



Legislating



Under the

Influence

Money, Power, and the
American Legislative
Exchange Council



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MONEY, POWER, AND THE AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Some of the nation's largest and richest companies, including Wal-Mart, Coca-Cola, Koch Industries and AT&T, have joined forces to invest millions of dollars each year to promote the careers of thousands of state legislators and secure passage of legislation that puts corporate interests ahead of the interests of ordinary Americans.

The American Legislative Exchange Council, also known as ALEC, counts among its members some 2,000 state legislators and corporate executives.¹ They sit side-by-side and collaborate to draft "model" bills that reach into areas of American life ranging from voting rights to environmental protection. Then they work in concert to get those bills passed in statehouses across the country.²

For example, legislators in at least seven states last year drew on a proposal drafted by ALEC to advance legislation withdrawing their states from regional agreements aimed at fighting global warming. ALEC also is a key player in a national drive to toughen voter ID laws, successful so far in 18 states.³ And in the wake of a series of Supreme Court decisions lowering barriers to corporate political spending, ALEC has encouraged states to reject bills that would require companies to get shareholder approval for their political contributions.⁴

In the past decade, ALEC's corporate leaders have invested more than \$370 million in state elections. Their money, and additional millions from other ALEC-aligned businesses, has financed campaigns for and against state ballot issues and helped elect thousands of state senators and representatives willing to champion ALEC bills at state capitols.

The money also has reinforced ALEC's issue agenda, spelled out in the group's model bills. Among other things, ALEC supports public subsidies for private schools, the development of privately-owned prisons, restrictions on the voting rights of thousands of college students and senior citizens and unlimited, secret corporate spending on behalf of political candidates and parties.

Along with all that, ALEC has a lengthy list of things it opposes, including federal and state environmental regulations, the new federal health care reform law, state minimum wage laws, and trade and public employee unions.⁵

ALEC is a force. By the organization's own account, about 180 of its model bills are enacted in at least one state every year.⁶ ALEC scored some of its highest-profile victories during 2011 in Wisconsin and Ohio, where newly-elected Republican governors and legislators attacked budget shortfalls with legislation that sharply restricts the bargaining power of public worker unions. The bills were passed just a few months after companies in ALEC's leadership put more than \$304,000 into the campaigns of Wisconsin Gov. Scott Walker and Wisconsin state legislators, and spent more than \$563,000 on Ohio Gov. John Kasich and lawmakers in the Buckeye State. Both Walker and Kasich are ALEC alumni.

Common Cause examined ALEC's political clout by analyzing campaign contributions from corporate treasuries, political action committees, and executives and employees linked to the 22 companies represented on the council's "private enterprise board" during 2010.⁷ Those donors spent more than \$38 million on state politics during the 2009-10 election cycle.

While an estimated 2,000 state legislators currently are members of ALEC, they pay only \$50 each – a total of \$100,000 -- toward the organization's annual budget, now about \$7 million.⁸ The rest comes from the board companies, foundations, and about 300 other businesses affiliated with ALEC.

Nearly \$400 million in
campaign contributions
to state legislative
candidates helps secure
champions for
pro-business bills

POLITICAL MONEY AND ALEC'S BUSINESS AGENDA

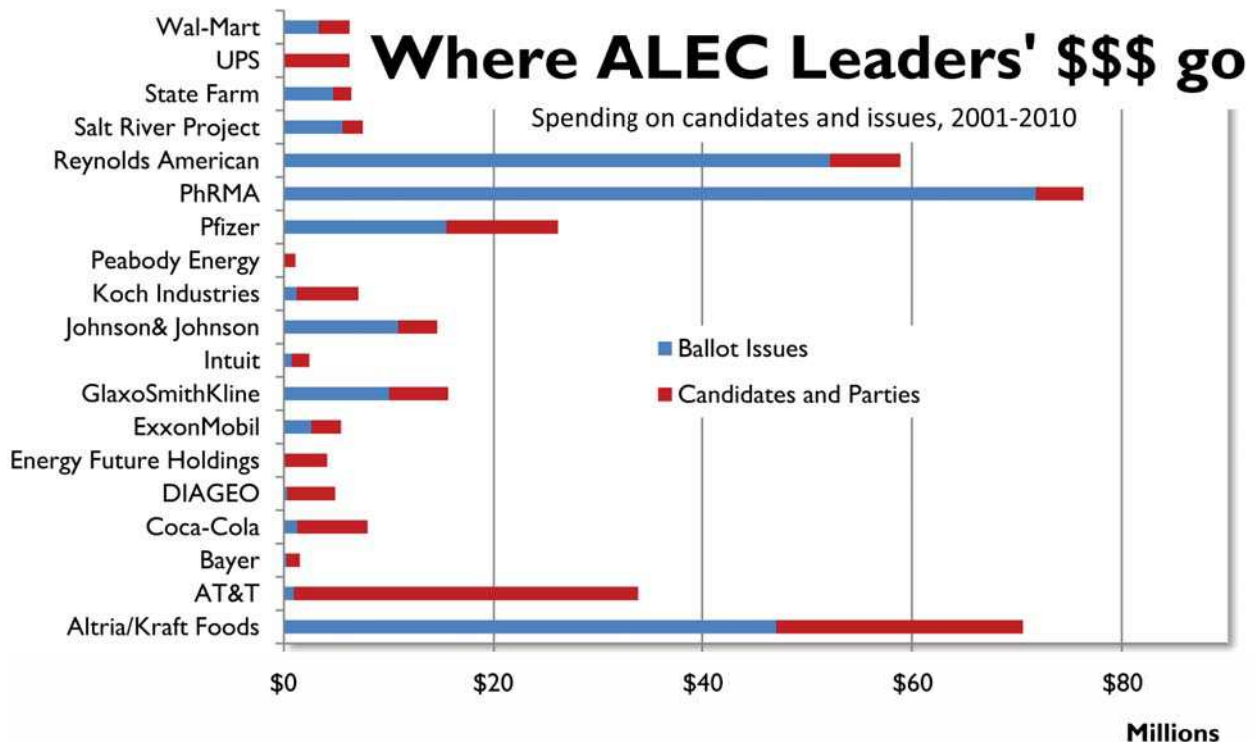
Common Cause found that just over 60 percent -- \$228.7 million -- of the state political contributions made by ALEC's leading firms since 2001 was spent to influence the outcome of voter referenda on tobacco tax increases and prescription drug prices, among other issues

The balance of the ALEC board's political spending -- \$141.6 million -- went to candidates for governor and other state offices and to state political party committees.

By joining ALEC and supporting its model bills, legislators improve their chances of getting a slice of that money. During the past decade, Governors Walker and Kasich, and their Republican legislative allies in Wisconsin and Ohio have received

\$946,000 and \$1.77 million, respectively, linked to firms represented on ALEC's corporate board. Texas Gov. Rick Perry, another ALEC alumnus and apparently the largest single recipient of ALEC-linked funds, received more than \$1.9 million during the same period.

ALEC-affiliated firms also were players in the rise of Louisiana Gov. Bobby Jindal, giving him nearly \$132,000 in the past decade. Other prominent recipients of the group's aid during that span include Govs. Chris Christie of New Jersey (\$44,605), Mitch Daniels of Indiana (\$401,798), Nikki Haley of South Carolina (\$52,100) and Bob McDonnell of Virginia (\$427,222).



Through their donations, ALEC's corporate leaders help secure a receptive constituency for their legislation. For example:

An ALEC-drafted "Freedom of Choice in Health Care Act" and other bills and resolutions that would largely negate the Obama administration's health care reform plan were introduced in 44 states from 2009-11, according to the National Conference of State Legislatures.⁹ In the 18 states where at least one of those measures was approved, either as a state constitutional amendment or state law, ALEC-affiliated companies and their allies invested \$15.1 million in legislative campaigns during the 2009-10 election cycle.

In Wisconsin, the \$304,607 leading ALEC companies put into 2010 campaigns was felt far beyond Gov. Walker's anti-union budget initiatives. State legislators also agreed this year to cap – along lines suggested by ALEC -- the "punitive" damages that can be assessed in personal injury lawsuits. The caps could save millions of dollars for ALEC's corporate members. And despite pleas from consumer groups, Wisconsin lawmakers voted to deregulate the telecommunications industry, also along lines promoted by ALEC.¹⁰

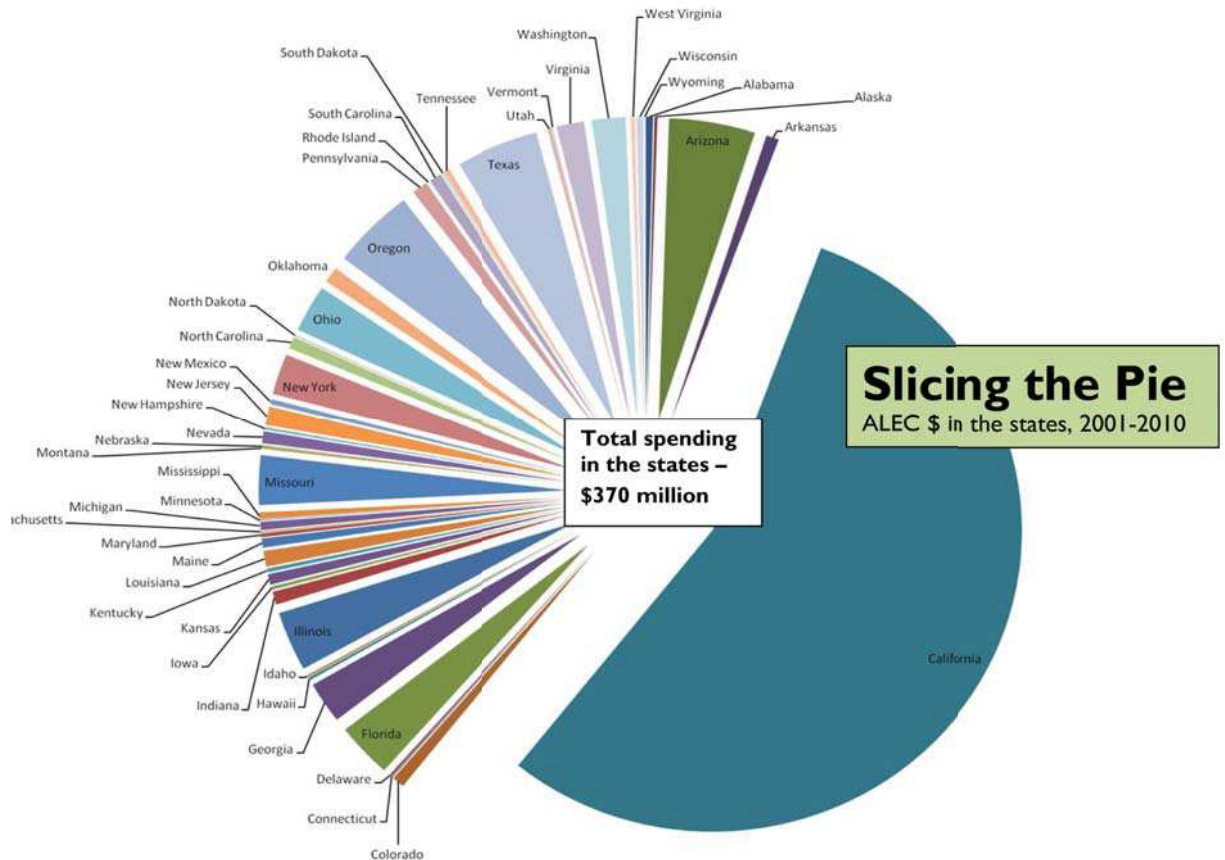
In Arizona, where firms on ALEC's private enterprise board have put nearly \$16.6 million into state campaigns since 2001, the legislature attracted national attention and sparked a bitter partisan debate when it passed ALEC-backed legislation that gives state and local police new authority to detain suspected illegal immigrants. An investigation by National Public Radio found that one ALEC-member firm, the Corrections Corporation of America (CCA), was a key player in the ALEC task force that drafted the model bill that spawned Arizona's law. CCA, which builds or runs prisons in 21 states and reported 2010 revenues of \$1.7 billion, has identified immigrant detention as an emerging market.¹¹

Two major tobacco companies on ALEC's private board, Altria and Reynolds American, have worked through ALEC to fight state regulations on second-hand smoke, increased state taxes on tobacco, and efforts to regulate tobacco sales nationwide through the Food and Drug Administration. In 2006 alone, those two firms put nearly \$35.3 million into a successful campaign to stop a California ballot initiative that would have directed revenue from an increased tobacco tax to improve hospital care for children and bolster anti-smoking campaigns.

Encouraged by an ALEC resolution, legislatures in at least nine states – Massachusetts, Michigan, Minnesota, New Hampshire, North Carolina, Ohio, South Dakota, West Virginia and Wisconsin

-- last year rejected bills that would require companies to get shareholder approval for their political contributions. ALEC's leading companies have put nearly \$16.5 million into legislative campaigns in those states since 2001.¹²

Legislators in at least seven states – Iowa, Michigan, Montana, New Hampshire, New Mexico, Oregon, and Washington – have drawn on an ALEC-drafted resolution to advance legislation withdrawing their states from regional agreements aimed at fighting global warming. Companies on ALEC's private enterprise board spent just over \$2 million on elections in those states last year.¹⁵



ALEC MONEY IN THE STATES 2001-2010

Alabama	\$1,392,278.48	Montana	\$165,996.77
Alaska	\$550,454.87	Nebraska	\$491,625.10
Arizona	\$16,567,361.37	Nevada	\$2,361,929.38
Arkansas	\$2,455,535.07	New Hampshire	\$359,870.00
California	\$204,050,828.67	New Jersey	\$3,729,052.17
Colorado	\$2,350,626.40	New Mexico	\$991,314.84
Connecticut	\$236,720.89	New York	\$8,079,668.68
Delaware	\$369,684.45	North Carolina	\$2,356,929.42
Florida	\$10,876,784.38	North Dakota	\$155,525.00
Georgia	\$8,234,767.35	Ohio	\$9,356,246.15
Hawaii	\$578,942.63	Oklahoma	\$3,152,931.60
Idaho	\$363,937.39	Oregon	\$16,128,698.35
Illinois	\$11,826,773.11	Pennsylvania	\$3,050,549.45
Indiana	\$2,583,241.01	Rhode Island	\$57,920.00
Iowa	\$631,559.27	South Carolina	\$2,408,151.57
Kansas	\$2,108,203.94	South Dakota	\$231,692.72
Kentucky	\$726,623.82	Tennessee	\$1,254,434.15
Louisiana	\$3,094,350.71	Texas	\$16,229,613.95
Maine	\$1,812,943.70	Utah	\$840,453.17
Maryland	\$740,583.45	Vermont	\$163,450.00
Massachusetts	\$244,864.41	Virginia	\$5,308,509.25
Michigan	\$1,621,412.74	Washington	\$6,519,173.39
Minnesota	\$156,372.65	West Virginia	\$812,973.14
Mississippi	\$1,332,174.50	Wisconsin	\$1,327,118.86
Missouri	\$9,816,134.35	Wyoming	\$127,175.00

The ALEC private enterprise board is composed of some of the nation's and the world's richest companies. In addition to tobacco giants Altria and Reynolds American, they include Koch Industries, Coca-Cola, Wal-Mart, AT&T, ExxonMobil, UPS, and State Farm Insurance.

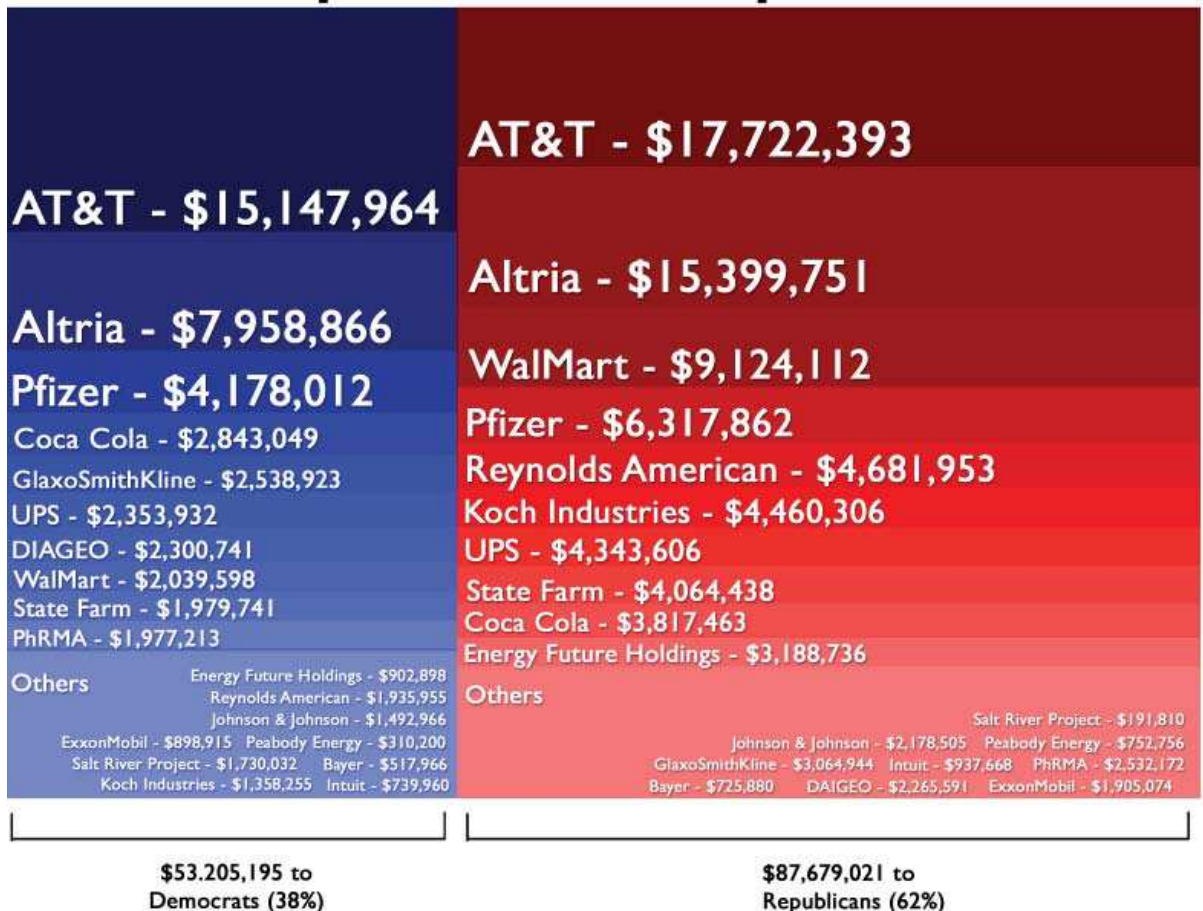
Drug manufacturers are particularly well-represented. The board includes lobbyists or executives from Bayer, Johnson & Johnson, Pfizer and GlaxoSmithKline, as well as PhRMA, the drug industry's trade association. The ALEC board's drug industry members alone have invested \$134.2 million in state campaigns since 2001, with more than half of the total, \$76.4 million, coming from PhRMA.

Still, their money and the other contributions tracked by Common Cause represent just a frac-

tion of ALEC's total investment in state politics. The National Institute on Money in State Politics, which gathered the campaign contribution data used for the Common Cause analysis, reported last month that its own research indicates ALEC member companies have put more than \$500 million into state campaigns since 1990.¹⁴

The Common Cause analysis found that ALEC-affiliated companies are politically active in all 50 states. They've spent most heavily in California – more than \$204 million since 2001 – and least – just under \$58,000 -- in Rhode Island. They've given most generously to Republicans -- \$87.7 million since 2001 – but haven't exactly scrimped on Democrats -- \$53.2 million. ALEC is officially non-partisan and does not release the names of most of its members, but research by the non-

A preference for Republicans



This chart illustrates how the 22 companies in ALEC's leadership during 2010 have joined forces to spend \$141 million on state political parties and candidates over the past decade; 62 percent of the money went to Republicans and 38 percent to Democrats.

profit Center for Media and Democracy, which in July released an extensive archive of ALEC records obtained from a disgruntled former ALEC member, indicates that all but 1 of 104 legislators in leadership positions in the group are Republicans.¹⁵

POLITICAL MONEY AND ALEC'S IDEOLOGICAL AGENDA

Common Cause's review suggests that much of the political spending of ALEC's largest corporate backers can be linked to their business interests. Altria and Reynolds American, for example, have spent nearly \$100 million over the past decade on efforts to defeat tobacco tax increase referenda in Arizona, California and other states.

But ALEC-member donations to individual candidates and political parties also put the group's muscle behind an ideological agenda with little apparent connection to the big companies' bottom lines

ALEC has been a major force behind a politically-charged drive to make it harder for millions of Americans to vote. During 2010, the 22 firms on ALEC's private enterprise board put nearly \$7.6 million into campaigns in 12 states in which legislators later enacted bills to toughen voter identification requirements. The bills were approved despite a dearth of evidence that voter fraud is even close to becoming a significant problem. Governors in five of the states ultimately vetoed the legislation.¹⁶

ALEC's model bill on voter identification requires prospective voters to produce a current picture ID from the state where they're registered to vote before they are allowed to vote. That provision could disenfranchise thousands of students, licensed to drive in their home states but registered to vote in university communities in other states. It also could deny the vote to people who rely on public transit and senior citizens who've stopped driving and let their licenses expire. The bill permits those voters to cast "provisional" ballots but their votes cannot be counted unless the voter returns to the local voter registration office with a valid ID by the Monday following Election Day.¹⁷

ALEC also has pushed "model" legislation that would offer tax-supported "vouchers" to parents sending their children to private schools and state tax credits to businesses and individuals that fund scholarships for students attending private schools.¹⁸

ALEC NUTS AND BOLTS

ALEC's annual budget – now around \$7 million according to the organization's tax records -- covers the cost of annual meetings that bring corporate lobbyists and executives together with ALEC's legislator members for bill-drafting sessions at pricey resorts.¹⁹ ALEC's 2011 meeting convenes this week in New Orleans.

At ALEC meetings, lawmakers and business representatives sit side-by-side and vote as equals on the task forces which draft the group's model bills, an ALEC spokeswoman has acknowledged.²⁰ While an all-legislator board of directors has the last word on which task force proposals get ALEC's full endorsement, that board reviews and acts only on bills that have gained majority support from both lawmakers and corporations represented on the task forces.

ALEC's nearly three dozen Washington staffers follow up on the drafting meetings by providing member lawmakers with position papers and other materials designed to help get the model bills enacted.²¹ The staff also recruits additional legislators to join ALEC.

ALEC does all this while denying that it is engaged in lobbying. Common Cause has asked the Internal Revenue Service to review ALEC's activities and consider whether the group may be violating the terms of its tax-exempt status.²²

ABOUT THIS REPORT

To assemble this picture of the political spending of the American Legislative Exchange Council's corporate leaders, Common Cause downloaded campaign contribution data assembled by the National Institute on Money in State Politics on each of the firms represented on ALEC's private enterprise board in 2010.

The board has 22 members, representing these firms – Altria, American Bail Coalition, AT&T, Bayer, centerpoint360, Coca-Cola, DIAGEO, Energy Future Holdings, ExxonMobil, GlaxoSmithKline, Intuit, Johnson & Johnson, Koch Industries, Kraft Foods, Peabody Energy, Pfizer, PhRMA, Reynolds American, Salt River Project, State Farm Insurance, UPS and Wal-Mart. Because Kraft Foods is an Altria subsidiary, data for those firms was combined in the text and charts in this report. One firm represented on the board, centerpoint360, reported no political spending and so it was not included in the charts; centerpoint is a lobbying firm headed by W. Preston Baldwin, a former tobacco company executive who during 2010 served as chairman of ALEC's private enterprise board.

More than 130,000 individual contributions from all 50 states were loaded into a spreadsheet for the analysis and were reviewed to eliminate any duplicates. Donations linked to each company were made either directly from its corporate treasury, a political action committee affiliated with the company, or by individuals identified in campaign finance reports as company officers or employees.

ENDNOTES

1. http://www.alec.org/AM/pdf/2011_legislative_brochure.pdf
2. <http://www.bloomberg.com/news/2011-07-21/koch-exxon-mobil-among-corporations-helping-write-state-laws.html>
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