NEW YORK STATE SENATOR

William Larkin

Larkin Begins 2007 Legislative Session By Supporting Budget Reform Bills

WILLIAM J. LARKIN JR. January 3, 2007

Senator Bill Larkin (R-C, Cornwall-on-Hudson) today endorsed the introduction of legislation that would line out in the State budget every dollar to be spent by the Governor, Legislature, Judiciary and all State agencies and authorities. The Senate's comprehensive budget reform package also includes a constitutional amendment to ensure the Executive Budget addresses only fiscal matters, as well as a bill that would change how budgets are enacted to provide greater timeliness, increased transparency and accountability and reduce deficits and budget gaps.

The Senate's line item budget reform bill would eliminate the practice of including lump sum appropriations in the budget for spending by the Governor, the Legislature, the Judiciary, and by every State agency and public authority.

"Proposals to reform the state budget process are nothing new to the Senate Majority," said Senator Larkin. "Our plan would allow no more unallocated discretionary spending in the budget. Every dollar in state spending would be accounted for and made clearly available for public review."

The Senate bill would also eliminate the need for the State Public Authority Control Board (PACB) to approve capital projects already authorized in the budget to prevent major projects from being held hostage for political reasons and to bring greater openness and accountability to the process.

"I have always said the PACB is unnecessary," said Senator Larkin. "I would support its elimination."

The reform package would also change the types of projects that require Public Authorities Control Board (PACB) approval. Capital projects that have been itemized within an appropriation bill would no longer require PACB approval. These projects will have already been negotiated between both houses of the Legislature and the Executive and clearly defined within an appropriation bill, meaning that PACB approval of such a project would be superfluous.

Currently, PACB approval is required for all projects financed through ten specific authorities. The PACB reforms in this legislation would require all PublicAuthority projects financed with State funds to be specifically lined out in the State budget and approved by the Legislature to move forward. Since the Governor and Legislature will have to approve these projects in the budget, PACB approval will no longer be required.

In order to maintain oversight over Public Authority spending, PACB approval will remain for projects related to housing, hospitals, and other projects which are financed through certain public authorities, but do not use state funds.

As part of the budget reform effort, the Senate will also give second passage to a constitutional amendment that addresses concerns raised by Court of Appeals decisions, regarding the power and authority of the Governor and the Legislature in the budget process. The amendment would ensure that the Executive Budget submitted by the Governor could be acted upon by the Legislature to ensure an appropriate balance of power. Currently, the Governor is able to submit an Executive Budget which unilaterally changes law without providing the Legislature with any opportunity to either amend or reject those changes.

The constitutional amendment (S.3195), passed by both houses in 2005, would require that budget bills submitted by the Governor include appropriations which are either constrained by the provisions of existing law or are consistent with separately proposed legislation intended to amend existing law.

The amendment would also allow the Legislature to amend any appropriation which was not submitted in accordance with that requirement, thereby maintaining an appropriate balance of power by prohibiting the Governor from unilaterally changing state law.

Finally, the amendment would require greater specification and itemization of appropriations and require the Legislature to explain the fiscal impact of any additions to the Governor's budget and identify the funding to pay for them.

Portions of the Senate's budget reform plan would take effect in the 2007-08 State budget, while the constitutional amendment provisions would need to be approved by the voters in November of 2007.

Over the past ten years, the State Division of the Budget has moved more andmore funding away from line items and into lump sum appropriations, which allows for complete flexibility and discretion in spending the funds and limits oversight of the spending. The Division of the Budget already lines out State spending in its internal documents, but does not share that information with the Legislature and the public as part of the State budget that is enacted into law.

The State budget includes billions of dollars in lump sums in agency spending, submitted by the Governor, that target areas such as environment, education, higher education, health care, human services, public protection, capital projects and economic development.

The Senate plan would build on the Senate's record of reform that includes initiating the first public legislative expenditure reports that detail every penny spent by the Legislature, as well as initiating the first joint, public legislative conference committees to resolve differences on legislation and on the budget. In addition, information regarding State grants for community projects for the past four years are posted on the Senate web site.

The Senate has worked to reform the budget process and fought to achieve the first two on-time State budgets in decades, and has passed measures to guarantee on-time budgets.

Should the Senate budget reform plan introduced today be enacted into law, the PACB would still be required to approve bonding authority for bond issued by State Authorities that generate their own revenue to back bonds, such as the State Thruway Authority and Dormitory Authority.

In addition, the Senate will act next year on budget reform legislation that would improve timeliness and enhance transparency and accountability in the state budget process, as well as control spending, reduce deficits and budget gaps. The legislation, (S.8414/A.11995), was passed by both houses in 2006, but vetoed by the Governor.

The bill includes the following provisions:
IMPROVING TIMELINESS:

Change of Fiscal Year --

The legislation would change the fiscal year from April 1 to May 1, allowing more time for legislative deliberation, joint budget conference committees and action. This change would give the State a chance to assess what its actual income is as a result of the April 15 income tax deadline. The 2007-08 state fiscal year would begin on April 1 and be extended by one month to run through April 30, 2008. Thereafter, the fiscal year would begin on May 1 and end on April 30.

Establish a Binding Revenue Forecast Mechanism -- Budget deliberations could be accelerated if agreement were reached on revenues earlier in the process. Under this bill, the Comptroller would establish a binding revenue estimate, which would be used only if the Legislature failed to reach an agreement by March 1.

Earlier Start to the Budget Process -- The Executive, the Legislature, and the Comptroller would be required to begin discussions about revenue forecasts and spending projections for the current and upcoming fiscal years by December 5th of each year. Subsequent ongoing review would be required at least twice during the fiscal year.

Independent Budget Office --

The legislation would create an independent budget office charged with providing the Legislature and public with independent analysis of revenues and budgetary impacts of legislation.

Require Review of Transfers Between Appropriations Not Approved in Budget -- Once the Budget is passed, the Division of Budget routinely transfers tens of millions of dollars between funds and appropriations each year that are not subject to public review or legislative oversight. All transfers between funds should be subject to public review.

New Reporting Requirements -- The bill would expand state agency personnel reporting requirements; establish new information technology disclosure requirements and expand revenue and spending reporting requirements.

INCREASING ACCOUNTABILITY:

Establish More Performance Measures -- More indicators of performance and goals would be included in budget documents, including agency budget requests and the Executive Budget, making agency heads more accountable for their agency's performance.

More Extensive Multi-Year Financial Plans -- This legislation would require submission along with the Executive budget of a three-year fiscal plan, to be updated 60 days after a new budget is adopted. The Executive would also be required to submit an estimate of the fiscal impact of the Executive Budget on local governments.

Ensure Executive Budget Addresses Only Fiscal Matters -- Recent court decisions have made it possible to unilaterally alter laws that under normal circumstances could not be changed without consent of the Legislature. The 2004 Court of Appeals decision, as evidenced by the 2006 Executive's Budget actions, have distorted the balance of power between the Governor and the Legislature. The Court has given the Executive the power to stretch existing statutes to accommodate a Governor's budget plan, and to also completely rewrite and create wholly new statutes as part of an appropriation bill. This constitutional amendment would prohibit non budgetary legislation in a budget bill, and must be passed for a second time in 2007.

CONTROLLING SPENDING, ELIMINATING DEFICITS, REDUCING GAPS:

Adopting Only Balanced Budgets --

This constitutional amendment would require the Legislature to estimate the fiscal impact of any additions to the Governor's Budget and to identify sources of revenue for such additions, in a manner to be determined by law. First passage in both houses was in 2005; second passage is required in 2007.

Rainy Day Fund -- To reduce the need for long-term borrowing in the event of an economic downturn, this legislation increases the Rainy Day Reserve Fund by 250 percent, from two to five percent of State Fund spending, excluding federal funds.