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state's interest without such improvements. It is also our opinion that the price set by the Council for a grant of the state's interest where the state's claim to record title is in dispute may be adjusted to reflect an evaluation of the state's ability to successfully establish its claim of ownership.

Very truly yours,
IRWIN I. KIMMELMAN
Attorney General

March 18, 1983

SCOTT A. WEINER
Executive Director
Election Law Enforcement Commission
28 West State Street, Suite 1114
CN-185
Trenton, New Jersey 08625

FORMAL OPINION NO. 4—1983

Dear Director Weiner:

You have asked for our advice as to whether statutory prohibitions on the making of political contributions by an insurance company doing business in this State extend to an out of state non-insurance holding corporation which owns all of its capital stock. You have further asked whether the non-insurance subsidiary corporations of the holding corporation are prohibited from making political contributions. For the following reasons, you are advised that a non-insurance holding corporation owning a majority of stock in an insurance company licensed to do business in this state is prohibited from making political contributions either in its own right or through its non-insurance subsidiary corporations.¹

There are two statutory sections in the election law which address the question of corporate political contributions. N.J.S.A. 19:34-32 specifically forbids insurance corporations or associations from making any direct or indirect contributions for any political purpose whatsoever. N.J.S.A. 19:34-45 imposes a similar prohibition and provides in more comprehensive terms that:

No corporation carrying on the business of a bank, savings bank, co-operative bank, trust, trustee, savings indemnity, safe deposit, insurance, railroad, street railway, telephone, telegraph, gas, elec-

1. The applicability of these provisions must be limited to contributions to candidates for political office under the government of this state or any of its political subdivisions, to any political party in this state or for any political purpose whatsoever in this state. It must be presumed that the Legislature did not intend any extraterritorial effect unless the language of the statute admits of no other construction. *Sandberg v. McDonald*, 248 U.S. 185, (1918).

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tric light, heat or power, canal or aqueduct company, or having the right to condemn land, or to exercise franchises in public ways granted by the State or any county or municipality, and *no corporation, person, trustee or trustees, owning or holding the majority of stock in any such corporation*, shall pay or contribute money or thing of value in order to aid or promote the nomination or election of any person, or in order to aid or promote the interests, success or defeat of any political party. [Emphasis supplied.]

At issue is whether, and to what extent, these prohibitions apply to corporations holding an ownership interest in an insurance corporation or to non-insurance subsidiaries of such a holding company.

In the instant matter, the Legislature's intention with regard to contributions by holding companies of the listed industries has been clearly articulated. No corporation owning or holding the majority of stock in a corporation conducting any of these businesses may make political contributions. The mandate is absolute and unambiguous. The words of the statute are to be given their ordinary and well understood meaning according to approved usage of the language. *Service Armament Company v. Hyland*, 70 N.J. 550 (1976).

Moreover, the underlying statutory purpose supports a conclusion that the Legislature intended an absolute ban on political contributions by such holding companies. Although there is little legislative history available concerning the New Jersey statutes, reference to their federal counterpart, 2 U.S.C. 441(b) (formerly 28 U.S.C. 610) is instructive.² The primary congressional concern underlying the enactment of that statute was the growing use of aggregated corporate wealth to control the election process and to influence elective officials to act in a manner favoring corporate interests over those of the general public. *Cort v. Ash*, 422 U.S. 66 (1975); *United States v. International Union United Auto etc., Workers*, 352 U.S. 563 (1957). It is reasonable to infer that N.J.S.A. 19:34-45, originally enacted only three years after the federal act, was intended to address the same evil, corporate influence over government officials.

Additionally, the nature of the corporations listed at N.J.S.A. 19:34-45 compels the conclusion that the Legislature particularly intended to insulate elective officials from the influence of regulated industries. Each business listed in the act may be characterized as of a type strongly affected

2. That statute, enacted in 1907, states in pertinent part:

It is unlawful for any national bank or any corporation organized by any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office, or for any corporation whatever to make a money contribution in connection with the election at which Presidential and Vice-Presidential elections or a Senator or Representative in . . . Congress is to be voted for, or in connection with any primary election or political convention or caucus held to select candidates for any of the foregoing offices. . . .

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with a public interest. Each business has been made the subject of extensive and pervasive government regulation. Comprehensive regulatory programs, vital to the protection of the public, could become prime targets of elected officials seeking to satisfy perceived debts to corporate benefactors affiliated with a regulated industry. An absolute legislative ban on political contributions by companies holding a majority interest in a regulated industry, such as insurance, is consistent with its intention to eliminate the corruptive influence of corporate political contributions.

The statutory ban on political contributions by a corporation holding a majority interest in a regulated company embraces any subsidiary in which the holding corporation has a controlling interest. This is due to the nature of the holding company—subsidiary company relationship. "The dominant characteristic of a holding company is the ownership of securities by which it is possible to control or substantially to influence the policies and management of one or more operating companies." *North American Co. v. Securities and Exchange Commission*, 327 U.S. 686, 701 (1946). The holding company is capable of materially influencing every operation of its subsidiary corporations, including its political expenditures.

Political contributions, whether paid by a corporation holding the majority interest in an insurance company or by any of its wholly owned or controlled subsidiaries could create a political debt. The repayment of such a debt may take the form of unduly favorable regulatory treatment of the insurance company. To permit the "sister" subsidiary to make these political contributions would allow the holding company to do indirectly that which it is forbidden to do directly. A statute should not be interpreted to reach an unreasonable or anomalous result inconsistent with the salutary legislative goal. *State v. Gill*, 47 N.J. 441 (1966).

In conclusion, it is our opinion that an insurance company doing business in this state and any non-insurance holding corporation of such an insurance company or any of the holding company's subsidiary corporations are prohibited from making political contributions to any candidate for political office under the government of this state or any of its political subdivisions, to any political party in this state or for any political purpose whatsoever in this state.

Very truly yours,
IRWIN I. KIMMELMAN
Attorney General

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