

## STATE FINANCES

### STATE FINANCE POSITION OF THE LWVUS

Action Taken on LWVUS Position by the LWVNYS

Promote an open governmental system that is representative, accountable and responsive.  
(Impact On Issues, 2002-2004, p.4, LWVUS)

In 1989 the LWVNYS lobbied unsuccessfully to delay enactment of the third phase of the 1987 New York State income tax cuts. The fourth phase of the reduction has never been implemented. The LWVNYS felt that a simultaneous tax reduction and budget shortfall adversely impacts on needed services.

### STATE FINANCE POSITIONS IN BRIEF

**Support reforms for greater equity in education financing for both pupils and the taxpayers. Oppose in principle the use of public funds to support non-public schools, kindergarten-twelfth grade.**

**Support of a uniform equitable assessment and property tax system.**

**Support of measures to provide for openness and accountability in the operation of the New York State public authority system.**

**Support of a timely and responsive state budget.**

**Support the funding of public higher education and the existing formula for financing the community system, 1/3 tuition, 1/3 state aid, and 1/3 county support.**

### FINANCING EDUCATION

LWVNYS involvement in school finances began with the national League position for equal educational opportunity. (*Impact on Issues, 2002-2004, LWVUS, pp. 48-55*) The state League adopted a position in the 1950s for greater state sharing in school funding.

In 1972 the state League's fiscal policies study focused on financing education. A position resulted which favored full state funding of education using a state property tax and a progressive income tax.

In 1983 a LWVNYS re-evaluation of financing education in the state dropped the full state funding and state property tax advocacy and called instead for a slight increase, if necessary, in all state taxes to achieve greater equity in school funding. It also supported increased state funding of the state aid formula and called for reduced funding of disequalizing forms of aid.

**FINANCING EDUCATION K-12****Statement of Position****As announced by the State Board, June 1997**

New York State bears a constitutional responsibility for the education of its children and therefore the state's contribution to education should be increased, with the goal of assuming a minimum of 50% of total public elementary and secondary education costs. Additional state aid is necessary not only for basic operating expenses, but also for funding the construction and rehabilitation of school buildings, the acquisition of technology and the fulfillment of state mandates. The goal for distribution of additional state aid should be to narrow the expenditures gap between wealthy and poor districts. Although additional aid does not preclude a decrease in local real estate tax, the school district is expected to maintain its local tax effort to sustain or improve its performance in meeting educational standards.

Local financial support for the schools will continue to depend upon real estate taxation but several measures are essential to eliminate the inequities that unfairly burden taxpayers. The League therefore supports reform of the real property assessment system (on which school district taxes are based), alleviation of the tax burden for low income individuals through such measures as an increase in the circuit breaker tax benefit, and an equitable redistribution of non-residential real estate taxes to the schools within a region or county.

Reform of the present system and administration real property assessment requires that it be:

- (a) equitable in its distribution of the tax burden,
- (b) based on uniform standards,
- (c) state assisted, monitored and enforced,
- (d) easily understandable and accessible to taxpayers; and
- (e) kept current by periodic reassessments.

Aid for operating costs should enable school districts to fulfill educational standards established by the State Education Department, and incorporate a district's ability to pay, regional cost differences, population sparsity, and transitional adjustments to bridge large reductions in aid caused by sudden changes. Extra costs incurred for students with special learning needs (i.e., learning disabilities, limited English proficiency) should be factored into basic operating costs as well, in order to keep categorical grants to a minimum. State aid policies should promote cost-effective measures such as consolidation of services, shared services, shared resources and other management efficiencies.

The League is opposed in principle to the use of public funds to support non-public schools. The League would not deny public funding for existing services to students who attend private schools. However, we believe public funds should be used to support public schools.

**FINANCING EDUCATION K-12**  
**Statement of Position**  
**As announced by the State Board, June 1997**

**The League supports efforts to utilize schools as community centers to integrate the delivery of social services so long as these services are funded separately from the education budget. The League believes that the integrity of state education funding applies as well to the Big Five school districts where education and municipal funds are co-mingled in a single budget. State aid should not be used to divert local education dollars to cover other municipal expenses.**

In 1985 bills were introduced in both the New York State Senate and Assembly to provide tuition tax credits for parents of non-public school students. The League took strong action in opposing this move on the grounds that this would erode the amount of money available for the traditional support of the public schools.

In 1991 a proposal came before the Board of Regents, which would have allowed parents to remove their children from particularly poor public schools and send them to other institutions through the use of vouchers. Once again the League opposed the plan and the Regents withdrew it.

In the next legislative session the issue of vouchers was again raised, and the League along with other public education supporters opposed their passage. In 1993 the aid formula was simplified and transportation aid keyed to take into account a district's wealth. The Regents' term of office was reduced from seven to five years.

In October 1996 an Action Alert was issued urging members to contact the State Board of Regents and Commission of Education Richard P. Mills to voice the League's opposition of a voucher experiment that would permit the use of public tax dollars to give students vouchers to attend private or religious schools. The Board of Regents met on November 7, and the proposal by Regent Emeritus Carballada was defeated by a vote of 12-3.

Early in the 1998 legislative session, Governor Pataki sent to the Legislature a program bill creating a Charter School Program for New York State. During the session, the League lobbied vigorously against the proposed legislation believing that public funds should be used to support public schools and our fear that charter schools will drain money away from public schools while continuing to require them to function as educators of last resort. The PTA, AAUW, and the School Boards Association joined us in our opposition to this legislation.

We were successful in holding the bill in the Assembly during the regular session, however, during the special session held in late December the legislation became part of a trade with the Legislature for their 38% pay raise. The League was able to work in the Assembly Democratic conference to take out of the bill some of the most onerous language but in the middle of the night without legislators seeing the final printed language and with no debate in the Assembly, the Charter School Action 1998 was passed. It also passed in the Senate where retiring Senator

Charles Cook, chair of the Education committee spoke eloquently in opposition to the legislation. Governor Pataki signed the legislation and it became law immediately.

Delegates to the 1999 League convention directed the League board to conduct a monitoring project of the Charter Schools in New York State. The Albany County League will be monitoring The New Covenant School, one of three charter schools to open in 1999. Several more charter schools are slated to open in September 2000.

The League of Women Voters of Albany County, in conjunction with the State League, has developed a Charter-School monitoring instrument. Leagues who are interested in assessing Charter Schools in their local area can contact the State League for the research-monitoring instrument.

Delegates to the 1995 state convention adopted a two-year study of public financing of school education through Grade 12 including examination of alternative sources of funding and distribution formulas.

Scope:

Phase I: Examine and evaluate the current distribution formulas for allocating state aid, study alternate methods.

Phase II: Examine and evaluate the current sources of funding at both the local and state levels, study alternate sources.

Delegates felt many changes had occurred since the League's 1983 re-evaluation of financing education, and that it was time to re-evaluate our position in an area that affects all citizens. Much had changed since the last study. State aid to education, once the largest part of the state budget, had decreased and represented only 1/5 of the New York State budget. Transportation aid formulas had been changed. Questions were being raised regarding the expenditure of state education aid by cities. Our goal had been to ensure that aid reflects our commitment to both equity and excellence; however, the disparity between wealthy and poor districts continued. Equity in state aid was being challenged in the Court of appeals and the distribution formula was expected to change. There was new pressure to have aid given to non-public schools. Many areas of the state placed more reliance on property taxes and taxpayer alliances were seeking reductions in taxes. There was renewed interest in finding alternate methods of funding education. At the same time, there were growing challenges to the current assessments.

Under the direction of state committee, local Leagues throughout the state participated in this study of financing education. Leagues conducted interviews of local school and community leaders. The data and opinions gathered produced a survey of 56 school districts, eight percent of the more than 700 school districts in the state. Suburban, small cities, large cities and rural school districts were represented in the survey. The purpose of the survey was to learn the components of school finance, the problems in achieving more equitable financial support for all school children and explore the changes being advocated by educators and community activists.

At the time the survey was conducted, the Campaign for Fiscal Equity (CFE) had already filed its lawsuit (1993). Subsequently, League members across the State participated in the "Accountable Schools, Accountable Public" and other public engagement projects designed to educate citizens and elicit opinions about the issues. The LWV submitted an Amicus Brief in support of that suit, premised primarily on the concept that the democratic system rests upon an educated electorate. The brief contended that it is the role of the public schools to prepare students for civic participation and that public schools failed to do so. After ten years of litigation, in a 4-1 Court of Appeals decision, CFE won its lawsuit against the State for under-funding New York City schools. The Court ruled on June 26, 2003 that every public school student is entitled to "the opportunity for a meaningful high school education," which was defined as "one with skills and knowledge to function productively as civic participants in the 21st Century, including being capable and knowledgeable voters and jurors able to sustain employment." The Court also ordered the Governor and Legislature to determine the cost of a sound basic education in New York City, to reform the State's funding formula to ensure necessary resources and to implement an accountability system that would ensure that the opportunity is received. July 30, 2004 was designated as the deadline for instituting these measures. Judge Leland de Grasse, the New York State Supreme Court judge who had rendered an earlier affirmative decision in the case, announced his intention to appoint a master by July 30, 2004 if the legislature fails to produce an adequate remedy by the deadline.

Commencing in 2003 after the CFE decision, the League has testified before legislative and official state commission representatives, making recommendations about the CFE remedy. In choosing to be an active participant in the call for educational reform, the League has reaffirmed its strong stand on funding for public education.

The League of Women Voters of New York State undertook a study of the financing of public higher education in response to member interest and delegate support at the June 1997 Convention. League members were interested because of the dramatic policy changes that had occurred in the SUNY system. Tuition rates had increased sharply from 1995 to 1996; remedial education was under fire; the Tuition Assistance Program had been severely cut; and a mission review was introduced for the entire SUNY system. Some League members were aware that many policy shifts were underway; yet there was little public awareness or discussion of these shifts. A League study on the issue of Financing Public Higher Education could potentially raise the level of public awareness of higher education issues, and it followed the just completed study on Financing Public Education K-12.

### **FINANCING PUBLIC HIGHER EDUCATION**

#### **Statement of Position**

**As announced by the State Board, June 1999**

**The League of Women Voters of New York State believes higher education contributes to individual gains in the quality of life, but more important, it improves the collective good of the state. The State University of New York (SUNY) system provides the majority of the state's teacher education and offers programs ranging from the liberal arts to engineering and medicine. The community college system offers worker retraining programs, occupational studies and transfer degrees. Because of these extensive services, the League believes it is clearly in the public interest to fund public higher education.**

**FINANCING PUBLIC HIGHER EDUCATION****Statement of Position****As announced by the State Board, June 1999 (continued)**

**The League recommends both increasing financial aid for students and increasing state operating aid to all campuses. Lack of finances has made it more difficult for New York state students to attain access to public higher education. Tuition increases and cuts in the Tuition Assistance Program (TAP) have raised the level of student indebtedness. Increasing financial aid for students and state aid will help individual students as well as strengthen programs and improve facilities on the SUNY four-year and two-year campuses.**

**The League believes that all state colleges should charge the same tuition for similar programs. Charges should not vary depending on an individual campus' operating costs or geographic location. Tuition should be the same for all students and not based on student or family income.**

**The League supports sharing of resources among campuses: classes (distance learning), libraries, services, facilities, and accounting systems. The League supports closer alignment of undergraduate and transfer requirements, articulation agreements<sup>1</sup>, and joint teaching and degree-producing arrangements among the campuses. Cost containment in operations is important. Any reforms, however, must not negatively impact academic standards or the quality of services on the state campuses. The League supports retaining and finding mechanisms to enforce the existing funding formula for financing the community system, 1/3 tuition, 1/3 state aid, and 1/3 county support. Both the state and county sponsors should be obligated to pay their chartered proportion.**

<sup>1</sup>agreements made among different educational institutions, in this case two and four year colleges, to ensure a seamless transition with regard to requirements and courses.

After eighteen months of study, local Leagues, led by the State Committee on Financing Public Higher Education concluded their study and consensus.

**PROPERTY TAX**

The 1972 LWVNYS fiscal policy position called for more uniform assessment procedures. A 1975 Court of Appeals decision calling for implementation of full value assessments prompted a study of property tax in 1977 to amplify and clarify what the League meant by "uniform assessment." In 1980 a new position emerged calling for an initial determination of full value, with assessment, or tax rates, set by local governments within classes defined by the state.

The League has supported a variety of bills improving the assessment procedures. A bill, which preserves fractional assessments and all existing local assessment methods, was enacted into law over strenuous League opposition in 1981.

**PROPERTY TAX****Statement of Position****As announced by the State Board, January 1980****And revised to reflect State Convention action, 1983**

The League of Women Voters of New York State believes that the assessment of real property must be:

- a. equitable in its distribution of the tax burden;
- b. based on uniform standards;
- c. state assisted, monitored, and enforced;
- d. easily understandable and accessible to taxpayers.

The League has determined that the assessment system that best meets these criteria is one that is based upon an initial determination of full value and then applies to those full value assessments differential assessment ratios or tax rates according to class of property. The state legislature should define a limited number of such classes of property and establish a permissible range of assessment ratios for each class. Within that range local legislative bodies would then be able to adopt local assessment ratios, which best meet their land use, economic development and social policies.

Property tax bills should contain all relevant information including: the classification, the assessment ratio, the tax rate, the full value assessment and the classified assessment, as well as the procedure for appealing. Taxpayers should have access to all existing appeals procedures as well as an intermediate non-judicial appeal body in order to protest both their assessments and their classification at low cost.

Administration of the property tax should be improved. The state should provide financial and technical assistance to localities, establish qualifications for assessors, provide training and otherwise monitor and enforce local implementation of more uniform assessment practices. Adequate state funding should be provided to carry out these services.

Tax exemptions extended to charitable, religious and educational institutions should be re-examined to insure continuing eligibility. Annually, each taxing jurisdiction should make public a list of all exempt properties, their true value and the amount of tax revenue lost to the locality because of each exemption. Owners of tax-exempt properties should pay appropriate fees for services rendered to the exempt property by local government.

Statutes governing exemptions should be reviewed with the intention of severely limiting new classes of exemption and preventing abuse of existing exemptions. Provisions of law must be clarified and made more stringent so that properties held by nongovernmental tax exempt bodies which are used for profit or for any purpose not directly related to the tax exempt purpose of the organization do not escape taxation.

**PROPERTY TAX****Statement of Position****As announced by the State Board, January 1980****And revised to reflect State Convention action, 1983 (continued)**

**Tax relief should be granted to individuals on a sliding scale according to need. The “circuit breaker” type of relief, in which state funded reimbursement is given to homeowners and renters whose property taxes exceed a certain percentage of income, should be expanded. The option of tax deferral should be made available to senior citizens with the taxes owed constituting a lien against the sale of the property or the liquidation of the owner’s estate.**

**The League of Women Voters would like to see voluntary adoption of tax base sharing by counties or regions of the state.**

Despite League members’ recognition of the generally high level of taxation in New York State, they believe that all of the above recommendations, if implemented, would provide adequate relief. They are firmly opposed to any further legislative or constitutional tax or expenditure limitations, but urge that efficiency, productivity and prudence in government at all levels be encouraged.

Because of the June 26, 2003 Campaign for Fiscal Equity decision (see "State Finances" above), the League has commenced testifying on property tax assessment and collection reform, in accordance with our position statement.

**PUBLIC AUTHORITIES**

Public authorities are legal entities established by the New York State Legislature to undertake large-scale works many of which are fiscally self-sustaining (e.g., mass transit, public housing). Although they are created by government, authorities are publicly owned, raise their own capital by issuing bonds and are vested with certain administrative and financial powers.

At the outset public authorities were single purpose and financially independent. In recent years, however, their projects have included many which have produced little or no revenue (e.g., mental health facilities) and have required government loans, grants and subsidies.

In recent years the legislature has sold, traded and assigned state facilities (e.g., prisons) to public authorities in order to obscure budget deficits.

By early 1986 public authorities had amassed a \$26 billion debt, which was guaranteed by the full faith and credit of the state. Critics of the public authorities system have long cited their failure in long-range planning and their lack of accountability to the public.

In 1986 the League undertook a study, “Public Authorities: Their Organization, Function, Financing and Accountability.”

**PUBLIC AUTHORITIES****Statement of Position****As announced by the State Board, May 1987**

**The League of Women Voters of New York State believes that the legislature should create public authorities only when it has determined that there is a need for the services/projects that government agencies and private organizations are unable or unwilling to undertake.**

**Greater accountability and oversight should be built into the system. The governor, comptroller, and legislature should monitor actively those areas for which they are legally responsible and should report their findings to the public.**

**The jurisdiction of the Public Authorities Control Board should be extended to large authorities, which are not dependent on state budget subsidies and thus are exempt from much legislative scrutiny. This increased oversight should include the power to deny new financing. Authority debt should be limited by such means as sunset provisions and debt ceilings.**

**Authorities should adhere to sound financial practices including competitive bidding where appropriate, timely standardized reporting and management, and performance audits. Authorities should coordinate with their counterparts in government on matters of planning and purchasing.**

**Members of authority boards should be broadly representative of the community and qualified by appropriate expertise. Political affiliation should not be a consideration when selecting members of authority boards. Boards of directors should be subject to the same state laws that apply to personnel in government line agencies in matters of ethics, disclosure, open meetings, and liability. They should be responsible for the actions of senior management.**

During 2000-2003 the League has become increasingly aware of the need to monitor the Public Authorities Control Board (PACB). The League's Legislative Director now monitors the meetings held monthly. We have encouraged the press to also attend these meetings to assure the public is aware of the importance of the activities carried out by this Board. Because of the budget deficits following the World Trade disaster there is the potential for State borrowing to increase to a greater degree than is currently done. Also because of the publicity surrounding alleged irregularities in the MTA (Metropolitan Transportation Authority), the Canal Corporation there is increased potential for legislative action involving public authorities. During the 2004 legislative session this issue may take center stage in League legislative activities.

**STATE BUDGET PROCESS**

Spurred by a continuing budget crisis in New York State, delegates to the 1991 state League convention adopted a study of the New York State budget process. The inability to determine the true state fiscal status compromised the effectiveness of the League in lobbying for League positions such as financing education, affordable housing, child care and Medicaid funding for

abortion. Delegates felt that the League should be able to comment on such fiscal and budget practices as “member items,” or the use of questionable revenue enhancers like the selling of highways and prisons in order to make the state’s accumulating deficit seem smaller. During the two-year study, League members examined the process, by which the state adopted its budget, including budget timetable, format, public involvement, accountability, revenue forecasting, bond ratings, budget caps, and the like. In January 1993 the state League approved a position, which emphasized timely passage, responsiveness and open process.

### STATE BUDGET PROCESS

#### Statement of Position

As announced by the State Board, January 1993

The formulation and passage of the state budget is one of the most important functions of state government. The League of Women Voters of New York State believes that the state budget process requires reform so that it will be both timely in passage and responsive to the state’s various constituencies. In order to affect these goals, changes in the budget process should cover reforms in how the state allocates spending and plans for revenues.

The League supports measures to provide:

- A clear concise budget document;
- A balanced budget according to Generally Accepted Accounting Principle (GAAP);
- More accountability for member items;
- Public disclosure of off-budget items;
- Consensus revenue forecasting;
- Joint conferencing;
- Adequate funding and sunset provisions;
- Periodic adjustments to the budget;
- A three-year financial plan;
- Use of the prior year’s budget on an interim basis if the new budget is not passed by the start of the fiscal year; and
- For Agency budgeting process to be open to the public.

The League opposes measures, which would:

- Place a cap on budget growth;
- Require a super-majority for tax increase;
- Replace an annual budget with a biennial budget; and
- Adopt the governor’s budget in lieu of timely passage.

The League supports a budget process that requires consensus revenue forecasting and compromise through joint conferencing by a committee from both houses. Such changes would reduce some of the political maneuvering and expedite the budget process. We support adequate funding and sunset provisions, in addition to the required fiscal impact statement, for all fiscal bills in order to guarantee the funding source and provide regular review. An established review process would determine a bill’s effectiveness and need for continuation and would prevent yearly “spending creep.” We oppose placing a

**STATE BUDGET PROCESS**  
**Statement of Position**  
**As announced by the State Board, January 1993**

cap on budget growth, requiring a super-majority vote to increase taxes, or changing from an annual to biennial budget. The above reforms, coupled with a requirement for a three-year financial plan would help reduce state spending in reaction to yearly political pressures and provide a mechanism for analyzing the long-term impact of spending. To reduce emergency situations at mid-year or year's end, periodic scheduled adjustments to the budget should take place during the fiscal year. In order to gain a truer picture of the state's financial condition and to limit budget "gimmicks," the constitution should be amended to require a balanced budget according to GAAP, as submitted by the governor and passed by the legislature.

"Member Items," or legislative initiatives, are recognized as a part of the state budget; however, the process of awarding them must be reformed. All member items must include:

1. presentations of need and costs in order to obtain legislative approval;
2. public disclosure and accountability; and
3. formal review before re-awarding.

In the event that appropriations bills are not passed before the beginning of a new fiscal year, the governor's budget should not be automatically adopted as the final year's budget, nor should the legislature be prohibited from conducting business. Instead, an interim budget should be required, based on the figures from the prior year adjusted for inflation and certified by the comptroller.

The budget process should strive for openness and citizen involvement, requiring:

1. agency budget requests and agency budget hearings held by the Division of Budget to be open to the public;
2. a budget document which is more lucid, concise, understandable, and which clearly identifies non-recurring revenues; and
3. the same degree of public disclosure and scrutiny for "off budget" items (i.e., public authorities and special revenue accounts) as for the Executive budget.

Note: This budget process position covers only the executive budget. (See Legislative Procedures under Government section.)

Testimony on reform of the NYS budget process was given before the NYS Minority Task Force on Legislative Reform in March 1993.

In 1994 and 1995 the League supported Assemblywoman Sandra Galef's proposal for a constitutional amendment to implement the previous year's budget in the event a budget is not enacted by April 1. Other Galef reform proposals supported by the League in 1995 were limitation on the number of bills introduced, and legislation to open conferences.

The League sent a letter with NYPIRG and Common Cause (March 29, 1995) urging the leadership of both houses to use the public and open process of a joint conference committee to debate and develop a state budget. Such a joint conference was used to negotiate the 65 m.p.h. speed limit, but after one budget joint conference, the process was dropped and budget negotiations returned to the leadership-closed circle. (See Legislative Procedures under Government section, Joint Conferencing.)

In July 1995 Senate Majority Leader Bruno announced his intention to introduce a package of budget process reform legislation in the next session.

During the 1996 legislative session, the legislature passed and the governor signed legislation, which would call for joint revenue forecasting to be in place by March 10, 1997.

Also during 1996 the leadership, under pressure from the League and other good government organizations and the media, held an open leadership budget meeting, which was universally considered staged and unproductive and was never repeated. No open leadership meeting or joint conferencing was done during budget negotiations in 1997. Beginning with the 1996 budget negotiating session, the practice of tying the budget to a political issue was apparent. The issue in 1996 was reform of the workers' compensation laws. Once that issue was resolved, budget negotiations began in earnest and a budget was enacted 104 days late.

In 1997 the League again supported Assembly member Galef's proposal for a constitutional amendment to implement the previous year's budget if a budget is not adopted by April 1. This legislation was sponsored in the Senate by John DeFrancisco and had wide bipartisan support. With League support it passed in the Senate but was not addressed in the Assembly. The League subsequently did much press work around this issue. The League continues to call for joint conference committees; more input from rank and file legislators, and a three-year financial plan to reduce state spending in reaction to yearly political pressures. Without reform measures in place, the 1997 state budget was a record-breaking 126 days late. The practice of holding the budget hostage to one political issue continued during the 1997 session, the issue being rent control legislation for New York City and suburbs. Because of the continued overwhelming lateness of the budget, pressure from the media, and the League, all three leaders have vowed, publicly on the record, to reform the budget process in the next legislative session.

During the fall of 1997 the Assembly Speaker held hearings statewide on the budget process. The League was invited by the Speaker to attend and testify at all the hearings. Because of local League participation at every site across the state, the League received much media attention and became the lead organization on reform of the budget process.

During the League's campaign to defeat the ballot question, "Shall there be a constitutional convention?" it was evident that citizens' main impetus behind wanting a convention was the frustration over the chronic late state budgets. This plus the League's constant drumbeat on budget process reform and the forthcoming 1998 elections prompted the Legislature to begin the 1998 session in a budget process reform mode. Although the March 10 statutory deadline for revenue forecasting was not met, the legislative leaders made good on their public vow to hold open joint conference committees.

Beginning in early April 1998 and lasting for 10 days, general conference committees made up of the two leaders, their finance chairs, both minority leaders and the most senior members of the leadership met in open public session with legislators, lobbyists and the press present. It was pure political theater and the seats to this event were prized. It was held in a hearing room of the Legislative Office Building (LOB), too small to accommodate every one who wished to watch it. The League, because of the very public position on reform was given a front row seat.

For 10 days nine subcommittees met all over the capitol and LOB. These were made up of rank and file legislators who were anxious to have input into the budget making process. Subcommittees were formed according to subject area; i.e., Health Committee, Education Committee. Minority legislators finally had a voice and they quickly became good at articulating their fiscal priorities. When it ended with recommendations and appropriations to implement those recommendations being given to the General Conference Committee, there was not even standing room left in the hearing room. Lobbyists were jammed into every corner and on every step. Some people waited in line outside the hearing room for an hour or so to get a seat.

When it was over and the budget passed just nine days late, there was a general euphoria among members, lobbyists and the press and we had taken a first step toward something good for all of us. The leaders vowed they would never go back to “three men in a room” budget making. One week later the euphoria turned to anger and depression. The governor felt that he had been left out of the process and so he used his veto pen to strike out all Democratic (Assembly) additions that also were not Senate additions; Pre-kindergarten, monies to ensure small classroom sizes additional monies for family planning and some other Democratic additions. Much to the chagrin of the Assembly, Governor Pataki also vetoed Democratic member items but left Republican member items intact. The Assembly was not able to override the governor’s veto and a very distrustful and angry atmosphere was set-up for the 1999 budget session.

During a mid December 1998 session to address expiring legislation, the Assembly and Senate agreed to a trade with the governor to obtain a 38 percent pay raise for legislators. The governor’s salary was also increased. In exchange for these raises and as a cover for expected citizen outrage they agreed to withhold their salaries if the state budget was not passed by the April 1, 1999 deadline.

The 1999 budget process began with the anger and distrust of the end of 1998 still very evident. The governor’s budget of approximately \$72 billion did not address the universal Pre-K monies, health care monies or education monies desired by the Assembly and to a degree by the Senate.

The March 10 statutory deadline for forecasting of available revenues was not met and the political posturing, nastiness and distrust continued. On April 14 legislators received their last paycheck, although the governor continued to be paid. The League, along with NYPIRG and Common Cause sent recommendations to the majority and minority leadership to further reform the budget process. Over a period of seven months we sent three letters and heard only from the minority in both houses. Following much media work and extensive grassroots lobbying, the “budget process” began in early August ending 126 days late tying the record for late budgets. The “process” of holding three-day conference committees was little more than a sham done just to say they had not done the budget with “three men in a room.” In reality that is exactly what happened. All major decisions were made by the leadership and the Governor’s staff. What had

begun in 1998 with such promise had deteriorated back to a process no different than previous years. The fear of a governor's veto resulted in a deal being made to keep the process behind closed doors between just the three leaders. Following the August 4 budget passage, no line item vetoes were done but an open, accountable process had become the victim.

The budget in 2000, because it was an election year, contained lots for everyone; there was an increase in school aid, and family planning services were expanded up to 200% of federal poverty level. This increase made the program secure, particular to League interests. There was also an increase of \$1.5 million to the 2000 budget in family planning services. Debt reform was the outstanding issue and it was finally resolved, but in a less than satisfactory way according to most independent budget analysts. The main issue had been over whether the first passage of a constitutional amendment limiting such things as "backdoor-borrowing" should be done this year. Second passage would be in the 2001 newly elected legislature and it would go to the public in statewide ballot. The leaders could not agree to a longer commitment to debt reform, Speaker Silver had only agreed to first year passage. Bond raters told the leadership that something more immediate must be done to keep NY's bond rating from falling like it has been doing. Therefore, we now have a two-year statute with a ten-year phase-in of caps. The problem with this is that a future legislature could repeal and/or modify this statute at will.

After an eight-month long budget battle that encompassed a nastiness among the parties not seen in two decades, no budget activity, no joint conference committee work, nothing was accomplished. On August 2, 2001 just before midnight the New York State Legislature sailed headlong into uncharted waters! Into the first hours of August 3rd, legislators passed an austere "bare-bones" baseline budget. They also refused to pass an 800-page amendment by the Governor, setting up a power struggle between the Legislative and Executive branches of government.

The Legislature said their "bare-bones" base-line budget was a budget and would have provided stability to the state while legislators and the Governor negotiated a supplemental budget. They also said it would allow state government to function responsibly (without coming back every week to pass budget extenders). The Comptroller said that although it was not a good budget, it was "sufficient for the ongoing operations and support of state government" (legislators can now get paid). The Governor said that it was not a budget, was illegal, and could cripple the operation of state government; he threatened to sue the Legislature.

This new budget also changed some of the traditional political alliances in Albany, pitting Republican Majority Leader Joe Bruno against his Republican Governor and with his usual nemesis, Democratic Assembly Leader Sheldon Silver. The Legislature intended for this base-line budget to shift the political dynamic in Albany and give the Legislature more leverage with the Governor to bring him to the table to negotiate a supplemental budget. Under a 1993 state Court of Appeals ruling the Legislature can only increase or decrease the Governor's spending plan, but can't change the wording of his proposals. Once a budget is in place, however, the Legislature has the authority to initiate its own spending bills. The strategy of the Legislature was to gut his budget proposals of all the economic and other initiatives he wanted and thus force him to the table to negotiate with the Legislature. A supplemental budget would then be negotiated on more equal footing. Under this bare-bones budget, but after August 31st, the state won't be able to incur new obligations for capitol projects, thus halting approximately \$3 billion

in new monies for roads, bridges, and infrastructure repair. After September 15th all “reappropriations” would have been eliminated. These were monies that needed to be reauthorized for programs begun in previous years such as the Adolescent Pregnancy and Prevention Services Program; many other not-for-profit social services programs including domestic violence programs, homeless shelters, and food pantries, and by October 31st the Child Health Plus Program will run out of money.

On September 11, 2001 terrorists attacked the World Trade Center and life, as we knew it in New York State was changed forever. Both houses of the legislature united with the Governor and issues intransigent before September 11th no longer had the same political significance.

Therefore, in an emergency session called by the Governor on September 19, reappropriations were approved, Child Health Plus was extended, and a resolution condemning the terrorist attacks was passed without any significant debate. The events of September 11th and the massive destruction to lower Manhattan created a nine billion dollar deficit. Any prospect for a supplemental budget crumbled with the World Trade Center.

Budget process reform has been an issue of longstanding League concern. The state budget has been late for a remarkable 19 straight years. As was expected in the post September 11<sup>th</sup> atmosphere a two-year budget shortfall of 6.8 billion was expected a result of the WTC disaster and the recession. Lost revenues resulting from the impact on financial services, banking, insurance, and the tourism industries following the WTC attack accounted for this estimate. The Governor proposed to meet the shortfall by using some of the reserves built up over the last seven years. The budget shortfall was projected to be 1.1 billion in the current year and 5.7 billion in 2002/2003. Reduction of the state work force through attrition and early retirements, maximizing federal revenue supports were proposed to close the gap.

The 2002 budget session was characterized by an off budget health care package negotiated between the Governor and Local 1199 of SEIU. This included legislation which would increase Medicaid payments over the next three years to hospitals and nursing homes throughout the state. It was widely speculated the Governor in anticipation of a re-election bid had negotiated this legislation in exchange for the endorsement of this large union. No budget reform measures were enacted in this session and most importantly no joint conference committees were held. The public statements by both legislative leaders and the Governor that they would never go back to “three men in a room” appear to be lost forever. The budget was negotiated by “three men in a room”.

#### Court Ruling on Governor’s Suit Against the Legislature on the Budget

In an important decision, which might alter the way future budgets are negotiated, a State Supreme Court Justice ruled that the Governor, not the Legislature, has the authority to alter the language on budget bills. The Governor had argued in his suit (August, 2001) that the NYS Constitution allows him to insert policy changes to state law into appropriations bills and that the Legislature is barred from making changes to that language. The legislative leaders are appealing this decision to the Court of Appeals. If the lower court decision stands, it will greatly strengthen the Governor’s powers. Meanwhile, the judge stayed his decision until a higher court can review it. This issue arose during the 2001 budget process over Medicaid, education and the Environmental Protection Fund.

The 2003 budget session was the most interesting in many years. It was characterized by Governor's vetoes and Legislative overrides that increased money for school districts, health care and many not-for-profits. Notably, however, is that there were again no budget reforms enacted. The budget continues to be negotiated by "three men in a room" or more accurately this session by "two men in a room". As a result of the budget overrides the animosity between the legislative leaders and the Governor was palpable and continued throughout the session.