



Los Angeles City Ethics Commission

April 21, 2012

The Honorable Budget and Finance Committee
c/o Erika Pulst, City Clerk's Office
200 North Spring Street
City Hall Room 395
Los Angeles CA 90012

Re: Proposed Ethics Commission Budget for Fiscal Year 2012-13
FOR COUNCIL CONSIDERATION

Dear Committee Members:

The Mayor's proposed budget for Fiscal Year 2012-13 would eliminate three of the Ethics Commission's 19 staff positions, two vacant and one filled. I am writing to strongly urge you to maintain all of those positions and to authorize the filling of the two vacant positions.

The Ethics Commission staff has already been cut by nearly 40 percent under the current administration, falling from 31 positions to 19. If the proposed budget is adopted, we will lose another 16 percent of our current position authorities. This degree of loss negatively affects the City's ability to comply with its mandates, which creates legal liability, and will be extremely detrimental to the upcoming 2013 elections.

The Ethics Commission is a Charter-mandated agency that was created to, among other things, help reduce corruption and the appearance of corruption, promote government transparency and accountability, and restore public confidence in City processes. The City Charter requires the Commission to administer and implement state and City laws regarding campaign financing, lobbying, and governmental ethics. These legal mandates include providing advice and education, providing formal advice and opinions, receiving and processing disclosure forms, assisting departments in developing their conflict of interests codes, reviewing commissioner recusals, conducting audits and investigations, and enforcing against violations.

The Commission's mandates have already been compromised by the loss of staff to date, and the proposed budget will further thwart the Commission's ability to foster the critical and voter-established purposes of reducing real and apparent corruption, promoting transparency and accountability, and restoring public trust. The Commission has made tremendous strides of late in helping to ensure compliance on the front end, which promotes good City government and limits the need for enforcement. However, losing three more staff positions will relegate the Commission to the ranks of reactive agencies, with no capacity to proactively assist regulated communities or the public.

Some of the specific effects of cutting three of the Commission's 19 position authorities include the following:

- Inability to timely respond to requests for compliance assistance, which will result in increased violations and enforcement of state and City laws and could subject the City to lawsuits.
- Inability to conduct training sessions for City officials, which will result in increased violations and enforcement of state and City laws and could subject the City to lawsuits.
- Inability to timely respond to requests for formal advice, which will result in increased violations and enforcement of state and City laws and could subject the City to lawsuits.
- Inability to review and update departmental conflict of interests codes, which will result in outdated codes and City employees who are not subject to state and City governmental ethics laws regarding gifts, travel, income, and financial disclosure and could subject the City to lawsuits.
- Inability to timely provide advice and education for departments and bidders regarding the new prohibition on political contributions from and limit on fundraising by certain bidders and subcontractors, which will result in increased violations and enforcement of City law, nonresponsive bids, and illegal campaign contributions to City candidates and officeholders (this new law has resulted in an average of 150 additional Commission filings per month, with 2,600 new persons subject to Commission oversight and enforcement).
- Inability to process matching funds claims within legal deadline, which will affect candidate campaigns for elective City office and could subject the City to lawsuits.
- Inability to timely assist over 6,000 City officials with the annual Form 700 filing requirements, which will result in increased violations and enforcement.
- Inability to timely complete the pre-confirmation process for appointees to boards and commissions, which will result in incomplete reviews for the City Council.
- Inability to conduct timely reviews of recusals submitted by board and commission members, which will result in possible continued conflict of interests violations and could subject the City to lawsuits.
- Inability to timely implement changes in state gift and travel laws, which will result in increased violations and enforcement.
- Inability to timely respond to California Public Records Act requests, which could subject the City to lawsuits.

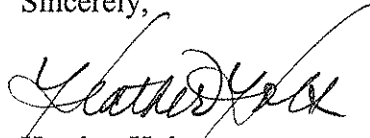
In addition to these specific effects, the loss of staff will have severe implications for the City's 2013 elections. Those upcoming elections are expected to be the most competitive that the Commission has ever overseen. The closest comparison is the elections that were held in 2001. At that time, the Commission had 24 permanent staff members and four as-needed staff members, all of whom were required to assist in processing matching funds claims. Even with all staff members assisting, hundreds of hours of overtime were accrued during that election cycle, because of the volume of work associated with verifying matching funds claims and issuing payments.

The Commission's current staff is already much smaller than the staff in 2001, and the mandates and work load are much greater. Losing an additional 16 percent of the staff will result in the Commission being unable to comply with the legal deadline for auditing and issuing matching funds, will subject the City to possible litigation from affected candidates, and is likely to undermine the attractiveness and effectiveness of the entire matching funds program. It will also have far-reaching effects on all of the Commission's operations. When every staff member is required to assist in processing matching funds claims, there will be inevitable delays in mandates such as providing compliance assistance to candidates and City officials, ensuring timely disclosure of independent expenditures, conducting timely audits, and enforcing violations of the governmental ethics laws.

The proposed budget includes funding for as-needed positions, which will be very helpful for the 2013 elections. However, the as-needed positions are necessary *in addition* to the existing 19 positions if we are to meet our legal obligations and avoid negative repercussions for the 2013 elections and the Commission's other responsibilities.

The Commission has always been willing to work with our City partners to develop a fair and sustainable budget, but the serious impact of the proposed staff eliminations cannot be ignored. We will be available to answer questions at committee and City Council budget hearings, and I am happy to talk with you or your staff at any time.

Sincerely,



Heather Holt
Executive Director

cc: Neil Guglielmo, Deputy Mayor for Budget and Financial Policy
Miguel Santana, City Administrative Officer
Dolores Rivera, Analyst, CAO's Office