



NEW YORK STATE SENATOR

Lee M. Zeldin

Zeldin: Cuomo's Probe of Non-Profit Executive Compensation Is Timely and Necessary

LEE M. ZELDIN August 3, 2011

State Senator Lee M. Zeldin (R,C,I- Shirley) today applauded the decision by Governor Andrew Cuomo to launch a probe of non-profit executive compensation in light of recent news stories of widespread abuse.

"Governor Cuomo's probe of non-profit executive compensation is timely and necessary," said Senator Zeldin. "It is almost daily now that we read in the papers new accounts of widespread abuse by non-profit executives."

Senator Zeldin, who released a statement this past Monday calling for legislative action on this issue in 2012, was very pleased to learn of the Governor's probe.

"New York currently has a Governor who sets out bold agendas and finds a way to get things done," continued Zeldin. "I'm confident that the Governor's leadership on this issue will lead to real progress. He has the experience as a former Attorney General and the assistance of a very capable Cabinet to bring results.

"There is practically no accountability and transparency of non-profit abuse provided to private donors, employees, media, elected officials and the general public. Yesterday's New York Times story about the Levy brothers exploiting the Medicaid system and non-profit

laws to inappropriately rake in millions for themselves, illustrates just how gross of a problem currently exists.”

“As we have witnessed with the current Attorney General’s investigation of non-profit abuse, this can be a tricky issue to pursue when core constituencies are impacted,” continued Zeldin, “and that is why the Governor’s leadership is very welcome news.”

Senator Zeldin said any legislative action taken to address this issue should meet four important objectives:

1. Improve oversight to confirm that government funds are being used for its intended purpose. Otherwise, the nonprofits should be providing refunds to the government entity that issued the payment.
2. Stronger controls to eliminate opportunities for non-profit agency executives to line their own pockets or reward close friends or relatives. This is especially the case when family and friends of elected officials may be involved.
3. Non-profits should be required to convert to “for-profit” status once compensation packages or gross revenues exceed certain thresholds. Multi-million dollar enterprises should not be able to wrongfully exploit a tax free status in competition with for-profit firms. The hundreds of millions of dollars in revenue that the largest non-profits are able to exempt from taxation increases the burden on every other taxpayer who must make up the difference.
4. Reforms must improve the confidence of donors and encourage future charitable giving, a task requiring increased accountability and transparency of the entire system.

“The public, whether through tax dollars or private donations, is being duped into financing many nonprofit organizations that exploit loopholes that provide personal profit despite a tax status that suggests otherwise.

“There are many great nonprofits throughout this state and country doing amazing work to efficiently improve the quality of life of the communities each serve. The reputation of the nonprofit world is being tarnished as others abuse the system for selfish gains,” Senator Zeldin concluded.