



Testimony of VPIRG Executive Director Paul Burns concerning S.120 – Limits on Corporate Contributions

Testimony before the House Government Operations Committee
April 25, 2018

Introduction

Good morning, Madam Chair and members of the Committee. My name is Paul Burns and I am the Executive Director of VPIRG, the Vermont Public Interest Research Group. For over 45 years, VPIRG has advocated for the public interest in policy debates concerning the environment, health care, consumer protection, and democracy, so I thank you for this opportunity to share our thoughts on S.120.

VPIRG supports S.120, which would restrict contributions to a candidate or political party to those coming from an individual (meaning a human being), a political party, or a political committee (a.k.a. PAC). The most significant practical effect of this legislation would be to prevent corporations from making direct contributions to candidates and political parties in Vermont.

According to 2017 data from the National Conference of State Legislatures, 22 states completely prohibit corporations from contributing to political campaigns. Another six – Alabama, Missouri, Nebraska, Oregon, Utah, and Virginia – allow corporations to contribute an unlimited amount of money to state campaigns. Of the remaining 22 states, 19 impose the same restrictions on corporation contributions as they do for individual contributions. The other three set different limits.

As you know, Vermont currently treats corporations in the same manner that we treat human beings in terms of the contributions we allow them to make. In this respect, Vermont remains out of step not only with many other states, but also with the approach that the federal government has taken for 110 years.

VPIRG is in agreement with President Teddy Roosevelt on corporate contributions. In his 1905 annual address to Congress, these were Roosevelt's words on the subject:

All contributions by corporations to any political committee or for any political purpose should be forbidden by law; directors should not be permitted to use stockholders' money for such purposes; and, moreover, a prohibition of this kind would be, as far as it went, an effective method of stopping the evils aimed at in corrupt practices acts. Not only should both the National and the several State Legislatures forbid any officer of a corporation from using the money of the corporation in or about any election, but they should also forbid such use of money

in connection with any legislation save by the employment of counsel in public manner for distinctly legal services.

Corporations enjoy certain advantages over human beings – such as limited liability and unlimited life – as a matter of public policy. But these advantages were intended to encourage the marketplace to flourish. They were not intended to result in undue influence over the political process.

Admittedly, it's not just corporate money that corrupts our political process. Big money from individuals is certainly problematic as well. But the Supreme Court has limited our options in terms of solutions.

Does money actually have a corrupting effect on the political process? Consider the recent study done by the Roosevelt Institute, which identified a series of high-profile cases in which political contributions influenced members of Congress on key floor votes involving financial reform.

It was described this way in the September 2017 publication, *In These Times*:

To examine the influence of big money, the authors of the study focused on five votes in the U.S. House of Representatives relating to the Dodd-Frank financial-reform bill. They isolated specific representatives who initially voted in favor of the bill and subsequently voted to dismantle some of its key provisions. What they found was a direct link between voting behavior and campaign contributions from the financial sector.

According to the paper, “for every \$100,000 that Democratic representatives received from finance, the odds they would break with their party’s majority support for the Dodd-Frank legislation increased by 13.9 percent. Democratic representatives who voted in favor of finance often received \$200,000–\$300,000 from that sector, which raised the odds of switching by 25–40 percent.”

This was not about direct corporate contributions to candidates, because of course those are prohibited at the federal level. But bundled dollars from specific economic sectors (like Wall Street) at the federal level might reasonably be considered a proxy for direct corporate contributions at the state level in Vermont.

A ban on corporate contributions in Vermont would address other problems in our current campaign finance system as well. For instance, a very wealthy individual might decide to skirt Vermont’s limits on campaign contributions by setting up multiple LLCs, or limited liability companies.

Each LLC can give at the maximum level, and there are no restrictions on the number of LLCs that an individual can create today. LLCs were at the center of the recent corruption scandal in NY, involving a former close aide to Gov. Andrew Cuomo.

S.120 will not be the only solution we need to the problem of money in politics, but it is undoubtedly an essential ingredient. VPIRG also supports public financing and incentives for small dollar contributions. But passing S.120 is a reasonable, if not groundbreaking, step that you can take right now to address the problem of money in politics.

VPIRG encourages you to pass this bill.