

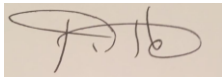
them even though the event was in the summer. AIDS was the issue of that time, if you were growing up on the Upper West Side of Manhattan where teachers, actors, tutors, hairdressers and your best friend with hemophilia were dying. In the 1990s after college, I worked in City government for Mark Green in the Public Advocate’s Office and in the early 2000s I maintained a hand in civic causes by working on efforts such as the NYC smoking ban. I can also claim a large amount of credit in getting a winter bubble put over the tennis courts in McCarren Park. And much of my professional work in finance connects to civic life, as it has revolved around addressing long-term liabilities that states and cities must contend with and fund or else their expenses will crowd out the core government services the most vulnerable citizens rely upon—not to mention the progressive services that liberals hold so dear. While this is the first time I myself am running for public office, I have been involved in numerous political campaigns. Most recently, I served as Policy Director for Harry Wilson’s campaign for State Comptroller in 2010. There are a large number of other civic activities I’ve devoted time to, but the ones I’ve touched on here briefly represent a decent selection of the variety.

Additional Information: I have attached my full biography as well as five whitepapers released by my campaign, which identify major policy problems and provide detailed solutions I would implement as New York State Comptroller.

Campaign Contact Information

Campaign Manager Name: Michael Sargent	
Address: 120 W. 45 th Street, 2 nd Floor, New York, NY 10036	
Telephone: 646-573-9928	Fax: N/A
Website: TrichterforNewYork.com	Email: Jonathan@TrichterforNewYork.com
Twitter: @JTrichter	Facebook: facebook.com/trichterfornewyork

I. AFFIRMATIONS

Have you completed required campaign finance filings?	YES
Are you willing to be interviewed by CU’s Local Candidates Committee?	YES
Signature of Candidate: 	Date: 9/14/2018

II. CANDIDATE QUESTIONS

1. What reforms do you think are necessary to promote a timelier, more 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?

Over the course of my campaign, I have been making the case that the Office of State Comptroller (“OSC”) is the most underutilized and underappreciated elected position in New York. The budget process provides a perfect example for why this is true.

The Comptroller must certify the State budget every year. Without the Comptroller's certification, it isn't clear whether the budget can take effect. Now, the current Comptroller insists that his certification authority is essentially ministerial. He's never tested his thesis, and, in another context, Governor Andrew Cuomo has argued that the Comptroller is wrong. What is inarguable, however, is that if anticipated revenues do not match appropriated expenditures, the Comptroller has the discretion to refuse certification, in which case the budget could not take effect. We know from many prior years—and long before the shortfalls make themselves plain midyear—that anticipated revenues are frequently fanciful. All of which is to say that the Comptroller can use budget certification as a tool to unilaterally press for the kinds of reforms that have otherwise proved elusive and for too long.

The problem is the current Comptroller has no interest in exercising his discretionary and potentially disruptive power. He initially became Comptroller because he was appointed to the position by a former Assembly Speaker and the State Legislature over the objection of good government groups and editorial boards across the state because, according to the editorials, he was Albany's man and without the suitable financial skills to be the State's Chief Fiscal Officer. The Comptroller has returned the favor to Albany by being reluctant to deploy the powers of the OSC if there is a risk of disrupting a well-established Albany process, no matter how dysfunctional it is.

By contrast, I have few friends in Albany (!) and am intent on asserting the OSC's authorities aggressively on behalf of good governance. I would—under threat of certification refusal—press for budget reforms, including more transparency and accountability, and am convinced I can bring meaningful change to our dysfunctional budget process. This would include ending the opaque and unaccountable practice of negotiations among only “three men in a room,” as I would demand real-time disclosures in order to make a determination on whether the budget is earnestly balanced. The impact would be to open the doors of the negotiating room, jam my foot in the door, and then myself make public every piece of information I received or obtained as the State's Chief Fiscal Officer.

Ultimately, I would refuse to sign off on any final agreement that wasn't structurally sound and free of fiscal gimmicks, one-shots, centrally-controlled slush funds or other boondoggles that would allow me to argue in court that the budget wasn't certifiable. This could fundamentally change the dynamics of the most important governance activity at the State level and give taxpayers a much-needed advocate. And if I'm unable to achieve my budget policy priorities via certification refusal, I can nevertheless inject more transparency with my pressured approach than is currently the case.

In addition, the Comptroller must use the Office's broad auditing authority much more proactively as a force for accountability in State spending. The current Comptroller treats the Office's audit authority as perfunctory, generally conducting small-ball audits on programs or administering backwards-looking “gotcha” audits that do little to generate meaningful savings or implement best practices going forward.

For example, the Comptroller is responsible for auditing the Metropolitan Transportation Authority (MTA), which has recently been plagued with major performance, maintenance and capital construction problems. While the Comptroller has audited the MTA over 60 times since taking office in 2007, very few of them produced substantive findings regarding the MTA's fundamental problems, and none led to meaningful changes at the MTA that might have had any impact on its deteriorating state of repair. Instead, the Comptroller produced four separate audits on trash and recycling practices, and devoted resources to examining the Transit Museum's Nostalgia Train program. To be sure, the MTA should be complying with the relevant laws in regard to recycling, but they are by no measure the defining

problems at the authority. With an office of over 2,600 employees, the Comptroller should be out front identifying problems at agencies like the MTA before the trains break down. Instead, we know about the root causes of the performance problems at the MTA from one investigative reporter at the *New York Times* and two transportation policy analysts at New York think tanks.

By contrast, I would approach the auditing power of the Comptroller's Office from a private sector perspective and have little use for picking small fights and highlighting small problems one could make public in a snappy press release. Instead, I would use the Office's auditing powers to examine the biggest-ticket items in the State budget and the most important performance issues in government services. The result would be an audit approach that would become a fundamental tool for fiscal responsibility and government efficiency.

Working at a private sector restructuring firm under workout expert Harry Wilson, I learned that it is relatively easy to walk into any company that's underperforming and find 10% of its budget that could be cut without negative operational impacts. That's for a private sector company with market competition and incentives to perform, whereas government has never been pruned at all. Selecting the biggest ticket budget items for auditing would therefore allow the State to generate meaningful savings for taxpayers. As an easy example, the State's Medicaid budget is over \$60 billion and we know that it's twice as expensive as the national median on a per capita basis while our healthcare outcomes trail national standards. A fulsome private sector audit of our Medicaid program that incorporates best practices from higher-performing states and applies economic efficiencies to service costs would yield at least \$6 billion just from a savings of 10%. That's a meaningful annual amount and reflects why the Comptroller's auditing authority can be a powerful tool.

A private-sector deployment of audits would be best used to answer questions such as:

- What government programs are not working as they were intended?
- What programs have grown beyond their intended means?
- What programs are duplicative, wasteful, ineffective or downright corrupt, and how can we fix them or end them?

By fully realizing the Comptroller Office's audit authority, I can provide a check on profligate government spending that otherwise is subjected to little if any accountability and also provide reform-minded legislators with the ammunition they need to tackle waste in the budget process. By contrast, the current Comptroller often views his auditing authority as a last-check that spending has met a minimum legal requirement and that payments go out the door as they were intended.

Of course, one of the biggest problems with corruption in Albany is that State funds end up exactly where they were intended to go. As an example, in June 2012 the current Comptroller pre-audited and then quickly signed off on legal payments that were agreed upon by plaintiff's attorneys and lawyers in former Assembly Speaker Shelly Silver's office. The payments were for a secret settlement with victims of sexual harassment at the hand of Assemblyman Vito Lopez. The Assembly Speaker's Office along with lawyers from the Comptroller's Office had included in the settlement a gag-order that would have penalized the victims \$20,000 each were they to break their silence and go public with their accusations. The intention of the gag order was to protect Assemblyman Vito Lopez, as the victims were against its inclusion and later went public anyway. The agreement was also negotiated without following established procedures at the time for reporting sexual harassment to the Assembly Ethics Committee,

but instead was handled internally with a high degree of collusion among the Assembly Speaker's Office, the Comptroller's Office and the State Attorney General's Office. The Comptroller's explanation as to why his Office didn't prevent the coverup at the point where he cut the settlement check was to argue that his auditing duty was so narrow in scope as to only require ensuring that both sides' lawyers had signed-off on an agreement. Any real audit would have uncovered the sordid affair for what it was—a coverup for which even Shelly Silver later apologized. Neither the Comptroller nor his Office have ever apologized for their complicity in the episode, nor has the Comptroller changed his approach and narrow application of his pre-audit responsibility when cutting checks for legal settlements for claims of sexual harassment.

Finally, I support fully moving New York State towards budgeting by Generally Accepted Accounting Principles and requiring the budget to be balanced in accordance with GAAP.

Regarding an Independent Budget Office, the Comptroller can and should provide an independent fiscal check on the Legislature and governor, so long as the Comptroller is fully carrying out the Office's duties. In addition, the State's budget process is so terribly broken that an Independent Budget Office is likely a necessary, though not sufficient, condition for achieving the kinds of transparency and reforms we need to better manage State finances. I support its establishment.

2. Do you believe that the current balance of power between the governor and the legislature in the budget process is appropriate? What steps do you believe are necessary, if any, to change this balance? Do you support instituting a later start date to the state fiscal year to allow for more deliberation by the legislature?

As discussed in my previous answer, I view the current concentration of power to be unacceptable and would forcefully assert the Comptroller's authority to provide budget certification in negotiating budget passage. Both the Executive and Legislature have proven incapable of policing themselves or balancing each other when it comes to fiscal responsibility, and the current Comptroller has been far too deferential to their prerogatives. Until someone with substantial institutional power can challenge the troika that calls the shots in the budget process, it will not change. I believe the Comptroller's Office is the best existing power source to provide that challenge and should be the first-mover in reforming the budget process.

Regarding the State Fiscal Year, I enthusiastically support instituting a later start date, but such a measure taken on its own is not at all likely to spur a functional budget process.

3. Do you support measures to limit the role of money in elections and politics, such as substantially reducing contribution limits and/or instituting a matching public campaign financing system at the state level? If elected, would you set an example on campaign finance reform by voluntarily limiting the size of campaign contributions you receive by an amount significantly less than the current limit, should reforms not be enacted?

Given that New York's contribution limits are unusually high compared to those in most other states and the federal government, I support lowering contribution limits to rates more in line with the national norm. Such a move has proven more necessary than ever, as the issues with pay-to-play politics have made themselves abundantly clear in New York.

I support some public financing of campaigns, although there are problems with public financing systems and considering them a cure-all that ensures electing ethical candidates to office. For instance, public financing makes it difficult to raise the resources required to challenge long-time incumbents, who benefit from institutional power, name recognition advantage and a long list of political cronies willing to come to their defense. This is especially the case in New York, where careers in Albany span decades and are even passed down in certain families. Furthermore, there is no evidence that public financing discourages corruption, as the experience with public campaign financing in New York City has shown.

Notably, the current Comptroller had been a vocal supporter of public campaign financing until he had the option to utilize it in 2014 and hypocritically declined. Instead, he has elected to gather over \$4 million in contributions since 2015, including nearly \$2 million from special interests with direct matters before his office.

Self-imposed limits on reelection contributions are irrelevant in my case, as I plan to impose a one-term limit on myself as Comptroller. But in the absence of lowering the limits on individual contributions in New York State, I would support self-imposed contributions.

4. What steps do you believe need to be taken to ensure better ethical conduct of state elected official and public officers, both within the Office of the New York State Comptroller and generally within state government? How can the Office of the NYS Comptroller use its powers to deter corruption in state government?

First, the Comptroller must make better use of the tools already at his disposal. That means jumpstarting the Office's audit and investigative authority. The incumbent Comptroller was selected for the Office because he was everyone's best friend in Albany, a distinction he has been careful not to tarnish by abstaining from forcefully investigating misconduct. Indeed, we have seen the Comptroller's Office exhibit complicity in several episodes of conduct that stretch from dubious to inexcusable (which I discuss further in question 9).

By contrast, I don't have many friends in Albany. I would use the full powers of the Office to actively prevent misconduct and investigate all suspected wrongdoing regardless of the party or political stature of the person in question. I would refuse to sign off on a budget unless all spending is subject to a full audit by the Comptroller's Office. This would be a step toward instituting such authority over spending that has bypassed the current Comptroller's reach, including the quasi-public spending routed through non-profits such as the SUNY Polytechnic Institute.

However, broader reforms are needed to root out corruption in the Legislature and throughout State government more thoroughly. Term limits are a must for members of the Legislature and other elected positions, and a ban instituted on former government officials lobbying or conducting business with the State for at least several years should be implemented. While I am hesitant to endorse the official creation of a full-time class of career legislators, the corruption that has derived from incidences regarding outside income for legislators has been too great to go unaddressed. Outside income in the legislature should be prohibited, or at the very least, restricted to a greater extent than it is today.

Finally—and perhaps toughest of all—we must acknowledge that the more taxpayer dollars the State puts on the table, the more corruption it invites. The temptation for bad actors further increases as the

government becomes more and more involved in various private sector industries, in which insiders can profit from channeling public dollars to their preferred companies. The Buffalo Billion is the latest and perhaps most egregious example of what happens when the State tries to play investor, this time lavishing hundreds of millions on high-tech industries that served to line the pockets of well-connected insiders.

New York must put an end to this. It is bad economics and, as we have seen, even worse for public ethics. The government instead must redirect its attention to creating a climate that is hospitable for all businesses rather than a lucky few winners who are in favor with an administration. This is the path I would champion as Comptroller.

5. What steps, if any, should be taken to promote greater transparency and accountability of our state's public authorities? How would your office partner with the Authorities Budget Office to ensure the state's authorities are operating efficiently and in the public interest?

Due to reforms from last decade and because they are subject to disclosures when accessing the capital markets, public authorities are generally transparent today with regard to their overall finances, especially compared with other entities like economic development agencies. But that does not mean the Comptroller's Office does not have room to institute improvements in operational transparencies, as authorities are often opaque operationally. When it comes to accountability in operations and contracting, for instance, I would embark on a top down audit of the larger authorities, including the MTA (as I discuss further in question 8) and would be willing to work with and assist the Authorities Budget Office in investigating any misconduct and ensuring data are reported and compiled annually.

Importantly, there is one major area I would specifically act on: The authorities' role in taking on backdoor debt. Because General Obligation ("GO") debt was traditionally subject to voter approval, politicians have routed a great deal of the State's debt "backdoor" through public authorities. Our elected leaders have been prolific in their use of this debt issuance method: Over 96% of the State's outstanding debt has been issued backdoor through public authorities, according to the Comptroller's own tally.

While many politicians—including the current Comptroller—have decried the use of backdoor borrowing, they have generally called for impossible solutions such as a constitutional amendment or a statutory fix requiring all of the State's debt to be issued as GO. But they completely fail to recognize (or, in the case of the Comptroller himself, admit) that the Comptroller's Office is *required* to sign off on a great deal of backdoor debt. In fact, according to our calculations based on the State's debt issuances, the current Comptroller has approved \$32 billion in backdoor borrowing since 2008—over half of the total new debt issued over that period. While DiNapoli has refused to publicly admit that he has authority over such debt, I recognize the power the Comptroller's Office has over the authorities, and I would wield it to protect taxpayers by unilaterally killing any backdoor debt issuance that must come to my office for approval. Like with budget certification, this would mark a substantial departure from the current rubberstamp approach that defines this Comptroller's collaborative practices. And it could unilaterally establish a new debt policy without first requiring legislation or constitutional tinkering.

6. Currently, at least \$12.7 billion of state budget funds are in appropriations without adequate spending criteria or oversight, notably in spending pots controlled by the legislature and in large lump-sum appropriations in UDC and other budget lines. Would you favor a requirement that

spending from all such funds be publicly identified, including a description of which vendors/contractors are paid what out of each such budget line? Do you have other recommendations for improving transparency in this area?

Yes, such spending must be reined in and better accounted for. However, my overarching recommendation is that these carved-out, off-budget appropriations should not exist, and I further question the wisdom of such spending regardless of whether it is on-budget or off. There is wide recognition that New York's economic development spending has been incredibly costly, poorly allocated, and has provided a hotbed for corruption—all without directly translating into meaningful job creation. The same can be said of slush funds allocated to the Legislature. Should these types of off-budget appropriations persist when I am Comptroller, I would refuse to certify any budget that authorized them.

7. What are your views regarding the fiscal health and forecast for New York State, both in the private and public sectors? How would you use the power of the office to promote a fiscally sound future for New York State?

New York's fiscal health is shaky over the long-term. The State is incapable of balancing its budget even while it levies the highest tax burden in the country. In aggregate, the State spends over 20% more than Texas and *more than twice as much* as Florida, despite the higher population in each of these states. The result is high debt and a poor business climate. The State now holds \$63.7 billion of state-funded debt, and far more when accounting for unfunded pension and other post-employment benefit liabilities.

Private sector growth is uneven and largely buoyed by success downstate (New York City and its suburbs) while the rest of the state experiences lackluster job growth at a rate less than half the national average. Not only have many Upstate counties trailed the nation in job growth, but three major areas have actually *lost* jobs over the past year, including Binghamton, Elmira, and Utica-Rome. The trends manifest themselves in the number of people who opt to leave New York for greener pastures: Since 2010, over 1 million New Yorkers have fled to other states, by far the highest outmigration of any state in the country. This has hit Upstate hardest: 42 upstate counties have lost population between 2010 and 2017, even after factoring in immigration from abroad.

Disturbingly, this has all taken place during the largest economic expansion in U.S. history. Any economic downturn—the onset of which is inevitable—is likely to strain the State's finances near the breaking point. A major recession or financial crisis could prove devastating, not least of all because the State disproportionately relies on the financial industry and a relatively small group of wealthy individuals for an increasing amount of its revenues. Indeed, just 1% of the state's population pays over 40% of its income taxes, meaning the State is already very dependent upon high-earners to fund itself. In the event of a fiscal crisis, the State can't just impose higher taxes on these high net worth individuals to raise more revenues because it would prompt them to flee.

To address New York's precarious financial position, I would take full advantage of the Comptroller's potential role in the State budget process, not only by leveraging budget certification to prompt fiscal reform, but also using the Office's full analytical capacity to produce reports that showcase the true condition of the State's balance sheet. Likewise, the Comptroller must fully embrace the Office's audit power. State spending must be comprehensively audited not *only* to check that legal requirements are

met, but also to ensure that the State's programs are working as they are intended and, if not, to implement best practices or cut them.

Notably, I would institute a major change in the Comptroller's debt policy, as I discussed in question 5. We don't need a constitutional amendment to stop backdoor debt—we just need a Comptroller willing to act. I would do so unilaterally to protect the State's fiscal interests and prompt reforms to the spending process that jeopardizes it.

Finally, the Comptroller must fully account for and address a piece of the State's fiscal puzzle that is largely absent from discussions: Pension debt. The current Comptroller often pretends that the New York State Pension Fund is among the "best funded and best managed" in the country, citing a funded status of 98% and noting that ranks above of most states. This is misleading and covers up the very real fiscal headwinds facing the Pension Fund.

First of all, the comparisons to the miserable condition of the pension funds in troubled jurisdictions such as Illinois, Puerto Rico, and New Jersey are completely meaningless. More importantly, the figure the Comptroller cites about the System's funded status relies on impossibly optimistic economic assumptions. When factoring in more realistic assumptions, my campaign has estimated that the Fund is approximately 80% funded. This shortfall amounts to between \$35 and \$55 billion in unalterable benefits that the Fund is not currently able to pay, despite the longest economic expansion in U.S. history and notwithstanding the inevitable downturn to come—thereby putting taxpayers at even more substantial risk.

I would address this pension debt in two ways. First, I would provide an open and honest accounting of the Pension Fund's true liabilities and add its deficit to the State's outstanding debt tally to provide a realistic accounting of New York's fiscal health. Second, I would improve Pension Fund management to provide a higher and more stable rate of return for the Fund in line with a more realistic take on likely market returns. Currently, the Fund has underperformed its own expectations by approximately \$65 billion under DiNapoli's full tenure. A large problem with current Fund management is that it is overinvested in alternative funds, which returned less than the broader market and have charged the Fund over \$6 billion in fees. I would eliminate investments in alternative asset classes and move to invest the Fund's equity portfolio entirely in index funds that mirror the broader markets, virtually eliminating fees. Had the Comptroller done that when he took office, it would have increased his returns by over \$8 billion.

In addition, sound management lessens the burden on local governments (and the State) that are required to pay into the Pension System. As we have found, New York has required massive growth in government employer contributions to the Pension System due to expected investment earnings falling short of results; this has required local governments to hike taxes, trim services, or both in order to make payments to make up the difference.

In sum, my approach to pension management would mark a drastically different strategy from the complacency of the current Comptroller in that it would prioritize the true fiscal wellbeing of the State, not my chances of getting reelected.

8. 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 the NYS Comptroller to help achieve those savings?

In general, the largest programs exhibit the greatest potential to realize savings. This is not only due to their massive size, but also because of their high unit costs compared to their counterparts in other states. Medicaid should be a first target. The State spends well over \$60 billion on Medicaid each year, and it spends \$3,181 on Medicaid for every man, woman, and child in the State (regardless of whether they are enrolled in the program or not). That's fully twice as much as the national median when it comes to per-person expenditures.

Education presents a similar story: The State spends \$35 billion on primary and secondary education every year, or \$22,366 per student. Once again, that is double the cost of the national per-pupil median, even though New York's students don't perform any better on average. In fact, they generally perform slightly worse.

Conducting a top-down audit of these programs would yield the greatest savings for taxpayers and would be my priority if elected. Private sector restructuring firms are routinely able to uncover 10% savings in corporate expenses. And that is for businesses, which have a constant incentive to maximize efficiencies and keep costs down. Government programs do not share that incentive, so there is likely greater room for improvement. But even assuming a 10% savings figure, targeting these programs has a potential to yield roughly \$10 billion in savings *every year* for the State. The savings would benefit local governments as well because they are required to fund a significant portion of Medicaid and education programs.

One other area with the potential to realize significant savings is in labor practices at statewide agencies, including the MTA. The MTA's personnel costs are rising quickly, having grown at 4% from 2016 to 2017, well above inflation. Overtime costs have skyrocketed by 20% since 2016. Sadly, these findings did not come from the Comptroller, but from a non-governmental think-tank. The Authority's problems with labor practices—as well as their root in the Taylor Law, the Triborough Amendment and prevailing wage rules—are well overdue for systemic reform and could generate large savings if addressed aggressively.

The Comptroller's Office can spur the realization of these savings in several ways. The most direct is to work with the agencies in a collaborative manner to help them identify the problems and adopt best practices. This can yield immediate savings by helping them recover improper payments, identifying waste that can be eliminated, or uncovering fraudulent behavior that must be addressed, for example. But collaboration can also provide long-term guidance in reforming operational practices or implementing structural changes to a department that can save money over the long run.

The Comptroller's work with the agencies can be augmented by providing a reform-minded executive and members of the legislature with full-scale evaluations of programs that require changes or reconsideration of their funding levels in the annual budget. If the State is to fully address the scope of its spending problems, legislation will be required. I would play a much more aggressive role in using the Comptroller's findings to pursue real changes to the State's budget for the benefit of taxpayers.

9. How do you see the role of the comptroller in reviewing government contracts? What changes would you make to the state comptroller's role with respect to contracts?

I would undertake a dramatic revamp of the Comptroller's pre-audit authority. Rather than simply rubberstamping contracts once agencies meet the minimum legal requirements to proceed, I would undertake a comprehensive pre-audit review of all significant contracts and refuse to sign off on any that were not in the best interest of the State and its taxpayers. The current Comptroller has treated his review authority as perfunctory and has approved contracts with seeming disregard for the State's wellbeing. Some examples include approving an MTA contract with a company embroiled in a bribery scandal, signing off on stipends for State Senators for positions that do not exist and arranging hush money payments for victims of sexual harassment in Albany. I would put an end to the rubberstamp.

Indeed, the current Comptroller's deference to the legislature and governor when it comes to audits has allowed review authority to be wrested away from him on important matters connected to economic development programs. This includes oversight of non-profit SUNY Polytechnic that has been embroiled in the Buffalo Billion, authority that was denied to the Comptroller by the Governor of his own party. In response, the Comptroller "nudged" the Governor to request the return of his pre-audit authority, according to one news article's description. I pledge to be much more vigorous with the use of the Comptroller's review and audit authority and take a more activist role in protecting taxpayers and the State's interests.

10. What is your view on continuing the office's current executive order that prohibits the New York State Common Retirement Fund from doing business with investment advisors who have made political contributions to the state comptroller, and which bans involvement of placement agents, paid intermediaries, and registered lobbyists in investments with the fund? Are there any other measures that should be instituted to avoid conflicts of interest regarding firms that may have interactions with the Comptroller's Office or pension funds?

I support the current executive order. However, please note that my investment strategy for the Pension Fund would render the prohibition moot, as I plan to eliminate alternative investments and would passively invest the entire equity portfolio in index funds (with out-of-the-money put options serving as a hedge against market downturns). Because the Fund would be managed passively, it could be done entirely by a small team of professional investors within the Comptroller's Office, completely cutting out the market for all outside investment advisors, intermediaries and lobbyists.

I would further support additional restrictions on two interest groups that have substantial economic interest in the Comptroller's Office but face no special contribution restrictions. The first are plaintiffs' attorneys, who can earn millions by representing the Comptroller's Office and fulfilling other taxpayer backed mandates. A report by New York *Daily News* found that securities law firms donated over \$200,000 to Comptroller DiNapoli between 2007 and 2009 and received nearly \$520 million in fees from his Office over that period. More recently, my campaign has found that the same types of law firms have donated at least \$160,000 to DiNapoli since 2015.

The second significant group consists of public sector unions. Public sector unions benefit substantially from a Comptroller who not only refuses to question the generous nature of most public benefits, but whose fuzzy math makes the Pension System look much more well-funded than it is. This allows unions to demand concessions regarding pay and pension sweeteners under the myth that the Pension Fund is flush. These labor organizations also stand to gain from DiNapoli's weak audit application and broad reluctance to find labor and payroll efficiencies within State government and State contracting. This creates a feedback loop where the more public resources these groups can extract, the more they are

able to invest in incumbent politicians that support their agenda. Taxpayers are the ones left holding the bill.

The current Comptroller has, according to our own research, gleaned nearly \$1.25 million in donations directly from public sector unions and their associated organizations since 2015. This sum accounts for nearly one third of his total fundraising haul for the period. If you include private sector union donations (many of which represent laborers who do contract work on the public dime), labor organizations account for nearly half of DiNapoli's total fundraising. How are we to expect the State's top watchdog to be truly independent if his political prospects are funded by labor bosses who run Albany?

11. Do you think that the pension fund should have a broader objective than maximization of investment returns to meet future liabilities? Would you continue the focus on climate change, limits on political spending, and diversity and non-discrimination issues? Do you think they help or hurt the overall objective of the fund? Do you believe any further changes should be made?

No, I believe the Comptroller's only job in managing the Pension Fund is to provide the maximum value for its members. What many need to remember is that the \$200 billion in the Fund is not State money – it belongs to workers who have earned it. It should not be used for political purposes just because a single politician gets elected and happens to be tasked with overseeing its investment.

Playing politics with the Pension Fund hurts its overall objective of providing adequate retirement benefits for workers. The current Comptroller has focused the Fund on politics at the expense of returns, as he has missed his expected earnings by \$65 billion (as I discuss in Question 13).

As my campaign has detailed in a white paper on the topic, the Comptroller has instead leveraged the Fund's holdings in private companies to bully them into compliance with his personal political agenda. He has attempted to use the Fund to influence corporate behavior in incidences as small as a labor dispute at a single apple juice plant to as large and complex as attempting to force social media websites to police the nebulous concepts of "fake news and hate speech".

Even worse, he has engaged in this activism hypocritically. For example, the Comptroller paid Goldman Sachs an untold amount to construct a low-carbon emissions index. While he sought praise from environmental activists for this move, he discreetly continued the Fund's holding in Exxon Mobile (the Fund's largest equity holding for many years) and more than 50 other carbon-intensive companies. This is a situation in which taxpayers, pension members, and activists lose out; only the Comptroller stands to gain from this exploitive behavior.

As Comptroller, I will put an end to political posturing and will solely focus providing retirees with the maximum amount of money for their retirement. By giving them that financial security, I will enable workers to spend their money on social causes of their own choice.

12. What is your view regarding the establishment of an independent board to help the comptroller oversee investments rather than maintaining the comptroller as the sole trustee?

Again, my passive investment approach would essentially render the issue less important. (If the Fund is simply mirroring the broad markets, what would a board have to do?) Having said that, I ultimately favor a legislative requirement that the Comptroller invest the equity portion of the Fund in indexes. If garnering support for such legislation requires the institution of oversight from a board, I would be for it.

13. What changes, if any, need to be made to the pension fund in order to ensure that it is able to meet future liabilities which are expected to grow at a high rate?

The first step in conquering a problem is admitting that there is one. The current Comptroller has refused to do so in regard to the Pension Fund's ability to meet future liabilities. He has hidden behind a funded figure that he claims reaches 95% to 98% and touts that the State's Pension Fund is among the best-funded in the country. But the funded status the Comptroller relies on is based on fiscal fantasy. The more likely ratio—based on more probable estimates of economic growth and equity performance and a more realistic discount rate—is around 80%. As a first step to improving the Fund's outlook, I would be honest about the Pension Fund's liabilities and fully disclose them based on a range of economic assumptions, including the most likely scenarios.

The Fund further requires a complete overhaul of its investment strategy. The Comptroller has underperformed every benchmark by which investment performance is measured. As we've detailed extensively in a white paper titled "New York State Pension Fund's Colossal Underperformance – The Biggest Secret in New York," he has missed his own expectations of 7.6% by returning only 5.36% net of fees (resulting in a shortfall of some \$65 billion); lagged the median return of other large pension funds; and trailed the benchmarks for each individual equity class of investments. Clearly, his approach is not working, no matter how many times he pronounces its success.

One of the chief reasons the Fund has been lagging is that the Comptroller is overexposed to risky and expensive alternative asset classes, which not only have underperformed the broader market, but have charged the Pension System a large sum to do so. As I mentioned previously, the Comptroller has paid \$6 billion in fees to hedge fund, private equity, and other alternative asset managers. These investments together returned only 5.40% over DiNapoli's tenure compared to the 7.46% that could have been achieved by investing in a plain-vanilla index fund that mirrored the S&P. (We detail this in our white paper titled "The \$6 Billion Dollar Man.") As Comptroller, I would completely transition away from expensive alternative asset classes and move the entire equity portfolio into low-cost, passive index funds. This simplification would save billions in fees and provide a higher rate of return as a result.

Finally, I would also propose structural reform to the benefit structure for new State and local employees. In my white paper titled "Less Than Zero: How the New York State & Local Retirement System Hurts New Workers," I find that although pension benefits are generous overall, newer government workers are shortchanged as their retirement benefits instead flow to their older, longer-tenured colleagues. To wit, a full 70% of new workers will not receive a single dollar in employer-financed retirement benefits under the current system.

The solution I propose would be a win both for new workers as well as the Pension System. I propose to institute an *optional* defined contribution (401(k)-style) plan for new public workers that would enable them to begin amassing employer-financed benefits much sooner than in the current system. These benefits would also be portable and could follow workers as they go from job to job, as younger employees are known to do. Not only would this be more equitable for young workers, but it would also be cost neutral and end up reducing the Fund's risk as it shifts investment risk to the worker in exchange for the benefit of portability. Again, the plan would be optional, so current workers and new employees who do wish to remain in the current defined benefit system will be held harmless. If we are to address the looming unfunded liability problem, this is the kind of innovative solution we need to implement to begin mitigating the Fund's precarious future.

14. If elected, what organizational changes would you make to the Department of Audit and Control, if any?

First, I would reorient the accountability, audit, and investigation offices around the largest State budget items that could generate the most savings for taxpayers. Their focus would be to conduct private-sector style audits of the largest programs and agencies. Importantly, the process would be more collaborative than today's superficial "gotcha" audits that may look good in a press release but end up generating minimal savings for taxpayers because they lead to no meaningful reforms. The Comptroller's Office will become a force for improving State agencies by prompting real efficiencies and change. As Comptroller, I would take a greater leadership role in providing direction to the auditing teams and offer more training for staff so they can learn from the best private sector audit and restructuring practices.

Also, in transitioning to a passive investment strategy, it is likely that a substantial restructuring of the Pension Investment and Public Finance program will be necessary. As with cutting out alternative investment fees and eliminating the market for placement agents, this restructuring will be advantageous to taxpayers.

III. CAMPAIGN PROMISES MADE TO VOTERS (PAST AND CURRENT)

In addition to evaluating their stances on the issues above, Citizens Union will assess candidates on the commitments they are making to voters during the campaign. What are the top five promises or goals you are making to the voters during this campaign?

We thank you very much for your response. Please feel free to use additional paper if the space provided is not sufficient.

I promise to:

1. Institute a ban on investing pension funds in hedge funds, private equity funds, and other alternative asset funds.
2. Passively invest the Pension Fund's equity holdings in low-cost index funds.
3. Refuse to certify a budget that contains budget gimmicks, "one-shots", economic boondoggles, or other fiscal chicanery that renders it unbalanced (the criterion that justifies certification refusal) and is not in the interest of the State and its taxpayers.
4. Put an end to backdoor borrowing.
5. Run a politically neutral Pension Fund that reduces fees and maximizes returns for retirees.

IV. ETHICAL REPRESENTATION OF CONSTITUENTS

Citizens Union believes that all New Yorkers deserve to be represented by officials who work for the public interest and honor the public trust. With the corruption conviction of recent legislative leaders, we seek to endorse a candidate who will demonstrate that she/he will honor the full commitment of the oath of office, and always represent the public interest above all else. Please tell us how you have and would continue to conduct the political affairs of this office in an upright manner, and maintain the public trust.

I fundamentally view the Comptroller's Office as a position that should be professional, non-partisan, and independent. I am running because I believe that my experience in the private sector has positioned me perfectly to live up to all of these criteria. I am not a creature of Albany; this is my first time running for public office, and it will be my last. I do not have any higher political ambitions, and I am planning on remaining in the office for one term should I win.

As I have no ambition to remain in public service for the rest of my career or to run for higher office, I have no incentive to engage in corrupt behavior whatsoever. To the contrary, I am positioned well to take on the status quo and provide truly independent oversight because my future does not hinge on building political good will with Albany insiders.

In short, I am not running for Comptroller for personal gain. I am running for the Office because I recognize and believe in the vast potential it has to do good for New Yorkers. I want to be the force that finally taps into that potential and at long last unleash the power of the Office to right so much of what is wrong with the State's fiscal and ethical trajectory.

I thank you for giving me the opportunity to present my views to you and am looking forward to discussing my ideas with the Citizens Union of the City of New York.