

# **CITIZENS BUDGET COMMISSION**

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## **CITIZENS BUDGET COMMISSION STATEMENT ON THE INTRODUCTION OF LEGISLATION TO CHANGE NEW YORK STATE'S BUDGET PROCESS**

**New York, NY – June 21, 2006** – The Citizens Budget Commission (CBC) today released the following comment on the New York State Legislature's efforts to change the budget process.

The package of changes the Legislature introduced yesterday can be divided into three categories: 1) proposals that would improve the budget process; 2) proposals that require modification to make positive change more likely; and 3) proposals that cannot be assessed due to the lack of information.

The list of proposals that would improve the process includes:

1. Binding revenue forecast- The establishment of a mechanism for a binding revenue forecast, which empowers the Comptroller's office past a certain date to set the level of revenues to be appropriated in the budget. This would remove what has in the past proved to be a major stopping point on the road to enacting a timely budget. In addition, adding an element of independence to revenue projections might add transparency and credibility to the a revenue baseline that has often been determined by last minute deal-making over one-shots rather than recurring revenues.
2. Earlier start to deliberations and periodic fiscal review- A December start to the budget deliberations might jump start the process and improve timeliness. Periodic reviews among the Executive and Legislature and the Comptroller would add checks and balances and greater transparency to financial plan modifications throughout the course of the fiscal year
3. The inclusion of additional performance measures in budget documents- New York State lags other states in the implementation of performance management. Additional requirements to report performance would be helpful in accelerating the implementation of good practices that are routinely performed in other places.
4. Additional financial plan reporting requirements- Multi-year financial plans are useful for illustrating the out-year implications of current-year decisions. The analytic rigor of New York State's financial plan reporting practices has varied over the years. Enhancing and codifying the content of these reports has the potential to improve transparency and accountability.

The list of proposals that require modification to make positive change more likely includes:

1. Change in the fiscal year- The package proposes to change the fiscal year to May 1, which is unlikely to improve timeliness and could provide opportunities for State leaders to manipulate cash spending in a way that could return to a pattern of borrowing from future years to pay school aid. Instead of starting the fiscal year on May 1, the Legislature should require the budget to be enacted by May 1 for a fiscal year that begins on July 1. This would allow for additional deliberation time and begin a discipline akin to what happens in New York City, where the budget is passed before the fiscal year actually begins.
2. Formation of an IBO- Although the IBO—as structured in this legislation—could improve the process by allowing rank and file members access to helpful fiscal analysis and providing information to the public, the legislation provides no mandate to do so on the new agency. In addition, if the intention is to create a truly independent agency, the appointment of the director of the office and its advisory panel solely by the legislative leaders, works against true independence. The IBO sections should be changed to mandate key reports in the process and broaden participation in the selection of the agency leadership and board.
3. Rainy Day Fund- Although this proposal is an improvement over the previous one as it appeared in the Proposal One package last year, in that it increases the limit to 5 percent, there should be no upper limit to rainy day fund contributions. The package should be changed to require a minimum level of contribution rather than a maximum.
4. Multi-year school aid appropriations- Since New York’s budget is governed according to an annual cycle this is unlikely to promote fiscal stability for local school districts as it was intended to, and may even have the negative effect of bidding up expectations for added school aid to unaffordable levels before other aspects of the budget picture can be taken into account. Consequently, this measure should be dropped from the package.

The list of items about which too little is known—as the constitutional amendment has been unavailable to the public—to assess their potential effectiveness includes:

1. The proposed alteration to the balance of powers;
2. The requirement that the legislature identify revenues to match spending items added in the enacted budget; and,
3. The accelerated submission and revision of the Executive Budget.

“Although it would have been better for the Legislature to engage in a more deliberative dialogue with the public and the reform community on these measures, this package includes a few solid items upon which State leaders can build a foundation for more meaningful reforms,” said CBC President Diana Fortuna. “And where there are weaknesses the Legislature should go back to the drawing board to make improvements.”

“However positive some of these changes may seem, New Yorkers must keep up the pressure for other much needed reforms,” said Deputy Research Director Elizabeth

Lynam. “The Legislature should also act this year to put the State on a path to meaningful debt reform.”

*Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.*