

Barely One-Fourth of the Largest Government Contractors Disclose Contributions to Outside Electioneering Groups

March 6, 2015 – In his opinion in the U.S. Supreme Court's 2010 decision in *Citizens United v. Federal Election Commission*, which paved the way for corporations and other outside entities to spend unlimited funds to influence elections, Justice Anthony Kennedy wrote, "A campaign finance system that pairs corporate independent expenditures with effective disclosure has not existed before today." 1

Kennedy continued: "With the advent of the Internet, prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters. Shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits, and citizens can see whether elected officials are 'in the pocket' of so-called moneyed interests." ²

As it turned out, disclosure laws that Kennedy extolled in *Citizens United* proved far too porous to compel disclosure of the expenditures by many of the corporations, wealthy individuals and other entities that subsequently took advantage of the permissions granted in the decision to spend money to influence elections. Those seeking to remain anonymous simply routed their contributions through nonprofit entities, such as social welfare groups and trade associations, registered under 501(c)(4) and 501(c)(6) of the tax code, respectively.

The Center for Responsive Politics calculated that \$173 million spent to influence the 2014 elections was by groups that did not disclose anything about their donors. Groups that withheld some or all of the information about their donors accounted for 40 percent of outside expenditures. Three-fourths of these expenditures were by groups that revealed no details.³

There are few forms of corporate electioneering expenditures that citizens and taxpayers might more likely view as having a potentially corrupting influence than those by businesses that generate their income by obtaining taxpayer-funded government contracts. In recent years, the Obama administration has contemplated issuing an executive order that would require businesses receiving substantial federal contracts (and the top executives of those businesses) to publicly disclose their political contributions, including those to third-party groups.

To gauge the level of disclosure by contractors, Public Citizen examined the voluntary political disclosure policies of the 15 largest federal contractors that were listed in the 2014 CPA-Zicklin Index of Corporate Political Disclosure and Accountability. The index, issued annually, measures the transparency, decision-making and oversight policies of the 300 largest publicly traded companies in the S&P 500. It was developed by the Center for Political Accountability in conjunction with the

¹ Citizens United v. Federal Election Commission, 130 S.Ct. 876 (2010), http://l.usa.gov/1E0U5QZ.

² *Id*.

³ Donor Disclosure Analysis of Outside Spending 1990-2014, CENTER FOR RESPONSIVE POLITICS (viewed on Feb. 26, 2015), http://bit.ly/1BPPAbY.

Public Citizen Contractor Disclosure

Zicklin Center for Business Ethics Research of The Wharton School at the University of Pennsylvania.⁴

Most top contractors do not provide meaningful insight into their contributions to groups that may engage in electioneering. Public Citizen's analysis, encompassing contractors with \$129.1 billion obligated to them in fiscal year 2013, found that just 47 percent of the largest government contractors claim to fully disclose the details of their contributions to 501(c)(4) groups that may be used to influence elections and just 33 percent fully disclose the details of such payments to trade associations and other 501(c)(6) groups. Just 27 percent fully disclose contributions to both types of groups.

Voluntary Disclosure Policies of Electioneering Expenditures by Top 15 Contractors by Government Revenue Listed in CPA-Zicklin Index

Vendor Name	Discloses Contributions to 501(c)(4) Groups That May Be Used for Electioneering?			Discloses Contributions to 501(c)(6) Groups That May Be Used for Electioneering?			Fully Discloses Contributions to Both Types of Groups	
1. Lockheed Martin Corp.	Partial			No			No	
2. The Boeing Co.	Yes			Yes			Yes	
3. Raytheon Co.	No			No			No	
4. General Dynamics Corp.	No			No			No	
5. Northrop Grumman Corp.	Yes			No			No	
6. United Technologies Corp.	Yes			Yes			Yes	
7. Mckesson Corp.	Partial			No			No	
8. Humana Inc.	Yes			Partial			No	
9. Hewlett-Packard Co.	Partial			No			No	
10. General Electric Co.	Partial			No			No	
11. Honeywell International Inc.	No			Yes			No	
12. Amerisourcebergen Corp.	Yes			Yes			Yes	
13. Merck & Co. Inc.	Yes			Partial			No	
14. Unitedhealth Group Inc.	No			No			No	
15. IBM Corp.	Yes			Yes			Yes	
Totals	Yes	Partial	No	Yes	Partial	No	Yes	No
	7	4	4	5	2	8	4	11
	47%	27%	27%	33%	13%	53%	27%	73%

Sources: the 2014 CPA Zicklin Index of Corporate Political Disclosure and Accountability ($\frac{http://bit.ly/1DXpKkP}{http://1.usa.gov/1zjd7ut}$).

In reality, even if 100 percent of contractors had policies of fully disclosing these contributions, that would not constitute the sort of disclosure that Kennedy apparently envisioned when drafting *Citizens United*. Corporate disclosure reports usually occur long after an election (often annually), are not centrally located, can be difficult or impossible to find on the Internet, and are not subject to any laws to ensure compliance.

But regardless of the relative merits of voluntary versus mandatory disclosure, this analysis shows that voluntary disclosure is far from comprehensively offered by the set of businesses for which such details should matter most to taxpayers.

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⁴ The 2014 CPA Zicklin Index of Corporate Political Disclosure and Accountability, The Center for Political Accountability and the Carol and Lawrence Zicklin Center for Business Ethics Research (2014), http://bit.ly/1DXpKkP.