

JOINT BUDGET HEARING  
OF THE  
ASSEMBLY WAYS AND MEANS  
COMMITTEE  
AND THE  
SENATE FINANCE COMMITTEE  
ON THE  
LOCAL GOVERNMENT BUDGET  
FOR FISCAL YEAR 2010-11

Held in Hearing Room B  
Legislative Office Building  
Albany, NY 12248

10:27 A.M.  
January 25, 2010

**JOINT BUDGET HEARING - LOCAL GOVT.- JANUARY 25, 2010**

**A P P E A R A N C E S:**

ASSEMBLYMAN HERMAN D. FARRELL, JR., Chairman,  
New York State Assembly Ways and Means Committee

SENATOR CARL KRUEGER, Chairman, New York State  
Senate Finance Committee

ASSEMBLYMAN JAMES P. HAYES, Ranking Member, New  
York State Senate Finance Committee

SENATOR LIZ KRUEGER, Vice Chair, New York State  
Senate Finance Committee

SENATOR JOHN A. DEFRANCISCO, Ranking Member, New  
York State Senate Finance Committee

ASSEMBLYMAN SAM HOYT, Chair, New York State  
Committee on Local Government

ASSEMBLYMAN JAMES F. BRENNAN, Chair, New York  
State Assembly Committee on Cities

SENATOR ANDREA STEWART-COUSINS, Chair, New  
York State Senate Committee on Local Government

SENATOR SHIRLEY L. HUNTLEY, Chair, New York State  
Senate Committee on Cities

ASSEMBLYWOMAN MICHELLE SCHIMEL

ASSEMBLYMAN FRED W. THIELE, JR.

ASSEMBLYMAN MICHAEL SPANO

ASSEMBLYWOMAN ANN RABBITT

ASSEMBLYMAN MARCUS MOLINARO

ASSEMBLYMAN PETER D. LOPEZ

ASSEMBLYMAN PHILIP BOYLE

ASSEMBLYMAN DAVID G. MCDONOUGH

ASSEMBLYMAN THOMAS F. O'MARA

ASSEMBLYMAN N. NICK PERRY

ASSEMBLYMAN JACK QUINN

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SENATOR RUBEN DIAZ, SR.

SENATOR ANTOINE M. THOMPSON

SENATOR VELMANETTE MONTGOMERY

SENATOR ELIZABETH O'C. LITTLE

**A L S O   A P P E A R I N G :**

HONORABLE MICHAEL BLOOMBERG, Mayor, City of  
New York

JOHN C. LIU, Comptroller, New York City Comptroller's  
Office

CHRISTINE QUINN, Speaker, New York City Council

DOMENIC RECCHIA, JR., Finance Committee Chair, New  
York City Council

HELEN DIANE FOSTER, Chair of State and Federal  
Legislation Committee, New York City Council

STEPHEN J. ACQUARIO, ESQ. Executive Director, New  
York State Association of Counties

HONORABLE EDWARD DIANA, Orange County Executive,  
New York State Association of Counties

HONORABLE BYRON BROWN, Mayor, City of Buffalo

JANET PENKSA, Commissioner of Administration and  
Finance, City of Buffalo

HONORABLE PHILLIP A. AMICONE, Mayor, City of  
Yonkers

PETER BAYNES, Executive Director, New York State  
Conference of Mayors

BARBARA VANEPPS, Deputy Director, New York State  
Conference of Mayors

MURRAY JAROS, Deputy Director, Association of Towns of  
the State of New York

MICHAEL MCNULTY, Congressman, Association of Towns

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of the State of New York

MIKE SMITH, President, New York Bankers Association

WILLIAM MELLIN, President & CEO, Credit Union  
Association

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CHAIRMAN FARRELL: Good morning. Today we begin the first in a series of hearings conducted by the Joint Fiscal Committees of the Legislature regarding the Governor's proposed Budget for Fiscal Year 2010-2011. The hearings are conducted pursuant to Article 7, Section 3 of the New York State Constitution, and Article 2, Sections 31 and 32A of the Legislative Law.

Today the Assembly Ways and Means Committee and the Senate Finance Committee will hear testimony concerning the budget proposals for local governments.

I will now introduce members from the Assembly who are with us. We have here Assemblyman Hoyt, Assemblyman Brennan, Assemblyman Thiele, Assemblyman Spano, Assemblywoman Schimel. And we have Assemblyman Hayes, Ranking Member. And now it's your turn.

ASSEMBLYMAN JAMES P. HAYES: Thank you, Mr. Chairman. We also are joined on our side this morning by Assemblywoman Rabbitt, Assemblyman Molinaro, and Assemblyman Lopez.

CHAIRMAN FARRELL: Senator Kruger.

CHAIRMAN CARL KRUGER: Thank you, Chairman Farrell. On behalf of the Senate, I welcome everyone to the first of the series of hearings on the Fiscal Budget for the year 2010-2011. The Governor presented to us a budget last week that has daunting challenges. It represents what is considered to be an unfair budget, in my mind. And although we're not going to make this into a

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political statement, what I do want to do is first of all welcome Mayor Bloomberg as our first honored speaker today and ask him, in the course of his presentation, to focus on the AIM formula and why New York City in his judgment is being denied that money, and the impact that it will have over the \$300 million that we will see in lost revenue even before we get out of the box.

This morning, as part of our panel, I'm joined by the ranking member of the Senate Finance Committee, Senator John DeFrancisco, along with our vice chair, Senator Liz Krueger, Senator Andrea Stewart-Cousins, Senator Shirley Huntley, Senator Ruben Diaz.

And, Senator, if you could introduce the Minority members.

**SENATOR JOHN DEFRANCISCO:** To the far right, Betty Little, ranking member of the Local Government Committee.

**CHAIRMAN FARRELL:** First to testify, the Honorable Michael Bloomberg, Mayor of the City of New York.

Good morning, Mr. Mayor.

**MAYOR MICHAEL BLOOMBERG:** Good morning, sir.

Thank you for having us today, Chairman Farrell, Chairman Kruger, and the members of the Committee. I'm seated with Mark Page, our City's Director of Management and Budget, and Micah Lasher, our Director of State Legislative Affairs.

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Now, all of us at all levels of government face difficult decisions this year; I think we all know that. You and the Governor have the task of balancing a budget that has supposedly a \$7.4 billion gap between revenues and spending. Projections are for an even greater deficit the following year and the year after that.

The Governor has presented what he calls a budget of necessity. And we all know that hard choices are necessary, but we think also there's a requirement for fair choices. And I regret to say that the Governor's budget, which would impose a total of \$1.3 billion in cuts on New York City -- and leave us with close to 19,000 fewer City employees to perform basic services -- utterly fails that test of fairness.

And that's why I'm here this morning, to tell you that the people of New York City are counting on you in the Legislature to help create a budget that is both responsible and equitable. We expect you to hold every budget decision this year to standards of fairness and fundamental reform: True fairness for all New Yorkers, Upstate and Downstate. True fairness in how State and local governments share the burden of closing the budget gap, a burden that is now heavily shifted to local shoulders under the Governor's budget. But for sure, fairness that in particular doesn't penalize New York City for what our 8.4 million people, voters and taxpayers have done to keep our own fiscal house in order. And that includes the hard but prudent decisions that we've made to reduce City agency expenses as well as raise property and sales taxes over the last few years.

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And we also ask you to seize this budget session as an opportunity, an opportunity to at last make the kind of fundamental reforms that put the taxpayers ahead of special interests, and also an opportunity to end the postponing of facing fiscal reality that will only make the next budget that much more calamitous for our State and its citizens.

I want to thank the Legislature for acting fairly and wisely on the City's behalf in the past by, for example, ensuring our fair allocation of State revenue-sharing funds and last year by enacting the tax provisions that we requested. And we expect you to act with the same wisdom and fairness this year as well.

Although our criticisms of the Governor's Budget are substantial, we also want to start out by acknowledging its positive aspects. Let me begin by commending Governor Paterson for his resolve to close the budget gap more by reining in spending than by raising revenues. And the new revenue initiatives in the budget are themselves farsighted. That includes, for example, the proposed penny-per-ounce tax on sugared beverages. Today, more than half of the residents of New York City and nearly 40 percent of our public school students are overweight, many of them seriously so. And that puts them dangerously on track to contract diabetes, high blood pressure, heart disease, asthma, depression, and other serious health problems later in their lives. It is in the interest of all of us to prevent that from happening now, and the surest pathway to changing behavior is through the wallet.

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I also support the proposed \$1 per pack increase in State cigarette taxes. Our own experience in New York City shows that increasing the cost of cigarettes strongly discourages smoking and that young people are especially sensitive to such pricing disincentives. So together these two revenue measures will not only provide some \$650 million to \$700 million annually, they will also improve health and save lives across our State.

And I don't know if you've seen the news yet this morning, but the latest life expectancy statistics are out, and once again New York City has increased life expectancy since '01 by one year and seven months, another four months than last reported. It is quite an amazing statistic. And it comes from the public health measures that you've helped us enact and the reduction in crime and the reduction in traffic accidents and fire deaths.

We also commend the Governor's proposed long-overdue clampdown on unstamped tobacco sales originating on New York's Indian reservations. This is a step the City has long urged the State to take, and I believe the legislatures have long urged the governors to take. And we're delighted to see that this Governor proposes action on it at last. It will close an unwarranted loophole and prevent thousands of New Yorkers from being addicted to tobacco. Once new regulations are promulgated, it will also begin to raise up to \$1 billion annually in State and City revenues, something that we all need.

I also want to commend three other revenue

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provisions of the proposed budget that will benefit New York City.

The first would extend the State mortgage recording tax to loans used to finance co-op purchases. This will finally treat all home mortgages the same. And the City portion of this reform will raise \$50 million in revenues annually.

The second would end a requirement that the City pay extraordinarily inflated 9 percent interest to plaintiffs on court-ordered civil judgments -- 9 percent. Today, no one gets 9 percent on anything. The fairer Treasury-bill-pegged rate the Governor proposes would save the City at least \$1 million a year.

And the third provision we endorse would permit the City to create a sinking fund for principal on Federally subsidized school construction bonds, a reduction in borrowing costs that we realize would permit us to build and repair more City schools.

That's basically the good news. And then, unfortunately, the inequalities begin.

For starters, the Executive Budget cuts imposed on localities, including New York City, are nearly three times greater than those that State agencies would face. For New York City, those cuts amount to \$1.3 billion in the next fiscal year. And this truly adds insult to injury because we've already imposed seven rounds of budget belt-tightening on City agencies since the fall of 2007 -- and that includes the 4 percent expense reduction we instructed them to make last November for our current fiscal year which ends June 30th, and the 8 percent reduction they're making for fiscal 2011, which begins

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this coming July 1st.

So the State is effectively saying to localities, "We're going to fix our budget problems by starving your agencies." Let me tell you, the cuts the State's fiscal mess will cause us to make will not sit well with New York City residents, particularly when they realize that the State's Budget is balanced on our workforce's back to protect the State's own workforce.

The Executive Budget claims to provide budgetary relief for local governments through a four-year moratorium on unfunded mandates imposed by Albany. But here are the facts from where I sit. First, the Governor's catalog of proposed mandate relief measures would in reality have very little impact on New York City. Second, cost shifts in the budget actually add up to tens of millions of dollars of new unfunded mandates at the local level.

Let me cite two examples: Special education and homelessness.

The State is proposing to shift some \$51 million in the cost of summer special-education classes from their budget to ours. Let's be clear. Our schools are under Federal mandate to provide these services, no ifs, ands, or buts. So this is not a cut in spending under the Governor's budget, it's a cost shift, pure and simple. And it ought to be understood as another of those unfunded mandates.

There's a similar cost shift in the area of homelessness. In the majority of cases, providing shelter to homeless

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individuals is mandated either by the courts or by the State. Yet, the State proposes to eliminate its annual appropriation for homeless adults in shelters, many of whom have physical or mental illnesses. The bottom line for the City's Department of Homeless Services will be a shortfall of \$55 million in the next fiscal year.

The third major way that the budget fails to provide mandate relief is the biggest ticket item of them all, our ever-mounting pension costs. Last fall's special session created a new State-level pension tier for State employees and for the City's public school teachers. That was a vital step. Now I urge you and the Governor to take the next step and enact comprehensive local pension reform.

Specifically, New York City needs a new pension Tier V covering all new uniformed and civilian civil employees. And incidentally, we need it this year. Today uniformed service employees can and often do retire with full benefits while they're still in their 40s, creating an intolerable burden on City expenses.

On a related subject, the Governor recognizes that the rising cost of healthcare premiums for current and retired State employees is unsustainable. And for that reason, the Executive Budget would require State retirees to pay a portion of those premiums. Well, let me tell you, local governments face precisely the same grave problem, and we urgently need leadership from the State in addressing it. The State must include us in that requirement.

Similarly, we're disappointed that so far the Governor

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has failed to incorporate other cost-saving reforms we've proposed to him. And that includes a full elimination of the burdensome and antiquated Wicks Law that generally adds to public construction costs for New York City and other localities, and includes the kinds of common-sense tort reforms already on the books in many states which would save our City more than \$140 million a year in civil judgments.

Not only does the budget propose new mandates without relief, and not only does it impose unfair burdens on City agencies compared to those placed on State agencies, it also eliminates -- let me repeat that again -- eliminates State revenue sharing for New York City and New York City alone. This is the third Executive Budget in the past four years that has included this provision, which makes any justification that, quote, desperate times call for this desperate measure, unquote, a true nonstarter. These aren't desperate times, these are normal times here. Because in good times and bad times, one governor after another has been all too willing to raid New York City's portion of State aid. And this year, other cities and towns would see revenue sharing from the State reduced from 1 to 5 percent. But only in New York City would we have the dubious distinction of being cut off completely. That's right, cuts of 1 to 5 percent in 57 counties across the State, and cuts of 100 percent in Bronx County, Queens County, Kings County, Richmond County, and New York County. Want to guess how well that's going to sit with taxpayers? Let me tell you, the voters of New York City aren't going to take it.

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The Executive Budget cuts revenue sharing Statewide by some \$349 billion. We would absorb 94 percent of that cut, or \$328 million. That's 15 times the cut for the rest of the municipalities in the State combined. If you're going to cut revenue sharing by that much, you should treat each locality accordingly -- which would make New York City's annual cut \$105 million, not 328 million.

And just to put this all in perspective, the cut we face goes even deeper than the Governor's budget makes it appear. Payments would be lost in both our current and upcoming City fiscal years, for a total of close to \$656 million.

Now, as I'm sure you all know, New York City produces roughly half of all State tax revenues. So eliminating \$656 million in State funds would worsen an already very pronounced imbalance of payments between New York City and Albany. It would, moreover, seriously aggravate an already difficult budget season for our City, which will begin when we present the preliminary budget for our next fiscal year this coming Thursday.

Now as to education funding. Cuts in education operating funds are the biggest single element in the Governor's plan to balance the State Budget, and our City schools would face a cut of some \$500 million. While this is not out of line with the cut in aid that schools across the State are experiencing, it would have huge consequences in New York City. It would lead to 8,500 fewer teachers in our system this coming September.

You'll notice we identify our cut as \$500 million, not

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as the \$418 million in the Governor's Executive Budget. This Governor's budget is misleading accounting. The Governor's budget counts school construction aid against the cut in formula-based school aid that the City is receiving. But the resolution of the Campaign for Fiscal Equity lawsuit clearly included a commitment from the State that building aid for New York City schools must be counted separately.

This year, with the stakes so high in how we budget State and local funds for our schools, with the consequences so potentially dire in terms of layoffs, let us not muddy the waters. Let's shoot straight with the people and with one another. You can't count building aid as operating aid.

And before leaving the subject of education, let me simply add this. We're disappointed that the full funding for student MetroCards has not been restored in the Governor's budget as the Governor promised it would be. For years, the City, State and the MTA had an agreement to fund student MetroCards. This year the State has dramatically cut its share of the funding, which could force children and their families to pay thousands of dollars a year in school transportation costs. This would not be right, especially since the State provides aid for student public transportation in other districts.

The State is balancing its budget by raiding that of the MTA, the organization that provides our mass transit. Do you really think it's fair for our kids to suffer while other State agencies are protected? Make no mistake about it, the City cannot and will not

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make up the difference out of its meager resources. Despite our budget difficulties, the City is upholding its part of the bargain and funding its share of student MetroCards. The State needs to honor its commitment to pay its full share.

The Executive Budget also continues to impose unreasonable costs on the City for placing young people in State juvenile institutions. Over the past eight years we've reduced our placement in these clearly failing and dangerously dysfunctional institutions by more than half. Nevertheless -- I can't believe this -- but nevertheless, the State charges us more each year, more per capita and more in the aggregate. We're paying 180 percent more today per kid per diem than we did in 2002.

In short, we're doing the right things by keeping more kids in their home communities and getting financially clobbered in the process to the tune of a projected \$64 million in the next fiscal year. Talk about no good deed going unpunished. At a time when the State is, for good reason, reexamining its juvenile justice system, let's look to this financing structure too and find a ways to divert funds from failing institutions to proven, effective, community-based alternatives to placement. If you want to send more money to Upstate communities, you write them a check. We can't afford to do that, and it's not right.

I also want to say a few words about the Governor's proposed alterations to the STAR school tax relief program. Unfortunately, his proposal would exacerbate already unfair treatment

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of New York City.

Here are the facts. STAR was set up as a homeowner tax exemption, and because the majority of New York City residents are renters, they were left out. So to make STAR more fair, the State Legislature gave us a personal income tax component that was incorporated into the program for New York City. But now STAR would be substantially curtailed in New York City. In fact, 79 percent of the Statewide cut in STAR would be in New York City, even though we receive only 27 percent of STAR property and income tax relief. This would in effect be an effective tax increase of at least \$200 million annually for New York City taxpayers. And I think that under the general heading of fairness, we can and should do better than that.

As I said at the top of my testimony, the \$1.3 billion in cuts included in this Executive Budget would have devastating effects on essential services in New York City. I've already described the loss of 8,500 teachers that would result from the \$500 million cut in State education funds. The Executive Budget imposes some \$800 million in other cuts spread across other City agencies, and this is on top of reductions in City spending needed to close our own multi-billion-dollar deficit, a plan we present on Thursday in our preliminary budget for the next fiscal year.

These State-imposed cuts -- let me repeat that, so that everyone knows where they come from -- these State imposed cuts under the Governor's budget would, if they're permitted to stand, lead

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to the loss of more than 10,000 City employees, in addition to the loss of the 8,500 New York City teachers. And the consequences would just be appalling. We would, for example, have to lay off 3,150 police officers, reducing the NYPD's operational strength to 1985 levels -- when we didn't have the threat of terrorism and our population was much smaller.

Some 1,050 firefighters would be laid off and the firehouses where they work would have to be closed. Now, this afternoon, how do I go back to the City's heroes -- those rescue workers that returned last night from Haiti that I'm welcoming back this afternoon -- and say their state government couldn't protect them?

We'll also have to lay off close to 900 City correction officers, which is only possible if we simultaneously reduce our daily inmate population by almost 1900 prisoners. And that's something we can't do without unprecedented reform of how the State-run judicial system adjudicates criminal cases in our City.

Today our children's service workers keep tabs on almost 9,000 at-risk children. Under these cuts, 2,700 children would lose that sometimes life-saving protection. Street cleaning and litter basket collection would be cut in half, and most curbside garbage collection would be reduced by a third. Close to 19 percent of parks personnel, almost 500 people, would face layoffs, the equivalent of closing all pools, beaches, and recreational centers Citywide. We would have to eliminate City funding for 500 soup kitchens that feed thousands of hungry New Yorkers. And we'd have no choice but to

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close 15 senior centers.

So the budget cuts that the Governor's budget proposes would inevitably damage the quality of life in the City that drives the economy of this entire State. Now, it is in your power to prevent many of these dire consequences simply by giving the people of New York City a fair deal. Stopping the proposed elimination of revenue sharing is key to that. If there were a fair distribution of revenue-sharing cuts, we would spare some 3,400 uniformed employees and nearly 2,500 civilian employees in New York State. In other words, that 10,000 employees that we'll have to lay off drops down to roughly 5,000.

Given the State's finances this year, we have no choice but to accept the cut, but we think that cut should be a fair share of revenue sharing. We will not accept a total elimination of revenue sharing, necessitating such disastrous service cuts and State-sponsored layoffs. Before taking your questions, let me briefly review other important elements of our City's legislative agenda for this session that have budgetary implications.

Topping that agenda is the need for pension reform. Over the past decade, the City's pension costs have increased by more than \$5 billion annually -- and they're still growing. This just simply can't go on. And this year's budget of austerity is the time to draw the line and create a new City pension tier. If you don't do it this year, what on earth are we going to do next year or the year after?

The prospect of layoffs in our schools also adds

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urgency to our proposed reform of the last-in, first-out teacher layoff policy. Clearly, the only thing worse than having to lay off teachers would be having to lay off great teachers instead of failing ones. So we need you to empower us to objectively and transparently evaluate teachers and make personnel decisions based on what that tells us about what matters most, success in the classroom.

We also need reform of the absurdly difficult, expensive, and lengthy process of firing incompetent teachers.

And let's also lift the State's cap on charter schools. The success of charter schools is just indisputable. Charter-school students continue to consistently outpace their age-mates on the State's standardized math and reading proficiency tests. And our failure to reach agreement on this question in time to include it in the State's application for "Race to the Top" Federal funds was disappointing, to say the least. Think about the potential money we walk away from.

But I'm also hopeful that during this legislative session we can work together to raise the current cap on charter schools in our City. This morning there remain some 36,000 New York City children on charter school enrollment waiting lists. Let's not make them wait any longer for a first-rate education.

And finally, I urge you to enact legislation before the March 17th deadline set by the Department of Housing and Urban Development enabling us to qualify for Federal funds for much-needed improvements to the City's public housing developments.

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Members of the Legislature, I know full well that making budget decisions isn't easy even under the best of conditions. And the conditions we face in New York are far from the best, both at a State and at a City level. But many of the worst consequences of the budget cuts I've testified to this morning can be avoided by treating New York City fairly compared to other towns and cities, and compared to State government itself.

On Thursday I will lay out a balanced State budget. We have a requirement that our budget must be balanced at the end of the year on an accrual basis -- pardon?

ASSEMBLYMAN JAMES BRENNAN: Balance the City budget.

MAYOR BLOOMBERG: Balance the City budget, I'm sorry. We will balance our City budget. It's a combination of looking at what matters to us and making tough decisions. It's also trying to be fair to everybody. And that's what we expect you to do now. So let's work together to pass a budget that's fair to New York City.

And I'll be glad to take your questions.

CHAIRMAN FARRELL: Thank you very much, Mr. Mayor.

I just can't resist. You pointed out that 9 percent interest is high and ridiculous and everything else. And because I love our banks, because that's what makes our City and State grow -- but we should look at their interest rates. Nine, if you could get 9 from a bank, you're doing very well. Normally it tends to be 30, 31, 25. Just

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an aside.

Mr. Brennan, chair.

ASSEMBLYMAN BRENNAN: Mayor Bloomberg, thanks so much for your very thoughtful testimony, as usual.

You know, these revenue-sharing cuts, the AIM cuts, have been part of the Governor's budget since 2007, starting with former Governor Spitzer. And I can assure you that the -- I haven't spoken with our colleagues from the City this year, but these previous cuts, coming from former Governor Spitzer and Governor Paterson, caused nothing but consternation in relation to them from members of the Assembly from New York City, given the fact that the Governors came from New York City and they were inequitable. And I can't imagine most people's point of view would change that such a cut is deeply inequitable. And so, you know, I'm hopeful that we can work together to address that problem.

I was just a little bit confused. You said if New York City was going to get treated fairly in relation to this AIM cut, the cut would be \$105 million. But all the other cuts to cities across the State are either 2 percent or 5 percent. New York City is still getting \$300 million. We did a \$26 million cut in the DRP in the fall. So even 5 percent would be \$15 million, not \$105 million.

So I don't know if I agree with you that it would be fair to cut New York City even \$105 million. Okay? I don't know if you want to address that.

MAYOR BLOOMBERG: Well, New York City pays

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a disproportionately large percentage of the tax base to the State. And a fair way certainly would be to have the revenue sharing back in the same proportion as the taxes going up to Albany.

Now, it's true that you would cut -- if you raised everybody else, you wouldn't make up the difference. But that's just one way to distribute money. It is the total amount of money that you have to change the pot around. And New York City has every year, as you pointed out, since 2007, under three different governors now, had to go through the same charade. The Governor cuts everything, and the Legislature in the past, fortunately, has come back and added it back and then used revenues elsewhere to make up or to generate that.

ASSEMBLYMAN BRENNAN: Yeah, you know, I find it incomprehensible. The rationale appears to be that because New York City is relatively wealthy and it's such a tiny proportion of your overall budget, therefore you can afford it, tough luck. That's the rationale --

MAYOR BLOOMBERG: Well, the truth of the matter is New York City is a very highly taxed city.

ASSEMBLYMAN BRENNAN: Understood.

MAYOR BLOOMBERG: It isn't like we can afford it. The difference is New York City has been reaching into its own pockets to pay for our services.

For example, we pay roughly \$7.8 billion to keep our City safe. That virtually all comes out of the City taxpayer. We spend \$21 billion on education. And it's true that the State picks up a little

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less than half -- 40 odd percent or a number like that -- of it. So there are a couple of things where the State helps us on. But the big numbers that we get back from the State is Medicaid, which is different in this state than any other state; it is education; and it is this un-revenue sharing, which is really just a ways to give unrestricted funds back.

ASSEMBLYMAN BRENNAN: I understand.

Anyway, look. I think we agree, it's a very inequitable thing.

Let me just focus on one additional item and then let other colleagues move on. The Governor has proposed to require public assistance eligibility determinations in the adult shelters. Apparently this is currently done in the family shelters but not in the adult shelters. And this would result in an alignment of funding between adult homeless shelters and family shelters. Can you perhaps elaborate a little bit on whether this could potentially cause an increase in homelessness in the City?

MAYOR BLOOMBERG: The Governor has proposed what?

ASSEMBLYMAN BRENNAN: The Governor has proposed to have, when somebody comes into an adult shelter, you would have -- HRA or the homeless shelter agency would have to determine whether or not, when they came in, they were eligible for public assistance. And then if they were not, for some reason, then the State would then reduce its reimbursement. That's the proposal.

MAYOR BLOOMBERG: Well, I'm familiar with

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what the Governor proposed. But the truth of the matter is, number one, the practicality of when somebody comes in, trying to decide whether they have assets that they could use to pay for their own shelter is mind-boggling.

Number two, you have a constitutional right in this State, the courts have ruled many times, to shelter. What we've done, first and foremost, is we've taken a lot of our resources and made sure that our shelter system is very different than it was eight years ago.

Eight years ago people would sleep on benches overnight in the intake centers, and we'd be busing people around, including children, at 3:00 in the morning. That doesn't happen anymore. Eight years ago the quality of the shelters was nowhere near as good as it is. The crime rate was much higher, the conditions were nowhere near as good. We've improved that.

I don't happen to believe that that has increased, necessarily, the demand for shelter. We've been able to reduce the demand in our singles shelters. Unfortunately, the way the economy has turned out, the number of people seeking shelter has expanded. We have worked very hard in trying to make sure that people avail themselves of opportunities to move out of the shelter system into permanent housing. But one of the problems we're having right now is of course that the Federal government is no longer giving us any more Section 8 vouchers, so that makes it much more difficult for us to do that.

ASSEMBLYMAN BRENNAN: So you might

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absorb the loss from the State, but it wouldn't affect your -- since the Constitution obligates you to take people in, it wouldn't --

MAYOR BLOOMBERG: We have to provide shelter, yes.

ASSEMBLYMAN BRENNAN: Okay. But you would lose the money.

All right. Okay, Denny, thank you. Thank you, Mr. Mayor.

CHAIRMAN FARRELL: Senator?

CHAIRMAN KRUGER: Firstly, Mayor Bloomberg, I would like to personally thank you for your leadership role in the Native American tax debacle.

In November of this year I served on the Governor a letter asking him to lift his forbearance so we could begin the process of collecting the tax. I guess the message didn't resonate until several months later. And now we're caught into -- the devil is always buried into the details of why we don't see one dollar in this budget of collected taxes from those smoke shops.

And I would hope and I know that at the end of this process, with your support and with the support of my colleagues, we are going to see money in the budget for the collection of those taxes, that I can promise you.

Additionally, for all too long New York City has sort of been not only the economic engine of this State but also the stepchild when money went to Albany and in dollars that came back.

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And we always had the opportunity to say it was Wall Street that was generating this money. Everyone knows at the end of the day, no matter how much we want to glamorize Wall Street, it's only going to be probably one-fifth the size that it was prior to the economic meltdown.

If I could ask you to plug in your crystal ball a little bit and be clairvoyant, where do you see Wall Street and our economic picture as we approach this fiscal year?

MAYOR BLOOMBERG: Well, the average person that works in finance in New York City makes \$70,000 a year. To put that in perspective -- Chairman Farrell's mouth is wide open. To put that in perspective, the Congresspeople and Senators in Washington who are trying to decide the future of Wall Street make \$175,000 a year per capita. Just thought it's an interesting ways to look at how the monies are flowing.

Wall Street, while we have diversified our economy, still is the largest generator of revenue for us. We are very dependent on it. When it does well, we have money to pay police officers and firefighters and teachers. And when it does not do well, we do not have money to do that.

And, in fact, Wall Street's reduction in employment has been a lot less than forecast. Wall Street has in fact recovered quicker than a lot of people had projected. The big fear we have is not the up-and-down cycles of when they make and lose money. That's going to be dictated by opportunities in the marketplace, by how hard

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they work, and in some sense how lucky they are. The real question is will Wall Street be able to finance the economic recovery that we need -- in New York City, in New York State, and in this country -- and will the monies be made, in financing companies and in financing job growth, be made here or be made overseas.

We live in a global world. We cannot have tax policies or regulatory policies for the financial system that is not consistent with what other countries around the globe are doing. And so far, I don't know of any worldwide agreement that everybody is going to have a similar policy.

These are companies that can move very easily. And if you remember, when the United States increased regulation here, that gave London the unique opportunity to become a financial center. Enormous number of jobs, enormous number of taxes that are being collected there to go to pay for their services that could have been here.

And I think that's the great danger. And I'm happy to work with the President and Congress and anybody else. But we have to understand that we have a situation where we need to have a financial system that is healthy and competitive. And competition isn't something you can mandate. You just have to make sure that you don't make one sector have less opportunities and be less attractive than others.

CHAIRMAN KRUGER: And in that light, we are very aggressively working with the State Tax Department to try to

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unify our tax structure for the banks and corporate entities so that treaties can be honored in New York, in New York City and New York State. Hopefully we'll be able to grab back a piece of those financial capitals that did go to other countries and to places outside of what we call the center of the world.

Moving on for a moment, the MTA and the MetroCards. The Governor made a commitment that some members of the Legislature sort of jumped on the bandwagon and said that we would be funding in full measure the restoration of the student passes.

I think that the points that you and Chancellor Klein made are very, very well-taken. While we struggle to get students in the classroom, we don't have to create unnatural barriers to prevent the good student wanting to get to school jumping a turnstile because his parents can't afford the fare to get him to school. And at the same time, we don't want that to be used as a lame excuse for kids not attending school as well.

So I know on behalf of the Finance Committee, we will be making a huge effort to put that money back into the budget.

MAYOR BLOOMBERG: That will be helpful.

Thank you.

CHAIRMAN KRUGER: Chairman Farrell.

CHAIRMAN FARRELL: Assemblyman Hayes.

ASSEMBLYMAN HAYES: Thank you, Mr.

Chairman.

Mayor, welcome and thank you again for your

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testimony here this morning.

I just want to follow up on a question that Senator Kruger asked. I know the crystal ball is not perfectly clear. But in terms of the possibility of increased revenues to the City and to the State from a pickup in Wall Street activity, there are some that are already making wild projections about how much that will be and are already lining up to spend that money before it even arrives.

Is there any way you can narrow down what you think should be done in terms of both the State and the City accurately budgeting for any pickup in financial activity on Wall Street?

MAYOR BLOOMBERG: Well, in New York City we budgeted revenue for this coming year relatively conservatively. So I think the budget that I will describe on Thursday has more revenue in it than what we had counted on. It's my understanding that the State had budgeted very aggressively, and that's where your \$2.7 billion, \$3 billion deficit in the current year's budget came from; the tax revenues that you had anticipated were not there.

I think that it all depends on what Washington does. We need to have banks loaning money in order to create jobs. And this is an industry that we have to help get back on its feet, not tear down. Because if the finance world -- whether it's commercial banks, investment banks, or other financial vehicles -- doesn't make mortgage loans, we're not going to get out of the housing crisis. If they don't make corporate loans, we're not going to have job growth.

We've got to understand that it's very easy to go after

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any one industry, but all of our industries are tied together, and their ability to function depends on good, fair regulation and on their ability to get loans.

Small businesses typically finance themselves based on the equity in the entrepreneur's house, which is obviously a lot less, and on the use of credit cards, which is more difficult to do. That's one of the impediments to entrepreneurs starting new businesses and creating new jobs. And if we want to put people back to work -- it's one thing to talk about new jobs, somebody's got to go and do it. And it's going to be a lot of small businesses doing it in the near future that will get us out of this.

Because the big companies have found ways to be more efficient. During bull market times they added a lot of staff; now they feel they can do with less. That's a normal economic cycle. This time it's going to be the small businesses that lead us out of this. And they have to have access to capital.

ASSEMBLYMAN HAYES: So the revenue projections should be on the conservative side.

MAYOR BLOOMBERG: I don't think there's any chance of the tax revenues for the City -- and I'm not an expert on the State. But there's no expectation that the City's tax revenues will get back to where they were a few years ago, let's say in '07, very quickly. They are going to be better than we had budgeted for, because our responsibility is to budget for the worst and hope for the best. And we've to some extent done that. We prepaid a few billion dollars in

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interest. We had seven different programs to reduce the amount of money that we spend in all of our agencies. We really have become more efficient. We don't do as many things as we had wanted to do; we've stretched out some other projects. And we'll find a ways to get through this.

Our problem is that if the State cuts \$1.3 billion out of the revenues that they had collected from us and typically had sent back to us, then we have to make up for that with no real ways to do so.

We cannot raise taxes anymore. I think at this point raising taxes, income taxes or property taxes, will drive more people out of our City and out of the State than the revenues that they will bring in.

And cutting, as we all know, is very difficult. We should have learned our lessons back in the '70s. You can't lose control of the streets in terms of safety or cleanliness. You can't lose control of safety in terms of an ambulance or a firefighter showing up when you need them. You can't lose the future of our City in terms of education.

So we are at that point where there's no good option. We've already used up all of the attractive options. And now we're going to have to make some real serious decisions.

But make no mistake about it, in New York City -- I think it was last year -- something like a hundred people paid 10 percent of our personal income tax, 5,000 people paid 30 percent of

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our personal income tax, and 30-odd thousand paid 50 percent. Now, it is true that most people won't leave our City. It has an awful lot of attractiveness for an awful lot of people. But a hundred people, if they're the right people, would be a calamity for us. And a few more would just be something I don't know how we would deal with.

ASSEMBLYMAN HAYES: Thank you very much, Mayor.

And, Mr. Chairman, we've also been joined by two additional members on the Republican side, Assemblyman Boyle and Assemblyman McDonough.

CHAIRMAN FARRELL: Thank you.

Senator?

CHAIRMAN KRUGER: Thank you, Assemblyman. Senator DeFrancisco.

SENATOR JOHN DEFRANCISCO: Yes. Before I get into the questions that I was going to ask you, just to get some kind of clarity in the last two exchanges, what percentage increase in your budgeting are you going to give for income coming in from Wall Street?

MAYOR BLOOMBERG: I'd be happy to give you a ticket to our press conference on Thursday -- but it is substantial. But I think you've got to be careful and not in Albany thinking that you're going to benefit from that.

The tax revenues that are coming in -- and remember, we collect our personal income taxes on the same forms,

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and the sales tax together. The difference is we have a property tax and the State does not. But fundamentally, the revenues are coming in where we had thought they would be. We just, in our budget, had counted on less. You, in your budget, had counted on more.

But the tax revenues are not coming in any different than what we thought. Maybe it's a touch better than what we actually had thought would happen. The budget that we made that had the conservative estimate was a budget made last June, and so we've had some time to look at it.

And things are a little bit better. When you talk to restaurateurs, they will tell you -- not all, but most -- business is a little bit better. When you talk to stores, it is a little bit better. But remember, it's a little bit better off a very low base.

And I explained to somebody recently -- they had a stock that went from a dollar to five cents, and down 95 percent. The stock, they said, went up a hundred percent from there. It was still only at 90 cents. It was a revelation. I saw the look in this person's eye: How could that be? And then they kept with a pencil trying to figure it out.

And so we're working from a lower base, and so a decent percentage increase isn't the salvation to our future. What is good is that we're going in the right direction. We continue to bring crime down in New York City. That is critical to tourism, which funds a lot of New York City and New York State. In fact, while our tourism is down 3.9 percent, compare that to double digits for every

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other big city in the country.

The number of people working in our City in the tourism industry is higher than it's ever been before. Because we have 5,000 more hotel rooms, hotel occupancy is better than last year. Albeit at lower rates per room, but we have sold more hotel room nights than we did before. So there's certainly some glimmers of hope.

Our great fear is that we will raise taxes and drive people out of the City or that this country will, instead of helping an industry that we need, hurt the industry -- no matter how well-intentioned they're trying to be.

SENATOR DEFRANCISCO: So the message is wait till Thursday to get that information.

MAYOR BLOOMBERG: The message is we'd be happy to have you come on Thursday. I'll get you a front-row seat.

SENATOR DEFRANCISCO: But seriously, all I'm trying to do -- I understand the importance of conservative budgeting, but just to get a better feel of what it's going to look like hopefully in State revenues as well.

The thing that's interesting is I'm listening to you talking about being treated fairly, New York City being treated fairly. It's interesting to me that the only bills that ever come up to separate the State -- New York City a new state and the rest of the State another state -- are from Upstate New York. So the same perception appears to be, as far as Upstate counties, with respect to New York

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City.

And obviously we've got to work so that we're making it fair for everybody. And a couple of things that came out last year that I've been following concerning monies that are spent substantially greater in New York City I think are pretty instructive.

The one area that I keyed in on was personal-care dollars. And the charts that we were given last year, in 2007 dollars, was that personal-care dollars for Medicaid from the State were \$1.9 billion to New York City. To the rest of the State, \$390 million. Seventeen percent of those dollars are being spent on the rest of the State, and 83 percent are spent in New York City.

Now, to me -- or I think most objective viewers would say that's something a little bit unfair and a little bit out of line.

And the Governor this year calls for a limit as far as personal-care services. He's talking about limiting the hours. Because it's not just that you have more people on personal care in the City of New York. In New York City the average cost per person is \$33,873. The rest of the State, \$17,000. It's almost double. In personal-care hours per person, New York City, 1,977 personal-care hours per year in 2007 per person; rest of the State, 881.

I guess my question is, you know, we Upstate representatives are trying to be treated fairly as well. And hopefully these issues can be resolved in the same process. And my question to you is, why is it so that these numbers are so much greater, so many dollars greater are spent in New York City than they are in the rest of

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the State?

MAYOR BLOOMBERG: It is purely a function of where those who are eligible for Medicaid live.

New York City is the magnet. Our population has grown to 8.4 million people. It continues to go up, which is good news. We're a magnet for people around the world. We also have a disproportionate percentage of those in the State who need medical care and don't have the ability to pay for it. We have a disproportionate percentage of those special ed kids, the same thing for education.

And if you just allocate funds based on where the number of people that need Medicaid live, that would be fair. And an adjustment for the cost of living, since it obviously costs a lot more to provide services in big cities than small cities.

Let me also say that in all fairness to Upstate, they never, ever passed a law -- asked to have a law passed that would penalize New York City. Only for cities of a million population or more.

SENATOR DEFRANCISCO: Well, that's a legislative trick.

MAYOR BLOOMBERG: Thank you very much.

SENATOR DEFRANCISCO: But that -- I understand what you're saying, but certainly number of people does not account for the fact that it's double the cost --

MAYOR BLOOMBERG: No, it does not. But let

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me point out that the City hospitals, HHC hospitals, we have 11 of the best hospitals in the State. Now, there are some good Upstate hospitals, in all fairness. And there are some good medical schools Upstate. But the bottom line is most of the doctors that treat people around the State have gone to medical school in New York City, an awful lot of them. And we have to pay for graduate medical education.

Also, Medicaid does not reimburse us for the real cost of providing care. So the New York City taxpayer is reaching into his or her pocket and subsidizing HHC so that HHC can pay for the difference between what Medicaid pays and what the actual dollars to provide that care are.

I'd love to tell you that there were big pockets where we could eliminate waste. It would be wonderful if we found some place, a lodge up in the country for doctors to sit around and have a great time and spend money that shouldn't be -- that's not the case. These people work very hard, and there isn't a lot of waste and there isn't a lot of fraud.

We need, in this country, tort reform or you will never reduce the cost of medical care. Any doctor that doesn't prescribe every single test imaginable hasn't looked at tort judgments in this State and in this country, particularly in this State.

We need immigration reform. We don't have enough doctors to treat everybody that needs medical care. We give medical education to people from around the world, they come here because

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this is the best, and then we don't give them a green card, they go elsewhere.

Till you fix those kinds of problems, you're never going to bring down the cost of medical care.

We also -- incidentally, since I mentioned earlier life expectancy, we are unwilling in this country to take a look at what we're getting for our money. We spend \$7,250 per person per year for medical care in this country compared to \$3,500, \$3,000 per person per year in Western Europe. Western Europe's life expectancy is three or four years higher than ours. Which is a good ways of measuring whether or not you're getting something for your money.

So all of these things make care more expensive. The big City makes it more, it gets weighted because there are more people that need it here. But that's nothing unfair about it. What we have to do is find a ways so that throughout this State, in every county, people get better medical care that they can afford. And that's true for the whole country.

SENATOR DEFRANCISCO: Well, we have a teaching hospital in Syracuse, New York, as well. And my residents, according to this chart, average out about 800 hours of personal care as opposed to the residents in your City with double the amount of hours per year.

Now, that has nothing to do with the cost of medical care, it has nothing to do with any of the things you mentioned, it has to do with there's a different system that's working in New York City

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for some reason that provides more and therefore provides a greater cost to the State government.

In addition, we capped Medicaid costs a few years ago. I don't know the exact numbers, but I think you'll admit that since New York City has the greatest cost for Medicaid of anywhere throughout the State, that capping Medicaid for New York City was a substantially greater benefit than the rest of the State because of the same reasons you just mentioned, that you have a greater population, more immigrants, et cetera, et cetera. And that's another disproportionate benefit that the State bestowed upon New York City during the last couple of years.

So I guess my only point is, you know, everybody here is going to try to be as fair as we possibly can. But there's similar complaints from places other than the City about what's going on and how they're being treated disproportionately. Lastly --

MAYOR BLOOMBERG: In all fairness, thank you for the 3 percent. That helped. It doesn't solve the problem, but it helps.

SENATOR DEFRANCISCO: Lastly, "Race to the Top." I was listening and reading your remarks carefully; you said that was disappointing. And you also talked about how important that charter schools and all the 30-some-odd thousands on waiting lists. I would assume that you were moderating your word a little bit, "disappointing." I assume that you were much more than disappointed that the State of New York didn't even put a bill on to get

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an application in for up to \$750 million when the State of New York is cutting, the Governor is cutting a billion dollars in education.

So are you more than disappointed? And do you have a message so that this body will at least do the responsible thing and put a bill on and try to get some of this money and more charter schools?

MAYOR BLOOMBERG: You know, Senator, it's not my job to criticize. I can complain, but I don't think I should criticize. After all, we need the help of both sides of the aisle in both houses of the Legislature and in the Governor's mansion.

But was I surprised? This is the same Legislature that refused to vote on a bill on congestion pricing. We walked away from \$350 million that the Federal government had sitting there waiting to give us. Plus a chance at tax revenues that we needed, plus a chance to reduce asthma and help the City get out of an economic strangulation that traffic costs. If you could do that, you can do anything. No, I wasn't surprised.

SENATOR DEFRANCISCO: So that sounds more than disappointed.

MAYOR BLOOMBERG: Let's just hope that they come back -- that you guys all come back and do the right thing.

SENATOR DEFRANCISCO: And that's my last point. You've got here "And finally, I also urge you to enact legislation before the March 17th" -- I guess that's St. Patrick's Day, so maybe people will remember that -- "deadline set by the Department

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of Housing and Urban Development enabling us to qualify for Federal funds for much-needed improvements to the City's public housing developments."

Now, would you be willing to make a wager with me here today that there will be a special session on March 16 to start discussing that issue?

MAYOR BLOOMBERG: I am always optimistic.

SENATOR DEFRANCISCO: Thank you.

CHAIRMAN FARRELL: Assemblyman Hoyt.

ASSEMBLYMAN SAM HOYT: Mayor, I wanted to follow up on Senator DeFrancisco's comments about "Race to the Top."

I've watched for years the national model that you and Chancellor Klein have set up in New York City with regard to school reform in general and charter schools specifically. And we just watched this -- you know, another embarrassing episode here in Albany proving our reputation for being dysfunctional where, as Senator DeFrancisco mentioned, neither House acted.

And as a result, in my opinion, at least in Round 1 we have zero chance, zero chance of qualifying, in my opinion, for the \$700 million that it was estimated that we may in fact, New York State, qualify for.

First of all, is there any way you can tell us approximately, based on formulas that are commonplace dividing up resources, what that meant to New York City in terms of lost

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revenues? And if you could also comment on the need to do another measure in order to qualify for Round 2. Obviously, there will be less resources available. But I'm curious as to whether you have opinions as to how we do better in order to qualify for Round 2.

MAYOR BLOOMBERG: Well, the first thing is it would be wonderful to get some financial aid. But the real issue here is getting the right schools for our kids no matter how we pay for it. And that was the great sin.

Those charter schools that were chartered by SUNY did dramatically better than the average public school. Although, keep in mind, charter schools are public schools. We have to say that again and again. Charter schools are public schools, and those kids deserve the same support that kids who go to other public schools get. But those chartered by SUNY did better. And we have 36,000 kids waiting for openings in charter schools.

Charter and parochial schools have become the private schools, the elite schools for those starting up the economic ladder. And some of us were lucky enough -- I went to public schools, but an awful lot of people in this room were lucky enough to be able to go to private schools. That's the answer for those kids. Those kids that want to go to better schools, charter schools provide them.

And I hope that the charter schools provide the competition so that all of the rest of the schools are better. If there's anything I'm proud of, it's the average public school in our City -- not

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charter schools, the average public school -- that has improved dramatically. It is something that has made an enormous difference in the lives of our kids and will go on for generations, its impact.

We have 80,000 teachers that do a spectacular job, and 2,000 principals and a lot of other people that work in the system -- school safety officers and parent coordinators and custodians, all of whom work together. Our public school system is getting better. And one of the reasons it gets better is the parents have choices and we have competition within it to make it better.

But to come back to your question, out of the \$700 million we would guess we'd get a couple of hundred million out of that, if we were to get \$700 million. And I don't know what Arne Duncan is going to do. The President and Secretary Duncan have said this is one of their top priorities. If you know Arne Duncan, you look in his eye, he is committed. He wants to make a difference. And this is a ways to do that.

And they will, I assume, give the grants to those schools that reached higher than everybody else and that are willing to try new things and willing to do things themselves that in the past they weren't willing to do. That's what we have to do. You have to be a leader. And I want us to get as much money. I'll do everything I can to get that.

But if you have to write a script of how to get there, I've just described it. And there are a number of states in this union that have gone that extra mile, that have changed their laws, that have

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come up with innovative proposals that I assume will be at the top of the list.

ASSEMBLYMAN HOYT: I assume that they're not just reading the headlines. In other words, if in fact we raised the charter school cap by 400 but then made all sorts of moves behind the scenes to undermine charter schools --

MAYOR BLOOMBERG: That I suspect won't sell. I know -- I've gotten to know the President and I've gotten to know Arne Duncan. They read more than the headlines, let me tell you.

ASSEMBLYMAN HOYT: Thank you.

CHAIRMAN FARRELL: Thank you. Just for the record, Mr. Hoyt must have missed a couple of meetings we had. Because when I was in those meetings and we were discussing this whole issue, there were people on both sides of the issue, they were saying a lot of important things, and all of them were functioning.

Senator, next.

CHAIRMAN KRUGER: Speaking about functioning -- firstly, Mayor, before I call on Senator Krueger, for the record, I just wanted to say that through many of the innovations that have come out of the New York City Board of Education because of some of the good things that we have been able too squeeze out of Albany I guess in a very difficult tug of war.

Our application on its face is very competitive. And even if we don't make the first round, I believe that, you know, cooperatively we will see a second round and we will see things

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happening.

Originally, the City Board of Ed decided to opt out of the "Race to the Top," and it was only in the last 24 hours or so --

MAYOR BLOOMBERG: No, I don't think that's fair. We never said we're going to opt out. We tried to make sure that we have as competitive an application as possible. We signed the application. I don't see where that comes from whatsoever.

CHAIRMAN KRUGER: Well, that was later in the process, then. It happened within the last 24 hours of negotiation.

MAYOR BLOOMBERG: We signed it when we had to sign it, before it was sent in. And I think it was Assemblyman Hoyt that pointed out that the Legislature here got to the 4:30 deadline and didn't do anything. I don't think you should be pointing a finger at us. We did exactly what we were supposed to do to.

CHAIRMAN KRUGER: No, I -- again, I want to take your model; I don't want to criticize.

I just wanted to make the point that in the second round perhaps we will be a little bit more fortified in our approach -- not necessarily on the City side, but certainly on the State side. And maybe cooperatively we can see some --

MAYOR BLOOMBERG: Point well taken.

CHAIRMAN KRUGER: -- light at the end of the tunnel.

Senator Krueger.

SENATOR LIZ KRUEGER: Thank you.

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Mr. Mayor, in your testimony you referenced the impact of the STAR changes that the Governor has imposed on the City of New York, an estimated 200 or more million dollar cut. As you pointed out in your testimony, New York City disproportionately doesn't participate in the STAR program, and this cut, as the Governor laid it out, would have a majority of the cut to the State here in New York City.

STAR has never really worked as a model for property tax relief for the City of New York. Do you have alternative proposals?

MAYOR BLOOMBERG: Well, I think the ways that the Legislature here addressed that issue was to have a personal income tax rebate to the municipalities to make up for that difference. I'm not enough of an expert to know what the real impact was on where people wanted to live. There's no one thing that forces you to change behavior; it's a combination of things.

And the STAR monies are important, but a dollar is a dollar. All of this is fungible. And if we get cut in one area and not in others, we have no choice but to allocate the pain across all agencies. Otherwise, you'd have to close down some agencies that we just can't legally or certainly do from a practical point of view. And the same thing is true with the revenue sources.

CHAIRMAN KRUGER: And as a follow-up, I think the Legislature is very interested in exploring alternative models to dealing with property taxes and equity and fairness, which is also a

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theme of your testimony. And in the past the City of New York has at various times talked about some of your own dilemmas with inequities in the property tax rate between one, two, and three/four properties.

Does the City have any proposals on the table now for changing the equity in the City's own property tax system that perhaps we, as we explore going forward at the State level in improving on our property tax system and providing more equities, might fit together?

MAYOR BLOOMBERG: Well, if you remember, when we wanted to raise our property tax because we wanted to continue to have firefighters, teachers, and police officers -- and they need to get paid, so we didn't really have much choice -- it was after 9/11 when this administration first came into office. We asked the Legislature to help us, because we are able to raise or lower our own property tax, but not within classes. They all have to go together. So we raised -- I believe it was 18 percent -- the property tax and asked the Legislature -- which you did, in all fairness, and thank you -- to let us give a rebate back to the small homeowner.

And the logic behind it was that a small homeowner doesn't really benefit from an appreciation in the value of their properties in some senses. Their taxes probably go up, because the assessments eventually go up. But if they were to sell, they generally have to buy something else. So while if they were to sell and move elsewhere or if they were to downsize, yes, they can benefit from an appreciation.

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And they could certainly borrow against it -- which we saw, sadly, too many people did that shouldn't have. The real difference was that that's not their stock in trade, that's not their business. It's the big real estate owner who benefits from a property going up because they can take advantage of it. They may not choose to, but if their assets increase, they can sell it and take their money out. That's their business.

And the rebate let us make a system which -- nobody wanted to raise taxes, but we didn't have any choice -- made it fairer. Unfortunately, eventually we just couldn't afford the rebate, even, and so the rebate program ended.

We have no plans to raise our property tax. It is the only tax, really, that the City is totally in control of. In fact, the City's property tax is basically legally set automatically. We look at our projections for revenues, we look at our projections for expenses, and then we are by law required to have a balanced budget, so we have to pass a bill that will raise or lower the property taxes. We can ask Albany to raise or lower other taxes, but it's a request that we have to make to you.

SENATOR KRUEGER: Thank you. Just one final question.

You listed a number of the proposed cuts that the Governor has laid out for New York City in his budget, but you didn't mention the proposed reduction in summer youth employment. And I'm just wondering, are you planning on making that up in your City

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budget --

MAYOR BLOOMBERG: We don't have -- we're on the other side of these things. Making up is not a word that's going to be used. We just don't have the money.

We have our tax revenues coming in, Senator, better than we had forecast but not anywheres near enough to make up the \$5 billion deficit that we had projected. We have cut or asked every agency to cut 4 percent for the current six months and 8 percent for next year. We will get that done. That's another billion and a half dollars in cuts. We still have a deficit after that, and we've got to find a ways to close that deficit.

We've acted responsibly, but you can never act responsibly enough. And I don't think anybody ever anticipated all of the calamities that befell the financial markets happening at the same time. Fundamentally, what everybody assumed was this was like an insurance company. Some people would die, but you would not have a plague that would wipe out everybody and bankrupt the insurance company. In fact, so many people defaulted on their mortgages that that is exactly what happened.

So nobody had anticipated it, even though we had thought back in 2007 that the level of economic activity and speculation or at least increase in prices in the financial markets could not be sustained, and we took steps to ameliorate any pain. Unfortunately -- and I don't think you could have done much more -- not enough.

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SENATOR KRUEGER: Thank you very much.

CHAIRMAN FARRELL: Thank you, Senator.

Assemblyman? Mr. Brennan.

ASSEMBLYMAN BRENNAN: Mr. Mayor, just one more question, then.

You know that in 2003 and last year you asked us to give you authority to increase sales tax in the City of New York, and we did it both times. 2003 was related to the 9/11 financial problems -- can you hear me? You heard what I was saying?

MAYOR BLOOMBERG: Yes. Yes.

ASSEMBLYMAN BRENNAN: Okay. And, you know, let's say now we do a lot of the things that you are particularly concerned about -- we restore the AIM money, even the \$105 million that you suggested would be fair to cut, which I don't think is a good thing for you to suggest. But at any rate, and then we do a lot of things but we can't, because of the size of the deficit, we can't fully restore all the education funds. You said it's \$500 million, if you include the building aid cut, and that that would cost you 8,500 teachers.

Let's say we restore the AIM funds, we do a lot of good things for the City in relation to equity, but we can't fully restore the education cut. Are you saying that under no circumstances would you do anything other than flow through that cut to the school system of the City of New York? You wouldn't come back and ask for some additional relief, or you wouldn't look for some mandate relief in

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public education or some other way to address that other than to just eliminate your staff?

MAYOR BLOOMBERG: It is not our intention to do so at the moment. Keep in mind, we don't have to have a budget until the end of June, so that gives us another five months to look at tax revenues, to work with every agency and find more economies.

ASSEMBLYMAN BRENNAN: So you're not saying that under any circumstance, if there happened to be an education cut, you would just flow through the cut to the school system? You would look at other options?

MAYOR BLOOMBERG: I don't think anybody can ever say "never, read my lips." We saw that happen, and it doesn't work very well. I can tell you this --

ASSEMBLYMAN BRENNAN: Well, I'm just saying in your testimony there's a bit of a threat that that's what you would do.

MAYOR BLOOMBERG: I think there's no question that there will be a lot fewer teachers unless we could find a ways to get a lot more from the teachers. And keep in mind, teaching is not one of those things where if they teach an extra hour, we save money. If they teach an extra hour, the students benefit, but it's a different business model, if you will.

ASSEMBLYMAN BRENNAN: I'm just saying if we are unsuccessful in fully restoring the education cut, you would look at other options other than flowing through the --

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MAYOR BLOOMBERG: Let me phrase it this way. The budget cuts, the billion and a half dollars that I have asked all agencies to make --

ASSEMBLYMAN BRENNAN: In your own budget.

MAYOR BLOOMBERG: -- in our own budget includes education. It's slightly less in the first six months because of the maintenance of effort issue, but it is fundamentally the same. And whatever less revenue we get from the State, we are going to have to take that shortfall and go across all agencies again and find ways to spend less.

In the end, if we don't have money, it's up to me to make a decision as to what services are most valuable. I can tell you this. We are going to keep our City safe. We're going to make sure that somebody shows up at the door. And I'll do everything I can to make sure every child gets a good education. But a lot of things people want, a lot of programs they want just would not be possible if the revenue is less. And I think that's something in the past -- people have always heard this: If the revenue is less, you're going to have to give up something. And they didn't.

ASSEMBLYMAN BRENNAN: No, what I'm saying is that you have yourself on a number of occasions asked the Legislature for the authority to have some additional revenue of your own to address the basic needs of the City of New York.

MAYOR BLOOMBERG: That is correct.

ASSEMBLYMAN BRENNAN: And so I'm just

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saying that you could do that again if you -- if the Legislature was unable to fully restore the education cut.

MAYOR BLOOMBERG: We could do that, but the situation is different. Remember, we have people, stores that are struggling. And raising sales taxes should reduce the amount of revenue they get because people will be less inclined to buy, and that reduces their ability to make a profit and to employ people and all of that stuff.

And it also is a function of the alternatives people have. When people can drive across the border outside of New York City to another county or to another state -- and two states are pretty contiguous --

ASSEMBLYMAN BRENNAN: What about the income tax?

MAYOR BLOOMBERG: It's exactly the same thing. That's one of the things that we really fear. And when Albany raises income taxes, it hurts New York City disproportionately because that's where more of the higher-paying jobs are, and that reduces the options that the City has to balance its own budget.

ASSEMBLYMAN BRENNAN: Once again -- let me ask the question again -- if we are unable to fully restore the education cut, is it your testimony here today that you would do nothing other than the flow through that full cut to the school system?

MAYOR BLOOMBERG: I do not see how we could ask you to raise sales tax to make up for that kind of shortfall.

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ASSEMBLYMAN BRENNAN: Or any other tax.

MAYOR BLOOMBERG: You know, it all depends what happens to our revenues and expenses in the next five months.

I can tell you this. I do not believe that we can raise taxes, whether they're income taxes or sales taxes or property taxes, at this point in the City's economic history. It is very fragile. It is doing somewhat better. But we have to find ways to make it more attractive to open a business in New York City, not less.

And so if you listened to my State of the City speech, we talked about some new programs to make it easier to open a business in New York City. We have to find ways to reduce the cost of doing business in the City, and that's why we've asked you to end the Wicks Law, which would make it easier to construct City schools, but that gives us more money to do other things.

So I'm not trying to avoid your question, I just think that the options before us that are practical are not raising taxes and to economize as much as we can and to grow the tax base as much as we can, but also to make some very serious, painful choices to what we can afford and what we're going to buy.

CHAIRMAN FARRELL: Thank you.

Senator.

CHAIRMAN KRUGER: Thank you, Mayor  
Bloomberg.

CHAIRMAN FARRELL: Thank you very much.

MAYOR BLOOMBERG: Thank you.

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(Brief recess.)

CHAIRMAN FARRELL: Good afternoon. Next, the New York City Comptroller, John C. Liu. John, Mr. Comptroller.

Welcome to Albany and the balmy weather.

Normally we give new people a lot of snow, but we decided to be nice this week.

COMPTROLLER JOHN C. LIU: Thank you, Mr. Chairman. It's just 12 noon on the dot, so I will wish you a good afternoon.

Chairman Farrell, Chairman Kruger, members of the Committee, I'm honored to have this opportunity to testify before you as it relates to the budget and our fiscal matters. I've got copies of my testimony here. And I read it, it took me about a half hour to read. So with your permission, I will give you an abridged version.

CHAIRMAN KRUGER: Permission granted.

CHAIRMAN FARRELL: And we will put your speech into the record.

SENATOR DEFRANCISCO: We will give you anything you want.

COMPTROLLER LIU: All right. I'll take you up on that, Senator.

Thank you. Well, I want to first start out by saying that the Governor truly has my respect and empathy for the difficult choices that are needed to bridge this \$7.4 billion budget gap. And I think that it's great that he's done so with a minimal use of one-shots,

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nonrecurring actions. But in concurrence with Mayor Bloomberg, I would have to say that this preliminary budget plan really unfairly targets New York City, plain and simple.

Three quick examples I will give you. The Governor's proposal totally eliminates revenue sharing for New York City while preserving it virtually untouched for almost every other jurisdiction in the State. This will cause an immediate gap of \$350 million in the City's budget in the current fiscal year, and another \$328 million next year. This may force layoffs in the City's workforce. And as we are all aware, the City's unemployment rate is already at its highest since 1993 and substantially higher than both the State and the nation's unemployment levels.

The tax relief that has been considered in the form of the property tax circuit breaker is itself biased against City residents because the vast majority, more than two-thirds of New York City households, rent. And the STAR exemption cap on those earning \$250,000 or more increases taxes on the City's highest-income residents. And we hope this doesn't happen, but if the City should need to resort to its own personal income tax changes in order to stave off draconian cuts, then the State's action will have made this that much more difficult.

The proposed budget plan will leave a hole in the Department of Education's budget of nearly half a billion dollars. When the Federal stimulus funds dry up beyond 2011, that number will grow to \$1 billion. This will fail the State's obligation to ensure

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that adequate resources are provided to educate our children. And in addition, the reimbursement cap on summer school special education costs really removes critical resources to students who need it the most.

Our kids deserve better, I think you would agree, and I believe that the budget plan can do better.

In recent years the City has provided \$11 billion more in resources to the State than was returned in services or assistance to our City. No one can fault us for a lack of self-help. Our City has levied 21 separate taxes on its businesses and residents, and we still struggle to find revenue for itself. But we need a State budget -- certainly changes in the State budget -- that will not unfairly target New York City residents and look at New York City as a cash cow.

I'm 25 days into this new job as New York City comptroller, having a great time. I'll do everything I can to help root out wasteful spending among New York City's government agencies, and work with Mayor Bloomberg and Speaker Quinn to empower the agencies to do more with less. I'll work to help revamp the contract system as it relates to no-bid contracts and focus the vendor selection process on job creation. City and State governments can better use their purchasing power to reinvigorate our economy. My office will seek ways to ensure this.

I would also urge all of you, my fellow colleagues in government, to take a similar attitude and look closely at how our government operates and where we can make savings that will help

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offset some of the painful cuts that affect us all. To that end, if you have any ideas or suggestions on what my office can take a close look at, I am ready, willing and able to work closely with you.

We must also encourage Wall Street firms and banking institutions to do more to reinvest near-record profits that they have reaped -- at our expense -- back into our communities to help create job growth. There is still ongoing talk of near-record Wall Street bonuses. That may help us in the short term with tax revenues, but we have to make sure that the reinvestment that should take place in fact helps us with our tax revenues not only this year but next year and the year after.

And finally, I'll ask you to join me in advocating for a Federal tax credit to assist small businesses which create jobs. While Wall Street is a driving force in our economy, it is Main Street that keeps us going. Ninety-eight percent of the businesses in New York City employ 100 or fewer people. This is a tax credit that has been mentioned recently in Washington, and just last Friday President Obama signaled some support for this kind of small business tax credit; again, to increase the number of jobs created.

There are invariably challenges that lay ahead of us, but I think if we work together to enact a plan that is fair across the board, especially for New York City residents, it will behoove us all in the long term as well, even for the rest of the State.

Thank you very much, and I'd be happy to answer any questions.

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CHAIRMAN FARRELL: Thank you very much.

Mr. Brennan.

ASSEMBLYMAN BRENNAN: Comptroller,  
congratulations on becoming the Comptroller of the City of New York

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COMPTROLLER LIU: Thank you.

ASSEMBLYMAN BRENNAN: -- at 25 days into your job. And you mentioned that you wanted to work with us in relation to the City of New York's expenses and trying to find waste and deal with these problems. I'm sure you overheard my colloquy with Mayor Bloomberg regarding tax increases and in relation to if everything doesn't work out perfectly, not every penny that the City needs ends up getting restored in this budget, even if we reduce the inequities in it.

You know, we need to look at the tax structure of the City of New York and see if there is something the Legislature could authorize to enable the City to gain additional revenue without necessarily worsening the burden, worsening the burden in some way, shape or form. And so your office's thoughts about the tax structure to -- you know, we need your assistance in relation to that.

COMPTROLLER LIU: Well, obviously we are going to have a balanced budget. And as comptroller, it will be my mission to ensure not only that, but that the discussion that leads to that balanced budget is objective and based on facts.

The Mayor has repeatedly said that he does not

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anticipate new taxes, even as we face right now what is a \$4.1 billion deficit for the coming fiscal year just for the City of New York. I hope that his goal is achieved, and I would support him on that. But in case it's not doable just with expense reductions, I think the personal income tax is something that could be made more progressive in New York City.

You know, the fact is that the income tax rate tops out for New York City residents at something about the \$80,000 annual income level. So a schoolteacher or a cop pays the same income tax rate as people like Mayor Bloomberg. So that's a tax system that I think can be made much more progressive. And I hope that we don't have to go to that, but if there is one place for flexibility, that's something that I think it would be responsible for us to look at.

But as I stated in my testimony earlier, the so-called "tax relief" in the form of the changes to STAR, that will only make it more difficult for us in New York City to make the income tax rates more progressive as I just stated. So I hope that that tax relief in the form of what's been proposed to STAR by the Governor, capping the benefit for people making \$250,000 or more, I hope that the Legislature can take that back.

Thank you.

ASSEMBLYMAN BRENNAN: Thank you.

CHAIRMAN FARRELL: Senator.

CHAIRMAN KRUGER: Thank you, Assemblyman Farrell.

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Firstly, we're joined by Senator Velmanette Montgomery.

And on point, Mr. Comptroller, you talk about no-bid contracts. I wanted to talk for a moment about low-bid contracts. And we find so often -- you know, sort of in my head it always spins around, the story of Neil Armstrong going into his spaceship and he looks around at all these computers and buttons, and he's going to the moon, and he says: "My God, this was all done on low-bid contracts."

We do not incentivize bidders coming into our City -- and I guess the most graphic example is when you go back to your office today, look around the municipal building and see how many City vehicles are not American-made cars. Tens of thousands of them are bought every year by the City of New York. And that's a sad comment, I believe.

I think that when we look at local vendors, small businesses and medium and large-sized businesses as well, we're not giving them credits when they bid on contracts, because we're taking out-of-town and sometimes out-of-state and out-of-country bids because they're lower. Well, lower sometimes doesn't always count. This is not horseshoes. It's not a question of being close, it's a question of being fair and equitable.

And I would ask you, please, to look at the way we do do our bids and to see how we can incentivize small and medium-sized companies, and even the large guys, to say: Hey, you know what, I'm going to get some extra credits, or I'm going to get

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some tax advantages, or there's a reason why I can do business with the City of New York and the City of New York wants to do business with me.

Keeping that in mind, you have vast oversight over the City pension fund, probably one of the largest if not, except for the State of New York, the largest pension fund in the country. And with being prudent and being smart, also you have the great capacity to reach into the communities that make up the City of New York and help us build and help us flourish once again, and help us be part of the vibrant economy that we once were. Not misguidedly, not being shortsighted.

But there are so many proposals out there from the world of -- the corporate world that have bankable leases by large -- you know, the Targets and the BJs and the Costcos. I don't want to talk about big boxes now; we'll deal on another level -- but where large companies could come into New York where there would be a security in the way we would manage their financing and help make that happen. And I think that we're falling short of it. There's the fear that permeates the process that we're going to mismanage or misuse pension funds.

Well, at the same time I think that there's an obligation to use those funds prudently and wisely, but at the same time, once again, incentivize the construction world to come back to New York, that they have an open ear in the comptroller's office.

COMPTROLLER LIU: Thank you very much,

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Senator. You packed quite a wallop in that question, I suppose.

In the first case, you asked about how we can look at the bids that companies put in for contracts. And this is exactly what I was referring to in my testimony earlier when I talked about how we need to refocus our City and State government's purchasing powers in a way that reinvigorates the economy. And to the extent that purchasing goods and services that are either manufactured or provided by people in this State and City, that may create multiplier effects that then, in turn, help boost our economy and put our economy back on track.

So I support those kinds of measures that will reform our contracting process. We're talking about creating jobs, and more needs to be done with our contracting process, both at the City and State levels, to create jobs. And I think more can be done.

With regard to how we incentivize companies to invest in New York, City and State, I think that that's something that we have a number of mechanisms to encourage. With the use of pension funds, there are some ways of making direct investments in businesses and in construction plans that will create short-term jobs as well as maintain long-term jobs after the completion of such projects.

There are also ways in which shareholder activism, taking a look at the business models and plans of corporations that we hold large number of shares in, can actually help to ensure that those businesses are investing in New York's economies as well.

So all in all, I would agree with the proposals and the

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suggestions that you make today.

CHAIRMAN KRUGER: Thank you. Thank you.

COMPTROLLER LIU: Thank you.

CHAIRMAN KRUGER: Assemblyman?

CHAIRMAN FARRELL: New York City's financial sector was devastated during the wake of the recession. What do you expect for a long-term restructuring of the financial sector in the City? And do you anticipate that employment will return to pre-recession levels, or will jobs become more limited?

And again, I know, 25 days --

COMPTROLLER LIU: No, that's fine. I'm trying to assemble as much as of that crystal ball as I possibly can as quickly as possible.

As I stated in my earlier testimony, I think that there has been some support voiced for huge bonuses to be paid out by the Wall Street giants this year because it will help us immediately with our income tax revenues. I think that that sounds good, but it may be a little shortsighted, because what we really need is for these big companies, even those based in New York, to reinvest that money in the communities, to ease the credit crunch that homeowners and small business owners alike still suffer from.

If we can get these companies to use some of their profits this year to ease the credit crunch, I think that will produce multiplier effects in our local economy as well as the national economy that will then produce recurring revenue, as opposed to just

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focusing on the Wall Street bonuses to be paid this year. That reinvestment can help spur the creation of additional jobs this year, next year, and the year after. That, I think, is the best way to go about, in this case, spending the Wall Street excesses.

Paying out bonuses this year in a way that is completely opaque to the general public and is not actually based on profits but, I believe, based on revenues -- which is not an indicator of the health of the industry -- I think that leads to all sorts of problems, short- and long-term.

CHAIRMAN FARRELL: Thank you. Thank you very much.

COMPTROLLER LIU: Thank you. Thanks for having me. And I'll leave a copy of the testimony here.

CHAIRMAN FARRELL: Oh, I'm sorry, we have another question.

CHAIRMAN KRUGER: Excuse me, Mr. Comptroller.

Senator Krueger.

CHAIRMAN FARRELL: I'm sorry.

SENATOR LIZ KRUEGER: Thank you. That's okay. Thank you so much.

Welcome to Albany.

Mayor Bloomberg in his testimony laid out a request to the State that we should be changing the New York City pension system by basically, as I understand it, creating the equivalent of a

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Tier V, which we did for the State workers. And since you control the investments and the payout on pensions, I'm always very confused, as a State legislator, what the role is of the City in negotiating with its workers vis-a-vis pensions versus coming to the State and asking the State to change the rules of the game on pensions.

And maybe I could just ask you to -- perhaps not today, but in the future -- help me understand when the City of New York is asking the State to change the rules around pensions, whether that should be something done by the Legislature or that's something that should be done at the City level.

COMPTROLLER LIU: I'd be very much happy to work with you on that particular issue.

My understanding is that the pension benefits are -- and the various tiers are set by State legislative action. But I do believe that that kind of action should not be taken in isolation of consultation with the workforce in New York City. We have close to a quarter-million people in the government workforce. And this is an issue that's important enough that we need to get everybody to the table and have some measure of consensus.

I think time and time again we have seen municipal workers come to the table and agree to changes that are not helpful to them personally but, because they understand the deep and dire fiscal situation, the dire fiscal straits that we're in, that they are willing to contribute to the solution.

And so I believe the best long-term solution is to do

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that in consultation with the City's workers. To simply impose it unilaterally doesn't bode well for the future for a couple of reasons.

Number one, we've seen how the change in the compensation structure for, say, entry-level police recruits a few years ago, that affected the quality of the recruits that came into the New York City Police Department.

Secondly, I think you have to look at pensions as one component of the total compensation package. And if you're going to disturb the balance between the municipal versus the private-sector compensation, we should acknowledge that that's something that we're entering into an agreement for change that that will then affect that balance.

So I don't think it's as simple as saying let's just impose it. It's something that needs to be done in consultation, working together with the workers themselves.

SENATOR KRUEGER: Thank you very much, Mr. Comptroller.

CHAIRMAN KRUGER: Thank you, Mr. Comptroller.

CHAIRMAN FARRELL: Thank you.

COMPTROLLER LIU: Thank you once again for having me.

CHAIRMAN FARRELL: Next, Christine Quinn, Speaker of the New York City Council, and Domenic Recchia, Finance Committee Chair.

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And before you start, I want to point out been joined by Assemblyman Nick Perry.

Madam Speaker.

COUNCIL SPEAKER CHRISTINE QUINN: Thank you, Chairman Farrell. We're also, as well as being joined by our new Finance chair, Domenic Recchia, I'm also joined by the new Chair of our State and Federal Legislation Committee, Helen Diane Foster, of the Bronx.

Good afternoon. I want to thank Chair Farrell and Chair Kruger and the members of the Ways and Means and Finance Committees for having us here today.

I'm joined, as I said, this year by my colleague, Domenic M. Recchia, Jr., of Brooklyn, the new Chair of the Council's Finance Committee, and Helen Diane Foster, from the Bronx, the new Chair of the Council's State and Federal Legislation Committee.

We recognize the difficulty and the urgency of the task ahead as you consider the State Budget for Fiscal Year 2010-2011. As you consider and debate the Governor's proposals, the City Council asks two I think simple things of you.

One is not to balance the State's Budget disproportionately on New York City. We understand that putting the State's finances on the right track for the long-term good of all New Yorkers will require sacrifice by everyone. And we are prepared to bear our fair share, but no more than our fair share. Unfortunately, we believe the Executive Budget presently contains more than the City's

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fair share of cuts and hits the City in some particularly unfair ways.

Second is we ask that you listen to our concerns and suggestions over the coming weeks. Last year, the Legislature listened to the City Council's concern with great attention and respect. And as a result, we felt the outcome was a State Budget that was generally fair to the City. We're deeply grateful for that, and we'll endeavor to be at least as respectful and constructive in our input again this year. And we hope that the outcome will be at least as fair. And given what Senator Kruger said about Chair Recchia, we can only assume it will be a whole lot better, right?

I will touch on a few specific items today that are of particular concern to us in the Council. Let me start with two that we consider hit New York City particularly unfairly.

One proposal that will hit New York City's budget especially hard this year is the elimination of not just one but essentially two years' worth of revenue sharing in a single City fiscal year.

While it's true that New York City is not as reliant on AIM as other cities, nonetheless, \$680 million, even in New York City's budget, is still a tremendous hole, equivalent to 8500 City jobs.

In addition, the Executive Budget would permanently eliminate a critical City revenue stream based on a temporary economic circumstance. And I believe we're the only city that would have that permanent elimination. Which is of course financially impactful, but I also think philosophically and optically a bad message

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to be sent about the State and the City's relationship.

Another proposal that we feel unfairly impacts the City is the failure to fully restore funding for reduced-fare student MetroCards on City buses and subways. Hundreds of thousands of families rely on student MetroCards every day in the City. Many will simply not be able to afford to shell out the extra \$89 at the beginning of each month that would be required for a family with two children in school.

I vigorously oppose the MTA's proposal to begin eliminating reduced student fares. And I've also said that the City's contribution is something that I am open to discussing. But I cannot and will not do so until the State is also willing to honor its commitment to the City's contribution and to match it.

Let me raise a couple of other areas of concern to us in the Executive Budget.

The first concerns the Governor's proposal to allow CUNY and SUNY schools to set their own tuition ratings. This is a serious proposal that deserves consideration. That said, I'm concerned, however, that it will ultimately weaken public funding for these critical institutions of higher learning. Moreover, the proposal comes in conjunction with \$37 million in cuts in base aid to CUNY's community colleges and 20 percent reduction to TAP awards.

The CUNY community colleges are bursting at the seams with new enrollment, which is expected to rise another 8,000 students next year. Together, these proposals compromise CUNY's

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historical mission as the gateway to a better future for all New Yorkers.

A number of proposed cuts and savings in healthcare, human services, and other areas are also problematic and we believe shortsighted. Let me flag a few in particular.

First, the establishment of new Early Intervention parental fees ranging from \$45 up to as much as \$540. These would discourage many low- and moderate-income families from taking advantage of these critical services. We and I know many of you in your districts have worked very hard to educate parents on the importance and the availability of Early Intervention, and we in the Council have provided funding to help create testing opportunities. Fees that discourage early testing and intervention will only result in more and larger cuts later on.

The discontinuation of TANF funding for the Summer Youth Employment Program strikes a blow at a highly successful program in our City. The expansion of summer youth employment this year with the Federal funding was very welcome. But even with that Federal funding and the most robust program we've ever had, we still did not keep pace with the growing number of applicants, which reached a record 140,000 last summer.

At a time when teen unemployment is over 40 percent in New York City, we must find a way to fund this critical program. And in fact, we're looking from a policy perspective about ways to even target it to jobs within growth industries to help children

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get better prepared for the workforce.

The proposal to cap funding for indigent defense in New York City at \$40 million annually -- that's \$6 million below last year's level -- we believe unfairly limits funding to the City. Moreover, it runs directly counter to last year's law setting caseload caps for indigent defense, which is critical, obviously, to ensuring that poor New Yorkers receive the equal treatment under the law to which they are constitutionally entitled.

Last year the City Council provided \$11.3 million in funding for criminal legal defense. We did this as a bridge until the caseload cap law took effect. And as we said repeatedly last year, this is not a level of effort we will be able to sustain.

We will also be looking closely at the proposal to replace current aid formulas and maintenance of effort requirements with the new grant program to ensure that New York City will be treated fairly.

Finally, I want to mention our particular concern about New York City's public hospitals. We are still studying the impact of the Executive Budget on the Health and Hospitals Corporation, but we are very concerned about the continued ability of HHC to serve New York City's uninsured.

We'd like to come back and have further discussions with you about this, taking into account, of course, the larger context of health reform nationally and its impact on the budgets of public hospitals. This is obviously a complex area, and we want to make

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sure that none of us inadvertently do something that would compromise HHC's core mission.

There are a number of proposals in the Executive Budget for which we urge your support, including proposed investments in alternative to incarceration programs and protecting payments to human services providers.

We're also pleased to see a proposal for a small business revolving loan fund targeted in particular at MWBE businesses, and the new technology seed fund to help researchers develop marketable products. This is an area that we in the Council have identified as critical to rebuilding the City's economy. Last year my colleagues and I proposed and with your help enacted a biotech tax credit for the City. It's modeled on the successful State credit. And this year we'll again be looking to make proposals to expand small businesses in that area.

Finally, the Governor has included a provision in the Article 7 revenue bill that would allow same-sex partners legally married in other jurisdictions to file their personal income taxes jointly, treating same-sex marriages, at least for tax purposes, the same as other married couples. As you may have heard, I was and am a strong supporter of gay marriage as a fundamental matter of equal rights for LGBT people, and I urge you to support this measure. Let us take at least this step forward in the direction of justice and equality for all New Yorkers.

I want to conclude today by again emphasizing the

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urgency -- which I know you are all aware of -- of setting the State's fiscal house in order. Getting the State Budget on a path to long-term balance is critical to the future economic health of all parts of the State. Without real solutions, it's going to be increasingly difficult to get companies to invest in New York and families to live in New York.

We do not underestimate the difficulty of the task ahead for all of you, but we cannot overstate its importance. Together, the Mayor and the City Council have managed the City's finances prudently in both good and bad times, restraining spending growth during the boom years and making the painful choices during the lean years. We should not be punished for our good management by budgetary choices that permanently alter City/State fiscal relations to the City of New York's detriment. Any changes must be made in a way that treats the City fairly, recognizing its unique role in the State economy and that reflects that the needs and priorities of all City residents.

On both these measures, unfortunately, we believe the Executive Budget falls far short. We look forward to working with you over the coming weeks to create a fair State Budget for the coming year. Thank you.

And I think my financial chair might have a little bit to add, and then we'd happy to take any easy questions. Domenic will be taking all hard ones from now on.

COUNCILMEMBER DOMENIC RECCHIA, JR.:

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Good afternoon, Chairman Farrell, Chairman Kruger, and members of the Ways and Means and Senate Finance Committees. My name is Domenic M. Recchia, Jr., and I am chairman of the New York City Council's Finance Committee.

It is an honor and a pleasure to stand with the speaker of the City Council, Christine Quinn, and Helen Diane Foster, chairman of the State and Federal Legislation Committee of the New York City Council, to testify about the impact the State Executive Budget has on New York City.

The boom years of the 2000's produced unprecedented growth in the financial services and real estate sectors. As Wall Street bonuses soared and real estate values climbed, municipal and State budgets flourished. Unfortunately, those boom years did not last. The global financial crisis that has shocked the world economy over the last two years has been particularly devastating to New York City. Our unemployment rate exceeds the national average, and home prices throughout the City continue to drop.

Last year, New York City policymakers, led by Speaker Christine Quinn and Mayor Michael Bloomberg, began the process of controlling costs and developing a budget that would protect vital services while laying the critical foundation for future economic growth.

This year's budget will require policymakers in both City Hall and the State Capitol to make difficult choices. New York

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City has long been the economic engine of the State. It is critical that we provide support for suffering New Yorkers while preventing excessive taxation. At the same time, we cannot create an unhealthy business environment that will drive investment to other parts of the country.

To do this, we must continue to invest in the necessary programs and vital services while trimming the fat where it hurts the least, not where it hurts the most. And above all, we need to protect the people who we work for, our constituents.

The Governor said in his budget that the total cut in education is \$418 million. But because he is combining school aid and school construction aid, it looks like the cut is closer to \$500 million. I do not believe this is an appropriate way to distribute education funding. It must be kept separate. Combining these numbers will have a huge negative consequence for the 1.1 million schoolchildren in New York City and will contribute to potential layoffs of teachers.

In addition, the Governor's shift of \$51 million in summer special education classes from the State budget to the City's budget will further burden the City's already overtaxed and overspent educational system. This simply is not acceptable. Education funding is not a budget expenditure, it's an investment in the future of our economy. If we do not give our students the tools they need to compete in a global economy, we will only suffer in the long run.

Throughout the current financial crisis we have tried

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to balance the requirements of our neediest constituents with the bleak realities of the current economic environment. It is vital that we adopt a budget that protects the most vulnerable New Yorkers without supporting to the sort of unsustainable funding that will endanger New York's economic recovery.

I thank you for the opportunity to testify before you today, and I look forward to working with you toward a budget that is fair and balanced for all New Yorkers, both Upstate and Downstate.

CHAIRMAN FARRELL: Thank you, Mr. Chair.

Questions?

Mr. Brennan.

ASSEMBLYMAN BRENNAN: So nice to see members of a legislative Body. And it's good to see all of you. And congratulations, Councilmember Recchia and Councilmember Foster and Speaker Quinn.

COUNCILMEMBER RECCHIA: Thank you.

COUNCIL SPEAKER QUINN: Thank you.

COUNCILMEMBER HELEN DIANE FOSTER:

Thank you.

ASSEMBLYMAN BRENNAN: There's a tremendous reluctance to do significant tax increases at the State level, City level, obviously. And I was having a conversation with Mayor Bloomberg, to the extent it's possible to have a conversation with Mayor Bloomberg --

COUNCIL SPEAKER QUINN: I caught the tail end,

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I think.

ASSEMBLYMAN BRENNAN: Yeah. By talking about, well, you know, what if we eliminate the inequities in the State budget towards the City, but we're still doing cuts, you know.

Like, okay, so we knock out the AIM cut but there's still an education cut. And we protect the building aid, okay. That's \$100 million out of the \$500 million cut, so there's a \$400 million cut in education aid left over. And, you know, let's say that we can't do more tax increases here because of the environment in which we're operating, so the City is left with a couple hundred million dollar education cut.

Mayor Bloomberg doesn't know whether he wants to suggest we allow the City of New York to get some additional tax revenue to deal with the problem. What do you think? Do you think that in the end the best way to address it is -- let's say we get the cut down to \$200 million, and then the decision comes, well, let's just flow through the education cut from the State to the City school system. You know, is that the right approach for the City government?

COUNCIL SPEAKER QUINN: I don't want to get in the back-and-forth that you and the Mayor had of not answering the question.

ASSEMBLYMAN BRENNAN: Back-and-forth?

COUNCIL SPEAKER QUINN: Whatever. You know, it's hard to give an answer sitting here today of exactly what we

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would do come the end of June. Right? Because there's a lot of things that are going to happen between here and there. And if obviously part of what we want -- and it's going to be true of every other county or city leader you hear from, is we want the most money we can get from the State and the least problematic cuts and the cuts that will be ones that give us the greatest amount of flexibility in how we implement them.

What ultimately our choices are going to be in how we absorb the cuts, how we offset them or don't offset them, I can't answer that now because I just don't know where all the other pieces -- and there's other pieces, obviously, beyond the State: Tax revenues, the Federal government, et cetera, when we get to June.

Obviously, you know, this Council has a long record of I think doing two or three important things. One, trying to minimize the impact of cuts on people who are most reliant on City services -- schoolchildren, seniors, the disabled. We've also tried over the past four years to do everything we could to identify parts of the City's budget that wasn't necessarily bad; everybody talks about waste. In a way, we're almost beyond that. We're at a point now where we're finding things that are probably good but just aren't great, and we have to get rid of them.

Like we used to -- I'm sure you know this in your district -- we used to go around in the City of New York and pick up people's grass clippings. It's not a bad thing, it's not a boondoggle, it's a perfectly reasonable thing for government to do. We don't do it

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anymore, because it was \$2 million that's better off somewhere else. So we're also trying to do that. And that's another way, things like that, we're trying to do to figure out how to balance to prevent really horrible things like layoffs happening.

Now, that said, can I tell you today if AIM is back in and the ed cuts are still in, that we won't have to do any layoffs? No, I can't say that. You know, we'll do what we can to avoid that, but I couldn't make that firm line-in-the-sand statement today.

ASSEMBLYMAN BRENNAN: Understand.

CHAIRMAN FARRELL: Thank you.

Senator?

CHAIRMAN KRUGER: The first thing we have to do is find out how to use these microphones.

COUNCIL SPEAKER QUINN: We got a new set not long ago at City Hall, and it took a while.

CHAIRMAN KRUGER: Firstly, congratulations to all of you, and a special congratulations to Domenic. It's nice to see the Finance chair back in Brooklyn.

COUNCILMEMBER RECCHIA: Thank you.

CHAIRMAN KRUGER: On a note, I guess, as a pickup to the dialogue that we had with the Mayor, the Council has been in the forefront through your administration in looking for innovative, more creative ways of managing City agencies and departments. And in light of that, where we see there are so many State mandates on the City that cost tons of money that may not be the

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most effective way of managing our dollar -- double audits while the City is auditing a nursing home and the State has to come in, or vice versa as well. And the mismanagement, the idea of Access-A-Ride and why we have to spend \$65 to transport somebody, even though it's mandated under ADA, when we could be doing it cheaper by using car service.

I would think that what we have to do is give the incentive to the taxpayer of the City and the State that we are actually really squeezing all the lemon juice that we can get out of the lemon as possible. And we're going to try to do that on the State side, and I would hope that as the legislative Body on the City side you do that as well.

Cooperatively, I think we can do more things cheaply, whether it's how we manage our purchasing, as I spoke to the comptroller about. And when we are buying products, we should look to see that we buy products locally and we incentivize small businesses. We should really make business and the corporate community part of the process. We always try to make them part of the solution, either by raising taxes or raising fees. We can also make them part of the process as well.

And the State is the economic engine that drives the City in some respects, but the City has always sent up north more money than it's gotten back down south. And although communities all across the State find themselves similarly situated -- and each one of our respective districts can make a laundry list of reasons why the

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State is cheating them -- at the end of the day, I want to applaud the efforts that the Council has made.

But we need you, as the Assemblyman pointed out -- over the coming weeks and months, a lot of things are going to happen. A lot of good things, a lot of bad things. If Washington ever wakes up at the switch, maybe, and if they just redo -- we're never obviously going to do tort reform as it relates to medical malpractice here in the State. It just seems to be too elusive for us to handle. But if the Federal government would do it, then those HHC hospitals would begin to see the light of day. Because we know that their problems would virtually disappear if -- even though they're self-insured, the hospitals that become part of the voluntary network in the City and the State would be able to pull themselves out of the morass with tort reform.

So I want to thank you for coming today. And hopefully we'll be able to partner over the next couple of months.

COUNCIL SPEAKER QUINN: Absolutely. And let me just say a couple of things in response to what you said.

I mean, I think you're absolutely right in trying to involve as many constituencies in the problem-solving as possible. And we were very grateful to the Senate and the Assembly last year for your work with us around putting legislation in place and passing it that allows the City of New York in the long term to move to a business tax structure that is based on a single sales factor. We believe that's going to help us bring media and other industries to the

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City of New York in general, but also help us diversify so we're less reliant on finance.

And we're also grateful to you for the legislation with that that you allowed us to pass last year for the City of New York around tax conformity, because that in fact allowed us to move in a more pro-business tax structure, but in a way that in the short term brought in revenue.

So ideas like that, you know, it's extraordinary what we can do when we partner together. Let me mention two areas where we need that type of assistance and partnership, one which speaks directly to the question you asked Comptroller Liu.

Last year, we in the Council introduced, with the support of the Ways and Means chair and others, a piece of legislation that would allow the City of New York in our purchasing, if we were going to purchase from an MWBE company or a local New York City company, to have -- you know, the law says lowest responsible bidder. This law, if put in place, would say lowest responsible bidder or 10 percent more if it was a New York company or an MWBE. Might cost us more City money up front, but that's money that will move around in our five-borough economy and be helpful. So that's another partnership we'd love to work on this year.

Also, for a number of years since getting elected speaker, we've been working to try to get changes in the pre-kindergarten funding structure from the State. I mean, obviously, the State and in particular Speaker Silver have been real trailblazers as

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it relates to creating an expanded prekindergarten in New York and in our State. And we wouldn't even be having this conversation without the work of Speaker Silver.

That said, the way the law, when it was created, there really wasn't the recognition or the existence of full-day prekindergarten. We now know that full-day prekindergarten is the best thing to get 4-year-old children ready to go to school. But the way the funding comes to the City of New York, we cannot take two State pre-K half-day allotments, put them together and make a full day. In many, many parts of our City we have waiting lists for full-day and vacancies in half-day. But we're still, in many years, returning money to the State in pre-K because we can't put a half and a half together to make a whole.

It's never been entirely clear to me if this is a legislative problem or a regulatory problem. But whatever it is, we would love to get relief from it. Because obviously you don't ever want to return money -- but we don't ever want to give you any money back, let me tell you right now, nonetheless if it's key to the educational future of 4-year-olds.

So those are two additional things we would like to partner on with you this Session.

CHAIRMAN KRUGER: That's well-taken. And maybe it's just an ordinary old three-card monte game of sending you money --

COUNCIL SPEAKER QUINN: Maybe. Maybe.

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Those happen every now and then.

CHAIRMAN KRUGER: Thank you very much.

COUNCIL SPEAKER QUINN: Thank you all very much.

CHAIRMAN FARRELL: Just a moment.

Assemblyman Perry.

ASSEMBLYMAN N. NICK PERRY: Thank you, Mr. Chairman. And good afternoon.

COUNCIL SPEAKER QUINN: Good afternoon.

ASSEMBLYMAN PERRY: Speaker Quinn, congratulations on your reelection, and to your colleagues also in their new positions.

And other than what you just mentioned, which I consider a good suggestion pertaining the pre-K-allocation structure, you know that we have a very severe economic crisis ongoing. And we have to be aware of the Tea Party Coalition. There is a great aversion throughout the State to additional taxes; I don't believe any of us want to go that route at all, even if it might appear tempting in this crisis.

But do you have any ideas you might want to share with us about how we could raise some extra revenue to deal with some of the issues that cause proposals that take money from New York City?

COUNCIL SPEAKER QUINN: Well, exactly, you know, which proposals, taxes or whatever, would be best for the State

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to consider raising in this budget, we don't actually have any suggestions about that today. Just having put in place the new chairs, you know, we're continuing to review the Governor's budget. And we may have suggestions on that in the future, but we don't have those today. As I said in the testimony, we expect to make a nuisance of ourselves in the weeks ahead. So we will put that on our to-do list, Assemblymember, to see if there are things that we could suggest.

That said, I do want to say that the progressive nature of the way the State Legislature looked at taxes last year is something that we support and applaud. And obviously that type of an outlook is something that we want to be as supportive of as we possibly can.

You know, some of the proposals that are in the Executive Budget we didn't take positions on today because we want to go back and do a little more review with that lens in mind to get back to you to make sure we have our firmest position on that. So we will note that question and get back to you.

ASSEMBLYMAN PERRY: Thank you. Now, one final question. I know that the Mayor mentioned layoffs, possible layoffs of teachers. And we are aware that the City's education spending is loaded with consultant contracts.

COUNCIL SPEAKER QUINN: As are we.

ASSEMBLYMAN PERRY: Consultants on a whole lot of things. Some appear to be duplicative and probably unnecessary. And the City Council will be proactive and aggressive in making sure that, notwithstanding the proposed cuts in the

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Governor's budget, that whatever monies you get will attempt to be to protect the classroom spending in regard to teachers and what actually goes in the classroom to provide -- continue to improve the educational environment for the children in the public schools in New York City.

COUNCIL SPEAKER QUINN: Absolutely. Let me say a couple of things about that.

One is I think we have in the Council have frustration and I assume share the Legislature's frustration about the fact that at times the New York City Department of Education's budget is far from transparent and very opaque at times. And there's actually challenges -- even the way it is done on the financial system is not the same financial system that the other City agencies are a part of. So some of the reforms that were made by the Legislature around the renewal of mayoral control will help on that in the long term. But in the short term, that is very frustrating.

Last year, in fact, we put out a list of about a half-a-billion-dollar cuts to City spending that we thought City agencies could absorb without impacting core services. I would say the vast majority of those came from within the Department of Education -- and we will provide those to the Senate and the Assembly -- within the Department of Education, none from the classroom. From multiple layers of testing, multiple layers of consultants on top of consultants.

One example I'll give is in the Department of

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Education's budget there was a line that said 12 staff to the Panel on Educational Priorities. I think those of us from the City are familiar with the PEP. It's hard to imagine it needed or had 12 staff. Ended up we were told, "Oh, that budget line says 12 staff for the PEP, but that's not what it is." Well, until it can be listed accurately, you might as well just cut it out, because then you don't even know what those 12 people are doing.

So we will get you that list, absolutely. Most of it came from within the Department of Education. And we share your concern about making sure money that the DOE has goes to the classroom. Actually, two budgets ago we in the Council made keeping classroom funding and no cuts to the classroom our highest priority and in fact even took reductions in our own discretionary fundings for our districts to make sure we had enough money to keep full funding in the classroom.

So we would welcome the opportunity to work with you both on rooting out the funding that's unnecessary and keeping it targeted in the classroom, regardless of what the end results in the State Budget are.

ASSEMBLYMAN PERRY: Thank you.

SENATOR KRUEGER: Speaker, I'm sorry, excuse me. We have one more question from Senator Velmanette Montgomery.

SENATOR VELMANETTE MONTGOMERY:  
Madam Speaker, thank you for your testimony. And I want to thank

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you for particularly referencing the Summer Youth Employment Program. And I'll just use that as a jumping-off point to -- basically I want to just ask your assistance and support on some of the issues that we've been trying to work on here in the State Legislature.

My Committee is Children and Families, and we have tried in different ways to strengthen our support system for families in terms of, you know, sustainable wage issues and allowing people to utilize their participation in college for their requirements for work, and so forth and so on.

One of the areas as it relates to young people -- several areas that we could really use some help on, because we never get support from the mayor, so we traditionally sort of try to work with the mayor's office. But I would like to really be able to work more with the City Council, where I think we have perhaps more people who might be supportive -- is school-based health clinics.

COUNCIL SPEAKER QUINN: Oh, absolutely. Absolutely.

SENATOR MONTGOMERY: We've been trying desperately to do that so that we can provide health and mental health services to young people in their schools. So we could really use a lot more support from you.

We're looking to figure out a way to, in addition to the Summer Youth Employment Program, to give more support through the formula by which we reimburse localities for detention services. We would like to see reimbursement for alternatives to

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detention.

COUNCIL SPEAKER QUINN: Absolutely.

SENATOR MONTGOMERY: And you mentioned that we're doing more in the budget, but we would like to see the formula changed so that you would automatically receive support.

And in addition, what happened with the Governor's son was pretty appalling. It is a huge problem for youngsters in the State, especially in the City, and that is they receive charges -- sometimes, I understand, even when they just end up going to a police station, police precinct. Even if they are finally not convicted of anything, they still are in the system.

So we need to find a way to make sure that young people who have not been convicted of a serious crime absolutely do not become part of the system. It impedes their ability to be employed in later years. We could use some support on that from the City Council.

And there are a number of other initiatives and policies that we would like to introduce and to hopefully pursue. Youth courts, for instance, in criminal court as well as community courts.

COUNCIL SPEAKER QUINN: If I can interrupt, the first community court was actually in my Council district, at Midtown Community Court. And I can't tell you what a massive difference it has made, particularly -- and I have, you know, Times Square and West Village, so we had some areas that had pretty big quality-of-life

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issues, and it has made a massive difference from the neighborhood's perspective but also, if you talk to the people who have gone through the court, a massive difference in their lives.

So we would welcome that opportunity -- all the things you're saying, but that one in particular.

SENATOR MONTGOMERY: I certainly appreciate that.

So we'll be coming to you, Councilmember Foster, to talk about some of these issues and some of the things that we would like to see and could use a lot more support. And hopefully surround the Mayor and his objection to everything that we try to do so that we can get something done that helps to strengthen families in the City.

COUNCIL SPEAKER QUINN: Well, we would welcome the opportunity to work with you on that, Senator.

Before I was speaker, I was actually Chair of the Health Committee for four years, and we did a lot of work on school-based health clinics. And actually we had a primary care initiative that we put in place two or three years ago -- it was part of a State of the City speech I gave. And the goal was to create 10 state-of-the-art healthcare clinics in neighborhoods. In some, that meant all new clinics. Some, it meant taking a terrific clinic that was in a closet and giving it a state-of-the-art facility.

One of the things we've ended up doing is focusing on school-based clinics. And actually I have to say we've gotten a lot of support from Mayor Bloomberg's Department of Health on that, so

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there might be some bridges we can help create there between the Legislature and the mayor's office.

And I know, on the issues you raised around detention, that's a very important issue to Councilmember Foster but also to Councilmember Gonzalez, of Brooklyn College, who chairs our Juvenile Justice Committee. And those issues -- there's now a proposal to merge our Department of Juvenile Justice with Administration of Children's Services -- are going to be very important questions.

And we'd really love the opportunity to work with you on the formula and the other issues you raised there. So we'll have our staffs follow up and get us all to sit down.

SENATOR MONTGOMERY: Thank you.

COUNCIL SPEAKER QUINN: Thank you, Senator.  
Thank you all for your time.

CHAIRMAN FARRELL: Thank you.

Stephen J. Acquario, Esq., Executive Director, New York State Association of Counties; the Honorable Edward Diana, Orange County Executive; the Honorable Thomas Santulli, Chemung County Executive.

Good afternoon.

MR. STEPHEN ACQUARIO: Good afternoon. And thank you for the opportunity once again to appear before you, Chairman Farrell, Chairman Kruger, members of the Senate and members of the Assembly.

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It's an important time to participate in the process of budgeting to bring to Albany, to the State legislative Body, the perspective of local governments and, in particular, the perspective of the administrative arm of State government, the counties.

For those of you that don't know or would like a refresher, counties are the administrative arm. We deliver all, nearly all Federally funded program programs. The State, over time, has essentially passed through the Federal aid through counties to individuals in New York, and in some instances providing State assistance to do that. We also provide the core public health, Medicaid, and human services.

We have many things in common -- is the testimony in front of you? Yes. I'm going to read some of the prepared remarks. I will not read the whole thing, in the interest of time. President Santulli could not be here; he had some water flooding issues in the Elmira area that detained him locally. So I will address some points in my remarks, a few in President Santulli's remarks, and then County Executive Diana, who is the President of the County Executives Association, will bring some perspective as well.

We have many things in common. We serve the same constituency, the people of New York. And as public servants, our duty comes with our positions.

Today we have before us an Executive Budget that attempts to close a projected \$7.4 billion gap. Given the size of this gap and the increasing gaps over the next several budget cycles, you in

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the State Legislature are faced with very difficult budget-balancing decisions.

The chart on page 2 refers, as you all know very well, to the size of the deficit as projected by the Governor with the best information that he has available: 2010-11, \$7.4 billion, 2011-12, \$14.3 billion, 2012, \$18 billion, and 2013, tracking a \$20 billion budget deficit, a cumulative gap over this four-to-five-year time span, of \$60 billion.

From the accounts issued by the Governor and from where we sit -- and I'm sure where you all sit -- the State has truly reached an unfortunate breaking point. As gut-wrenching and difficult as it will be to close the 2010 State budget gap, even more cuts will be needed in the future. If every proposed action in the Executive Budget were enacted, the Governor's projections are tracking the same amount of cuts in the next fiscal year. The path that lies before us all appears to be an unrelenting "Groundhog Day" of fiscal pain.

As public managers at the local level, we confront the same dilemma every day. County officials know that there is no escaping it and that the time for incremental change and temporary papering over budget gaps with one-shot revenues, temporary Federal funds, and an unending tax increase has got to end.

Chances are we all don't share the same response to the proposed spending plan, and there will be many here today to decry the particulars in the Executive Budget, as every program has a purpose, a benefit to a particular constituency. We are not here to do

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that. We are here today to pledge our partnership, our support, our experience and advice as your administrative arm at the local level, to advocate for a budget that will reduce spending and prudently invest in actions that will strengthen our future, including the collection of Native American taxes on smoke shops.

We recognize the challenges that the State is facing, and we believe this is the time to change the nature of the dialogue. We need to use the immediate fiscal challenge as a catalyst for a stronger, more focused, sustainable delivery system for both the State and the counties going forward.

What we are not prepared to do is to pretend that we can absorb any new cost shifts or new mandates that lessen the State's burden by increasing our own. That simply does not represent systemic reform.

As we heard from New York City -- from the Mayor, the City Council, and the City Comptroller -- the brunt of the local assistance cut is acutely felt by the State's largest city, which comprises New York's five counties. New York City, as we all know, is a unique economic development engine driving, in large part, the State's economy. And with the collapse of the financial services industry, the City and the State have endured a massive occupational transition.

The decisions made in Albany will have a direct effect on the acceleration of business revival in the City and across the State. Special attention must and should be directed to ensure that the

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City remains in a position to contribute to the State's overall economy.

There are hundreds of proposals set forth in the Executive Budget too numerous to mention in the time that we have before you today, and we pledge to work with your fiscal staffs on going over those. There are a few that call out for immediate support and recognition, and that is the significant amount of mandate relief proposals that are set forth in the Executive Budget -- over 100 mandate relief initiatives, more than any other governor has ever proposed in the history of New York.

In particular, we'd like to call your attention to the four-year moratorium on unfunded mandates. Legislation has been advanced in the budget that would protect local property taxpayers by imposing a four-year moratorium on all significant unfunded statutory mandates affecting local governments. We welcome this proposal but, more importantly, look forward to working with this legislative body to make it permanent.

In the area of preschool special education, the Governor has called for a 2 percent cap on the growth of the county contribution to this very important program for children ages 3 to 5. Again, a program that we very much support. As with the Medicaid cap enacted five years ago, a cap on the growth of this county expense will bring valuable stability to a volatile item in our budget, and we are very appreciative of this proposal in the Executive Budget.

Early intervention, another area of State concern, yet forcing county property taxes to pay for this important program for

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children ages newborn to 3 years old. There are significant proposals again set forth in the Executive Budget instituting a parental fee on services based on income, revising rates for home- and facility-based care to encourage the use of less costly facility-based care, and also a requirement for third-party health insurance.

There are also significant reforms set forth in mandate relief for local jails and probation.

Finally, with respect to outside New York City, the City Council's speaker spoke about the assigned counsel and the unique challenges the City has with that program. We're here today to support the Executive's proposal to reform the assigned counsel program for the 57 counties by eliminating the maintenance-of-effort provision, setting forth an Office of Indigent Defense Services, and setting forth standards and a new grant program to assist in providing adequate criminal defense.

Some additional county ideas. We believe that the Wicks Law should be repealed for all units of local government, not simply schools, as proposed by the Executive.

With respect to sales tax, we continue to have the technology to do a better job of projecting available sales tax receipts for both the State and the counties. We're proposing a more transparent and modern system to develop real-time information with respect to sales tax.

With respect to some remarks that President Santulli was going to mention on page 8, in particular in the Medicaid

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program, Medicaid is approaching \$50 billion each year in New York State. Clearly all levels of government, both Federal, State and local, must ensure the integrity of this important program. Reforming reimbursement methodologies to providers and improving patient outcomes while reducing costs through innovations in technology will be critical to sustain the level of services provided through this important healthcare program.

The Governor's budget importantly includes the continuation of the Medicaid cap, which does benefit both New York City and the 57 counties to the tune of \$1.3 billion. However, there is language in the Executive Budget that is troubling to us, as it seeks to shift the responsibility to counties for any Federal disallowance for cases of fraud, waste, and abuse.

This language is inconsistent with the original intent of the Medicaid cap and should be rejected. All Medicaid services provided by counties are approved as part of the State plan submitted to the Federal government. There is an issue of fairness here, and the State should continue with this responsibility.

With respect to another important public health program, we remain challenged at the local level as nearly 40 counties operate public nursing homes, each operating structurally in the red year in and year out. We, the State and the counties together, need to clearly define the role of county nursing facilities in the long-term-care program. With proper statutory authority and adequately financing, county nursing homes are ready, willing, and

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able to return to the role they played for nearly a century, being a caregiver for those most in need, the provider of last resort. We seem to have come unmoored from that mission over the decades.

The Governor also proposes in this budget the authorization for up to five new demonstration programs. The demonstration gives counties that are considering closing or downsizing their nursing facility the option to redirect possible savings to enhance community-based long-term-care services and enable the placement of difficult-to-place individuals into private nursing homes. We endorse this concept as an option to keep individuals in their homes with the lowest level of assisted care they need.

At this point in time, I'll stop with my testimony and recognize the Honorable Ed Diana, the Orange County executive, for his remarks on economic development.

COUNTY EXECUTIVE EDWARD DIANA: Thank you, Stephen.

Chairman Kruger and Chairman Farrell, thank you for allowing us to come speak before the Senate Finance and certainly the Ways and Means Committee of the Assembly to hear what our concerns are when it comes to this Governor's budget and the State Budget. At the end of the day, in June sometime, we know there will be a budget.

And certainly I want to recognize Annie Rabbitt, my Assemblyperson from Orange County. Annie, thank you for being

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here. And I don't want to slight anybody else, but she is from my home county, so Annie, thank you.

Good afternoon. My name is Ed Diana. I am the Orange County executive and serve as the President of the New York State County Execs Association. I would like to focus my testimony on the revenue decline at the local level, reemphasizing the importance for this State to attract new business investment and to create jobs.

The New York State Department of Taxation and Finance recently reported fourth-quarter 2009 and year-end figures on sales tax collections. Fifty-two of the State's 57 counties outside New York City are seeing continued decline in sales tax receipts, 13 of them with double-digit decreases over the same period last year. For 2009, Orange County sales tax revenue was down nearly 5 percent compared to the year 2008.

New York Counties rely heavily on two forms of revenue to fund local operations and to deliver State services locally: Sales taxes and property taxes. Deep and prolonged declines in sales-tax revenue put pressure on counties to raise property taxes, cut services, or lay off workers in order to keep our budgets balanced. These latest figures represent five straight quarters of decline in sales-tax revenue. Last week, the State Labor Department released its monthly employment report for December. Unemployment in the State rose to 9 percent, a level matching a 26-year high. Unemployment, a 26-year high at 9 percent.

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For December '09 the unemployment rate rose in every single county in the State from that period that prior month, except for one that remained flat.

These numbers are a stark indication of New York's inability to create and retain those meaningful jobs. In the 10-year period between 1997 and 2007, New York State created just under 570,000 new private-sector jobs. In number, that ranked 34th in the nation. The Labor Department's employment numbers revealed that in the two years since the onset of the national recession in December of 2007, New York State has lost over 259,000 private-sector jobs, a job-loss number equivalent to almost 46 percent of the total number of private-sector jobs created in this State in the previous 10 years.

This can be attributed in part to New York's ranking as one of the most expensive states in the nation in which to do business by almost all business organizations and publications. Local property taxes in New York are the highest in the nation and are a major contributor to the overall business costs burdening this State. We simply cannot continue to make the situation worse by cost-shifting State-mandated programs to local governments and the taxpayers we all serve.

Despite the major impediments of economic growth our cost of doing business imposes, there are unique assets our State possesses which can be built upon. The Executive Budget proposal contains a series of new initiatives to capitalize on our higher education assets -- like Orange County Community College, in

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Orange County -- which are uniformly rated as one of our State's greatest assets by the same business organizations and publications that decry our business costs today.

These initiatives built on upon programs championed by the Legislature and enacted in prior years such as the Centers for Advanced Technology and the Centers for Excellence programs. Our higher education institutions provide us with the building blocks to become the birthplace of the businesses of the future. We look forward to partnering with SUNY to raise the profile and importance of economic development and job creation through the commercialization of university-based research and development programs.

As Orange County executive and a resident of the Hudson Valley, I consider it my duty as an elected official to address the outrageous manner in which the bailout of the MTA was handled by the New York State government. The payroll tax that impacts every level of government and every business entity in the Hudson Valley region and Long Island region as well is without a doubt the most unfair, regressive, and counterproductive measure I have seen in my 31 years of government service.

The disparity in the tax dollars we send to the MTA for the amount of service we receive is obscene. This new tax takes an additional \$15 million from Orange County residents, who already send \$90 million while receiving only \$60 million a year in services. Add this to the latest round of service cuts announced to our region

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just this past Friday, and you can understand the anger of the Hudson Valley residents and the belief that we are viewed as nothing more than a cash cow to support the MTA, a system that services around 4 percent of our commuter population.

To be blunt, the people of our region and State are tired of paying for services they cannot use, see little value in, and have been built up over time as mini-empires within the great Empire State. Only in New York would you be required to pay for the full cost of a service while receiving only a quarter-vote representation on that board as well. This truly is taxation without representation.

Finally, the Governor proposes an end to the Empire Zone program, replacing it with a new Excelsior Jobs Program, which creates three new tax incentives targeted at emerging high-growth industries such as clean tech, information services, biotechnology, and renewable energy. It is estimated the State currently spends \$600 million a year on Empire Zone credits. This economic development incentive would be reduced to \$50 million in 2011, growing to be capped at an amount of \$250 million in the year 2015.

While we continue to review and analyze the impact of the Excelsior program on the targeted industries, we will also need to assess the impact the elimination of the Empire Zone program may have on other industries not included in this targeted program.

In order to emerge from this recession, the State and the counties must and should partner with each other to create the atmosphere necessary to attract and retain both small and large

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businesses. These industries become the lifeline of opportunity enabling New Yorkers to work and raise a family and to provide the resources necessary to stimulate the economy.

We must work closely together to lower our property-tax burden and reduce the overall cost of doing business in New York State. We pledge to work with the State Legislature to structure an economic development plan that addresses our current and future goals of growing our economies and making New York State a better place in which to live, work, and raise our families.

Thank you for the opportunity to present our viewpoint today to the Senate and Assembly Ways and Means and Finance Committees. Thank you, Chairman Kruger and Chairman Farrell. Thank you for hearing us.

CHAIRMAN FARRELL: Thank you.

Questions?

Mr. Hoyt.

ASSEMBLYMAN HOYT: County Executive and Stephen, thank you for your testimony.

I'm curious, we have several programs within the Department of State that have been established to assist counties in an effort to merge and develop shared services, not only merge within your own jurisdiction but border counties and municipalities as well. And millions of dollars over the past few years have been dedicated towards that initiative that used to be known as SMSI, now known as LGEG. Everywhere you go, acronyms. And they haven't been

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utilized very well, in my opinion. There haven't been many success stories with such mergers and shared services.

I'm just curious, as we are confronted with this extraordinary deficit in excess of \$8 billion, I think, and additional pressure is going to be placed on counties and local governments across the State, have you had any experience with these programs? And if in fact they're not working, do you have any suggestions as to how we can make them work?

MR. ACQUARIO: Counties are a little different than the other units of local government in the sense of their State-mandated service delivery. We are creatures of a state providing state services. The other units of local government are not.

Our ability to reform or consolidate or regionalize services are programs that we embrace and support, but they remain difficult due to the State mandates surrounding a Federal program or a State-mandated program.

We've had success in the Local Government Efficiencies Grant Program, the LGEG. I understand why it was reduced; the State is facing a massive budget deficit, the Governor had to make choices, and unfortunately that program was reduced. It's not something that isn't important, it's something that we embrace. It has had some success for us in the sense of regional health insurance cooperatives, grants for that purpose to help generate ideas for health insurance consolidation and savings.

In Nassau County in particular there was a large grant

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for procurement between the schools and the county that was approved. That could prove to be a model for the State at the local level between shared services among school districts and counties, towns, cities, and villages.

Where it goes from here, I'm not certain. But it is something that we certainly would support continuing efforts to consolidate and regionalize government. It's not something that we're focused on as a priority, due to the severity of the health and human services programs, which consume nearly 80 percent of a county's budget.

Do you want to add anything else, Ed?

COUNTY EXECUTIVE DIANA: Yeah, I was just going to say I chair the consolidation program study group, Pattern for Progress, which is a mid-Hudson seven-county region. We are looking at various areas where we can consolidate services.

One I want to say we were successful in is receiving a \$50,000 grant to consolidate, look at our jails and what's going on with the jail population. Some counties have space that's been built that's just unnecessary for their own personal needs right now. And we are putting this study together, working along with Gerry Benjamin, from New Paltz College, to try to make that happen for the surrounding counties.

Orange County, for one, built a \$93 million jail a few years ago, under State statute to do that, under a consent decree that we did. We do have excess cells there because we never met our

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projections of what we felt and the State felt that we would need to have. So we now are renting it out to Immigrations and Customs to get back about \$5 million in revenue for the County of Orange to help offset our budget issues.

But certainly we're looking at that in all areas of the county government I can tell you that I'm involved with. I do believe in consolidation of services.

I believe that, like Stephen said, we have so little control over so much of that budget, though, that our hands really become tied and constrained when you have like over 80 percent is mandated either Federally or State. That needs to be changed a little bit and really give us the ability to provide those county services at the county level and let us really look at those programs.

But I also believe we need some program reform as well. That certainly we just cannot continue to tax people in the State of New York or any state, for that matter. We're under an economic thank tsunami that we've never faced, not only here but in the nation as well as in the world. And I think it's a prime time that State government, working along with county governments and local governments as well, look at the programs we must provide, see if there's a better way of doing that, providing of that service.

Is there a way we can consolidate that service? Is there a way we cannot have a Cadillac of Cadillac plans but potentially maybe have a Chevy instead of a Cadillac in a lot of the things that we do at all levels of government? Or we're going to find

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that if we do not do that, this is going to be an unsustainable government, not only at the local level but at the State level or the national level as well.

So I think now is a great time when we can all put our heads together. There are brighter minds than myself in this room and beyond. And if we can figure that out, I think we will do a great justice for the taxpayers and the residents of New York State. We're willing to work with you, sir.

ASSEMBLYMAN HOYT: Thank you.

CHAIRMAN KRUGER: Thank you.

First, Senator Antoine Thompson.

SENATOR ANTOINE THOMPSON: Hi. Good afternoon now. Just one quick question.

I didn't see it in your packet, but I just wanted to get some feedback from you. Some people talked about seeing the Liquor Authority issue licenses at the local level again, at the county level. I'm extremely frustrated with the Liquor Authority. We need to either send it back to local government or to hire more staff this budget year at the State level. I wanted to see what your thoughts are on either of those particular issues.

COUNTY EXECUTIVE DIANA: I would agree with you, Senator. I think that anywhere we can look to attract new business in the State of New York, certainly we should do that. When it comes to the Restaurant Tavern Association, the length of time that it takes for those new businesses to be able to get a license to operate

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is just outrageous.

I can tell you there's two instances, I won't name the businesses, but in the County of Orange we had one business doing \$10,000 a month, waiting for their liquor license allowing them to bring in beer and wine, that had to stop and had to cease. They now have gone out of business. Outrageous.

And we had another business, over \$30 million of investment in Orange County, a premier bed and breakfast that you'll all hear about at some point in time, I think, in this, and went through just a year of red tape and a year of trying to get a liquor license that they finally got.

But yes, I think it needs to be reformed. I can tell you, I can speak personally. My family owned the oldest Italian-American restaurant in Orange County for 68 years. My grandfather started it in 1936. I sold it in 2004. So I saw that firsthand. But I can tell you, back in 1936 it didn't take my grandfather a year to get a liquor license, I can tell you that. And certainly it should not take that kind of time with the technology that we have today.

But I would agree, either go back to the local level and let us tackle it within each county, or staff it properly. And I don't want to look to add jobs at the governmental level at this point, because I know the restraints you are under with your budgetary issues. But certainly there has to be a better way to provide the mechanism for the license for bona fide businesses to want to open

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and create new jobs in this State.

SENATOR THOMPSON: I would just ask that if the association could take a look at that. I'll also try to reach out to NYCOM as well. But I think that during this process those are revenue-generators -- and job-killers, as you just indicated, if we don't address this. So if you could take a look at that, it would be greatly appreciated.

Because I intend to try to advocate pretty aggressively on that, because so many businesses -- that's one of the things I think most legislators in the Assembly and in the Senate on both sides of the aisle, whether you drink or not, when business owners contact you frustrated about that problem, it just really is heartbreaking. And even when they own a business and they have a problem at their establishment, there's no clear line of due process. And people can wait for months on end before they get some resolution.

So I really would like for you to take a look at that. I think it's very important. And I'll try to reach out to the Business Council to see if they can weigh in on it we can try to fix that in this budget if possible.

MR. ACQUARIO: I think, Senator, just a follow-up on it. It is something that is brought to our attention on a fairly regular basis, especially the last three to five years with these applications. There are social consequences, of course, dealing with alcohol and the issuance of licenses to serve alcohol which must be guarded

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cautiously, as I'm sure you're aware of.

But counties currently set the hours for alcohol consumption. So it's not something as if we don't do already. In setting the hours for consumption, we do it already. And it could be something that we could assist in moving the process along, and we will certainly get back with you.

SENATOR THOMPSON: Thank you.

CHAIRMAN KRUGER: Thank you, Senator.

CHAIRMAN FARRELL: Assemblyman Hayes.

ASSEMBLYMAN HAYES: Thank you, Mr.

Chairman. This question is for County Executive Diana. I just would be interested in an elaboration of your remarks about the Governor's proposed changes as we see the coming sunseting of the Empire Zone program and the new Excelsior program.

One of the things that I see in Erie County, where I'm from, is that some of the bigger job-creation efforts that have happened happened because of a property-tax relief component contained in the Empire Zone program. While I think any kind of tax incentive to help create jobs is going to be welcome to all of us, I'm a little bit concerned about how the program will treat the high cost of property taxes and what that will also do, in your opinion, to the goals for IDA reform around the State.

Would you like to talk a little bit about that?

COUNTY EXECUTIVE DIANA: Certainly, Assemblyman Hayes. Yes, that's why in our remarks we said that

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we're not totally in agreement that the Empire program should go away. And certainly we believe it has been a great benefit to the State of New York. Because businesses will tell that without those IDA benefits and certainly without the tax relief of the Empire program, they wouldn't have come to New York State.

You know, we can never lose sight of the fact that we are in direct competition with the Keystone program in Pennsylvania, and New Jersey has a program as well as that's pretty significant, and in Connecticut, which touch our borders. But certainly we are in direct competition with the entire nation as we speak that have many more incentives and many more programs to entice businesses to leave New York State and to go to those locations.

So I would look at it a little differently, that I'll look at any new program to help, but I want to make sure that we don't throw the baby out with the bath water here and make sure that the Empire program -- should it take some reform? I don't disagree. But certainly let's reform it and make it better than what it is today.

But I can tell you, that program I know in Orange County has created a lot of jobs for us. And certainly with the incentives with the IDAs, with the 45-B and 10-year programs and 15-year programs, because everything directly affects that business. And one of the biggest things is property tax, utility costs, when you add all those things up, they either come to New York State or they don't.

And we must create jobs in order to sustain New

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York State at a sustainable rate so our sons and daughters can stay here, live here, and work here and keep this the greatest state in the nation, as it's called the Empire State, or they're going to flee this area, they're going to flee this State.

So we encourage you, the Senate and the Assembly, to work with the Governor and to find the programs that are correct. I'm not saying what they are. We will work with you. But I don't want to throw one out just to take another one. Let's maybe meld them together and use a little bit of all of those programs.

I agree with you, Assemblyman Hayes.

ASSEMBLYMAN HAYES: Thank you very much.

CHAIRMAN FARRELL: Mr. Molinaro.

ASSEMBLYMAN MARCUS MOLINARO:

Strangely enough, Mr. Chairman, Mr. Hayes took my question.

CHAIRMAN FARRELL: Thank you very much.

Oh, no, excuse me. Mr. O'Mara.

ASSEMBLYMAN O'MARA: Thank you.

Assemblyman Tom O'Mara. I just got in. So thank you both for coming.

Tom Santulli is my county executive, so I'll pass on his regrets for not being able to be here, but with the rain we have some flooding issues in the Southern Tier.

But what we've had great success with in the Southern Tier over the years is the Empire Zone program, in conjunction with the IDAs as they operate in the Southern Tier.

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The Excelsior program that the Governor has proposed does not have a real property tax incentive component to it. Now, IDAs can still offer the property-tax component, and it's a cost to local municipalities in sharing that abatement where they're not under the Empire Zone now. And I don't think that's that unfair, for a municipality to make that sacrifice to bring a business in to create the jobs that are needed.

However, with the IDA reform legislation that's proposed here in both houses of the Legislature, and it's been talked about for a couple of years, in my estimation -- and I know that in County Executive Santulli's estimation -- it would obliterate the effectiveness of IDAs to be able to offer an incentive to offset the reforms that are being called for.

And I would like to get your reaction on how you see going forward and incentivizing economic development without having a real property-tax type of incentive available.

COUNTY EXECUTIVE DIANA: Yes, Assemblyman, I agree with you wholeheartedly.

I can just tell you one example in Orange County that just happened a week and a half ago. Our IDA even incentivizes it more. We went to a 15-year program in order to attract businesses. We had a big provider of jobs not only in our county presently -- they had in our county about 600 jobs -- they were going to bring an additional 253 and bring an additional 120 into our county at a different location.

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And in order to keep them, we had to -- well, we went to a 15-year program about eight months ago. And we had to use that 15-year program, though, to keep them in New York State. If we did not do that, I can rest assured and tell you that they were going to Pennsylvania and they were going to take with them additional jobs that they were going to create in with the existing, to a total of 1300 jobs in Orange County at three locations -- in Montgomery, in Chester, and in Newburgh as well.

So by us even incentivizing it more and going above the 45-B that everybody is entitled to, to a 10-year program that we've had on the books for many, many years, to now a 15-year program that we started about eight months ago in Orange County.

What people have to understand, some of the townships and some of the public looked at it as tax revenue that we didn't have to give away or lost revenue. I look at it a little differently. I look at it as revenue that we never will have unless we continue to attract these businesses and make them retain and stay there.

So what we do, they still pay the land tax, they still pay all special districts -- fire, ambulance -- all gets paid, water and sewer all gets paid at the present levels, and increases. And then over a period of time, those property tax dollars will increase over time. It could be the 45-B program that the State allows, it could be our 10-year program that's even a little better than that, and even a 15-year program now.

So as a county exec, I look at it a little differently.

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We will have those taxes, we increase those taxes over time, we don't lose the jobs, we create better jobs. And that has such a ripple effect. They tell you any one job probably has a five-to-eightfold multiplier attached with that. They stay in the community, shop in the community, they go to restaurants in the community, they buy homes in the community.

So I believe, I'm a strong supporter of Empire Zones, of Excelsior Job Programs, whatever job program we can put together. If it does not hurt the State at the end of the day, but help it, I'm for all of those. So I agree with you 100 percent.

CHAIRMAN FARRELL: Assemblymember Rabbitt.

ASSEMBLYWOMAN ANN RABBITT: Thank you.

Thank you, County Exec, for making the trip today away from your busy schedule and your partner in government, and on your new role as President to the Association for Supervisors and County Execs. And in our audience we have Assemblywoman Gunther, who also represents Orange County, and she's back here to hear.

And, you know, we talk about many times shared services, we talk about so many incentives for the counties around us. But I was so really pleased today to shout out what you're saying regarding the MTA, how the devastation will just kill the Hudson Valley and how that has to be the number-one focus.

The reason that is is each and every day that we pick up a newspaper, we see MTA in the newspaper. We in Orange

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County, 4 percent of our people are commuting into New York City.

So I'm very pleased today that you spoke so strongly in fighting with us, partnering with us on the MTA. So thank you very much.

COUNTY EXECUTIVE DIANA: Thank you.

CHAIRMAN FARRELL: Thank you very much.

MR. ACQUARIO: Thank you.

CHAIRMAN FARRELL: The Honorable Byron Brown, Mayor of the City of Buffalo.

MAYOR BYRON BROWN: Chairman Kruger, Chairman Farrell, members of the Senate and the Assembly, thank you for this opportunity to come before the joint fiscal committees to provide testimony on the Governor's proposed budget.

CHAIRMAN FARRELL: And who is the young lady sitting next to you?

MAYOR BROWN: The young lady sitting to my left is Janet Penksa, the City of Buffalo's Commissioner of Administration and Finance.

CHAIRMAN FARRELL: Thank you. I think I knew her, but I wasn't sure.

MAYOR BROWN: She's known by a few people in Albany.

As mayor of the City of Buffalo, I appreciate the opportunity to represent the residents of New York State's second largest city. And while I understand and appreciate the magnitude of

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the deficit facing New York State, I would not be fulfilling my responsibilities as mayor of the nation's third poorest city if I did not ask for restoration of the Governor's recommended reductions in State aid.

Specifically, on behalf of the residents of Buffalo, I am requesting four things. One, extension of the RESTORE NY program. Two, preservation of youth funding for youth employment opportunities. Three, restoration of the combined reduction of AIM and State aid to Buffalo of \$8 million. And four, sales tax sharing between Buffalo, Erie County, and other municipalities within Erie County to be maintained at present levels. And it was State enabling legislation that allowed for the sharing of sales tax.

The RESTORE NY program has been perhaps the most transformative program in the past decade in terms of revitalizing neighborhoods in the City of Buffalo. Buffalo has lost more than 50 percent of its population since 1950, leaving vacant manufacturing, commercial, and residential structures throughout the city. As you may know, the City of Buffalo also has one of the highest rates of vacant property in the nation, with over 23,000 vacant units, many of which are blighted and unsalvageable.

These structures destabilize neighborhoods, bringing down the quality of life for our residents, and are often sites of arson and other criminal activity. Moreover, blight deters private investment in neighborhoods and on commercial strips, especially when boarded-up properties are found on otherwise healthy blocks.

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Targeted building rehabilitation and strategic demolitions are key components in a successful neighborhood revitalization strategy in Buffalo. In 2007, I put in place an aggressive demolition and rehabilitation program, the "5 in 5" Plan, which is on target to meet its goal of demolishing 5,000 structures and rehabilitating an additional 500 vacant units over five years.

With the help of RESTORE NY funding and my decision to invest sizable amounts of Federal block grant and city general fund resources into our demolition program, we have been able to demolish over 2500 blighted vacant structures and rehabilitate 591 structures since 2006.

The City of Buffalo is fortunate to have motivated and capable community partners to work together to revitalize its challenged neighborhoods. For example, PUSH Buffalo, working on the west side of Buffalo, and the Jeremiah Partnership, working on the east side of Buffalo, which is a collaboration of eight faith-based organizations committed to community development. They collaboratively work as agents of change in some of Buffalo's most distressed neighborhoods, with initiatives to create affordable housing and commercial investment. With city and State support through RESTORE NY, a number of projects that are being conducted by both PUSH Buffalo and the Jeremiah Partnership are moving forward and underway in positive fashion.

RESTORE NY has also been an important component of Buffalo's ongoing economic revitalization. RESTORE

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NY funding has allowed the Buffalo Niagara Medical Campus to move forward on renovations of the former four-story Trico windshield wiper building in downtown Buffalo. This expansion will help grow local biotech companies while at the same time trying to attract life sciences companies from Canada, overseas, and across the country.

RESTORE NY has also enabled Uniland Development to convert the former Dulski Federal Office Building in Buffalo into a state-of-the-art mixed-use facility. The recently completed building -- again, which is located in the heart of downtown Buffalo -- covers an entire city block and created 350 construction-related jobs and over 100 permanent jobs.

So as you can see, I am a real fan of RESTORE NY. And we feel strongly that the loss of this program or the lack of funding of this program in the Governor's budget will really have a detrimental impact on the transformation that is taking place in the City of Buffalo.

But as significant as the progress that we have seen with RESTORE NY, one of our other major priorities is providing employment opportunities for the residents of Buffalo and making sure that our young people are prepared to take advantage of employment opportunity.

It's equally compelling to us that one of the best ways to lift individuals and families out of poverty is through gainful employment. The Governor's budget unfortunately recommends the

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elimination of the TANF summer jobs program. With U.S. youth employment participation rates the highest in 60 years, this program, which gives real job experience and real income to some of the poorest youth in our city, cannot be eliminated.

We have used these funds, in combination with significant city resources and Federal stimulus funding, to employ over 4,000 of the city's poorest young people in meaningful employment opportunities.

With sizeable city funding matches to both RESTORE NY and the TANF youth program, you can see how important we view these programs and how important it is to have sustained State support. We are pleased to see Federal, State, and private-sector sponsored public works projects underway in the city, such as those during on the Buffalo Niagara Medical Campus and through the UB 2020 plan. But the loss of State aid for youth and the absence of real pathways to jobs hinders our ability to provide employment opportunities to some of our most vulnerable and low-income youth in our city.

I am grateful that our State has recognized our disproportionately high dependence on State aid and lessened the impact of its reduction on cities such as Buffalo. Nonetheless, Buffalo continues to face a precarious future without predictable recurring revenue sources to address our structural imbalance, which in times of State fiscal stress like we are presently facing, makes the city vulnerable and hinders our continued fiscal recovery.

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With budget growth constantly under inflation, a 25 percent reduction in workforce since 2000, and continued sacrifice by our employee unions, Buffalo has already made tough choices and tightened our belts. We continue to do more with less, have implemented scores of efficiency measures and put in place rigorous management accountability tools, such as CitiStat Buffalo, to ensure we are delivering city services in as cost-effective and efficient a manner as possible.

Yet despite our conservative spending practices, we continue to face structural challenges, because unless we raise our property tax levy -- which I continue to resist -- there are no other growing sources of revenue. In the past, growth in State aid has filled our gaps and allowed us to negotiate contracts with some of our bargaining units. However, our police and firefighter unions have continued to be without contracts. Unless State aid is restored, I do not believe we can convince Buffalo's control board to approve any contractually negotiated salary increases that are not wholly offset with unprecedented union concessions.

And while some may point to Buffalo's sizable fund balance as a source for contract costs, much of these resources have been earmarked to balance our four-year plan. And, of critical importance, we must recognize that these resources are not recurring. Using them for recurring expenses such as salary increases would most certainly set the stage for another fiscal crisis in Buffalo.

In conclusion, over the past four years my passage

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message to you has been simple, and it remains so today. Give us the tools and we will make Buffalo one of the best cities in the nation to live, to work, and to visit. The foundation that we have worked so hard over the past four years to solidify and prepare for future growth and investment must not be endangered by the loss of key State funding.

I hope this testimony has convinced you of this fact, and I wish you success in the difficult budget deliberations that you have ahead of you. Thank you very much.

CHAIRMAN FARRELL: Thank you, Mr. Mayor.  
Mr. Hayes.

ASSEMBLYMAN HAYES: Thank you, Mr.  
Chairman.

Mayor Brown, Commissioner Penksa, welcome once again to the annual budget hearing.

I want to ask you a question specifically about an item that's been in the Erie County news for quite a while about development in the City of Buffalo, and it involves the historic tax credit legislation that was passed by this Legislature. It was vetoed by the Governor originally, and then, due to the insistence of the State Budget Director, I think, and people from Budget, there were some changes that were made to that legislation. It passed again, only to find so many of us back home in Buffalo and Western New York shaking our heads to find out that that particular historic tax credit program could be so much more helpful to local developers,

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especially in the city core, who are trying to convert structures into usable facilities that would in fact create jobs.

Will you use your influence in the coming days ahead to speak to both the Governor's representatives and the budget director about our efforts to continue to reform that program and make it a meaningful program to create jobs in Western New York?

MAYOR BROWN: I absolutely will. The historic tax credit legislation, which actually was authored by one of your colleagues, Assemblyman Hoyt, who is with us today -- and I apologize, I'm forgetting the Senate sponsor of the legislation --

ASSEMBLYMAN HAYES: Valesky.

MAYOR BROWN: -- and Senator Valesky, we believe is critical to the renovation and development of historic properties, not only in Upstate cities like Buffalo, but all across the State of New York.

There are some issues in the bill that have to be tightened. I know that the sponsors are aware of that and have committed to working to correct some of those issues. We support the corrections that we know are going forward and have already been talking to members of the development community, not only in Buffalo but across the State, about what is needed to make this legislation work as it was intended to for major projects not only in Buffalo but across the entire State.

ASSEMBLYMAN HAYES: Thank you. And I hope you know you have support for that across the aisle. I know

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Assemblyman Hoyt knows he has support from across the aisle for it, and from both urban and suburban legislators, who see the very real importance of getting those historic buildings recast and put back so that we can have job growth in our community. Thank you very much for that support.

Mr. Chairman, we also have been joined on our side by Assemblyman Jack Quinn. Thank you very much.

CHAIRMAN FARRELL: Senator.

CHAIRMAN KRUGER: Thank you, Assemblyman Farrell.

Firstly, welcome back to Albany, Mayor Brown. It's always good to see you, and we wish you well.

MAYOR BROWN: Thank you. Thank you, Chairman Kruger.

CHAIRMAN KRUGER: Senator Antoine Thompson has a question.

SENATOR THOMPSON: Thank you, Mr. Chairman.

Just a couple of quick things. First, I wanted to commend you on your testimony and state that at this point in time we should not be cutting youth employment. I'm glad that you focused on that. And Senator Velmanette Montgomery, who really is championing that in the Senate, will definitely have our support on that. And so I think it was really good that you stated that today.

I wanted to see if you had any thoughts on two things.

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One was on the AIM funding -- I know that you're taking a cut in there -- and what the impact of that will be on the city's budget in addition to if it will have any impact on the city's control board.

And additionally, one of the things that I think is important as well -- and hopefully the Legislature can look at in terms of the community economic development -- is providing some money for the environmental restoration program. I'm going to be talking with my colleague on the Assembly side from the Environmental Conservation Committee, Bob Sweeney, about seeing if we can come together to try to put not a big pot but a small pot of money aside to help cities and communities across the State clean up some of these Brownfield sites in some of the communities.

I wanted to see if you can respond to those two questions.

MAYOR BROWN: Sure. The specific loss of AIM funding to the City of Buffalo is approximately \$3.4 million. It is a significant hit to our budget, and certainly we would like to see that funding restored.

And as you know, Senator Thompson, Buffalo is an old industrial city. We have many Brownfield sites throughout Buffalo, former factories that are no longer functioning that have environmentally tainted the soil, that need to be cleaned if we're going to continue the process of revitalizing our city and revitalizing our economy.

We have done a lot in the past in the way of

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Brownfield cleanup in Buffalo. But certainly we support your consideration of adding more money for Brownfield cleanup for Brownfield sites in Buffalo and across the State of New York. For us, we have made that a real priority, and we have had real success in cleaning up Brownfield sites. But it is not inexpensive, and the only way for us to continue those efforts is to have continued State support.

SENATOR THOMPSON: I would just ask if you could have one of your staff look at how much money you might need for some sites that are ready to go but just need a little bit of help. Perhaps we can look at trying to get some support for that too.

MAYOR BROWN: I'd like to just also note with RESTORE NY, over the three years that the program was authorized, Buffalo's allocation was a little over \$26 million. So it was significant to our city in terms of removing vacant unsalvageable structures, but also in being able to renovate salvageable structures both residentially and commercially.

CHAIRMAN FARRELL: Thank you.

Assemblyman Hoyt.

ASSEMBLYMAN HOYT: Mayor, welcome back to Albany. And Janet, welcome back.

MAYOR BROWN: Thank you, Assemblyman.

ASSEMBLYMAN HOYT: I'm glad to see and hear you emphasize the importance of RESTORE NY, a program that was created by the State Assembly. We're proud of that program and proud of the fact that our city received the largest portion of funding

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over the three-year cycle.

I, with my colleagues in the Assembly, sent a letter to Governor Paterson over a month ago encouraging him to include the funding in this year's budget. Unfortunately, he did not. We recognize the importance, and to the extent that we can, given an \$8 billion deficit, we'll do everything we can to include it in the approved budget hopefully April 1st.

In your comment in your fourth bullet, sales tax sharing to be maintained, you say that because of course it requires legislation and action on our part in order to change the formula. Has there been some sort of indication that the formula may change and therefore the city's share could be less?

MAYOR BROWN: I am not aware of any attempt to change the formula at this point. But for a long time Buffalo had argued that its sharing of the sales tax was disproportionate to other large Upstate cities, namely Rochester's sharing of the sales tax in Monroe County and Syracuse's sharing of the sales tax in Onondaga County. And after many years of debate, finally the county legislature acquiesced and came up with a formula for additional sharing not only for Buffalo but for all of the cities and towns in our region.

And so while at this time we are not pushing for that formula to be changed, we are pushing and advocating that you be aware that hopefully that legislation will be coming before you again and it's critically important to the City of Buffalo and its financial base for that sharing to continue.

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ASSEMBLYMAN HOYT: I actually -- I mean, I asked that question because it occurred to me and reminded me that in fact maybe the county executive in Erie had suggested that he might try to change the formula. And I can assure you that if that is the case, I will do everything in my power -- unless he tries to change the formula to increase revenues for Buffalo.

MAYOR BROWN: That sounds good to me, Assemblyman.

ASSEMBLYMAN HOYT: Yeah. I'll do everything in my power to stop him from attempting to reduce the funding for Buffalo.

Just one other very quick question. New York State, as you have acknowledged, over the years has been extremely generous to Buffalo through programs like AIM and other aid to municipalities. And I think, as a result -- you mentioned the fund balance that you've been able to accumulate over the years, which may have addressed a little bit. But as a result, if I'm not mistaken, you've been able to lower taxes in the City of Buffalo for the past four years. Is that accurate?

MAYOR BROWN: That is accurate. With the strong assistance of the State of New York, we have been able to lower the tax rate in Buffalo for four consecutive years. We have also, as a result of that activity and the creation of a now \$33 million rainy day fund, we have been able to see three successive credit rating upgrades by the credit rating agencies.

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ASSEMBLYMAN HOYT: Okay, that's all. Thank you.

CHAIRMAN FARRELL: Assemblyman Brennan.

ASSEMBLYMAN BRENNAN: Mayor Brown and Commissioner, welcome. Good to see you.

MAYOR BROWN: Thank you, Assemblyman.

ASSEMBLYMAN BRENNAN: I wanted to ask you, in relation to the RESTORE program, where are you in the pipeline of that program? You know, ESDC does an RFP for it, and I know probably several parts of those cycles are complete. Is there an additional cycle yet to get funded for you? Or are your --

MAYOR BROWN: No, the cycles are completed. It was a three-year program; the program has expired.

The Governor has proposed what appears to be a successor program that would be piloted in Buffalo to address vacant structures and rehabilitation. But in looking at the details of that program, it doesn't seem to have any funding in it.

So it is a successor program that acknowledges the vacancy in Buffalo and other communities across the State but doesn't provide the funding mechanisms outside of existing programs that are already in place to give us the resources that we need for the mass demolitions and renovations and rehabilitations that are required in a community like Buffalo.

ASSEMBLYMAN BRENNAN: How much money have you gotten out of the RESTORE program?

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MAYOR BROWN: A little over \$26 million in the three years of the RESTORE program. And as Assemblyman Hoyt said, Buffalo has received the largest allocation over the three years of that program. But if you look at --

ASSEMBLYMAN BRENNAN: More than the City of New York.

MAYOR BROWN: That's correct. But if you look at the condition of vacancy, we unfortunately have had a larger problem than even the great City of New York.

ASSEMBLYMAN BRENNAN: Just briefly, if you could just comment on how the recession is affecting the City of Buffalo.

MAYOR BROWN: I'm going to let my Commissioner of Administration and Finance comment.

COMMISSIONER JANET PENKSA: Well, unemployment continues to rise just like it is in the rest of the nation. I think for the city proper, it's about 10 percent now. Regionally, it's about 8.5 percent.

The one bright spot are housing values. Because we did not see the boom that Downstate did or the rest of the nation, the effect on value with the collapse of the mortgage market really hasn't touched Buffalo, and values continue to slowly, slowly rise.

And we've seen the assessed value of property go up as well, which is another thing that has allowed us to lower the tax rate. Because as assessments grew, we made sure that we did not

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capture that growth in our tax levy and instead used the growth to lower the tax rate.

ASSEMBLYMAN BRENNAN: And what about private-sector employment growth?

MAYOR BROWN: Yeah, I want to just touch on that. As you heard Commissioner Penksa say, we have seen some modest growth in Buffalo, which is good news, even while we have an 8.5 percent unemployment rate. And one of the areas where we have seen that growth is in the healthcare professions.

And that is an area where there has been a strategic focus in our region, in Buffalo and in Western New York, on the Buffalo Niagara Medical Campus. And from 2008 to 2009, we saw a 5 percent increase in healthcare jobs in our city and region. And I think that is because of the strategic focus and the strong support, again, that we have received from the State of New York in focusing on the Buffalo Niagara Medical Campus.

ASSEMBLYMAN BRENNAN: All right, thanks. I will join with my colleague Assemblymember Hoyt in doing everything possible to get an extension of the RESTORE program.

MAYOR BROWN: Thank you.

CHAIRMAN FARRELL: Assemblyman Quinn, to close.

ASSEMBLYMAN JACK QUINN: Thank you, Chairman. And thank you, Mr. Mayor, for coming. We all appreciate it, not being from the City of Buffalo, but from the delegation.

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In 2007, when you put together the "5 in 5" Program, and I think that's more of an attempt to try to right-size the City of Buffalo. I don't want to speak on your behalf, but I think all of us in Western New York know how important that is, the declining population of Buffalo and of Erie County as it has moved on, as you've said, since 1950. We've tried to better set a foundation for that number and to make the city fit that number more accurately.

In 2007, when you put this plan into effect, was that done because of the fact that you had RESTORE funding? Or was that done separate from the fact that you knew RESTORE NY funding would be there?

MAYOR BROWN: It was done recognizing the need that we had in Buffalo, recognizing the large number of vacant housing units, vacant commercial units, vacant industrial units. Many of which, unfortunately, that were unsalvageable that we knew would require demolition. And those that could be renovated, we wanted to have resources to renovate.

As you know, we did work initially with the Assembly and members of your honorable Body to talk about the tremendous need that Buffalo has in that regard. And through working with the Assembly, we were able to fashion a Statewide program that was adopted by the Senate and supported by the Governor, and we have been able to enjoy tremendous success in removing vacant, blighted, unsalvageable structures from the landscape of the City of Buffalo. Unfortunately, there's still a lot more

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work that needs to be done in that regard.

We have also been able to renovate housing in neighborhoods and kind of fill in the broken teeth that existed in some of the neighborhoods in our residential communities. And we have also been able to do significant commercial renovations with the RESTORE NY funding as well.

So we have found it to be a tremendous program not only for Buffalo, but in my conversations with municipal leaders across the State, one that has worked well for other communities across the State also.

ASSEMBLYMAN QUINN: And to follow up on that, I think that this issue of housing may be one of the biggest issues in Buffalo, if not the biggest issue, especially for some neighborhoods in the City of Buffalo. In order to grow and to sustain themselves, this housing needs to be repaired. Some of the commercial structures which have been there for hundreds of years need to be repaired.

I guess what I'm trying to get to is the fact that if not for this funding, would we still be able to do it. And if this funding is not there, will the program continue on and be done?

MAYOR BROWN: No, that's a good question. Without this funding, our activity to demolish and renovate structures in Buffalo will be substantially reduced. And while we will make a major allocation request to our city council in the upcoming city budget, and while we have identified substantial funding in the Federal community development block grant budget, we anticipate

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that that total amount will be about \$5 million.

And as I indicated to you, over three years RESTORE NY has provided \$26 million for the City of Buffalo. So it will severely limit our ability to continue to have success and continue to remove these vacant blighted structures and to renovate structures that are in need of renovation before they also require demolition. The average cost of demolition of a one-family residential house in Buffalo is about \$20,000.

ASSEMBLYMAN QUINN: Thank you, Mayor.

MAYOR BROWN: Thank you.

CHAIRMAN FARRELL: Thank you very much.

SENATOR KRUEGER: Thank you. Good seeing you.

CHAIRMAN FARRELL: Philip Amicone, Mayor, City of Yonkers.

MAYOR PHILLIP AMICONE: Good afternoon.

CHAIRMAN FARRELL: Good afternoon.

MAYOR AMICONE: Chairman Kruger, Chairman Farrell, I am joined by David Simpson who is my Director of Communications in my office. Senator Andrea Stewart-Cousins who represents Yonkers and, of course, Assemblyman Mike Spano and all the members of the Committee, thank you for inviting me here today to discuss the situation with the proposed budget by the Governor and its impact on the City of Yonkers. The main reason for my testimony today is to present you with our analysis of how that Executive Budget

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for the Fiscal Year 2010-11 will affect the City of Yonkers and our 200,000 residents.

Before I comment on the budget, however, I want to take a few minutes to give you a quick rundown of the city's finances, particularly our painstaking efforts to keep the city solvent in the midst of a recession. I don't think it will come as a surprise to any of you to know that the past year has been a tough one for the City of Yonkers. Like everywhere else in this State and, indeed, this country, Yonkers is experiencing the ill effects of a broken economy. Every revenue category is down across the board.

As you know, Yonkers' Budget Year runs from July through June, so that means revenues are under-performing even our conservative estimates that were put into the city's budget over this past summer, when we already knew the economy was bad. Mortgage and real estate transfer taxes are down significantly, reflecting a housing market that shows no sign of recovery at any time soon. Even property taxes are lagging behind, and although sales taxes are not dropping as sharp as last year they, too, are down. We're hopeful that these trends will reverse soon, but right now there's no indication that that will be the case.

So, we have done locally what needed to be done. We've cut back, made sacrifices and made tough choices. A little more than a year ago I sent layoff notices to more than 150 full- and part-time city employees, which amounted to a 6 percent reduction in our total workforce. These were police officers, firefighters,

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sanitation workers and other essential personnel. And thankfully, with the help of most of our unions, whose members made temporary concessions in pay and in some benefits, we were able to re-hire most of those workers, but not all.

And we enacted these layoffs even after we had already instituted city-wide purchasing freezes, re-opened vendor contracts and re-negotiated them, and made cutbacks to core programs and services, cutting millions of dollars worth of non-personnel related discretionary expenses from our budget. Additional re-deployment, mainly in our police, fire and public works departments - and those three departments make up about 80 percent of our workforce - are helping to keep expenses under control, but over time, spending mainly to back fill the higher-than-usual vacancy rates is still a problem.

I'll put it as simply as I can: Yonkers' City Government is operating on a bare-bones budget. We have significantly fewer employees than when I took office more than six years ago, and a lot of the priorities that we had set forth have had to be reconsidered and, in some cases, put on hold indefinitely. The point is, we have cut everywhere we can. The only thing left is to cut more personnel who provide the critical services.

As trying as these decisions have been, we are doing what is necessary to keep Yonkers solvent. Just like families in these tough times, government agencies must learn to push each dollar further and do more with less; the same tough choices that you face

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with the State Budget. But as you do so, I must, once again, impress upon you the need to do so fairly and wisely, which brings me to the central focus of my remarks today.

As bad as the situation is, as I presented it, the Governor's proposed budget makes it worse for Yonkers next year. As you are aware, the Governor has proposed more municipal and education funding cuts Statewide, and certainly our city was not spared; in fact, if you totaled them up, between cuts in AIM, education funding and the spin-ups that were used to balance our budget, it totals just about \$40 million.

While it would be reasonable to ask residents in the City of Yonkers to bear their fair share of the burden, that's just the problem. We are not starting on a level playing field. Every opportunity I've had to address this Legislature, I have made this same argument. The State Education Funding Formula has chronically and systematically short-changed Yonkers residents and school children for decades. Like other cities, education spending represents the majority of our budget, so this underfunding has been the single most important factor affecting the annual budget crisis in Yonkers over that same period. We receive the lowest per-pupil State funding while our local taxpayers pay more per pupil than any of the other big cities in New York, and it's not even close. There is no subjectivity to this assertion; the numbers are there and in black and white.

I'm not here to point fingers, but the fact is the State government has failed to address this fundamental and indisputable

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inequity. And that's an important word, "inequity." I know that this is a familiar charge, but collectively New York State government is not listening, or at least not doing anything about a problem that any objective person would agree - and many of you have agreed - needs to be fixed.

So, in part, I have traveled here today to ask you a question: When will this Body fix this problem? It's a fair question to which Yonkers' students and taxpayers deserve an answer. I realize times are tough. State revenues like our local revenues have evaporated, leaving you with little choice but to heed Governor Paterson's warning to tighten the purse strings. But no matter how large or small the pot of money is, the maxim of fairness should always apply. A public school student in Yonkers should not be worth thousands of dollars less than a student in Buffalo or Rochester or Syracuse. And yet, that's exactly how New York State treats the 24,000 students who come to school every day in our city.

I simply ask that you treat them with fairness and with equity when you begin the important work on the budget that's now before you. I promise you this: Your equitable investment in our schools will prove to be a good investment. Over the past several years, we have made substantial progress in transforming the Yonkers public schools into a real gem that is now on par with many of the better school districts around Westchester County; in fact, Yonkers public schools have posted the single largest gains amongst kindergarten through eighth graders in reading and mathematics of

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any urban school district in the State since 2003. Last year, our graduation rates made another double-digit gain; SAT scores and college-bound graduating seniors are the highest they've been in a decade.

The people are noticing. Yonkers International Baccalaureate Program was ranked 37th in America by *U.S. News and World Report Magazine*, higher than any other school in Westchester County. Also, Saunders and Yonkers High Schools were ranked among the top 1,000 schools in the country. Everywhere you look in the district, you can see success. And that's why I believe that the standards of performance and accountability, if applied fairly, will work in Yonkers' favor and not against us. The great progress we have made should give you assurance that Yonkers' schools are worth investing in. But please understand, as the City of Yonkers, we can no longer afford to pay for as much as we have anymore. And if we stop and there is no change in the formula, then those standards will be reversed; that's a guarantee.

I'd like to now give you a quick update on our ongoing efforts to rebuild Yonkers and continue the re-development Renaissance that has taken a firm hold on our city, a goal that New York State has become an integral part in achieving. I hope this progress report will leave you with the right context for our discussion about the State Budget and how you, as Legislators, can help put us in the best position to succeed.

As we speak, approximately 500 workers are erecting

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steel and concrete structures at the 81-acre, almost \$900 million Ridge Hill Village Development on the New York State Thruway. I had an opportunity to tour the construction site last month, and despite a down economy, work is still going full speed; in fact, Forest City Ratner has already secured lease agreements with major national retailers to occupy spaces there, including Saks Fifth Avenue, L.L. Bean, Whole Foods and a nationally-known cinema operator, among many others. Once completed next year, this mixed use development will begin to generate more than \$62 million in combined State and local; that's city and county taxes. \$25 million of that will go to the City of Yonkers.

Construction is also well under way on the \$250 million renovation of the Cross County Shopping Center, Westchester's largest retail facility, and the first of its kind in the United States over 50 years ago. In a few weeks, we will break ground on the second phase of our \$180 million Ashburton Avenue urban redevelopment program, an effort that is transforming one of the oldest and poorest areas of Yonkers with new housing opportunities. And by the way, the first phase is already open and has provided new homes to nearly 200 families.

But most importantly, the \$1.5 billion Struever Fidelco Cappelli Development in the heart of Yonkers' downtown has received all of its final approvals from the city. When the banks start lending again, the SFC project, as it's referred to, will completely remake our city's downtown with thousands of new residential units,

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millions of square feet of office space and retail space, dining and entertainment. The first phase alone will generate more than \$35 million in combined State and local revenue. Next year at this time, I expect to be here reporting on the construction progress of this landmark project.

New York State has played a major role in the past in creating economic conditions that have encouraged and fostered the resurgence of Yonkers, in particular the Empire Zone benefits available to small, medium and large sized businesses that employ thousands of people in our city, have been integral. Today there are more than 450 businesses in Yonkers that have received economic incentives through the Empire Zone Program, and I can say with absolute certainty that many of them would not be in business without these needed benefits. Scrapping this program as is being proposed would be a huge mistake. You must understand that making things better for New Yorkers begins with not making them any worse. Critical economic development tools like the Empire Zone Program, the Brownfield Tax Credits Program and the Yonkers Industrial Development Agency have played a major role in encouraging and fostering job creation in Yonkers, and must be preserved.

Because the cost of doing business in New York is so high, cities like Yonkers desperately need economic investment tools to spur new growth, and you've heard that from everyone that I've heard since I've been here, county executives and city mayors alike. Without them, our city and many others will find it much, much

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harder to succeed. Destroying these programs will not only be short-sighted but fatal to a State that is dying under its own weight.

Members, we have found willing partners here in Albany before, even when times have been tough; there's no denying that, although, more can and should be done. This State Government has played a significant role in Yonkers' resurgence to date, but the decisions that you will make over these next few weeks and these next few months will even be more difficult. The choices you make and how you make them will have far-reaching and lasting consequences for New York's families and businesses. To ensure that these consequences play out favorably over time, you must be mindful of that fact and seek to make those decisions fairly and equitably.

As always, I look forward to working with you closely this year to meet these difficult challenges together for the sake of our State and for the sake of our city. Now I'd be happy to answer any questions you may have.

CHAIRMAN FARRELL: Assemblyman Spano.

ASSEMBLYMAN MICHAEL SPANO: Welcome to Albany, Mayor Amicone, again.

MAYOR AMICONE: Assemblyman.

ASSEMBLYMAN SPANO: How are you today?

MAYOR AMICONE: Good.

ASSEMBLYMAN SPANO: Let me just first start by saying I appreciate the job that you do and the challenges that you have, certainly this year. So many exciting things are going on in our

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town at the same time as some of the challenges that you're dealing with as we continue to feel the effects of the downturn in the national economy. You have my commitment, and I'm sure along with Senator Cousins and the rest of the delegation, to make sure that, number one, our city is treated fairly up here and to make sure that we do everything we possibly can to mitigate the Governor's proposed budget and how it affects our city.

A couple of things. I'm going to talk about the formula real quick. You know how much I hate that formula and how much I didn't like the new one when they put it in place. What I think the Committee needs to hear are some of the -- aside from the formula and how it affects our city, and I think we've talked about it over and over again, but I think we need to talk about your school district and the fact that it's growing. You know, the City of Yonkers, as far as the Big Five cities are concerned - and someone correct me if you think I'm wrong - New York City's enrollment per pupil has been flat, Buffalo and Rochester have been declining, Syracuse has grown somewhat, but Yonkers last year, I think, grew by 1,000 students.

MAYOR AMICONE: In fact, it's close to 1,200 new students --

ASSEMBLYMAN SPANO: Okay.

MAYOR AMICONE: -- and that was because it was limited to 1,200 because the superintendent had to cut it off at that point, change the date when children could enter at the kindergarten level and, in the end, limited the number of students who entered the

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school district this past year. It would have been significantly higher had he not done that.

ASSEMBLYMAN SPANO: And what does next year hold for Yonkers?

MAYOR AMICONE: I'm sorry?

ASSEMBLYMAN SPANO: What does next year hold for Yonkers? Are we still going to see an increase?

MAYOR AMICONE: Absolutely. There will be an increase again next year. So many of those who tried to get in this year will be coming back next year. Our school district and this number, unfortunately, reflects last year's number, is now up to over 25,000.

ASSEMBLYMAN SPANO: Wow. And our classroom size, because obviously we don't have enough building space, our classroom size is --

MAYOR AMICONE: We're adding building space right now.

ASSEMBLYMAN SPANO: Okay.

MAYOR AMICONE: We're actually adding additions to some of the schools and we're considering renovating some of the older schools to accommodate more students so that we can do two things: One, accommodate the new student population that's been increasing, and at the same time, which the superintendent has done, he's changed it from an elementary/middle school/high school to an elementary school that runs through the eighth grade, and

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then high school. When he made that change two years ago the performance of the children in the middle school age group was significantly higher for those who stayed in the same elementary school they started in than those who went on to middle school. So, that's the formula that he has for changing our school system, and it's working.

ASSEMBLYMAN SPANO: I appreciate that, because I think it's important that the Committee members hear about this because we're almost victimized by our own success. The school district, as you can see, by what the Mayor has told you, is doing really well, but at the same time the school district is growing and it's putting a real unfair burden on the local property tax base to try and keep up with the growth and the capital costs.

Let's talk about the capital costs, if you don't mind. I know that you just put forth a proposal for doing some major capital improvements in the district.

MAYOR AMICONE: In fact, in the six years I've been there we've added over \$125 million in capital just for the board of education. In the six years I've been mayor, we have gone from \$134 million in operating budget - from the City of Yonkers' taxpayers and our tax base - to \$219 million a year to the board of education, and we cannot afford to sustain it any longer, and that's been the problem.

My colleague from Buffalo, the great Mayor - and I happen to think he's doing a terrific job under incredible

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circumstances - talked about lowering taxes for four consecutive years because of the contributions that have come in both AIM and State education funding. I've had to raise taxes over 30 percent in the six years I've been there because of the contributions of State education funding to the City of Yonkers, while at the same time increasing our contributions so significantly, well over 60 percent, into the board of education because that's what we needed to do to build a quality school system so that our children -- and in our particular schools, our children are represented by almost 75 to 80 percent minority students. Before a Federal desegregation case 25, 30 years ago, that was predominantly a White school district. It is now predominantly African-American and Hispanic and Asian, and we are achieving at levels that we have not achieved in years. It proves that with dedication, children who are coming from poor backgrounds can achieve at a high level and go on to college or go into the business world. The problem we've got is we cannot sustain the contribution from the City of Yonkers to continue that progress.

ASSEMBLYMAN SPANO: Thank you.

MAYOR AMICONE: And if you look at the major districts around, you'll notice that we don't spend much more than any of the others. So, it's not how much is spent on the children. Right now we're spending around the same amount per pupil as the other cities in the State, the large cities in the State, it's just that we contribute almost half of it, whereas many of the others, the significant contribution by New York State allows them to do what

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they need to do in their cities.

ASSEMBLYMAN SPANO: Okay. If I can just switch over, because I know I don't want to take up everyone's time - video lottery terminal aid. As you know, Yonkers gets host community aid. We're one of the few communities to get that and that's obviously been a real help for us in the City of Yonkers. The Governor has cut that by \$2 million in the current year budget, so it would act as a mid-year cut, and \$2 million the next year, so a total of, I guess, 10 percent a year. What effect will that have on you?

MAYOR AMICONE: That video lottery terminal money comes directly out of our board of education budget because it's dedicated to the board of education.

ASSEMBLYMAN SPANO: And the cuts that are being proposed are at the same time that the racetrack and racino are achieving greater profits than they ever have; in fact, their numbers are going up dramatically. You probably have a much better read on how much they have gone up.

MAYOR AMICONE: My understanding, and I think this has been shown, that they actually reaped more money in profit than the other racinos around the State combined. So, they are achieving a significant income and a significant profit level, and to then cut what was coming in to our board of education; we're looking for the doubling of it, not cutting it. We see no reason why the City of Yonkers Board of Education, which would relieve our taxpayers to some degree, shouldn't get twice as much out of the video lotteries as

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they're getting already.

ASSEMBLYMAN SPANO: I agree with you, Mayor. I think we should definitely get more money out of the VLT pot. The Yonkers Raceway is 52 percent of all the revenues that come out of VLT's, and I think it's almost close to a half a billion dollars is what the State taxpayers will benefit from Yonkers Raceway. We benefit, clearly, from the jobs and the tax base --

MAYOR AMICONE: Right.

ASSEMBLYMAN SPANO: -- but I think that for the Governor to go a different direction on this is just something that we shouldn't stand by and let happen. So, certainly, that's an avenue we need to go.

Mayor, we'll continue to talk back at home. I do want to thank you for coming up. These are tough times for all of us, and I really appreciate you being here and speaking to the Committee.

MAYOR AMICONE: Thank you.

CHAIRMAN KRUGER: Thank you, Mr. Mayor.

Senator Stewart-Cousins.

SENATOR ANDREA STEWART-COUSINS: Good afternoon.

MAYOR AMICONE: Good afternoon, Senator.

SENATOR STEWART-COUSINS: Can you hear me?

MAYOR AMICONE: Yes.

SENATOR STEWART-COUSINS: Okay. I, too,

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want to thank you for coming and certainly sharing the success on the school side; our children are achieving such great heights, and it is really heartening to see. I, too, will commit to continuing to work to create the formula that makes sense for the City of Yonkers, its school children and its residents.

As you know, every budget has been, unfortunately over the past three years that I've been here, a budget that has reflected the very, very difficult economic times that we experience. And I think even last year, when you joined us last year to talk about how we can move forward, the Governor's budget was calling for almost a \$10 million cut in the school funding. And certainly our colleagues were able to not only stop that, but actually the City of Yonkers was able to get, for the schools, a 5 percent increase.

So, I say that because you said there are willing partners here. And not only are we willing, but we continue to push the envelop to make sure that Yonkers gets what it needs, that we create a formula that addresses the historic decades-old inequities that have plagued the Yonkers School District. And we will continue, even in these very difficult economic times, to do that.

One of the other things that I know you cared so much about and we were able to, you know, historically get for the City of Yonkers were red-light cameras in the hopes that not only, obviously, the safety enhancement would be there, but there would be some additional revenues; where are we with those?

MAYOR AMICONE: Those haven't been installed

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yet because we're trying to get a competitive bid so that we can actually put them in there and not lose money on them. The limit on the amount of money that could be charged for tickets and the bids that we're getting from those -- there are only a limited number of companies that provide those kinds of cameras -- are right now such that, at best, we're able to break even. But we can't afford to even be an at best, we're going to break even; we have to be assured that those red-light cameras will pay for themselves and hopefully we get additional revenues. But they have to at least pay for themselves. We can't take on an additional deficit program. So, that's what we're doing, we're rebidding and renegotiating with the bidders.

SENATOR STEWART-COUSINS: Okay. Because I know how important that was, and we worked really hard to make sure that happened. Certainly, with the VLT's, I know it wasn't mentioned in your testimony, but obviously we are working on the restoration of approximately \$1.96 million, because we know that so much of this money goes to the school district, unlike other video lottery terminals, so we want to make sure that is sustained. And, certainly, I agree that we should get as much -- certainly, as the revenues are increasing in these racinos, we should be able to secure more dollars so that we can continue to fund education at its appropriate levels.

And, again, I recommit to creating a formula that ultimately reflects what I think we all know is deserving of the City of Yonkers and its children.

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MAYOR AMICONE: And, Senator, I think as we've discussed in the past, look at the numbers. We don't make them up. These are numbers that come right out of the Budget Office. Look at the numbers, look at the comparisons, and you tell us if you think that's fair. Part of the problem is we're presumed to be a wealthy community because we're in Westchester County; we are not a wealthy community. We, along with Mount Vernon, Portchester, although we are in one of the wealthiest counties in all of the United States, we are not wealthy cities. And the majority of the people who live in our city are hard-working people who just cannot afford to continually have their taxes raised to a level as I've just said before, over 30 percent in six years; I don't do that happily or willingly. I do that out of absolute necessity to maintain although good, but minimum services.

So, I have to say to you that I almost didn't come up today. I sat in the car right outside City Hall and I told David, and I almost said, "Let's just not go. Let's just send a note. I've gone for six years and yet it always falls on deaf ears." Whether it's falling on deaf ears or just your inability to do something that is so significant to our city, and that's with respect to the education funding formula. From the Governor on down I've been told personally, "It's failed, it should be fixed. We will level the playing field. We will do what needs to be done so that the City of Yonkers can continue to thrive and never become a ward of the State."

And yet here we are on the seventh year and I'm

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asking for the exact same thing. The whole Body of the State Legislature has got to understand that we're not asking to reduce anything to the rest of the cities; never. I do understand what the mayors of those cities are going through. But we're in the same position and right now we're just holding our own. We don't have surpluses because we use whatever we have every year.

When the county executive from Orange County said and he referred to this as the Empire State, that's the name on our plates; I have to say that I doubt that any private industry could build an empire in the State today. It's too expensive to do business in our city. We are fighting to hold every business we can in this city, and we, as I told you last year, lost three major employers in the last two years, all of them manufacturing, totaling over 1,200 jobs. We can't afford to lose that kind of quality employment.

The State has to recognize that these incentive programs are essential for cities like Buffalo and Rochester and Syracuse and Yonkers and Binghamton and Albany and New York City, and the list goes on and on. And if we don't have them, we are no longer going to be competitive with those cities. And those cities, by the way, that these three major industries moved to are other cities outside New York State.

So, I ask you again, work together, not only with us but work together to change the funding formula so that it properly reflects the needs of our city and we will never have to come back to you again with our hand out and say, "We need extra help." We will

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be in a position to do the job by ourselves, and as these developments come online, we will be in a better position to run our city with the revenues that we generate through our own incentive. Thank you.

SENATOR STEWART-COUSINS: Just one last question.

MAYOR AMICONE: Sure.

SENATOR STEWART-COUSINS: I know that we have been trying to create the formulas that would be really specific to Yonkers, based on its growth, based on a lot of different elements that only our city can boast. Are you still working with Superintendent

Pierorazio to create that? And if so, I would appreciate if your staff would meet with my staff, and I'm sure Assemblyman Spano's staff, so that we can look at the latest iteration of what a good formula would be, because obviously it has to be not just one-shots, but it has to be something that is sustainable and will really move us into the position that you so heartily call for.

MAYOR AMICONE: In answer to your question, yes, I am and so are my staff working with the superintendent and his staff, and we would be very happy to sit down with yours --

SENATOR STEWART-COUSINS: To share that with us, I would appreciate that.

MAYOR AMICONE: -- to discuss what we've done to try and arrive at a solution.

ASSEMBLYMAN SPANO: And if I can just follow up, Mayor, I agree. This is a tough question, but I probably need to at least ask it for the Committee: If all else goes wrong and these cuts go through, the \$14 million in base aid to education to the City of Yonkers, is your budget going to continue the maintenance of effort,

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or do you think that you'll be --

MAYOR AMICONE: No, we can't.

ASSEMBLYMAN SPANO: -- decreasing your size?

MAYOR AMICONE: We can't afford it. And if that means we face a legal challenge, then we're going to have to face a legal challenge. We just can no longer afford to pay that kind of money because we're already talking about a \$22 million cut on the city's side from this years budget. We have \$40 million in one-shot revenue sources every year, a hole that was created by the underfunding. We can't put that on the board of ed's side because once we fund them, we have to fund them. So, any one-shot revenue sources to balance the budget come on the city's side, so therefore we would no longer be in a position to be able to maintain the \$219 million that we pay into the board of education.

ASSEMBLYMAN SPANO: Do you have a deficit that you're willing to disclose, at least for next year's budget?

MAYOR AMICONE: For next year, no. All of our departments have submitted their budget. Our finance department is working on them as we speak. I would probably be in a better position over the next couple of weeks. And obviously, once this Body decides in your Joint Session what the State Budget is going to be, that will significantly impact our budget, because ours comes after yours and relies on yours. And as you know, we cannot pass a budget until New York State does, because of a previous control board that was in the City of Yonkers, the Fiscal Agent Act prohibits us from

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adopting a budget until the revenues are all in place, and that can only happen when you adopt one.

CHAIRMAN KRUGER: Thank you, Mr. Mayor.

Another question? No other questions?

Senator DeFrancisco.

SENATOR JOHN DEFRANCISCO: You talk about a reform of the State aid to education formula.

MAYOR AMICONE: Yes.

SENATOR DEFRANCISCO: Do you agree with the formula proposed by this all-States consortium?

MAYOR AMICONE: I'm sorry?

SENATOR DEFRANCISCO: Are you in support of the proposal made by the all-States consortium of school districts? It used to be called mid-State.

MAYOR AMICONE: I'm not familiar with their proposal.

SENATOR DEFRANCISCO: Okay. Well, I sponsored the bill about two or three years ago, and I don't think I'm the sponsor anymore, I think a Majority member has taken it over, but I'll send you a copy --

MAYOR AMICONE: I'd appreciate it.

SENATOR DEFRANCISCO: -- because I think it's a great proposal. It's not only more equitable, I believe, but there's a one-page summary that you can do to determine what each district is receiving based upon population, wealth and so forth. So, it's very,

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very, very transparent so if there's inequities everybody knows about it and they can easily figure it out, rather than the impossible formula that is not discernable, probably intentionally --

MAYOR AMICONE: Right.

SENATOR DEFRANCISCO: -- to show these disparities. So, I'll get you a copy and I'd like to get your thoughts on it because I think it's something that's worth pursuing.

MAYOR AMICONE: All right, thank you; and I'd love to do that.

CHAIRMAN KRUGER: Thank you. No other questions.

Thank you again, Mr. Mayor.

MAYOR AMICONE: Thank you, Mr. Chairman and thank you, members.

CHAIRMAN KRUGER: New York State Conference of Mayors, Peter Baynes.

CHAIRMAN FARRELL: Peter Baynes, Executive Director, New York State Conference of Mayors.

MR. PETER BAYNES: Thank you, Chairman Farrell, Chairman Kruger, members of the Committee. I am Peter Baynes, Executive Director of the Conference of Mayors. I have with me Barbara VanEpps who is our Deputy Director and also coordinates our legislative efforts here in Albany. The Conference of Mayors, just to make it clear, we represent city and village governments. All 62 cities in this State are currently members of our association and about

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95 percent of the villages.

CHAIRMAN FARRELL: Excuse me, there's exactly 62 cities in there?

MR. BAYNES: Sixty-two cities, yes.

CHAIRMAN FARRELL: Which matches the counties.

MR. BAYNES: Exactly.

In the interest of brevity, I will try to summarize the key points in our testimony, and I know we've heard from Mayor Bloomberg and Mayor Brown and Mayor Amicone; we'll be echoing some of their points and trying to amplify and put them into a Statewide perspective.

In this Budget, obviously the Governor had to make some very difficult choices with a large deficit looming, and mayors, as chief executives, appreciate the difficulty of doing that. We do think relative to the budget deficit he was facing that he showed a sensitivity to tax shifting from the State down to local governments, with one very critically important exception, which leads me into a discussion of the AIM program, which you heard about already several times today.

AIM, formerly known as revenue sharing, is the only general purpose aid program for local governments. I like to view it as the municipal equivalent of the STAR program and I think you could make a case that it's been more effective, at least in recent years, when the Legislature has shown a lot of support for the program and

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has increased it. So, I think it's a critically important program for local governments and municipal property taxpayers.

In the early 1990's, the last time the State faced a fiscal crisis of this magnitude, revenue sharing, what AIM was then called, received a 50 percent cut in funding. It had a powerfully negative impact on property taxes in terms of driving them up in all cities, and most cities, I would say, have still not fully recovered from that cut. Since then, as I just alluded to, the Executive branch and the State Legislature have made important progress in restoring aid to that program, to AIM, and I think it really has helped control -- if you look at the data, I think you'll see that it has controlled the growth, especially at the city level, in municipal property taxes. Nonetheless, 80 percent of cities in this State still receive less AIM funding than they received 20 years ago, when you adjust for inflation. So, it remains an underfunded program in our eyes.

Now we have a situation where cities are facing fiscal stress, just as New York State is, but I would contend with much less capacity and options to deal with that fiscal stress. And now, in this budget, there are AIM cuts that are proposed and that are on the table. Of course, just a couple of months ago in the DRP that was passed in December, 18 cities received a cut in their AIM funding, \$31.6 million, with the largest cities, who happen to have non-calendar fiscal years, receiving the brunt of the cut. Now in this Executive Budget, there is a \$302 million cut, total elimination of AIM funding for New York City, and an additional \$15 million reduction for

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municipalities outside of New York City which, again, affects the largest cities most significantly; Buffalo is \$3.4 million, Yonkers \$2.2 million, Syracuse \$1.5 million, Rochester \$1.8 million in reduced aid.

As I said, cities are under fiscal stress. You probably don't need to hear the litany of sales tax is down, mortgage tax is down, pension bills are going up anywhere from 20 to 60 percent in the coming year, as the State Comptroller has already announced, health insurance continues to rise at double-digit rates annually. And I would agree with Mayor Amicone that what he's talked about he has done in Yonkers, that cities all across the State, their mayors have done the same things in terms of squeezing all the efficiencies they can out of their budgets.

So what that means is any cut in AIM is going to be converted, in most likelihood, to an increase in real property taxes. So, our primary message to you here today, as you've done many times in the past when there have been proposed cuts in AIM funding, is to restore those cuts and protect the municipal property taxpayer.

I did say that the Governor did show, for the most part, sensitivity to tax shifting to local governments, and the rest of my remarks are fairly positive in that regard. The CHIPS program receives level funding under this Budget, which obviously we support, especially since 85 percent of roads and bridges are controlled and owned and the responsibility of local governments.

If there was one other program you restored funding to, other than the AIM program, our mayors would like to see the

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Restore New York Program extended at some level. It has been hugely successful, I would say, and I know you've heard from mayors regarding its importance today. So, we'd urge you to look at that after you do what you can with the AIM program.

This Budget does include mandate relief. It has a four-year moratorium on Legislatively-enacted mandate relief, which would be a good thing, obviously. I will recognize that the Legislature, I feel, over the last five, six years has been much more sensitive to imposing new mandates. So, while that has happened, I think it would be good to have a little belt and suspenders and have a moratorium in statute on Legislatively-enacted mandates.

Also, the Legislature started to make some serious headway last year in mandate relief, and what I would call significant mandate relief, which we really have not seen as it relates to local governments. The collateral source legislation was passed and signed into law, and of course a new Tier V was created in the retirement system. And both those things over time are going to reap benefits for local governments in terms of efficiency. The Executive Budget does include additional mandate relief proposals, many of which we support. There's a package of procurement reforms; most importantly, a reform that would allow local governments in New York to utilize other State and local contracts when that is the most efficient, cost-effective way to go. It also includes a market-based interest rate on judgments against the State and local governments, which makes obvious sense.

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The one mandate relief item that we do have a slight bone to pick with is the Wicks repeal, which obviously we have called for Wicks repeal for decades. The Budget would repeal it as it relates to schools, which is probably 90 percent of the building projects at the local level are school projects. If we're going to repeal it for schools, let's go the entire way and repeal Wicks for all local governments, including municipalities.

I think the newest and most important proposals in this Budget relate to revenue options, non-property tax revenue options for local governments. First and foremost, that would be the local gross receipts tax, which is already in statute; for almost all cities and villages it's capped at 1 percent. The Budget would increase that maximum rate to 3 percent. It's a more broadly-based tax in that as it's passed through to consumers, everybody pays it, including tax-exempt entities. So, we strongly support that revenue option being enacted.

There are other revenue options, as well, having to do with police accident reports, allowing us to charge insurance companies for police accident reports at the same level that the State Police already does. We are not allowed to impose a fee at all for that, other than FOIL request fees. There's a clarification in the law that will allow municipalities to charge fees for ambulance and EMT services; again, this in most instances would be passed through to insurance companies. We already can do this if we have a free-standing ambulance program. Many municipalities, though, have

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consolidated their ambulance and EMT within their fire department; they are not authorized currently to impose fees.

Also, there is an expansion of the types of banks in which municipalities could deposit funds. Right now, we are limited to commercial banks. We would like to see savings banks and credit unions to be on the list of eligible depositories for local governments; we think it would enhance competitiveness and rates. And also, as commercial banks have consolidated, there are fewer and fewer of them accessible to local governments, especially in the rural areas.

One additional proposal related to pensions that's important that it be enacted as soon as possible this year is to allow local governments to amortize a portion of the large, dramatic increase in their pension bills that will be coming up. They'll be paying them either in December of this year or February of next year. It would allow a certain portion be borrowed for each of the next six years. Local officials would be allowed to -- they wouldn't have to borrow every one of the six years, but any of those six years in which they felt it was essential to control property taxes through an amortization, they'd be allowed to do that. So, we urge approval of that.

Let me conclude by saying that from the perspective of municipal governments and their property taxpayers, this Executive Budget does make a significant effort to empower local officials. Unfortunately, though, the new and expanded local revenue options, along with a limited measure of relief from existing mandates, would, in many cases, be more than offset by cuts in AIM funding, especially

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as it relates to our struggling cities. You, as State Legislators, have the ability in this Budget to strengthen your partnership with local governments when it is needed the most.

Rather than merely taking a quid pro quo approach, NYCOM urges you to enact the Governor's revenue option and mandate relief proposals, and also restore the cuts in AIM. Many of our State's largest cities, as important engines in our State economy, are already bearing the burden of AIM reductions included in the December DRP and would be cut further in this Executive Budget. The City of New York, clearly our economy's central driving force, would lose its entire \$302 million AIM allocation.

As local governments struggle with the ill fiscal effects of a continuing recession, it is no time to be reducing the State's commitment to its cities and villages. Protecting AIM funding, expanding local non-property tax revenue options and enacting significant mandate relief will, together, begin to rejuvenate our communities and our State and we implore you to take this balanced and pro-active approach to budgeting.

NYCOM looks forward to providing your Committees with any additional information or assistance you need, and I'd be glad to take any questions.

CHAIRMAN FARRELL: Questions?

Mr. Hoyt.

ASSEMBLYMAN SAM HOYT: Thank you, Mr. Baynes, for your testimony, and the Committee will anxiously look

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forward to sitting down with you and going into much greater detail on some of these concerns and recommendations that you've made. I'm curious -- and I'm grateful for your advocacy over the years on behalf of cities, and specifically here and now again for the Restore New York Program, which really has been so beneficial to so many cities across the State.

With reference to your testimony about the ability for municipalities to purchase goods off of the Office of General Services centralized contract and the Office of Technology, have you heard from any of your members about interest in expanding that to other agencies and being able to piggy-back, if you will, beyond the OGS or Office of Technology contracts?

MR. BAYNES: Definitely. We have, especially as it relates to purchasing off other State contracts, other large local governments and other states, wherever an efficiency can be maximized, they would like that option. We've been working with OGS and a program at the Federal level called the U.S. Communities Program to try to enable that. We're only one of, I think, three states in the country that under our current laws do not allow local governments to purchase in that way. Assemblywoman RoAnn Destito has a bill, a stand-alone bill, and the Governor obviously put it in the Executive Budget, as well. So, we're urging the Legislature to approve it this year.

ASSEMBLYMAN HOYT: Okay. Thank you.

CHAIRMAN FARRELL: Senator.

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SENATOR LIZ KRUEGER: Thank you. Good afternoon. Hi.

One of the questions actually was a follow-up on the Assembly question. One of my colleagues in the Senate has a proposal to allow BOCES to do group contract purchasing for school districts around the State, and I'm wondering whether you've taken a look at that or some parallel model for trying to figure out how to maximize the purchasing power of smaller municipalities and school districts.

MR. BAYNES: Well, I think in the Budget there are a series of proposals related to purchasing that would maximize -- to find every possible option that will allow local governments to purchase items at the lowest level. I'm not familiar with the BOCES proposal itself, but I think under the current laws, local governments could come together and purchase collectively as it is, local countywide cooperatives, but again, the larger -- at the State level they can usually do better because of the buying power at the State level and that's why we would like to expand it to other states and large local governments, as well.

SENATOR KRUEGER: And a follow-up on the broader question. I guess about seven or eight months ago now, the Legislature passed a law to make it easier for local governments to consolidate. And that grew out of findings, not only of a study here in New York State, but of national studies that, in fact, perhaps enormous savings could be found at the local government level if, in

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fact, there was significant consolidation of existing structures of local and municipal government. And I know it was quite controversial at the time but, in fact, did pass and was signed into law. And it seems to me that your Conference must be very involved in these types of discussions throughout the State --

MR. BAYNES: Yes, we are.

SENATOR KRUEGER: -- now and I'm wondering what progress or what roadblocks are we seeing seven months down the road?

MR. BAYNES: Well, I could go on for quite awhile about this one, but I'll try to summarize it for you, Senator.

SENATOR KRUEGER: Thank you.

MR. BAYNES: As you probably know, the law does not go into effect until March 21st of this year.

SENATOR KRUEGER: Well, I know that because the very lovely Assemblymember just gave me a note reminding me of that, thank you.

MR. BAYNES: In summary, our position when that legislation was passed was we were supportive of the intent of the bill, which was to reduce the number of local governments, to make local governments more efficient, to lower property taxes. We think, in several very important ways, the way the bill was written it will not achieve that. And we've been working with the sponsors in both Houses to try to develop some reasonable amendments.

The biggest problem we see with the bill is that under

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current law that's about to expire, as it relates to village governments, to dissolve a village government you have to have a study done about the effect of dissolution before you have a vote on dissolving. Under the new law that will be going into effect in March, you have a vote before you have a study. Once the vote is held -- the vote is to dissolve the local government. If the vote is favorable, then a study is done and the dissolution takes effect no matter what the study and the dissolution plan says, unless an additional petition is brought in by the residents in a very short window of time with a higher signature requirement to force it onto the ballot. We think that the order of things there is not right and does not lead to an informed vote.

So, we have a series of eight amendments to the bill that we have drafted and are circulating, and we'll certainly be talking to probably every member of the State Legislature. We've met with the Attorney General's office, as well, to talk to them about it. So, we do think it should be done sooner rather than later. You know, some members feel - and I understand this - that, well, let's see how it goes, the new law. Our concern is that it's going to be very disruptive at the local level and that it's going to become a political weapon because the threshold to initiate the process is so low under the new law.

So, that's the short version of how we feel and what we're doing, but we'll certainly be talking to you more about it in the near future.

SENATOR KRUEGER: Great. I would be very interested in taking a look at the proposals. And again, I saw this -- it

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was one bill, all right? It was an attempt to, I think, by the State Legislature, to get our arms around a very large and very complicated set of issues.

MR. BAYNES: Right.

SENATOR KRUEGER: So, exploring what didn't go right or what we can do better, I don't see any reason to have to wait to start that dialog. On that same note, when I look at -- I Chair the Select Committee on Tax and Budget Reform. And so, I held a round table on the dilemmas of property taxes in the State of New York. And one of the findings that grew out of that study was not only how high our property taxes are, but also how many variations on exemptions we have and, frankly, how many different ways we do them here in New York State.

So, we have nearly 1,000 tax assessment local governments, so to speak, different assessment units, while the State of California is significantly larger than New York State, has 60. And I'm just wondering from your Conference's perspective, are there any steps we could take, again, sooner than later, to try to get our arms around the very difficult problem of inequitable and seemingly unexplainable assessment systems throughout the State?

MR. BAYNES: Right. We did participate in your round table --

SENATOR KRUEGER: Yes.

MR. BAYNES: -- and found it very beneficial and have reviewed your report. Barbara VanEpps did participate at the

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round table. You know, there are two issues there I think that you highlighted: One is the exemptions themselves, which we do have too many of in New York, and they are seen as a way to provide a benefit at no cost, when really, that's not the case. Any exemption that's provided just shifts the burden onto the remaining property taxpayers, and that's not a good thing in a State that has the highest property taxes in the country.

In the assessment area, we do think - especially in this age of technology and Internet-based interaction between governments - that there are opportunities for consolidating and sharing the assessing function. A large number of our village assessing units have gotten out of the business of assessing, and more do so every year. And I think counties are trying - without having too heavy a hand - are trying to work with the towns within their counties to assess more cooperatively. And I think there have been improvements in that regard, but certainly there is much more that needs to be done.

SENATOR KRUEGER: Thank you. Thank you for your participation.

MR. BAYNES: Thank you.

SENATOR KRUEGER: Denny.

CHAIRMAN FARRELL: Mr. Brennan.

ASSEMBLYMAN JAMES BRENNAN: Mr.

Baynes, I just wanted to express my appreciation for your professionalism and your enlightening presentation.

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MR. BAYNES: Thank you.

CHAIRMAN FARRELL: Yes, Mr. Molinaro.

ASSEMBLYMAN MARCUS MOLINARO: Thank you, Mr. Chairman.

Peter, how are you? Sorry to come in midway through your testimony. I did want to ask NYCOM's current, either position or opinion on the Tier V legislation that was adopted. And secondly, the impact of current pension retirement costs, in particular on smaller municipalities and what alternatives, perhaps, NYCOM is proposing or pointing to to minimize cost impact to some of the smaller communities.

MR. BAYNES: Well, in terms of Tier V, was it every single thing we wanted in a new tier? Was it as affordable a tier as we would have liked? No. But at the same time there were a lot of people in this town late last year that said there's no way there will be a Tier V. So, having said that I think it's a great improvement over the previous tier, especially on the police and fire side of the retirement system, which is the most expensive piece of a pension bill, especially for cities and villages that tend to have police and paid fire.

So, there have been important steps made.

Unfortunately, it's going to take years for the benefit to be felt at the local level. We've met with the State Comptroller to talk to him about looking at any possible way through actuarially acceptable means to re-work the way that we calculate rates in this State so there's less fluctuation up and down. And the Comptroller does have a rate

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mitigation proposal that's similar to what I alluded to in my testimony, the amortization proposal.

But, you know, we think really there needs to be a systemwide solution, not just allow some local governments to borrow money to deal with the problem. We need to do something systemwide that controls our rates. You know, unfortunately, the Legislature, that's not your purview; it's up to the Comptroller to come up with a rate-setting methodology. They've used the same rate-setting methodology for almost a Century and we are probably the strongest pension fund in the country right now, so to walk away from the current rate-setting system is difficult to let the retirement system do.

But still, we've urged the Comptroller and he said they are reviewing every possible thing that can be done within their methodology to minimize the growth in rates as we go forward. I alluded to the 20 to 60 percent increase in rates next year, and if you look at the long term projections the Comptroller has put out, they're some scary numbers out there - 30 to 40 percent of payroll as your pension bill.

So, more needs to be done. I think the best thing the Legislature can do, going forward, is making sure that what you did last year with the new Tier V, that you don't mitigate the benefits of it over time, re-enhancing Tier V so it looks like Tier IV, which is, in the past, what has been done.

ASSEMBLYMAN MOLINARO: Thank you. Thank

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you, Mr. Chairman.

CHAIRMAN FARRELL: Thank you.

SENATOR KRUEGER: Thank you very much.

MR. BAYNES: Thank you.

CHAIRMAN FARRELL: Thank you.

SENATOR KRUEGER: I'm sorry, excuse me.

Senator Andrea Stewart-Cousins.

SENATOR STEWART-COUSINS: I actually didn't have a question.

CHAIRMAN FARRELL: I'm sorry.

SENATOR STEWART-COUSINS: No, that's all right. But I did want to say that I didn't have a question, I just wanted to assure you that we have had continual meetings before the consolidation law takes effect, and we are very closely looking at the concerns that you've raised. And we are continuing meetings with a lot of different entities. So, I just wanted you to know that we, again, appreciate your, you know, staying in and helping it to become the best it can be.

MR. BAYNES: Thank you, Senator. Thank you for your leadership on the issue.

CHAIRMAN FARRELL: Assemblywoman Rabbitt.

ASSEMBLYWOMAN ANN RABBITT: Thank you. Thank you, Mayor, and thank you for your testimony. I came off of local government, village, town; I wouldn't give up my village. I was born and raised in Brooklyn, so I understand the concept of living in a

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city. But when you live in a city and then you live in a village and you start to understand the dynamics, dissolving villages, the cost; there might be a savings in the first few years, but in the later years the same people that we put into these services will age out, pension, retirement. I think as mayors, we don't talk enough, saying it's a great instant fix, but long-term it doesn't work. And that's why we choose to live in villages.

And for New York City to hear 62 villages, that's a lot of villages, but we choose to be villages for the reasons of knowing, you know, financially it's really not a savings. And there can be as much legislation as we want in the State of New York, villages are fiscal responsibility more than we'll ever see. So, I commend the villages for their hard work and keeping yourselves strong. Thank you.

MR. BAYNES: Thank you.

CHAIRMAN FARRELL: Thank you.

Jeffrey Haber, Executive Director; Murray Jaros, Deputy Director, Association of Towns, State of New York; and Michael McNulty, Congressman.

Good afternoon.

MR. MURRAY JAROS: Good afternoon, Assemblyman Farrell, Chairman of the Assembly Ways and Means, and members of the Committee and Senators, members of the Committee. Again, as my predecessors have expressed their appreciation, we do also for the opportunity to comment on the

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Executive Budget for 2010-11.

The Association of Towns represents over 90 percent of the population in towns and many of the towns have officials who have gone on to the State Legislature and higher. And so, I'd like to introduce on my left here, former member of the House of Representatives, Michael McNulty, who retired by his own volition, and our counsel, Lori A. Mithen, who is the General Counsel who, along with Michael Kenneally, had worked on data and prepared the narrative for this testimony.

I wish to call to your attention a few of the statistics which are set forth in great detail in our testimony. I do not plan to burden you or just extend the day by reading it verbatim, but rather to summarize it. Approximately 46 percent of the State's population lives in towns; that's a great responsibility. The towns' revenue comes from approximately 50 percent from the real property tax and the remainder comes from State aid from sales tax, mortgage recording tax and other fees. But what is important, when we refer to the burden of real property tax is that outside New York City, the town tax represents only approximately 12, 12.4, sometimes 12.7 percent of the total real property tax.

We appreciate the continuation of the State revenue sharing in whatever form it is, and the State aid has been provided, because that translates into keeping the real property tax at a manageable level or preventing it from rising. We also appreciate much of the mandate relief that was provided by you last year, and we

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look forward to seeing more of it enacted this year. The threshold for competitive bidding raised to \$35,000 is helpful, the reduction from three to five local governments have made formed health cooperatives is very helpful, and the requirement that ensures insurance providers provide municipalities, upon request, an experience data up to three years. These are important factors in helping to maintain costs at a lower level.

The other important aid that is provided by the State is the State Highway Aids, known as CHIPS and Marchiselli. Towns are responsible for approximately 59,000 center line miles of the 97,000 miles within the State. And because of the vast mileage of highways within the towns, about 67 billion vehicle miles are traveled annually, or 48 percent. And that total is increasing by 2.5 percent annually. In 2008, even though local tax receipts were down, towns spent \$1.3 billion to maintain local transportation infrastructure. The average town spent over 20 percent on its highway maintenance while the smaller towns spent as much as 50 percent.

Towns locally fund nearly 75 percent of their transportation cost with local taxes, with the remaining 25 percent coming from CHIPS, Marchiselli and other sources. According to the data from the U.S. Department of Transportation, roughly one-third of the 8,500 bridges maintained by New York's local governments are deficient -- rather, of the 8,500 bridges, nearly one-third of those bridges are deficient; however, recent data collected by New York State DOT indicates that the number of deficient bridges will increase

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by 1,500 in the next few years. We have to keep that in mind when we make the difficult decisions -- when you have to make the difficult decisions in allocating funding for these important services.

We have indicated throughout our testimony - and when we met with the Governor - that the Association of Towns, on behalf of the towns, is prepared to participate in the pain that needs to be shared across the board. But we also advocate very strongly that when times improve, that that pain be healed by restoration.

Despite record levels of funding there still remains great unmet needs for waste water, water, drinking water, waste water infrastructure. And many of those projects go unfunded simply because of lack of revenue. In fact, 95 percent of projects submitted for drinking water State revolving fund, go unfunded. One of the primary reasons why our water and waste water infrastructure needs are so great is due to the aging of the infrastructure and requires attention. And we need to keep in mind that whether it is drinking water, waste water, whether it is environment, whether it is the open spaces, all these aspects of the ambiance, the quality of life at the local level, is part of the economic formula, and is the reason why we can maintain and plan for a stronger economic future.

Recent studies have shown, by the State Comptroller, that sales tax revenue is down by approximately 8.9 percent, and that figure is still holding. That means that there is less of the sales tax revenue to be shared with the local governments. Less revenue to be shared with local governments translates in a corresponding increase

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in the real property tax. As I indicated before, the real property tax is approximately 50 percent of the revenue that towns have.

AIM, as indicated before by my predecessor, Peter Baynes, is the only, how shall I say, shadow of what used to be revenue sharing, and although some \$734.6 million is contained in the proposed Executive Budget, towns receive only \$49.2-, or 6.7 percent. Nevertheless, there is still a reduction in that aid. But the reduction results to towns is 5 percent; 5 percent reduction is an increase in real property tax.

The Governor's Budget includes a proposal for a four-year moratorium on new, unfunded Legislative mandates on local governments and school districts. It is, as indicated before, also an unprecedented effort and we urge you, the Legislature, to delve into the subject. Now is the time to really do meaningful reform and provide mandate relief. A recent study by the Albany Law School Government Center found that 30 of the 50 states, or 60 percent, have mandate relief programs. I think New York State needs to be the next one, the 31st.

We ask that you consider an increase in the fees charged for police accident reports. The State Police is allowed to charge \$25 and \$15 on the specified reports. At the local level, and the Freedom of Information Law, local governments are relegated to 25 percent per page. There seems to be little justification to continue such a low fee for local police department reports as compared to the State Police. So, we urge you to raise the fees for the reports to the

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same level as State Police reports; parity.

We also support the proposed amendments to allow local deposits in credit unions. The Executive Budget proposes State-chartered credit unions, of which there are only 22, but there are 440 Federally-chartered credit unions. We urge you to expand that list and to include the Federally-chartered credit unions. It will increase competition, it will result in savings to the local governments. The Executive Budget proposes also allowing a charging of fees in emergency ambulance service, which presently, are expressly prohibited. We urge you to consider and support that effort so that the local revenue can be increased and provide better and more efficient emergency services and relieve that burden from the real property taxpayer.

There is also a proposal dealing with the severance tax and the exploration of the Marcellus Shale, and we urge you to take a close look at that and allocate the revenue from the exploration and extraction to a fund that will enable to fund local government needed infrastructure, such as highways and water and waste water, because that particular activity could create a great deal of, let's say a burden upon the local government that must maintain the highways and have to ensure that the drinking water sources are not polluted by it.

Also mentioned before was the pension amortization. We understand the need for the change of a Tier V and the need for an increase in the pension contributions, but it simply results in an

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increase to the taxpayer. The Executive Budget proposes that there be a proposal for amortization, and we support that effort. We understand it's going to be a little bit, let's say, a higher cost in the beginning, but over the long term we believe it will be, let's say, amortized over a period of time and will allow a leveling off of costs, and thereby result in reduced cost to the real property taxpayer.

On dog licensing, the Department of Agriculture and Markets has decided to go out of business and, let's say, devolve that function upon the local governments and the burden will fall mostly upon towns. And we support that effort with the appropriate authorization for setting fees to cover the costs of administration of that program. We also support the proposal that was mentioned several times about expanding the procurement provisions. We agree that the exemption that's presently provided and proposed to be provided should be expended to all local governments. We further suggest that the previously enacted labor project agreements are not producing the savings that were expected, simply because of the fact that 70 percent of the construction workforce is not unionized. As a result, the labor projects agreement is not as effective as it could be if the workforce were more unionized.

There is also a proposal in the Budget about the consolidation of justice courts. We support that effort, provided it can be done in, let's say, a less cumbersome fashion. There is presently, in the law, in the Uniform Justice Court Act, a procedure for consolidating justice courts. Unfortunately, the wording needs to be

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amended to facilitate a true consolidation. There perhaps was some misunderstanding of what the Constitutional provision limits. We believe that it can be done without violating the State Constitution.

Then, there is in the Budget, a proposal concerning the merger of ORPS with the Department of Taxation and Finance, and that is basically an entire function. We do raise a concern that the Office of Real Property Services, which has been a service-oriented agency for local governments and facilitated much of the advancement in the equity in assessment of real property taxes, that it may be absorbed in a fashion that will curtail its services to the local governments. We just wish to alert you that the services of the Office of Real Property Services be preserved so that we can continue the progress that was already made.

However, one of the proposals deals with a reduction of State aid in revaluation and maintenance of revaluations. We understand that some of it may be necessary, but a provision of it is, "Provides for recapture of aid that is provided to a local government that enters a program of revaluation and maintenance." Now, if that local government were to leave that program, the proposal is that there be a recapture of the prior aid. And it is understandable that this not be used by local government merely as a one-time payment and then skip out and keep the aid; however, the effect of this provision is that when a local government is forced to leave the program because of the action taken by the State, it should not be penalized by a recapture of the revenue.

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For example, I go back to the '60s when the State had provided aid, ONM aid, for sewer operation and maintenance; 33 percent. After a few years, it kept reducing, reducing and reducing, and that aid is gone. There was aid for the building code enforcement, and that aid is gone. We could have here a situation where the State provides an incentive to enter this program and then withdraws its aid, and the local governments as well. Maybe it's not in my best interest to continue and we now have to fund all of the costs of that and may be forced to leave it. It is a situation such as these that when the State action compels withdraw, there should be no recapture penalty for the local government.

Another aspect of the assessment is the transparency and assessment to provide reports that will show the basis for the assessment determined by the assessors. We support the transparency issue, we only address the point of its schedule, a time requirement. It is required to be filed no later than 60 days before the tentative assessment role, which is May 1 for most local governments in New York State. That would bring it to March 1, which is a taxable status date. A taxable status date is a date as of which the assessors determine the assessment based upon its condition and ownership. There wouldn't be sufficient time by March 1 for the assessor to prepare that report. We suggest that it be moved to April 1st.

Again, in conclusion, I appreciate your indulgence and the opportunity to testify, to thank you for the past good deeds and to urge you to do more. Thank you.

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CHAIRMAN FARRELL: Thank you very much.

Questions?

ASSEMBLYMAN HOYT: Mr. Haber --

MR. JAROS: I'm Murray Jaros, by the way. Mr. Haber is out of State, and I'm the Deputy Executive Director.

ASSEMBLYMAN HOYT: Well, I want to begin by thanking you for agreeing not to read your entire testimony. The question that I asked an earlier witness applies maybe more to you and your organization, and that has to do with the local government efficiency grants, which are available to towns and municipalities and it used to be, as you recall, the SMSI program, which were put in place through the Department of State in order to incentivize and facilitate and expedite mergers and towns and departments working together. But we haven't seen many successes, as my information shows, and I wondered if you or your colleagues had any thoughts on that and any recommendations as to how we can improve that program? Because there has been ample money available, and continues to be ample money available, but I don't think we're seeing the results that we'd like to see.

MR. JAROS: Well, it would be difficult for me to express the wisdom superior to that of many of the agencies that have worked on it, but I will suggest that one of the ways to do it is to continue to publicize the program and to urge voluntary participation. In the past, many of those grants really did not go to towns, although some did go; it went to other units of government. And perhaps there

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should be a greater effort to bring it down to the lower levels of government.

ASSEMBLYMAN HOYT: Thank you.

CHAIRMAN FARRELL: Further questions?

CONGRESSMAN MICHAEL MCNULTY: If I could just add to that, Sam -- first of all, Senator Kruger, Assemblyman Farrell, Assemblyman Hoyt, Senator Stewart-Cousins, as Chairs and members of the Fiscal and Local Government Committees, we have upcoming the annual meeting of the Association of Towns, and perhaps we can do a little bit more to communicate about that issue that you brought up at that time.

I just wanted to say that I'm here as a consultant to the Association, and my friend Murray has been working with the Association of Towns since the mid-'70s; I'm one of the few people alive who's been working with the Association longer than that. I was elected Town Supervisor of Green Island over 40 years ago, in 1969; the Chairman knows my background. Before I was a Member of the Assembly and a Member of Congress, I was in local government as a town supervisor for eight years and a village mayor for five, and we want to thank you for your sensitivity to the concerns of local government. This Association represents the largest group of elected public officials in the State of New York, and as our Executive Director, Jeff Haber, says all the time, its primary purpose is to help those elected officials deliver essential services at reasonable costs to taxpayers. And so, we focus on that issue.

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And in these tough economic times, another thing that Jeff often says is what Murray mentioned in his testimony; there is going to have to be a significant amount of shared sacrifice due to the economic circumstances in which we find ourselves - we're willing to participate in that. But one of the things we're thankful to you for emphasizing this year and in the upcoming years is mandate relief. One of the other persons who testified earlier said the first good step we can make in moving things to a better situation is to do no harm. And further unfunded mandates would seriously jeopardize what town governments and local governments generally are trying to do in the future.

So, we want to thank you for placing a very strong emphasis on that in this Legislative Session, and I just want to say that I'm delighted to be back among my old colleagues, including at least one I see who was here when I came here 28 years ago.

CHAIRMAN FARRELL: Who's he talking about? I don't know.

Congressman, it is a pleasure to have you back with us.

Questions?

Thank you very much.

I'm sorry, excuse me, Senator.

CHAIRMAN KRUGER: We can't let the Congressman go completely scott-free.

Senator Krueger.

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SENATOR KRUEGER: Thank you to the Association, and it's nice to see you, Congressman. A question I asked the previous speakers from the Conference of Mayors; I would like to ask the same questions of your Association. Both from the perspective of State consolidation, you talked about the combination of the Office of Real Property and Tax and Finance and some concerns about the timing.

But my question is broader: What can we be doing to streamline and make more cost efficient our model for tax assessment throughout the State of New York? Because, in fact, you represent, so to speak, the smaller towns - although some of them are quite large - throughout the State. And I know that there's a very heavy burden at the local level for trying to, in fact, correctly do tax assessments and collect your funds. So, I'm just curious where you see the State going in helping local governments to deal with tax assessments.

MR. JAROS: I'll try to answer your question as quickly as I can. Like Michael, I go back a few years. Back in the late '60s and '70s, '60s I was with the State Board of Equalization and Assessment, now the Office of Real Property Services, and I worked on the assessment improvement program, which was the first of its type that led to the current situation of professional assessments and the opportunity to consolidate and to share services.

That worked very well and we have today just about three-quarters of the effort accomplished by moving to professional assessment personnel. The Office of Real Property Services, along

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with the Association of Towns and the Assessors Association have supported voluntary efforts to continue to effect efficiencies and to share their services. And the mechanisms have been provided. I think it needs to be continued to be talked up and to foster a, let's say, an atmosphere of need to have the local governments continue to work towards reducing their costs in the administration of the assessment function.

But I think we have the mechanisms in place, including shared assessment, including unified assessment and including contracts. We have a number of -- right across the State -- one assessor serving three or four, and some five of the smaller assessor units. So, that is -- I think the statistic speaks for itself and we just need to continue to foster that environment for continued cooperation.

SENATOR KRUEGER: Why do we need 1,000 different units in New York State?

MR. JAROS: Well, we have 62 cities, a lot of villages have gone out of it. We have 932 towns, but we don't have each of the 932 towns an assessor anymore, because many of them are cooperating; two and three have just a single assessor. There may be a single assessing unit, but not necessarily in each assessing unit there is an assessor; they are shared services.

SENATOR KRUEGER: Thank you very much.

MR. JAROS: Thank you, Senator.

CHAIRMAN FARRELL: Thank you.

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CHAIRMAN KRUGER: Thank you again.

CHAIRMAN FARRELL: Mike Smith, President,  
New York Bankers Association.

Mike.

MR. MIKE SMITH: Thank you, Mr. Chairman.

Chairman Farrell, Chairman Kruger, members of these Committees, Senate and Assembly. My name is Mike Smith and I'm President and CEO of the New York Bankers Association. Our association is comprised of community, regional and money-center commercial banks and thrift institutions doing business throughout the State of New York. Our almost 250,000 employees are located in virtually every city, town and village in the State, from as far West as Jamestown to the Eastern point of Montauk.

I appear before you today to strongly support the provisions of the Governor's Budget, which would authorize savings banks and savings and loan associations to accept and collateralize municipal deposits; however, our association strongly opposes authorizing credit unions to engage in the same activity. Why do we draw this distinction? The answer is clear and simple: Savings banks and savings and loan associations are major contributors to the fiscal health of the State through the income, sales, mortgage recording and other taxes that they pay. Credit unions do not pay these taxes.

Last year alone the State's banks and thrifts paid more than \$1 billion in income taxes to New York State; additionally, \$1.4 billion to the City of New York, hundreds of millions in additional

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income taxes to Yonkers and the MTA districts, and further millions in sales and other taxes. Credit unions not only did not pay these taxes, they are exempt from the special additional mortgage recording tax, sought and received in exemption from the new MTA payroll tax that is shared by every other employer, including schools, and have actually filed suit in the State Supreme Court to be relieved of paying other taxes. Whereas our community, commercial banks and trust companies can compete with savings banks and savings and loans that pay similar amounts in taxes, the tax exemptions give credit unions an enormous, and we believe unfair, pricing advantage.

And the contributions of the State's banks and thrifts go far beyond paying taxes. As the principal small business lenders in New York, banks and thrifts provide the funding for millions of jobs that allow this State to grow in addition to processing local government accounts that frequently provide financial advisory, money management services to small communities that would otherwise cost many thousands of dollars. They are the first in line to fund local projects, from the underwriting and purchase of municipal bonds to providing reinvestment dollars for the rehabilitation of blighted neighborhoods.

In virtually every local community across New York State, the local banker takes the lead in civic projects, in charitable contributions and in released time programs to allow officers and employees to volunteer for needed local events. In fact, in 2005, at a time when the New York Legislature -- and, again, this was a subject

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of debate last year, but in 2005 we commissioned Cornell University to do a study on the importance of municipal deposits as core deposits of especially our community banks; we have about 160 banks throughout the State of New York. These deposits fund a myriad of community activities. Municipal deposits are a bank resource that broadens the base for community lending. New York's banks provide a broad array of banking services to their municipal customers. A strong majority of banks provide these services at no cost to the municipal customer.

New York's banks demonstrate a high degree of involvement in direct economic development. For example, we're involved now in this small business lending program with the New York Business Development Corporation, which we call a Second Look Program, so that there would be an appeal for small business borrowers in case they were turned down. A strong majority of banks and their employees provide leadership, administrative and financial support for community events, programs and needs. The Cornell study also demonstrates providing credit unions with public deposits would disproportionately affect New York State's community banks. Although municipal deposits make up, on average, 4 percent of a bank's deposit portfolio, for a community bank that figure rises to 11 percent, and in some cases higher.

By contrast, the State's credit unions pay only property taxes. Additionally, because they are exempt from income taxes, they have no business reason to purchase tax-exempt bonds,

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which pay a lower rate of interest than do non-tax-exempt obligations. As you know, these public deposits have to be collateralized.

In addition, only the State's 16 remaining State-chartered credit unions, out of a total of 461 credit unions in New York, are subject to the State's Community Reinvestment Act, which mandates that banks and thrifts, the only financial institutions in the United States that are subject to CRA, are required to serve the needs of their neighborhoods in which they are located. None of the credit unions are subject to the Federal CRA, with its extensive record-keeping examination and enforcement requirements. The New York State Legislature cannot change the Federal CRA, nor has it any authority to tax Federal credit unions.

A number of studies have shown that credit unions do not have the positive track record in community reinvestment, which is often argued. The U.S. Government Accountability Office, GAO, at the request of the Congress, studied credit union service to low-income communities and found that, quote, "Credit unions lag behind banks in serving low- and moderate-income households." Another recent study at the University of Wisconsin, Madison, found that a majority of the \$2 billion annual Federal tax subsidy for credit unions is going to higher income individuals. According to the study, 61 percent of credit union benefits go to households with incomes over \$95,000; 29 percent go to households with incomes of \$35- to \$95,000; and only 10 percent go to household making less than \$35,000.

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At a time when New York State and New York City struggle with massive budget deficits, in our belief, this would be the worst possible time to take local government deposits of taxpaying banks, in other words, taxpayers' money, and place them in non-taxpaying institutions, such as credit unions. For every dollar removed from a bank placed in a credit union, a dollar is removed, earning assets; these assets extinguished. The earnings on bank assets are taxed by the State and City with no earnings on credit union assets that could be taxed. As a result, the State and City would lose potentially millions of dollars in revenue by allowing credit unions to take local deposits away from the banks.

One of the reasons stated in the Governor's memorandum in support for providing credit unions with authority to accept municipal deposits would be to provide higher returns to local governments on those deposits. But the tax revenue lost by pulling those deposits from a taxpaying bank or thrift and providing them to a non-taxpaying credit union would almost certainly exceed whatever additional interest a credit union would be able to provide on a deposit. Indeed, based on currently posted rates, there may be no increased return at all and, in fact, some of the largest credit unions in New York, when put in comparison with some of the largest banks, in fact, are paying less.

Still another reason cited by the Governor for providing credit unions with this authority was that they would re-invest a larger percentage of municipal deposits in local loans.

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This argument also does not withstand analysis. In fact, the percentage of loans made in New York State by both Federally- and State-chartered credit unions is virtually identical to the loan-to-deposit ratio of the State's Federally-insured commercial banks and thrifts.

Other assertions supporting credit unions' push to accept municipal deposits, in our estimation, do not hold water. Credit unions state that New York is one of the few states that do not permit credit unions to accept municipal deposits. Our analysis and the chart attached shows 18 states authorizing credit unions -- and I might add, just today I would amend that number to 20 since it's our understanding that the two that are not listed as to what their power is do, in fact, allow it; so, it is 20. Credit union leaders have stated that they were required to lend out deposits that they receive; neither the Federal Credit Union Act nor the State Banking Law have such a requirement. And assertions have been made that the credit union industry has not been affected by the current market turmoil like commercial banks and thrifts; however, they, too, have received special guarantees and, in fact, some of the largest corporate credit unions have suffered severe losses.

In summary, our association - consistent with our position for many, many years - strongly urges that the Legislature approve providing authority to the thrift institutions; however, we strongly oppose providing similar authority to credit unions. In short, our belief, very simply, is that institutions that pay taxes should be

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allowed to accept tax deposits.

I appreciate the opportunity to be here today, and thank you as always, Mr. Chairman.

CHAIRMAN FARRELL: Thank you very much, Mr. Smith. Questions? Senator.

CHAIRMAN KRUGER: Thank you very much. Thank you.

MR. SMITH: Thank you, Mr. Chairman.

CHAIRMAN FARRELL: William Mellin, President and CEO, Credit Union Association.

MR. WILLIAM MELLIN: Good afternoon, Chairman Farrell, Chairman Kruger and other members of the Committee. My name is William Mellin and I am the President and Chief Executive Officer of the Credit Union Association of New York. I am here representing 461 Federally- and State-chartered credit unions throughout this great State. I appreciate the opportunity to comment on the Governor's proposed Budget.

These are certainly difficult times for many New Yorkers. Many have lost their jobs and many more are making do with less. As you've heard today, superintendents remain committed to ensuring our children receive quality education in the face of reduced funding. Our mayors are striving to maintain basic services as Federal mandates are claiming even larger portions of their budget, and citizens are legitimately concerned about rising property tax.

Amidst this backdrop, we should look for every

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opportunity to maximize resources for the betterment of all New Yorkers. Fortunately, credit unions have the potential to help State and local officials in a way that doesn't cost local taxpayers a dime, but instead would save them money and increase the range of options available to elected officials throughout this State.

In his 2010-11 Budget proposal, the Governor has proposed that local governments be given the option of placing municipal deposits in credit unions. By embracing the concept of municipal deposit choice, the Governor has provided a cost-effective means of maximizing the tax dollars of New Yorkers and providing local governments much needed flexibility as they seek to save resources. Furthermore, whether it's Mayor Bloomberg's proposal to deposit \$25 million or a fire district in Kingston seeking the best opportunity for its investments, this is a proposal that could help all types of municipalities across this State.

While the Governor's proposal represents an important first step, it currently does not apply to Federally-chartered credit unions. Excluding the 439 Federally-chartered credit unions would greatly diminish the benefits we believe can come from allowing municipal deposit choice. We understand from conversations with staff at the Governor's office and the Department of Budget that the omission of Federal credit unions was unintentional, and we request you to join us in moving an amendment to ensure that the final legislation be extended to all credit unions. I need to emphasize that without including our Federally-chartered

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credit unions in this legislation, it would not be an effective means in creating depository choice.

Currently, commercial banks enjoy a monopoly on municipal deposits. They have this monopoly largely because municipal deposit laws predate the creation of credit unions. Many progressive states, including California, Connecticut and New Jersey have long since rectified this anomaly. Authorizing credit unions to accept municipal deposits is such a common practice that the Federal Credit Union Act explicitly authorizes Federal credit unions to accept these deposits; however, localities here in New York State are statutorily prohibited from utilizing this option.

Under the Governor's proposal, following the technical corrections, Federal- and State-chartered credit unions, as well as Federal- and State-chartered savings banks would be authorized to accept municipal deposits in those municipalities where they are headquartered or have a branch office. In order to address potential concerns that taxpayer funds are adequately protected, the local governments would have the ability to negotiate both the form and the amount of the collateral to secure their deposits. This is the same process currently in place to collateralize such deposits in commercial banks. The Governor's proposal does not require local governments to deposit funds in any particular type of financial institution. It simply gives these localities that wish to deposit funds into a credit union or a savings bank the opportunity to do so.

Municipal deposit legislation is a target investment

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that would generate localized economic development. For the most part, credit unions are the last true local financial institution in this State. As such, our deposits stay local, our lending is local and our reinvestment in our communities is local. There is no reason to doubt that public deposits in credit unions cannot have the same local impact. Because the Governor's proposal does nothing more than expand the option available to municipalities, no commercial bank would have to lose those deposits. But banks would have to price, they're mindful, that they no longer have this monopoly.

In proposing the City of New York be permitted to deposit up to \$25 million in New York City-based credit unions, as Mayor Bloomberg announced during his State of the City last week, City funds would be leveraged locally and allow credit unions to make further investments in low-income communities, many of which we all know have been disproportionately hit by this economic downturn.

This model is in sharp contrast to the for-profit banking model. Bankers' first obligation is not to depositors, but to shareholders who want to see their investments maximized. While both models have their place in the Capitalistic system, if the last two years have shown us anything it is the danger of a system in which profits become such an overriding goal that the need of the depositor becomes a distant concern. Once municipal deposits are given to a commercial bank, those funds may just as likely be used to support a commercial project in Atlanta, Georgia as they would be to support a small business in Elmira.

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Many local elected leaders want a local option for their banking business. That's why municipal deposit choice is supported by the New York Council of Mayors, the New York State Association of Counties, the Association of Towns, and the Firemen's Association of the State of New York. Frankly, it's not a coincidence that commercial have needed close to \$700 billion in Federal taxpayers bailout money, while credit unions have not needed a cent. We live in the consequences of our investment decisions.

Just as more and more individuals are discovering that credit unions represent a better alternative, local municipalities - anxious to maximize their public trust and the value of tax dollars contributed by financially-stressed New Yorkers - deserve the same opportunity and the same commitment to sound investment represented by credit union philosophy. Credit unions are qualified to accept municipal deposits. The majority of states already authorize credit unions to accept these funds. We are insured the same way that commercial banks are insured and we will collateralize these deposits the same way as commercial banks.

Bankers may claim that credit unions are undeserving of municipal deposits because we do not pay taxes. Our opposition constantly misrepresents the true tax status of credit unions. The simple truth is that credit unions do pay taxes, including property tax and payroll tax. As a not-for-profit cooperative, which re-invests investments into its members/owners, credit unions do not derive corporate income and therefore do not pay corporate income tax.

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Ultimately, at a time when all taxpaying citizens have been forced to pay for the missteps of the banking industry, that same industry should not be opposing legislation that does nothing more than provide localities a future option in seeking to maximize taxpayers' dollars.

Credit unions play a vital role in the New York State economy; allow them to help local governments by keeping public deposits. Allowing local governments municipal deposit choice will help them increase revenue, create savings to taxpayers and increase reinvestment in local communities. I urge you to include savings banks and all credit unions as eligible deposits for local governments. Thank you.

CHAIRMAN FARRELL: Thank you very much.

Questions?

Senator.

CHAIRMAN KRUGER: Thank you. Senator DeFrancisco.

SENATOR DEFRANCISCO: You had mentioned that most states do permit credit unions to accept these deposits. Do those states also change the rules with respect to credit unions to make them more comparable to what regular savings institutions are subject to?

MR. MELLIN: I believe not. Most credit unions in this country are Federally-chartered credit unions and the purpose, the philosophy, the mission of those credit unions would remain the same regardless of the option of taking in municipal deposits or not.

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SENATOR DEFRANCISCO: All right. There was also testimony about you not paying taxes. I saw that you pay property and payroll taxes, but what things are you not required to do that the savings institutions are required?

MR. MELLIN: Well, the biggest aspect is that we don't pay corporate income tax because we're not-for-profit cooperatives. Any income that is earned by the credit union would go back to the member/owners of the credit union who, by the way, do pay taxes as individuals.

SENATOR DEFRANCISCO: And are you subject to fewer regulatory requirements as a credit union as opposed to a savings institution?

MR. MELLIN: No, I think even the bankers would agree that credit unions remain one of the highly regulated financial institutions in the country, as far as both State and Federal requirements are concerned.

SENATOR DEFRANCISCO: Okay. You know, I've always wondered, we have more -- I'm not talking just banking now -- non-profit organizations, whether it be in banking, whether it be hospitals, that are all competing with for-profit organizations; in many instances it sounds like we're against profit in this country. And my question is as far as these monies are returned back to the owners of the business of the credit unions, how do the salaries of directors or presidents or the upper echelon of the credit unions compare to savings institutions?

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MR. MELLIN: Well, here in New York State, Senator, the board of directors, people that serve in the governing position, the individuals that serve in supervisory capacities, as far as credit unions are concerned, do so as volunteers. They do not receive any compensation whatsoever from the credit union, much like an individual that might serve on a hospital board or a YMCA board. They do so because they are interested in the community, they are interested in giving back to the citizens of that community that they live in and they serve.

As far as the compensation is concerned, for the CEO's or managers of credit unions, or upper management, every indication is that it's significantly, significantly less for a credit union than it is for the banking industry.

SENATOR DEFRANCISCO: All right. And as far as, generally, the credit unions that you're involved with, how are they as far as their solvency, their ability to keep operating in an efficient manner? Where do you stand right now?

MR. MELLIN: The credit unions in New York State and most credit unions throughout the country are extremely solvent, they are very well capitalized, as far as a regulator is concerned. As a matter of fact, the capital position of credit unions, percentage wise, is substantially higher than the banking industry. Credit unions are required to earn their capital through undivided earnings. They do not take money from shareholders, from investors. They only earn money from the credit union members that belong to the credit union, and

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any funds that are required by the regulator are first undivided, so they keep that in the credit union. The rest go back to the members.

SENATOR DEFRANCISCO: Well, in my district I haven't seen a new bank built in my lifetime, I think, and there's new credit unions being built it seems every year, no matter what that credit union may be, so that may help confirm what you're talking about. And I don't have any other questions. Thank you.

MR. MELLIN: Thank you, Senator. You know, the important thing here that I just want to emphasize is that this gives the municipalities the option. It does not require any municipality to change its relationship whatsoever.

CHAIRMAN KRUGER: Thank you.

Senator Krueger.

SENATOR KRUEGER: Thank you. So, I listened to the Bankers Association testimony and your testimony, and the trigger difference seems to be the banks argue that they pay taxes to the State of New York and therefore if we take deposits, local or State government, out of the banks and put them into credit unions they'll have less money to loan and therefore they'll have less business, and therefore they'll pay us, the State of New York, less taxes. And I believe in a similar discussion I think the Business Council had said they estimated this change would - and if I'm misquoting them I apologize for the record - but someone said that we would lose \$15 million in taxes if we implemented this kind of model.

And yet, if I also read your testimony, it says that

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credit unions are actually lending the money in the State of New York, and I'm not sure that I heard that in the bankers' testimony that was given, that the banks lend the money in the State of New York. So, looking at the economic analysis, it seems to me as the State of New York in this conversation we'd also want to look at how is this money having a domino effect of investments in our communities.

So, can you clarify for me now or later, is, in fact, one of the differences in the argument that credit unions only loan out the money within the State of New York, while in a banking institution - and the bankers, of course, can also answer the question to me, although they have left the stage - that the bankers may, in fact, be lending the money in any of 50 states or anywhere in the world. And so when you're looking at the economics you really need to be looking at where the State and local municipal money is being used for loans.

MR. MELLIN: Senator, the vast majority of funds that a credit union makes, as far as loans are concerned to its member which, by the way, generally small type of member loans are local. If the credit union is headquartered in Buffalo or Rochester or Elmira or Poughkeepsie, those funds are being taken in by citizens and members that live in those communities and then extending out back to those members that live in those communities. And I think that's one of the important things we do want to point out, that funds that are taken in by locally-owned credit unions, owned by the citizens of New York, those funds are going back to the citizens of New York. And we believe that municipal deposits would give those credit unions an

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opportunity to make even more loans to small businesses and to New Yorkers that are looking for a quality relationship, as far as their loans are concerned.

SENATOR KRUEGER: And would you agree with - I think you were here when the Bankers Association was testifying - that their testimony documented that credit unions and banks loan out approximately the same rate of the monies they hold, I think 64 percent versus 63 percent; would you agree with that number or would you disagree with that?

MR. MELLIN: I would disagree with it when you come to the total relationship that we have. Generally speaking, credit unions pay more on deposits. Generally speaking, credit unions charge less on the loans, and almost right across the board credit unions charge less fees to their member/owners that are using their services, whether it be for a banking transaction or a checking account or some type of a fee relationship. Credit unions save American consumers a considerable amount of money when you compare a banking relationship to a credit union relationship.

SENATOR KRUEGER: Thank you very much.

CHAIRMAN KRUGER: Thank you, Senator Krueger.

I think that's it. Thank you very much.

CHAIRMAN FARRELL: Thank you very much.

MR. MELLIN: Thank you.

CHAIRMAN FARRELL: We are adjourned until

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tomorrow morning. One down, eight to go.

(Whereupon, at 4:23 p.m., the Joint Budget Hearing  
on Local Government was adjourned.)