



Companies Affiliated with ALEC Should Assess the Risk

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According to its website, the American Legislative Exchange Council (ALEC) started as a “nonpartisan membership association for conservative state lawmakers who shared a common belief in limited government, free markets, federalism, and individual liberty” and transitioned from being a “clearinghouse of ideas submitted by ALEC members into [a] freestanding think tank...and model bill movers.”ⁱ

The organization states that “since its founding [in 1973], ALEC has amassed an unmatched record of achieving ground-breaking changes in public policy.” This record attracted many corporations to partner with ALEC to promulgate their public policy initiatives. However, while public policy advocacy can be an effective tool to defend and promote a company’s interests, such activity can also carry risk when significant public controversy and consumer backlash ensue.

ALEC essentially flew below the radar for many years until 2012. That year, ALEC’s model Castle Doctrine Act (aka the Stand Your Ground law) sparked national outrage when it was cited in Florida as a defense in the George Zimmerman case regarding the lethal shooting of an unarmed seventeen year-old, Trayvon Martin. Also that year, ALEC’s model Voter ID bill captured headlines, heavily criticized as impeding citizens’ right to vote. Opponents provided evidence of the law’s disproportionate impacts on the elderly, students, women, people with disabilities, low-income people, and people of color.

These two issues drew considerable negative attention to ALEC and its corporate members. In its aftermath, a number of corporate members left the organization and ALEC disbanded its Public Safety and Elections Task Force (the group responsible for these bills and the controversial Arizona Immigration Bill, discussed below). Still, the reputational damage persists as media outlets have continued to describe ALEC in a negative light, calling it a “shadowy organization,” “the corporate bill mill,” and “a speed-dating service for lonely legislators and corporate executives.” Common Cause, Clergy Voice, the Voters Legislative Transparency Project, and the Center for Media and Democracy/Progressive Inc. (CMD) have issued complaints to the IRS charging ALEC with improperly registering as a tax-exempt entity. Moreover, ALEC members have been ongoing targets of campaigns and

controversy. **By August 2014 over 80 corporations and 19 non-profits had left the organization.**

Leaders in corporate social responsibility (CSR) should critically evaluate the benefits and costs of associating with ALEC. While corporations may find their involvement with ALEC to be helpful in achieving components of their legislative goals, several of ALEC’s initiatives are likely to contradict their CSR principles, policies, and programs. This mismatch poses reputational risks and raises questions about corporate credibility and consistency of corporate policies.

Investors increasingly seek to ensure that companies are evaluating the costs and benefits of their public policy initiatives, and that they are transparent about these practices. In 2014, Institutional Shareholder Services (ISS) reported that corporate political activity was the “most common environmental and social issue that shareholders were asked to vote on during the 2014 proxy season.” Shareholders filed a noteworthy 130 shareholder proposals in 2014 on either lobbying disclosure or political contributions, with resolutions receiving 25.5% to 28.2% support on average, respectively.ⁱⁱ

As a result of these engagements, many companies have determined that the risks of being associated with ALEC outweighed the benefits and ended their membership and funding. Other companies maintained ties with the organization but publicly identified positions of ALEC that were inconsistent with their corporate philosophy and policy. Still, a handful of companies remain corporate members and funders and have not increased their disclosure or transparency. These latter companies may be most at risk of public backlash from policies promoted by ALEC.

Companies affiliated with ALEC should conduct a thorough risk assessment of their relationship with the organization and be fully transparent about any differences in policy positions. Silence, or inadequate disclosure, will likely be interpreted as an endorsement of a myriad of contentious and partisan policies.

Examples of controversial ALEC model legislation on environmental and social issues are summarized on the following pages.

Environmental Legislation

Electricity Freedom Act

- Adopted and approved by ALEC in 2012.
- Intends to repeal or weaken state Renewable Portfolio Standards (RPS), which require utilities to obtain a portion of their electricity from renewable sources.
- As of March 2013, RPS requirements or a renewable portfolio goal (RPG) have been established in 37 states, the District of Columbia, Guam, N. Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.ⁱⁱⁱ According to documents from ALEC's 2013 Annual Meeting, "approximately 15 states across the country introduced legislation to reform, freeze or repeal their state's renewable mandate."^{iv} However, the legislation has gained traction only in Ohio and Kansas.
- Repealing RPSs could make procuring renewable energy more difficult and expensive, and complicates a corporation's ability to meet clean energy goals, and contradicts corporate Greenhouse Gas (GHG) emissions reduction goals.

Efforts against the Environmental Protection Agency's (EPA) Proposed Greenhouse Gas (GHG) Emission Standards for New and Existing Fossil-Fueled Power Plants

- An October 2013 ALEC memo included two new draft resolutions in response to the EPA's (at that time unannounced) plan for regulating GHG emissions from coal-fired power plants^v:
 - Resolution in Response to EPA's Plan to Regulate Greenhouse Gases under the Clean Air Act
 - Resolution Concerning EPA Proposed Greenhouse Gas Emission Standards for New and Existing Fossil-Fueled Power Plants
- Both resolutions intended to block the EPA's ability to regulate GHGs under the Clean Air Act. The second resolution made specific references to Carbon Capture and Storage technology, which was not mandated by the EPA's plan.
- While ALEC's official legislative plan to challenge the EPA is unclear (as of November 2014 both bills were still available on ALEC's website), the organization specified that it will strongly oppose the agency.^{vi} Already, ALEC has begun its counterattack by encouraging state attorneys to sue the EPA.^{vii}
- ALEC's plan is out of touch with public opinion. A Spring 2014 report found that 64% of American support "setting strict carbon dioxide emission limits on existing coal-fired power plants to reduce global warming and improve public health, even with the explicit caveat that the cost of electricity to consumers and companies would likely increase."^{viii}

Environmental Literacy Improvement Act

- The Act was co-created with the Heartland Institute and has origins dating back to 2000.
- It mandates "balanced" teaching of climate science in K-12 classrooms, thereby directing educators to teach rejection of the widely-held scientific belief that climate change is caused by human influence.^{ix}
- After promoting this bill, the media began to describe ALEC and the Heartland Institute as "climate deniers."

Net Metering Reform

- Net Metering is a billing mechanism that gives credits to "residential and commercial customers who generate their own electricity from solar power [and] feed [excess] electricity back to the grid."^x It enables those who invest in on-site renewable power to reduce their electricity bill and in unusual cases make a profit off of excess generation.
- 43 states plus the District of Columbia have net metering policies and regulations.^{xi}
- In collaboration with utility companies, ALEC has introduced legislation to charge homeowners who install roof-top solar additional fees to deter the appeal of on-site distributed generation.

- In November 2013, Arizona became the first state to apply an additional fee to solar panel consumers. While the additional charges in Arizona are presently *de minimis*, fees proposed by the electricity industry are as high as an extra \$100/month.^{xii}

Restrictions on Participation in Low Carbon Fuel Standards Programs

- Preemptively blocks the ability of states to pass “low carbon fuel standards” (LCFS). At the moment, California is the only state with such a standard in place.
- The model bill was sponsored by the American Fuel and Petrochemical Manufacturers.
- LCFS put a limit on the amount of carbon released over a fuel’s *entire* lifecycle. Thereby, tar sands are particularly targeted by such standards.
- The restrictive model legislation was introduced in 12 states in the 2013 and 2014 sessions.^{xiii}

State Withdrawal from Regional Climate Initiatives

- The bill would allow states to pull out of Regional GHG Initiatives such as the Western Climate Initiative.
- The bill aims to weaken regional progress on cap-and-trade systems and carbon pricing mechanisms.

Social Legislation

Actions on Education

- Throughout the years, ALEC has supported model legislation that weakens teachers’ unions and supports privatization of education (see examples below). Education is a hotly debated subject nationally with both liberals and conservatives espousing strong views on the matter. Affiliation with ALEC implicates companies in this strongly partisan debate and risks alienating a large segment of the public.
- Privatization of Education
 - According to a 2013 article that appeared in the Huffington Post, “there are at least five different bills drafted by ALEC that use various approaches to divert public funds to private schools.”^{xiv} Bills such as the Education Accountability Act, Family Education Tax Credit Program Act, and The Parental Choice Scholarship Tax Credit Accountability Act are three examples that seek to divert tax dollars earmarked for education to subsidize for-profit, religious, or secular private schools.
- National Teacher Certification Fairness Act
 - In an effort to weaken teachers’ unions, this act facilitates “certifying individuals with no education background as teachers.”^{xv}

Arizona’s Immigration Law

- Model legislation titled “No Sanctuary Cities for Illegal Immigrants Act” was drafted by the recently disbanded Public Safety and Elections Task Force. The model was introduced as Arizona Senate Bill 1070 and signed into law by Arizona Governor Janice Brewer in 2010.
- Law permits racial profiling as it allows police to arrest or detain someone when there is a “reasonable suspicion” that they are not in the US legally.^{xvi}
- As a consequence of the law, some immigrants describe being afraid to report when they are a victim of a crime for fear of being detained or deported.^{xvii} This lack of reporting could lead to an increase in hate crimes and human rights violations.
- Potential to send thousands of undocumented immigrants to prison, a noted benefit for the for-profit prison industry^{xviii} that aided in writing the law.
- In 2012, the U.S. Supreme Court struck down most provisions of the law judging that they interfered with the federal government’s role in regulating immigration. However, the Supreme Court upheld the “heart of the law” (Governor Brewer) that authorizes Arizona police officers to verify the immigration status of anyone they stop, detain, or arrest.^{xix}

Living Wage Mandate Preemption Act

- “Allows states to prevent cities and counties from setting minimum wages that exceed those required under state or federal law.”^{xx}
- Similar to the Sick Leave Preemption Bill (below), the law does not ban living wage legislation outright, but instead specifies that the initiative must be statewide. This makes grassroots progress much more difficult to achieve.

Right to Work

- Prohibits public and private sector unions from requiring workers to pay union fees and provides that employees do not need to join or refrain from joining a union as a condition of employment.
- As of December 2102, enacted in 24 states.
- The legislation makes it difficult for private sector unions to maintain the funds needed to survive and represent their interests. Some media sources allege this legislation is used to “bust unions and keep wages low.”^{xxi}

Sick Leave Preemption Bill

- Heretofore, most laws mandating employers to provide paid sick leave have been enacted at the district or city level. The ALEC preemption legislation nullifies any existing sick leave laws within a state and prohibits cities, towns, villages, and counties from enacting their own laws regarding paid sick leave.
- Companies such as Disney and Darden have been publicly decried for their support of this bill.
- Similar to the Living Wage Mandate Preemption Act (above) the law would not ban sick leave legislation outright, but instead specifies that the initiative must be statewide. This makes grassroots progress much more difficult to achieve.
- The bill appears to contradict popular opinion in the US and has a high likelihood of being painted as a roadblock to gender equality in the workplace.
 - A national study by the Institute for Women’s Policy Research concluded that “37% of working women in companies with more than 15 employees cannot take a paid sick day if they or a family member are ill.”^{xxii}
 - According to the American Center for Progress, ninety percent of adults support a specific proposal allowing up to seven sick days per year.^{xxiii}

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Fortune 100 and Other Major Companies that Have Left ALEC¹

Company Name	Fortune 100 Rank (as of 2014)
Wal-Mart Stores	1
General Motors	7
General Electric	9
CVS Caremark	12
UnitedHealth Group	14
Hewlett-Packard	17
Express Scripts Holding	20
Bank of America	21
IBM	23
Procter & Gamble	31
Home Depot	33
Microsoft	34
Amazon.com	35
Walgreen Co	37
WellPoint	38
Johnson & Johnson	39
PepsiCo	43
ConocoPhillips	47
Lowe's Companies	52
Intel Corporation	53
The Coca-Cola Company	58
Best Buy Co., Inc.	60
Merck & Co., Inc.	65
Deere & Company	80
McDonald's Corporation	N/A
Emerson Electric	N/A

¹ Note: Approximately twenty Fortune 100 companies appear to be current ALEC members.

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