



Reformers Kick off Session with a Clean Conscience Pledge for Lawmakers and Governor

***Close the LLC Loophole, Ban/Limit Outside Income, Transparency in
Discretionary Funds***

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On the first day of the 2016 legislative session, Common Cause/NY, NYPIRG, Citizens Union are calling for all 213 lawmakers, and the Governor, to sign a “Clean Conscience Pledge” to address the political crime wave in Albany. The pledge includes three reforms:

1. Close the LLC loophole
2. Ban or limit outside income
3. Transparency in discretionary funds

A hardcopy of the pledge has been distributed to lawmakers, and a digital version will be available at www.EthicsPledgeNY.org. Reform groups will be working with their membership to put local pressure on elected officials to sign on.

CLEAN CONSCIENCE PLEDGE

Given the need to further strengthen our state’s ethics laws and to create better public trust in New York State government, I, as a New York state legislator, pledge to support, vote for, and work zealously to sign into law legislation that:

- *limits outside income for legislators so we can focus on constituent needs,*
- *limits the ability of special interests to contribute unlimited amounts of money to all candidates for state office by closing the LLC loophole, and*
- *identifies the purpose for, and recipients of, all state funds allocated to be spent at the discretion of legislators and the governor to increase transparency and eliminate conflicts of interest.*

Signed: _____

Name

House

Date

Susan Lerner, Executive Director of Common Cause/NY said: "There's a cloud of corruption hanging over the Legislature, and it's everyone's responsibility to clear the air. It shouldn't take continued criminal convictions by the US Attorney to get lawmakers to understand that corruption is a systematic problem, not a matter of just a few bad apples. Voters get it, and they will not accept any more excuses.

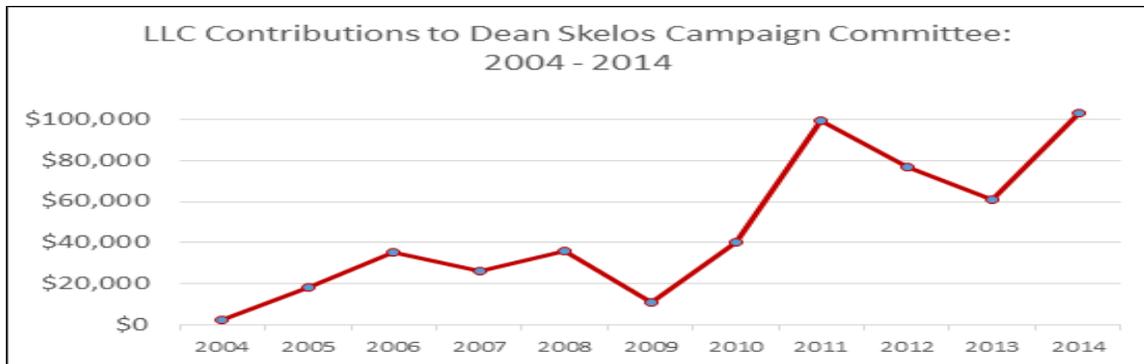
Blair Horner, Legislative Director of the New York Public Interest Research Group (NYPIRG) said: "New Yorkers send elected officials to Albany to solve problems, not create them. This pledge is the first step in showing New Yorkers that the state's elected leadership is serious about ending Albany's ethics crisis. It's time for the governor and legislators to solve this problem."

"With the start of a new legislative session and a new year, our elected leaders have a tremendous opportunity to take real action to root out corruption in our state. Comprehensive ethics reform should be the new year's resolution of every elected official in New York. We urge them to show their commitment by pledging to pass these three common sense ethics reforms" said Dick Dadey, Executive Director of Citizens Union.

LLC Loophole

Under NYS law, Limited Liability Companies are subject to the individual contribution limit rather than the lower corporate limit. As a result, companies use this "loophole" to circumvent the cap and wield greater influence.

Former Majority Leader Dean Skelos alone received \$509,842 in LLC contributions between 2004-2014.



Glenwood Management, the company named in both the Silver and Skelos trials, is the worst offender. **According to a Common Cause/NY analysis from 2005 through 2014, Glenwood Management contributed over \$12.8 million to New York State candidates and committees.** But, direct contributions made by the company itself, or through individuals such as CEO Leonard Litwin, made up only 10% of the spending overall– the rest were made through dozens of individual LLCs that are registered in either Glenwood's name or at Glenwood's New Hyde Park address. The contributions made by at least fifty (50) coordinated LLCs steadily increased from \$1.1 million in 2008 to over \$2.5 million in 2014. The lion's share of campaign spending made by Glenwood and its affiliates are made through LLC contributions. In 2014, direct contributions made by Glenwood Management and affiliated individuals made up less than 2% of Glenwood's grand total giving of \$2.6 million in 2014. This consistent increase over the past 10 years in LLC giving, with a concomitant diminution in direct giving, clearly illustrates how the real estate industry continues to consolidate power and wield outsize influence over our elected leaders through its prolific use of limited liability companies.

Outside Income

The NYS Legislature is technically a part-time body and lawmakers are allowed to have outside jobs. However, there can be a clear conflict of interest if lawmakers leverage their public position to advance their own private interests. This was the basis for the corruption case against former Assembly Speaker Sheldon Silver who steered state money to a physician in return for private business for his legal practice.

In December, Common Cause/NY released an exhaustive and detailed analysis of outside income for all 213 members of the New York State Legislature.

- Of the 183 lawmakers elected prior to the most recent cycle, roughly 60%, or 110, do not have any outside income.
- The remaining 40%, or 73, list one or more sources of supplemental income to their \$79,500 base pay.

- On average, lawmakers (elected before 2014) w/outside income make between \$47,216 - \$80,216.
- The majority of legislators who earn a high outside income were elected between 2010 and 2013. One-third of the Legislature turned over between 2010-2013. Of the 72 new members, a little less than half of them reported outside incomes, and half of those in the income brackets of 50-100K and 100-515K.
- Around 8% of elected legislators in both houses make between \$100K-515K
- The majority of lawmakers who hold outside jobs are lawyers (38), with either the title "partner" or "of counsel" to a law-firm, making a combined estimated sum of almost \$3 million.

Transparency in Discretionary Funds

While the state budget provides important funding for needed public services, it has also provided an unfortunate opportunity for corruption through discretionary funding pots that are distributed directly by elected officials.

Most recently, former Speaker Sheldon Silver was convicted in a kick-back scheme that involved him personally directing \$500,000 in grants from a discretionary funding pot to a prominent doctor, who began referring his patients to a law firm that, in turn, paid referral fees to Silver. Former Senate Majority Leader Malcolm Smith was also convicted in February 2015 of conspiracy in a scheme to funnel \$500,000 from lump sum funds known as "multi-modal" transportation funds to a developer who, in turn, would provide funds to bribe Republican officials.

Citizens Union in its [2015 Spending in the Shadows report](#) found \$2.9 billion in opaque "lump sum funds," in the FY2015-2016 budget, which allow spending decisions to be made in the shadows by elected officials after the budget is passed. The whopping \$2.9 billion was divided into 95 separate pots, sprinkled throughout the budget.

The budget also reappropriated \$350 million in old Community Projects Fund items, the former "member item" pot of funds for the state legislature. The fund continues to fund controversial non-profits. For example, \$285,336 went to the Ridgewood Bushwick Senior Citizens Council, former Assemblymember Vito Lopez's power base.

The continued existence of these opaque funds points to the need for public disclosure of these funds to eliminate conflicts of interest and ensure their proper public use. While the governor proposed some reforms in his 30-day amendments to the state budget last year, these did not apply to all pots of discretionary funding, including those

distributed by the executive branch, and these reforms were not included in the final budget.

Background

In the last three years, the United States Attorneys for the Southern and Eastern Districts of New York have indicted and convicted dozens of lawmakers for public corruption. The recent convictions of former Assembly Speaker Sheldon Silver and former Senate Majority Leader Dean Skelos underscore the need for immediate action. The pledge directly addresses faults in the state's law revealed by testimony and evidence introduced at those trials.