



PAC Governance Fundamentals: Boards and Bylaws Public Affairs Council

Skadden, Arps, Slate, Meagher & Flom LLP
and Affiliates

Melissa Miles

202-371-7836 | mmiles@skadden.com

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- Recent trend: Pressure on corporate PACs to focus on social issues, starting with 2016 LGBTQ rights and “bathroom bills”
- Expanded to include interest in diversity, equity and inclusion as a result of Black Lives Matter movement and responding to events of January 6, 2021
- Important to re-evaluate PAC governance documents and structure as corporate political involvement and social activism continue to intersect
- Corporate reaction to January 6 (based on Center for Responsive Politics’ survey of 102 major companies in late January):
 - 52 temporarily suspended all federal PAC contributions
 - 22 temporarily or permanently suspended contributions to the 147 members of Congress who voted against certifying the 2020 election results
 - Seven do not have a formal plan to suspend contributions, but will consider recent events when making future contribution decisions
 - One has asked that their contributions to certain members be refunded
 - 19 reviewed their political contribution policies
 - One terminated its PAC



- Challenging environment for PACs after January 6
 - Donors
 - Media
 - Shareholders
 - Impact on maintaining Democratic-Republican balance
- Resuming PAC operations
 - Consider revisions to candidate evaluation framework to address diversity, inclusion and civic integrity
 - Re-evaluate Bylaws:
 - » Ensure key governance provisions included
 - » Ensure Bylaws promote transparency and organizational values
 - Ensure any option taken is in compliance with governance provisions under PAC's Bylaws



- PAC Boards have an emerging role as outgrowth of governance role and serving as intermediary for employees on social issues
- Procedural approach to addressing recent events:
 - Increase diversity on PAC Board
 - Create expanded PAC Advisory Committee representative of employees
 - Appoint PAC Diversity Officer



- Framework / roadmap for governance and operations
- Provides transparency and a “checks and balance”
- Internal document; not filed with FEC or state elections agency



- General tenants of governance structure and decision-making of PAC
 - PAC governance
 - Appointment and removal of officers / directors
 - Duties of officers / directors
 - Required meetings
 - Contribution authorization / approval
 - Candidate criteria
 - Amendment of Bylaws
 - Dissolution of PAC



1. Officers only

- **BEST PRACTICE:** at least 3 officers recommended

2. PAC Officers and Board

- More corporate buy-in
- Geographical / Department representation of company

3. PAC Officers, Board and Contribution Advisory Committee

- Contribution Advisory Committee makes recommendations to Board



- Centralized Governance (e.g., Government Affairs team)
 - Cohesive and streamlined
- Local Governance
 - Representation in diverse geographical areas
 - » Providing Board or Contribution Advisory Committee positions to execs in diverse geographical areas helps with “local” fundraising
 - » Can apply “eat what you kill” philosophy for regional areas-amount raised for PAC in that area can be contributed in that area



- Officers:
 - For a federal PAC, Treasurer is the only required officer
 - State law may require other officers and may not allow same individual to serve two offices (e.g., Pennsylvania requires a Chairman and Treasurer, and they may not be the same individual)
 - Common additional officers: Chairman, Secretary, Assistant Treasurer
- Board Members:
 - No required number
 - Pros and cons of large/small board



- Appointment
 - Initial Board/Officer appointment – Company CEO or Company Board can appoint initial directors / officers
 - Then PAC directors / officers can vote to remove / replace
 - Term limits optional
- Removal considerations
 - Death, resignation, removal or termination of employment
- Officer Duties
 - Treasurer:
 - » Central figure of PAC
 - » Legal liability
 - » Duty to deposit PAC funds within 10 days of receipt
 - Chairman / Chief Executive Officer: Preside at meetings
 - Secretary: Keep meeting minutes
 - Assistant Treasurer: assume duties of Treasurer in his/her absence
 - » Can be a non-voting officer



- Provide for what decisions require a meeting
 - Decisions about contributions?
 - Amendments to Bylaws
 - Appointment / removal
 - Dissolution
- Provide options for holding meetings (e.g., in person, by conference call, by videoconference, including via Zoom or Webex, or by e-mail)
- Provide for unanimous written consent in lieu of meeting



- No foreign national involvement permitted
- Potential options:
 - Contributions made pursuant to annual budget approved by Board/officers
 - » Meeting may be required to approve budget
 - » Option of de minimis exception
 - Officers/Board approve contributions individually
 - Treasurer makes contributions as determined by officers / directors or in sole discretion (no vote / meeting)
 - Contribution Advisory Committee makes contribution recommendations to officers/Board
- Bylaws should specify scope of contributions permitted
 - Federal, state and local?
 - Independent expenditures / electioneering communications?
 - Super PACs? Ballot measures?



- Why include candidate criteria?
 - Guides contribution strategy
 - Allows for transparency
 - Can help with saying “no”
 - Increase buy-in with contributors
- Can be included in Bylaws or Policy
- Sample Candidate Criteria:
 - Demonstrated political leadership on key issues related to the growth and success of the [insert] industry;
 - The integrity and character of a candidate;
 - The candidate’s commitment to diversity, equality and inclusion;
 - Representation of a district containing [Company] operations or employees;
 - Committee assignments relative to issues of importance to the [insert] industry; and
 - The candidate's leadership and policy-making position in his or her party.



- Bylaw Amendment and Dissolution: Should require a vote/meeting or unanimous written consent
 - Dissolution: specify where PAC funds go upon dissolution
- Make sure Bylaw procedures are followed
- Meetings: Minutes should be taken
- Resolutions: In lieu of meeting, actions may be taken by unanimous written consent/officer resolution



Detailed information on PAC procedures goes here

- Detailed approval process (life cycle of PAC contribution)
- Budgeting
- Pay-to-Play considerations?
- Approval process of solicitation materials
- PAC Match and PAC incentives
- PAC reporting and recordkeeping procedures
- Voluntary disclosure of PAC contributions (shareholder initiatives)
- Requirements for PAC audits