



The Legal Corruption of Senator Pedro Espada, Jr.

Former Senator Espada is on trial for fraud, accused of improperly using government funds from his health clinic for sushi, flowers, Knicks games and his grandchild's birthday party, among other things.

But Espada had access to more than just Medicaid money. As an elected official, Espada had another rich source of money: campaign contributions. An analysis of his campaign finance filings shows that:

- Espada's fundraising increased more than **650%** after he became the Senate's Housing Committee chair
- More than **half** of the \$484,855.51 he raised from 2009 through 2010 came from the industry that lobbies the Housing Committee – the real estate industry
- Only **three** contributions came from within his own district.

Espada doesn't have to worry about having to account for how he raised his campaign money, or how he spent it. Loose state laws allow politicians to spend this money on virtually anything.

If New York State had a fair elections system with tough enforcement provisions – the kind of system New York City already has – this kind of “easy money” would be much harder to come by. In New York City, candidates raise more money from local donors and smaller donors, lessening the influence of outside money and wealthy interests.

Who gave to Espada

In 2007 and 2008, Espada amassed a relatively small campaign chest of \$73,600. Nearly all of the money came from associates in the health industry, including his own employees; his family, including contributions he made to himself; and other elected officials. (Espada won elections to the Senate in 2006 and 2008.)

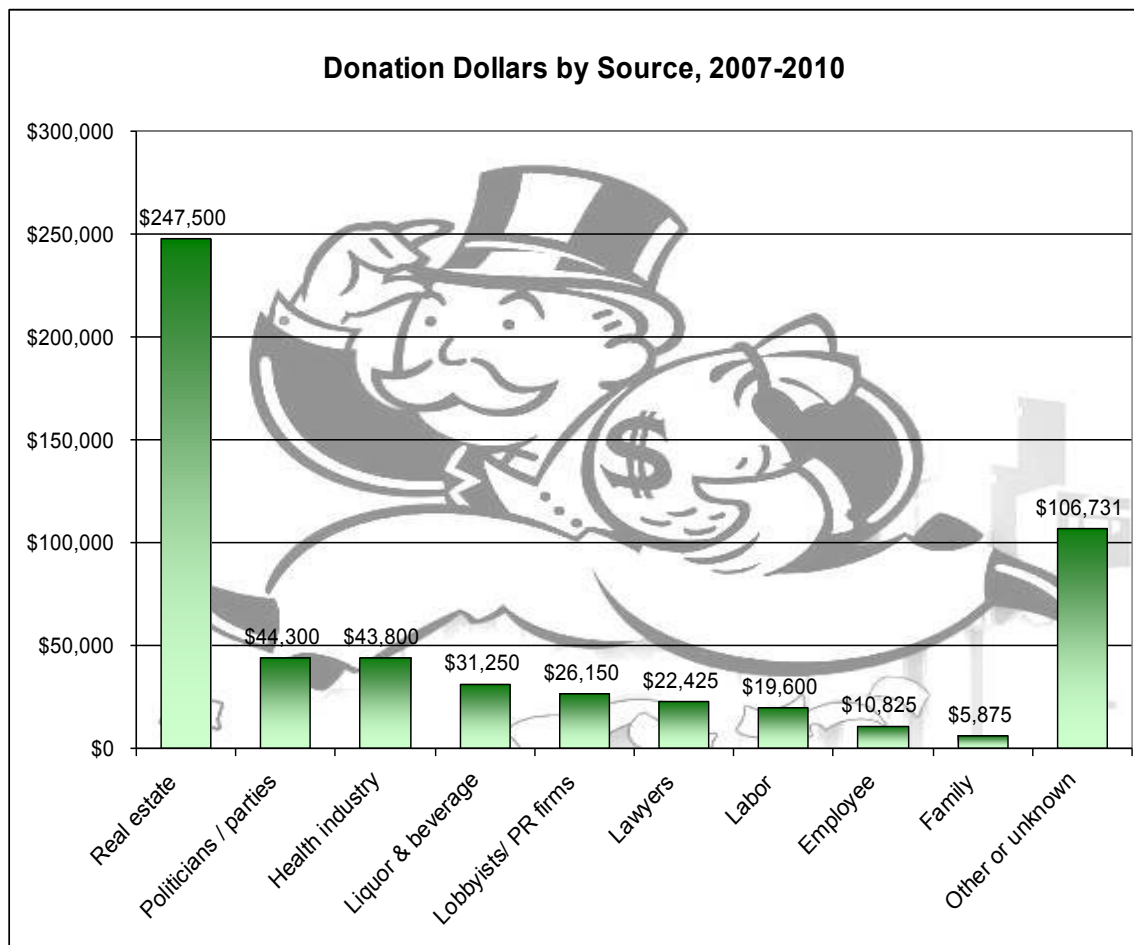
Source*	2007-2008 cycle	2009-2010 cycle	Total	% of all contributions
Real estate	\$2,800	\$244,700	\$247,500	44%
Politicians / parties	\$15,400	\$28,900	\$44,300	8%
Health industry	\$25,350	\$18,450	\$43,800	8%
Liquor & beverage	None	\$31,250	\$31,250	6%
Lobbyists/ PR firms	None	\$26,150	\$26,150	5%
Lawyers	\$950	\$21,475	\$22,425	4%
Labor	\$100	\$19,500	\$19,600	4%
Employee	\$8,350	\$ 2,475,	\$10,825	2%
Family	\$5,875	None	\$5,875	1%
Other or unknown	\$14,775	\$91,955.51	\$106,730.51	19%
Total contributions	\$73,600	\$484,855.51	\$558,455.51	100%

*This list includes only the top nine donor groups. Other, smaller groups are included in the “Other or unknown” category. In some cases, we were not able to identify a donor's affiliation.

In 2009 and 2010, Espada attracted much more money. No longer reliant on employees or his family, he instead increased his total take to \$484,855.51, more than a six-fold increase in campaign contributions.

What changed? After the 2008 election, Espada held the balance of power in the Senate with three other senators. Democrats had a 32-30 majority, but before agreeing to support his own party he held out for a leadership position and took over as the powerful chairman of the Housing Committee – where he could determine which housing bills would move forward. The industry responded generously, increasing their contributions to the Espada campaign chest from a few thousand dollars in his first Board of Elections report to quarter-million dollars when Espada led the committee.

Cash from other industries flowed to Espada as well. Fellow politicians, lobbyists and public relations firms sent \$70,450 his way. Faced with a proposal from Governor Paterson to tax sugar in soda, beverage companies contributed \$31,250, although they hadn't contributed anything to him in the 2007-2008 period.



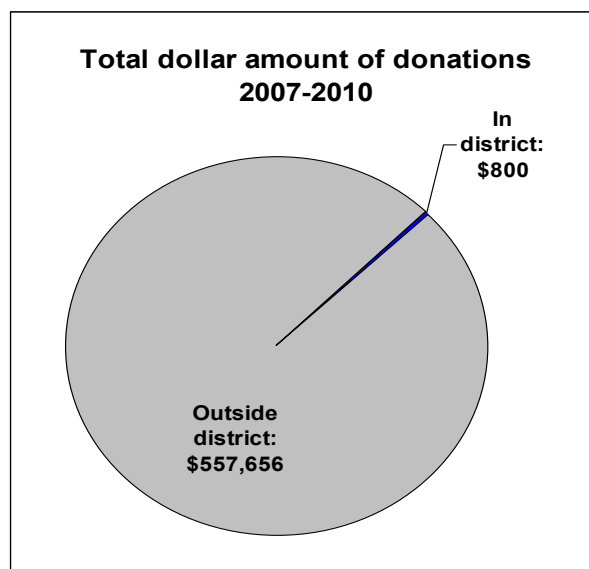
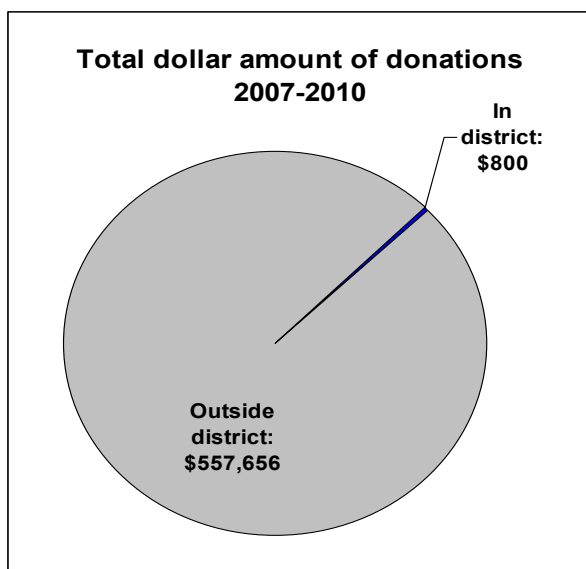
Who didn't give to Espada

Our review of Espada's campaign filings shows that he received no financial support at all from residents of the 33rd district, which currently covers the northwest Bronx neighborhoods of Bedford Park, Fordham, Norwood, and Kingsbridge Heights.

Just three of the 575 contributions he received came from the district, but those were from local pharmacies. No individual voter in the 33rd gave him money in either election we reviewed. Overall, Espada raised \$698 from outside his district to every dollar raised in it.

Source	2007-2008 cycle		2009-2010 cycle		Total	
	Amount	# of donors	Amount	# of donors		
In district	0	0	\$800	3	\$800	3
Non-district	\$73,600	149	\$484,055.51	423	557,655.51	572

We also reviewed contributions from the Bronx. About one in \$10 came from Espada's home borough, with many from his own employees at Soundview.



What the real estate industry got for their money

With a quarter-million dollars eventually invested in Espada – nearly half his campaign chest – the real estate industry looked to the senator to make sure their interests were protected.

Faced with substantial support in the new Democratic majority for an expansion of rent regulation, Espada and another senator threw the chamber into chaos when they switched allegiances and supported the Republican leadership in June 2009. Tenant advocates charged that significant contributions from the real estate industry to Espada played a role in his decision to leave the Democrats, though contribution records weren't available at the time.

The next year, Espada proposed his own “Rent Freeze” bill, which he claimed was a pro-tenant bill that would protect tenants earning \$45,000 or less from rent increases. The truth: It would have benefited landlords significantly by allowing them to remove thousands of rent-regulated apartments from government regulation. Beyond that, one analysis estimated that, after 10 years, the rent freeze would have cost the City of New York as much as a billion dollars annually.

Conclusion

The Espada story shows how big money can influence the legislative process at the expense of regular voters. If money talks, then individual voters in Espada’s own district had no voice whatsoever, since none of them contributed to these Senate campaigns. A strong public finance system in New York State could alter the balance of power significantly.

Methodology

We reviewed all 575 contributions reported by Espada to the State Board of Elections for the years 2007, 2008, 2009 and 2010. Those donations were cataloged in three reports: Espada for the People PAC (covering 2003-2008), New Yorkers for Espada (covering 2009-2010) and Espada 2004 (covering 2004 with one donation from 2008). Using press reports, including those covering the federal charges Espada now faces (which allowed us to identify many employee and family contributors) and on-line information, we were able to determine the source of 500 of these 575 contributions.