

**Testimony for a Hearing of the Senate Temporary Committee on  
Rules and Administration Reform  
February 26, 2009**

Good evening. I am Elizabeth Lynam, Deputy Research Director at the Citizens Budget Commission. Thank you for the opportunity to testify today. As you know, the Citizens Budget Commission is a nonprofit, nonpartisan watchdog group dedicated to influencing constructive change in the finances and services of the New York City and State governments. In my testimony tonight I would like to briefly tell you about CBC's work on fiscal reform, share with you some thoughts and recommendations on your work, and answer any questions you may have.

First, however, let me commend your efforts to take up this topic. I hope you will seize the opportunity that new leadership affords you, and adopt some of the recommendations you hear from me and the other experts who have testified.

The CBC has been an active advocate of State fiscal reform for many years. We have provided research that both documents New York's problems, and elaborates on the multiple options available to State leaders should they want to improve the budget process. In November 2003 we stepped up our efforts and convened a two-day conference in Palisades, NY. Then again in 2006 the CBC convened a conference—this time in Armonk, NY—to gauge the views of candidates for statewide office on State fiscal reform, and poll the opinion of New York's leaders. At each conference, more than 150 government officials, civic, business, and labor leaders, social service agency heads, academic experts, and media representatives from across New York State discussed ways to reform the State's practices and then "voted" so that the options could be ranked. These reforms became collectively known as the "Palisades Principles" and the "Armonk Agenda."

I will not take you through all of the Principles and the Agenda items in the interest of time, but the publications and the research that produced them are available at our website at [www.cbcny.org](http://www.cbcny.org). Suffice it to say that participants at both conferences were interested in seeing the State prepare a financial plan that extended beyond two out-years, in a budget preparation that used lay terms and could be easily understood by most New Yorkers, in better financial accountability and transparency of the State's numerous public authorities, and in a tighter process for setting the revenue forecast for the coming year.

There has been progress in some of these areas. The budget now includes health care funds that were once off-budget; the financial plan horizon has been extended from two years to three; and a reporting and information system was established by statute to gather and post data on public authorities. In January of 2007 a fuller set of measures was enacted to set up more timely revenue and budget deadlines and to try to improve the transparency of the budget by prohibiting lump sum appropriation

and mandating additional reporting on the action taken by the Legislature at the time of adoption.

These initiatives have helped open up State government a little bit. More can be known, for example, about the financial standing of many public authorities and the spending that runs through the special accounts created with the Health Care Reform Act. But the paradigm by which the State manages its budgetary affairs has not shifted. What has been missing is a true willingness to think through the public perspective, identify what New Yorkers should be able to know about the government they pay for, and create independent structures that would have the power to open up the process. Until that willingness is present it will be difficult for any significant reform initiative to take root. Permit me to elaborate.

**An Independent Budget Office (IBO)** - Many, including the CBC, have spoken about the possibility of creating an IBO-like entity to monitor and track State spending. And indeed one was proposed as part of the package of constitutional and statutory reforms a few years ago in S1-S2. The problem with that proposal is that it lacked key components that have been instrumental to the success of similar agencies in other places.

In the IBO model we can study in New York City, the Director of the office is appointed for a fixed term by an outside panel that does not include the Mayor, and the office receives funding pegged to the Mayor's budget office by terms spelled out in the Charter. In addition, the office has a mandated list of publications also specified in the Charter as part of the formal budget adoption process.

In the models developed in the design of legislative budget offices like California's Legislative Analysts Office (LAO) and the federal government's Congressional Budget Office (CBO), there are strict guidelines on the hiring of the Director and the staff. The LAO is overseen by a 16-member bi-partisan committee – the Joint Legislative Budget Committee. Staff is hired by a human resources office and high-level positions are required to be filled from within to prevent patronage. At the CBO, the Director is appointed jointly by the Speaker of the House of Representatives and the President pro tempore of the Senate after they hear the recommendations of the two budget committees. But the term of the Director is four years and it takes a resolution by either house of Congress to remove him or her prematurely. And the CBO has a long list of statutorily mandated reporting requirements that give it a formal role in the budget process.

What we have seen in New York is legislation that would have created an IBO that seemed to adhere more to the CBO design with a Director appointed by the Assembly Speaker and the Senate Majority Leader. But what was missing was terms and conditions of employment that would have conferred some independence on the agency AND any mandates surrounding reporting that would have given it a role as a

player in the budget process. It was a hollow proposal. If you are going to create an IBO, and there is no question that one that is well designed might be helpful, you should pull from the best features of similar entities and make it an office that will have some independence and teeth to do the job.

**Fiscal Impact Notes on Bills** - Anyone who has looked at the fiscal notes tacked on to some of the pension enrichment bills that come through the legislative process would be hard pressed to say that he or she is confident in using the cost estimates provided. Sometimes they are missing altogether, and other times bills that would seem to be costly are labeled as having no cost. No explanation, detail, or even the name of the estimator is provided with the cost estimates on the bills that do include them. How, then, is anyone to know whether the estimate is reliable or useful? Recent scandal has reinforced the importance of this question. Local officials and the public deserve to know how much is being added onto their tax bills as a result of the actions of their State representatives. Both the Suozzi Commission and the local government efficiency commission have reinforced this point; each called for better accountability in this area.

Here again independence and credibility are inextricably linked. If you address problems with the current procedures for establishing the estimated fiscal impact of bills, a separate analytic office should be formed that has a high degree of independence from the process and a published phone number that the public can call to discuss the estimate.

**Performance Measurement and Reporting** - The public needs to know more about how its government performs with the money entrusted to it. The CBC's work in this area shows that New York lags in systematically assessing its efforts. States like Florida, Texas, and North Carolina have been involved in comprehensive performance management since the early 1990s, and are already into their third and fourth generations of programming. New York City put requirements for a Mayor's Management Report into its Charter decades ago.

New York State needs to catch up. A few years ago at the tail end of the Pataki Administration an executive- led effort was launched that was intended to move key agencies toward using performance management techniques. The effort was marred by too much of a "thousand flowers bloom" approach. Each agency had its own strategic plan; some were up on the web, some were not. Discussion of the issue resumed under Governor Spitzer but leadership change and higher priority budget problems have stalled any movement.

The Legislature can and should play a key role in this area. Metrics that are well developed, regularly reported to the public, and discussed with agency heads in public hearings help improve accountability. In New York City the Mayor's Office of Operations collects the metrics but they are required to publish them twice per year

and the City Council has full oversight powers and typically holds a hearing on the report itself.

**The Structure of State Appropriations** - The relationship between cash disbursements shown in the Executive Budget and the appropriations contained in the budget bills the Legislature enacts is almost indecipherable. The re-appropriations are even more puzzling. Why not develop a simpler, more transparent budget format that tracks cash disbursements so that people could easily move from the Governor's language to the Legislature's?

**Enacted Budget Reports and Messages of Necessity** - The timing of things is often a problem in Albany. As a watchdog and outsider to the process I've been surprised to find one or both legislative houses taking up major issues in the blink of an eye on a day I did not expect it. For example, in a hurry to meet a budget deadline on a Sunday the new requirement that each legislator receive a summary of the final budget bills prior to the vote was overlooked. Many complained that they did not know what they voted on that day because the bills were hot off the printer, and when they came to the floor they were unaccompanied by any analysis.

More recently, the Deficit Reduction Act passed in a hurry. The three-day aging on the bills was bypassed, as it often is, by a message of necessity from the Governor. In fact, the press conference was delayed in the hope that the Senate could finish voting in time to have a three-way announcement. Although many of the elements contained in the plan were the same as the ones the Governor submitted with the Executive Budget in December, there was very little time to determine that. Copies of the bills were only made available a few minutes before the press conference itself.

These practices are unacceptable. Think not just of your own needs as legislators but of the public's. Enacted budget reports should be made available, not just to legislators prior to voting, but to the public, so that people can follow what is happening and stay informed. And while three-day aging is not much, it would allow someone to actually read a bill and think about it in order to raise the right questions. What I am saying with these examples is that the success of any reform proposal does not depend just on what is being proposed, but on how it would be implemented. Even if the changes you recommend are ultimately few in number, make them good ones. Think about establishing and reinforcing independence, and tear down some of the barriers to open government in Albany.

Thank you for your time. I am happy to answer any questions.