



M U L T I S T A T E

Fed bank president defiant in face of criticism of his lobbying on state education
(Minnesota)

The president of the Federal Reserve Bank of Minneapolis, Neel Kashkari, has put the full weight of the institution behind an initiative to enshrine quality public education as a fundamental right in the Minnesota constitution.

The effort has included phone calls to lobby Minnesota lawmakers, a special [website](#) dedicated to pushing the proposal and frequent use of Fed research resources that often bolster his arguments.

Kashkari and retired Minnesota Supreme Court Justice Alan Page have been championing the constitutional amendment they say is a bipartisan effort to address the state's educational achievement gaps based on race, ethnicity and socioeconomic status, which by some measures are the worst in the nation.

“Minnesota — for all of the talk about equity — has made zero progress, literally zero,” Kashkari said in a Reformer interview. “It’s a politics problem. Politics seems to be getting in the way of real reforms.”

But some question whether it’s appropriate for a regional Fed chief to be lobbying lawmakers at the State Capitol and using the Fed’s considerable resources to support passage of a controversial amendment to the constitution.

“I’ve never heard of the Fed becoming involved in a constitutional amendment, ever,” said Myron Orfield, a former state lawmaker and a constitutional law professor at the University of Minnesota, who served as an advisor on inequality to Kashkari before a falling out. Orfield is opposed to the constitutional amendment.

In a [recent Wall Street Journal commentary](#), Charles Plosser, former president of the Federal Reserve Bank of Philadelphia, was quoted saying it was “pretty unusual” for any Fed official to

advocate a specific piece of legislation. Fed officials generally avoid making political proposals not directly related to the Fed's mandate.

“It is one thing to say you think education is important and needs improvement, which I probably said many times, but it's another to essentially lobby for a specific proposal or bill,” Plosser said. “Also it is one thing to react to the proposals of others in general terms but quite another to proactively argue for a specific solution. A real danger is that such actions can indirectly insert the Fed into the political process, undermining its case for independence.”

Gerald O'Driscoll, former vice president at the Dallas Fed, told the Journal in an email “It certainly goes beyond what Fed presidents do traditionally. I could see a Fed president hosting a conference on education at his bank.”

Asked about the former Fed officials' criticism, Kashkari said, “They're entitled to their opinions.” He said when people can't argue with him on the substance of an issue, “They reach for arguments like this.”

Former Treasury official who ran for governor of California

The Federal Reserve serves as the nation's central bank, with 12 Reserve Banks. They regulate banks and pursue twin goals of full employment and stable prices. It's overseen by the Board of Governors, a federal agency, and reports to Congress.

Kashkari is a former U.S. Treasury official who helped oversee the bailout of big banks after the 2008 financial crash. He later ran for governor of California with an education platform with some of the themes he's pursued here. He helped create the Fed's conference series on racism and the economy, and believes a quality public education is a fundamental right.

Orfield, who is an expert on the legal structures of economic inequality and has done work for presidents Barack Obama and Joe Biden, said the amendment discards language guaranteeing equal funding, protecting labor unions and mandating integrated schools. Orfield alleges it's a backdoor attempt to privatize the educational system.

“It's a huge amendment,” he said, while also calling it “sinister.”

Page and Kashkari have attracted thousands of people statewide to “community conversations” about the proposal since 2020. The amendment has been promoted by Fed employees in legislative hearings and is often the topic of Minneapolis Fed newsletters.

One day after the Wall Street Journal piece was published, the Minneapolis Fed's email newsletter pointed to "new [research](#)" showing education such constitutional amendments raise the minimum standards for education results and increase education-related bills enacted without an increase in court challenges.

Kashkari said opposition to his activism is nothing new: When he first started more than five years ago, he did a lot of work on too-big-to-fail banks, and the banks "hated it" and accused him of pursuing political ambitions.

"They can't debate you on the merit of an issue. They try to distract with these other considerations. And that's what this is about. There are a lot of people who don't care about the education disparities in Minnesota, and they come up with nonsensical arguments to distract from the disparities."

Asked whether he's aware of other Fed presidents with similar causes, Kashkari sidestepped and said when he arrived in Minnesota, he heard lots of praise for the Minneapolis Fed's two decades of work on early childhood education.

One of the Fed's goals is maximum employment, and education is the most important determinant of that, he said. Some presidents get involved in literacy or rural economic development, he said, but he thinks the biggest economic challenge in Minnesota is education disparities.

It's an obvious place to focus the Fed's energy, he said, as long as it's done in a nonpartisan manner.

Asked if he has similar initiatives in other states he oversees, he said nothing "quite this formal," although he's gotten a lot of inquiries in Montana about the Fed's previous work on early childhood education.

Fed points to success of Louisiana's education reform

Supporters of the constitutional amendment often point to a 2019 Minneapolis Fed report on the achievement gap, which cited states such as Louisiana and Oklahoma for making progress in closing gaps.

The report cited as "bold steps" Louisiana's 2003 passage of a constitutional amendment that allowed the state to take over failing schools and put many under charter management. It also

pointed to the Harlem Promise Academy charter schools founded in 2004, as well as Boston College's City Connects schools.

Kashkari points to Florida as an example of a state that has made more progress than Minnesota on education disparities after amending its constitution multiple times, leading to sweeping "accountability measures" and "choices for parents."

Kashkari said he's not suggesting Minnesota should mimic Florida, but he said the amendment would "send a powerful message to elected officials" and force change.

Orfield said he suspects another motive, that Kashkari is returning to central issues in his bid for California governor, during which [he advocated tossing out much of the state's education code](#) and allowing most schools to operate under the same rules as charters.

Asked if he's considering running for office again, Kashkari said, "I'm not running. I have no interest in running."

Orfield noted that 22 legal scholars and experts signed a letter to lawmakers saying the amendment eliminates all language requiring minimum levels of funding for public schools and removes language protecting students' civil rights, while inserting language that could measure students' rights through the lens of standardized testing.

"No expert thinks this is anything but an effort to make the system more private," Orfield said.

Kashkari said the proposed amendment says the word "public" three times in two sentences. He said both Page and Attorney General Keith Ellison deny the measure would lead to more private education. The amendment, Kashkari said, is supported by "the two most senior African American lawyers in Minnesota," meaning Ellison and Page, though Page is retired.

"We're trying to strengthen public education, so that's nonsense," Kashkari said of accusations that he is seeking to privatize the schools. "And the people who are telling you that are lying. One of the things we've learned in the last couple of years is if you don't like the truth, just to invent your own truth and keep repeating it. Some people are gonna believe you."

Rep. Ron Kresha, R-Little Falls, said the proposed amendment, which has faced resistance from the influential teachers union Education Minnesota, has yet to get a serious hearing in the House the past two sessions due to opposition from the House Democratic-Farmer-Labor majority. He accused the union of standing in the way of a "quality education."

Is it lobbying?

Even though Kashkari has met with lawmakers to advocate for the constitutional amendment, he doesn't consider his work lobbying.

Neither Kashkari nor the bank are registered as lobbyists.

"To me lobbying is hiring a lobbyist," he told the Reformer. "We don't have lobbyists on staff."

The Minnesota Campaign Finance and Public Disclosure Board, which regulates lobbying, defines the activity as "trying to influence governmental action by communicating with or urging others to communicate with public officials."

Kashkari said he's merely putting out good policy ideas backed by objective analysis. He likens it to Minneapolis and St. Paul asking the Fed to do an economic analysis of their decision to raise the minimum wage. Or, an economic impact analysis of the devastating 1997 Red River flood.

Kresha said he doesn't consider Kashkari's work to be lobbying, noting lawmakers have also worked with [Art Rolnick](#), former senior vice president and director of research for the Federal Reserve, who promoted early learning scholarships.

Kresha added: "I know a lot of people have asked that question: Why is the president of the Federal Reserve involved in this?"

Kresha said Kashkari is merely trying to solve a problem: "Their role is to improve the economy. What he intends to do in the future, that's up to him. But in the present, he's trying to solve an achievement gap."

[Top Cuomo aide's father lobbied the governor's office earlier this year as probes were ongoing](#) (New York)

A firm run by the father of Gov. Andrew Cuomo's closest advisor was actively lobbying members of the governor's team earlier this year for clients as former Cuomo aides came forward with claims of sexual harassment and while the governor was under investigation by the attorney general's office.

Giorgio DeRosa, the father of the powerful secretary to the governor, Melissa DeRosa, is listed on lobbying disclosure reports as part of a group that actively engaged Cuomo's staff within the

executive chamber during [state Attorney General Letitia James' investigation](#) into the governor allegedly sexually harassing multiple women, records show.

The disclosure reports show Giorgio DeRosa, a leader at the influential lobbying shop Bolton-St. Johns, and his team lobbied Cuomo's executive chamber from January through April. Melissa DeRosa's brother, who works at the firm as well, is also listed on disclosure reports showing the group targeted the governor's office over that same time period.

Bolton-St. Johns earned just over \$80,000 from lobbying Cuomo's team during that time, the disclosures show.

The first former Cuomo aide went public with sexual harassment allegations against the governor in December. James announced she was taking over the investigation in [late February](#).

The attorney general report found that Cuomo sexually harassed 11 women and violated state as well as federal laws. It also alleges that Melissa DeRosa was an architect in trying to protect the governor from the allegations. Cuomo has continued to [deny wrongdoing](#). A new Quinnipiac [poll](#) says 7-in-10 voters think Cuomo should resign.

Between January and February, Giorgio DeRosa was part of a team that lobbied Cuomo's advisors on a wide range of issues for phone giant [Verizon](#), food service company Delaware North and casino behemoth [Caesars Entertainment](#).

The team's recent lobbying also targeted members of the attorney general's office for ticket company Live Nation later in the year, although those investigating Cuomo were not listed as the people who were contacted by Giorgio DeRosa and his team.

Melissa DeRosa has said she recused herself from anything related to her father and her entire family. Giorgio DeRosa has lobbied Cuomo's team in the past.

Still, the lobbying reports show that he and his firm continued to have access to the governor's inner circle around the start of and during a probe that highlighted his daughter's role in allegedly attempting to shield the governor from scrutiny.

After CNBC asked questions about the recent lobbying effort by Melissa DeRosa's father, a spokesman for Cuomo dismissed CNBC's reporting as "nonsensical." The spokesman reiterated that the secretary to the governor has recused herself from all matters linked to her family.

“As has been publicly disclosed for years, Melissa is proactively recused on any specific matters that members of her family are involved with and the very premise of this piece is nonsensical,” Rich Azzopardi, a Cuomo spokesman, said in an email to CNBC on Friday.

Azzopardi is also repeatedly mentioned in the attorney general’s report.

Among other items, the attorney general’s report shows Melissa DeRosa in March twice requested that Larry Schwartz, who was at the time Cuomo’s Covid vaccine czar, call Democratic county executives to take their pulse on whether the governor should resign in light of the allegations.

“On the call, Ms. DeRosa asked Mr. Schwartz to reach out to Democratic County Executives to ascertain their positions on whether the Governor should resign in light of the sexual harassment allegations. Mr. Schwartz testified that he agreed to make the calls because Ms. DeRosa, the Secretary to the Governor, had asked,” the report says. “Two weeks after Mr. Schwartz had made his first round of calls, Ms. DeRosa asked him to make another round of calls to the County Executives to check in on their positions. Mr. Schwartz again made these calls and reported back to Ms. DeRosa.”

Ethics experts have previously questioned Melissa DeRosa’s attempt to distance herself from her father. Susan Lerner, the executive director of watchdog Common Cause/New York, told CNBC in a phone interview on Friday that after she and her group initially called on Melissa DeRosa to be more transparent, she got a phone call from the secretary to the governor.

“She refuses to provide a list of the matters that she has recused herself from. When she was first appointed we raised this issue and she said she was going to recuse herself,” Lerner said. “We said, ‘OK, let the public know which of those clients you will not be participating in discussions with.’ She refused and called to yell at me and say I was out of line to raise these issues.”

Lerner said that there was always an appearance of ethics issues as Giorgio DeRosa lobbied the governor’s office while his daughter worked for the governor.

“It’s built into the situation, and that was obvious from the beginning,” she said. “When she was chosen there was going to be, at a minimum, an appearance of impropriety that anybody in the executive chamber who was taking a meeting with her father is very much aware of the relationship between the secretary to the governor and the lobbyist they’re meeting with. It’s certainly apparent to clients.”

Melissa DeRosa was first appointed to be secretary in 2017.

Giorgio DeRosa defended the firm and said it has always acted in line with state laws.

“Bolton-St.Johns has been ranked as a top lobbying firm in New York for over two decades. Clients hire our firm to tap into our diverse insights and policy expertise that inform effective results-oriented strategies,” he said in an email on Friday. “This topic has been extensively covered in the past by other media outlets and nothing short of impeccable compliance with state law has been consistently been reported.”

For Verizon, the lobbying of the executive chamber focused on New York state “budget items affecting Verizon services” and an “ongoing permit issue at Verizon work site,” according to the disclosure.

Over that same period of time, Giorgio DeRosa and his team lobbied Cuomo’s executive chamber along with members of the state legislature on “issues on sports betting in NYS [New York State]” for Caesars.

In April, Cuomo signed budget legislation for the 2022 fiscal year that would allow online sports betting in the Empire State. Giorgio DeRosa’s group lobbied Cuomo’s team on the same issues for Delaware North, which also owns casinos.

Giorgio DeRosa’s lobbying of the executive chamber didn’t end there. It continued until April, as he and his firm continued to lobby for Caesars on issues pertaining to sports betting.

They also got access to the executive chamber for FuelCell Energy, a Connecticut-based clean energy provider, between March and April.

At the time, Giorgio DeRosa and his firm also targeted state lawmakers for FuelCell with discussions focusing on reviewing the “definition of renewable energies in the state of New York.”

[FirstEnergy agrees to pay \\$230M fine for bribing Ohio officials to bail out two nuclear plants](#) (Ohio)

An ongoing public corruption prosecution conducted by the U.S. Attorney's Office for the Southern District of Ohio led to a [federal charge for conspiring to commit honest services wire fraud](#) and a deferred prosecution agreement for the Akron, Ohio-based utility. The charge will be dismissed, provided that the utility cooperates with the government for the three-year period of the agreement.

The settlement announced on Thursday did not charge any individuals, but in October, [the company fired](#) former CEO Chuck Jones and two vice presidents connected to a \$4.3 million payout to Randazzo ahead of his appointment as PUCO chair.

The [details in the 49-page settlement agreement](#), in which FirstEnergy had to admit that company executives paid money to public officials in return for official action, has led to stakeholders raising questions about utility dark-money and political spending.

"FirstEnergy Corp. used the 501(c)(4) corporate form as a mechanism to conceal payments for the benefit of public officials and in return for official action. FirstEnergy Corp. used 501(c)(4) entities in this way because the law does not require disclosure of donors to a 501(c)(4) and there is no ceiling that limits the amount of expenditures that can be paid to a 501(c)(4) entity for the purpose of influencing the legislative process. This effort would not have been possible, both in the nature and volume of money provided, without the use of a 501(c)(4) entity," the utility [said in a statement on Thursday](#).

Although some states have laws to prevent utilities from making direct campaign contributions to elected regulators, utilities can "get around it through executive contributions, employee contributions, trade associations and major business ties," Daniel Tait, research and communications manager for the Energy and Policy Institute, said in an e-mail.

FirstEnergy and its subsidiaries donated \$59 million between 2017 and March 2020 to Generation Now, a group controlled by Householder. The company set up a group called Partners for Progress in February 2017 as a 501(c)(4), led by FirstEnergy lobbyists, through which they funneled \$25 million "to entities associated with public officials" over two years, [according to the federal disclosure](#).

Throughout 2021 and the rest of the three-year period of the settlement agreement, FirstEnergy must disclose all political donations, including to dark money groups. The deferred prosecution agreement requires the company to take various other steps to improve ongoing corporate compliance.

"Moving forward, we are intently focused on fostering a strong culture of compliance and ethics, starting at the top, and ensuring we have robust processes in place to prevent the type of misconduct that occurred in the past," Steven Strah, FirstEnergy president and CEO, said in a statement.

House Bill (HB) 6, signed into law in July 2019, created a bailout for the Perry and Davis-Besse nuclear power plants along Lake Erie for more than \$1 billion. HB 128, [signed into law at the](#)

[end of March](#), would rescind that provision and would repeal a measure that allows FirstEnergy to collect money from customers even when energy demand is down, by basing its collection on energy demand in 2019, an "unusually lucrative" year, according to local reports. The legislature has [left the HB 6 coal subsidies](#) in place.

Neil Waggoner, senior campaign representative for Sierra Club's Beyond Coal Campaign in Ohio, called for lawmakers to repeal "what remains of" of HB 6, asking Ohio Gov. Mike DeWine, R, and the state legislature to take action and establish consumer protections against future utility influence and corruption.

The OEC Action Fund is also asking for a full repeal of HB 6 and has called for an investigation into every PUCO and Ohio Power Siting Board ruling made under Randazzo's tenure.

"Each case he presided over is possibly tainted by corrupt ties to FirstEnergy," Taylor-Miesle said.

"\$230 million is a drop in the bucket compared to the incalculable cost from a loss in trust in the elected officials and regulators who are supposed to safeguard against corruption," Waggoner said in a statement.

In 2020, FirstEnergy earned \$1.1 billion, [the company disclosed in February](#).

The penalty it has agreed to pay surpasses the [\\$200 million imposed by federal officials](#) on Exelon's ComEd for bribery charges in Illinois, and is the largest fee imposed by the U.S. Attorney for the Southern District of Ohio on a company, according to a spokesperson.

Half of the fine will be paid to the United States, and the rest will be paid to the Ohio Development Service Agency's program that provides assistance to residents in paying their utility bills.

[Cuomo Has \\$18 Million in Campaign Cash. What Can He Do With It?](#) (New York)

Even after his resignation takes effect in less than two weeks, Gov. Andrew M. Cuomo will still control the largest pot of campaign cash in New York politics, an \$18 million war chest amassed in apparent preparation for a run at a fourth term next year.

That prospect now seems remote: Mr. Cuomo, accused of sexually harassing nearly a dozen women, [announced Tuesday that he would step down](#) as he faced the threat of impeachment and a chorus of calls for his resignation.

But his huge stock of campaign funds — the most money retained by a departing New York politician in recent memory — affords him a range of possibilities, including the chance to attempt an eventual comeback or to play a role in the state’s political life by donating to other candidates.

Mr. Cuomo is far from the first top New York elected official to abruptly leave office. What is remarkable, and has drawn attention in Albany political circles, is the magnitude of money still at his disposal. It is more than 10 times as much as Lt. Gov. Kathy Hochul, [who is poised to take his place](#), has in her campaign account.

When [Eliot Spitzer](#) resigned as governor in 2008 in a prostitution scandal, he had most recently reported \$2.9 million in the bank. Eric Schneiderman, the former attorney general, had about \$8.5 million in his campaign account [when he stepped down](#) in 2018 after several women accused him of assaulting them.

After each official left office, their campaigns reached out to donors and offered to refund contributions. The Schneiderman campaign did so in emails to major donors who contributed large sums in the months before his resignation, according to a person who worked on the effort, and eventually gave back nearly \$1.7 million.

The Spitzer campaign did so more broadly, emailing every donor and offering to refund as much of their contributions as possible, a top official on the campaign said. Supporters felt betrayed, the person said, and the refunds were a means of trying to make it up to those who had believed in Mr. Spitzer. By the next filing period, his campaign had returned roughly half its remaining campaign funds.

Mr. Cuomo raised more than \$2 million this year, including during a \$10,000-a-plate event in late June — while the state attorney general’s investigation was underway — that [drew longtime supporters and union leaders](#).

A person familiar with the governor’s campaign said that so far, there had not been many requests for refunds. The campaign finance director did not respond to requests for comment on refunds or on how Mr. Cuomo intended to use his remaining funds.

State campaign finance rules limit how Mr. Cuomo can spend the money, campaign finance experts said. He cannot use the money, for example, to pay himself or purchase a new car or rent a house once he leaves the governor’s mansion later this month.

Nor can he use the funds to run for federal office or in New York City, where the campaign finance rules are more stringent. When Mr. Spitzer attempted a political comeback in 2013, running for New York City comptroller, he [relied on family money](#). (He lost.)

Mr. Cuomo is permitted to give to nonprofits, provided the groups are registered in New York and he does not have connections to them.

He can also make political donations to candidates or to state and local party organizations and has the means to do so in many races. Such contributions can be a way to buttress like-minded candidates and are usually welcomed, particularly in tight races. But candidates may be wary of accepting money from Mr. Cuomo.

And he is free to spend the money on anything that would be construed as campaign-related. In that, there can be some room for interpretation, campaign finance lawyers said. He could spend it on an effort at rehabilitating his image or even on travel, so long as the activities could be pegged in some way to his past government service or a future campaign for state office.

“The law is not precise when it comes to the use of excess campaign funds,” said Kenneth A. Gross, an [expert in campaign finance law](#). “How they can be used depends on the facts.”

What is clear is that Mr. Cuomo could use the campaign funds to conduct polling or create political ads and test the waters for a comeback.

People driven out of Albany amid scandal or criminal investigation have often turned to their campaign coffers to cover legal fees, though campaign finance attorneys said there were limits to the practice.

Mr. Schneiderman, for example, [has had continuing legal issues](#) and has kept paying law firms out of his campaign account, including \$200,000 paid in the most recent filing. He has also made large contributions to nonprofit groups from his campaign account, including those focused on gender equity and immigrant rights.

Mr. Cuomo has already used his campaign money to defend himself against legal threats and in the court of public opinion: [Rita Glavin, his personal lawyer](#) who spoke before his resignation speech and has regularly appeared on television defending him, received \$285,000 for her firm, according to the Cuomo campaign’s most recent filing, which covers a period through early July. She most likely received further payments; new filings are not due until early next year.

More of an open question is whether Mr. Cuomo could use that money to pay for lawyers representing other members of his administration, or to reach settlements with the women who have accused him of harassment — and, in one case, groping — or [to defend himself against any possible criminal charges](#) in connection with his personal conduct, campaign finance experts said.

“The law is very complicated on issues that should not be so complicated,” said Laurence D. Laufer, a campaign finance lawyer. “The statute really allows for a broad use of campaign funds for legal expenses that relate to the campaign or to public office or party position.”

Even if he were barred from future office after an impeachment — an unsettled question in Albany — he would not lose access to the funds: He would still be able to make political or charitable donations, campaign finance lawyers said.

And nothing requires Mr. Cuomo, who is 63, to spend the campaign money quickly. He is free to bide his time for as long as he would like. The only time limit is death: After a candidate dies, his or her campaign funds must be distributed within a certain period, campaign finance lawyers said.

“They can make contributions to candidates, they can give to charities or political parties,” said Jerry H. Goldfeder, a campaign finance attorney. “But mostly they hold on to it.”

