

February 8, 2017

Senator Catherine Young  
Attention: David Schnall  
State Capitol Building, Room 428  
Albany, New York 12224

Dear Mr. Schnall,

Please find enclosed 11 hard-copies of Citizens Union's written testimony to be submitted for the record of the Economic Development Committee hearing of February 1<sup>st</sup>, 2017. We thank you for accepting this testimony on the important matter of government contracting and procurement. If you would like to follow up, please do not hesitate to contact me by phone (212-227-0342 ext. 28) or email ([egeringer@citizensunion.org](mailto:egeringer@citizensunion.org)).

Sincerely,

Ethan Geringer-Sameth

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Enclosed: 11 copies of Citizens Union testimony for the Economic Development Committee





**Testimony to the New York State Assembly  
Economic Development Committee  
Regarding Clean Contracting Reforms  
February 1, 2017**

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Thank you for the opportunity for Citizens Union to submit testimony about state economic development funding. Citizens Union brings New Yorkers together to strengthen our democracy and improve our City and State. Nonpartisan and independent, our goal is to build a political system that is fair and open to all – one that values each voice, and engages every voter.

In September 2016, the office of Preet Bharara, U.S. Attorney for the Southern District, charged nine people for allegedly rigging more than \$855m in economic development contracts for upstate New York. The complaint documented a systemic lack of oversight in New York's economic development system and corruption so deeply entrenched that Mr. Bharara said he hoped to go to trial "so that all New Yorkers can see, in gory detail, what their state government has been up to."<sup>1</sup> Shockingly, since these charges and arrests, no action has been taken by the state legislature or Governor to ensure that reforms are implemented and independent oversight enacted to prevent this from happening again.

New York must take concrete steps to ensure the proper oversight of taxpayer dollars. Citizens Union believes that the clean contracting reforms outlined below are necessary to once again build faith in New York's budgeting process. Political corruption has run rampant in Albany in recent years and the public's trust in our elected officials to act solely in the public interest has fallen. The common sense fiscal management solutions outlined below are a strong first step in rebuilding that trust, ending fiscal corruption, and streamlining the budget, ensuring that all public dollars are spent in the public interest.

**Five Clean Contracting Reforms Proposed by Watchdog Groups:**

1. Require competitive and transparent contracting for the award of state funds by all state agencies, authorities and affiliates. Use existing agency procurement guidelines as a uniform minimum standard.
2. Transfer responsibility for awarding all economic development awards to Empire State Development Corporation (ESDC), and end awards by state non-profits and SUNY.
3. Empower the comptroller to review and approve all state contracts over \$250k.
4. Prohibit state authorities, state corporations and state non-profits from doing business with their board members.

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<sup>1</sup> Weiser, Rashbaum, and Yee. "Ex-Cuomo Aides Charged in Federal Corruption Inquiry." *The New York Times*, September 22, 2016. <<https://www.nytimes.com/2016/09/23/nyregion/cuomo-former-aides-charges.html>>

5. Create a 'Database of Deals' that allows the public to see the total value of all forms of subsidies awarded to a business – as six states have done.

In addition to these five clean contracting reforms, we believe that it is imperative that the contract oversight powers of the Comptroller be restored by reinstating the office's oversight of construction and construction services contracts issued by SUNY and CUNY, and of the Office of General Services centralized contracts, which was peeled back by executive and legislative action in 2011 and 2012. The Office of the Comptroller should be empowered to fulfill its historic role of auditing the payment of state moneys independently from other branches of government.

Citizens Union is also deeply concerned about the lack of serious conflicts of interest regulations surrounding the awarding of taxpayer money through the state's Regional Economic Development Council (REDC) system, also created in 2011. Currently, the membership of REDCs, which are empowered to make recommendations for awards and have a weighted 20% say in who receives them, are largely made up of or are connected to leaders of the largest regional institutions seeking state grants.<sup>2</sup> While voting members of REDCs are not allowed to vote on applications they've submitted, few other conflicts of interest rules apply to them, which obfuscates efforts to ensure independent decision-making and invites corruption and potential impropriety in the awarding of taxpayer money.

Finally, we urge state leaders to reduce the potential for conflicts of interest by exploring options to limit campaign contributions from anyone who has or is seeking a state contract. Nineteen states and New York City have such "pay-to-play" laws, but New York State does not. Few measures would go further in ensuring that conflicts of interest do not negatively impact the awarding of government contracts in order to serve the interests of *all* New Yorkers.

Thank you for your time and consideration of our proposed reform measures to improve the independent oversight mechanisms of public finances in New York State.

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<sup>2</sup> Stanforth, Lauren. "Regional council insiders repeat winners of New York economic development awards." *Albany Times Union*, January 2, 2016. <<http://www.timesunion.com/tuplus-local/article/Regional-council-insiders-repeat-winners-of-New-6733203.php>>