307,500	\$609,000

Rank	Member	Party	State	Campaign	Leadership	Total
5	Young, C W Bill	Rep	FL	\$503,500	\$68,500	\$572,000
6	Rogers, Hal	Rep	KY	\$372,500	\$195,000	\$567,500
7	Clyburn, James E	Dem	SC	\$321,000	\$237,650	\$558,650
8	Ruppersberger, Dutch	Dem	MD	\$425,719	\$127,000	\$552,719
9	Lewis, Jerry	Rep	CA	\$366,000	\$185,500	\$551,500
10	Boehner, John A	Rep	OH	\$328,165	\$215,750	\$543,915
11	Moran, James P Jr	Dem	VA	\$454,883	\$80,200	\$535,083
12	Dicks, Norman D	Dem	WA	\$388,350	\$141,500	\$529,850
13	Granger, Kay	Rep	TX	\$429,500	\$100,000	\$529,500
14	Frelinghuysen, Rodney P	Rep	NJ	\$396,500	\$55,500	\$452,000
15	Thompson, Bennie G	Dem	MS	\$343,800	\$78,000	\$421,800
16	Kingston, Jack	REP	GA	\$337,000	\$84,000	\$421,000
17	Rogers, Michael	REP	AL	\$284,000	\$118,000	\$402,000

Top Contributors among Leading Defense Contractors

While 60 companies are included in this study, the top ten donors make up the bulk of the industry's contributions. In all, the top ten defense-related PACs contributed a total of \$62.5 million since 2007 – or 76 percent of the industry's overall total. Despite any ideological concerns, the top defense PACs generally split their campaign contributions within a few percentage points.

The top PAC contributor is Honeywell, a diversified multinational with arms sales of \$5.4 billion in 2010. Honeywell has contributed over \$12.2 million to federal candidates and party committees. Five other PACs connected to the defense firms have donated over \$5 million. General Dynamics almost slipped onto the list, having contributed \$4.96 million over the past six years.

TOP DEFENSE INDUSTRY PAC DONORS BY COMPANY: 2007 - PRESENT

Rank	Company	To Democratic Committees			To Republican Committees			Overall Total
		Candidates	Party	Total	Candidates	Party	Total	
1	Honeywell International	\$4,462,561	\$1,359,000	\$5,821,561	\$4,700,914	\$1,714,500	\$6,415,414	\$12,236,975
2	Lockheed Martin	\$2,997,944	\$1,145,706	\$4,143,650	\$2,949,750	\$1,097,000	\$4,046,750	\$8,190,400
3	The Boeing Company	\$2,694,000	\$765,500	\$3,459,500	\$2,728,750	\$718,500	\$3,447,250	\$6,906,750
4	Raytheon Company	\$2,368,782	\$1,013,500	\$3,382,282	\$2,337,200	\$1,153,000	\$3,490,200	\$6,872,482
5	General Electric Co.	\$2,288,000	\$1,046,500	\$3,334,500	\$2,323,325	\$1,190,000	\$3,513,325	\$6,847,825
6	Northrop Grumman	\$1,793,800	\$727,000	\$2,520,800	\$1,990,000	\$807,498	\$2,797,498	\$5,318,298
7	General Dynamics	\$1,907,800	\$741,500	\$2,649,300	\$1,654,400	\$655,000	\$2,309,400	\$4,958,700
8	United Technologies	\$1,342,700	\$373,500	\$1,716,200	\$1,489,500	\$305,000	\$1,794,500	\$3,510,700
9	BAE Systems Inc.	\$1,060,000	\$456,500	\$1,516,500	\$1,190,750	\$515,000	\$1,705,750	\$3,222,250
10	SAIC Inc.	\$794,000	\$415,500	\$1,209,500	\$831,100	\$381,000	\$1,212,100	\$2,421,600
11	AAI Corporation	\$516,000	\$213,500	\$729,500	\$890,500	\$345,500	\$1,236,000	\$1,965,500
12	Fluor Corporation	\$504,395	\$226,500	\$730,895	\$746,300	\$350,000	\$1,096,300	\$1,827,195
13	DRS Technologies Inc.	\$464,000	\$212,500	\$676,500	\$643,000	\$258,500	\$901,500	\$1,578,000
14	Hewlett Packard Co.	\$566,672	\$253,500	\$820,172	\$406,165	\$216,750	\$622,915	\$1,443,087
15	L-3 Communications	\$677,000	\$52,000	\$729,000	\$452,200	\$71,000	\$523,200	\$1,252,200
16	Harris Corporation	\$543,500	\$50,000	\$593,500	\$576,000	\$65,500	\$641,500	\$1,235,000
17	Alliant Techsystems Inc.	\$380,085	\$118,499	\$498,584	\$532,171	\$106,364	\$638,535	\$1,137,119
18	Huntington Ingalls	\$300,000	\$88,500	\$388,500	\$424,500	\$121,000	\$545,500	\$934,000
19	Computer Sciences Corp.	\$336,002	\$84,500	\$420,502	\$325,183	\$81,000	\$406,183	\$826,685
20	EADS North America	\$254,600	\$53,500	\$308,100	\$346,400	\$136,500	\$482,900	\$791,000
21	ITT Exelis Inc.	\$346,057	\$52,500	\$398,557	\$307,000	\$49,500	\$356,500	\$755,057
22	Oshkosh Corporation	\$156,500	\$80,000	\$236,500	\$238,000	\$75,000	\$313,000	\$549,500
23	Emergent BioSolutions	\$131,900	\$52,000	\$183,900	\$219,780	\$138,500	\$358,280	\$542,180
24	Dell Inc.	\$229,500	\$62,000	\$291,500	\$174,500	\$33,500	\$208,000	\$499,500
25	Goodrich Corporation	\$224,500	\$0	\$224,500	\$274,000	\$0	\$274,000	\$498,500

Conclusion

The defense industry and leading Pentagon contractors are very active – and strategic – PAC contributors. Nearly every member of Congress who will vote on a fiscal deal during the lame duck session has accepted some money from the defense industry and military contractors. And as the military inevitably sees the Pentagon budgets shrink, defense firms will need their Capitol Hill friends. At present, as Congress addresses sequestration, as well as future-mandated spending reductions, the outcome of that policy battle will partly be a testament to active political giving.

This is not nefarious. It is simply a fact of political life in America.

Appendix

Companies Included In This Study

AAI Corporation

Advanced Concepts and Technologies I

Aeroflex Inc.

Aerojet

Alion Science and Technology Corp.

Alliant Techsystems Inc.

American Shipping and Logistics Group

American Systems Corporation

Analytical Graphics, Inc.

BAE Systems Inc.

Computer Sciences Corporation

Cubic Corporation

Delex Systems Inc.

Dell Inc.

DRS Technologies Inc.

DynCorp International

Dynetics Inc.

EADS North America

EID Passport Inc.

Elbit Systems Of America

Emergent BioSolutions Inc.

Epsilon Systems Solutions Inc.

Fluor Corporation

Force Protection Inc.

General Dynamics Corporation

General Electric Company

Goodrich Corporation

Group W Inc.

Harris Corporation

Hewlett Packard Company

Honeywell International

Huntington Ingalls Industries Inc.

ITT Exelis Inc.

KBR, Inc.

L-3 Communications Corporation

Lockheed Martin Corporation

MacAndrews & Forbes Holdings Inc.

ManTech International Corporation

Mav6

MBDA Incorporated

Nammo Talley Inc.

Navistar Inc.

Northrop Grumman Corporation

Oshkosh Corporation

Qinetiq North America Inc.

Raytheon Company

Rockwell Collins Inc.

SAIC Inc.

Sierra Nevada Corporation

Smiths Group Services Corporation

Solers Inc.

SRA International, Inc.

Teledyne Technologies Inc.

The Boeing Company

The Protective Group Inc.

Torch Technologies Inc.

Triumph Group Inc.

United Technologies Corporation

Versar Inc.

Wyle Services Corporation