



## Political Transparency and Accountability Profile (2006)

### Union Pacific

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CUSIP: 907818108

Symbol: UNP

Web Site Policy: [www.up.com](http://www.up.com)

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#### Background:

Union Pacific is one of America's leading transportation companies. Its core business is the Union Pacific Railroad, which covers 23 states and is the largest railroad in North America.<sup>1</sup>

#### Political Activity<sup>2</sup>

##### Overview

Union Pacific is a major political giver. A CPA examination of its political spending in the 2002, 2004 and 2006 election cycles suggests conflicts with the company's image. Some of its donations ended up at groups that were indicted for violating state campaign finance laws, or that gave to candidates with positions that contradicted key policies and practices that enhanced the company's reputation.

According to available records, Union Pacific contributed more than \$1.8 million in corporate funds since the 2000 election cycle. However, a review by the CPA suggests that Union Pacific's political spending may be significantly understated for several reasons.

One reason is that the figure does not include Union Pacific payments to trade associations or other tax-exempt organizations that are used for political purposes. Some of the groups have a history of substantial political involvement. Current law does not require disclosure of those payments.

Another reason is that incomplete disclosure or haphazard reporting at the state level makes it near impossible to identify all of Union Pacific's political contributions made with corporate money.

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<sup>1</sup> Union Pacific, <http://www.uprr.com/aboutup/uprover.shtml>

<sup>2</sup> The CPA model political disclosure resolution filed at Union Pacific urges the company to disclose and require board oversight of its soft money contributions and its payments to trade associations and other tax-exempt organizations that are used for political purposes.

Over the past few years, Union Pacific has contributed to conduits that give political money to various recipients.<sup>3</sup> These include Americans for a Republican Majority, the Rely On Your Beliefs Fund, the Republican Majority Fund, and the Leadership Forum. The risks raised by these conduits are discussed below. In Union Pacific's case, some of its money ended up at groups or candidates that created reputational risks for the company.

### **2006 Election Cycle**

As of March 7, 2006, the company has donated \$103,133 to 527s in the 2006 cycle.<sup>4</sup>

### **2004 Election Cycle**

Union Pacific's donations to 527s totaled \$235,000 in the 2004 cycle.<sup>5</sup> This included a \$25,000 contribution to **The Leadership Forum**<sup>6</sup>, a group founded in 2002 by former Rep. Bill Paxon (R-NY), an ally of former House Majority Leader Tom DeLay and Susan Hirschmann, DeLay's former chief of staff and currently a Washington lobbyist. The Forum is closely associated with the Republican congressional leadership. In November 2002, several campaign finance watchdog groups charged the Forum with violating campaign finance restrictions, alleging that it was a front for the National Republican Congressional Committee. The Forum had received \$1 million from the NRCC, but returned the money after the complaint was filed. The FEC dismissed the charges — in large part because the money was returned — and admonished the NRCC.<sup>7</sup>

After the FEC's warning, in May 2004, the Forum began promoting its ties to House Speaker J. Dennis Hastert and Sen. Rick Santorum, according to the *Washington Post*.<sup>8</sup> The Forum raised \$696,973 in the 2003-04 election cycle.<sup>9</sup>

Union Pacific also gave approximately \$564,000 at the state-level in the 2004 election cycle. However, this figure is only an approximation. State-level campaign finance reporting is often incomplete, and in many cases it is difficult to distinguish contributions made with corporate funds from contributions made by employee-funded political action committees. In addition, the Institute on Money in State Politics — the nation's most complete resource on money in state politics — compiles data on what companies and their PACs give to state-level candidates, party committees and/or ballot measures — not to PACs active in the states. As a result of these factors, this figure might include contributions made by the company's employee-funded PAC, and might exclude contributions made with corporate funds to state PACs.<sup>10</sup>

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<sup>3</sup> Conduits are independent political committees (popularly known as 527s) and trade associations and other tax-exempt organizations that receive contributions or payments and, in turn, make contributions to other recipients or engage in spending for political purposes. As the Center reported in its *Green Canary* study, the use of conduits poses serious reputational risks to companies. (*The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, February 2005)

<sup>4</sup> PoliticalMoneyLine, <http://www.fecinfo.com/> This figure is reported on PoliticalMoneyLine's composite list of 527 donations made by major donors in the 2006 election cycle and may include some contributions made by the company's PAC.

<sup>5</sup> PoliticalMoneyLine, <http://www.fecinfo.com/> This figure is reported on PoliticalMoneyLine's composite list of 527 donations made by major donors in the 2004 election cycle and may include some contributions made by the company's PAC.

<sup>6</sup> PoliticalMoneyLine, <http://www.fecinfo.com/>

<sup>7</sup> "Roll Call: FEC Dismisses Complaint Against Leadership Forum," April 29, 2003, The Campaign Legal Center (<http://www.campaignlegalcenter.org/press-577.html>).

<sup>8</sup> "Soft-Money Group Promotes Ties to GOP Leaders Despite Warnings," *Washington Post*, May 30, 2004.

<sup>9</sup> PoliticalMoneyLine, <http://www.fecinfo.com/>

<sup>10</sup> The Institute for Money in State Politics, <http://www.followthemoney.org/> The CPA used the Institute's database to conduct searches on Union Pacific's political giving in 2003-2004 across all states that allow for corporate contributions. The search results, which show that Union Pacific gave \$564,050, do not distinguish contributions made with corporate

## 2002 Election Cycle

During the 2002 election cycle, Union Pacific's soft money contributions to national party committees totaled \$835,580.<sup>11</sup> Its contributions in the 2002 cycle were high relative to its peer group, according to the Center's *Green Canary* report.<sup>12</sup>

Union Pacific's donations to 527s totaled \$160,000 in the 2002 election cycle.<sup>13</sup> Among the committees Union Pacific contributed to was Americans for a Republic Majority (ARM) (\$75,000); the Republican Majority Fund (RMF) (\$5,000); and the Rely On Your Beliefs Fund (RYBF) (\$50,000).<sup>14</sup> The groups acted as a conduit for contributions to other organizations and candidates. The RMF gave \$25,000 to Oklahoma Families for Jobs & Justice, Inc.<sup>15</sup> The RYBF gave \$7,000 to the DeLay Foundation<sup>16</sup> and \$5,000 to the Tom DeLay Legal Expense Trust.<sup>17</sup> ARM acted as a conduit for contributions to the following: Americans for Tax Reform (\$10,000); Texans for a Republican Majority (\$75,000); the Traditional Values Coalition (\$7,000); and Club for Growth (\$50,000).<sup>18</sup>

**Texans for a Republican Majority** was used by former House Majority Leader Tom DeLay to fund the change of control of the Texas House of Representatives in 2002. It was indicted in September 2004 for violating Texas campaign law by accepting \$120,000 in allegedly illegal corporate campaign contributions shortly before and after the 2002 elections.<sup>19</sup>

## Trade Association Activity

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funds from contributions made by the company's PAC. Though the CPA made efforts to eliminate any PAC contributions, the figure cited in this report might include donations made with employee funds. In addition, as noted in the text above, the Institute does not compile money given to active state PACs. Therefore, the figure cited in this report excludes donations made by Union Pacific to state PACs.

<sup>11</sup> Center for Responsive Politics,

<http://www.opensecrets.org/softmoney/softcomp2.asp?txtName=Union+Pacific+Corp&txtUltOrg=y&txtSort=name&txtCycle=2002>

<sup>12</sup> *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability.

(February 2005) Among a group of 5 railroad companies analyzed for the study, the mean contribution was \$607,010.

<sup>13</sup> PoliticalMoneyLine, <http://www.fecinfo.com/> This figure is reported on PoliticalMoneyLine's composite list of 527 donations made by major donors in the 2002 election cycle and may include some contributions made by the company's PAC.

<sup>14</sup> PoliticalMoneyLine, <http://www.fecinfo.com/>

<sup>15</sup> Internal Revenue Service, <http://forms.irs.gov/politicalOrgsSearch/search/generatePDF.action?formId=522126906-8872-0005&formType=P72>

<sup>16</sup> Internal Revenue Service, <http://forms.irs.gov/politicalOrgsSearch/search/generatePDF.action?formId=431861697-8872-0008&formType=P72>

<sup>17</sup> Internal Revenue Service, <http://forms.irs.gov/politicalOrgsSearch/search/generatePDF.action?formId=431861697-8872-0005&formType=P72>

<sup>18</sup> Internal Revenue Service,

<http://forms.irs.gov/politicalOrgsSearch/search/gotoSearchDrillDown.action?paId=4493&criteriaName=AMERICANS+FOR+A+REPUBLICAN+MAJORITY+NON-FEDERAL+ACCOUNT>

<sup>19</sup> R. Jeffrey Smith, "DeLay PAC Is Indicted For Illegal Donations," *Washington Post*, September 9, 2005.

Union Pacific is a member of the Business Roundtable.<sup>20</sup> It is also a member of the Intermodal Association of North America, which is North America's leading industry trade association representing the combined interests of the intermodal freight industry.<sup>21</sup>

In 2004, the Business Roundtable reported dues of \$22.91 million and lobbying and political expenditures of \$4.98 million.<sup>22</sup> It is reasonable to assume that a substantial amount of that money is used for political purposes and that a portion of Union Pacific's dues to the Business Roundtable funded the association's politically-related spending.

A complete list of Union Pacific's trade association memberships is unavailable because many associations do not disclose their members. Because neither companies nor associations are required to disclose their political spending, it is impossible to determine the amount of Union Pacific money that is used by trade associations for political purposes. Union Pacific does not voluntarily disclose that figure.

## Reputational Impact: Conflicts and Contradictions

Some of Union Pacific's political spending has ended up conflicting with the company's socially progressive reputation. This is the case when company money went to Texans for a Republican Majority and the Traditional Values Coalition in the 2002 election cycle.

The Human Rights Campaign (HRC), a leading gay rights organization, gives Union Pacific recognition for its personnel policies and practices on sexual preference. According to the HRC, Union Pacific has a written non-discrimination policy covering sexual orientation in its employee manual and requires employees to participate in diversity training that includes sexual orientation. The HRC also reports that Union Pacific has offered health and medical benefits to employees' domestic partners since 2005.<sup>23</sup>

However, some of Union Pacific's soft money contributions to 527s in the 2002 cycle ended up at Texans for a Republican Majority and the Traditional Values Coalition (TVC).<sup>24</sup> TRM contributed \$558,000 to 24 candidates for the Texas House of Representatives who were on record as opposed to gay rights. Fifteen of the state representatives who received TRM money are listed as "current and active members" of the Texas Conservative Coalition.<sup>25</sup> Formed in 1985, TCC is an influential caucus in the Texas House of Representatives.<sup>26</sup>

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<sup>20</sup> Business Roundtable, <http://www.businessroundtable.org/aboutUs/Memberlist.aspx>

<sup>21</sup> Intermodal Association of North America, <http://www.intermodal.org/about.html>

<sup>22</sup> The Business Roundtable's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2004 indicates that the Business Roundtable received \$22,908,863 in dues, assessments and similar amounts from members. (See line 3, 85c) Of that amount, \$4,975,322 - or nearly 22% - was spent on lobbying and political expenditures. (See line 85d)

<sup>23</sup> Human Rights Campaign, [http://www.hrc.org/Template.cfm?Section=Search\\_the\\_Database&Template=/CustomSource/WorkNet/srch\\_dtl.cfm&srchtpe=QS&searchid=1&orgid=906](http://www.hrc.org/Template.cfm?Section=Search_the_Database&Template=/CustomSource/WorkNet/srch_dtl.cfm&srchtpe=QS&searchid=1&orgid=906)

<sup>24</sup> As noted earlier in the report, Union Pacific gave \$75,000 to the Americans for a Republican Majority in the 2002 election cycle. In the same cycle, Americans for a Republican Majority gave \$75,000 to TRM and \$7,000 to the Traditional Values Coalition. (PoliticalMoneyLine, [www.politicalmoneyline.com](http://www.politicalmoneyline.com))

<sup>25</sup> The following current TCC members received money from TRM in the 2002 election cycle: Todd Baxter (\$16,000); Dwayne Bohac (\$10,000); Betty Brown (\$18,000); Byron Cook (\$20,000); Glenda Dawson (\$22,000); Dan Flynn (\$25,000); Dan Gattis (\$11,000); Rick Hardcastle (\$10,000); Bryan Hughes (\$56,000); Bill Keffer (\$7,500); Jodie Laubenburg (\$8,500); Sid Miller (\$30,000); Gene Seaman (\$30,000); Larry Taylor (\$49,000); Corbin Van Arsdale (\$7,500). (Center for Public Integrity, <http://www.publicintegrity.org/527/profile.aspx?act=dir&id=549&cycle=2002&sub=3> and Texas Conservative Coalition, [http://www.txcc.org/tcc\\_member.html](http://www.txcc.org/tcc_member.html))

<sup>26</sup> Texas Conservative Coalition, [www.txcc.org](http://www.txcc.org)

The TVC is led by the Rev. Louis Sheldon and bills itself as the largest church-lobby in the United States. It opposes gay rights, a woman’s right to choose, and the teaching of evolution in public schools. It also lobbies on judicial nominations.<sup>27</sup>

**Political Accountability Factors:**

|   |     |
|---|-----|
| The company discloses its contribution policies on its web site. <sup>28</sup>                                      | Yes |
| The company discloses specific criteria for approval of its political contributions on its web site. <sup>29</sup>  | No  |
| The company discloses that prior approval of contributions is required.   | No  |
| The company discloses an approving officer or department for its political contributions made with corporate funds. | No  |
| The company discloses that it requires executive level oversight.   | No  |
| The company discloses that it requires board of director level oversight.   | No  |

**Contribution Transparency Factors:**

|   |    |
|---|----|
| The company does disclose its contributions on its web site.                    | No |
| The company does disclose the personnel involved in the contribution decisions. | No |

<sup>27</sup> Traditional Values Coalition, [www.traditionalvalues.org](http://www.traditionalvalues.org)

<sup>28</sup> Union Pacific, Statement of Policy on Ethics and Business Conduct, [http://www.up.com/investors/attachments/governance/business\\_conduct.pdf](http://www.up.com/investors/attachments/governance/business_conduct.pdf).

<sup>29</sup> The company states that it complies with all legal requirements but does not otherwise disclose any specific criteria used in approving contributions.

The following tables show Union Pacific's political contributions compared to its peers in the 2004 and 2002 election cycles. These figures are used as indicators of the companies' political giving, and do not represent the total amount of funds used by the companies for political purposes.<sup>30</sup>

| <b>Political Giving By Railroad Companies</b> |   |
|---|---|
|   | <b>2004 Election Cycle</b><br>(PoliticalMoneyLine: soft money to 527 committees)* |
| <b>Union Pacific</b>                          | <b>\$235,000</b>  |
| Burlington Northern Santa Fe                  | \$190,000   |
| <i>Mean</i>                                   | <i>\$121,800</i>  |
| Canadian National Railway                     | \$102,500   |
| Norfolk Southern Corp.                        | \$72,500  |
| CSX Corporation                               | \$9,000   |

\*These contribution amounts are reported on PoliticalMoneyLine's composite list of 527 donations made by major donors in the 2004 election cycle. They may include some contributions made by the company's PAC, which is funded by voluntary employee contributions.

| <b>Political Giving By Railroad Companies</b> |  |
|---|--|
|   | <b>2002 Election Cycle</b><br>(Center for Responsive Politics: soft money to parties and party committees) |
| CSX Corporation                               | \$1,035,000  |
| <b>Union Pacific Corp.</b>                    | <b>\$835,580</b>   |
| Burlington Northern Santa Fe                  | \$818,072  |
| <i>Mean</i>                                   | <i>\$607,010</i>   |
| Norfolk Southern Corp.                        | \$231,400  |
| Canadian National Railway                     | \$115,000  |

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<sup>30</sup> *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability. (February 2005)

