



NEW YORK STATE SENATOR

Liz Krueger

Senator Krueger Announces Reforms To Fix NY's Broken Budget Process

LIZ KRUEGER April 7, 2010

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Two-year, GAAP & Performance Based Budgeting, June 1 Fiscal Year

Key Reforms to End Albany's Decades of Fiscal Dysfunction

(Albany, NY) State Senator Liz Krueger today unveiled comprehensive reforms to fix the State's broken budget process and give New Yorkers a fiscally responsible budget. For decades, Albany ignored the need for wholesale changes to the budget process, instead opting for quick fix gimmicks and government by guesswork. Within their first term in the Majority, Senate Democrats created a 7-point legislative package, sponsored by Senator Liz Krueger (D-Manhattan) which provides for long-term financial planning, the enactment of stricter accounting principles, and mandates stringent standards of accountability for State-financed programs and services.

Senator Krueger, Chair of the Select Committee on Budget & Tax Reform and Vice-Chair of the Finance Committee said, "If any year demonstrates how fundamentally broken New York State's budget process is, this is the year. We have a budget process that allows shady accounting practices and encourages a model of non-accountability for spending, revenues and borrowing. With this legislation I'm saying 'the buck stops here,' because the State is getting too close to coming down to its last buck."

Senate Majority Conference Leader John L. Sampson said, "Years of a broken budget process and broken promises from pass-the-buck politicians has left our State on the brink of fiscal disaster. New Yorkers deserve better. Using dependable data and common sense solutions, these reforms will give New York a responsible budget that controls spending, creates jobs, and provides tax relief while protecting our investment in vital services."

Senator David J. Valesky (D-Oneida) said, "The financial crisis has taught us one very

important thing — New York State must change the way it approaches the State budget process. This budget reform package puts into place a responsible and comprehensive system that is based on definitive data and requires accountability and responsibility.”

Senator Andrea Stewart-Cousins (D-35th District) said, “For too long New Yorkers have been subjected to a budget process that is simply bankrupting our State and driving up local taxes. It is time we ended decades of fiscally reckless policies and dragged New York’s archaic and secretive budget process into the future. Our legislative package will end the fuzzy math of past budgets and institute sound accounting practices and performance based budgeting that will eliminate waste, saving taxpayers money.”

Senator Darrel J. Aubertine (D-Cape Vincent) said, “As we continue working to close our budget gaps and restore our State's economy, now is the time to seize the opportunity to make long overdue fundamental reforms to the budget process. This package of proposals, which includes performance-based budgeting and common sense 'pay as you go' accounting, will address many of the decades old systemic problems that have only made this economic downturn worse. I look forward to working with my colleagues to pass legislation that includes these changes and moves us beyond this year's spending plan.”

Unlike other recent reform proposals, Senator Krueger’s plan is a complete overhaul of the structural deficiencies in the budget process. “Either New York will break from these poor financial planning habits,” Senator Krueger explained, “or the budget process will break New York.”

Senator Krueger’s legislation will

- Establish a two-year budget and require the Executive to submit two-year financial

plans in order to ensure proper long-term fiscal planning (S7160).

- Remove fiscal manipulations by requiring both the Executive Budget proposal and Enacted Budget to be balanced according to Generally Accepted Accounting Principles, which will “fundamentally realign recurring spending with recurring revenue to restore the State's fiscal health” as recommended in a recent report by the State Comptroller (S7284).

- Task a 15-member Empire State Performance Commission with designing a performance based management and budgeting blueprint to streamline government and end waste and fraud within programs and services (S7259).

- Create a non-partisan Legislative Budget Office modeled after the U.S. Congressional Budget Office, which will remove the politics from revenue forecasting while simultaneously ensuring funds are not being used to create hidden slush funds by being stuffed away in “off-budget” public authorities (S4526).

- End New York’s status as the only state with a budget date prior to the Federal tax collection date, and shift the start of the fiscal year to June 1 to allow for proper fiscal planning (S5221C). The Senate Select Committee on Budget and Tax Reform has issued a new report, A New Fiscal Year — A Better Budget, highlighting how many of the State’s budget woes stem from the 1943 decision to move the start of the State’s fiscal year to April 1. The full report can be found online at: www.nysenate.gov/report/select-committee-releases-report-changing-new-yorks-fiscal-year.

- Require the Executive, in the Annual Tax Expenditure Report, to list a cost-benefit analysis of all New York’s 380-plus tax break programs, to allow for the strengthening of programs which work, and ending of programs which waste revenue (S7347).

Senator Krueger is also developing legislation to force the Legislature to regularly review and amend the State's tax breaks systems by enacting automatic sunsets phased in over five years (excluding programs with pre-existing sunsets).

Stephen J. Acquario, Executive Director of the New York State Association of Counties said, "New York's fiscal condition is in disrepair and the budget process is dysfunctional. We commend Senator Krueger for standing up and putting these proposals on the table. New York taxpayers are demanding reform and we look forward to a more transparent, effective and accountable budget-making process in our State Capitol."

Dick Dadey, Executive Director of Citizens Union said, "Citizens Union is pleased that Senator Krueger is responding to the increasing demand and need for State budget reform by introducing this comprehensive package of legislation. The proposals aim to increase the integrity, transparency and efficiency of the budget process – three goals which Citizens Union shares. Citizens Union supports GAAP accounting, a later fiscal start date and implementing performance-based budgeting. GAAP accounting will make the budget more real by accurately reflecting its actual liabilities and revenues. A later start date will allow for more deliberation of the budget and a more accurate sense of revenues from April tax receipts. Performance budgeting will tie funding with results. We encourage the Legislature to fully consider these important and timely proposals, and look forward to working with the Legislature to create a budget process that better serves New Yorkers."

Altaf H. Rahamatulla, Tax and Budget Policy Specialist of the Progressive States Network, said, "As New York State confronts a massive deficit and working families struggle to make ends meet, there is absolutely no reason the Legislature should be doling out millions of dollars on ineffective expenditures. The State must join other states in taking a more focused look at the efficiency of State spending on subsidies, contracts, and corporate tax

breaks before making severe cuts to critical services. Senator Liz Krueger’s bold initiatives are a significant step toward providing protections for New Yorkers in a time of heightened budgetary and economic pressures. Further, creating a sunset schedule for all tax expenditures would place New York at the forefront of accountability nationally. The Senator’s budget reform efforts are indicative of a larger progressive trend to foster transparency and promote fiscal health in states across the country.”

Susan Lerner, Executive Director of Common Cause New York, said, “Senator Krueger is to be commended for introducing this package of budget reforms, which is based on advice received in open public hearings before the NY State Senate’s Select Committee on Budget and Tax Reform. All New Yorkers know that our State budget process is broken and not working as it should. The reforms that are proposed will go a long way to improve our broken State budget process and help Legislators get necessary control over the State budget in an improved and more transparent process. Establishing a Legislative Budget Office and shifting the State’s fiscal year to June 1 will allow Legislators to base budgets on realistic projections instead of a hope and best-guess revenue projections. Requiring performance management/budgeting and tax expenditure cost/benefit analysis, as well as tax expenditure sunsets, is the type of common sense requirement that New Yorkers of all political persuasions should wholeheartedly support.”

Senator Krueger’s Budget Reform Legislation

Two-Year “Biennial” Budgeting (S7160):

- Establishes a two-year budget and requires the Executive to submit two-year financial plans to ensure responsible long-term fiscal planning;

- A biennial budget would be passed in odd-numbered years.

GAAP Budgeting (S7284):

- Requires the Executive Budget and Enacted Budget be balanced in accordance with the Generally Accepted Accounting Principles (GAAP), which are applied to governments by the Governmental Accounting Standards Board (GASB);

- GAAP budgeting would eliminate the opportunity for fiscal manipulations by requiring both the Executive Budget proposal and Enacted Budget to be balanced on a cash basis by mandating revenues be recorded when they are earned and expenditures be recognized when the liability is incurred;

- GAAP budgeting fundamentally realigns recurring spending with recurring revenue.

Performance Management/Budgeting (S7259):

- Creates a 15-member Empire State Performance Commission tasked with designing performance management and budgeting blueprints to streamline government and end waste and fraud within programs and services;

- The Commission would also draft legislation for the implementation of its plans that promise to more tightly tie program funding to program performance.

Legislative Budget Office (S4526):

- Creates a non-partisan budget office modeled after the U.S. Congressional Budget Office;

- The Legislative Budget Office (LBO) would provide Senate and Assemblymembers with revenue estimates, analyses of the Executive Budget and cost estimates for pending legislation.

- Removes the politics from revenue forecasting while simultaneously safeguarding against hidden slush funds being stuffed away in “off-budget” public authorities.

June 1 Fiscal Year (S5221C):

- Ends New York’s status as the only State in the nation with a budget date prior to the Federal tax collection date, by shifting the start of the fiscal year from its current, April 1-March 31, to June 1- May 30, to allow for proper fiscal planning;

- Nationwide, 20 states have biennial budget cycles, 15 of which have legislative cycles matching New York’s;

- Moving back the date of the fiscal year to June 1 ensures important personal income tax data due April 15 is incorporated in budget negotiations;

- Executive and Legislative fiscal leaders would be required by May 1 to revise the revenue consensus they are supposed to reach by March 1 under the Budget Reform Act of 2007;

- Modifications to the school budget voting process are also proposed to accommodate

school districts under the new fiscal year cycle;

- In 1943, the Legislature shifted New York from a July 1 to April 1 fiscal year to address problems caused by budgets being passed too early, and huge surpluses resulting. The State now faces the antithesis of the problems.

Tax Expenditure Cost/Benefit Analysis (S7347):

- Requires the Governor to include in the Annual Tax Expenditure Report cost/benefit analyses for all of New York's 380-plus tax breaks to ensure the State is receiving an adequate return on its investment when it foregoes tax revenues;

- The Governor must also provide an analysis on whether each tax expenditure has successfully served the public good as initially intended;

- The cost/benefit analysis allows for the strengthening of programs which work, and the ending of programs which waste revenue.

Tax Expenditure Sunsets:

- Sets sunset schedule for all tax expenditures, excluding those with pre-existing sunsets;

- The sunsets would be phased in over five years, with expirations scheduled to occur in one-year intervals based on the article of the Tax Law under which each tax expenditure is primarily established.

- Establishes a sunset on tax expenditures which would force legislators to assess the need for and value of New York's multitude of tax expenditures, some of which have increasingly become benefits for a select few who can claim them indefinitely without any evidence they are adequately serving a public purpose.