

## Summary of the Shareholder Protection Act of 2015

Senator Robert Menendez

The Supreme Court's *Citizens United v. FEC* decision opened the floodgates for corporate executives to spend unlimited money from company treasuries to influence elections. Previously, such expenditures could only be made through registered political action committees (PACs) using separately raised funds.

While the Supreme Court has ruled that companies should be treated as people for purposes of free speech in election campaign, what about the rights of the actual people—shareholders—who own them? Shareholders are the ones who own the corporations, and they should accordingly have a say in how their money is spent on elections.

Yet few companies today even disclose their political spending to investors, let alone give them a say in it. As a result, company executives may be spending money shareholders invested in a corporation to support political candidates or causes that are directly adverse to shareholders' interests – without shareholders even knowing about it.

The Shareholder Protection Act addresses this problem by requiring a company to receive authorization from a majority of its shareholders before managers can spend money from its general treasury on political activities. This way, at the very least, if corporations are allowed to spend unlimited funds on elections, they are doing so at the behest of shareholders.

- The Shareholder Protection Act requires shareholders to authorize, on an annual basis, a political activities budget requested by a company. The budget must receive a majority of votes representing all outstanding shares. Fiduciaries voting on behalf of their investors must disclose their vote to investors.
- Political activities covered under the bill include spending affected by the *Citizens United* decision: electioneering communications and independent expenditures. Dues and payments made to trade associations and other tax-exempt organizations are included if they could be used for such spending.
- A company's board of directors must vote to authorize each expenditure over \$50,000 within the overall budget approved by shareholders.
- Individual board member votes and the details of each such approved expenditure must be disclosed online within 48 hours and to shareholders and the SEC on a quarterly basis.
- GAO will periodically report to Congress on implementation and compliance.