

Ben Max: Hello, and welcome to a special edition of Race To Represent on Manhattan Neighborhood Network. I'm Ben Max, executive editor of Gotham Gazette. Tom DiNapoli has been the State Comptroller since 2007, when he was appointed to the position amid scandal that saw his predecessor removed from office. DiNapoli was reelected to the position by voters across the state in 2010, and again in 2014. He is running for another term this fall.

Ben Max: As comptroller, Mr. DiNapoli is one of just four state level, statewide elected officials and he has massive important powers that may not always be in the headlines but are essential to the health of the state. The comptroller is responsible for, among other things, the 200 plus billion dollar state pension fund, auditing state agencies, and state contracts, reporting on state finances and generally speaking, ensuring that state and local governments use taxpayer money effectively and efficiently to promote the common good as the comptroller's website puts it.

Ben Max: comptroller DiNapoli is often hosts shows here on Represent NYC, but today he's my guest for this conversation about the work of his office, why it's important to you and the state overall, and this year's elections. Welcome comptroller. Good to see you.

Tom DiNapoli: Thank you Ben.

Ben Max: I captured a little bit of the power scope of the office, but how do you put it? How do you capture what the State comptroller does?

Tom DiNapoli: I think you've done a good job on certainly some of the main areas that we focus on. I always say I have the best job in state government, the one that most people don't know a lot about what we do. We are the Office of accountability. I think especially as we navigate through continuing challenging times, how money is being spent, taxpayers are very, very concerned about that. Issues of transparency of openness.

Tom DiNapoli: So, those are I think the underpinnings of the overall work that we do. That accountability agenda certainly is referenced in the work we do with our audits as you mentioned. We audit state agencies, we audit not quite the same ability, but public authorities, state and local public authorities. Then local governments.

Tom DiNapoli: New York City, although in the city, you have an independently elected City comptroller that does much of that work, but we do some audits in the city as well. And certainly, local governments outside of New York City.

Tom DiNapoli: I always try to remind people, we don't decide how the money is going to be spent in terms of what program areas get what amount of dollars, but we are the office that follows where that money is going, and we make sure that the money is being spent as intended by the governor and the legislature. The

money's being spent pursuant to the requirements of state law, and state statutes.

Tom DiNapoli: That's a big part of our workforce, a big part of what we do. We approve state contracts. So, if you're a business or a vendor and you have a contract with the state, you are a nonprofit and you're providing services that you're getting money for from the state or, you're a local government getting a grant, we are the office that would review the merits of the contract, and then we follow through on the payments as well.

Tom DiNapoli: We do the nuts and bolts back office operation. We pay state employees, we make sure they get their paycheck, and we process all payments for the state. That's another opportunity for oversight, making sure that the state's not being defrauded in those cases. You mentioned the pension fund. We're very proud of the fact that not just our size, which is substantial, we're the third largest public pension fund in the nation. But we're also among the best funded. [inaudible 00:03:33] research center just came out with a ranking earlier this year. We're one of only four state pension plans out of the 50 in the country that are over 90% funded.

Tom DiNapoli: So, ensuring retirement security, hopefully at a cost the taxpayers can afford. That investment work is very, very key. As you know, we're very active and engaged shareholder with the companies that we invest in.

Tom DiNapoli: Commenting on state fiscal practices, but also, which you referenced, but also looking at broader policy issues. We have done white papers, or research reports on issues like affordable housing in the state, disparate healthcare outcomes. Finding too many cases where communities of color fall behind other communities in terms of outcomes on asthma, diabetes, obesity, and some other measurements.

Tom DiNapoli: We administer the state's oil spill fun. Most people don't know that. So, when there's a problem, there needs to be a cleanup. There are so many other areas. The last one I'll mention is unclaimed funds, where we return New York has lost money. People always get a smile on their face when government is, again, the people say thank you. Well, I say, "We're not giving you something. It's your money. We've just been holding it in safekeeping." Many New Yorkers don't realize how easy it is to get separated from your money. A check that wasn't cashed, an old bank account that went dormant. We have over \$14 billion worth of unclaimed fund accounts. So, you should go check online. We've made it easy online. But returning that money.

Tom DiNapoli: We're returning over ... It's about a million and a half dollars a day now that we're returning. So, we've been very aggressive in trying to put that money back in people's pockets.

Ben Max: Wide scope.

Tom DiNapoli: It's a lot. And again, I think you said it well, people are not as familiar with the breadth and depth of what we do. But all of it's very important, and we try to keep a very steady hand on what's happening.

Tom DiNapoli: Government did a lot of changes in the years I've been comptroller. Governors have come and gone, leaders have come and gone, [inaudible 00:05:24] have come and gone. I think it's important that in the comptroller's office, that we have a steady hand and that's certainly what I've tried to provide.

Ben Max: Right. It's a good point. There's been quite a bit of stability in that office compared to others. Speak a little bit more to your monitoring the fiscal health of the state. How is the state doing, and not only how's it doing, but what's the economic forecast from where you sit right now? How do things look, as we sit in July of 2018? We've seen some federal changes. The New York City economy is certainly doing very well, but there's areas of the state not doing so well. How do you see both the fiscal health of the state and the economic outlook?

Tom DiNapoli: Certainly, we're in much better shape than we were a few years ago. The great recession hit us very, very hard. Really, all sectors of the economy. Where billions of dollars lost in revenue for state local government, one hundreds of thousands of jobs that were lost. We've bounced back significantly. We've grown back many more jobs than were lost during the depths of the recession.

Tom DiNapoli: Certainly, revenues have been back. But your question implies to something that's very, very key. So much of the state's economy is driven by New York City and the downstate suburban counties as well. When you get north of the downstate suburbs, it's still very much a mixed picture. While certain regions of upstate New York are faring much better, now, Capital region, Hudson Valley, even around the Buffalo area has been a lot of focus, the Buffalo Billion and so on. You go to the parts of the Southern Tier, Central New York, the Adirondacks, the Mohawk Valley, you have communities that have fewer people working than they were before the recession hit. You got few people living there. Many people have chosen to drop out of the labor market completely and some of them have moved away. They moved downstate, they moved out of state.

Tom DiNapoli: So, it's still very much a tale of two economies, and that is a challenge for us. But the strength of the New York City and the downstate economy has certainly had New York State on a strong economic path. That's been reflected in revenues coming to the state. The state budget began for this year's process, with a budget cap that was addressed through the budget negotiation. Where we look at the revenue picture right now in the summer of 2018. 2017 ended in a somewhat unpredictable way. For most of the last fiscal year, we were falling short of the revenue projections. And then starting in December, and then going into the beginning of 2018, unexpected or unpredicted spikes on the plus side in terms of revenue coming.

Tom DiNapoli: So much of that was in reaction to the federal tax changes, and many people doing their transactions, in 2017 as a way of-

Ben Max: They're paying taxes.

Tom DiNapoli: Yeah, exactly. They had a lot of that. So, going into 2018 we still saw very strong collections, April tax collections were strong as well. So, the projections were increased in terms of expected revenue. Well, now as we head into the summer, we're coming a little short of the update of projections, not to the point of any concern about this year's budget being in balance, because I think we will stay in balance. But it certainly points to the fact that this economy, we see in the stock market, with the ups and downs, there's more volatility than there had been.

Tom DiNapoli: My concern is more long term. When we look at the financial plan that was recently put out, we still see out year budget gaps. Then that will accumulate to over 17 billion over the next three or four years. That doesn't incorporate what has been with Governor Cuomo, the expectation that state spending be kept to 2%. So, some of those actions that have happened in the past are not included in that projection. But even with that, there will be out year budget gaps that we have to be conscious of.

Tom DiNapoli: This strong recovery has been stronger and longer than most recoveries when you look over the long history of the state, and the national economy. At some point, we don't know when it's going to go in the other direction. I certainly hope we don't have to go through what we went through in '08 and '09. But both for New York city's budget and New York state's budget, it's been very dependent on a very strong economy.

Tom DiNapoli: So, the big risk there from my point of view is not only economic trends, and you touched on in the question, Washington, what's going to happen in terms of changes in federal policy? Most of which we know we talk in New York in a very negative way.

Ben Max: Well, we also have to see what the real impact of the federal tax changes that were signed at the very end of 2017 really have. Because New York is at some of the most risk of real shake up because of the changes in the tax code, and the loss of most deductibility, and state and local taxes. Let's get back to that in a second. But let's pull apart a couple things you said first.

Ben Max: So, folks unfamiliar with all these processes and figures should know that the state fiscal year begins April 1. So, usually state lawmakers and Governor Cuomo wrap up a budget at the end of March. In some past years, it extended way past the deadline. But that's actually been mostly on time the last several years. The current fiscal year that began April 1, we're now a few months into it, was about \$168 billion state budget. So, big dollars being spent.

Ben Max: You are looking at some of those out year gaps, deficits that need to be closed, especially if revenues don't continue to be so strong. One of the criticisms of the state budgeting is that the reserves are very low compared to that \$168 billion that is being spent. I think, my colleague Greg David at Cranes did a smart piece

with the Citizens' Budget Commission looking at this saying that reserves are only about 2% of spending. Is that line up with what you're looking at?

Tom DiNapoli: They're below what would be authorized by statute, the over 5 billion that they could have. I think we're less than 2 billion right now. So, it's a concern. In fact, this is an area where New York City has done a better job in terms of building up their reserves. New York State hasn't made any deposits to the statutory reserve account since 2015.

Tom DiNapoli: This is where we have very much a mixed picture. We ended the state's fiscal year with a very strong balance in the general fund. Some of that has to do with the fact that, in the past few years, we've had these monetary settlements with the financial firms a lot of it, an outgrowth of the bad behavior during the years that led up to the fiscal crisis. But it's not expected that those kind of monetary settlements are going to continue into the future. Some of that money we had always argued it should be spent for one time resources, capital investment. Some of it has been used for budget relief. So, it plugs short term holes, but those gaps then occur down the road.

Tom DiNapoli: So yes, New York State is not as well positioned as we should be because we haven't built up those reserves. If we come to a point where we have that downturn, that will happen at some point in the future, we are not as strongly positioned as we could have been had we made the decision rather, instead of spending all that money build up those reserves. So, that's the criticism we've had consistently.

Ben Max: The response is ... The governor and legislative leaders seem to be really risking some future crises here by not putting enough to the side. I know in the city, the City comptroller has recommended a budget cushion of reserves of at least 10%, 11%, and the state is that two.

Tom DiNapoli: Yeah. Well, New York City's had the strongest economy. So, no surprises they've done a better job on percentage basis of building up reserves. Although, there are some of the city who argue it could be even stronger. At the state level, unfortunately I think other than our reports nobody's really, and some of the good government groups, Citizens' Budget Commission and others, most don't talk about building up reserves.

Tom DiNapoli: Well, what happens? I serve the legislature. Legislators here for the constituents. They want more money spent on education, they want more money spent on health care, they want more money spent on the senior program [inaudible 00:13:28] One of the challenges I think we have, and I feel this as someone who spent a long time in the legislature before I became comptroller we're so focused on short term decision making. Getting through a budget for the coming year, getting through a legislative session. Unfortunately, we do not spend as much time on the long term picture.

Tom DiNapoli: That's what we try to do in the controller's office with our reports, with the analysis, what we put out there to suggest to not just lawmakers and the governor but really to New York citizens. We have to look at the bigger picture. We may continue to sound the concern, the problem is, I don't have any ... Some people say, "Well, Tom, you're the comptroller, you should make them do this. Well, the job is not set up to be a decision maker in that regard. That really is the purview of the legislature and the governor.

Tom DiNapoli: But it is our job to be the independent voice, to be the least partisan of the offices that are out there, and to try to keep everyone focused on the bigger picture. So, we continue to sound the alarm that we haven't done a good enough job in building up our reserves. I know this year is a big political year with the elections. Maybe that's part of why there was an interest written spending money rather than conserving money. But as we go into next year, I certainly hope that we can get back to that issue of building up those reserves. It's not that we haven't had the money, Ben, we just have made other choices, and some of those probably have not been the best choices.

Ben Max: Along those same lines. You mentioned this self-imposed 2% spending growth cap. The governor is very proud that his budgets under his watch have grown relatively slowly compared to his predecessors. However, there is some data analysis that shows that they've manipulated the numbers a little bit. And the spending growth in the last couple of years has actually been a little closer to 4%. That ties in with the lack of money put aside. Is that also match your analysis?

Tom DiNapoli: Yeah. In fact, our analysis of this budget that was just completed, is actually the number is closer to 5%. It's moving certain spending off budget, and so it's not being calculated, or doing certain prepayments that again, cloud the picture as to what the actual growth is.

Tom DiNapoli: So yes, I think that that that's absolutely the case. A similar concern with debt in the state. New York is one of the most highly indebted states in the nation. Again, because we have a statutory debt cap, but it is somewhat porous, and it can be manipulated as well.

Ben Max: To the layman, this is all obviously, very complicated, but how much risk is ... Because of these different practices, how much risk is there if there's even a moderate recession?

Tom DiNapoli: It's hard to quantify, but it suffices to say the risks are clear, if we do have a recession and it does result in revenues coming in significantly below what's projected, we already have out year budget gaps that we have to deal with. If those gaps become even more significant we don't have the cushion of the reserves to draw on. We are hitting a close to our statutory limit as far as debt and borrowing.

Tom DiNapoli: So, if you can't draw on reserves and you can't borrow your way out, which is not always the smartest thing anyway, what it's going to mean is tough choices on spending. We've been through a face like that in the not too distant past. So, the risk is hard to quantify because when there is a downturn, we don't know how significant it's going to be, and how New York will fare during that. But I think it's fair to say that as we head into the next budget cycle, we should be more conservative in our expectations on revenue, need to be more conservative as our expectations on spending as well. Because the other piece of it continues to be the concern I touched on earlier, the federal policies. This congressional election 2018 are going to be key.

Tom DiNapoli: Not to be partisan, but the reality is, if President Trump gets a continuing majority in the Congress and in the Senate, the likelihood of there being a continued attempts to change healthcare financing in the country where New York has benefited significantly to the tune of billions of dollars with the Affordable Care Act. If that gets repealed or significantly changed. If to pay for the tax cuts we are going to see cuts in entitlement programs, the safety net programs, education programs, housing programs, emergency response programs, that would need to happen to pay for this tax cut New York could really suffer very significantly.

Tom DiNapoli: So, that to me is as important a concern, the Trump policies, as the economic cycle. We are not as strongly positioned to deal with all that as we'd like to be. I'm hoping the elections will change the balance of power at least somewhat, to put a check on some of those federal policies. No one has a crystal ball about the economy. Some experts say there'll be a recession a year two years, some say not for another five years. Who knows. But with all the concerns that I identified Ben, New York is still a very strong state in terms of our economy. The reality is our economy especially in the cities become much more diversified.

Tom DiNapoli: After the last recession, after the dot-com bubble burst, and the tragedy of 9/11. Wall Street financial services really led us out of that time. The bounce back from this last recession, it wasn't led by wall street. In fact, Wall Street is still smaller today than it was before the recession.

Tom DiNapoli: The fact that the economy in the city and to an extent the state is so much more diversified, that has strengthened us. And I think will enable us to weather whatever the future is going to bring.

Ben Max: One of the key areas of budget spending that could be on the chopping block and maybe even without a downturn, some candidates running for governor say should be on the chopping block, in a way some of the economic development spending that seems to have a mixed results. Some of the Buffalo spending seems to have gone fairly well, other places not so well. You have also been calling for reforms to some of the economic development spending, a clean contracting bill to give your return to your office some authority over contracts. Without getting into all the details, these bills, the clean contracting bill and a database of deals bill to show all the economic development contracts and the

return on investment for taxpayers did not pass the budget or the legislative session. Why not?

Tom DiNapoli: Well, in fairness, they did pass the Senate, which is somewhat I expected. That may afford to do the fact that there was obviously a break between the governor and the senate as we headed to the end of the year. It was a missed opportunity. It was a missed opportunity last year, it's a missed opportunity again this year.

Tom DiNapoli: As I said earlier, we have parts of the state that are still suffering. So, doing something in terms of economic development is not necessarily a bad idea. We have many programs that have been on the books, and we've audited many of those programs. We've had some newer programs, and certainly you've had a lot of money spent to these Regional Economic Development Councils. Again, some of which seem to be helping and others the jury is still out.

Tom DiNapoli: I think one of the concerns that I've had is that we really don't measure effectively the return on the investment. Very often the money spent in economic development is heralded with a ribbon cutting at the front end, but years later, how's it really being spent? We still have these big, gets back to budget reform as well, big chunks of the budget where there's just basically placeholder of lump sum appropriations that some of which ends up being spent on economic development but the accountability trail is not there.

Tom DiNapoli: Look, even with money is being spent in a way that's helpful, we've also had criminal charges that have come out of some of the spending. That really undercuts the credibility. We're going to continue to the extent that we can our role in terms of auditing some of these programs. We've done some, and we're going to do more. You're right, some of our authority to look over the spending and the contracts was taken away a few years ago. In the interest of efficiency, I think it was not a fair argument. Because we are very efficient in processing contracts. It is important to have an independent set of eyes looking at these contracts before the money is spent. I can't guarantee that some of what came out in these trials wouldn't have happened had we had that authority, but I do think folks would think twice before they would do something if they knew that there was an independent review.

Tom DiNapoli: The database of deals is very important, again, for transparency and accountability. So, we're going to keep a focus on why doesn't it get done, I don't know. I think there's too often a sense of structures that are arguably done to be more efficient in fact, end up making the process more opaque. To me, you shouldn't trade off transparency and accountability in the name of efficiency.

Tom DiNapoli: Particularly with some of these economic development programs where they've used Sunni, and they set up these nonprofits where there's no controller oversight, there's no independent oversight. That was a big mistake. Part of the

other piece of the reform that we propose is not to allow those kinds of nonprofit, opaque entities to be used for economic development.

Tom DiNapoli: So, let's just be more forthright. If we want to do money, spend on economic development. Let's have more metrics in place to evaluate the return we get, and let's have a more open transparent process. I think that would be smart, and would certainly provide more integrity to this kind of spending.

Ben Max: As you alluded to with some of those state spending going up and it being an election year, there seemed to be some also some politics at play there. As you said, the governor and the Republican led senates are splitting and the assembly not passing the bills that they had said they were in supportive before. Democrats are rallying ahead of this election cycle. In our last five or six minutes here, do you want to move towards the election cycle a little bit. You're running for reelection, as I mentioned, the open again. One of the biggest ... Before we get to your election, one of the biggest questions that melds what we're talking about with state finances, and the election cycle is whether Democrats will take the state senate, and then likely, depending on what happens in the governor's race, but the assembly will stay Democratic we pretty much know for sure. If Democrats have full control of both branches of the legislature and the governor's office.

Ben Max: There's a lot of talk that taxes will be raised, spending will accelerate quickly. Is that something you're concerned about? Should voters be concerned that a lot of the talk from many democrats about raising taxes and spending even more, is that a concern?

Tom DiNapoli: Well, I've been on the opening scene for a long time, and I have to say, the years I was in the legislature, the Republicans and the senate were not shy about spending money. They had their priorities as well, particularly for their districts. I don't think the argument that Democrats being control means more spending or more taxes.

Tom DiNapoli: The reality is that so much of what's decided in Albany, whether it's in the budget or other debates, has to deal with regional priorities. From my perspective, I do think there's a good chance that Democrats will win the Senate, and the fact that there's been this dysfunction particularly with regards to Republicans not even being able to have all their votes in place that's why the session happened the way it did.

Tom DiNapoli: I think the Democratic Party will be a diverse party, and the regional interests will be the key focal point of debate. I live in Long Island, where traditionally, there have been a lot of Republican senators versus Democratic ones. But the Democratic senators we have there now they fight for their community as much as a Republican senator will.

Tom DiNapoli: So, I think the message is for the voters, evaluate the candidates not just on their party label but who they are. I think that Andrea Stewart Cousins, who I've had the privilege to work with for a long time, she is a very responsible and inclusive senate leader. Some of the problems that happened last time the Democrats were in charge which didn't go so well. I don't think it's going to happen with Andrea Stewart Cousins. I think it's important to point out that while much of her conference is from the five boroughs of New York City, she comes from Westchester. She already has a broader statewide perspective and.

Tom DiNapoli: I think the democrats in charge of the Senate, there's no reason to be alarmed and that doesn't mean that people shouldn't evaluate the local candidates very, very carefully.

Ben Max: Someone on the other side of that picture we're seeing a bit of a reckoning within the Democratic Party, we just saw Representative Joe Crowley lose a primary pretty convincingly in a shocking fashion. You mentioned you're from Long Island, Andrea Stewart Cousins who may be the leader of the State Senate is from Westchester. There's different pockets of the Democratic Party. Not everybody is a Bronx, Queens, Brooklyn, Manhattan Democrat. How do you see where the Democratic Party is right now in New York State, and where do you fit in?

Tom DiNapoli: Well, their party is strong. I think the response to the Trump presidency is making the party even stronger. I do think there are divisions within the party that are not only in response to the Trump presidency, but still somewhat of a hangover from the divide two years ago between the Clinton campaign and the Sanders campaign, which I actually thought had healed pretty well by the time election day came around. But once we lost, those wounds seem to have been reopened.

Tom DiNapoli: Look, I grew up in a good Republican neighborhood and a good republican household. One of the reasons why I became a Democrat is that I felt the Democratic Party was more open and free flowing. That certainly is true right now. Our party has a tradition of internal competition. The challenge for Democrats always is not to spend a lot of time fighting each other, because that's often how we end up losing elections in November.

Tom DiNapoli: So, I think the Democratic Party is benefiting from the energy that's out there. You've seen a lot of young people want to get involved, more women wanted to step up to be candidates. All that I think is good, but I think we have to be concerned about not losing sight of what the real goal is. The real goal is not to beat each other up within the Democratic Party. The real goal is to win elections in November, and deliver for people.

Tom DiNapoli: One reason why I'm Democrats, is I feel the Democratic Party is always stood for the greatest good for the greatest number of people. And if we spend a lot of time fighting each other, and let the other side win, then we're not going to be able to deliver on that promise.

Ben Max: So our primaries like Alexandria Ocasio-Cortez just waged against Joe Crowley winning and Cynthia Nixon waging against Governor Cuomo, and so on, are those bad for the party or good for the party?

Tom DiNapoli: I think honest, open competition is always good. Again, after the primary is over, do you come together? In the case of the gubernatorial primary, will Cynthia Nixon still run on the working families? I don't know the answer to that. You saw Stephanie Miner, former co-chair of the Democratic Party. They trying now to start her own online.

Tom DiNapoli: So, all of that has the potential to dilute the democratic vote for governor. That obviously is the key leading race that will affect the rest of us down the ticket. I do think there is a certain stridency which is the flip side of that positive energy, when it becomes too strident, and it becomes divisive even internally what the national discourse is so divisive and divided. We shouldn't be encouraging that within our own party.

Tom DiNapoli: So, if you want to talk about credentials, you want to talk about positions, you want to have an experience, you want to talk about whatever you want to talk about, but don't make it so negative on the other side.

Ben Max: Lastly, as we wrap up. In the primaries for the other statewide positions, are you backing certain candidates?

Tom DiNapoli: I am backing Governor Cuomo and Lieutenant Governor Kathy Kathy Hochul. I haven't done an endorsement in the Attorney General race. You have four candidates are all friends of mine. They're all good people. So, we'll see how that goes.

Ben Max: Okay. Well, unfortunately that's all the time we have, but I appreciate the conversation.

Tom DiNapoli: Thank you.

Ben Max: Thank you to State comptroller Tom DiNapoli for joining me here today, and thank you for watching this edition of Race To Represent on Manhattan Neighborhood Network. I'm Ben Max, goodbye.