

SENATOR TED KENNEDY, JR.

*Twelfth District*

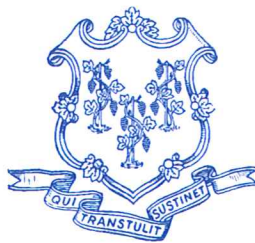
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TESTIMONY BEFORE GOVERNMENT ADMINISTRATION AND ELECTIONS  
COMMITTEE

Monday, February 27, 2017

**In Support Of:**

**S.B. 582, An Act Prohibiting Independent Expenditures By Foreign-Influenced Business Entities And Limiting Covered Transfers**

Dear Chair Gary A. Winfield, Chair Michael A. McLachlan, Chair Daniel J. Fox, Ranking Member Laura Devlin and Members of Government Administration and Elections Committee:

I am testifying **IN SUPPORT** of **SB 582, AN ACT PROHIBITING INDEPENDENT EXPENDITURES BY FOREIGN-INFLUENCED BUSINESS ENTITIES AND LIMITING COVERED TRANSFERS**, which seeks to protect Connecticut's sovereign state elections process by limiting the amount of independent expenditures by foreign-influenced business entities.

Under current federal law, foreign citizens, other than lawful permanent residents, are completely prohibited from donating money to U.S. campaigns or political parties. Foreign citizens are also prohibited from making "independent expenditures" in federal, state or local elections.

At issue is an exception to this ban: as a result of *Citizens United*, foreign citizens, foreign corporations and foreign labor unions are able to make unlimited campaign expenditures in Connecticut on behalf of candidates for state office by contributing to 501(c) corporations and "Super PACs," which can then, in turn, by way of a "covered transfer," spend this money on "independent expenditures" either in support of or in opposition to candidates for state office. In addition, there is no requirement that the source or sources of this money be publicly disclosed, and therefore, these foreign entities are able to operate in secret.

The flow of foreign-influenced campaign cash into Connecticut poses a threat to our sovereignty and our right to democratic self-determination. Connecticut has an important state interest in being free from outside manipulation and foreign interference in our election process and in determining the domestic policies of our state. Whether foreign investors are considered "hostile" or "friendly" is immaterial: they should not be allowed to influence our self-governance.

The issue of outside interference, control and spending at the state level has intensified in recent years as state legislatures across the nation have increasingly become the focus of political activity. Partly as a result of the political gridlock that has paralyzed Washington, D.C., issues of national importance frequently originate in our state capitols and progress state to state. Many foreign entities with business interests in the U.S. have become aware of this development and seek to spend money to support their preferred candidate precisely because they are able to conceal their financial involvement from public view.

Some companies that contribute to 501(c)(4), 501(c)(6) corporations and Super PACs are owned entirely by foreign citizens. Any such donations should theoretically be illegal under federal law. **SB 582** will clarify that these types of donations in support of or in opposition to candidates for state office should be disclosed and limited under Connecticut state law. However, a more difficult question is how to consider contributions from large, widely-held corporations because nearly all publicly-traded companies have some degree of foreign ownership. A recent survey by the U.S. Treasury Department estimated that between 20 to 25% of the market value of U.S. domiciled public corporations are owned by foreign nationals or sovereign wealth funds, meaning that a certain percentage of nearly all corporate giving should be properly classified as a foreign donation. **SB 582** will enable Connecticut to develop a simple test to determine degree and influence of foreign ownership, ensure public disclosure of such donations, and apply reasonable limits to this type of corporate political spending.

Both Harvard Law School Professor John Coates and University of Chicago Law Professor Julius Kreeger have written extensively on the topic of political spending in federal, state and even local elections by foreign-influenced corporations. Their accompanying testimony in support of **SB 582** provides a detailed analysis of this alarming new trend.

**SB 582** does not seek to disrupt the holding of *Citizens United* and prohibit all corporate political giving; the bill only seeks to prevent unlimited political giving from foreigners. The bill would establish a simple threshold amount for corporate contributions, and clarify whether foreign nationals own and/or control a certain percentage of shares. This proposed change is not administratively burdensome; the information is already available, yet not always disclosed.

In short, **SB 582** increases transparency of political spending, modernizes Connecticut's campaign disclosure laws and advances important, bi-partisan public policy goals of democracy and self-determination. We all benefit when citizens have faith and trust in their elections.

Respectfully,



Senator Ted Kennedy, Jr.  
12th Senate District