



GET FOREIGN MONEY OUT OF CA ELECTIONS

AB 83 | ASSEMBLYMEMBER ALEX LEE

THIS BILL

AB 83 would limit the influence of foreign countries & principals, who have ownership stock in United States based corporations, in our elections. To qualify as a 'foreign influenced corporation' (FIC), a company would have to meet one of the following specifications:

- 1% of shares are owned by a single foreign investor
- 5% of shares are owned by multiple foreign investors
- A foreign entity participates in decision-making with respect to state or local political spending

BACKGROUND

In President George Washington's farewell address of 1796, he [said](#), "the insidious wiles of foreign influence... prove [to be] one of the most baneful foes of [a] republican government." This founding philosophy of our nation laid the groundwork to many restrictions around foreign influence in politics we have today.

Under [existing](#) federal law, a foreign government, foreign political party, foreign-incorporated corporation, or individual foreign national who is *not* lawfully admitted for permanent residence is prohibited from spending money on federal, state, or local elections. This prohibition was upheld as constitutional by the U.S. Supreme Court in [Bluman v. FEC](#) (2012).

However, the U.S. Supreme Court's 2010 [Citizens United](#) decision created a loophole by applying its ruling to corporations they deemed an "association of citizens." While existing federal statute prohibits a *foreign-registered corporation* from spending money on federal, state, or local elections, federal law does not address the issue of political spending by U.S. corporations that are partially owned by foreign investors.

Under federal securities law, 5% is the threshold that Congress has already [chosen](#) as the level at which a single investor or group of investors working together can have influence so significant that the law would require disclosure of the stake as well as the residence, citizenship of the investors, and the source of the funds.

The 1% threshold for a single foreign investor is based in a longtime Securities and Exchange Commission (SEC) [rule](#) regarding the eligibility of shareholders to submit proposals for shareholder votes. To put this threshold into context, 1% of an S&P 500 company is worth over \$50 million.

For many years, the SEC required investors to own 1% of stock to submit shareholder proposals, but the SEC now [allows](#) those with less than 1% of shares to submit proposals. This shift acknowledges that shareholders can still exert significant influence on corporate boards with an absolute dollar of shares, rather than just 1%.

As the California Court of Appeal [explained](#): "it is the shareholders who own a corporation, which is managed by the directors." There is a sense in which investors and corporate managers alike understand that the corporation's assets "belong to" the shareholders. That means that corporate political spending is drawn from shareholders' money.

PROBLEM

Foreign investments in US companies have increased dramatically in recent years. In 1982, foreign investors owned about 5% of all US corporate equity (public and private). By 2019, foreign ownership jumped to an astonishing [40%](#). Since 2010, neither Congress nor the Federal Election Commission have taken action to resolve the issue of foreign-influenced corporations exerting influence in our elections.

[Norges Bank](#), the central bank and sovereign wealth fund of Norway, has a stake in more than 1,900 US companies (which comprises one third of all its corporate investments) and on average holds 1.4% of publicly traded US companies including Microsoft, Facebook, and Netflix. In 2014, fossil fuel giant Chevron, which Norges Bank is among its top stockholders, spent nearly \$3 million to influence a Richmond City Council election.

Recently, when Elon Musk acquired Twitter and made it private, Prince Alwaleed bin Talal bin Abdulaziz of Saudi Arabia agreed to convert their shares of Twitter, worth nearly \$2 billion, and [became](#) Twitter's second largest

shareholder after Musk. The Saudi Prince now owns approximately 4% of Twitter.

Even if a company were founded in the US and keeps its main offices here, companies are responsive to their shareholders, and significant foreign ownership affects corporate decision-making. As the former CEO of US-based ExxonMobil [stated](#), “I’m not a US company and I don’t make decisions based on what’s good for the US.”

Citizens United gives corporations the ability to spend money in our elections based on the premise that corporations are an “association of citizens.” However, for the many companies with shareholders who are foreign owners by federal law, the Supreme Court’s intended ruling in *Citizens United* is not being properly applied.

Across the country, multinational corporations and foreign governments have used their money and power to influence the outcome of elections and to advance political agendas in their favor.

SOLUTION

AB 83 would bar foreign-influenced corporations from contributing to candidates, parties, or committees (including Super PACs), or from engaging in their own direct election spending. By closing a loophole that allows corporations partly or wholly owned by foreign interests to spend money in political campaigns, AB 83 aims to protect the integrity of California’s democratic self-government.

SUPPORT

Free Speech For People (co-sponsor)
Money Out Voters In (MOVI) (co-sponsor)
Center for American Progress (co-sponsor)

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