

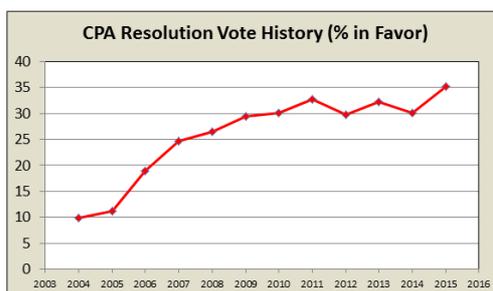


## July 2015 Spotlight on CPA



### In This Edition: Click to Jump to Story

- [Record Support in 2015 Proxy Season for CPA Political Disclosure Resolution](#)
- [Dark Money Nonprofit Groups Loom Larger in 2016 Election](#)
- [Founder's Column: Risks, Good Governance Require Companies to Know What Their Trade Associations are Doing](#)
- [Dark Money and Disclosure News](#)



### Record Support in 2015 Proxy Season for CPA Political Disclosure Resolution

The Center for Political Accountability's shareholder resolution for corporate political disclosure and accountability secured record high support in the 2015 proxy season. With 22 votes cast by late July, the average vote was 35 percent in favor of corporate political disclosure.

This was the highest average since the Center issued its model resolution in the 2004 proxy season and the sixth year in a row where the average vote was 30 percent or higher.

Shareholders registered their support for transparency with 40 plus percent votes for CPA's model resolution at six companies: Waste Management, 47 percent, Raytheon Co., 45.9 percent, PPL Corp., 44.6 percent, Nisource Inc., 44.5 percent, Western Union, 41.5 percent, and Cabot Oil and Gas, 41.28 percent. Two companies were just shy of 40 percent: NextEra Energy at 39.6 percent and Ryder System at 39 percent.

Overall, proxy votes available at press time showed 16 disclosure resolutions – or nearly 75 percent – that received support exceeding 30 percent.

"With anonymous political spending soaring, shareholders are casting high votes for political transparency," said Bruce Freed, CPA president. "They recognize that secret political spending poses an even greater threat." Freed said the votes show continuing momentum for political disclosure and accountability resolutions.

For the disclosure votes exceeding 40 percent, the shareholder group sponsors were New York State Common Retirement Fund (Waste Management, Raytheon, Nisource, Western Union) and New York City Employee Retirement System (PPL, Cabot Oil and Gas).



### "Dark Money" Nonprofit Groups Loom Larger in 2016 Election

Politically active "dark money" nonprofit groups that are allowed to conceal their donors are growing in influence and popularity, and also in the national news media coverage they are attracting.

The *Wall Street Journal* [highlighted](#) earlier this week one of the prominent politically active non-profits in an article entitled, "American Crossroads Gears Up for 2016 Elections, Aims to Stay Top GOP Super PAC." Noting that the Super PAC and its "dark money" 501(c)(4) affiliate, Crossroads GPS, "are vying for dollars against a host of other such independent organizations," the story reported that "Crossroads fundraising today is ahead of where it was in 2011 and 2013." It also said that Crossroads had added a Senate Leadership Fund "to take a direct role in some [Senate] races and funnel money to others."

"Groups backed by secret donors take the lead in shaping 2016 elections," declared a recent [Washington Post](#) headline. The article went on to report that no fewer than eight Republican aspirants for the White House are aligned with such 501(c)(4) groups, known for the U.S. tax code that governs them. The aspirants are Jeb Bush, Mike Huckabee, Bobby Jindal, John Kasich, George Pataki, Rick Perry, Marco Rubio and Rick Santorum.

"These tax-exempt groups — which can keep their donors secret even as they sponsor hard-hitting ads — are being increasingly embraced by campaign operatives looking for new ways to influence the political environment," the *Post* reported. With regulatory scrutiny lacking, it said, "political nonprofit organizations are poised to take on their biggest role yet in the coming federal elections."

Regarding the popular embrace of the secretive nonprofits, the *Huffington Post* said, "The public will not know who helped these candidates with the nomination, or possibly even the White House," because the groups are not required to disclose their donors.

Perhaps the most prominent is a tax-exempt, nonprofit group set up by allies of Florida Sen. Rubio. It said it will spend in the neighborhood of \$20 million on issue advertising. It has raised \$15.8 million since 2014 and already has spent \$3.3 million on TV and radio advertising. The group is called Conservative Solutions Project.

According to a *New York Times* article, the group "has already conducted many activities that would normally be carried out by a formal presidential campaign, including extensive research on the Republican primary electorate. Because the group was founded more than a year ago, well before Mr. Rubio began traveling the country in preparation to run for president, officials there could have spent months collaborating with him and dividing up future responsibilities."

The Center for Political Accountability has warned that the proliferation of such groups adds to the pressure on corporations to give money for political activity, and secret political spending can boomerang and damage a company's reputation, and thereby pose a risk that shareholders should know about.

---

## Risks, Good Governance Require Companies to Know What Their Trade Associations are Doing



**Founder's Column**  
**By Bruce Freed**

CVS Health should have known that the U.S. Chamber of Commerce has been fighting anti-smoking laws globally in concert with the tobacco industry.

But CVS apparently didn't know. "We were surprised to read recent press reports concerning the U.S. Chamber of Commerce's position on tobacco products outside the United States," a senior CVS vice president, David R. Palombi, said earlier this month. He said CVS Health was resigning from the Chamber, according to the *New York Times*, not long after that newspaper had exposed the Chamber's activity.

"CVS Health's purpose is to help people on their path to better health, and we fundamentally believe tobacco use is in direct conflict with that purpose," Palombi added. Last year, the company halted sales of tobacco products in its drug stores.

When companies don't press for full disclosure of what their trade association is doing and how it's using their money, this kind of misalignment between trade group and member businesses can occur.

Good corporate governance should lead companies to ensure that their trade associations do not engage in activities, and use their funds, in ways that may damage the company's reputation or are at odds with its stated public policy and business objectives. When misalignment occurs, it can carry serious bottom-line risks for companies.

While CPA's mission is devoted to transparency and accountability for corporate *political* spending, the same lessons apply to payments made to a trade association for lobbying, as this recent episode makes clear.

We wrote the following (with help from colleagues) in the *Handbook on Corporate Activity*, published by The Conference Board in 2010, and it can apply to trade association payments for lobbying as well:

"Most trade associations shun controversial political activity. But given the relative freedom trade associations have to engage in political activity, it may be advisable for companies to inquire about how their own payments to trade associations are spent. Without this information about how its contributions are spent, a corporation may unwittingly end up supporting politicians or political causes with which the company may not want to be associated. It may also find its funds being used to promote positions that may not be aligned with its values or business strategies."

The Chamber of Commerce said in a statement, "It's unfortunate that a concerted misinformation campaign about the U.S. Chamber's position on smoking has resulted in a company leaving our organization."

"To be clear, the chamber does not support smoking and wants people to quit," the statement said. "At the same time, we support protecting the intellectual property and trademarks of all legal products in all industries and oppose singling out certain industries for discriminatory treatment."

We're proud that CPA was quoted in an article on this topic published by *VICE News*, a global news channel.

---

## Dark Money and Disclosure News

### Wisconsin Supreme Court Guts State Campaign Finance Law

With a 4-2 ruling, the Wisconsin Supreme Court has quashed an investigation that examined whether Gov. Scott Walker engaged in illegal coordination with

ostensibly independent groups during recall elections in 2011 and 2012.

The ruling could have big implications for undisclosed political spending in Wisconsin. Here is an analysis from the [Center for Media and Democracy](#):

"Because the court held that 'issue advocacy' is entirely beyond the reach of Wisconsin campaign finance law, foreigners, corporations—and foreign corporations—can now spend on Wisconsin elections, as long as they bankroll groups whose ads stop short of saying 'vote for' or 'vote against.' And the public will have no idea this is happening, because their donations won't be publicly disclosed."

Election law scholar [Rick Hasen](#) had a similar bleak view:

"The conservatives on the Court have held that Wisconsin's existing campaign finance laws violate the First Amendment to the extent they limit coordination between a candidate and *any group*, even a 501c4 group not disclosing its donors, on campaigns to support that candidate. The only thing the nominally outside group has to do is to avoid words of express advocacy or their functional equivalent."

In [The New Yorker](#), Lincoln Caplan wrote, "The decision may well be devastating not only to Wisconsin but also to the prospect of any effective regulation of national campaign contributions."

### **Delaware Disclosure Statute Upheld by Federal Appeals Court**

Meanwhile a Delaware statute requiring groups that spend more than \$500, to disclose donors who gave \$100 or more, was upheld by the Third U.S. Circuit Court of Appeals, according to [International Business Times](#).

"It is the conduct of an organization, rather than an organization's status with the Internal Revenue Service, that determines whether it makes communications subject to" the Delaware Elections Disclosure Act, Judge Joseph Greenaway Jr. wrote in the decision of a three-judge panel, which was unanimous.

*IBT* noted, "The ruling follows a series of state measures against 'dark money' through disclosure laws. Montana approved a law in April requiring groups to report how money is being spent in state political races while the Arizona Supreme Court found in the same month groups cannot claim they're educating voters to attack politicians while hiding funding sources."

---

[forward to a friend](#)

Copyright © 2015 \*Center for Political Accountability\*, All rights reserved.

[unsubscribe from this list](#) | [update subscription preferences](#)

---