



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 34  
Ban on Political Spending by Foreign-Influenced Corporations**

The bill would prohibit companies that are foreign-owned (in whole or in part) from spending money in Maryland elections.

**Foreign Nationals are Already Barred from Political Spending**

Federal law has long barred foreign governments, foreign businesses, and foreign individuals from making political contributions in the United States, either directly to a campaign committee or ballot issue or indirectly as an independent expenditure.

The Supreme Court's *Citizens United* decision, however, opened a loophole in this ban. Because there is now unlimited corporate spending in our elections, foreign nationals have the ability to financially contribute to political campaigns through corporate campaign expenditures. This takes the form of businesses that are partly or completely owned by foreigners contributing money to a candidate, ballot campaign, or PAC.

The potential for foreign-influenced corporations to spend in U.S. elections has grown rapidly. Foreign ownership of U.S. stocks has increased dramatically in recent years, from 5% of all stocks in 1982 to 35% of all stocks currently.<sup>1</sup> Those foreign owners have the potential to direct the companies that they own (in whole or in part) to engage in U.S. politics in ways that may be to the benefit of a foreign interest or to the detriment of U.S. interests.

*“When a U.S.-based company is owned by foreigners, the U.S. managers, even if they are U.S. citizens, would be breaching their fiduciary duties if they spent company resources other than in the best interest of their foreign owners.”*

—2019 report by the Center for American Progress

**Foreign-Influenced Companies are Spending in Maryland Elections**

This is not a hypothetical threat. Research on political spending by 109 of the largest publicly traded companies in America shows that 26.1% made one or more political contributions in Maryland elections in 2018. These companies contributed at least

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<sup>1</sup> “Ending Foreign-Influenced Corporate Spending in U.S. Elections,” Center for American Progress, 2019.

\$461,633 in political spending.<sup>2</sup> This is likely only the tip of the iceberg. The spending was targeted to all levels of government, including statewide offices, the General Assembly, and local offices.

## How to Protect Our Elections

At a time when our elections are under attack by foreign governments, Maryland needs to act to ensure that state and local political campaigns are free from foreign influence. This legislation would close a loophole that allows foreign-owned companies to influence elections in Maryland.

This bill would prevent foreign-influenced corporations from contributing to a candidate committee or a ballot issue or make independent expenditures.

Corporations that would be regulated include those with:

1. A single foreign shareholder who owns or controls at least 1 percent of the corporation's equity;
2. Multiple foreign shareholders who own or control at least 5 percent of the corporation's equity; or
3. Any foreign entity who participates in the corporation's decision-making process about election-related spending in the United States.

As corporate governance expert John Coates wrote, "virtually no one questions that owning 1 percent of voting shares" gives such shareholder the ability to influence corporate decision-making... In the current corporate governance environment, the boards of companies that are confronted by 1% shareholders listen to them ... they engage with them." Moreover, the 5% threshold is consistent with ownership public reporting requirements under federal securities law.

Finally, the bill is narrowly tailored to prohibit certain campaign expenditures. This bill does not prohibit all corporate spending.

- Corporate PACs, which are funded by employee contributions, are not regulated by this bill and could continue to function. Corporate PAC spending dwarfs direct corporate spending, with an additional \$717,391 in spending documented in Maryland in 2018;<sup>2</sup> this is 1.6 times more money than companies directly spent.
- Corporations would still be able to fund and engage in lobbying.
- A company could still contribute financially to trade associations.
- Individual employees and shareholders (who aren't foreign nationals) would still be able to contribute as individuals to political campaigns.
- Not all corporations meet the definition of a foreign-influenced corporation. In fact, the rate of foreign ownership is lower for smaller corporations than for very large, publicly-traded companies.

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<sup>2</sup> Analysis by Delegate Palakovich Carr using data reported by campaigns to the Maryland State Board of Elections and reported by companies through the Center for Political Accountability.

## Political Contributions in Maryland by Foreign-Influenced Corporations

Analysis by Delegate Palakovich Carr

Data provided by the Maryland State Board of Elections and the Center for Political Accountability

### Political Contributions from Foreign-Influenced Companies to Maryland Campaigns in 2018\*

**Total=\$461,633.90**

**324 contributions by 30 companies**

\$135,152 Comcast Corp. (108 contributions)  
\$60,583 Exelon Corp. (10 contributions)  
\$37,358 Capital One Financial Corp. (10 contributions)  
\$25,000 Wells Fargo & Co. (1 contribution)  
\$22,500 United Health Group Inc. (19 contributions)  
\$20,600 CVS Health Corp. (24 contributions)  
\$20,000 Dominion Energy Inc. (2 contributions)  
\$19,990 Coca-Cola Co. (32 contributions)  
\$13,000 Williams Companies Inc. (11 contributions)  
\$10,000 Humana Inc. (2 contributions)  
\$10,000 Prudential Financial Inc. (2 contributions)  
\$9,800 Walgreens Boots Alliance Inc. (14 contributions)  
\$9,000 Fluor Corp. (7 contributions)  
\$7,750 Amgen Inc. (5 contributions)  
\$7,500 Bristol-Myers Squibb Co. (3 contributions)  
\$7,000 Microsoft Corp. (3 contributions)  
\$6,700 Norfolk Southern Corp. (23 contributions)  
\$6,000 Altria Group Inc. (3 contributions)  
\$6,000 Darden Restaurants Inc. (2 contributions)  
\$5,800 Cigna Corp. (4 contributions)  
\$5,000 Biogen Inc. (9 contributions)  
\$4,000 Celgene Corp. (3 contributions)  
\$4,000 Merck & Co. Inc. (6 contributions)  
\$3,250 Express Scripts Inc. (8 contributions)  
\$3,000 Alphabet Inc. (1 contributions)  
\$1,500 McDonald's Corp. (5 contributions)  
\$300 Aetna Inc. (1 contribution)  
\$300 Target Corp. (1 contribution)  
\$250 Johnson & Johnson (1 contribution)  
\$150 Bank of America Corp. (3 contribution)  
\$150 United Parcel Service Inc. (1 contribution)

\*This is likely the tip of the iceberg, as only 111 publicly traded companies were analyzed.

**Foreign-Influenced Companies with No Evidence of Political Contributions in Maryland in 2018**

Amazon.com Inc.  
ConocoPhillips  
Corning Inc.  
3M Co.  
AbbVie Inc.  
AES Corp.  
AFLAC Inc.  
Ameren Corp.  
American Express Co.  
American International Group Inc.  
AmerisourceBergen Corp.  
Anadarko Petroleum Corp.  
Andeavor  
Apace Corp.  
Apple Inc.  
Bank of New York Mellon Corp.  
Becton, Dickinson and Co.  
Best Buy Co. Inc.  
Boeing Co.  
Cerner Corp.  
CF Industries Holdings Inc.  
Cisco Systems Inc.  
Citigroup Inc.  
Consolidated Edison Inc.  
Danaher Corp.  
Edison International  
Edwards Lifesciences Corp.  
Electronic Arts Inc.  
Entergy Corp.  
Estee Lauder Companies Inc.  
Excel Energy Inc.  
Fifth Third Bancorp  
Franklin Resources Inc.  
Freeport-McMoRan Copper & Gold Inc.  
General Electric Co.  
General Mills Inc.  
General Motors Co.  
Gilead Sciences Inc.  
Hartford Financial Services Group Inc.  
Honeywell International Inc.  
Host Hotels & Resorts Inc.  
HP Inc.  
Intel Corp.  
International Paper Co.  
Intuit Inc.  
JP Morgan Chase & Co.  
Kellogg Co.  
KeyCorp  
Lincoln National Corp.  
LyondellBasell Industries NV  
MasterCard Inc.  
McKesson Corp.  
MetLife Inc.  
Morgan Stanley  
Mylan NV  
Navient Corp.  
Newell Brands Inc.  
Newmont Mining Corp.  
Noble Energy Inc.  
Nordstrom Inc.  
PG&E Corp.  
Pinnacle West Capital Corp.  
PPL Corp.  
Principal Financial Group Inc.  
Procter & Gamble Co.  
Public Service Enterprise Group  
Qualcomm Inc.  
Regeneron Pharmaceuticals Inc.  
Regions Financial Corp.  
Salesforce.com Inc.  
Sempra Energy  
State Street Corp.  
Symantec Corp.  
Texas Instruments Inc.  
Tiffany & Co.  
U.S. Bancorp  
Union Pacific Corp.  
United Technologies Corp.  
Unum Group  
Visa Inc.  
Western Digital Corp.  
Weyerhaeuser Co.

