|  |  |
| --- | --- |
|  | **The Council of the City of New York**  **Finance Division**  Latonia McKinney, Director  **Fiscal Impact Statement**  **Proposed Intro. No. 1325-A**  **Committee:** Governmental Operations |
| **Title:** A Local Law to amend the administrative code of the city of New York, in relation to authorizing the creation of legal defense trusts. | **Sponsors:** Council Members Levin, Cohen, Levine, Lander, Ayala and Ampry-Samuel |

**Summary of Legislation**: Proposed Intro. No. 1325-A would allow public officials to create stand-alone trusts to take donations to pay for their legal expenses in certain criminal and civil matters and for the legal defense of anyone involved in a matter for which the trust was created. The legislation would set a donation limit of $5,000 per donor and would place restrictions on who could donate to a legal defense trust. Subordinates, lobbyists, people doing business with the city, corporations, LLCs and anonymous parties would not be allowed to donate. All donations would have to be reported to the Conflicts of Interest Board (COIB) and posted online. COIB would also promulgate rules, conduct periodic reviews and audits of such trusts, receive, investigate and adjudicate complaints alleging violation of its rules or of the requirements specified in the legislation. The legislation includes a schedule of penalties that the COIB would levy for such violations.

**Effective Date:** This local law would take effect immediately.

**Fiscal Year in which Full Fiscal Impact Anticipated:** Fiscal 2020

**Fiscal Impact Statement:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Effective FY19** | **FY Succeeding**  **Effective FY20** | **Full Fiscal Impact FY20** |
| **Revenues (+)** | *de minimus* | *de minimus* | *de minimus* |
| **Expenditures (-)** | $75,000 | $175,000 | $175,000 |
| **Net** | $75,000 | $175,000 | $175,000 |

**Impact on Revenues:** It is estimated that there would be a *de minimus* positive impact on revenues resulting from the enactment of this legislation, as some funds collected by legal defense trusts would be used to pay Campaign Finance Board fees. Full compliance with the legislation is assumed. Therefore, there are no anticipated revenues from penalties resulting from violations of the rules governing the establishment and management of legal defense trusts.

**Impact on Expenditures:** It is estimated that there would be a fiscal impact of $75,000 in Fiscal 2019 and $175,000 in Fiscal 2020 and the outyears resulting from the enactment of this legislation. This funding would finance the cost of additional COIB staff to review trust documents, serve as a liaison to trustees and conduct semiannual reviews of each trust. Additionally, this funding would cover auditing costs for each trust, which must be audited biennially for the duration of their operation, as well as upon the dissolution of the trust. It is estimated that existing City resources could be used to build and maintain the reporting portal that the legislation requires.

**Source of Funds to Cover Estimated Costs:**  General Fund

**Sources of Information:** New York City Council Finance Division

Conflicts of Interest Board

**Estimate Prepared by:** Zachary Harris, Financial Analyst

**Estimate reviewed by:** Nathan Toth, Deputy Director

Regina Poreda Ryan, Deputy Director

John Russell, Unit Head

Noah Brick, Assistant Counsel

**Legislative History:**  This legislation was introduced to the Council as Intro. No. 1325 on January 9, 2019 and referred to the Committee on Governmental Operations (Committee). The Committee heard the legislation on January 14, 2019 and the legislation was laid over. The legislation was subsequently amended and the amended legislation, Proposed Intro. No. 1325-A, will be considered by the Committee on January 24, 2019. Upon a successful vote by the Committee, Proposed Intro. No. 1325-A will be submitted to the full Council for a vote on January 24, 2019.

**Date Prepared:** January 18, 2019