



Center for Political Accountability Newsletter

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**Founder's Column:
CPA Political Disclosure
Model Protects
Companies in Hidden
Spending Surge**

Two years after *Citizens United*, the political spending landscape in America has been transformed (see accompanying article, "Secret Election Spending Draws Media Spotlight.") Disclosure no longer is the rule. Contribution limits don't apply. And shadowy political spending is

Secret Election Spending Draws Media Spotlight

Almost overnight, secret election spending has surged -- and become one of the hottest topics in American politics.

After campaign finance reports were filed Jan. 31, hidden election spending through both super PACs and non-profit 501(c)4 "social welfare" groups sparked headlines across the country and heated up the debate over reform.

The campaign reports reflected a political spending landscape realigned by Supreme Court's *Citizens United* decision two years ago. *Citizens United* allowed unlimited independent expenditures by corporations and labor unions.

Now super political action committees and affiliated (c)4 nonprofit groups are flourishing as conduits to influence elections. They provide avenues -- including anonymous channels -- for unlimited campaign contributions by corporations and wealthy individuals, as these examples from recent news coverage illustrate:

- "More than a third of the advertising tied to the presidential race has been funded by nonprofit groups that will never have to reveal their donors, suggesting that a significant portion of the 2012 elections will be **wrapped in a vast cloak of secrecy.**" -- *Washington Post*, Feb. 6, "[Political spending in election ads is increasingly shrouded in secrecy.](#)"
- "Announcements this week from a cluster of politically active social welfare groups ... hinted at

permitted and soaring.

What does this new environment mean for companies that engage in political spending? In two words: Heightened risk. It is caused by several changes; overall, the reconfigured landscape makes disclosure and accountability an even more important solution for companies that want to reduce their risk.

Why is the risk growing? First, because no public disclosure is required of donors to the (c)4 groups, they can become a conduit for hiding and laundering money. This is what makes them politically attractive. Yet it also makes them risky.

Second, with secrecy shrouding these (c)4 “social welfare” groups, it is impossible to know how much corporate money is flowing in the political system, or what issues or candidates it is supporting. The same secrecy makes it easier for these groups to pressure corporations for political money.

Third, companies that give money to a (c)4 group or a trade association lose the ability to track how it is used and where it ends up. Companies effectively give

how secret money could factor into the upcoming election – and in a more direct fashion than initially forecast after the Supreme Court opened the door to super PACs two years ago.” *ProPublica*, Feb. 3, [“With Spotlight on Super PAC Dollars, Nonprofits Escape Scrutiny.”](#)

- “Newly disclosed details of the millions of dollars flowing into political groups are highlighting not just the scale of donations from corporation and unions but also **the secrecy surrounding ‘super PACs’** seeking to influence the presidential race.” *New York Times*, Feb. 1, [“Secrecy Shrouds ‘Super PAC’ Funds in Latest Filings.”](#)

One of the most striking news reports involved the two largest Republican independent expenditure groups. Crossroads GPS, the nonprofit (c)4 arm of the Republican super PAC American Crossroads, raised \$32.6 million in 2011 and far outpaced the super PAC, which raised \$18.4 million.

Nonprofit groups such as Crossroads GPS do not have to disclose their donors. Super PACs are required to disclose donors, yet they provide a channel for secret money by accepting donations from the nonprofit (c)4s and also from shell corporations established to conceal a source of political money.

Some pundits have raised troubling questions about multimillion-dollar spending by “social welfare” groups and by the super PACs, which may raise and spend unlimited sums as long as they don’t coordinate directly with candidate campaigns.

Washington Post columnist E.J. Dionne Jr. decried [“The Citizens United Catastrophe.”](#) The Post’s Steven Pearlstein wrote a satirical column entitled, [“Forget super PACs. A modest proposal for legalizing bribery.”](#) And [a New York Times editorial](#) said *Citizens United* had endorsed prompt disclosure of campaign contributions, “But the huge amount of cash funneled through ‘super PACs’ by corporations, unions and wealthy individuals – whose identities are often hidden behind shell entities – makes a mockery of this notion.”

“These developments make the Center for Political

up their spending decisions over to others, exposing the companies to greater risk.

Finally, some of the (c)4 groups (in addition to super PACs) are run by political operatives with close ties to elected officials. These operatives likely will inform their patrons about how companies have responded to requests for contributions.

This latter situation might best be characterized as “public anonymity, private disclosure.” Unfortunately, it leaves companies vulnerable to the threat of shakedown that erupted into the Watergate scandal four decades ago.

So far, the latest campaign finance reports offer only a glimpse of what is ahead in this year’s election spending. According to national news coverage, it doesn’t appear that many *public* corporations are contributing to the super PACs, which must disclose their donors. Experts say it is likely, but untraceable, that some public corporations are contributing or will give to the secretive (c)4 groups.

For corporations, the outsourcing of campaign spending clearly is

Accountability’s campaign for corporate political disclosure even more critical as a way to deal with the secret money tsunami in the here and now,” said CPA president Bruce Freed.

Forbes Assault on Political Transparency Hides Behind Unsupported Claims

Center for Political Accountability President Bruce Freed dismissed a “one size doesn’t fit all” argument leveled against corporate political disclosure in a Forbes magazine article on January 31.

“The article makes a ‘one size doesn’t fit all’ argument against political disclosure that flies in the face of surveys of shareholders and company directors,” Freed wrote in a letter to Forbes. “These surveys show strong, across-the-board support for disclosure and board oversight of company political spending, with no equivocation.”

“To oppose political disclosure, the article hides behind unsupported claims. It says disclosure may ‘impose unacceptable costs’ on a company -- without offering any proof,” he continued. “It raises the specter of an ‘invasion of personal privacy’ from hypothetical proposals to require the naming of individuals involved in making political spending decisions. The Center for Political Accountability’s model resolution, however, calls only for disclosure of the positions held by those executives.

Last year, a committee of The Conference Board examined corporate political spending. Freed said the Forbes article did not fully reflect the committee’s findings. The committee concluded the following about corporate political transparency and accountability:

“Business is fundamentally about relationships. Corporations succeed by establishing and maintaining strong relationships with their customers, partners, investors and employees. At a time when public trust in U.S. corporations is at near-record lows, and both companies and consumers are struggling in a difficult economy, demonstrating greater disclosure and accountability can help corporations build public trust and investor confidence—and strengthen their relationships with the people they count on to support their business and

“dangerous terrain,” to borrow the title of an article I coauthored with CPA counsel Karl Sandstrom for winter edition of [The Conference Board Review](#), published last month.

By adopting the Center for Political Accountability’s model for board oversight and disclosure, companies can manage the risk. These practices help companies uphold shareholder values and avoid exposure to scandal, while preserving companies’ right to participate in electoral politics.

Corporate Super PAC Donation Becomes Campaign Issue

A publicly traded California utility, PG&E, is getting some adverse publicity as a result of its \$10,000 contribution to a super political action committee supporting Democratic U.S. Rep. Howard Berman of California.

A PG&E pipeline explosion in 2010 killed eight people. Rep. Berman’s opponent in a primary, Rep. Brad Sherman, authorized a campaign mailer that linked the PG&E donation and the explosion, according to [a Politico article](#).

(continued at right)

contribute to their success.”

CPA In the Limelight

The Center for Political Accountability is at the center of a growing call by shareholders for disclosure of corporate political spending, [Politico reported](#) in an article entitled, “AT&T Shareholders Demand Answers.” Politico’s article then was spotlighted by [Public Relations Tactics](#) at the Public Relations Society of America website.

A [newsletter by the Parker Poe law firm](#) discussed CPA’s leadership role and offered this advice about corporate political disclosure: “Disclosure helps ensure that board oversight and formal policies are meaningful and effective. It also gives shareholders the ability to judge whether corporate spending is in the company’s best interest and identifies possible sources of risk.”

Also highlighting CPA’s success was the [blog of the Duane Morris law firm](#). “Since 2003, the Center for Political Accountability (CPA) has coordinated a campaign to cause companies to disclose political expenditures and to require board oversight of their political spending with corporate funds,” the law firm blog reported.

[A commentary at CorpGov.net](#), a corporate governance site for institutional and individual shareowners, noted that “Many [shareowners] have turned to the Center for Political Accountability for assistance in filing proposals seeking disclosure of corporate spending.”

Corporate Super PAC Donation Becomes Campaign Issue

The mailer said, “In 2010, PG&E’s failure to maintain their gas line resulted in a massive explosion and eight deaths in San Bruno, CA.” It added that “instead of spending money to make their pipelines safer, PG&E is donating to a ‘SuperPAC’ set up to elect Congressman Howard Berman.”

A PG&E spokesman said the mailer was “unfortunate and mischaracterizes the company’s spending to improve safety on pipelines.”

Politico reporter Anna Palmer wrote that the utility’s decision

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to donate “may be a cautionary tale for corporations thinking about ponying up – and to super PACs willing to take the money.”