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Spotlight on CPA



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Warning to Companies: Regain Control of Your Political Spending

Founder's Column
By Bruce Freed

A recent announcement by U.S. Department of Justice officials has important implications for corporate political spending and risk avoidance.

The officials said they were stepping up scrutiny of illegal coordination between political candidates and independent allies, as the Federal Election Commission has declined to act on complaints, the [Washington Post](#) reported.

The Post described the Justice Department's "newly aggressive stance" as "certain to have wide reverberations at a time when candidates are taking more leeway than ever in their relationships with independent allies."

Last month, a political operative pleaded guilty in Virginia to illegally coordinating money spent by a super PAC with a campaign for Congress that he was running. Prosecutors called it the first criminal conviction for campaign-finance coordination.

At CPA, we have warned about risks that arise if a company turns over control and "outsources" its political spending to outside entities. It can bring embarrassment or even harm to a company's reputation if the money is used for purposes that don't align with its values, or if the money is mishandled by a bad actor.

Bloomberg View

U.S. Steel Agreement Highlights Political Disclosure Surge in New Proxy Season

Capping an exceptionally strong opening of the 2015 proxy season, the storied U.S. Steel Corp. agreed to adopt a political disclosure policy. [Bloomberg View](#) reported on the agreement in spotlighting the "increasingly active" shareholder movement for corporate disclosure.

"Shareholders need transparency in order to determine whether corporate political spending benefits the company's long-term value," Thomas DiNapoli, the state comptroller in New York, [said](#) in announcing the U.S. Steel agreement. The New York State Common Retirement Fund, headed by the comptroller, filed the Center for Political Accountability's model political disclosure resolution at U.S. Steel.

The Bloomberg View article, "Transparent Win for Political Disclosures," suggested that the Supreme Court's landmark *Citizens United* ruling in 2010 may have helped the political disclosure movement at the same time it "opened the financial floodgates" on election spending.

Published in outlets from coast to coast as well as online, the article showcased the CPA-Zicklin Index of Political Disclosure and Accountability for its benchmarking the political transparency of leading public corporations.

Bloomberg View also noted firm resistance to disclosure from the U.S. Chamber of Commerce, the Business Roundtable and the National Association of Manufacturers. Those groups "have typically relied on anonymous donations to fund their activities," wrote Bloomberg View's Jeanne Cummings.

To indicate the successes of the disclosure movement so far, Cummings wrote, "Almost half of S&P 500 companies have adopted some kind of guidelines for political giving in recent years, but the degree of disclosure varies greatly."

She added, "[t]he tide of undisclosed money won't easily be turned back," and noted, "Political spending by 501(c)(4) groups rose from \$5.2 million in 2006 to \$300 million in 2012." These so-called "social welfare" organizations are not required to disclose their donors.

"U. S. Steel is unequivocally committed to transparency at every level of corporate operations, including disclosure of political contributions," said U. S. Steel's General Counsel, Chief Compliance Officer and Senior Vice President of Government Affairs Suzanne Rich Folsom. As a result of the agreement, the New York State Common Retirement Fund withdrew a shareholder proposal for disclosure.

New York Times Editorial Rebukes SEC Chair Mary Jo White on Political Disclosure Rule



CPA, Wharton's Zicklin Center Unveil First Online Library on Corporate Political Engagement

The first comprehensive online library on corporate political engagement is now up and running thanks to a joint effort by the Center for Political Accountability and the Zicklin Center for Business Ethics Research at the University of Pennsylvania's Wharton School.

The Zicklin-CPA Library on Corporate Political Engagement has about 1,300 documents, including professional journal articles, news articles, and analysis, and it will be updated regularly. It also will include research about corporate governance.

"The Zicklin-CPA Library complements our annual joint benchmarking study of corporate political accountability and transparency, the CPA-Zicklin Index. It is the go-to resource about company policies and practices, and the Library is the go-to resource about trends, court rulings, academic analysis and more," said William Laufer, director of the Zicklin Center.

"Our new virtual library compiles hundreds of resources about corporate political accountability in one place. It can save hours of research time for academics, journalists, business leaders and anyone else who's either getting up to speed or searching for a hard-to-find, unique set of resources," said CPA President Bruce Freed.

Visitors to the Zicklin-CPA Library will be able to find academic resources; CPA-authored publications; articles that focus on government regulatory agencies and political spending and disclosure; articles about courts and campaign finance; articles about political spending; and publications

The criminal conviction and the Justice Department's aggressive posture have put companies on notice they must regain control of their political spending, as long they want to avoid any possibility of having to appear in court as part of a criminal investigation.

Companies can exercise safeguards by putting restrictions on the use of their political payments or by refusing requests for the payments.

Shady campaign-finance dealings also are getting a great deal of news media scrutiny today. With the same safeguards, companies can avoid appearing in investigative articles like these: Yahoo, March 23, "[Secret \\$1.5 million donation from Wisconsin billionaire uncovered in Scott Walker dark-money probe](#)"; and The Voice of San Diego, March 23, "[Inside the Mayor's Nonprofit That's Not Really the Mayor's Nonprofit](#)."

For companies and shareholders alike, these safeguards make for smart business.



A [New York Times editorial](#) on March 27 chided Mary Jo White, chairwoman of the U.S. Securities and Exchange Commission, for failing to move on a petition to require corporate political disclosure.

At a time the S.E.C. "has added new issues to its agenda," its failure to take up political-spending disclosure "is indefensible," the editorial said, "because the investors' need to know will only grow along with the level of anonymous giving."

The editorial urged President Barack Obama to sign an executive order requiring political disclosure by corporations that get federal contracts, saying it would provide an example for "Ms. White, corporate leaders and anyone else in a position to provide investors with the disclosure they want and deserve."

addressing corporate governance and risk management. The library can be accessed by [clicking here](#).

NEWSbriefs

- A [Center for Public Integrity article](#) about the U.S. Chamber of Commerce noted the trade association's ongoing defense of secret political spending. The article quoted CPA's Bruce Freed as saying that guarding donor anonymity gives the Chamber "maximum freedom to raise money and to spend money."

- The [Federal Election Commission](#) has invited public comment on a petition for a rule on political disclosure by federal contractors (see [CPA newsletter](#) of December 2014 for background).

- Jennifer Brown, an assistant professor of accountancy at Arizona State University's W.P. Carey School of Business, has published [an article](#) on research finding "a pattern in which contributions made to tax policymakers are followed later by lower and less volatile effective tax rates for firms whose corporate political action committees made such contributions." A key point in the article is that political contributions can be more important than lobbying in building relationships that benefit donors.

- A [Washington Post op-ed](#) by Lee Drutman, who has written a book about corporate lobbying, takes a different view. He argued that five years after *Citizens United*, lobbying is the preferred path for corporations seeking influence in Washington. The article concludes by noting that corporate political spending could be on the upswing.

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