

April 25, 2013

U.S. House of Representatives  
Washington, D.C. 20515

United States Senate  
Washington, D.C. 20510

## **RE: Support the Shareholder Protection Act**

Dear Member of Congress:

We write to you to encourage your support of the Shareholder Protection Act, soon to be introduced by Rep. Michael Capuano (D-MA) and Sen. Robert Menendez (D-NJ).

Our organizations come from diverse backgrounds, with concerns ranging from constitutional rights to corporate governance to protecting our air and water. We have many different priorities, but we all agree that the unprecedented 2010 Supreme Court decision, *Citizens United v. Federal Election Commission*, requires a strong response.

We are troubled for several reasons by the Supreme Court's decision to give corporations the right under the First Amendment to spend unlimited funds from their corporate treasuries to support or attack candidates.

In the electoral arena, this decision has brought a flood of new and secretive money into elections, ratcheting up the cost of campaigns and increasing the time and resources needed for fundraising. Spending by outside groups funded largely by corporate interests and intended to influence the 2010 elections was more than four times as high than in 2006, the last mid-term cycle. Outside spending increased another four-fold again in the 2012 election cycle. The sources of much of this new money swamping our elections remains undisclosed, as corporations and other special interests launder their campaign funds through non-profit groups, such as the Chamber of Commerce, which are not required to disclose their donors. The ads funded by unaccountable corporate interests fueled massive attacks that compounded the negative tone of campaigns and added to the public cynicism of our elections.

In the legislative arena, the mere threat of unlimited corporate political spending gives corporate lobbyists a large new club to wield when lobbying lawmakers, and makes it harder for legislators to vote their conscience.

In corporate governance, unless a company sets its own internal policies otherwise, there are no rules or procedures established in the United States to ensure that shareholders – those who actually own the wealth of corporations – are informed of, or have the right to approve, decisions on spending their money on politics.

The Shareholder Protection Act provides a framework to rein in some of the damage in this troubling, new political landscape.

Specifically, the Act would:

- Mandate prior approval by shareholders for an annual political expenditure budget chosen by the management for a publicly held corporation.
- Require that each specific corporate political expenditure over a certain dollar threshold be approved by the Board of Directors and promptly disclosed to shareholders and the public.
- Require that institutional investors inform all persons in their investment funds how they voted on corporate political expenditures.
- Post on the Securities Exchange Commission web page how much each corporation is spending on elections and which candidates or issues they support or oppose.

American business leaders are concerned about the pressure on business to donate to political campaigns, and the influx of large, undisclosed donations to third party political organizations that are not required to disclose their sources of funding. In a Zogby International poll commissioned by the business-led Committee for Economic Development (CED), two-thirds of business leaders polled agreed with the statement: “the lack of transparency and oversight in corporate political activity encourages behavior that puts corporations at legal risk and endangers corporate reputations.”

In addition to business leaders, the general public at large believes in transparency and giving shareholders a voice. A 2012 survey conducted by Bannon Communications for the Corporate Reform Coalition found that more than 8 in 10 Americans (81%) believe that the secret flow of campaign spending is bad for democracy, and 87 percent agree that prompt disclosure of political spending would help voters, customers and shareholders hold companies accountable for political behavior. Huge majorities of Americans across the political spectrum condemn corporate political spending and support strong reforms. For example, requiring corporations to get shareholder approval before spending money on politics is supported by 73 percent of both Republicans and Democrats, and 71 percent of Independents. About 84 percent of Americans agree that corporate political spending drowns out the voices of average Americans, and 83 percent believe that corporations and corporate CEOs have too much political power and influence.

Responsible corporate governance requires the involvement of informed shareholders and is not a partisan issue. We believe that holding management accountable and ensuring that political spending decisions are made transparently and in pursuit of sound business is important for both the market and for democracy.

We urge you to support the reasoned response that is the Shareholder Protection Act.

Sincerely,

Brennan Center for Justice at N.Y.U. School of Law  
Center for Media and Democracy  
Chesapeake Climate Action Network  
Citizen Works  
Citizens for Responsibility and Ethics in Washington (CREW)  
Coffee Party USA  
Common Cause  
Corporate Accountability International  
Corporate Ethics International/Business Ethics Network  
Democrats.com  
Demos  
Free Speech for People  
Friends of the Earth  
Greenpeace  
Harrington Investments, Inc.  
Holy Cross International Justice Office  
Illinois Campaign for Political Reform  
Krull and Company, Peter W. Krull, President & Founder  
League of Conservation Voters  
Maryknoll Office for Global Concerns  
National Consumers League  
New Progressive Alliance  
North Carolina Center for Voter Engagement  
NorthStar Asset Management, Inc.  
Ohio Citizen Action  
People for the American Way  
Progressive States Network  
Public Campaign  
Public Citizen

Service Employees International Union (SEIU)  
Social Equity Group, Ron Freund and Duncan Meaney  
Strategic Counsel on Corporate Accountability, Sanford Lewis  
Sunlight Foundation  
Torres-Spelliscy, Ciara  
U.S. Public Interest Research Group (US PIRG)  
United Food and Commercial Workers  
West Virginia Citizen Action  
Wisconsin Democracy Campaign  
Zevin Asset Management, LLC