

To: The Honorable Carrie Austin, Chair,
City Council Budget and Government Operations Committee

From: Steven I. Berlin, Executive Director

Re: **OPENING STATEMENT/FISCAL YEAR 2015 BUDGET**

Date: October 30, 2014

Overview and Mission: Now in its 28th year, the Board of Ethics administers, interprets and enforces Chicago's Governmental Ethics Ordinance. Under the leadership of the new Board members, who began their service in November 2012, the Board continues to promote integrity, transparency and accountability in City government through its enforcement, educational and regulatory programs. Through our casework program, we receive requests for and issue more than 6,000 confidential advisory opinions yearly for persons (mostly City employees and officials) on "taking the high road," following the correct, ethical course of action, and responsibly handling potential conflicts of interests. Through our enforcement program, we refer complaints alleging violations, settle, dismiss or adjudicate completed investigations (making final determinations as to whether ethics violations have occurred), and enforce training and filing requirements for lobbyists and City employees and officials, and assess penalties and/or issue recommendations for corrective action. Through our regulatory program, we make public thousands of disclosures filed by lobbyists and City governmental personnel. Through our educational programs, we raise awareness of the City's ethics standards, and promote a dedicated, good-willed City workforce and well-regulated contractor communities.

Highlights of 2014 Achievements, and 2015 goals:

1. **EDUCATION:** Educating persons about their obligations under the Ethics Ordinance is a critical responsibility, but one that "goes under the radar" when ethics issues are discussed publicly. We offer the following programs:

◆ **Mandatory Annual On-line Ethics Training.** The Ordinance requires that all lobbyists, aldermen and City employees and officials complete an annual ethics training program designed by the Board. The Board has administered and revised this program every year. We produce separate programs for lobbyists, aldermen and other City personnel. These educational programs are models nationwide—Chicago is one of the few jurisdictions requiring annual ethics education for all governmental employees, officials and lobbyists. With the assistance of Ethics Officers from every City department and aldermanic office, and under the Board's administration, the City again achieved *100 percent compliance with the 2013 training requirements* (30,561 completions). In February 2014, we determined that seven employees had not completed their 2013 ethics training by the December 31 deadline, as required. No fines were assessed, as they all completed the program within

the 10 day grace period, but we posted their names on our website for 30 days, as per Ordinance.

To date, 25,000 employees and aldermen have completed the 2014 training. For 2015, we will again revise these programs completely and implement technical and visual enhancements.

A mark of the success of our educational programs: the growing number of lobbyists and City employees and officials seeking advice from us. We also regularly consult with sister agencies and other governmental ethics agencies around the country on creating effective training programs.

◆ **Mandatory Annual Lobbyist Training.** Registered lobbyists—currently 630—must complete an annual training program designed and administered by the Board. For the 2013-2014 training year, only one lobbyist did not complete the training, and was fined, per the Ordinance. As we do every year, training is fully revised for the 2014-2015 training year.

◆ **Other Training.** We conduct face-to-face ethics training seminars for approximately 10 percent of the City's workforce, who are required by law to attend ethics training every four years (aldermen and staff, City Council Committee staff and senior executive service employees). We also design and conduct other seminars upon request, including classes for appointed officials and specific departments. Since November 2013, more than 800 City employees and officials, contractors, and lobbyists have attended ethics seminars. The Board has also conducted classes for all SSA Commissioners and Service Providers, and foreign dignitaries. We have posted an all-new training program for persons who have or are seeking City contracts.

◆ **Ethics Officers and Training Administrators.** Our work would be impossible without Ethics Officers from every City agency and every aldermanic office. They are our eyes and ears, referring their personnel with substantive legal questions and assisting us with required filings and educational requirements. We are required to conduct training for them, to help them remain abreast of the law.

◆ **Educational Materials.** Our website includes Ordinances, Rules and Regulations, redacted opinions indexed by subject matter, brochures, "Plain English" guides, and training videos. In the past year, we revised and published seven new guides, covering political activity, post-employment, contracting with the City, involvement in non-profit organizations, campaign contributions, and guides for businesses and the public. All of our political activity and campaign finance related materials are collected under one umbrella, entitled "Ethics Guides for Upcoming Elections."

2. **CONFIDENTIAL GUIDANCE AND CASEWORK:** Rendering confidential advisory opinions to City officials, employees and others as to complying with both the letter and spirit of the ethics laws, and handling potential conflicts of interests responsibly in specific situations is the most effective way to prevent misconduct and foster a culture of ethics in City government:

Since November 2013, we have issued more than 6,000 confidential formal and informal advisory opinions. Sixty eight percent of these have been issued to City employees and officials (16 percent of these to City Council members or their staff or their representatives, and to department heads). Twenty percent were issued to lobbyists, and of remainder issued to attorneys, contractors, political committees or would-be political contributors. To date in 2014, we have experienced increases in opinions relating to political activity, campaign contributions and business travel--as the Ordinance's

travel rules require pre-clearance from the Board of Ethics--and service on non-profit boards. Formal Board advisory opinions are made available for public review, with confidential information removed. Formal opinions issued by the Board since 1986 are on our website and indexed by subject matter. In 2015, we will have implemented a secure, automated system for retrieving the thousands of informal advisory opinions we issue each year.

3. FINANCIAL DISCLOSURE: As revised, the Ordinance requires 3,500 City employees and officials (including aldermen) to file annual Statements of Financial Interests with the Board. The Board distributes reviews and makes publicly available forms going back seven years from the date of filing. Forms filed in 2009 and after are available for viewing on the internet; since 2011, filers can also complete and file their forms via a secure website; 75 percent of people file electronically. Very few government bodies enable their personnel to file online *and* make this information available to the public online.

4. REGULATION: The Ordinance requires all individuals who lobby City personnel to register annually with us (there is an annual registration fee, which can be waived for certain non-profits) and file quarterly activity reports. These filings provide detailed information about matters on which they've lobbied, their fees and clients, gifts they've offered, and political contributions they've made. Since November 2013, the Board has collected more than \$400,000 in lobbyist registration fees (about 50 percent of our operating budget). Shakman-exempt Executive branch employees and Mayoral appointees are also required to sign an ethics pledge binding them to a two-year lobbying ban after they leave City service. A list of pledgees is posted on our website. The Board also posts all disclosures made by City personnel regarding business travel, gifts, and recusals from matters by City Council members and executive branch employees and officials.

5. CAMPAIGN FINANCING: The Ordinance limits at \$1,500 the amount of money that registered lobbyists, or persons doing, or who have done, or who are seeking to do business with the City or its sister agencies may contribute per year to any single elected City official or candidate for elected City office, or to their political committees. At the Board's urging, in 2013 the Ordinance was amended to stiffen the penalties for those who make and accept political contributions in excess of this limit. The Ordinance provides that names of violators shall be made public. Under an amendment that took effect on September 10, 2014, the Board is responsible for reviewing publicly filed reports of political contributions and referring potential violations to the appropriate inspector general. The Board has completed its review of all contributions made in 2013, and will refer potential violations to each inspector general. We will offer briefings for all elected officials and their staff.

Between October 2009 and July 2013 (when the Board's investigative authority was transferred to the two inspectors general), the Board commenced 64 investigations of apparent excess contributions to City elected officials, determined that 19 contributors violated the Ordinance, and achieved compliance (meaning that the contributor received a refund of the excessive contribution) in 71 cases (this includes some that had been commenced in prior years).

6. ENFORCEMENT: Since November 2012, the most far-reaching changes to the ethics law and our operations have come in the area of enforcement. These changes, many recommended by the Mayor's Ethics Reform Task Force, were enacted to ensure that due process of law is guaranteed in all investigations. The Board of Ethics plays a key role.

◆ Under amendments that became effective July 1, 2013, and at the recommendations of the Mayor's Ethics Reform Task Force, the Board is an adjudicative agency: it no longer investigates complaints alleging Ordinance violations (with the exception of persons who fail to timely make required lobbyist filings, file financial interests, or complete required training). The Board now refers all complaints to the appropriate inspector general's office, which then conducts investigations according to its enabling ordinances and rules. At the completion of the respective inspector general's investigation of a violation of the Ethics Ordinance, the Board considers the inspector general's final investigative report, and will either dismiss the matter or find probable cause to believe that the Ordinance may have been violated. If the Board finds probable cause, it may settle the case (settlements become public, and may involve discipline and/or fines) or enable the subject to go to a confidential evidentiary hearing, presided over by an administrative law judge. At the conclusion of that hearing, and after evaluating the judge's findings, the Board determines, by majority vote, whether the subject violated the Ordinance. If the Board so determines, it recommends or assesses appropriate penalties. These determinations are appealable to the Circuit Court. The Board prepares written public reports of all findings, determinations and recommendations it makes on these investigations.

The Board Revised Rules & Regulations took effect earlier this month.

◆ **Enforcement Actions Regarding Statements of Financial Interests.** On February 28, 2014, 3,162 employees and officials were notified of their requirement to file 2014 Statements of Financial Interests. As of June 1, the filing deadline, all but 76 had filed. These 76 were determined to have violated the Ordinance, and their names were made public, also as required by Ordinance (their names are posted on the Board's website for 30 days, beginning July 3). Seven (7) of these 76 did not file within the statutory grace period, and became subject to fines; one paid his \$250 fine; one (1) appointed official's fine was waived for good cause; one (1) employee filed but still owes a \$250 fine; the remaining appointed officials have not filed and their fines continue to accrue. The Board continues to work closely with departmental and aldermanic ethics officer to reach its goal of no violations.

◆ **Enforcement Actions Regarding Lobbyist Disclosure.** Lobbyists who fail to timely register or report are subject to fines (as are their clients) and/or suspension of their registration; the City may cancel contracts awarded based on unregistered lobbying. The Board has aggressively enforced these registration requirements. In 2014, 10 lobbyists were found in violation of the law for failure to timely register, fined and paid \$25,500. Additionally, one lobbyist was found in violation of the Ordinance for failure to timely file quarterly reports, fined and paid \$500. This is an improvement from 2013 when 23 lobbyists were found to have violated the law for late filings, and 144 were given a one-time admonition against future late filings.

**BOARD OF ETHICS
PROGRAMS AND SERVICES DELIVERY CHART
OCTOBER 2014**

