



New York City Campaign Finance Board

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Testimony of Amy Loprest, Executive Director New York City Campaign Finance Board

City Council Committee on Governmental Operations City Council Committee on Finance March 7, 2007

Good morning, Chairman Felder, Chairman Weprin and Committee members. I am Amy Loprest, Executive Director of the New York City Campaign Finance Board (CFB). With me are Deputy Executive Director Carole Campolo and General Counsel Sue Ellen Dodell.

FY2008 Budget

Much as the City Council does, the CFB will submit its budget for fiscal year 2008 to the Mayor on March 10 pursuant to the New York City Charter, Section 1052(c). The budget will be sent concurrently to the Speaker of the Council. The Charter requires that the Mayor include the CFB's budget in his Executive Budget.

Reviewing the FY2007 Budget

Last month brought special elections in two City Council districts to replace members of this body elected to higher office in November 2006. Twelve candidates joined the Program for the special elections, ten from district 40 in Brooklyn, and two from district 51 in Staten Island.

For FY2007, the Board appropriated \$1.5 million for these anticipated special elections. Disbursements of \$451,224 were approved to the eight participating candidates who qualified for matching funds, paid over two payment dates before the February 20 election. In addition, during FY2007 the Board approved post-election payments of \$58,590 to ten candidates in the 2005 primary and general elections.

In response to a recent court decision in the Appellate Division in *New York City Campaign Finance Board v. Perez*, the Board altered its procedures for disbursing public funds. Contrary to nearly 20 years of Board practice, the Court ruled that the law does not hold candidates or treasurers personally liable for repayment in cases where a campaign has failed to document that taxpayer money was spent on the purposes allowed by law, what are known as "qualified expenditures."

Holding candidates and treasurers personally accountable for the public funds disbursed to their campaigns limits the taxpayers' risk, and enables the Board to recover and return taxpayer money to the Public Fund when there is misuse or failure to document expenses. Starting with the 1999 special election, meaningful enforcement has helped the Board recover more than \$2.3 million in repayments and penalties.

With liability attached only to a campaign committee, which can be liquidated and closed after Election Day, recovering funds becomes virtually impossible. In response to the ruling, the Board took measures to protect the public fund, requiring campaigns to submit spending documentation to the CFB along with each regularly scheduled disclosure statement. This procedure was designed to ensure that campaigns could potentially demonstrate appropriate and qualified spending before receiving public funds.

This process proved exceedingly burdensome for campaigns. Many campaigns save their largest expenditures for the last week or two before the election—after the final pre-election disclosure date. As a result, CFB staff had to contact campaigns attempting to qualify for matching funds with additional requests for documents during the four-day period between the disclosure filing and the payment date, requiring these campaigns to spend extra time on compliance efforts during the most critical week of the campaign.

The CFB will continue to review the processes created for the special election campaign to assess their utility for future elections. Still, the Board anticipates the Council will close this loophole in the Campaign Finance Act by restoring personal liability in these cases, as recommended by the Court.

Other FY2007 Budget Items

Post-election report: The New York City Charter mandates that the CFB, after every citywide election, review the Program and its performance for the election just concluded and issue a report that recommends ideas for further reform. That report, *Public Dollars for the Public Good*, was issued in September 2006. It contained a series of recommendations to improve the Program. Some of the Board's long-standing recommendations include: lowering the contribution limits, enacting legislation on "doing business" contributions that places the burden of disclosure and enforcement appropriately on those who seek to do business with the City, refining the definition of intermediaries, eliminating exempt expenditures, and limiting the amount of money available to participating candidates running against nominal opponents.

Voter Guide: Funds were included in the CFB's budget for fiscal year 2007 to publish a Voter Guide to provide information for voters on an expected ballot proposal. Since the referendum failed to materialize, the CFB returned \$3 million budgeted for the Voter Guide to the taxpayers.

Enterprise Content Management: During the past fiscal year, the CFB has begun to implement our Enterprise Content Management/Imaging Project. As you know,

in 2004, legislation was passed mandating that all candidates' campaigns, regardless of Program participation, must disclose their financial records to the CFB. This detailed disclosure has helped provide New York City voters with a more complete view of their political system. It has also, however, added to the volume of information submitted to the CFB. The Enterprise Content Management/Imaging Project will allow the agency to improve the flow and organization of all documents received and sent by the CFB, and will allow all CFB documents to be stored electronically, available through remote retrieval for business continuity purposes.

Conclusion

The CFB looks forward to continuing our discussions and working with the Council to make the Program more effective and efficient. Thank you for your input, and we look forward to answering any questions you may have.