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A Deeper Look at the Scope, Impact, and Risks of Company Political Spending

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Posted by Bruce Freed and Jeanne Hanna, Center for Political Accountability, on

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What exactly is the scope and impact of corporate political spending? Much has been written about the risks – legal, reputational and bottom line – faced by companies engaging in this spending. But it has been unclear how donations by publicly traded companies using treasury funds compare with donations by corporate PACs, by individuals and by labor PACs. What's more, where is company treasury money routed? What is the role of third-party groups in company political spending? How consequential is it? What does it enable, and what does it associate companies with?

The Center for Political Accountability (CPA) has used spending at the state level for its case study. It has focused on company giving to six partisan, state-focused political committees known as 527s. These groups are the governors associations, state legislative campaign committees and attorneys general associations of both parties. They are popularly known as 527s after the section of the Internal Revenue Code under which they are governed. Contributions to, and spending by, 527 groups are publicly disclosed but difficult to track.

There are several reasons CPA used 527s for its case study. First, these organizations are important conduits for political spending to groups that can receive unlimited contributions. Companies give to them and then lose control over how the money is used and where it ends up. The 527 groups make the decisions, and the companies are associated with the ultimate recipients and the consequences. Second, certain 527s have been instrumental in reshaping state and national politics and policy. This has affected the overall political, policy and risk environment for companies. Lastly, companies are overlooking the consequences of their contributions to these groups. Today, that has serious risk implications.

CPA's research found that public companies and their trade associations have been and are the dominant funders of 527s. It is a little recognized trend that U.S. corporations and their trade associations donated close to half — more than $1 billion — of the $2.5 billion total raised since the 2010 election cycle.

Spending by 527s has been widely overlooked by campaign finance analysts and by companies, and under-covered by the news media. This has had serious consequences for state and national politics and policy, and for corporate political donors as well. As Corporate Underwriters points out, state capitals are the engine for writing many new laws and policies guiding the nation, many of them on the extreme right. Several of the 527s are helping to fuel this engine. The reports pay particular attention to three 527s with the greatest impact. What they have underwritten and continue to underwrite has contributed significantly to today's hyper-partisan and threatening political environment.

On the eve of the 2024 elections, CPA has placed these donations under a microscope. The *Underwriters* series examines the role that 527 groups have played in changing control of state legislatures, as well as in the election of attorneys general and governors. These groups have also shaped national policy, much of it in such highly contentious areas as abortion rights, climate change, voting rights and LGBTQ rights.

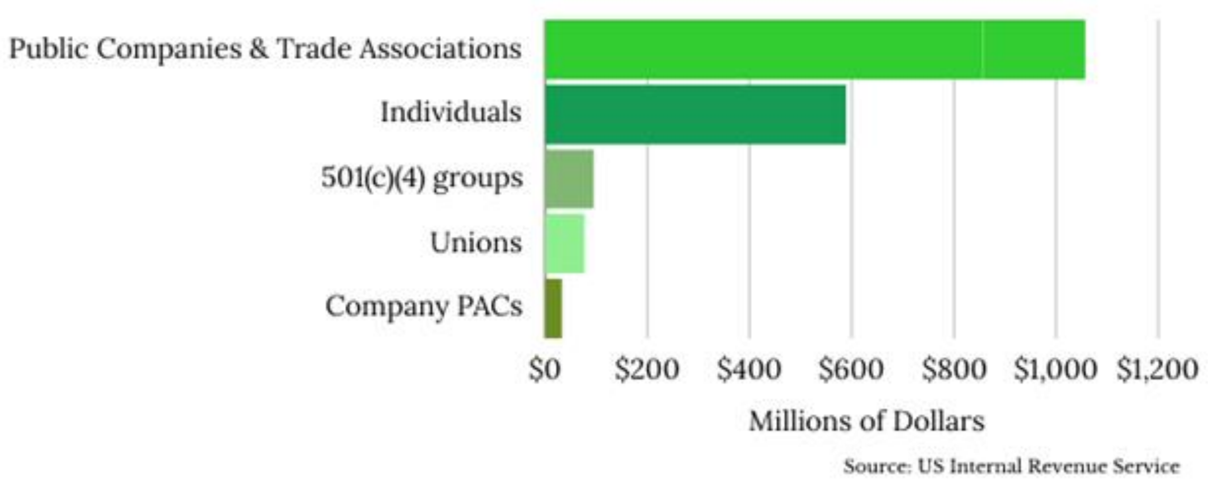
The reports also document how this little-known money trail raises questions about undermining democracy and creating minority rule – and associated legislative, political and policy outcomes.

They also document unique risks for companies that urgently need to be addressed. When companies make large contributions in six and seven figures to influence elections, they face a new risk calculus. This issue is exacerbated when they give to the third-party groups listed above.

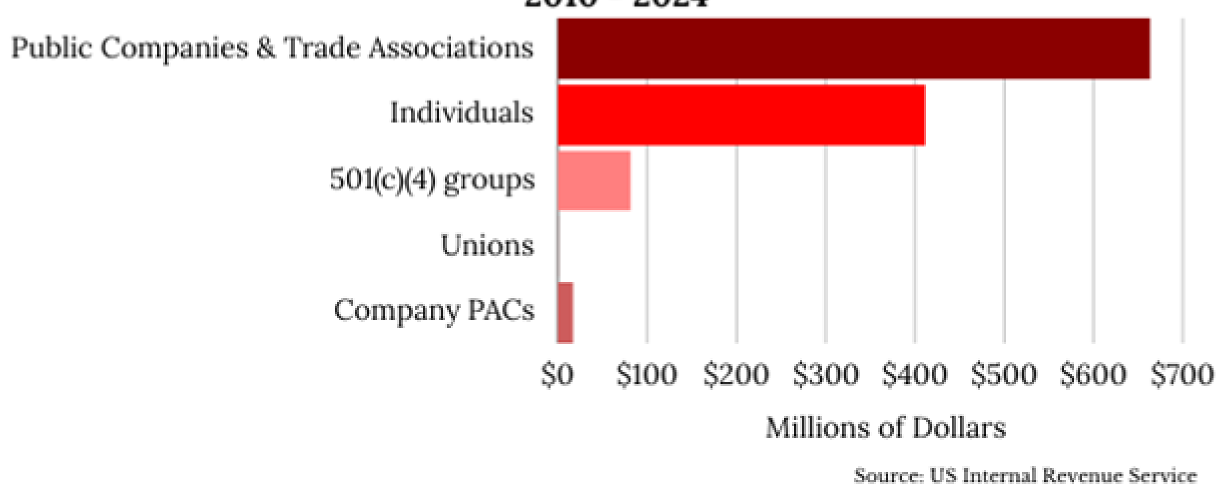
As the reports detail, companies face risks on multiple levels. Addressing threats to democracy is critical for protecting the environment companies need to operate, grow and compete. Closer to the C-Suite, guardrails are needed to shield companies from risks, internal and external, that pose serious threats to them and their shareholders.

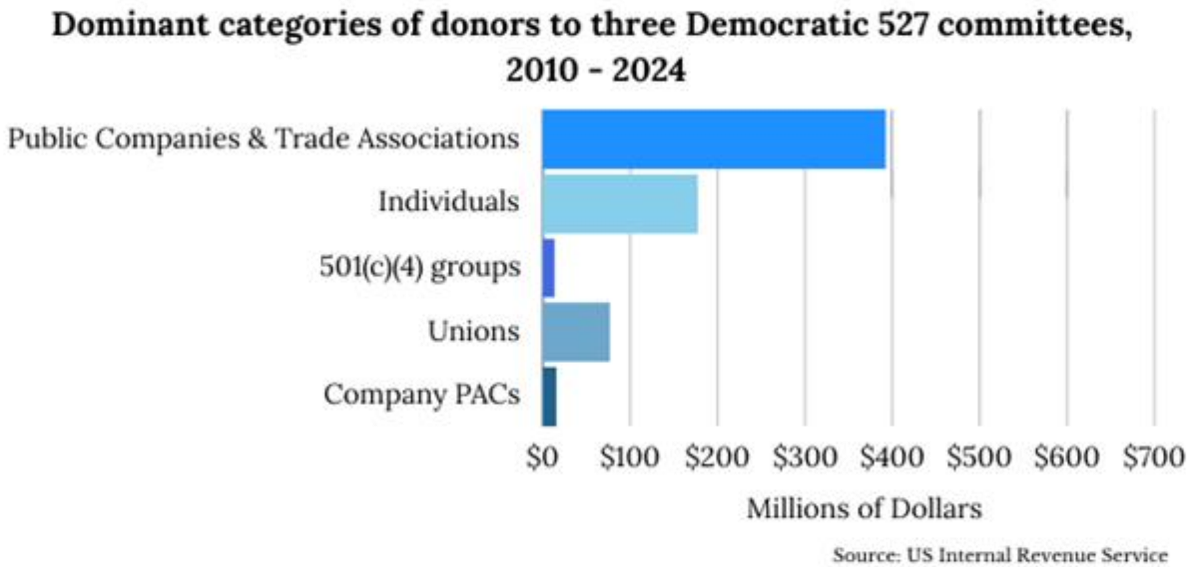
It is important to underscore that CPA's new reports carefully and exhaustively follow the money. The following graphics breakdown the sources of money to the 527s since 2010:

Dominant categories of donors to all six 527 committees, 2010 - 2024

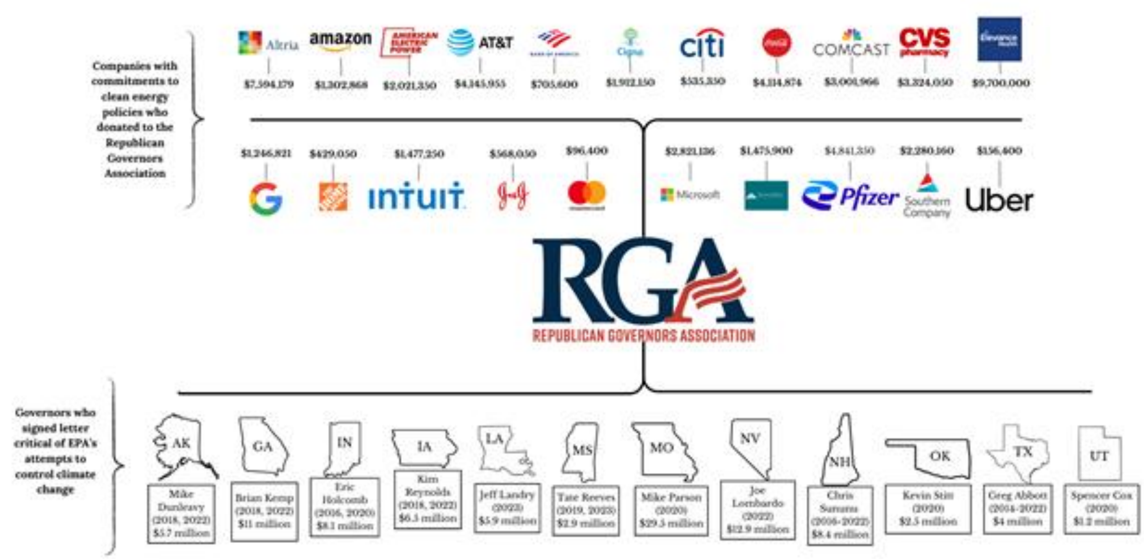


Dominant categories of donors to three Republican 527 committees, 2010 - 2024





The following flow chart shows contributions by companies shows contributions by companies with commitments on clean energy policies to governors critical of those efforts. This is an example of conflicted spending.



The first two reports are *[Corporate Underwriters and the Democracy Gap]* and *[Courting Risk: Corporate Underwriters and State Attorneys General]*. They lay the groundwork for the third report, Corporate Underwriters: *Where the Rubber Hits the Road*.

Corporate Underwriters and the Democracy Gap examines state legislative elections and the uneven outcomes that have led to gerrymandering and minority rule in many states. It further follows the legislative, policy and political outcomes of systemic gerrymandering. It focuses on the Republican State Leadership Committee, the group's success in underwriting changes in control of state legislatures beginning in 2010, and the upshot.

Courting Risk zeroes in on state attorneys general elections and their consequences. These include the filing of lawsuits and amicus briefs that, in turn, have led to U.S. Supreme Court decisions instrumental in creating new precedents or overturning long -standing precedents. The focus is on the Republican Attorneys General Association. It played a major role in underwriting the election of state attorneys general who spearheaded these lawsuits or briefs.

The final report, *Where the Rubber Hits the Road*, takes a wider look at public company political spending and its impact. It concludes with a set of actions that companies should take to navigate and protect themselves in the new risk-fraught environment. It warns that company political donations can no longer be defended as merely transactional or intended to ensure access to elected officials. Each dollar spent on an election directly or through third-party groups associates corporate donors with the candidates who win office and the policies enacted and lawsuits brought with their support.

The report suggests a framework – the CPA-Zicklin Model Code — that gives corporate leaders control over their political spending. Companies have an important role and responsibility as members of society with a stake in a healthy democracy; a framework like the Model Code recognizes these principles as key elements of corporate political spending due diligence and spending decisions.