



October 26, 2016

Howard Zemsky
President, Empire State Development Corporation
625 Broadway
Albany, New York 12245

Re: Restore public confidence by ending the use of state affiliated non-profits and SUNY in awarding economic development contracts.

Dear President Zemsky,

We read your October 20th, 2016 comments in the *Democrat and Chronicle* about reforming Fort Schuyler and Fuller Road Management Corporations with a great deal of interest. On September 30, in the wake of the massive \$750 million plus bid-rigging scandal engulfing those state controlled non-profits and SUNY Polytechnic, our groups wrote state leaders and called on them to undertake major reforms. (See attached.)

Among our short list of recommendations we called on the state to:

Transfer responsibility for awarding all business subsidy awards to the Empire State Development Corporation, and end the use of state non-profits and SUNY in awarding these subsidies.

We believe that the state's use of state-affiliated non-profits and the SUNY system to award state economic development contracts is inherently prone to corruption and abuse. State-affiliated non-profits exist in a legal grey area. They are not state agencies subject to the procurement requirements within the Finance Law – nor are they state authorities subject to the Public Authority Reporting Act or Public Authority Law.

The Finance Law and Public Authority Law have detailed requirements to ensure clean and fair contracting, public accountability, and independent oversight of the public's money. These laws exist for good reasons – to protect public funds from misuse and abuse. Creating a shadow government of state non-profits and SUNY organizations outside of these laws has proved to be a recipe for disaster, and it has to stop.

In order to restore the public's faith in state economic development contracting, end the role of state-affiliated non-profits and SUNY in awarding those contracts, and transfer all economic development procurement, contract awards, and management to ESDC.

Thank you,

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Director of State Studies
Citizens Budget Commission

Dick Dadey
Executive Director
Citizens Union

Susan Lerner
Executive Director
Common Cause NY

Ron Deutsch
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September 30, 2016

Re: Fundamental reforms needed in the aftermath of massive state bid rigging scandal.

Dear Governor Cuomo, Comptroller DiNapoli, Attorney General Schneiderman, Senate Leader Flanagan, Speaker Heastie, and Senate Coalition Leader Klein,

We write in the aftermath of the recent federal and state criminal complaints against many of the major players involved in New York's Upstate economic development program to call on you to undertake major reforms.

The indictments confirmed that the state's use of non-profits and branches of SUNY to award billions in technology manufacturing subsidies has created a system that is ripe for abuse. We are calling on you collectively to work together to develop legislation and regulations that implement previous recommendations to:

1. Require competitive and transparent contracting for the award of state funds -- regardless of the contracting entity. We recommend using the agency procurement guidelines as a uniform minimum standard.
2. Transfer responsibility for awarding all business subsidy awards to ESDC, and end the use of state non-profits and SUNY in awarding these subsidies.
3. Empower the Comptroller to review and approve all state contracts.
4. Create a Database of Deals that allows the public to see the total value of all forms of subsidies awarded to a business --- six states have this.

We also urge you to seek 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 NYC have "pay to play" laws like this and it could be a positive step for New York State.

These reasonable reforms address a scandal that affected over \$1 billion in public funds and revealed profound systemic problems with how the state awards certain large contracts. We urge you to move quickly to implement these reforms and to ensure that public funds are awarded fairly and transparently.

Thank you,

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