



NEW YORK STATE SENATOR

Daniel L. Squadron

## Senate Democratic Conference Calls for Passage of Critical Ethics Reform to Close the "Llc Loophole"

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| ISSUE: **ELECTIONS, ETHICS**

### **Democratic Senator Daniel Squadron Will Today Force A Committee Vote to Close the LLC Loophole and Reform How Campaigns are Funded**

ALBANY - The Senate Democratic Conference today called on the Senate Republicans in the Elections Committee to pass legislation that will close the LLC loophole and help clean up Albany. Due to Republican refusal to even consider this critical legislation, Democratic Senator Daniel Squadron filed a motion for committee consideration to simply have this ethics reform initiative discussed by the Senate Elections Committee. Today's vote on the legislation in the Senate Elections Committee follows decisions in recent weeks by Republicans in both the State Legislature and the Board of Elections to keep the loophole open.

"The public's faith in elected officials continues to be shaken due to scandal after scandal that has impacted New York State government," **Senate Democratic Conference Leader Andrea Stewart-Cousins** said. "The Senate Democratic Conference has repeatedly called for passage of common sense measures, including closing the LLC loophole, that will restore the people's faith in state government by cleaning up Albany. I urge my colleagues in the Senate Republican Majority to join with the Senate Democrats to restore the public's trust and pass

meaningful ethics reforms.”

Senate Bill S.60 would close a loophole which currently allows limited liability companies (LLCs) to contribute vast sums of money to candidates for state office. Due to this loophole in state election law, between 2005 and 2013, LLCs contributed over \$40 million to New York State candidates, parties and political action committees.

**Bill Sponsor, Senator Daniel Squadron** said, “As the focus continues on this critical ethics reform, it will be disappointing if the Elections Committee vote breaks down along the same partisan lines that the recent budget and Board of Elections votes did. In light of the BOE’s professed arguments, I’m hopeful that the Elections Committee will take a serious look at this issue to prevent unlimited sums of anonymous dollars from perverting our state government and the entire political process.”

**Assembly Bill Sponsor, Assemblymember Brian Kavanagh**, said, “The LLC loophole is a boon to those who want to buy influence wholesale, an egregious open invitation to corrupt the democratic process with enormous, often hidden payments made directly to politicians’ campaigns. With the support my colleagues have already demonstrated, I am confident the Assembly will vote soon for our bill to shut it down. That leaves it to the Senate to do the same, and I applaud Senator Squadron for his unrelenting advocacy and for insisting on a vote, in committee today and before the full Senate as soon as possible.”

**Assembly Bill Sponsor, Assemblymember Jo Anne Simon**, said, “Recently the Board of Elections declined to close the LLC loophole administratively. The legislature must now act. I thank Senators Stewart-Cousins and Squadron for their leadership. I am pleased to co-sponsor a bill in the Assembly with Assemblyman Brian Kavanagh. Closing the LLC loophole would prohibit individuals or small groups of individuals who control large numbers of Limited

Liability Corporations (LLCs) from making virtually unlimited contributions by contributing from each LLC as if they were truly separate contributors. Closing the LLC loophole will blunt the outsized influence of those who control LLCs and enable the voices of average New Yorkers to be heard.”

This vote follows the Board of Elections’ decision last week to keep the LLC loophole open. The board had a chance to make this fix by rescinding their 1996 opinion to treat LLCs as individuals -- as advocated by two of the Commissioners -- by ruling that LLCs should be treated as corporations or partnerships, and by clarifying that a person may not use multiple LLCs to evade contribution limits. The measure failed, as the two Democratic Commissioners voted to close the loophole and the two Republicans voted to keep it open – insisting it should be handled in the Legislature, even though it was the board’s 1996 decision that created it. This decision came despite letters from bill sponsors, Senator Squadron and Assemblymember Kavanagh, the Attorney General, the Brennan Center, and editorial board statements from across the state supporting this needed change. In addition, Senate Republicans excluded the LLC loophole measure in their one-house budget resolution, and it was not included in the final budget, despite the provision’s inclusion in the Governor’s original executive budget, and the ethics packages of the Senate Democrats and the Assembly majority.

In New York elections, LLCs are currently not treated as corporations, but as people, with the ability to donate up to \$60,800 to a statewide candidate per election cycle. LLC ownership is not disclosed under the current system, making it nearly impossible to track down contributions to the source of their funding. Thus, an individual can contribute unlimited sums to the political system through multiple LLCs without transparency or accountability. Of all the money raised by state-level candidates and party committees in New York, 14% is given by LLCs, three times the amount of small-level individual donors.

**Senator Leroy Comrie** said, “Given the seriousness of recent ethics allegations against this body, we have a responsibility to restore public faith in the legislature and safeguard against further abuse. As the ranking member of the Senate Election's Committee, I am committed to creating a level playing field where all New Yorkers have the opportunity to impact who their elected representatives are.”

**Senator Brad Hoylman** said, “You can drive truckloads of cash through the LLC loophole. Thanks to this loophole, corporations are treated as people and allowed to contribute essentially unlimited amounts of money to candidates for state office. We need to close the LLC loophole now because nothing less than the integrity of our elections is at stake.”

**Senator Liz Krueger** said, “New Yorkers are fed up with stories of corruption coming out of Albany, and more and more people are simply giving up on the political process. We need to take serious action to reduce the inherently corrupting influence of large donations, close the LLC loophole, and begin to throw the money-changers out of the temple of our politics. Anything less than real reform is a dereliction of our responsibilities to the people we represent.”

**Senator Bill Perkins** said, “I am a proud Co-Sponsor of Senator Squadron’s essential “LLC Loophole” closure legislation; a measure that is equal parts about common sense and fundamental fairness. This legislation will effectively curtail one of the most egregious examples of the pervasive and unseemly influence of money in our political and governmental processes. I urge my colleagues on the Elections Committee to pass this measure, posthaste.”

**Senator Toby Ann Stavisky** said, “It’s time to advance this bill and finally close the LLC loophole. We must stop the spigot of corporate money from flooding our elections. New

Yorkers deserve an electoral process that is transparent, even-handed and fair. Democracy belongs to everyone.”

**DeNora Getachew, Campaign Manager and Legislative Counsel for the Brennan Center for Justice,** said, “The Board of Elections’ flawed interpretation of State Election Law created the LLC Loophole. This undermines a campaign finance regime built over decades to prevent special interests from corrupting the political process through exceptionally large donations. The loophole has allowed big donors to circumvent both contribution limits and disclosure requirements put in place to protect the integrity of New York’s elections and government. This month, the Board failed to correct its mistake and close the loophole, despite calls to do so from Gov. Cuomo, the Attorney General and New Yorkers across the state. We are gratified that Senator Squadron is continuing to push for legislation to replace the Board’s misreading of the law, and hope the state’s other leaders will join him in supporting this bill.”

**Jessica Wisneski, Legislative and Campaigns Director for Citizen Action of New York,** said, “Last year, \$20 million was funneled through shadowy, unaccountable shell companies into the pockets of state and local candidates across the state. The loophole makes a mockery of even the most basic of campaign finance regulations. And when given the opportunity to take action to close the loophole once and for all, Sen. Skelos’ own appointee to the Board of Elections blocked it. Senate Republicans have another opportunity to slow the flood of big money in Albany. It’s time for Senate Republicans to show us where they stand.”

**Dick Dadey, Executive Director of Citizens Union,** said, “Citizens Union commends Senator Squadron for championing S.60, as this bill requires limited liability companies to abide by the same limits on political spending as corporations. This fixes a long abused loophole that has rendered the state’s campaign contribution limits meaningless and allows millions of extra dollars in contributions into our election system, undermining public trust in our

democratic institutions.”

**Lauren George, Associate Director of Common Cause New York**, said, “It’s time for New York to join the rest of the country on this and end this legalized bribery. LLCs are not people and should not be treated as such. As our reports have shown, follow the LLC money and you’ll find individuals and industries with no limits whatsoever on their use of campaign cash to influence our policy makers. This is a bipartisan issue—allowing this loophole to continue leads voters across the political spectrum to believe that their state government is up for sale.”

**Barbara Bartoletti, LWNYS Legislative Director**, said, “The Legislature must seize this opportunity to fight corruption in Albany and reduce the influence of large donors. People, not money, should elect our legislators. Closing the LLC loophole must be enacted to help stop the flow of big money in politics.”

**Russ Haven, NYPIRG Legislative Counsel**, said, “LLCs could stand for ‘Loading up Lots of Cash,’ because too often they’re used to shovel campaign contributions at levels that should only apply to human donors. Senator Squadron and his conference are proposing common-sense approaches to the ‘LLC loophole’ and it’s way past time for this to get a floor vote.”

**Robert Weissman, President of Public Citizen**, said, “There’s no point in having contribution limits if motivated super-rich people are easily able to circumvent them. That’s why it’s so imperative that New York close the LLC loophole. If we want a government that represents We the People, then we can’t tolerate a campaign finance system dominated by tiny numbers of the super-rich.”

**Bill Lipton, Director of the Working Families Party**, said, “The LLC loophole allows

wealthy individuals to skirt already sky-high contribution limits and secretly funnel millions to their preferred candidates. Senator Squadron's bill would begin to level the playing field in Albany, which has been rigged for the 1% and against working families for the past two decades."

This legislation was part of a series of ethics reforms initiatives that the Senate Democratic Conference unveiled earlier this session called the "Clean Up Albany" legislative package. These initiatives would have helped restore the public's trust in state government by restricting outside income, barring elected officials from using campaign funds for criminal defense and personal use and reforming how campaigns are funded and how campaign funds can be utilized.

For more information about the Clean Up Albany package, please visit:

<https://www.scribd.com/doc/255205271/Senate-Democratic-Conference-Introduce-The-Clean-Up-Albany-Legislative-Package>.