



STATE OF CONNECTICUT

OFFICE OF STATE ETHICS

TESTIMONY PRESENTED BEFORE THE APPROPRIATIONS COMMITTEE

February 13, 2020

Statement of Peter Lewandowski, Executive Director, Office of State Ethics

HB 5005 – AN ACT ADJUSTING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2021.

Senator Osten, Representative Walker, Ranking Members Formica and Lavielle, and distinguished members of the Appropriations Committee, thank you for the opportunity to submit written testimony for House Bill 5005, An Act Adjusting the State Budget for the Biennium Ending June 30, 2021.

The mission of the Office of State Ethics (OSE) is to promote accountability and integrity in state government by providing education and legal advice, and when necessary, impartially enforcing the Codes of Ethics.

Critical to this mission is the agency's independence and adequate resources.

Much of the agency's structure is mandated by law. In 2008, the OSE's budget was \$2.2 million with a staff of 21. Substantial loss of positions occurred in 2011 during the consolidation of the OSE into the Office of Governmental Accountability (OGA). The agency currently has 16 full-time authorized positions, of which 14 are funded to complete the same mandates that existed prior to 2009. Some of the mandates, such as lobbyist audits, are not being performed. For example the OSE is authorized to perform 40 annual lobbyist audits and yet it can only perform 10. Further, each of the OSE current employees takes on multiple roles that in the past would be completed by another employee. Thus, for example, an attorney is now responsible for conducting lobbyist audits, a task previously performed by an accounts examiner.

In order to address the shortage of staffing and improve the ability to adequately respond to our mandates, the OSE submitted a request for additional funding to fill a Legal Investigator (\$80,769) and an Office Assistant (\$45,317) position in the total amount of \$126,086.

Although the agency presently has a full-time Legal Investigator, the individual who currently holds the position is performing the workload of two investigators (in 2011, due to OGA consolidation, the OSE lost one of its Legal Investigator positions). Further, this individual is planning to retire in 2021. Therefore, in order to minimize any disruption to agency operations and to maintain timely resolution of ethics enforcement matters, the agency would like to hire a Legal Investigator in FY 2021. The OSE would seek to hire a Legal Investigator who will not only perform traditional ethics investigations but also who has extensive experience in forensic accounting and/or financial fraud cases in order to assist in lobbyist audits. Having an additional Legal Investigator with strong financial experience will not only address the pressing need for help in ethics

enforcement investigations, but also allow us to increase the number of lobbyist audits the agency is required to perform.

In addition to the Legal Investigator, the OSE would like to obtain funding to fill an Office Assistant position. This position was lost in 2016 when the OSE regained its independent status following reconsolidation from OGA. As with the Legal Investigator, the intent is to address pressing areas in need of additional resources. The OSE does not have any clerical staff. This leads to office inefficiencies, where, for example, IT and Legal Division staff, being responsible for their own respective matters, answer general phone calls, open mail, and make copies.

Credit card processing fees charged to the OSE in collection of lobbyist registration fees impact our operating expenses.

Over the last several years a significant cost to our operating expenses has been credit card processing fees which are incurred when payments of lobbyist registration fees are made. The OSE collects approximately \$1 million in lobbyist registration fees over the legislative biennium. Lobbyist registration fees cover the cost to the State to administer the Code of Ethics for Lobbyists. The fees go directly to the General Fund. However, it costs the OSE approximately \$25,000 during a biennium in credit card processing fees to collect these funds.

It should be noted that the one line item OSE budget consists primarily of personal services (approx. 93% of the total budget). The remaining funds cover operating expenses, which include standard office expenses; statutory payments to Citizen's Ethics Advisory Board members; travel for investigatory and educational purposes; and the costs associated with enforcement hearings (which vary considerably depending if and when a respondent decides to settle). The uncertainty of costs associated with enforcement hearings exposes the office to the possibility of insufficient funding of operating expenses, particularly in light of the cost of credit card processing fees.

Therefore, the OSE requests a modest increase to its operating expenses to cover the rising credit card processing fees (\$20,000 in odd numbered year) and (\$10,000 in even numbered year)

The OSE budget is a "pass-through" budget, pursuant to General Statutes § 1-81a.

General Statutes § 1-81a mandates that the OSE budget is a pass-through budget. It specifically requires that the budget submission and the recommended adjustments transmitted to the legislature shall be the recommended budget and adjustments submitted by the Executive Director of the OSE. The Governor's budget bill (see T621), however, does not conform to the requirements of § 1-81a and does not accurately reflect the budget adjustment submitted by the OSE, as requested above.

Human Resources position shared among the three watchdog agencies.

Due to the impending statewide centralization of human services, the OSE joins its sister watchdog agencies - Freedom of Information Commission (FOIC) and State Elections Enforcement Commission (SEEC) - in a request that the Human Services position, currently housed in FOIC, be kept at FOIC as an "out of scope" agency. Pursuant to an MOU, this position is shared with the OSE and SEEC. The request to keep the Human Resources position at FOIC as an "out of scope" agency is premised on the critical importance of maintaining the independence of the three watchdog agencies.

The OSE looks forward to meeting with the General Government A subcommittee and reviewing its requested adjustments to our budget in greater detail. Thank you for your consideration.