

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON ELECTIONS, PROCEDURES, ETHICS, AND  
CONSTITUTIONAL AMENDMENTS**

**Seventy-Fourth Session  
February 20, 2007**

The Committee on Elections, Procedures, Ethics, and Constitutional Amendments was called to order by Chair Ellen Koivisto at 3:48 p.m., on Tuesday, February 20, 2007, in Room 3142 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/74th/committees/](http://www.leg.state.nv.us/74th/committees/). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**COMMITTEE MEMBERS PRESENT:**

Mrs. Ellen Koivisto, Chair  
Mr. Harry Mortenson, Vice Chair  
Mr. Chad Christensen  
Mr. Ty Cobb  
Mr. Marcus Conklin  
Mrs. Heidi S. Gansert  
Mr. Ed Goedhart  
Mr. Ruben Kihuen  
Mrs. Marilyn Kirkpatrick  
Mr. Harvey J. Munford  
Mr. James Ohrenschall  
Mr. Tick Segerblom  
Mr. James Settelmeyer

**GUEST LEGISLATORS PRESENT:**

Senator Dina Titus, Clark County Senatorial District No. 7



**STAFF MEMBERS PRESENT:**

Patrick Guinan, Committee Policy Analyst  
Kim Guinasso, Committee Counsel  
Terry Horgan, Committee Secretary  
Gillis Colgan, Committee Assistant

**OTHERS PRESENT:**

Craig Walton, Nevada Center for Public Ethics  
William Frankell, Nevada Center for Public Ethics  
Janine Hansen, representing the Independent American Party

**Chair Koivisto:**

[Roll taken] We will try to fit in all the testimony we can on this bill, but if we are unable to complete the testimony, it will be rescheduled.

Assembly Bill 80 is a Committee bill we worked with during the last session. I have asked Mr. Conklin to present the bill, and Senator Titus is also going to speak to this bill.

**Assembly Bill 80: Requires limited-liability companies that engage in certain political activities to register with the Secretary of State. (BDR 24-170)**

**Assemblyman Marcus Conklin, Assembly District No. 37:**

Assembly Bill 80 is one of a series of ethics and election reform measures proposed to help restore public confidence in elected officials. We have seen the public's trust in such officials erode in light of recent scandals and indictments. Perhaps the most important element of ethics and elections reform should be disclosure. Voters have a right to know where a candidate is getting his or her campaign contributions from, and they have a right to know as much information about those donors as possible. At present, Nevada law does not require LLCs (Limited Liability Companies) that take part in campaign activities to publicly disclose their membership or their purpose in being formed. This situation allows persons interested in raising or spending money in support of, or opposition to, a candidate or issue, to do so without public scrutiny. Members of the public have a right to know who is raising and spending money in the interests of affecting how they vote, and this measure will go a long way toward bringing that transparency to Nevada's electoral process.

This bill is LLC disclosure in the campaign process. We are using Chapter 86 of *Nevada Revised Statutes* (NRS), which defines LLCs. The bill stipulates that, before making contributions to a candidate or group, or making expenditures designed to affect the outcome of an election, an LLC must register with, and provide to the Secretary of State, certain identifying information. The identifying information should include the company's name and purpose, the names, addresses, and telephone numbers of its members, its resident agent, and any other organizations with which the LLC is affiliated. It should also include a list of the specific campaign activities in which the LLC intends to take part, and any other information the Secretary of State deems necessary.

Assembly Bill 80 further requires the Secretary of State to provide the registration form the LLC must fill out, and to make the information contained on that form available to the public on the portion of his website that is devoted to elections and campaigns. The measure adds an LLC to the list of entities that must report contributions received and expenditures made in order for that entity to support or oppose a candidate, group of candidates, question or group of questions on a ballot, or to circulate a petition for a constitutional amendment or statewide measure proposed by initiative or referendum.

Assembly Bill 80 requires the Secretary of State to add an LLC to the list of entities for which he compiles and publishes a list of total contributions and expenditures exceeding \$100 in a given election.

Finally, the bill makes an LLC subject to the same penalty provisions that exist currently in the NRS regarding other entities that conduct campaign activities and that fail to file with, or to properly report their activities to, the Secretary of State.

Good government depends on educated voters—voters who have as much information as possible about the candidates they choose to support. They need to know the nature of the candidate's character. They need to know where the candidate stands on issues important to our State, and they need to know as much as possible about the donors who financially support that candidate's campaign. This bill is one step to shed more sunshine on donors.

**Senator Dina Titus, Clark County Senatorial District No. 7:**

I am pleased to be in favor of this bill. I am introducing a similar bill in the Senate, but it has not come out of bill drafting. I see the two bills as complementary. The main difference is that Mr. Conklin's focuses on information available on the Secretary of State's website; my bill says that information should be added to the campaign finance reports. My bill would

require that any person with 1 percent or more ownership in an LLC have his or her name listed.

I agree with Mr. Conklin that such disclosure is greatly needed, and it is needed for two reasons. The first reason is that this information about LLCs is not available anywhere else. You will often hear people counter this argument by saying "Oh yes it is. It is available on the Secretary of State's website." But that is not the case. All you have to do is look back through the campaign finance reports of last season and you will encounter obstacles when you go to the Secretary of State's website. You can look up an LLC, and it may not even exist on the Secretary of State's website; or you can look it up and the information will say the business is discontinued. Sometimes when you look one up, only the officers or resident managers are listed and not the owners of the LLC. Finally, you can look up some LLCs and find yet another LLC listed as the officer or manager.

The second reason more disclosure is needed is that LLCs have been created for the sole purpose of giving contributions and not for any business purpose. It is just a way to get around the caps already in statute. If you look back through last season's reports, you can find some good examples. Sometimes an individual will create more than one LLC on the same day, each with a slightly different name, but all with the same address. For example, let us call the LLC "Blue Sky, LLC." You will find listed "Blue Sky I, Blue Sky II, Blue Sky III, IV, V, VI, and VII." That same person created additional LLCs, all on the same day, all at the same address, and now the names are "Blue Sky A, B, C, D," for a total of 12 different LLCs. Now there are 19 LLCs with slightly different names, all at the same address, all with the same resident manager, and all giving the maximum of \$10,000. This certainly circumvents what our campaign finance laws were intended to limit and reveal to the public.

It is not illegal, but it should be. The public deserves to know who is giving money and how much money they are giving. When it comes to campaign finance laws, you just cannot have too much sunshine.

**Assemblyman Segerblom:**

Right now, the law says I can form as many LLCs with 100 percent ownership as I want, and contribute \$10,000 from each of those entities?

**Senator Titus:**

That is the law. As I understand it, you are not supposed to create LLCs strictly for the purpose of giving campaign contributions. They are supposed to have

some legitimate business reason, but the way it is written now, proving that is virtually impossible.

**Assemblyman Segerblom:**

As an individual I can only contribute \$1,000, but through these corporations I can contribute hundreds of thousands of dollars, really?

**Senator Titus:**

Exactly.

**Assemblywoman Gansert:**

What about an LLC doing business and already registered with the Secretary of State that makes a single political contribution?

**Assemblyman Conklin:**

My interpretation of the bill as it is drafted is that an LLC already in existence is operating under their current statute. If they choose to participate in the political process, then they must disclose before they participate. Under current law, an LLC has very little disclosure, you may only know an address and a resident agent. There are legal business reasons for that, but those reasons notwithstanding, people have used LLCs as vehicles to move into this more mysterious playground of campaign finance. They have used the shield that was originally intended for liability and businesses. What we are saying is, if you want to be an LLC for any purpose other than being involved in campaigns, that is fine, the LLC law still stands. However, if you want to participate in our election process by giving money, then you need to fully disclose, as does everyone else.

**Assemblywoman Gansert:**

I agree with what you are trying to accomplish, but the way I am reading this is that if you are an LLC with an ongoing business in some other area, and you write one check, then you must register with the Secretary of State. I do not know if there is a way to change the language so you really capture the LLCs you want to capture—those LLCs created solely to provide political contributions, but not all LLCs that want to make a contribution.

**Assemblyman Segerblom:**

This law is not just intended to capture LLCs that are created to make contributions, right? You want to know, even with an LLC currently in existence, who the owners are behind the contribution?

**Assemblyman Conklin:**

It would be very difficult to divide this out between those making a one-time contribution, those that make a lot of contributions even though they may not have originally been set up to contribute, and those that were originally set up for this purpose only.

I would hope that the specific example Senator Titus gave was a rare oddity, but in light of even more recent events, I daresay it is probably not. We have no way of knowing until we shed sunshine on the process itself. You cannot just cast the net over some, you must cast it everywhere before we can stand in judgment of whether that practice is good or not.

**Assemblyman Christensen:**

I am all for openness of the election law, what we do, how we do it, and where money comes from. However, I represent about 80,000 voters in my district and in the five years I have been around, I have never once heard a concern about this particular issue.

**Senator Titus:**

Perhaps this particular issue about disclosure and LLCs has not been mentioned in the past because it is an increasing problem. The whole legal structure for the creation of LLCs for business purposes is not that old, and the ability to get around those provisions in Nevada statute is something that has been evolving. In the course of the last couple of election cycles, it has increased to the point of being abused. Perhaps that is the reason.

**Chair Koivisto:**

I think Senator Titus is correct. We did hear legislation very similar to this during the last session. We would like to be ahead of the curve on this issue.

**Assemblyman Settlemeyer:**

I agree we need to have more transparency, and I concur with the idea of shedding light on things. What about the concept of expanding this to include all organizations? We could truly find out who is giving money to everything and not just who LLCs are giving money to.

**Assemblyman Conklin:**

I do not have any opposition. A public corporation already has its ownership reported. If you think there are other organizations with protection under the law that do not have to disclose any of this information, so the public does not know who is getting funds, I think you should bring that up.

**Senator Titus:**

I agree, but the difference with LLCs is that you can hide information. If you are MGM Grand, Reynolds Tobacco, or Exxon, people know who that is when they see it on a campaign form. If an entity is Blue Sky, LLC, and no one has to list who the owners are, that can be anybody. That is why the focus is on LLCs, because the kind of information that lets the public know who is contributing to whom is just not available anywhere else. The information about publicly traded corporations and businesses is much more available through the Secretary of State's Office and other traditional sources than the information about LLCs.

Limited Liability Companies (LLCs) were created to help businesses so they are able to keep that information private. Once an LLC decides it is not a business matter, it is a political matter in the domain of the public, in the domain of civic participation, then we should be able to know who the owners of that LLC are.

**Assemblywoman Gansert:**

I believe LLCs fill out paperwork annually with the Secretary of State just as corporations do, listing this information.

**Assemblyman Conklin:**

All business entities that get a State license have to register with the State; however, they may register with different agencies. I believe all LLCs are filed with the Secretary of State; however, the information filed is confidential. Assembly Bill 80 would make that information public if you choose to participate in the process and make a contribution.

You are correct, I believe. If you form an LLC, you must list all who have ownership in the LLC, or at least list a business manager and those with major ownership portions. That has to be done on an annual basis. However, the ownership portion is not public information, only the resident agent, address, and list of officers.

**Assemblywoman Gansert:**

Thank you. I did not realize that information was confidential.

**Assemblyman Segerblom:**

With a private corporation just the officers and resident agent are listed, not the percentage of stock that is owned. I think Mr. Settelmeyer's comment would be accurate as far as including corporations and not just LLCs.

**Senator Titus:**

One reason we did not do that was a situation like Harrah's that has thousands of shareholders, each owning one or two shares of stock. It did not seem practical.

**Assemblyman Segerblom:**

There are publicly traded corporations and non-publicly traded corporations. You could exclude corporations that are publicly traded and filed with the SEC (Securities and Exchange Commission). There are privately owned corporations and privately owned LLCs, those are two separate business entities and I think those are what Mr. Settlemeyer was talking about.

**Senator Titus:**

I would certainly be agreeable to that.

**Assemblyman Ohrenschall:**

How does current federal election law handle LLCs?

**Kim Guinasso, Committee Counsel:**

I am not sure. There are limitations and a lot of very stringent rules on how corporations can make contributions.

**Assemblyman Segerblom:**

Corporations and LLCs cannot contribute in federal elections; just by definition they are not able to participate.

**Kim Guinasso:**

I believe they can set up PACs (Political Action Committees) that the shareholders can make voluntary contributions to.

**Assemblyman Segerblom:**

Even PACs have to be funded by individuals, not by corporations.

**Assemblyman Ohrenschall:**

If the limited liability companies do set up PACs, does federal law require the kind of disclosure we are seeking in this bill?

**Kim Guinasso:**

I believe that is correct, because the point Mr. Segerblom is making is that there has to be the disclosure of where the money is coming from, so the natural person who is making the donation is identified.



**Assemblyman Settlemeyer:**

We need to address not just LLCs, but all organizations whether they are corporations or whatever. I would like to amend this to include all organizations, unions included, so we have everyone's memberships and we know who has donated to campaigns.

**Chair Koivisto:**

When you say unions, do you want a list of all the union members who are participating in the COPE (Committee on Political Education) process with their unions?

**Assemblyman Settlemeyer:**

If we are doing this to a limited liability company that could have up to 3,000 members, I do not see that as much different.

**Assemblyman Segerblom:**

I believe this is limited to someone who has a 1 percent ownership. There would not be 3,000 1-percent owners. Unions are regulated by federal law, so any contribution from a union would have at least hundreds, if not thousands, of individual contributors.

**Senator Titus:**

It is about knowing who is giving the money. If IBEW (International Brotherhood of Electrical Workers) is listed, everyone knows it is the electricians union; if "culinary" is listed, you know it is the culinary union. If Blue Sky, LLC is listed, no one knows who that is. That is the problem. We are trying to find out who is behind LLCs that there is no other way to get information about.

**Assemblyman Conklin:**

An LLC could simply be just a fictitious business that acts as a shield. The types of organizations Mr. Settlemeyer is speaking of are operating businesses. It would be different if these were operating businesses with a physical address where one could ascertain that the business was in fact making a product. Limited liability companies were set up as shields for liability. That was the purpose of the law that was created. The LLC does not actually have to operate anything, ever.

**Assemblywoman Gansert:**

What about partnerships?

**Senator Titus:**

We do not mind how many entities you want to put into the bill. The reason the bill is focusing on LLCs is because that is where the problem seems to exist. If you look back through campaign finance reports, you do not see partnerships or corporations abusing the process, you see LLCs abusing the process, so the bill was narrowly designed to focus on where the abuse was. If you want to extend it and think others could potentially abuse this, we have no objection.

**Assemblywoman Gansert:**

If we pass something like this, the activity may just shift. You are looking for sunshine, so how do we do that? How do we make sure it is not every corporation that might give a single check? We should look into that, too, versus something that is really targeting political contributions.

**Assemblyman Goedhart:**

Mrs. Gansert has brought up a good point. There are a lot of private corporations that might have 40-50 owners and might have the same ability. We might want to look at also including private corporations and, possibly, sole proprietorships. If Mr. XYZ Truss Builder gives a check, I do not think he has to supply his personal address and telephone number on a public website.

**Assemblyman Conklin:**

They have already supplied that information to the Secretary of State. It is a matter of the Secretary of State making that information public if that particular group chooses to participate in the political process.

Again, the purpose of an LLC is to shield its owners from liability. That is great on the business side, but it is also shielding the public from knowing who is making contributions. That is not the case with XYZ Truss Company because you know some very inherent things about it the minute you see the name. The address gets disclosed because when you received a check from XYZ Truss Company, you listed it on your disclosure form with the address and amount. That is not what happens with the LLCs. The address could be a post office box because the LLC does not exist in a physical form, it is simply a shell company.

I understand where you are trying to go and I agree with you that full disclosure is the best disclosure. There is already a lot of disclosure except within a smaller portion of the population that has no disclosure. We could try to expand it, but what you are really doing is expanding it to a group already being disclosed. They are not doing it themselves, we are doing it for them because we have clear information.

The point has been made that there are limited partnerships and other companies that might fall into this group, so maybe we need to take a look at that whole body of corporate law and say, "this group" and take it out beyond to public corporations...

**Assemblyman Goedhart:**

I was not talking about public corporations, but small, privately held corporations that might have 10 or 15 family members.

Do you think having the person's home telephone number and address is required to shed the right amount of light, or do you think having the person's name would be sufficient?

**Chair Koivisto:**

If a corporation makes a contribution, you list the corporation. If the owners or officers of the corporation make contributions as well, those are listed separately because those are contributions made by a person. In that case, you do list the name and address, just like every other contribution on your list.

**Assemblyman Goedhart:**

I do not remember listing people's telephone numbers. It sounds as though that would be an additional burden if you wanted to contribute through an LLC.

**Chair Koivisto:**

I agree with Mr. Goedhart. I do not think we list phone numbers; I think we only list addresses.

**Assemblyman Conklin:**

This bill is the Committee's and it is a first draft. It includes much we would like to see, but I am not opposed to working on the bill.

**Chair Koivisto:**

We have a Committee bill draft we need introduced. It is another ethics bill.

**BDR 23-169**—Makes various changes concerning ethics in government. (Later introduced as [Assembly Bill 142](#).)

ASSEMBLYMAN MORTENSON MOVED FOR COMMITTEE  
INTRODUCTION OF BDR 23-169.

ASSEMBLYWOMAN GANSERT SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

**Chair Koivisto:**

Let us return to A.B. 80.

**Assemblywoman Gansert:**

Maybe we could ask the Secretary of State to put something together as far as defining partnerships, LLCs, and corporations—what information is required, what is public, and what is confidential—so we have a better understanding of what is already disclosed.

**Chair Koivisto:**

We can do that and have that information available when we bring the bill back for further discussion.

In southern Nevada, we have Craig Walton with the Nevada Center for Public Ethics. Dr. Walton has also submitted an amendment to the bill ([Exhibit C](#)).

**Craig Walton, President, Nevada Center for Public Ethics:**

[Spoke in support of A.B. 80 from prepared text ([Exhibit C](#)).]

**Assemblyman Conklin:**

Has this type of law passed in other states and, if so, do they include limited partnerships and limited liability partnerships?

**Craig Walton:**

There is no nationwide tracking as to whether disclosure is or is not required of every one of those categories. What has happened in other states is similar to what has happened here—an abuse erupts, embarrasses people, and then it is paid attention to. If the Committee would feel happier covering all the bases just in case there is future abuse, that might be prudent. You close one loophole and another may pop open. However, there is a limit to how much you can cover. What you seem to be thinking of doing is looking at not just the variety, but the degree or quantity of opportunities for abuse, and covering the ones that look most dangerous or tempting.

**William Frankell, Member, Nevada Center for Public Ethics:**

Informing the public of who is contributing is an idea that is long overdue. Here in southern Nevada, we have had lots of public issues recently and people have even been convicted. I support the bill.

I think the names, addresses, and phone numbers of all people who contribute should be listed. I do like the idea of expanding past just LLCs and I would support any efforts to do that.

**Chair Koivisto:**

We will bring this bill back for further discussion because there is a lot of interest.

**Janine Hansen, representing the Independent American Party:**

In the 1990s when many disclosure bills came forward, I testified and one of the things I said at those hearings was that there would be those who would find ways to circumvent and violate the laws. That is precisely what has happened. If you pass this law, there will be other ways they will find to do that.

In the *Nevada Constitution* the basic foundation of this issue for me is stated in Article 1, Section 9, where it talks about liberty of speech: "Every citizen may freely speak, write and publish his sentiments on all subjects being responsible for the abuse of that right; and no law shall be passed to restrain or abridge the liberty of speech...." I suggest to you that all these reporting laws put a burden on the freedom of speech.

In the political world, which is the quintessence of freedom of speech, there is nothing more important than political freedom of speech, but, really, the only way to have freedom of speech in this day and age is through money. That is the only way, so the more laws passed to restrain participation in the process, the more we actually restrain freedom of speech. It has not made elections more honest. We see right here that they have gone around the election laws. It has not restored public confidence, and I do not think this one measure will do that.

Do the people really care? One Assemblyman mentioned today that he had never heard anyone bring it up. Those who care about these reports are the Press, who testified in favor of them in the beginning, and your opponents. Those are the ones interested in the reports; not the people. They do not care.

Nevadans for Sound Government was working on a petition campaign. Someone donated to that campaign, it became public, and that person lost their contracts with the casinos. When the disclosure of money is made, persecution can take place. For instance, years ago my brother, Joel Hansen, an attorney, was involved in a rather controversial political campaign. He was told to either quit politics or he would lose his job. He chose to leave that law office. We do

not always realize that one of the things that suppresses people participating is the \$100 limit [on campaign reporting]. No one is going to be bought and paid for by \$100. Federal election campaign limits are much higher, at \$1,000. That is far more reasonable in allowing people to participate. The Socialist Party is not even required to report any of its contributions, or those contributing, because the courts have determined that reporting might aid in the persecution of that particular political party. This also happened in a federal court case, *Buckley v. Vallejo*. For instance, you may lose your job because you work for the unions. We saw this last time. People working for the unions who were running in our Party lost their jobs because they were not toeing the union line.

This is one of the problems we face with this level of disclosure. Some people's freedom to participate in the process is severely hampered, especially because of the low reporting requirements we have. You may think it increases participation; but, I would suggest to you that the more laws we have and the more disclosure we have, the less participation we will have. It is probably fair to have the LLCs report as long as PACs and others have to report, but they will find another way around it if they want to be dishonest. The more reporting requirements we place on what was supposed to be a free process of political speech, the more we impinge on that free speech.

I do not operate my PAC because I was concerned about disclosing those people who gave to the PAC, and that they might be persecuted. In the 1990s my office was covered with satanic graffiti—a direct attack on me because of my activity on some of the abortion issues. Later, I had to have a bodyguard because, on more than one occasion, I was grabbed and physically threatened. My children were also accosted. I took all the bumper stickers off my car because there can be problems with people who are very adamant on particular issues.

People can be persecuted because of their position on a political issue; so the more disclosure, the less participation, particularly with people of limited means. Big people will find ways. They will hire attorneys and accountants so they can fully participate, but little people who want to participate and give a little bit of money, their participation is continually thwarted through the excesses of these laws.

I believe in open and honest elections. I believe I have always been honest myself, but I mention this as a philosophical basis for looking at this in a little different way than you have.

**Chair Koivisto:**

Again, we will bring this back for further discussion.

We are adjourned [at 4:40 p.m.].

RESPECTFULLY SUBMITTED:

---

Terry Horgan  
Committee Secretary

APPROVED BY:

---

Assemblywoman Ellen Koivisto, Chair

DATE: \_\_\_\_\_

**EXHIBITS**

**Committee Name: Committee on Elections, Procedures, Ethics, and Constitutional Amendments**

**Date: February 20, 2007**

**Time of Meeting: 3:45 p.m.**

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
AB 80	C	Craig Walton, Nevada Center for Public Ethics	Letter in support and a proposed amendment