

For Immediate Release	Contact:
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## New “Moreland Monday” analysis: Political cash buys Big Telecom veto power over bills

**Since 2005, Big Telecom has given nearly \$12 million in exchange for lax regulations and lucrative tax breaks**

NEW YORK, NY (09/23/13): Today, Common Cause/NY released a new “Moreland Monday” analysis of the political contributions of New York’s “Big Telecom” providers. AT&T, Cablevision, Comcast, Time Warner Cable, and Verizon – and their two primary trade organizations, the Cable Telecommunications Association of NY and New York State Telecommunications Association -- are among the largest political donors in the state, giving a combined total of nearly \$12 million since 2005.

Big Telecom maximizes its giving by exploiting two key weaknesses in New York State’s campaign finance law – the “Soft Money” loophole and the “LLC Loophole” – which allow companies to bypass the \$5,000 annual limit on corporate contributions. Donations enabled by these two loopholes account for nearly 70% of Big Telecom’s contributions. As with other industry giving, Telecom targets power by giving to the Albany leadership – the majority conferences in the Legislature, the state party committees, and the Governor.

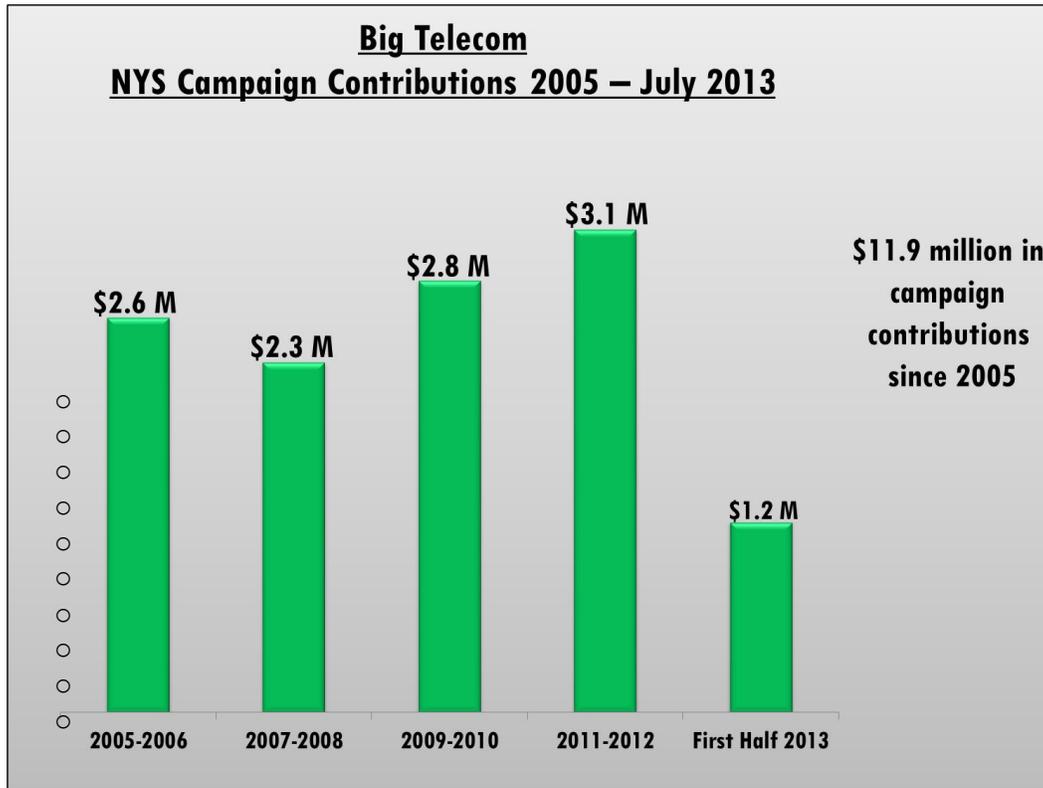
In exchange, numerous bills to further regulate the telecommunications industry and enhance consumer benefits never see the light of day despite bi-partisan support. Such bills repeatedly die in committee or never make it to the active list, while special tax breaks on cable and internet service that cost the state nearly half a billion in annual revenue continue to grow. Multi-million dollar campaign contributions clearly help Big Telecom maintain the status quo of corporate control, high prices, and lax regulation.

“Big Telecom exemplifies the pay to play culture which has come to define Albany, giving generously to the leadership in exchange for veto power over bills which favor the public interest. But thanks to New York’s lax campaign finance laws, democracy doesn’t have to interfere with the corporate oligarchy. Add Big Telecom to the long list of why we need campaign finance reform now, so that average people don’t get sold out for more expensive and poor quality telecommunications service,” said Susan Lerner, Executive Director of Common Cause/NY.

"Here's the evidence that giant telecom companies are taking advantage of huge loopholes and lax regulations so they can increase profits, often at the expense of everyday New Yorkers," said Karen Scharff, Executive Director of Citizen Action of New York on behalf of the Fair Elections for New York campaign. "It's time for our leaders in Albany to acknowledge the ever growing wealth of evidence that we need to fix our broken campaign finance system and pass a comprehensive Fair Elections system centered around publicly financed elections."

## Analysis

- Since 2005, “Big Telecom” has given nearly \$12 million in campaign contributions to New York State candidates and party committees.
  - o Big Telecom contributions are on the rise, with a high of \$3.1 million contributed in the 2011-2012 election cycle, and \$1.2 million contributed in the first half of 2013 alone.



- o Cablevision, has given over \$5.3 million since 2005, making it one of the very top campaign contributors in the state. Time Warner Cable, Verizon, and AT&T are also among the largest corporate campaign contributors in New York.

“Big Telecom” Donor	NYS Contributions 2005- July 2013
Cablevision	\$5,320,555.10
Time Warner Cable	\$2,251,301.54
Verizon	\$2,073,602.93
AT&T	\$1,231,177.44
Cable Telecom Assoc. of NY	\$733,371.48
Comcast	\$213,675.95
NYS Telecom Assoc.	\$119,922.92
<b>TOTAL:</b>	<b>\$11,943,607.36</b>

- **Big Telecom companies rely on the LLC Loophole and Soft Money Loophole to bypass New York State’s \$5,000 annual corporate campaign contribution limit.**
  - o Since 2005, Big Telecom has given nearly \$6.5 million directly to the parties’ soft money “housekeeping” accounts, more than 54% of their total giving.
    - Verizon (82% soft money contributions), Time Warner Cable (70%), Comcast (59%) and AT&T (53%) rely on soft money as their primary contribution method.
  - o Nearly 15% of Big Telecom campaign contributions are made through the “LLC Loophole”<sup>1</sup> that treats each limited liability corporation as a separate “individual” rather than a corporate subsidiary.
    - Among telecoms, Cablevision is the worst abuser of the LLC loophole, using 8 LLCs to evade contribution limits and give over \$1.5 million to candidates and hard money committees. Two examples include giving \$130,000 to Governor Cuomo through four LLCs between July and October 2010, and more recently, using three LLCs to give \$190,000 to former Nassau County Executive Tom Suozzi’s campaign on a single day, April 29<sup>th</sup>, 2013.

**Big Telecom: Soft Money and LLC Loophole Contributions by Donor**

“Big Telecom” Donor	Soft Money Contributions	Soft Money %	LLC Loophole Contributions <sup>2</sup>	LLC %	PAC Contributions <sup>3</sup>	PAC %
<b>Cablevision</b>	\$1,814,337.53	34%	\$1,534,136.23	29%	\$1,939,255.51	36%
<b>Time Warner Cable</b>	\$1,582,324.58	70%	\$140,300.00	6%	\$479,227.54	21%
<b>Verizon</b>	\$1,694,156.08	82%	\$0.00	0%	\$293,410.89	14%
<b>AT&amp;T</b>	\$650,037.93	53%	\$0.00	0%	\$570,527.38	46%
<b>Cable Telecom Assoc. of NY</b>	\$607,751.64	83%	n/a	n/a	\$113,746.82	15.5%
<b>Comcast</b>	\$125,000.00	59%	\$84,200.00	39%	\$0.00	0%
<b>NYS Telecom Assoc.</b>	\$0.00	0.0%	n/a	n/a	\$112,600.00	93.9%
<b><u>TOTAL<sup>4</sup>:</u></b>	<b><u>\$6,473,607.76</u></b>	<b><u>54%</u></b>	<b><u>\$1,758,636.23</u></b>	<b><u>15%</u></b>	<b><u>\$3,508,768.14</u></b>	<b><u>29%</u></b>

- o Cablevision and Time Warner Cable also exploit the LLC loophole to supercharge their corporate political action committees (PACs). Corporate PACs, including Verizon’s, typically raise money through relatively small donations from executives and employees. Instead of relying on contributions from employees, Cablevision has given its PAC over \$1.1 million through LLC contributions and Time Warner Cable has given \$350,000, super-charging their PACs with direct corporate cash.

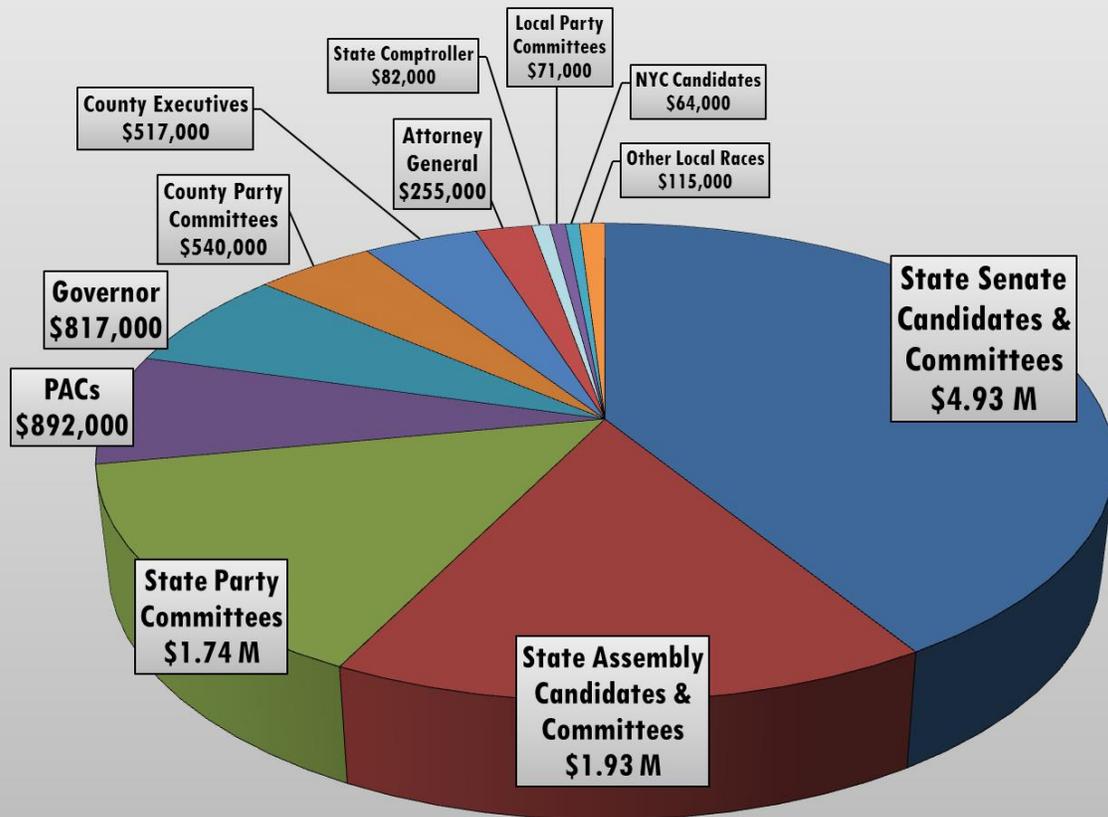
<sup>1</sup> Not including contributions made by LLC’s to soft money accounts.

<sup>2</sup> Contributions to soft money accounts by LLCs are included in soft money tally. “LLC Loophole Contributions” does not include Cablevision and Time Warner Cable’s LLC contributions to supercharge their own PACs.

<sup>3</sup> Not including soft money contributions made by PACs.

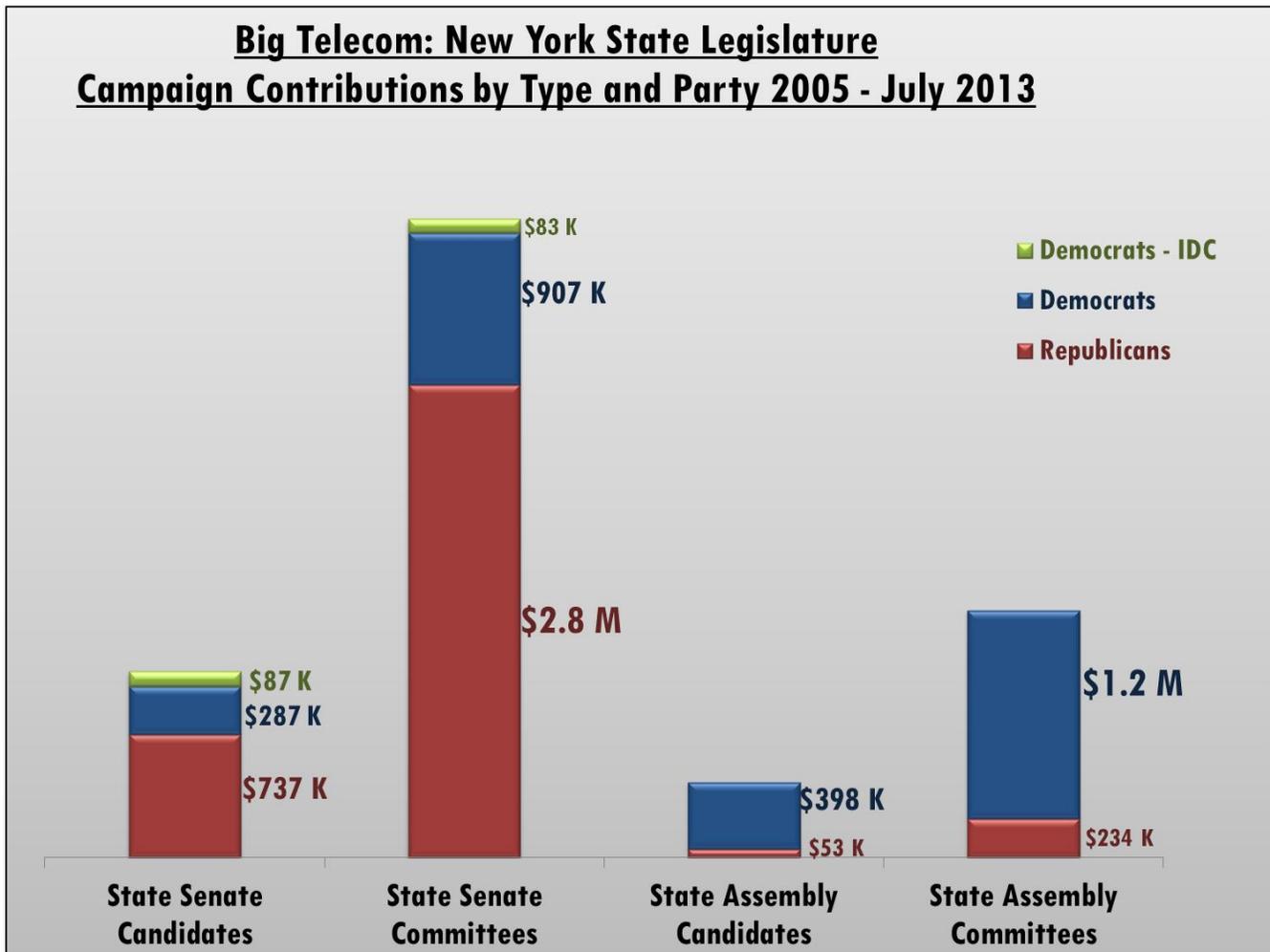
<sup>4</sup> For an additional 1.7% of spending, it is unclear whether the contributor is a corporation, LLC, or PAC

## Big Telecom 2005 – July 2013 Contributions by Type



- **Big Telecom concentrates its political cash at the top of the state’s power structure.**
  - The State Legislature is the largest recipient of Big Telecom contributions, taking in nearly \$7 million. Most of this cash goes not to candidates but to the party leaders’ “soft money committees” (see below)
  - In addition to the Legislative soft money accounts, the top recipients are the state party committees, the Governor, influential county-level political machines, and the Attorney General.

## Big Telecom: New York State Legislature Campaign Contributions by Type and Party 2005 - July 2013



- In the State Legislature, the soft money accounts controlled by the party leadership are Big Telecom’s preferred target. Not surprisingly, the majority conferences holding power in each house received much more than the minority conferences.
  - o The State Senate took in over \$4.9 million from Big Telecom, with Senate Republicans receiving the lion’s share of over \$3.5 million (\$2.8 million to the Senate Republican Campaign Committee and \$737,000 to Republican Senate candidates). The Senate Democrats have received roughly \$1.2 million (\$906,000 to the Democratic Senate Campaign Committee and \$287,000 to Democratic Senate candidates). The IDC has received \$170,000 -- \$83,000 to its PAC and \$87,000 to candidates.
  - o Big Telecom has contributed over \$1.9 million to the State Assembly, with Assembly Democrats receiving over \$1.6 million (\$1.2 million to the Democratic Assembly Campaign Committee, \$398,000 to Democratic candidates) while the Assembly Republicans have received only \$287,000 (\$233,000 to the Republican Assembly Campaign Committee, \$53,000 to candidates).

- **The top six legislators receiving contributions from Big Telecom include the key party leaders -**
  - Dean Skelos (\$117,700), Tom Libous (\$57,150), Jeff Klein (\$49,450), and Sheldon Silver (\$32,749.61) -- **and the current and former Chairs of the Senate Energy and Telecom Committee** -- George Maziarz (\$79,718.02) and Kevin Parker (\$34,444.00).

*See appended tables for complete lists of contributions to statewide candidates, party committees, and the top ten legislators.*

## **What Does Big Telecom Get in Exchange?**

Compared to most other developed nations, broadband internet and wireless access in the United States is slower, more expensive, and less widely available. In many areas, including most of New York, there is only a single monopoly provider of broadband access. Many low-income households can't afford broadband and wireless access and many rural households are shut out of the network entirely.<sup>5</sup>

In New York, multi-million dollar campaign contributions appear to be essential tools in helping Big Telecom build political power to maintain the status quo of corporate control, high prices, lax regulation, and generous subsidies.

## **Campaign Contributions Give Big Telecom Veto Power in Albany**

**In New York State, we see examples every year of public interest telecom bills that have bi-partisan support, but are opposed by the industry, die in committee or not be allowed a floor vote.**

***In 2013, Big Telecom companies lobbied on the following bills:***

- **A 7635-A / S5630-A: Establishes a moratorium on telephone corporations on the replacement of landline telephone service with a wireless system**
  - The "VoicELink" moratorium bill, passed the Assembly, had broad bi-partisan support in the Senate but never came to a vote.

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<sup>5</sup> Susan P. Crawford, Captive Audience: The Telecom Industry and Monopoly Power in the New Gilded Age. Yale University Press, 2013.

- **S542: Relates to enacting the "save New York call center jobs act of 2013"**  
Enacts the "save New York call center jobs act of 2013"; requires prior notice of relocation of call center jobs from New York to a foreign country; directs the commissioner of labor to maintain a list of employers who move call center jobs; prohibits loans or grants.
  - The "Call Center Jobs Act" would take away tax breaks and state grants if companies move a call center to another country. The bill passed the Assembly in 2012 (A9809) and had bipartisan support in Senate but was blocked. The 2013 bill died in Senate committee.
- **A6003/S5577 -- Directs the department of public service to study and report on the current status of cable television systems providing services over fiberoptic cables**
  - Bipartisan support in Assembly for further oversight of broadband but gets little support in Senate, the same bill was also blocked in 2012.
- **A5234/S1075 -- Enacts the "roadway excavation quality assurance act"; relates to workers on excavations; provides that utility companies or their contractors shall use competent workers and shall pay the prevailing wage on projects where a permit to use or open a street is required to be issued.**
  - Bipartisan support in the Senate and Assembly but no passage in either 2012 and 2013
- **A6239/S4550 -- Creates the state office of the utility consumer advocate to represent interests of residential utility customers.**
  - Bipartisan support in Assembly, dies in Senate
- **A6757/S4449 -- Requires providers of electric, gas, steam, telephone and cable television services to issue standardized bills to residential customers; provides the standards for such bills shall be established by the public service commission.**
  - Bipartisan support, passes Assembly, dies in Senate

The massive soft money donations to the party leaders by Big Telecom appear to be playing a key role in killing these bills. Despite bipartisan support, telecom bills in the public interest never seem to gain the support of the leadership.

## **Three Big Telecom Tax Breaks, \$500 million in lost revenue**

Since 1990, cable television service has been exempt from sales tax.<sup>6</sup> This exemption cost \$260 million in 2010 and is predicted to cost \$305 million in 2013.<sup>7</sup>

New York State imposes an excise tax on telecommunications services, but receipts from the sale of cable television service excluded from this tax.<sup>8</sup> This exclusion dates from 1995; it cost the state \$121 million in 2009 and is forecast to amount to \$128 million in lost revenue this year.<sup>9</sup>

Property used in the sale of telecommunications services or Internet access services is exempt from sales tax.<sup>10</sup> This exemption, which dates from 2000, cost the state \$69 million in 2010 and is expected to cost \$76 million in 2013.<sup>11</sup>

## **Issues for Further Investigation by the Moreland Commission**

1. Investigate the correlation between large soft money contributions and relevant discussions between Big Telecom lobbyists and party leaders on the fate of bills before the legislature.
2. Investigate the timing of large LLC contributions in relation to the introduction or discussion of telecom related bills.
3. Explore the way in which the LLC loophole is used to super-charge corporate PACs

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<sup>6</sup> N.Y. Tax. Law § 1105(c)(9).

<sup>7</sup> New York State Division of the Budget and Department of Taxation and Finance, Annual Report on New York State Tax Expenditures: 2013-14 State Fiscal Year 99, <http://publications.budget.ny.gov/eBudget1314/fy1314ter/TaxExpenditure2013-14.pdf>.

<sup>8</sup> N.Y. Tax Law § 186-e(2)(b)(2).

<sup>9</sup> New York State Division of the Budget and Department of Taxation and Finance, Annual Report on New York State Tax Expenditures: 2013-14 State Fiscal Year 74, <http://publications.budget.ny.gov/eBudget1314/fy1314ter/TaxExpenditure2013-14.pdf>.

<sup>10</sup> N.Y. Tax Law §§ 1115(a)(12-a), 1105(c)(3)(x).

<sup>11</sup> New York State Division of the Budget and Department of Taxation and Finance, Annual Report on New York State Tax Expenditures: 2013-14 State Fiscal Year 100, <http://publications.budget.ny.gov/eBudget1314/fy1314ter/TaxExpenditure2013-14.pdf>.

## Big Telecom: Contributions to Statewide Candidates and Committees

Statewide Candidates (currently in office) and Committees	Big Telecom Contributions (2005 - July 2013)	Soft Money/ Hard Money	Contributors
1. NYS Senate Republican Committee	\$2,819,529.55	\$2.4 M soft money, \$414,000 hard money	AT&T (\$243,700) , CTANY (\$296,403), Cablevision (\$1,152,650), NYS Telecom Assoc. (\$12,500), Time Warner Cable (\$503,704), Verizon (\$610,572)
2. New York State Democratic Committee	\$1,476,000.00	\$1.46 M soft money, \$20,500 hard money	AT&T (\$90,000), CTANY (\$65,000), Cablevision (\$476,500), Comcast (\$125,000) NYS Telecom Assoc. (\$1,000), Time Warner Cable (\$375,000), Verizon (\$343,500)
3. NYS Democratic Assembly Campaign Committee	\$1,241,669.74	\$1.07 M soft money, \$178,000 hard money	AT&T (\$243,138), CTANY (\$159,184), Cablevision (\$307,130), NYS Telecom Assoc. (\$5,000), Time Warner Cable (\$316,218), Verizon (\$211,000)
4. NYS Democratic Senate Campaign Committee	\$906,641.26	\$730,000 soft money, \$177,000 hard money	AT&T (\$153,800), CTANY (\$27,248), Cablevision (\$322,250), Time Warner Cable (\$263,641), Verizon (\$138,702)
5. Governor Andrew Cuomo (D)	\$607,615.89	n/a	AT&T (\$46,500), Cablevision (\$345,000), Comcast (\$58,500), NYS Telecom Assoc. (\$2,000), Time Warner Cable (\$112,800), Verizon (\$42,816)
6. Republican Assembly Campaign Committee	\$233,871.33	\$210,000 soft money, \$23,000 hard money	AT&T (\$43,400), CTANY (\$20,932), Cablevision (\$6,250), NYS Telecom Assoc. (\$2,850), Time Warner Cable (\$94,200), Verizon (\$66,240)
7. New York Republican State Committee	\$223,662.96	\$219,000 soft money, \$4,000 hard money	AT&T (\$20,300), CTANY (\$3,863), Cablevision (\$43,000), Time Warner Cable (\$45,000), Verizon (\$111,500)
8. Attorney General Eric Schneiderman (D)	\$161,000.00	n/a	Cablevision (\$81,000), Comcast (\$25,000), Time Warner Cable (\$55,000)
9. The IDC Initiative	\$83,000.00	n/a	Cablevision (\$30,000), Time Warner Cable (\$53,000)
10. Comptroller Tom DiNapoli (D)	\$64,000.00	n/a	AT&T (\$6,000), Cablevision (\$51,000), NYS Telecom Assoc. (\$2,000), Verizon (\$5,000)
11. Working Families Party	\$45,236.90	\$45,000 soft money, \$236.90 hard money	CTANY (\$45,000), Verizon (\$236.90)

**Big Telecom: Top Ten Legislators Currently in Office**

<b>Top 10 NYS Legislators Currently in Office</b>	<b>Big Telecom Contributions (2005 – July 2013)</b>	<b>Office</b>	<b>Location</b>	<b>Contributors</b>
1. Dean Skelos (R)	\$117,700.00	Senator	District 9 – Nassau County	AT&T (\$20,800) , CTANY (\$3,500), Cablevision (\$37,850), NYS Telecom Assoc. (\$4,350), Time Warner Cable (\$28,500), Verizon (\$22,700)
2. George Maziarz (R)	\$79,718.02	Senator	District 62 -- Niagara, Buffalo and Rochester suburbs	AT&T (\$18,950), CTANY (\$4,368), Cablevision (\$12,750), NYS Telecom Assoc. (\$5,050), Time Warner Cable (\$16,600), Verizon (\$22,000)
3. Tom Libous (R)	\$57,150.00	Senator	District 52 -- Southern Tier, Binghamton Area	AT&T (\$21,750), CTANY (\$5,500), Cablevision (\$6,750), Comcast (\$500), NYS Telecom Assoc. (\$400), Time Warner Cable (\$14,750), Verizon (\$7,500)
4. Jeff Klein (D-IDC)	\$49,450.00	Senator	District 34 – Bronx-Westchester	AT&T (\$6,200), CTANY (\$1,950), Cablevision (\$22,500), Time Warner Cable (\$18,300), Verizon (\$300)
5. Kevin Parker (D)	\$34,444.00	Senator	District 21 – Brooklyn	AT&T (\$10,200), CTANY (\$1,000), Cablevision (\$5,500), NYS Telecom Assoc. (\$850), Time Warner Cable (\$9,744), Verizon (\$7,400)
6. Sheldon Silver (D)	\$32,749.61	Assembly	District 65 – Lower Manhattan	AT&T (\$9,295), CTANY (\$500), Cablevision (\$6,100), NYS Telecom Assoc. (\$5,500), Time Warner Cable (\$7,000), Verizon (\$4,355)
7. Charles Fuschillo (R)	\$24,200.00	Senator	District 8 – Long Island	AT&T (\$4,250), CTANY (\$1,200), Cablevision (\$14,700), NYS Telecom Assoc. (\$400), Time Warner Cable (\$1,500), Verizon (\$2,150)
8. Lee Zeldin (R)	\$22,650.00	Senator	District 3 – Long Island	AT&T (\$2,500), Cablevision (\$6,900), Time Warner Cable (\$8,250), Verizon (\$5,000)
9. David Valesky (D-IDC)	\$21,550.00	Senator	District 53 – Central NY	AT&T (\$5,800), CTANY (\$2,550), NYS Telecom Assoc. (\$1,000), Time Warner Cable (\$11,100), Verizon (\$1,100)
10. Carl Heastie (D)	\$21,500.00	Assembly	District 83 - Bronx	AT&T (\$7,850), CTANY (\$500), Cablevision (\$8,950), Verizon (\$4,200)