

# MEMORANDUM

# STATE OF ALASKA DEPARTMENT OF LAW

**TO:** Mike Nizich  
Chief of Staff  
Office of the Governor

**DATE:** February 19, 2010

**FROM:** Daniel S. Sullivan  
Attorney General

**SUBJECT:** Analysis of *Citizens United v. Federal Election Commission* and its Impact on Alaska Campaign Finance Laws

The following is our response to your request for an analysis of the United States Supreme Court's decision in *Citizens United v. Federal Election Commission* 558 U.S. \_\_\_, --- S.Ct. ---- (2010) and how that decision impacts Alaska's campaign finance laws. The ruling affects the balance between a government's interest in ensuring transparent and fair elections and the First Amendment rights of organizations, such as corporations and labor unions, to engage in political speech. In this memorandum we will describe the holding of the case as well as its direct and indirect effects on Alaska law.

## I. Summary

Our analysis addresses two main points. First, under *Citizens United*, Alaska may not prohibit political speech by corporations and labor unions altogether.<sup>1</sup> As a result, our laws prohibiting independent expenditures by corporations and labor unions in a candidate election are likely unconstitutional.

Second, Alaska's laws regarding contributions to candidates, coordinated expenditures, disclaimers, and disclosures are not directly affected by *Citizens United*. Alaska's laws continue to regulate corporate and labor union political speech through disclaimer and disclosure requirements. However, some disclaimer and disclosure laws that provide specific standards for reporting and identification of expenditures do not currently apply to corporations and labor unions.

## II. *Citizens United v. Federal Election Commission*

On January 21, 2010, the United States Supreme Court issued its opinion in *Citizens United v. Federal Election Commission*.<sup>2</sup> The Court's main holding was that

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<sup>1</sup> See 558 U.S. \_\_\_, at 2, --- S.Ct. ---- (2010).

<sup>2</sup> 558 U.S. \_\_\_, --- S.Ct. ---- (2010).

“the Government may regulate corporate political speech through disclaimer and disclosure requirements, but it may not suppress that speech altogether.”<sup>3</sup> The particular federal law reviewed by the Court, part of the Bipartisan Campaign Reform Act of 2002,<sup>4</sup> prohibited corporations and unions from using their general treasury funds to make independent expenditures for speech that is an electioneering communication or for speech that expressly advocates the election or defeat of a candidate.<sup>5</sup> The Court held that this prohibition on corporate and labor union speech violated the First Amendment to the United States Constitution. Because the First Amendment applies to states as well as the federal government, the ruling not only strikes down the federal requirement, it also calls into question similar provisions enacted by the State of Alaska.<sup>6</sup>

The Court further ruled that the disclosure and disclaimer laws under the Bipartisan Campaign Reform Act are justified to provide the electorate with information about the sources of election-related spending and that disclosure assists citizens in making informed choices in the marketplace of political ideas.<sup>7</sup>

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<sup>3</sup> *Id.* at 1-2.

<sup>4</sup> 2 U.S.C. § 441b (2000).

<sup>5</sup> 2 U.S.C. § 441b(b)(2) prohibited corporations and labor unions from using general treasury funds to make expenditures on electioneering communications, which include broadcast, cable, or satellite communications that refer to a clearly identified candidate for federal office and are made within 30 days of a primary or 60 days of a general election. 2 U.S.C. § 434(f)(3)(A); 11 CFR § 100.29(a)(2)(2009).

<sup>6</sup> *See Gitlow v. New York*, 268 U.S. 652, 666, 45 S.Ct. 625, 630 (1925) (freedom of speech protected by the First Amendment from abridgment by Congress is among the fundamental personal rights protected by the due process clause of the Fourteenth Amendment from impairment by the States); *see also Near v. Minnesota*, 283 U.S. 697, 51 S.Ct. 625 (1931); *DeJonge v. Oregon*, 299 U.S. 353, 57 S.Ct. 255 (1937).

<sup>7</sup> 558 U.S. \_\_\_, at 51-2 (citing *Buckley v. Valeo*, 424 U.S. 1, 66, 96 S.Ct. 612, 657 (1976) (*per curiam*)). Under federal law, televised electioneering communications funded by anyone other than a candidate must include a disclaimer describing the entity responsible for the content of the ad. The required statement must be made in a clearly spoken manner and displayed on the screen in a clearly readable manner for at least four seconds. It must state that the communication is not authorized by any candidate or candidate’s committee and it must display the name and address of the person or group that funded the advertisement. *Id.* (citing 2 U.S.C. § 441d(a)(2)).

### III. The Direct and Indirect Impacts of *Citizens United* on Alaska Laws

#### A. Overview

Alaska campaign finance laws regulate a majority of state elections, the ballot proposition process, lobbying, and the judicial retention process.<sup>8</sup> These laws regulate the conduct of candidates, political parties, individuals, lobbyists, corporations, labor unions, groups, and other entities. Both state and federal campaign finance laws make several important distinctions with respect to the application of such laws. For instance, Alaska campaign finance laws distinguish “contributions” from “expenditures.” A contribution is basically a purchase, payment, or deposit rendered directly to a candidate or political party.<sup>9</sup> An expenditure is defined broadly to include several activities which are not direct contributions to candidates. Expenditures include direct payments for services but also include various communications.<sup>10</sup> An “independent expenditure” is a type of expenditure but is more limited in that it is made without any coordination with a candidate.<sup>11</sup>

Another important distinction is between disclosures and disclaimers. Certain campaign finance laws mandate public reporting of expenditures made. In campaign finance jurisprudence, these laws are referred to as disclosure laws. When a campaign finance law requires an identification to be placed on a communication, courts and campaign finance law commentators broadly refer to this as a disclaimer law. The Alaska Public Offices Commission enforces the legality of contributions and expenditures and also ensures that individuals and entities are properly disclosing and disclaiming their conduct as it relates to an election.<sup>12</sup>

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<sup>8</sup> See AS 15.13.010(a)(1)-(2)(describing scope of AS 15.13, entitled State Election Campaigns).

<sup>9</sup> See AS 15.13.400(4)(A).

<sup>10</sup> An expenditure is defined, in relevant part, as “a purchase or a transfer of money or anything of value, or promise or agreement to purchase or transfer money or anything of value, incurred or made for the purpose of...influencing...[the outcome of an election].” Expenditures also include “express communications” and “electioneering communications.” AS 15.13.400(6).

<sup>11</sup> An independent expenditure “means an expenditure that is made without the direct or indirect consultation or cooperation with, or at the suggestion or the request of, or with the prior consent of, a candidate, a candidate’s campaign treasurer or deputy campaign treasurer, or another person acting as a principal or agent of the candidate.” AS 15.13.400(10).

<sup>12</sup> See generally AS 15.13.010(b); AS 15.13.400(1); AS 15.13.400(8), (11), (13)-(15); AS 15.13.030.

*Citizens United* directly implicates one key aspect of Alaska’s campaign finance laws: Alaska’s prohibition on independent expenditures by corporations or labor unions in candidate elections.<sup>13</sup> The decision does not directly call into question the constitutionality of any other contribution, expenditure, disclaimer or disclosure law. For example, Alaska’s prohibition on direct contributions to candidates by corporations and labor unions is unaffected.<sup>14</sup> Candidates and their agents are still prohibited from accepting contributions from corporations and labor unions.<sup>15</sup> A corporation or labor union still may not directly or indirectly consult or cooperate with candidates or their agents when making an expenditure.<sup>16</sup> Individuals are still limited to contributing \$500 per year to a candidate, and \$5,000 per year to a political party,<sup>17</sup> and corporations and labor unions must continue to follow disclosure laws whenever applicable.<sup>18</sup> The current statutes and regulations that require that an independent expenditure in a candidate election be reported within 10 days will be applicable to a corporation or labor union that makes such an expenditure.<sup>19</sup> There must be some identification of corporations or labor

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<sup>13</sup> See AS 15.13.067; AS 15.13.135(a).

<sup>14</sup> See AS 15.13.065(a); AS 15.13.074(a).

<sup>15</sup> AS 15.13.072(a)(1).

<sup>16</sup> AS 15.13.400(10). 2 AAC 50.270 provides guidance as to what constitutes an independent expenditure. Where an expenditure is based on information provided by the candidate or an agent of a group or nongroup entity, it is not an independent expenditure. An expenditure is not an independent expenditure if it is made based on data from a candidate’s, group’s, or nongroup entity’s pollster or campaign consultant or any other person who receives compensation or reimbursement from the campaign. Solicitations to a candidate, group, or nongroup entity, or an expenditure made to finance distribution of campaign material provided by the candidate or his agents are not independent expenditures.

<sup>17</sup> AS 15.13.070(b)(1)-(2).

<sup>18</sup> See AS 15.13.400(14); AS 01.10.060. Because the relevant statutes define “person” to include a corporation or labor union, statutes and regulations that cover a “person” apply to any corporation or union making an independent expenditure in a candidate election.

<sup>19</sup> AS 15.13.040(d) states that “every individual, person, nongroup entity, or group making an expenditure shall make a full report of expenditures, upon a form prescribed by the commission, unless exempt from reporting.” AS 15.13.040(e) states that “the report required under (d) must contain the name, address, principal occupation, and employer of the individual filing the report, and an itemized list of expenditures. The report shall be filed with the commission no later than 10 days after the expenditure is made.” The reporting requirement of AS 15.13.040(d) and (e) applies to all “persons”

unions making an independent expenditure as they are subject to the requirement that such independent expenditures may not be made anonymously.<sup>20</sup>

## **B. Alaska’s Prohibition on Expenditures – AS 15.13.067 and AS 15.13.135(a)**

*Citizens United* likely invalidates AS 15.13.067 and AS 15.13.135(a) in their current form. Under AS 15.13.067, expenditures in candidate elections may only be made by candidates, individuals, groups, and nongroup entities. Under AS 15.13.135(a), “independent expenditures” in candidate elections may only be made by individuals, groups and nongroup entities. Because labor unions and corporations do not fall within the definitions of individual, group, or non-group entity,<sup>21</sup> AS 15.13.067 and AS 15.13.135(a) prohibit corporations and labor unions from making any expenditures in candidate elections. Alaska law defines expenditure broadly to include activities which are political speech.<sup>22</sup> After *Citizens United*, these specific prohibitions will not likely pass constitutional muster.

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who make an expenditure. A person is defined to include corporations and unions. AS 15.13.400(14); AS 01.10.060.

Alaska regulations likewise require reporting of all independent expenditures. 2 AAC 50.270(c) provides that “a person making an independent expenditure must disclose the following on an independent expenditure report under AS 15.13.040 (d) and (e): (1) the date of the expenditure; (2) the amount of the expenditure; (3) the check number, if the expenditure is paid by check; (4) the name and address of the payee; (5) a description of items or services purchased; (6) identification of the candidate or ballot proposition the expenditure was intended to influence; (7) a statement as to whether the expenditure was intended to support or oppose the candidate or ballot proposition.”

<sup>20</sup> AS 15.13.084 states that “a person may not make an expenditure anonymously,” unless the expenditure is made by an individual acting independently and the expenditure is made for a billboard or sign, or printed material other than an advertisement in a newspaper or other periodical.

<sup>21</sup> AS 15.13.400(8), (11), (13).

<sup>22</sup> Specifically, Alaska law prohibits corporations and labor unions from making express communications, electioneering communications, and any payment made to influence the outcome of a candidate election. AS 15.13.400(6)(A)(i);(C); *see also* AS 15.13.400(5), (7). Other parts of the expenditure definition do not implicate political speech. For example, expenditures include purchases made for the purpose of a political party or direct payment of personal services rendered to a candidate or political party. *See, e.g.*, AS 15.13.400(6)(A)(ii)-(iii).

Accordingly, we recommend that these two statutes be amended to conform to the holding of *Citizens United* in order to clarify the extent to which corporations and labor unions may make independent expenditures.

**C. Disclosure of Expenditures – AS 15.13.040(d) and (e)**

The Supreme Court in *Citizens United* specifically upheld laws requiring the disclosure of independent expenditures. The Court found that the disclosure laws assisted the electorate in making informed choices in the marketplace of political ideas.<sup>23</sup> Accordingly, *Citizens United* does not suggest that Alaska’s disclosure laws are in any way unconstitutional. Alaska Statute 15.13.040(d) and (e) is a disclosure law that broadly applies to corporations and labor unions making independent expenditures in a candidate election. It provides that any person making any expenditure must report the expenditure within 10 days. Because corporations and unions are deemed to be “persons” under Alaska law, this requirement applies to them as well.<sup>24</sup> Thus, the requirement to disclose is written broadly enough to require disclosure of expenditures made by corporations and labor unions.

**D. Disclaimers For Communications – AS 15.13.084; AS 15.13.090; and AS 15.13.135(b)(2)**

*Citizens United* upheld federal disclaimer laws.<sup>25</sup> Thus, the decision does not suggest that Alaska’s disclaimer laws suffer from any constitutional infirmity. Alaska Statute 15.13.090 is a disclaimer law requiring certain communications to be identified by the words “paid for by” followed by the name of the candidate, group or nongroup entity paying for the communication. Alaska Statute 15.13.135(b)(2) is a disclaimer law which requires that certain independent expenditures contain a disclaimer that they are not authorized or paid for by a candidate. However, because corporations and labor unions were not permitted to make any expenditures in a candidate election, these specific statutes were not written to apply to them, and only refer to individuals, groups, and nongroup entities.

Corporations and labor unions are nevertheless subject to AS 15.13.084 which prohibits independent expenditures in a candidate election from being made

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<sup>23</sup> 558 U.S. at 51-2 (citing *Buckley*, 424 U.S. at 66, 96 S.Ct. at 657).

<sup>24</sup> See *supra* note 18. Cf 2 AAC 50.270(c) (reporting of independent expenditures applies to “persons,” and thus to corporations and labor unions). Additionally, “persons,” including corporations and labor unions, are required to preserve their expenditure records for up to 6 years after the expenditure is made. AS 15.13.111.

<sup>25</sup> 558 U.S. at 51-2 (citing *Buckley v. Valeo*, 424 U.S. at 66, 96 S.Ct. at 657).

anonymously; thus some identification is required.<sup>26</sup> This prohibition is very general and it is unclear how a corporation or labor union must identify itself when making the expenditure. This may create uncertainty among corporations and labor unions about how to proceed with speech protected under *Citizens United*. Therefore, consideration should be given to amending AS 15.13.084 to clarify how corporations or labor unions must identify themselves when exercising their right to make independent expenditures in an election. As discussed above, it would be constitutional to extend the requirements of AS 15.13.090 and AS 15.13.135(b)(2) to corporations and labor unions.

#### **E. Other Reporting and Disclosure Issues – AS 15.13.110 and AS 15.13.086(2)**

As stated above, *Citizens United* did not invalidate disclosure or disclaimer laws,<sup>27</sup> and Alaska statutes currently require all persons making independent expenditures to report those expenditures to The Alaska Public Offices Commission within 10 days.<sup>28</sup> However, policy makers should consider whether other forms of disclosure for corporations and labor unions making independent expenditures in candidate elections are appropriate. For example, under AS 15.13.110, groups, nongroup entities, and candidates must file reports for election-related activity 30 days before an election, seven days before an election, and at year's end. The reporting requirements under AS 15.13.110 do not apply to "persons" and thus corporations and labor unions, like individuals, are exempt. Because corporations and labor unions were not allowed to make independent expenditures when this statutory scheme was created, we do not believe the drafters had corporations and unions in mind when this requirement was imposed only on candidates, groups and nongroup entities.

In addition to reporting expenditures, AS 15.13.110 requires groups,<sup>29</sup> nongroup entities,<sup>30</sup> and candidates<sup>31</sup> to include information regarding the source of all contributions in these reports. Under current Alaska law, corporations and labor unions would be required to report only their expenditures.<sup>32</sup> But as there is currently no Alaska

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<sup>26</sup> AS 15.13.084, prohibits all "persons" from making anonymous expenditures and expenditures using a fictitious name or the name of another. As explained above, corporations and labor unions are persons under the law.

<sup>27</sup> 558 U.S. at 51-2.

<sup>28</sup> AS 15.13.040(d)-(e).

<sup>29</sup> AS 15.13.400(8).

<sup>30</sup> AS 15.13.400(13).

<sup>31</sup> AS 15.13.400(1).

<sup>32</sup> AS 15.13.040(d)-(e).

law that requires a corporation or labor union to report the source of funds used to make expenditures, corporations and labor unions could receive funds for the purpose of making an independent expenditure in a candidate election. This situation was not contemplated at the time these reporting statutes were enacted due to the prohibition on expenditures by corporations or labor unions in candidate elections.

Additionally, while candidate contributions exceeding \$250 made within nine days of the election must be reported to The Alaska Public Offices Commission within 24 hours of receipt by the candidate,<sup>33</sup> under current law, an independent expenditure made within 10 days of a candidate election does not have to be reported until after the election.<sup>34</sup> The latter timeline now likely applies to corporations and labor unions making independent expenditures in candidate elections after *Citizens United*.

#### **F. Independent Expenditures by Foreign Corporations**

Federal law currently prohibits expenditures made by foreign nationals and foreign corporations in state elections.<sup>35</sup> *Citizens United* did not invalidate this law, nor did it decide whether the federal government has a compelling interest in preventing foreign individuals or associations from influencing our nation's political process.<sup>36</sup> Alaska law does not have a corresponding prohibition on expenditures made by foreign nationals or foreign corporations in our elections.<sup>37</sup>

### **IV. Conclusion**

*Citizens United* has had both direct and indirect impacts on Alaska campaign financing laws. We recommend that those laws directly impacted by the ruling, the prohibition on expenditures by corporations and labor unions, be amended to provide more clarity to Alaskans. We also identify, for your consideration, other areas of law regulating expenditures that were indirectly impacted by this decision.

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<sup>33</sup> AS 15.13.110(b).

<sup>34</sup> See AS 15.13.040(d)-(e).

<sup>35</sup> 2 U.S.C. § 441e prohibits any foreign national, including any foreign associations such as foreign corporations, from spending funds in connection with any state or local election in the United States.

<sup>36</sup> 558 U.S. \_\_\_, at 47 citing 2 U.S.C. § 441(e).

<sup>37</sup> Because Alaska law currently restricts all expenditures, Alaska statutes do not differentiate between foreign and domestic corporations. AS 15.13.400(14); AS 01.10.060.