



STATE OF CONNECTICUT

OFFICE OF STATE ETHICS

January 29, 2015

Secretary Benjamin Barnes
Office of Policy and Management
450 Capitol Avenue
Hartford, CT 06106-1308

Dear Secretary Barnes:

I write in response to Governor Malloy's letter of January 22, 2015 requesting that the Office of State Ethics (OSE) voluntarily reduce expenditures by another 1% or \$15,058, in addition to the 1% voluntary expenditure reduction the OSE agreed to in November, 2014. As in the past, the OSE is working to be a part of the solution to close the budget gap, particularly by closely watching its spending, as well as working with other members of the Office of Governmental Accountability (OGA) to share resources and achieve cost savings.

Unfortunately, the OSE is unable to commit to an additional 1% reduction in expenditures because, as discussed below, such a cut would likely result in a deficiency. The OSE commits to continued careful and conservative fiscal management which may achieve a portion of the savings requested.

In particular, expenditures to process lobbyist registrations increase significantly beginning in January of odd years because most lobbyists pay a \$250 registration fee at the beginning of the biennium. The good news is that registration fees, which go directly to the general fund, increase significantly as well. As of earlier this week, the OSE has collected over \$600,000 in lobbyist registration fees. The cost associated with processing the credit card payments is approximately 1% of the amount collected, or \$6,000, thus far. In contrast, for the first two quarters of FY 2015, the OSE collected a total of \$49,000 at a cost of \$495. I expect the OSE will collect another \$200,000 to \$400,000, contributing a total of \$800,000 to \$1M by the end of the fiscal year to the General Fund, at an additional cost of \$2,000 to \$4,000.

By law, lobbyist registration fees may not exceed the cost of administering the lobbyist registration and reporting system. Each client lobbyist and each communicator lobbyist must pay the registration fee, which is halved for registrations in the second year of the biennium. In 2011, the OSE, through a regulation change, increased the registration fee from \$150 per

biennium to \$250, a 66% increase, in order to accurately reflect the state's costs in administering the system. A further increase in lobbyist registration fees is not warranted at this time.

As I reported in my response to the November 2014 request, the budget of the OSE for FY 2015, which is \$1,500,334 (after back of the budget reductions), consists primarily of personal services. Only 7% of the budget is available for other expenses so the agreed upon 1% reduction results in a 14% cut to other expenses. The additional reduction would result in a total cut to the other expenses account of over 25% which would likely leave the OSE with a deficit.

Please contact me if you have any questions.

Sincerely,



Carol Carson
Executive Director

cc: The Honorable Martin Looney, President Pro Tempore, State Senate
The Honorable Brendan Sharkey, Speaker of the House
The Honorable Bob Duff, Senate Majority Leader
The Honorable Joseph Aresimowitz, House of Representatives Majority Leader
The Honorable Leonard Fasano, Senate Minority Leader
The Honorable Themis Klarides, House of Representatives Minority Leader
The Honorable Beth Bye, Co-Chair Appropriations Committee
The Honorable Toni Walker, Co-Chair Appropriations Committee
Shelby Brown, OGA Executive Administrator
Robert Wysock, Acting Director, Office of Fiscal Analysis