



Minnesota Bill Would Limit Political Spending by Foreign-Influenced U.S. Corporations

Testimony Before the Minnesota House Committee on Elections Finance and Policy

By Michael Sozan January 30, 2023

Dear Chair Freiberg, Vice Chair Greenman, and Ranking Member Torkelson:

I write in strong support of H.F. 117, as amended by the committee, which is a bill filed by Rep. Zack Stephenson (D) that would stop political spending by foreign-influenced U.S. corporations. This pro-democracy bill is co-sponsored by committee members Reps. Mike Freiberg (D), Emma Greenman (D), and Kristin Bahner (D), as well as several non-committee members. If enacted, this people-powered legislation would stop election- and ballot-related spending by foreign entities—including foreign investors who own appreciable levels of stock in U.S. corporations—thereby protecting Minnesota’s right to self-government.

I am a senior fellow at the Center for American Progress. Based in Washington, D.C., CAP is an independent, nonpartisan policy institute dedicated to improving the lives of all Americans through bold, progressive policies. My democracy reform work at CAP has involved research in the area of preventing political spending by foreign-influenced U.S. corporations. My publications include a report and fact sheets analyzing this policy, with the report republished in the Harvard Law School Forum on Corporate Governance.¹ These publications may be useful as the Legislature considers the pending legislation.

After reviewing this legislation, I conclude that it would provide an important tool to protect Minnesota’s elections and ballot initiatives from foreign influence and would reduce the outsized role that corporate money plays in the outcomes of these campaigns. This bold bill would strengthen the right of Minnesota’s residents to determine the political and economic future of their state and help ensure that lawmakers are accountable to voters instead of to foreign-influenced corporations. This legislation is particularly timely given that foreign investors now own approximately 40 percent of U.S. corporate equity, compared with just 4 percent of U.S. equity in 1986.²

This popular legislation follows on the heels of Seattle, Washington, which passed a similar bill in 2020 to protect its elections after a deluge of corporate political spending by at least one foreign-influenced U.S. corporation.³ San Jose, California, conditionally passed similar legislation in 2022.⁴ Moreover, last year the New York State Senate passed a parallel bill on a bipartisan vote.⁵ Several similar bills have been filed at the federal level by members of Congress, including Sen. Elizabeth Warren (D-MA) and Rep. Jamie Raskin (D-MD).⁶

Discussion

In the U.S. Supreme Court’s misguided decision in *Citizens United v. Federal Election Commission*, the court gave American corporations the ability to spend money in elections based on the premise that corporations are “associations of citizens.”⁷ However, many of the largest American-based corporations are owned appreciably by foreign entities. This creates a loophole in the Supreme Court’s ruling, as recognized in a dissenting opinion by former Justice John Paul Stevens: Foreign entities can invest in U.S. corporations that then spend large amounts of money from their corporate treasuries to influence the results of elections and ballot initiatives.⁸

This legislation would close that gaping loophole. At first glance, the legislation’s ownership thresholds to determine when a corporation is “foreign influenced”—1 percent for a single foreign shareholder, and 5 percent for aggregate foreign ownership—may appear to be relatively low. However, as detailed in CAP’s report, referenced above, the foreign ownership thresholds used in Rep. Stephenson’s legislation are solidly grounded in corporate governance and related law, are constitutional, and have been supported by conservative lawmakers, corporate CEOs, and longstanding commissioners on the Federal Election Commission, among many others.⁹ Moreover, the U.S. Securities and Exchange Commission has recognized the substantial power that shareholders can wield at the 1 percent and 5 percent ownership levels delineated in this legislation. This bill is not aimed at disincentivizing foreign investment in U.S. companies but rather setting guardrails on when foreign-influenced companies can spend political dollars to influence Minnesota’s system of self-government via elections and ballot measures.

Additionally, as discussed at length in CAP’s report, although the overwhelming majority of U.S. businesses have no foreign owners, the largest American-based corporations have appreciable foreign ownership. For my report, I analyzed data on foreign ownership of 111 U.S.-based publicly traded corporations in the S&P 500 stock index.¹⁰ The results include the following:

- When applying the 1 percent single foreign shareholder threshold, 74 percent of the corporations studied exceeded the threshold.

- When applying the 5 percent aggregate foreign shareholder threshold, 98 percent of the corporations studied exceeded the threshold.

These 111 politically invested corporations voluntarily disclosed \$443 million spent in federal and state elections from their corporate treasuries in the years 2015, 2016, and 2017.

As my report discusses, among smaller publicly traded corporations, only 28 percent of the corporations that were randomly sampled exceeded the 5 percent aggregate foreign ownership threshold. From this analysis, it appears that smaller publicly traded corporations may be less likely than their larger counterparts to have as much aggregate foreign ownership and therefore would likely be less affected by H.F. 117's ownership thresholds. This legislation would therefore help amplify the voices of small, locally owned businesses in Minnesota.

Conclusion

At a time of rising foreign interference in U.S. elections, Minnesota should be commended for positioning itself at the forefront of nationwide legislative efforts to take proactive, commonsense steps to stop political spending by foreign-influenced American corporations. H.F. 117 would go a long way in reassuring the people of Minnesota that their elected leaders are taking steps to protect the state's democratic right to self-government and create a political system that more fairly represents the priorities of everyday people.

I urge the passage of this legislation. Please let me know if I can be of further assistance.

Sincerely,
Michael L. Sozan

Endnotes

- 1 Michael Sozan, "Ending Foreign-Influenced Corporate Spending in U.S. Elections" (Washington: Center for American Progress, 2019), available at <https://www.americanprogress.org/issues/democracy/reports/2019/11/21/477466/ending-foreign-influenced-corporate-spending-u-s-elections/>; Michael Sozan, "Fact Sheet: Stopping Political Spending by Foreign-Influenced U.S. Corporations" (Washington: Center for American Progress, 2022), available at <https://www.americanprogress.org/article/fact-sheet-stopping-political-spending-by-foreign-influenced-u-s-corporations/>; Michael Sozan, "Fact Sheet: Ending Foreign-Influenced Corporate Spending in U.S. Elections" (Washington: Center for American Progress, 2019), available at <https://www.americanprogress.org/issues/democracy/reports/2019/11/21/477468/ending-foreign-influenced-corporate-spending-u-s-elections-2/>; Michael Sozan, "Ending Foreign-Influenced Corporate Spending in U.S. Elections" (Cambridge, MA: Harvard Law School Forum on Corporate Governance, 2019), available at <https://corpov.law.harvard.edu/2019/12/06/ending-foreign-influenced-corporate-spending-in-u-s-elections/>.
- 2 Steve Rosenthal and Theo Burke, "Who's Left to Tax? US Taxation of Corporations and Their Shareholders" (Washington: Urban-Brookings Tax Policy Center, 2020), p. 2, available at <https://www.law.nyu.edu/sites/default/files/Who%E2%80%99s%20Left%20to%20Tax%3F%20US%20Taxation%20of%20Corporations%20and%20Their%20Shareholders-%20Rosenthal%20and%20Burke.pdf>.
- 3 See Greg Scruggs, "Seattle passes campaign finance curbs on 'foreign-influenced' firms," Reuters, January 13, 2020, available at <https://www.reuters.com/article/us-usa-politics-seattle/seattle-passes-campaign-finance-curbs-on-foreign-influenced-firms-idUSKBN1ZD04T>.
- 4 See Grace Hase, "San Jose looking to limit foreign influence on city elections," *The Mercury News*, March 22, 2022, available at <https://www.mercurynews.com/2022/03/22/san-jose-looking-to-limit-foreign-influence-on-elections/>.
- 5 Democracy Preservation Act, S. 1126B, 2021–2022 legislative session (January 10, 2022), available at <https://www.nysenate.gov/legislation/bills/2021/s1126>.
- 6 Anti-Corruption and Public Integrity Act, S. 5315, Section 721, 117th Cong., 2nd sess. (December 20, 2022), available at <https://www.congress.gov/bill/117th-congress/senate-bill/5315?q=%7B%22search%22%3A%5B%22s5315%22%2C%22s5315%22%5D%7D&s=1&r=1>; Get Foreign Money Out of U.S. Elections Act, H.R. 6283, 117th Cong., 1st sess. (December 14, 2021), available at <https://www.congress.gov/bill/117th-congress/house-bill/6283?q=%7B%22search%22%3A%5B%22raskin+get+foreign+money+out%22%2C%22raskin%22%2C%22get%22%2C%22foreign%22%2C%22money%22%2C%22out%22%5D%7D&s=1&r=1>.
- 7 *Citizens United v. Federal Election Commission*, 588 U.S. 310 (2010), available at https://www.fec.gov/resources/legal-resources/litigation/cu_sc08_opinion.pdf.
- 8 For example, in 2020, California witnessed the outsize effect of foreign-influenced corporate spending on a state ballot initiative. That initiative, known as Proposition 22, invalidated a pro-worker state law and allowed companies to classify their workers as contractors instead of employees. I wrote about Proposition 22 in an op-ed published in *The Mercury News*. As I stated, one of these corporations that spent tens of millions of dollars to drive the ballot initiative—Uber—is partially owned and controlled by the government of Saudi Arabia. Another corporation—Lyft—which also spent tens of millions of dollars on Proposition 22, has seen appreciable ownership and control by a Chinese conglomerate and a Japanese conglomerate. This means that major foreign investors played a role—at least indirectly—in determining the fate of California policy. See Michael Sozan, "Opinion: Stop political spending by foreign-influenced U.S. firms," *The Mercury News*, December 15, 2020, available at <https://www.mercurynews.com/2020/12/15/opinion-stop-political-spending-by-foreign-influenced-u-s-firms/>; Bradley Hope and Justin Scheck, "How the crown prince of Saudi Arabia made his way into Silicon Valley circles with a \$3.5 billion investment in Uber," *Insider*, September 2, 2020, available at <https://www.businessinsider.com/how-investment-in-uber-brought-saudi-prince-to-silicon-valley-2020-9>; Zoe Henry, "Alibaba's 9 most high-profile investments in US start-ups," *CNBC*, October 14, 2016, available at <https://www.cnbc.com/2016/10/14/alibabas-9-most-high-profile-investments-in-us-start-ups.html>; Toru Hatano, "Rakuten books \$240m write-down as Mikitani exits Lyft's board," *Nikkei Asia*, September 1, 2020, available at <https://asia.nikkei.com/Business/Technology/Rakuten-books-240m-write-down-as-Mikitani-exits-Lyft-s-board>.
- 9 Sozan, "Ending Foreign-Influenced Corporate Spending in U.S. Elections" (Washington: Center for American Progress, 2019), pp. 32–38.
- 10 *Ibid.*