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**THE POWER OF PARTNERSHIPS**

*1997 Edwin L. Crawford Memorial Lecture on Municipal Law*

**DECEMBER 18, 1997**



Government Law Center  
Albany Law School | UNION UNIVERSITY

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**Patricia A. Woodworth**  
**New York State Budget Director**

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### **Edwin L. Crawford**

Edwin L. Crawford was an attorney, a public servant and an advocate for local government issues. A resident of Broome County, Ed served as town attorney for the Town of Vestal, and later as the Town's supervisor and Chairman of the Town Board for four years. During this time, he also served as a member and chairman of the Broome County Board of Supervisors and the Broome County Legislature. In 1969, he was elected Broome County Executive. From 1977 until his death, Ed served as Executive Director of the New York State Association of Counties. He volunteered his time for dozens of organizations, including service on the Board of Directors for the National Association of Counties.

### **About the Lecture Series**

This Lecture Series was established in 1996 at Albany Law School to honor the memory of Ed Crawford. The program strives to educate and promote dialogue on important and timely issues affecting local governments.

## **Acknowledgements**

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**Carl Young**

**Thomas J. Young**

**PATRICIA E. SALKIN, Esq.**  
**Director, Government Law Center of Albany Law School**

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## **INTRODUCTORY REMARKS**

Good afternoon. Welcome, and thank you for joining us today for the second Edwin L. Crawford Memorial Lecture on Municipal Law.

This Program, named for the former New York State Association of Counties' Executive Director, was established for the purpose of educating New York's policy makers and decision makers about important issues currently facing local government. Having had the good fortune to know and work with Ed, I can attest to his ardent love for and support of local government. He was in the business of educating legislators, lobbyists, business leaders and others about local government and municipal issues. He accomplished this with honor and distinction, something not always achievable in this town. He served as the first County Executive in Broome County. Many of his friends and associates have made contributions toward the endowment goal of the Lecture. They are recognized in the program and I'd like to thank them all once again for their generosity.

Although Dean Sponsor is out of town today, he asked me to convey his warm welcome to all of you and his sincere appreciation to Director Woodworth for her willingness to make this special appearance. I would also like to thank Ted Homes, a member of the Government Law Center's Advisory Board, for his assistance with the 1997 Lecture.

The Lecture Series would not be possible without the support and cooperation of the New York State Association of Counties. They have been a partner with us from the beginning. It is my honor to introduce to you Robert Gregory, Executive Director of the Association of Counties, who will give welcoming remarks. Robert Gregory joined NYSAC as Executive Director in December of 1996. He formerly served as Chief of Staff in Nassau County, where he supervised senior staff and coordinated 51 departments and agencies. His extensive roles in the development and preparation of Nassau County's \$2.25 billion dollar budget and in the oversight of the county's financial department benefit NYSAC in its annual appeals to the State Legislature on behalf of local budgets throughout the State. Mr. Gregory served as liaison for Nassau County Intergovernmental Relations with federal, state and regional legislators. He coordinated the bipartisan Intermunicipal Real Property Tax Relief Commission, with representation from towns, villages, school districts and county government. We are very fortunate he could be here with us today.

It is also a pleasure for me to introduce William E. Redmond, Chairman of the GLC Advisory Board, to introduce our distinguished speaker, following the welcoming remarks.

**ROBERT GREGORY**  
**Executive Director, New York State Association of Counties**

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**WELCOMING REMARKS**

Thank you very much, Patty, for your and the Center's hard work and dedication to this Lecture Series. I am very pleased to join you this afternoon. ON behalf of the NYSAC Board of Directors and our staff, I would like to acknowledge the role the Government Law Center has played in establishing this Lecture Series in Ed Crawford's name. I am certain, and I know that those of you who knew Ed would agree, that he would e delighted to know his name continues to be linked with municipal issues that he cared about so deeply. He would be even more pleased that all of you are here to participate and support this ongoing program.

I continue to marvel at Ed's knowledge and love for local government. He was the person who first got me involved in this business and many of you in this room share this as a common denominator when we think about Ed's legacy. He inspired many people to get involved in municipal government, and to explore the relationship between local and state government in particular. That the Government Law Center at Albany Law School chose to honor his efforts with this Lecture Series is a meaningful tribute to his dedication and love for local government.

Ed probably would have laughed to realize that, although all the players have changed since he first became Executive Director at NYSAC, a lot of the issues are very much the same and continue to dominate our legislative and lobbying agenda on behalf of county governments today. They are very much the same issues he wrestled with when he was here. He would have been very proud that so many of his colleagues and their successors share his commitment to local government and the sense that an elected official needs to have some discretion to fulfill his or her responsibility to the electorate and work in a cooperative fashion with many levels of government.

We are very pleased to have the opportunity to hear our State Budget Director, Patricia Woodworth, this afternoon. Patti has been a valued and trusted advisor to the Governor and a true friend to local elected officials and NYSAC, in particular. I would like to thank you, Patti, personally for your concern and understanding, and wish you the very, very best of luck as you take on your new challenges and responsibilities at the University of Chicago.

**WILLIAM REDMOND, ESQ.**  
**Chairman, Government Law Center Advisory Board**

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**SPEAKER INTRODUCTION**

Good morning everybody. One of the benefits that flows from being Chairman of the Advisory Board to the Government Law Center (in addition to the outrageously high salary I get for that job) is participation in the Edwin L. Crawford Memorial Lecture on Municipal Law. Ed Crawford, as many of you know, was a good friend and advisor to me from back in the late 1950s when I first met him until the day he died. It is truly, truly an honor to be here today as we continue to present nationally prominent people to deliver this memorial Lecture.

In New York State, the Director of the Budget is an extremely important and powerful position. The Director is responsible for crafting, negotiating, lobbying and, possibly most important of all, enforcing the state budget. One quick story might illustrate the connection between the State Budget Director and local governments here in New York. The chairman of the Advisory Board to the then Office of Local Governments received the following call from the Capitol in the early- to mid-1980s: "There is about \$200 million available in additional assistance to local governments ... can you tell us how to distribute it?" I'm sure that phone call was made by the Budget Director. I'm even more certain that the recommendation as to the amount of money involved and for what it was to be used was made by the Budget Director. That call was the beginning of per capita aid to counties, cities, towns and villages – no small program even today.

To introduce our speaker, let me read a part of a news clip that appeared not to long ago in the *Albany Times Union*. "As memories of the longest budget session in history subside, so do rumors of State Budget Director Patricia Woodworth's departure. Woodworth took a lot of heat in the months prior to a budget agreement but she re-emerged as a star of the Pataki Administration. What a difference a few weeks can make. During the heat of the summer, Woodworth was characterized as testy, autocratic, demanding and irritating. Now she's lauded as smart, honest, fair and loyal. A Budget Director who has swung an entrenched bureaucracy to the Governor's agenda." All of those descriptive words describe the attributes of a good budget director. Ladies and Gentlemen, today's speaker, New York State Director of the Budget, Patricia Woodworth.

**PATRICIA A. WOODWORTH**  
**New York State Director of the Budget**

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## **FEATURED SPEAKER**

I'm really delighted to be here this afternoon. I am very honored to have been selected to participate in this Lecture Series. As Bill Redmond mentioned in his introduction, I will soon be leaving the Pataki administration to take on the new challenge of Vice President and Chief Financial Officer for the University of Chicago. With that in mind, I thought I'd take this opportunity to share with you some of my impressions of the past three years I've spent in Albany. In particular, I'd like to talk about where state government was three years ago, what we've accomplished over the last three years, and where we look like we are heading as we go into 1998.

Among the many things that I've been impressed with since I've come to Albany is the exceptionally fine work of the Government Law Center. The Center contributes a great deal to our community, and serves as a tremendous source of research and knowledge for the law makers of New York State. Patty Salkin has earned a great deal of respect from her colleagues for all her innovations and hard work, and I commend her for that. As you approach your twentieth anniversary, I want to congratulate you on all that you've accomplished without partisan connections or political funding, just through good solid research, scholarship and service. All of us in government can learn something from you.

We can also learn from the memory of Ed Crawford, a man who did so much for citizens through the vehicle of local government. And that's an important distinction to remember: that government is meant to be just that, a vehicle. That government is not an end, it's a means. That it must serve the people and not become an entity unto itself. And it must be driven by the power of partnership. Partnership between citizens and elected officials, between private industry and government, between municipalities and the states and between the State and Federal governments. Our resources are limited, but they can go much farther when together we decide how to use them wisely. That's what I would like to talk to you about today.

I arrived in New York three years ago at the Governor's invitation feeling a bit like an itinerant Budget Director. I had helped Governors in both Michigan and Florida affect sweeping political and budget transformations in those states. But despite my experiences in those two states, I was stunned by the enormity of the challenges that faced us here in New York. Partnerships were clearly not working. In fact, very little was working in Albany except the political machinery itself.

Suffice it to say government had indeed in New York become an end and not the means, especially here in Albany. There was so much government that there was little money left for anything else. New York government had become so huge that it truly was

just about the only growing and thriving industry left in the State. Because government had become such a huge and hungry monster, taxes had to keep going up to feed it. Higher taxes meant that more businesses were leaving the State, and as more businesses left, the State jobs and the people who worked in those jobs left with them. That meant that we lost more and more income earning, tax paying citizens. That of course meant that we had a smaller population which was more dependent on services, which meant that we needed more government programs and so on.

I really had never seen such a downward spiral that was quite as vicious as the one that had taken place here in New York. The governor and I sat down and looked at the situation and we both agreed that it was going to take a lot of energy and a real stubborn insistence on change in order to get Albany to wake up to the fact that there was a better way and as all of you remember, this was not an easy job. The “bigger is better” philosophy of government had truly taken hold in Albany and become a way of life. So-called government services had become careless and lavish, though I will agree that they were built at least in part on very good intentions. New York had and still has a powerful history of compassion. It was a New York Governor, F.D.R., who became President during the Depression, who initiated more government programs than any other Governor. And it was a New York Governor who thought about becoming President, Mario Cuomo, who funded social programs at a higher level than any other state in the country.

It follows that one of Governor Pataki’s most serious challenges when he became Governor was showing that being sympathetic didn’t necessarily mean that you had to spend more. For as long as anyone can remember, New York had led the nation in social programs. Many in fact had become a model for the nation in earlier times. But New York had lost it’s leadership position in the post-World War II and the post-New Deal days, when a new style of government became necessary. As prosperity returned to the United States, there really was a need to focus on the private sector in order to recharge the economy. In 1960, a Vice President of General Electric told the U.S. Chamber of Commerce, “Politics is the cart but economics is the horse.” Instead of heeding that advice, New York continued to feed government programs. As other States adjusted their programs and policies to fit changing times and to respond more flexibly to the needs of a global economy, New York concerned itself more with compassion than with being competitive, to our detriment. We forgot the old adage that says “whatever government gives it must first take away.” We lost our employers and we lost our leadership roles as a result of that. New York became an anachronism. We became known as the State with the highest taxes in the continental United States, and, as a result, we lost half a million jobs in the late 80s and early 90s.

At the same time when the private sector was shrinking, government was growing every year at an average rate of nearly three times the rate of inflation. One out of every eleven citizens in the State was on Welfare when we took office three years ago. Even worse, in New York City we had one in seven of the city’s residents on welfare.

The hungry beast of government had truly starved the State, and mandated

programs were doing the same thing to local government. It's local governments that carry out the policies and pay half the cost of the major Medicare and Welfare programs in the State. The Governor's and my first attempts to tame this unwieldy beast were painted as cruel and harsh. Scare tactics were used by bureaucrats, providers and recipients who stood to lose the most as we reformed government, and they put all their political power into gear. The Governor and I were portrayed as Scrooges or worse, and it was clearly a very difficult time for all of us in the administration. We had to keep reminding ourselves of something Margaret Thatcher had once said, "If you just set out to be liked you will be prepared to compromise on anything at any time and you would achieve nothing." We knew what we had to do to save New York's economy and the choices that we had to make were truly neither harsh nor cruel. The experience that I had in other states had taught me that if you could tolerate criticism for a while, eventually people would begin to see and appreciate the results. Thus, we initiated sweeping Welfare and Medicaid reforms. We attacked widespread fraud at all levels and built new systems to reduce the potential for future fraud. We established new programs like Workfare and Learnfare, not just to put people back on their feet but also to reward responsible behavior. We also cut taxes in an effort to restore the State's economic competitiveness.

Over the last three years we have passed laws to reduce income taxes, school property taxes and excise taxes on electric, gas, and telephone services. In 1999, the sales tax on clothing valued at more than one hundred dollars will be repealed and, in the year 2000, the State estate and gift tax will be eliminated. Last year our tax cuts totaled more than all the other 49 states combined. Today we've returned about \$8 billion dollars to the taxpayers of this State. In addition to that, we've cut about \$1.6 billion in government regulations. Both of those things have helped us to attract 250,000 new jobs, proving that Cicero knew what he was talking about centuries ago when he said, "men do not realize how great an income thrift can be."

Through it all we sought to utilize the power of partnership. We've worked closely with private citizens, civic groups, small and large businesses and especially counties and municipalities to create sensitive yet sensible social programs. We heeded the words of Pulitzer Prize winning journalist Walter Lippmann who wrote way back in 1920, "The prime business of government is not to direct the affairs of the community; it is to harmonize the direction which the community gives to its own affairs." When the Governor took office, he saw the cities and the counties as an untapped potential for partnership. After all, we already had a history of collaboration: the State had shared the burden of administering unwieldy social programs with the counties. But Albany had rendered local government powerless to address the most pressing issues by burdening them with more and more requirements and costs. The Governor and I felt we had a duty to try and make the system work better. We set out to do what Michigan and other states had done, to stop mandating new costly programs that local governments have to pay for. The Governor continues to push for a Constitutional Amendment to do just that.

In the meantime, we have made in-roads where we can. We've authorized counties to recover their operations and maintenance costs associated with the "911" systems. We've authorized the local governments to accept credit card payments for property tax fines and fees and we've allowed more flexibility in the setting of fees for small claims courts, civil court cases and unified commercial codes. All of these were previously unfunded state mandates. And the Governor has pledged to try and do even more in the years ahead. He believes that when local and county governments are healthy and fraud-free, then the State can be the same. That is why since 1995 our policies have resulted in an aggregate net savings of almost \$3 billion dollars for local government and school districts combined. That's why the government has accelerated revenue sharing payments of about \$108 million to 43 upstate cities and why the Governor has provided nearly \$105 million in additional aid to local government and created two new local government assistance programs which provide financial aid to 28 cities. That's also why the Governor has committed all of us to revitalizing the health of New York City. Over the first three budgets we have saved the city a total of \$1.8 billion dollars on a city fiscal year basis.

It's this kind of partnership between state and local government, and a new trust that transcends those boundaries, that has allowed New York to attract new jobs and even get heralded as a good place to do business by Site Selection Magazine. Employers are beginning to discover what citizens of New York who stayed in the State have always known: That we can boast of a phenomenal commitment to education, strong infrastructure, amazing cultural offerings and truly some of the most beautiful natural resources in the country. But I think we've had to learn the hard way that none of these things, or even all of these wonderful elements combined, can make up for a poor economy. Once we accepted that reality we could make the kind of changes that made us competitive so that we could win new jobs. The fiscal rewards, of lowering taxes and improving competitiveness have been many. We've had three balanced budgets, we have steadily growing reserves in our rainy day funds and we will post budget surpluses for three years in a row. We've also reduced costs and protected the State's investments.

I have great confidence that the profound changes that we have made will leave a shining legacy as we enter the 21<sup>st</sup> century, because, I thin, a real cultural shift has transpired. With the help of the municipal officials of this State, the State Capital is learning that, when it comes to government, bigger isn't always better. In carrying out our mission we have truly seen that local and county governments are our partners. After all, they have been picking up half of the tab for the cost of Medicaid, Welfare and a host of other mandated and mammoth State programs. They experience first-hand the wrath of the taxpayers when the government beast is out of control. Local government officials know best about which reforms are needed, which schools are faltering, which roads and bridges are in need of repair, which libraries, police, fire departments or community organizations need funding, and which government services aren't working.

I hope that all of you, as our partners in the process of government, will continue to

voice your concerns, suggest reforms, run for higher offices and to make an impact. We must all work together to build upon the successes that we've accomplished so far. As Helen Keller said, and she herself had so much in terms of limited resources, "alone we can do so little, together we can do so much." And one last quote: It was E.W. Howell who said, "no one would listen if you talk if you didn't know it was his turn next." You've been gracious enough to listen to me, so let me stop now and ask you to give me some feedback and ask me any questions that you might have. Thank you.

## QUESTION AND ANSWER SESSION

### Question 1:

One of the things we are looking at right now is the impact of timely budgets on the budget process. Unfortunately, although the budget process in New York has resulted in some surpluses, it has been very late. You probably won't be around to see the end of the next budget process, but any thoughts on how to make it so April 1<sup>st</sup> will indeed be the start of the fiscal year?

### Director Woodworth:

I think the attention that's paid to the timing of the passage of the budget is overstated. We've now had late budgets for thirteen years. I think basically the political mechanism has accommodated itself to a late budget scenario and I really think the costs of that are relatively minimal. The rating agencies clearly cite that as one factor for not giving us a better bond rating, but in fact our bonds trade better than our ratings, so it would appear that those who purchase our bonds recognize that we are a better risk than the rating agencies think we are.

It is more important to focus on the degree to which the State engages in financing mechanisms for paying for the various programs and activities that it undertakes. I'm speaking here in terms of debt. That is truly the most serious concern I continue to have about the State's finances. To the extent that it is possible, the legislature in particular does not like to make hard choices. Where they can bond they will do that instead of telling someone no. That to me is a far more serious concern than if the budget is passed on time.

### Question 2:

When you present your budget and the Governor proposes it, what changes have been made in the last three years in regard to the percentage of what you propose must be spent and what is actually enacted?

### Director Woodworth:

I assume you are talking about the changes in what the Governor proposes and what the Legislature ultimately enacts. I think it almost doesn't matter who the Governor is because the vast preponderance of what a Governor proposes gets enacted. The media tends to focus on the more marginal issues but, in terms of overall spending, I would say probably 98 percent of what a Governor recommends ultimately gets funded. The tendency is to focus on the changes from current law and current policy. For example, our Welfare and Medicaid reforms drew a lot of attention. But the vast majority of what a Governor proposes gets adopted.

**Question 3:**

Is the State budget somewhat like the local school board budget where there really isn't that much intent to change?

**Director Woodworth:**

That's true to an extent. Clearly, the two biggest elements of the State's budget are school aid and the State Medicaid program. Those two items, with the highway transportation program, encompass most of the budget. Clearly, the Federal government has a very heavy hand in telling the State how to spend money, at least in the Medicaid and transportation areas. Often, so many strings are attached to the money that they effectively tell us how to spend it in those areas. In the school area, we have a little more discretion at the State level. I'm not sure local governments have as much as they should have – they should have more, not less. Courts also influence our ability to make decisions. In the area of prisons and criminal justice, for example, many of our expenditures are controlled by court decisions. So you're right to a certain extent, there are a lot of entitlements we can't affect.

**Question 4:**

One issue that we constantly face with the late budgets is our capital projects need such an early start that we have about 4 or 5 months before actual completion time. We tend to flip from year to year on the capital project we need to undertake. Our facilities, therefore, are becoming more out of date. Besides emergency programs, is there any way around getting capital growth support from the budget?

**Director Woodworth:**

I doubt it. I'm not sure that in reality the late budgets are the cause for not undertaking capital projects. They tend to be more discretionary in nature than, for example, Medicaid and Welfare costs where we have an individual out there who has to keep getting paid in order to continue services. Thus, it tends to be one of the later items getting funded in any decision-making process. We've tried to address that somewhat in our emergency appropriations bills in the last few years to make sure that priority capital programs continue to get funded. Overall, there is generally more concern with funding operations than there is with funding capital. It's viewed as more discretionary.

**Question 5:**

I thought I detected in one of your answers a few minutes ago that you felt bonding was a cop out. I would like to get your philosophy on using bond issues as a means of financing government.

**Director Woodworth:**

Well I think that the bonding in and of itself is not bad. It clearly depends how much you bond, what you bond for, and for what period of time. We should avoid bonding for longer than the life of the project. Buildings, roads and bridges are clearly something that is bondable. When you get to the point where the debt services costs are growing at double or triple the rate of your revenue stream, you are getting yourself into real trouble. The decision makers on the front end view bonding, in many cases, as a no-cost scenario because the cost of bonding doesn't appear in that first year's budget. We've got to remember that the Executive is the only one in this process that is required to give multiple-year estimates of the effect of recommendations over a multiple-year period. When the legislature is looking at a budget they are truly only looking at one year. If it doesn't cost something in the first year, which bonding typically doesn't, then it is viewed as free. They leave it then to the Executive to find a way to finance the debt service stream, which we've reduced but which is still growing faster than government revenues as a whole.

**Question 6:**

Has there been an opportunity yet to assess in the last three years the impact of opportunities and the challenges with privatization in New York? I know we've got the Privatization Council but how might that impact on budgets and government services?

**Director Woodworth:**

I think that my observation may be a little different than some people's about privatization in New York. New York in many ways already does privatize a lot of services other States provide themselves. We have a very large not-for-profit industry in this State, providing much of our Medicaid and some of our Welfare programs. In other States those things are provided in many cases by State workers. Clearly we are still working and a lot of the initiatives have gotten as much attention as they probably deserve. They tend to get rolled into the bigger picture of what we are doing. I think Bob King has done a wonderful job and I want to recognize him. He came out of County government and he certainly knows how to make government more efficient. He's done an excellent job on the Governor's behalf in terms of looking at those kinds of issues.

**Question 7:**

I'm interested in your views on the issue of state bonding versus local bonding. The defeated school bond issue seemed in some ways to shift a bonding initiative from local school boards to the state level.

**Director Woodworth:**

The ultimate plan for the money that was borrowed by the State was never agreed upon. There was a difference of opinion among people in Albany as to whether it was going to fund one-hundred percent of the costs of school buildings or whether it was just a way of

borrowing what the State would normally provide as a match to what the municipalities contributed. It is still an open issue that will be reopened in the upcoming session. We've improved the match rate for local school districts through the building aid formula. What the bonding program was all about was never very well defined.

**Question 7A:**

No, it clearly wasn't, but I was using it as an example of frequently you'll see a shift of who's going to borrow for what and at what level.

**Director Woodworth:**

The more important question is how much is the per capita-bonded indebtedness. New York's bonded indebtedness per capita is very high relative to other states. That is cause for concern. There is no right answer to how much you can bond. It is a matter of judgment. Clearly when you are the highest in the country, you have to start thinking about whether your level of indebtedness is appropriate or not.

**Question 8:**

When Governor Pataki was a State Senator he voted against the last Constitutional Amendment which would prohibit the Bond Act from borrowing, but I haven't heard anything from him since he's become Governor.

**Director Woodworth:**

There was a ballot proposal about two years ago. I don't recall the Governor's exact position, but I believe the thinking was that it was never going to get passed by the voters, so it has become a moot issue.

**Question 9:**

Will the State be in a better position now if there is a downturn in the economy compared to the State's position the last time this happened? New York City was in bad shape at that point.

**Director Woodworth:**

Clearly the State overall, and not just New York City, is doing much better. That doesn't mean we'll be protected from a downturn, but I think we are better positioned to go into a downturn. In terms of the State's finances, clearly we are in a much better position. We have significant reserves built up and we have not really engaged in the kinds of gimmicks which prevailed in the last years of the prior administration, so that we are in a situation that we have a rainy day fund and large surpluses that can be used to stabilize the State budget in a downturn.

**Question 10:**

You mentioned changes in the tax law and getting rid of some estate taxes in the year 2000. I think that would be a great move in getting seniors to stay here. I'm just curious at what the loss of revenue would be.

**Director Woodworth:**

I think its \$600 million, but don't hold me to that. It's a large amount of money. It's something that clearly – when I was in Florida – was one of the reasons we had growth in revenues. It was not just because of the State's overall economy, but because our population was growing every year as a result of people moving there from other states. We didn't have a personal income tax or an estate tax. When I was in Michigan we eliminated the estate tax and saw that people were beginning to make the decision to stay there rather than move elsewhere. We expect the same kind of positive benefit in New York as well.

**Question 11:**

You were talking about late budgets and how they may or may not have an impact on the bond rating in terms of being taken into account. Based on your experience in other States, it must have been incredibly bizarre to come to New York. Other States have differences between the Governor's office and the branches of the Legislature but they seem to be able to do it. I know that when Governor Pataki came in he believed that he could do something to change the process. Now that you are leaving, what's your reaction?

**Director Woodworth:**

Do you want to get me fired between now and January 1<sup>st</sup>? This is a bizarre political environment. I'm not going to defend the budgetary process, but will stand by my original statement that, as bad as it is, the attention given to whether the budget is passed on time is really overstated relative to some of the more complicated issues the press glosses over. Perhaps it is because people can understand "you didn't get your budget passed on time." Having said that, I think the problem here is that we cross that magic line. In most other states, there is a beginning of a fiscal year and you don't cross that without having a budget in place. No one can really tell you why it's bad if you do, but everyone knows that it's bad. Unfortunately, in New York for 13 years in a row, you've crossed that line and no one can tell you what has happened as a result which is so awful that you can't do it again. So, every year they cross the line again because once you violate it, it is very hard to go back and bring more responsibility to the process. It's something that has to be done in a shared way by all three parties, meaning the leader in the Senate; the leader in the Assembly and the Governor. All three have to want it equally as much in order for it to occur. I'll be very frank. The Speaker of the Assembly uses the late budget as one element of his negotiating

style to get the best deal he thinks he can get. Until he or someone else who comes into that position views the situation differently, I don't think it is going to change.

**Question 12:**

Did you find as much power in the leadership in the other states as you do here?

**Director Woodworth:**

No, that was clearly one thing I had to learn early on. Other states engage in a more shared leadership style of government in the Legislature where committees and committee chairman have a lot more power. That is not to say the leaders are not the ones who are ultimately in charge and not the ones who make the decisions on target setting and so forth. But other members clearly have more formal power. It's impossible for me to say because I've never been a member of either the Senate or the Assembly, but I believe there is a lot more going on behind the scenes as far as the leaders canvassing their members in order to make sure their views and interests are represented then may be apparent to either me or other members of the public or the press. That's just not something I've been privy to so I really can't say for certain.

**Question 13:**

Several states have biannual budgets. Many states have a longer range planning process. Do any of those things change the process?

**Director Woodworth:**

I actually proposed a biannual budget in Michigan. I think there is some advantages to it. It gives you a longer window to look at things, make decisions and plan. Government isn't very well-known at this point for thinking very far into the future. When you look at biannual budgets in the states that have them, there's been an awful lot of changes that occur in the second year. It ends up not being very different from doing a budget every year. I'm not really sure how effective that is. As far as your other question, it's truly a nice academic idea, but as long as officials are elected every two years you can never have a view of the world that goes much beyond that.

**Question 14:**

What role has the Comptroller taken in the budget process this year?

**Director Woodworth:**

He has no role in the budget process. He keeps trying to have one, but he truly has no role. There are states where Comptrollers do have roles. I think Texas is one of them, where the Comptroller has to certify that revenues are available in order to allow the State to extend what the Governor and Legislature have agreed upon. In this State, the

Comptroller has no role in the budget process except as a political observer whose comments get reported in the press.

**Question 15:**

In the states where the Comptroller is involved at the Executive level, is it money in our pockets?

**Director Woodworth:**

I think it just shifts the political power structure in the State. That's my observation.

**Question 16:**

Our distinguished leader, Mr. Redmond, did not issue to us your biography. For so many years our budget directors came from the Cornell University. Did you also?

**Director Woodworth:**

No, but I'll tell you – Cornell gets a lot of State money, so maybe that explains it.

I thank all of you for coming today and especially for your questions. I really enjoyed being here, thank you very much.

I've been following with keen interest the business in the Hudson Valley and its controversy with Albany relative to job replacement at the IBM facility. I'm sympathetic with the people of Albany, but mostly, as a former county executive, it's been interesting for me to observe that the State government was trying to work a deal as originally put together that we as chief executives of the counties, could never do without consulting the county legislature, and I'm wondering if you would in this lecture either point out the differences or the similarities between counties going into a procedure like this, and the mish-mash that we've observed in the State clashes. You must know you're taking a real beating in the Hudson Valley, but I've think you've made an equal number of friends up here.

**Comptroller McCall:**

This has been a very difficult situation. I wish Ed had been around to provide some advice. It was a good idea, but very flawed in terms of the way it was executed.

The Governor, over a year before he actually sent a contract to us, made a commitment to purchase the IBM buildings that had been abandoned. There's no question about the fact that the Hudson Valley has suffered because of the IBM departure, and the Governor's original intention to purchase these buildings made a lot of sense. Let's use these buildings. They were first rate facilities. I visited them. They really could have spurred economic development.

The problem was in terms of what the Governor planned to do with the buildings, and that was basically to move jobs--public sector jobs--from Albany to the Hudson Valley. So from an economic point of view-- economic development point of view--that's not a plus if you simply move jobs from one place to another. It was really spurring economic development in one region at the expense of the other. Some of us were really being beaten in the Hudson Valley at the same time we're being cheered on here in Albany to protect and keep the jobs.

That was not a good thing to do. The way I put it was that the Governor did not realize that there are partners in the governing process. There are people that needed to be consulted. People forget, for instance, that the first person to attack the plan and become partisan was not a Democrat, but Joe Bruno, who was the Governor's major ally in Albany government, and when Joe Bruno realized that 4,000 people were going to be moved out of the Capital District, he was against this.

So, if a lesson was to be learned here, it was the lack of an understanding that there are partners in government. That there is a legislature, and they need to be consulted. Their approval needs to be given. When the Governor was rebuffed with respect to moving the State workers, he then came up with the alternative plan to move the Fleet Bank operation. That eventually happened because that was a private agreement.

There was no way to stop it, but this is not over. There is still a plan to consolidate data processing operations and move them out of Albany. I have taken the position that you can't do this consolidation unless you have a plan first in place to show that it makes sense, that it's feasible. Once you have a plan, then you can determine whether it makes sense to consolidate and where the consolidation should take place, rather than to simply make the decision up front to buy these buildings and do the consolidation there.

So this is not over, but hopefully the Governor will learn. Obviously, the legislature will have to be heard from if there's any further movement. The Fleet arrangement was possible because it was a private deal, whereas any consolidation or movement of government services will need to involve the legislature, and in terms of your question, there's no difference. But it was interesting. A county could not do this. A county executive could not do this without the consent and approval of the legislature.

The Governor should not be able to do it without the consent of the legislature here. The county executive in Dutchess County, the county executive in Broome County, they

were in favor of this, and they saw no problem with doing this without the legislature, but when I asked each of them, "Could you do this in your county without legislative approval?" "Oh, of course not." But it was okay for the Governor to do it at the state level.

**Question:**

In your experience as President of the Board of Education and now in your present position, I'm sure you struggled with the problem of the custodians and their control of the different school facilities. Is there any way, as Comptroller, you can help NYC with regards to that problem?

**Comptroller McCall:**

Probably not, except to give them some advice. The problem in this case is that there was a contract between the Board of Education and the operating engineers which gave the custodians incredible power. A principal had to go to a custodian and ask, "Can I open the school this evening?" That's the kind of control they have, and much of this is just built into their contract which is a long-standing contract. The Board of Education has attempted to change it. The custodians have been to court and have been able to keep those conditions in the contract. So, from my standpoint, I must point out the fact that this is not a cost effective way to run our schools.

From a policy point of view, the custodians should not have this kind of power. Some of it has been taken away, but basically they still have a lock in terms of how schools are operated, and when school buildings are available.

**Question:**

Having watched the situation in Troy for the last several months, it looks like an abundance of financial ingenuity has lead to a real dearth of financial integrity. You've described how the money is drying up. No one seems to be having the conversation about what services in fact, the public schools and the municipalities should be providing. Where is that conversation supposed to take place, because we can't just talk about the lack of revenue without the corresponding service decisions?

**Comptroller McCall:**

It takes place both within Troy and then here in the Legislature because ultimately, if there's going to be any solution for Troy, the Legislature is going to have to give them some aid. As you know, some aid was made available last week but it did not really represent new or additional aid.

The fiscal problems facing Troy are longstanding--many years of neglect, many years of mismanagement, perhaps even corruption--but the fact is that the taxpayers of Troy, the present taxpayers find themselves in a very difficult situation. They don't have the ability to pay for the twenty years of mismanagement. After everything is put on the table,

they still end up with a deficit of about \$5 million on a \$31 million base budget. There's just no way they can make that up on their own. They can't borrow any additional money at the present time. Twenty-five percent of their operating budget goes to pay debt service so any of you who've been involved in local budget know that's impossible, an impossible burden. So, the State will have to find some way to help.

I talk about Troy often as one of the cities that's really experiencing the most serious distress. You all saw what happened last year when they had the sign in front of City Hall that said "City Hall for sale." It wasn't the usual thing where you could buy influence. You could buy the whole building. That's just how bad things were in Troy and the State has really not come forward to help, and the fact is that over time the State has continually decreased its commitment in terms of revenue sharing, in terms of aid.

Two things have to happen. The bill that I mentioned would be helpful to stop "Troys" from happening. In other words, a financial control board was set in place, and I chair that board, but by the time we got there it was too late. Even when we were put in place, we were really not given the authority in the first year to stop some of these practices and force them to come up with a balanced budget. After the experience with the first year, the second year the Legislature changed the process and said, "Okay you can now, you now will have this ability." We have to have a uniform process in this State for dealing with distressed localities, so that we will be able to go into any locality with the same authority, with the same control and the same resources.

Every time we experience a distressed city, the Legislature acts like it never happened before, but there are now four financial control boards in the State, and each one is very different, but yet the situations are all the same. So there should be a uniform approach to the problem and the aid, the intervention, must come at an earlier point. That's what our legislation has proposed. Right now, the City of Troy has to address its problem of fiscal distress. The Mayor is proposing raising property taxes by another 21%. That is going to be destructive for the City of Troy, but the Mayor and the City Council may have no choice if they do not receive additional assistance from the State.

**Question:**

You mentioned, and I remember working with Ed Crawford on the issue of, unfunded mandates. The State of New York hasn't really dealt with that issue. Other states have. Some through citizen initiatives. Some through their own legislative initiatives. Do you have any recommendations about unfunded state mandates?

**Comptroller McCall:**

We certainly have to do that, but you know the other side of unfunded mandates is to fund them. The issue really is, is the State willing to provide the resources, and one of the biggest ones is the construction of court facilities.

For example, about a year ago I received a letter from the Office of Court

Administration telling me that, under the law, I was to go to Erie County and immediately take \$10 million out of their budget or withhold \$10 million in state aid because Erie County had not fulfilled a legal mandate to build new court facilities. So I called up the county executive and said, "Dennis, I'm coming to get \$10 million." And, of course, that was a real problem. But, this is what happens. They put the mandates in place for court construction or something else and pass on that responsibility without the money. The legislature should say that if we're going to give you a responsibility then we're giving you the money to do it.

Now, given the state of fiscal condition at the State level and the problem we're having, it's unlikely that the State is going to do that, but they must stop the mandates. So, the only answer is that the money must follow the mandate, and we have not done that.

**Question:**

For years, local governments have been very resistant to the idea of consolidating government services. Given the present fiscal condition of municipal governments, I think they are really reconsidering that idea. For instance, in Onondaga County, a county of 400,000, there are 17 separate law enforcement agencies. One perspective might be that 16 police chiefs and a sheriff is a good way to approach policing, but it really is an issue today.

**Comptroller McCall:**

There are just too many levels of government. By consolidating we really do address the issue of the cost of local government, and it's interesting that you say they are reconsidering it, because that's part of the problem. They consider it. They reconsider it, and they reconsider it.

If you speak to any good government group of local officials, the conclusion is always - we must consolidate. We must share services. We must find ways to reduce the levels of government. But try to do it. Try to do it. It is very, very difficult. People simply do not want to give up their relationship with that small unit of government. They want their own fire district. They want their own police department. They want their own town, village or hamlet.

One of the best studies, and I commend it to you, that I have seen and that's really a blue print for consolidation and sharing of services was a project called Westchester 2000. A very good group of people in Westchester County got together and spent a lot of time looking at practical ways of reconfiguring government services in Westchester, and they did something else that was very helpful, they worked with the State Association of Accountants. They actually put a figure on it. They actually showed how certain activities, certain transactions would lead to actual savings, and they quantified those savings. They thought that would really make the difference if you said, "Look what you would save if you did this amount of consolidation." That plan--I still think it's good to see it--is still sitting

there. What was it, three years ago that it was first presented--a big press conference when it was accepted, but it hasn't moved.

Something happened a few weeks ago in Buffalo. Joel Giambra, a very able City Comptroller for the City of Buffalo, had a press conference with charts and graphs and numbers. He suggested that Buffalo go out of business and the City of Buffalo be absorbed into Erie County. Well, you would have thought that Joel Giambra had two heads. It was attacked from everybody. Even the local newspaper, the *Buffalo News*, thought this was a terrible idea, but if you really looked at what he said, it made a lot of sense. They would have saved a lot of money, and I'm not going to stand here and say who needs Buffalo, but the fact is that that's what he was suggesting, but when he got down to that point, nobody wanted to support it.

It's very, very hard and I'd appreciate any suggestions from any of you who've had experience. We try to do this with our SMART program as we talk to localities. We try to talk about it. Our bill has some provisions that would even, we believe, facilitate certain cooperative arrangements, but it is very difficult to do.

There's been some significant improvement in the relationship between Troy and Rensselaer County because of just how bad things are. Maybe that's what you need. Maybe you have to hit the wall before you really begin to make a commitment to make some of those changes.

**Question:**

I'm a resident of the City of Troy, which maybe isn't a good thing to admit. Watching this whole thing occur, it appears as though the elected officials haven't been empowered by the public to take the necessary action. In other words, no matter which way they turn, there is somebody screaming and yelling in their face. Can you comment on the role of the electorate and the citizens in this process of fiscal integrity.

**Comptroller McCall:**

Elected officials have been empowered by their constituents to make decisions. The problems happen when people are unwilling to make decisions. It is true that some decisions are unpopular. Sometimes members of the electorate will not support them, but it's part of our job, as elected officials, to explain what we're doing. You have to make decisions. You have to stand by the decisions, and you have a responsibility to explain those decisions as fully as possible to the electorate. Then you have to live with the consequences, and that's what has not happened in Troy.

That is not happening now in Albany. Why do we have another late budget? Because people are unwilling to step up and make tough decisions. The issues are very clear. The State has a \$3.9 billion gap in its financial plan. We are losing some \$3.3 billion in revenue because of a tax cut. We expected aid from Washington that has not materialized. So, there's a hole in the budget and the Governor has proposed some very

serious cuts in important programs, such as Medicaid, higher education, and education. It is difficult to step-up and make those decisions that this is a budget that has to be passed. It will be painful, difficult, but we have no choice, and finally at some dark hour it will happen. But why put it off? That's the problem. We have empowered legislators, but legislators sometimes try to avoid exercising that power because they're concerned about the consequences.

**Question:**

Do you feel that if there were limits on being elected that this would help, so that if you're going to be criticized anyway, but you're not going to be there that long, you can make those difficult decisions and stick with them?

**Comptroller McCall:**

I'm against term limits for a lot of reasons. I call term limits the Norman McConny Empowerment Act. You have to really be an insider to understand that. Let me tell you why. The reason is this. Norman McConny is a very effective staff person, very effective but, only a few people here know him, and there are a lot of people like him. When the legislators go home on Wednesday, he stays, and he wields incredible power in their absence because he's behind the scenes. He's a staff person.

With term limits, these are the people who really begin to run government because the legislators we elect will leave and the staff will continue. They will become the real power operatives, and we don't know them. We don't know their names. They're not accountable. So I think we're just transferring responsibility from legislators to another group of people who will be less accountable. That's my main reason for opposing term limits.

I think we need the continuity. If you don't like people, you have an opportunity every two years or every four years to limit their terms. Certainly, incumbents have a certain amount of clout, maybe that's unequal, but we can fix that. We must address campaign finance

reform. That's where incumbents really get this extra power and that's why they stay there.

You know the Governor has been criticized for the way he raises money, and he should. On the other hand, he almost has no choice. You have to raise an inordinant amount of money to run for state-wide office, and you are almost forced to do it in ways that are questionable. That's what we really should address if we're talking about reform.

Ladies and gentlemen, thank you very much.