

Transcript

Forum: Corporate Political Spending and Foreign Influence

Hosted by Commissioner Ellen L. Weintraub

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Statement of Sheila Krumholz, Center for Responsive Politics

SHEILA KRUMHOLZ, CENTER FOR RESPONSIVE POLITICS: Thank you. Thanks to the FEC and Commissioner Weintraub and all of you for your interest.

I am flying without PowerPoint so there will be no death by PowerPoint but there might be death by data, so we'll try to keep it lively and I'm sure the speakers who follow me will give us a reason for hope and a rousing sendoff.

I am going to provide some context for the rest of the day's discussion with an overview of the money in 2016 along with some comparative figures from the previous presidential election cycle and an update on who the top players are now.

First at the macro level. The Center for Responsive Politics tallied \$6.32 billion spent on the 2012 election cycle at the federal level, based on reported spending. So, again, \$6.3 billion. That doesn't include at least \$100 million or so spent on federal electioneering that didn't fall within the reporting windows. So we might want to round that to \$6.4 billion. By comparison, the total raised thus far in the current cycle is only \$3.35 billion, including some data only through March and other data for outside spending that is based on spending as of yesterday. So it's not uniform. Of the \$3.35 billion, \$1.8 billion has been spent on the presidential races and about 1.34 has been raised for congressional.

Outside money makes up 1/5 of the money raised for presidential races and a majority of presidential money goes to Republican and conservative organizations. 56% on the congressional side, that's similar, about 53% conservative or Republican.

So, what will the 2016 elections cost? Some are already calling this a \$10 billion election, which would be quite a leap from 6.3, 6.4 billion in 2012. Even if we went with the higher amount of what was reported having been raised in 2012, that would only be \$6.7 billion.

Another way to compare it is to take all the money raised so far this year, \$3.35 billion and compare it to a relatively comparable period in 2012. So the money raised through September 2012 totals only \$4.7 billion compared, again, to 3.35. This isn't, there isn't enough data yet to extrapolate, so it's really pure conjecture at this point, but if I had to guess, I'd say we're more likely to see a grand total of 7 or 8 billion rather than 10.

That said, all it takes is one or two billionaires to upset the apple cart and these comparisons go out the window. Since the *Citizens United* decision, outside money has grown and become increasingly important in funding elections. It now exceeds \$400 million in this cycle and is close to three times as high in the current cycle as it was at this point in 2012. 16%, it is 16% of the grand total raised, higher than all previous cycles. Not surprisingly, super PACs are what's driving this spending with about \$341 million in independent expenditures so far, accounting for 84% of all outside spending, roughly the same share as at this point as in the last presidential cycle.

Dark money refers to money from undisclosed donors spent by either political, nonprofit, that does not disclose its donors or a super PAC taking contributions from a political nonprofit or a shell corporation. The biggest dark money spender this cycle is the U.S. Chamber of Commerce; the biggest liberal dark money spender is votevets.org. There's been about \$37 million in reported dark money spending, over 15 million in dark money spending in the 2016 presidential race so far. As with outside

spending, it makes up a larger percent now than in previous cycles: it's running nearly 3 times as high as in 2012, so 13.8%, sorry, 13.8 million versus 37 million in this current cycle.

So given that dark money spending exceeded \$300 million in 2012, 500 or \$600 million is definitely within the realm of possibility this cycle. In fact, speculating, we could see GOP donors dump a lot of outside and possibly dark money in to help Trump make up for his shortfall if he can't raise money conventionally, so it could go much higher. On the other hand, relatively few people spend the money, leading to more randomness and less ability to predict with any precision.

Also, there are dark money groups that aren't even captured in the data like One Nation, which at this point has spent at least \$15 million in Senate races without reporting anything to the FEC. These groups are most active in Senate races and other races at the state level.

It's also important to note that single candidate non-profits have been growing in popularity in the last few cycles. They don't generally start spending until mid- to late summer. Their money is more effective in House and Senate races where they'll probably spend most this cycle.

Turning now to corporate and LLC donors. If you go to the opensecrets.org home page and select "Top Corporate and LLC Donors This Cycle" under the "Megadonors" banner, you'll see that corporations and LLCs have delivered just shy of \$200 million to super PACs going back to 2011. Today, however, they're giving at a faster clip. While most outside money comes from individuals, the \$22 million given so far by LLCs at this point in 2012 is less than 1/3 of what's already been given so far this cycle. Stay tuned for an update to this downloadable data possibly in the next day or two. Contact CRP researcher Alex Baumgart, who created and maintains this data for an update. Again, this data's downloadable and maintained.

Top corporate and LLC donors are heavily conservative, with the number one corporate donor so far this cycle is a subsidiary of Star Companies, backed by Hank Greenberg, giving more than \$12.5 million to conservative presidential super PACs, though Greenberg gave at least 15 million in total through his companies. The top LLC donor so far this cycle is Bessie Lou Stables with a \$3.5 million gift to Conservative Solutions PAC. I don't think corporate PACs are a focus really for this discussion but I'll point out that senior researcher Douglas Webber has quite a bit of research on corporate PACs that he can share if you contact him.

I'll just give you a couple highlights. The corporate PACs have been a steady source of contributions over time and have increased their contributions substantially in the 21st century. Adjusting for inflation, corporate PAC contributions increased by 80% between 2000 and 2014. Corporate PACs prefer Republicans and whoever controls Congress. In cycles where Democrats control Congress, contributions are relatively even between the parties; when Republicans control Congress, the corporate PACs heavily favor Republicans. Through March 31st, corporate PACs were running ahead of previous cycles and they still exceed corporate contributions to outside money groups.

In terms of tracking foreign money, the center doesn't have much analysis to offer because at this point it takes investigative reporting by journalists working their sources and FEC enforcement. We can easily identify the American divisions of foreign companies that form PACs and collect contributions from their American employees. We have an indication of the foreign connected interest behind these PACs on our site based on the headquarters of their parent company. So far this cycle, foreign-sponsored corporate PACs have contributed nearly \$10 million, 2/3 of that to Republican candidates. The much greater concern, of course, is money given through organizations by organizations directly and allowed to keep their donors hidden. Undisclosed donors means we can't know if the donors to a politically active nonprofit are foreign unless the IRS retains the ability and then actually does look into the group. This is

particularly true in the case of a 501(c)(6) which has dues-paying members abroad which are never reported to the IRS or anywhere else. So corporate donors giving secretly through non-disclosing groups, straw donors giving secretly and improperly if not illegally through LLCs, and foreign donors giving secretly and illegally, all are issues of enormous importance for the integrity of the democratic process generally and public confidence, specifically.

In terms of the foreign money, we know, of course, based on scandals of the past, of the wherewithal and willingness of foreign donors to contribute in shaping U.S. elections. Is it logical to believe that interest is any less now that they can do so in complete anonymity?

Thank you.