

Life of the Party: 2013 – 2015

A Common Cause/NY Briefing Update

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Key Findings:

- As of the end of 2015, Contributions to New York State party housekeeping accounts are at record levels.
- With an average contributions of a little less than \$10k, Limited Liability Companies (LLCs) contribute to housekeeping accounts at a higher rate than individuals or corporations do.
- LLCs linked to real estate companies make up 60% out of the total LLC contributions to housekeeping committees.
- Housekeeping accounts tied to the Democratic Party received more contributions overall - \$15.7 million compared to a total of \$12.2 million in Republican housekeeping.
- LLC contributed to Democratic housekeeping accounts at a higher average rate of around \$24k compared to an average LLC contribution to a Republican housekeeping account of \$5k.

Housekeeping Accounts: Repositories for Unlimited Cash

Common Cause/NY reviewed data provided by the New York State Board of Election to examine contributions to state party “housekeeping” accounts for a three-year period starting in January 1, 2013 and ending in December 31, 2015. Almost \$30 million poured into these Housekeeping accounts in this three year period, which translates to an average contribution rate of almost \$10 million a year.

Housekeeping accounts are officially sanctioned to be used for party building, headquarter maintenance, “issue advocacy,” or other various administrative tasks. So, why do these committees suck in so much money? The answer is to be found in the complete lack of contributions limits since “soft money” committees, in theory, have nothing to do with campaigning for a candidate. But, what makes these accounts even more enticing is that there are no limits in the amount of money they can transfer into a “hard money” account.

In fact, as Common Cause/NY has reported in both 2006 and 2013, political parties use these Housekeeping account as a way to nimbly circumvent contribution limits as they receive amounts that dwarf what would be legal if the funds were given to candidates, despite the fact that New York State has remarkably high limits on campaign contributions.

Our two previous “Life of the Party” reports (2006 and 2013) demonstrate how the size of New York State soft money contributions is growing by the year at a pace that exceeds inflation:

- **1999 – 2005:** \$46.7 million or about \$6.7 million a year for 7 years
- **2006 – 2012:** \$58 million or about \$8.2 million a year for 7 years
- **2013 – 2015:** \$29.8 million or about \$9.9 million a year for 3 years

Because of the lack of any sort of firewall, the temptation for corruption is too easy with the ability to transfer unlimited sums of cash from housekeeping accounts directly into a party campaign treasury; donors who give hundreds of thousands or even millions to political parties expect something in return.

Housekeeping Accounts and Limited Liability Companies

Limited Liability Companies, LLCs, are companies that combine the tax breaks of partnerships with the limited liability that corporations can offer. This unique combination is often times the reason they are created. They are also a convenient, and fairly anonymous way, to funnel money into New York State party, campaign and housekeeping accounts.

In 1996, the New York State Board of Elections issued a formal opinion stating that LLCs would be treated as individuals as opposed to corporations or partnerships. Corporate contributions are limited to \$5,000, while individuals are limited to \$150,000 in aggregate contributions per year. Under the eye of the NYS BOE, LLCs are seen as the same as an individual person.

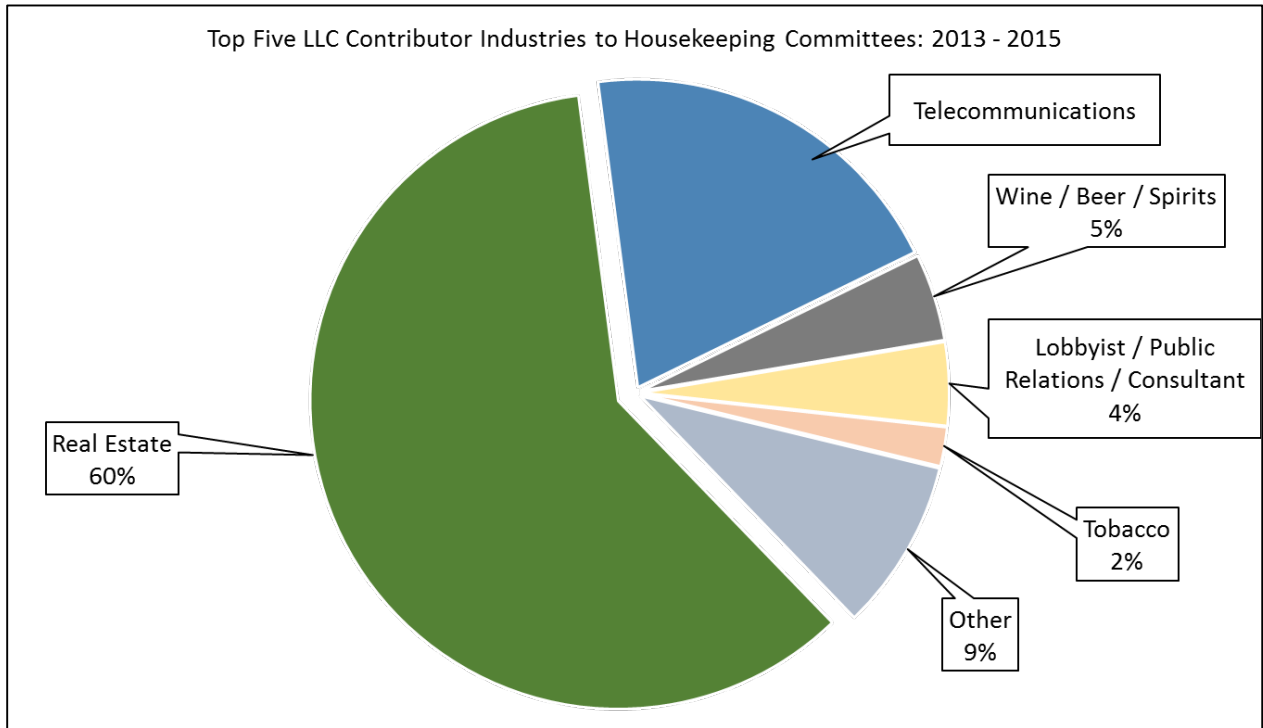
Furthermore this opinion is taken to a worse degree due to the fact that in New York, LLCs do not need to disclose the identities of their members or owners on their filings and that the contributions are from the LLC as an entity instead of the owner(s) specifically. It is common in other states, such as New Jersey, to require LLCs to disclose their members when contributing to a political campaign.

Housekeeping accounts don't have contribution limits, but they still need to report to the Board of Elections. Contributions through an anonymous LLC can often only be linked to its parent company through persistent sleuthing – a fact that makes them an enticing vehicle to companies that have a lot at stake when it comes to influencing state legislation.

2013 - 2015: Contributions to NYS Housekeeping Accounts by Top Three Contributor Type			
Contributor Type	Total	Count	Average Contribution
Individual	\$8,970,075	1,213	\$7,395
Corporate	\$7,412,232	1,232	\$6,016
LLC	\$3,816,909	394	\$9,688

LLCs did not make up the bulk of housekeeping account contributions during the period of 2013 through 2015. But, they contributed at a higher average rate than individuals or corporations. This high average contribution is thanks to LLCs linked to the real estate industry.

LLC Contributions by Industry



The real estate industry, who reaped millions of dollars through the state enacted 421-a subsidy program, tops out the LLC contributions to housekeeping accounts by a landslide. Taking advantage of LLCs anonymity, real estate entities were able to slip in contributions with examples such as:

- \$50,000 by RIVERGATE DEVELOPMENT LLC –Controlled by Birchez Associates, a real estate developer that is currently being investigated for links of pay-to-play and preferential treatment by the New York State legislator.
- \$10,000 by LAM NYC EB-5 FUND LLC – Controlled by the Lam Group, a real estate investment firm that finances deals through the greencard purchasing EB-5 program
- \$200,000 by & WORLD TRADE CENTER II, LLC – Controlled by Silverstien Properties
- \$125,000 by EAST COAST INDUSTRIAL PRODUCTS LLC – an entity linked to Vornado Realty Trust

LLC Contributions to Housekeeping Committees by Party: 2013 - 2015			
Party	Total Contributions	Count	Average Contribution
Democrat	\$2,560,944	108	\$23,712
Republican	\$1,150,516	220	\$5,230
Conservative	\$99,600	61	\$1,633
Independence	\$4,750	4	\$1,188
Reform Party	\$1,100	1	\$1,100

And which party is benefitting the most from this LLC largesse? The New York State Democrats.

Glenwood and coordinated contributions: A Case Study in Flip-Flopping

Though the NYS Democratic Party lapped up most of the LLC money from 2013 through 2015, the Republicans, mostly through their state Senate account, was able to pull in some money, as well. Glenwood Management is a sterling example of how a real estate entity can be fickle in its giving from year to year.

Glenwood controlled LLCs contributions to NYS Democratic Committee Housekeeping		
LLC	Date	Amount
79TH STREET REALTY LLC	1/24/2013	\$25,000.00
80TH REALTY LLC	1/24/2013	\$25,000.00
ARWIN 74TH ST. LLC	1/24/2013	\$50,000.00
EAST 77TH REALTY LLC	1/24/2013	\$25,000.00
EAST 85TH REALTY LLC	1/24/2013	\$50,000.00
RIVER YORK BARCLAY LLC	1/24/2013	\$25,000.00
2013 TOTAL		\$200,000.00

In 2013, Glenwood dumped \$200,000 into the coffers of the New York State Democratic Committee Housekeeping account... during the course of one day! This was all accomplished on January 24th through the coordination of six different Glenwood controlled LLCs (in alternating amounts of

\$25k and \$50k). No other housekeeping committees were to receive Glenwood dollars for that year.

Glenwood controlled LLCs contributions to NYS Senate Republican Campaign Committee Housekeeping		
LLC	Date	Amount
56TH REALTY LLC	7/11/2014	\$25,000.00
79TH STREET REALTY LLC	7/11/2014	\$25,000.00
80TH REALTY LLC	7/11/2014	\$25,000.00
92ND REALTY LLC	7/11/2014	\$25,000.00
ARWIN 74TH STREET LLC	7/11/2014	\$25,000.00
ARWIN 88TH STREET, LLC	7/11/2014	\$25,000.00
BRIAR HILL REALTY LLC	7/11/2014	\$25,000.00
COLUMBUS 60TH REALTY LLC	7/11/2014	\$25,000.00
EAST 46TH REALTY LLC	7/11/2014	\$25,000.00
EAST 77TH REALTY LLC	7/11/2014	\$25,000.00
EAST 81ST REALTY LLC	7/11/2014	\$25,000.00
EAST 85TH REALTY LLC	7/11/2014	\$25,000.00
RIVER YORK BARCLAY LLC	7/11/2014	\$25,000.00
RIVER YORK STRATFORD LLC	7/11/2014	\$25,000.00
TRIBECA NORTH END LLC	7/11/2014	\$25,000.00
WEST 38TH ST LLC	7/11/2014	\$25,000.00
2014 TOTAL		\$400,000.00

In 2014, Glenwood doubled its contribution to a housekeeping account – but, this time the party favoritism was flipped. During a concentrated blitz on July 11th, sixteen different LLCs each contributed \$25,000 to the New York State Senate Republican Campaign Housekeeping committee. No doubt this \$400k was helpful for the Republican Senate’s battle to keep their majority control.

WHAT CAN BE DONE? CLOSE THE LLC LOOPHOLE & LIMIT CONTRIBUTIONS TO HOUSEKEEPING

Bringing Transparency to LLCs

In January of this year, Governor Cuomo put forward robust measures to stop the LLC loophole in Article VII of the proposed 2016-2017 budget. This provision failed to make it into the NYS budget, but it is not too late to close the loophole before June; a bill with identical language to Governor Cuomo's Article VII bill has already passed in the Assembly and is currently sitting in the Senate's Election Committee.

Passing the bill before June of this year will classify LLCs as the corporations that they are. This would cause a reduction in their possible contributions from \$150,000 to \$5,000, a very important reduction in decreasing corporate interests. And, in a measure that is just as important, it would also put a stop to the anonymity of LLCs by requiring them disclose the identity of all of the direct and indirect owners to the New York State Board of Elections. The process of creating more accountability of who the owner(s) of the LLC are is crucial in preventing wealthy individuals and business entities from surpassing limits.

These measures are far from unprecedented and are already in place on the Federal level. For federal elections, LLCs are treated as either a partnership or corporation depending on their tax filings. Regardless, partnership and corporations both have dramatically lower limits than individuals.

Limiting Housekeeping Contributions

Governor Cuomo also proposed putting a \$25,000 cap on contributions made to a housekeeping committee. This provision also did not pass in the NYS FY 2016-2017 budget, but Senator Liz Krueger currently has a bill with the same language in the Elections Committee. It is far past time for Albany to pretend that millions of dollars in contributions is simply going towards "party building."

Methodology

Housekeeping data was pulled from seventeen different housekeeping accounts, which are accounts specifically used for non-campaign candidate spending. The data itself all came from reports filed with the New York State Board of Election from January 1, 2013 through December 31, 2015. Common Cause/NY cannot vouch for the accuracy of the NYSBOE data.

APPENDIX:

Top 15 LLC Contributions by Industry to NYS Housekeeping Committees: 2013 -2015				
LLC Industry	Percent out of Total LLC Contributions	Total Sum	Contribution Count	Average Contribution
Real Estate	60.20%	\$2,296,076	112	\$20,501
Telecommunications	19.80%	\$757,100	37	\$20,462
Wine/Beer/Spirits	4.60%	\$175,000	22	\$7,955
Lobbyist / Public Relations	4.40%	\$166,840	54	\$3,090
Tobacco	2.10%	\$78,500	16	\$4,906
Energy	1.30%	\$50,625	3	\$16,875
Construction	1.30%	\$48,538	13	\$3,734
pharmaceutical	1.20%	\$46,000	36	\$1,278
Management Services	0.90%	\$36,000	1	\$36,000
Jet/Boat Charter	0.80%	\$31,360	3	\$10,453
Health Care / Hospital	0.80%	\$29,600	7	\$4,229
Law	0.40%	\$16,553	23	\$720
Senior Home	0.40%	\$13,600	7	\$1,943
Manufacturing	0.30%	\$11,500	2	\$5,750
Financial Services	0.30%	\$11,334	6	\$1,889

Top 15 LLC Contributions by Industry to NYS Housekeeping Committees by Housekeeping Committee Party: 2013 -2015				
LLC Industry	Republican	Democrat	Conservative	Grand Total
Real Estate	\$546,950	\$1,709,876	\$39,250	\$2,296,076
Telecommunications	\$327,600	\$418,500	\$11,000	\$757,100
Wine/Beer/Spirits	\$34,500	\$138,500	\$2,000	\$175,000
Lobbyist / Public Relations	\$36,722	\$126,268	\$2,750	\$165,740
Tobacco	\$53,500	\$7,500	\$17,500	\$78,500
Energy	\$500	\$50,125	\$0	\$50,625
Construction	\$42,738	\$2,500	\$300	\$48,238
pharmaceutical	\$30,000	\$16,000	\$0	\$46,000
Management Services	\$0	\$36,000	\$0	\$36,000
Jet/Boat Charter	\$0	\$31,360	\$0	\$31,360
Health Care / Hospital	\$19,600	\$0	\$10,000	\$29,600
Law	\$11,553	\$0	\$5,000	\$16,553
Senior Home	\$13,600	\$0	\$0	\$13,600
Manufacturing	\$1,500	\$10,000	\$0	\$11,500
Financial Services	\$0	\$3,134	\$8,200	\$11,334

Top 30 LLC Contributors to Housekeeping Committees by Entity: 2013 - 2015				
Entity Controlling LLC	Industry	Total Sum	Donation Count	Average Donation
Verizon	Telecommunications	\$632,100	35	\$18,060
Glenwood	Real Estate	\$600,000	22	\$27,273
Tishman Speyer	Real Estate	\$300,000	3	\$100,000
Silverstein Properties	Real Estate	\$275,000	2	\$137,500
Vornado Realty Trust	Real Estate	\$250,000	2	\$125,000
HJ Kalikow & Co	Real Estate	\$131,100	12	\$10,925
Milstein Properties	Real Estate	\$130,000	1	\$130,000
Cablevision Systems Corporation	Telecommunications	\$125,000	2	\$62,500
Empire Merchants	Wine/Beer/Spirits	\$102,000	3	\$34,000
Witkoff Group	Real Estate	\$100,000	1	\$100,000
Access Industries, Inc	Lobbyist / Public Relations	\$100,000	1	\$100,000
Brookfield Financial	Real Estate	\$100,000	2	\$50,000
The Related Companies	Real Estate	\$100,000	1	\$100,000
Larrymae Partners	Real Estate	\$100,000	1	\$100,000
Altria / Philip Morris	Tobacco	\$78,500	16	\$4,906
Birchez Associates LLC	Real Estate	\$60,000	3	\$20,000
CPV Valley Energy Center	Energy	\$50,000	1	\$50,000
Anheuser-Busch	Wine/Beer/Spirits	\$48,500	7	\$6,929
Eli Lilly and Company	pharmaceutical	\$46,000	36	\$1,278
MACANDREWS & FORBES	Management Services	\$36,000	1	\$36,000
Talon Air	Jet/Boat Charter	\$31,360	3	\$10,453
Ellicott Development	Real Estate	\$25,600	42	\$610
Brack Capital Real Estate	Real Estate	\$25,000	1	\$25,000
Forest City Ratner	Real Estate	\$25,000	1	\$25,000
SL Green	Real Estate	\$23,449	1	\$23,449
Lafarge North America	Construction	\$22,000	2	\$11,000
Omni New York	Real Estate	\$21,000	2	\$10,500
MillerCoors	Wine/Beer/Spirits	\$21,000	10	\$2,100
Ostroff Associates, Inc.	Lobbyist / Public Relations	\$15,000	3	\$5,000
Corinthian Medical IPA	Health Care / Hospital	\$15,000	2	\$7,500

Contributions to NYS Housekeeping Accounts: 2013 - 2015

Housekeeping Account	LLC	LLC Percent of Total	Total
NYS Democratic Committee	\$2,413,947	21%	\$11,678,193
Senate Republican Campaign Committee	\$871,933	13%	\$6,470,700
NYS Republican Committee	\$179,723	5%	\$3,796,742
Democratic Assembly Campaign Committee	\$98,922	5%	\$2,133,027
NYS Conservative Party	\$99,600	6%	\$1,553,282
Democratic Senate Campaign Committee	\$48,075	3%	\$1,403,571
Republican Assembly Campaign Committee	\$38,036	5%	\$835,716
Suffolk County Republican Committee	\$17,500	3%	\$659,954
Nassau County Democratic Committee	\$0	0%	\$540,840
Onondaga County Republican Committee	\$40,974	12%	\$341,895
NYS Independence Party	\$4,750	2%	\$239,481
North Valley Stream Republican Committee	\$0	0%	\$66,578
Orleans County Republican Committee	\$2,150	4%	\$48,798
Queens County Republican Party	\$200	2%	\$13,064
Rockville Centre Republican Club	\$0	0%	\$8,000
NYS Reform Party	\$1,100	100%	\$1,100
Albany County Republican Committee	\$0	0%	\$250