

CITIZENS UNION | ISSUE BRIEF AND POSITION STATEMENT

New York State Budget Reform

Citizens Union of the City of New York is an independent, non-partisan civic organization of members dedicated to promoting good government and political reform in the city and state of New York. For more than a century, Citizens Union has served as a watchdog for the public interest and an advocate for the common good. Founded in 1897 to fight the corruption of Tammany Hall, Citizens Union currently works to ensure fair elections, clean campaigns, and open, effective government that is accountable to the citizens of New York. We do so by informing the policy debate and influencing the policy outcomes that affect the lives of all New Yorkers.

Believing that an informed citizenry is the cornerstone of a thriving local democracy, Citizens Union Foundation— the non-profit research, education, and advocacy organization affiliated with CU— publishes GothamGazette.com, a front row seat to New York City policies and issues.

Citizens Union's Issue Briefs and Position Statements present CU's analysis of, and positions on, important issues. They seek to inform our members and shape the public discussion on policy issues by also providing background information and making specific policy recommendations.

INTRODUCTION

New York State's budget process is complicated, opaque and rushed. Citizens Union believes that the citizens of New York State deserve better, and has long stood for budget reform. If citizens are to trust government and hold it accountable, the actions of their elected representatives must be open to public scrutiny - particularly in the area of state fiscal affairs. New Yorkers need a complete picture of where the state gets resources, how it spends those funds, and how well state activities achieve their public purposes.

Reforming the state budget process and encouraging greater citizen engagement in state budgeting are essential elements in efforts to build a more effective state government and greater public confidence - especially in difficult fiscal times when tough decisions need to be made to allocate limited resources. To help accomplish that goal, Citizens Union recommends state budget reform that observes the following principles:

- **Enhance budget integrity.** The budget presentation should provide a clear and accurate picture of the state's financial condition.
- **Improve budget transparency.** The public must be able to understand the impact of policy and monetary changes in the budgets proposed by the executive and the legislative branches, both during the negotiation process and upon conclusion of the budget process.
- **Increase the efficiency of the budget process.** The budget process should support more deliberative decision-making and enhance the performance of state activities.

Citizens Union urges the Governor and the State Legislature to build upon their increasing embrace of budget reform by enacting changes to the budget process that observe the key principles identified above. This statement outlines the New York State budget process and its challenges, recent steps toward reform, and presents policy recommendations to increase the integrity, transparency, and efficiency of the process.

BACKGROUND

The budget process in New York State is unusual in several respects. It is the only state in the nation to have an April 1st start date for the fiscal year (forty-six of the fifty states have July 1st start dates). Additionally, it provides a very small window of just over two months for legislative and public review. The 2008-09 adopted budget totaled nearly \$124 billion. Given the size of this figure and the public importance of state funding decisions, further examination of the process and opportunities for public and legislative review is warranted.

The Budget Process

For almost all of the past twenty-five years, the state budget has not been enacted on time; more recently (since 2005) the budget has been adopted on, or close to, the deadline of April 1, but the budget calendar remains cramped and arguably unreasonable. After delivering the State of the State address to the Legislature, the Governor typically presents the executive budget as prepared by the Division of the Budget to the Legislature and the public near the end of January, as required by the State Constitution.¹ In order to pass the budget on time, agreements must be reached between the Assembly, Senate, and Governor and enacting legislation passed by March 31st.

Too often serious negotiations begin at the end of the budget process and extend until the end of the legislative session, if not into the fall. While bills are required to age for three days to allow legislators sufficient time to review the bills to be voted on, the Governor has the option to issue messages of necessity to rush votes if agreements are reached at the last minute. The budget is not finished, however, when it is adopted. Negotiations to divide up lump-sum appropriations occur off-budget through Memorandums of Understanding (MOUs) and other agreements among the Governor, Speaker of the Assembly and Majority Leader of the Senate, and these agreements face little public scrutiny. This process denies the public, and indeed many legislators, adequate time and necessary means to understand and fully consider budget proposals before they are adopted.

Budget Reforms since 2007

A modest budget reform bill was signed into law in early 2007 formalizing incremental steps toward a more transparent budget process. These reforms included:

- “Quick-start” budget discussions among the Executive, Assembly and Senate in November, and a March 1st deadline for revenue consensus, with the Comptroller issuing a binding forecast if no agreement is reached.
- Itemization of certain lump-sum appropriations (such as member items, Temporary Assistance for Needy Families, Medicaid, Environmental Protection Fund), and prohibition of legislative lump-sum additions.
- Issuance of a schedule of dates for legislative public hearings and release of joint budget conference committee reports, which are required to be released in public.
- Provision of fiscal impact statements on legislative changes before any vote, executive multiyear financial plans, monthly cash flow projections, and assessment of impact on local governments and state workforce levels.
- Authorization of a new “Rainy Day” fund at up to three percent of General Fund spending.

More recently, Governor Paterson announced several steps he plans to take to improve and open the budget process. While the deadline for submission of the Executive Budget to the Legislature under the Constitution is near the end of January, Governor Paterson plans to release the Executive Budget for 2009-10 on December 16th to get a “head start” on

¹ NYS Constitution, Article VII §2.

² Governor Paterson. “Governor Paterson Announces New Website to Open Budget Process.” Press Release. November 7, 2008. http://ny.gov/press/press_110781_print.html

³ For more information, see the Governor’s website at <http://www.reducespending.gov/>

the process given the state's fiscal challenges.² Additionally, he has developed a website that aims to engage and inform the public about the Governor's perspective on the state's fiscal conditions and the steps he plans to take to control spending.³

Despite the 2007 reforms, the state budget process has continued to impede meaningful public debate. While Citizens Union recognizes that the adoption of the 2008-09 budget was exceptionally difficult given the resignation of Governor Eliot Spitzer on March 17, 2008, there were many aspects of the budget process that did not live up to the promises of the 2007 budget reform bill. The joint conference committee calendars were not followed, as the dates and times of their meetings were changed at the last minute, with no prior notice provided to the public. The reforms also did not address the reality that most legislators voted on the final budgets of the past two years without fully knowing its content because negotiations about many major policy issues occurred behind closed doors, and resulting decisions were not well known until after the budget is passed by the Legislature. The information that is available to the public is overly technical, scattered, and hard to understand, making it difficult for the public to know what is in the budget and, therefore, effectively evaluate it.

CITIZENS UNION POLICY RECOMMENDATIONS

Citizens Union believes that additional measures are needed to build on the 2007 reforms and Governor Paterson's efforts to further the *integrity*, *transparency* and *efficiency* of the state's budget process, and urges the Governor and Legislature to enact the following reforms:

I. Advance integrity in budgeting

- a. Citizens should have easy access to executive budget documents that provide an accurate, comprehensive, and complete picture of the state's financial condition. The presentation should include clear descriptions of the fiscal obligations of the state and its public authorities. To allow citizens to understand the full scope of state activities, budget presentations should include information regarding:
 - The relationship between public authority operations, their borrowing, and New York State's financial condition;
 - Tax expenditures (reductions in tax revenues such as economic development subsidies and income tax deductions) projected under current law; and
 - Off-budget items which are financial obligations of the state, but not currently presented as part of the state's budget.
- b. Create an independent budget office that would conduct economic analyses and provide nonpartisan projections of the state's revenues and expenditures, including those of public authorities. The presence of an independent budget office would serve as a counterweight to the budget projections of the executive branch, particularly since the Division of the Budget both projects and administers the budget. This would improve the credibility of forecasts of state fiscal operations.

II. Advance transparency in budgeting

- a. Facilitate and encourage public and legislative review by presenting the budget bills and supporting executive documents in an understandable and consistent format. Budget documents should enable readers to readily discern current levels of state revenues and budget allocations, as well as proposed changes by the executive and legislative branches.
 - The Governor should submit a budget presentation book that contains a complete and clear financial picture of state operations and fiscal responsibilities, including those of public authorities;
 - The Governor should submit draft appropriations bills in a format that groups appropriations into programmatic categories, facilitates comparison to past years' spending and expected spending, and ties cash to appropriations;

- The Legislature should present changes to the Governor’s appropriations bills in a comparable format with updated financial plan tables and projections;
 - The budget for the Legislature should be itemized, as are the budgets for the Executive and Judicial branches; and
 - The adopted budget bills should be reported in the same format as proposed in the executive budget presentation.
- b. Require full public availability of all final budget bills before a scheduled vote that will allow sufficient time for analysis, discussion, and debate, as well as provide the public with better opportunities for participation in the process and better information on its outcome; and
- Limit the use of “messages of necessity” that allow budget bills to be rushed through the Legislature without sufficient time for review to when it is evident that a delay in the Legislature’s action would have significant adverse consequences and the governor so certifies.
- c. Increase disclosure of off-budget and lump-sum appropriations and limit their ability to become discretionary pools of funding through the following measures:
- Require lump-sum appropriations to disclose the detailed purposes and criteria set forth for their distribution;
 - Require regular reporting on lump-sum appropriations that includes detailed information regarding all MOU’s and other agreements, funds distributed and their recipients, and remaining funds;
 - Institute a time limit for the reappropriation of lump-sums in order to decrease slush funds and the use of such funds as “one-shot” budget gap fillers; and
 - Require legislators’ names be listed with the itemized member items and capital assistance programs they sponsor (such as the Community Projects Fund and Community Capital Assistance Program) in budget appropriation bills before they are passed.

III. Advance efficiency in budgeting

- a. Improve long-term, multi-year budget planning beyond requiring projections for four years beyond the budget year that links the operating budget and capital budget to a strategic plan for public assets, and requiring public authorities to engage in long-term budget planning.
- b. Establish a later start date for the fiscal year that takes into account the (i) amount of time available to effectively complete the budget process and deliberations; (ii) school district and local government budgets; and (iii) accurate counting of tax receipts from the prior year.
- c. Incorporate the use of performance budgeting and outcome measurement to help policymakers determine whether programs are meeting stated goals and promote a more rational appropriation of state funds.

Finally, Citizens Union recommends limiting the ability of the Governor to enact or modify the terms and conditions that govern the use of resources in appropriation bills by requiring that such bills be consistent with either existing law or proposed changes presented in separate legislation.

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