



**OFFICE OF THE NEW YORK CITY COMPTROLLER**

**TESTIMONY BY  
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**Written Testimony in Support of the Attorney General's Proposed  
Disclosure Requirements for Nonprofits That Engage In Electioneering**

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## NEW YORK CITY COMPTROLLER JOHN C. LIU

As the Comptroller of the City of New York, I welcome and applaud New York Attorney General Schneiderman's proposed regulations to require nonprofit groups that are registered in New York State, including 501(c)(4) "social welfare" organizations, to report the percentage of their expenditures that go to federal, state, and local electioneering.

My interest in seeing greater disclosure by nonprofits extends beyond the urgent need to protect the integrity of, and prevent abuse by, nonprofit organizations that engage in political activities.

That is because, among my responsibilities as Comptroller, my office manages the City's pension funds, which have \$126 billion in assets, including \$49 billion invested in roughly 3,500 U.S. public companies. As a result of the Supreme Court's 2010 Citizens United decision, these companies now have a right under the First Amendment to use their substantial resources to influence political elections, including by contributing to nonprofit organizations that engage in political activities.

Absent full and transparent disclosure of corporate political expenditures, we have no way of knowing whether the executives at our portfolio companies are using the corporate treasury to promote the interests of the company or to advance their own political agenda. In some cases, company assets could be used for policy objectives that may be contrary to the long-term interests of the company and its shareowners.

Although the Supreme Court cited the importance of disclosure, companies now are not required to disclose their political spending in a comprehensive manner. By far the biggest loophole under current law is the one that allows companies to anonymously funnel money into the political process through associations and nonprofit groups that do not have to disclose contributors. Such indirect political payments can dwarf the direct contributions that must be publicly reported.

That is why the City's pension funds are among the most active shareowners when it comes to promoting full disclosure of corporate political spending. For 2012, we submitted shareowner proposals seeking disclosure of all direct and indirect political spending at nine portfolio companies.

Some companies, such as Tenet Healthcare and most recently WellCare Health Plans, agreed to make the requested disclosures. But many more are resistant, especially when it comes to the indirect contributions that are funneled through nonprofits.

That is why Attorney General Schneiderman's proposed regulations are so essential.

By shining a light on the most secret corporate money in politics, the Attorney General will not only increase the transparency and accountability of the nonprofit sector, he will also help increase the transparency and accountability of our portfolio companies. This will enable us to better protect the interests of the 700,000 hardworking City workers and retirees who rely on the City's pension funds for their retirement security.