



2010 QUESTIONNAIRE FOR CANDIDATES FOR THE OFFICE OF COMPTROLLER

Citizens Union would appreciate your responses to the following questions related to policy issues facing the State of New York and our interest in reforming how state government operates. Responses to these questions will be one of several factors Citizens Union will use to evaluate candidates running for office in order to determine our "Preferred Candidates" for the Primary Election and "Endorsed Candidates" for the General Election.

We plan to make public your responses to this questionnaire in our Voters Directory and in other appropriate venues.

We thank you very much for your response.

Candidate Name: Thomas P. DiNapoli Age: 56

Campaign Address: 317 Madison Avenue, NY, NY 10017, Suite 912

Campaign Telephone Number: (646) 861-0066 Fax: (646) 861-0207

Party Affiliation(s): Dem/WF Campaign Manager Name: Mark Benoit

Website & Email: www.dinapoli2010.com brian@dinapol2010.com (Brian Kaszuba, Political Director)

Education: B.A. in History from Hofstra University and a M.A. in H.R. Management from the New School

Occupation/Employer (or years in currently held elected office): State Comptroller

Previous Offices and Campaigns: NYS Assembly

Are you willing to be interviewed by CU's Local Candidates Committee? YES X NO
(Please note: Citizens Union can grant its "Preferred Candidate" and "Endorsed Candidate" rating only to candidates we have interviewed.)

Have you completed requisite campaign finance filings? YES X NO

Signature of Candidate: Tom P. DiNapoli Date: October 1, 2010

QUESTIONS

Please state your position on each of the following reform measures. Please feel free to explain in further detail your position on any one of these, by using the space available at the end.

POLICY ISSUES

1. What are your views regarding the fiscal health of our state government and the fiscal forecast for New York State, both in the private and public sectors?

The State Budget is precariously balanced using \$16.7 billion in temporary and non-recurring resources, most of which will disappear within three years. The Enacted Budget also includes up to \$3.4 billion in risky resources that may not be fully realized. The slowing recovery of the economy could further exacerbate the state's tenuous financial condition and create a current-year budget gap.

In my analysis of the State Budget, I noted that after months of budget dysfunction and delay, New York is still on the edge of a very steep financial cliff. The State Budget was passed 125 days late, and there is danger that risky resources will fall short and create a gap in this year's budget.

State spending continues to grow much more quickly than revenues. The state's fiscal problems will continue year after year until the Governor and the Legislature develop a long term financial plan that aligns recurring spending with recurring revenues.

The effects of the Great Recession have restructured our economy. More emphasis must be placed on strategies to promote job creation in the private sector.

2. How would you use the power of the office to promote a fiscally sound future for the State of New York? How can audits be utilized by the office to not only effectively uncover waste and promote efficiencies, but realize actual savings?

I have advanced a comprehensive blueprint for fiscal reform which would fix the broken budget process by requiring the State to address out-year budget gaps, attain multi-year budget balance, align spending with available resources, limit debt and curb the use of fiscal gimmicks. Multi-year budgeting, an independent budget office and a move to GAAP are further reforms I advocate for.

Audits are used to identify waste, fraud and abuse and to ensure the State and local governments spend money wisely. My audits of state and local government and state payments have identified hundreds of millions of dollars in savings. I have advanced best practices reports for use by local government across the State, to provide a savings multiplier effect.

The recommendations from these audits are geared to improve government operations and save money. I re-oriented the audit plan to focus on areas with greatest potential for cost savings. I continue to sharpen our audit protocols to better detect waste.

Specifically, I estimate my audits from 2007 to this year have realized \$839 million in cost savings and revenue enhancements and OSC audits have identified over \$90 million in fraud.

3. What are the key areas in state government, local government, and in school districts that you have identified where New York State can realize significant fiscal savings? How would you use the Office of Comptroller to help achieve those savings?

On the local government side, we announced in February of this year the completion of 733 audits of the State's public schools and Boards of Cooperative Educational Services (BOCES). The audits have increased transparency by giving taxpayers an objective look into school district finances. The audits also provide opportunities for savings.

Among the cost saving findings identified by these audits are \$422.8 million in taxpayer money being held improperly in employee benefit accrued liability reserves (EBALR) for 260 school districts and BOCES. Funds placed in EBALR can only legally be used to pay for leave time accruals for departing employees. As a result, these funds are "stranded."

Localities and school districts could also achieve up to an additional \$147.1 million in cost savings and revenue enhancements by implementing recommendations from our audits. For example, our audits identified how localities and schools could save up to nearly \$88 million through energy conservation efforts.

On the state government side, from January 2007 through June 2010, the Division of State Government Accountability in my office issued 625 audits resulting in more than \$1.0 billion in cost savings and revenue enhancements, including \$57.7 million associated with fraud. Of this, \$493.9 million in cost savings have been realized.

4. How do you see the role of the comptroller in reviewing government contracts? What are the criteria the comptroller can apply? Are there new criteria the comptroller should seek to use?

My Office reviews all State agency contracts of more than \$50,000 and certain public authority contracts to ensure compliance with State law and policy. The review deters fraud and waste, and ensures New York receives a good value from responsible vendors. In addition, the review helps identify opportunities for agencies to save money on pricing for goods and services, through more favorable contract terms, or simply by catching errors in contracts. From January 2007 through June 2010, OSC reviewed 125,535 contracts totaling \$123.3 billion.

5. Do you believe the state pension funds are adequately funded to meet their obligations? Do you think any other changes should be made to the rules used to determine whether funds can meet their obligations? How would you handle management and investment of the state pension funds to ensure obligations are met? What is your position on the state's pension funds borrowing from itself to meet current funding obligations?

New York's Common Retirement Fund is adequately funded. The fund has consistently been among the best funded in the nation. Both Governing Magazine and the Pew Center have cited New York as one of the best-funded retirement systems in the nation. Our diversified portfolio is well positioned to continue to provide returns to meet our long-term investment objectives. I oppose borrowing from the fund.

6. Is it appropriate for the comptroller to use his or her pension authority to advance a policy agenda? If so, what are the appropriate parameters on this type of action?

The Comptroller has a fiduciary obligation to maximize long-term returns for the Fund. This requires that actions be made in the financial interest of the Fund. Policy agendas can be advanced if they are consistent with this objective.

REFORM ISSUES

7. What reforms do you think are necessary to promote a timelier, transparent and more accountable budget process? What is your view of applying GAAP (Generally Accepted Accounting Principles) to the state's budget? What is your position on the creation of an independent budget office?

My report, *Strategy for Fiscal Report, Ending New York's Chronic Budget Crisis* outlines comprehensive measures, which coupled with GAAP and multi-year budgeting, would change the State's basic fiscal practices. These measures include strengthened forecasting process, multi-year gap closing plan, increased reserves, restrictions on the use of one-shots, improved capital planning, debt reform and required negotiation of budget publicly through conference committees, and enhanced transparency in budget documents. Applying GAAP to the state's budget would help prevent the State from masking deficits by delaying payments, offloading payments from the General Fund, and sweeping Special Revenue Accounts. I support an Independent Budget Office.

8. Is the current balance of power between the governor and the legislature appropriate to ensure a transparent, timely and accountable budget process? What is your view on the recent use of budget extenders accompanied by actual budget appropriations for state operations by the governor as it relates to the appropriate balance of power?

The current balance of power did not ensure a transparent, timely or accountable budget process. The recent use of extenders to ensure passage of the budget did break the budget stalemate but reflected a complete breakdown of the budget process. However, systematic change is needed to fix the dysfunctional process and improve accountability, transparency, and fiscal integrity of the State Budget.

9. What is your position regarding measures to limit the role of money in elections and politics, such as substantially reducing contribution limits and/or instituting a public campaign financing system at the state level?

I support public campaign financing for all legislative and statewide races. In my testimony on this issue in 2009, I advocated for a phased in approach: starting with the 2010 Comptroller race, followed by the 2012 legislative elections and the full slate of statewide races in 2014. Eliminating or severely restricting private campaign dollars frees officials up to do the people's work without the burdensome distraction of raising funds. Government decisions would be made without the influence of campaign dollars. Better decision-making would provide better results. I believe this would save more than the costs public campaign financing would entail.

It is unfortunate that we have not yet been able to implement public campaign financing to level the playing field in New York.

10. What is your view on continuing the office's current practice to eliminate campaign contributions to the comptroller for those who do business with the pension fund, like investment advisors, which is more restrictive than the SEC's rule on this matter?

When I took office in February 2007, I took over an office that was operating under a cloud of suspicion and compromise. I recognized I faced an important task: restoring public trust in the Office of the State Comptroller.

I've used my authority as trustee to institute a long list of reforms to the management of the pension fund to limit the opportunity for corruption. I've banned the use of placement agents and lobbyists in Fund investments, I've implemented policies to put New York at the forefront in the fight to stop pay-to-play, and I've increased transparency and accountability in every aspect of the Fund's transactions.

I believe these reforms should continue. Public trust needs to be earned and the pension fund needs to continue to function as effectively as it has. One million New York retirees, public employees and their families are depending on that.

11. What is your view of placement agents, be they third party or directly employed who are licensed professionals by the firms selling their securities and investments? Should they be banned or should there be different treatment depending upon whether they are third party or work directly for the firm?

In April of 2009 I banned the involvement of placement agents, paid intermediaries and registered lobbyists in investments with the New York State Common Retirement Fund.

The previous administration in the Comptroller's office violated the public trust. From the time I took office, we have worked to implement reforms that will help restore integrity and trust in this office. Banning placement agents and lobbyists from involvement in investments is an important step in these reforms. I plan to continue to ban placement agents from transactions with the fund.

12. What is your position regarding stricter limits on gifts and other benefits, such as honoraria, that public officials can receive from lobbyists, investment managers, contractors and others attempting to influence the political process?

I would support stricter limits.

13. What is your view regarding the establishment of an independent board to help the comptroller oversee investments rather than maintaining the status quo in which the comptroller is the sole trustee?

There are advantages and disadvantages to both models, sole trustee vs. board. The most important aspect of the sole trustee model is the Comptroller's ability to protect the pension fund from raids on the fund. In the past, attempts have been made to raid the fund and the courts have upheld the Comptroller's authority to protect the fund. Unlike New Jersey, Illinois and other states, New York has a long, strong tradition of making sure the state and local governments meet their pension fund obligations. That's why the Pew Center and Governing Magazine have recognized New York as one of the best funded state pension systems in the nation.

I recognize there's frustration and anger over the abuses committed under former Comptroller Hevesi. That's why I've implemented reforms like banning pay-to-play and prohibiting the involvement of lobbyists and placement agents in pension fund investments. We need to remain committed to reform. But if we do move to a board, it cannot be a political board, controlled by political interests. The Comptroller's authority to protect the fund from raids must not be diminished.

14. What steps, if any, should be taken to promote greater transparency and accountability of our state's public authorities? Which additional measures are needed, if any, beyond the recently passed Public Authorities Reform Act of 2009?

New York State's public authorities operate and maintain some of New York's most critical infrastructure, manage large sums of money and issue significant amounts of debt. Recent legislative changes have begun to improve reporting by and oversight of these entities. At the same time, public authorities have avoided much of the oversight over day-to-day operations to which State agencies and other government entities are subject.

The growth in number, cost and influence of public authorities has necessitated increased oversight and disclosure of their activities. Newly enacted contract approval responsibilities included in PARA 2009, while limited, will go a long way towards improving public authority accountability.

Concerns remain regarding the fact that most public authority spending is off budget and does not flow through the Central Accounting System. Enactment of the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009 created new reporting, disclosure and accountability requirements. I will continue to monitor and report on their financial activities with my *OpenBookNewYork.com* website and other efforts to improve public access to state and local financial information. Next steps on the public authority reform agenda should focus on reigning in public authority debt

15. What is your position on requiring state legislators to submit receipts to the comptroller for per diems they receive for travel, lodging, and food expenses while in session in Albany?

Within the parameters of the separation of powers, there may be an opportunity for more review in this area.

Please provide any additional information about your positions as well as actions that you have taken or plan to take to advance your positions on the above issues either below or on a separate sheet of paper.

Please return to: Citizens Union, Local Candidates Committee
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Or via fax at 212.227.0345 or email at acamarda@citizensunion.org