



STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

**State Comptroller Thomas P. DiNapoli's Prepared Remarks  
Rightsizing New York Government  
Albany Institute of History and Art  
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Good afternoon. Let me start off by thanking The Empire Center for New York State Policy and the Center for Governmental Research for hosting this discussion about New York's fiscal future.

Your focus on rightsizing New York government is a most timely and challenging topic. It boils down to the simple concept of fiscal responsibility and achieving budgetary discipline at a time of budget deficits and economic recession.

It's a subject I've addressed in the two budget reviews I've submitted since I became comptroller – early in 2008 at the start of the financial meltdown and back in 2007, the last year of the happy days of outsized revenue expectations and significant spending increases for state programs.

Now, as someone who served in the legislature for 20 years, you could label me a reformed sinner when it comes to fiscal responsibility. Well, so be it. I was raised to believe confession is the first step on the road to redemption.

In times like these, we all need to get fiscal religion.

So, I'd like to talk about three things today. First, I'll to recap how we got to where we are.

Second, I'd like to lay out a few proposals for savings and efficiency in state programs and some proposals for budget reform.

And last, I'd like to present a framework for real change in the way state government provides the services New Yorkers need.

It's not news to anyone in this audience that New York has a long, not-so-glorious tradition of budget shortsightedness. Our budgets make spending commitments for future years that aren't sustainable. We have, even in good times, not lived within our means.

We have created spending plans without full consideration for future costs. We've relied on too many gimmicks, such as one shot revenues and overly optimistic revenue estimates. And we have used debt as a surrogate for wealth.

Since fiscal year 2002-03, the State has relied on more than \$21.5 billion in one-shots to balance the budget. Ongoing costs were paid for with one-time revenues, creating built-in shortfalls for future budgets.

Some of our budget sins were absolved by an overheated economy, particularly with respect to Wall Street revenues that grew like there was no end in sight.

But in 2008, the meltdown in the real estate and financial markets laid bare past mistakes and the recession sent revenues plummeting.

You know the numbers. The state deficit will reach at least \$1.6 billion for the current fiscal year ending in March.

Next year's deficit is expected to reach at least \$12.6 billion and the cumulative deficit for the three-year period through 2010-11 could go beyond \$30 billion.

This fiscal year, personal income tax receipts are expected to grow by only \$256 million, or 0.7 percent. Compare that to last year's growth rate of 5.7 percent, and you can see the impact this decline is having.

And 09-10 looks worse. Personal income taxes are expected to drop by 3.4 percent. Business taxes are projected to decline by 6.8 percent this year and rise only slightly in 2009-10.

Our Wall Street report released last month found the financial crisis could cost New York State and New York City 225,000 jobs and \$6.5 billion in tax revenue over the next two years. The report is available on line. I hope you'll take a moment to read it. It's a reminder of just how vital the financial services industry is to the State's economy.

The economic recession, brought on by the ongoing crisis in the national and global financial markets, halted growth in state revenues. But the truth is, the state's financial weakness has been developing for years. The point is: our troubles didn't start when Wall Street collapsed.

Wall Street was the explosion, but the fuse was lit years before.

And now the crisis has presented New York with a serious budget challenge.

Governor Paterson is right. To meet this challenge everything should be on the table. The governor is also right that before we start talking about new taxes, we must address the spending side first.

I was hopeful when the governor called the Legislature back to Albany shortly after Election Day. Unfortunately, no action was taken to close the gap in this year's budget and to get a start on what's ahead.

It was a lost opportunity, a missed chance to get things moving.

Next week, the governor will release his budget proposal, well in advance of the statutory deadline. All stakeholders will have ample time to analyze, debate and possibly improve upon what will no doubt be a budget proposal built on tough choices.

As the debate on next year's budget proceeds, there are a number of actions that can be taken right now that would generate savings. These actions could save the State hundreds of millions of dollars through fiscal year 2009-10. Most of these actions don't require legislation. They are basic, good management steps.

We could start by collecting the millions loans owed to the state by public benefit corporations.

That's \$197.3 million we've identified that the state should start to collect right now.

And we should reduce the number of consultant contracts and establish performance goals for the consultant contracts we do utilize.

We could also achieve significant cost savings by starting to minimize redundancy by consolidating agency administrative functions like payroll, voucher payments and IT services.

When you're talking about rightsizing state expenditures, you also address the need for greater accountability. The comptroller's office has a clear role in advancing accountability.

I have directed my staff to step up audits focused on cost savings, operational efficiencies and identifying opportunities to maximize state revenue.

For instance, we're looking hard at Medicaid. Shortly, I'll be releasing an audit that looks at the Department of Health's underutilization of eMedNY, the system designed to catch fraud and errors in Medicaid billing.

Earlier this year, our auditors found a dentist in Brooklyn who billed – and was paid for pulling 32 teeth from the same patient in the same day.

Another dentist drilled and filled –and billed for – more than 50 teeth in one patient's mouth – again, all in one day.

The human mouth has only 32 teeth in all, so there must be some pretty interesting dental patients out there.

These claims were processed and paid because the health department didn't effectively use eMed.

These individual cases may not seem like a lot of money. But in these difficult times, our mantra must be that every dime counts, especially when they're taxpayer dimes.

And we should take some other steps at this time of fiscal challenge to reform our budget process to bring long term financial stability to the state.

For too long, state budgets have been approved with spending and revenue decisions that have been narrowly focused on current year impact. There's little or no focus on out-year spending plans.

New York needs to clearly identify parameters of affordability and we need to, on a multi-year basis, align spending with available revenue.

Today, the financial plan includes estimates of future budget deficits or surpluses. But there's no requirement to address how those future budget shortfalls will be taken care of.

Our budget process should be amended to require that budget gap projections be accompanied by a plan to close the gap. We also need to make the budget more transparent and understandable so that taxpayers can review the impact of budget decisions.

I've tried to promote transparency by posting financial information about the state and local governments on Open Book New York, our recently launched, easy to use website.

But we need to drill deeper into the budget details to empower citizens with relevant information so they can be a part of state policy debates.

Every appropriation in every budget bill, and every project in the capital plan should carry accompanying cash disbursement estimates. This will allow for open comparisons of budget bills with financial plan documents that are updated throughout the year, as well as comparisons with actual results reported by my office.

These budget reform ideas are focused on bringing discipline and accountability to the budget process. However, the budget process is only one responsibility of state government.

The real opportunity for change is how we provide the services funded by that budget.

Lincoln once said “The legitimate purpose of government is to do for the community of people that which they cannot do so well for themselves.”

I think we’ve lost sight of that purpose. In too many instances, we’ve added so many layers of programs on top of each other that we’ve lost sight of what those programs are trying to accomplish.

If we were building a new structure to provide government services, there’s no one in this room who would build the model we have in place in New York State today.

Let’s not just talk about right sizing New York state government. Let’s talk about bringing a new focus on how New York State government serves its citizens.

Medicaid spending for 2009-10 could exceed \$46 billion. Included in that \$46 billion are any number of worthwhile programs focused on children. But there are similar programs within the Office of Children and Family Services, the Department of Education, and other state agencies.

Parents confronted with a child with special needs will be dealing with an alphabet soup of agencies and programs --Medicaid, mental health services, juvenile delinquency prevention, educational services...

Each separate service requires not only individual caseworkers, but individual files, individual computer programs, individual sets of paperwork, individual processing...

Dealing with a child with special needs on this kind of fragmented basis not only costs more, it raises concerns about the state’s ability to provide every child with the best possible care.

This isn’t just a human services concern. There are similar examples in every virtually sector of government.

Another example: there are more than two dozen agencies and authorities that support or implement capital projects in New York State. There’s no prioritization, no coordinated long range plan among all those agencies and authorities.

Last year I proposed requiring a comprehensive capital plan for the state. This approach would have the added advantage of making sure our state is ready for President-elect Obama’s infrastructure investment plan. Unfortunately, we still don’t have a statewide capital plan.

How many different economic development programs do we have? Are they coordinated, interactive? Do they avoid redundancy?

The bottom line is, we need to strip away the layers and reexamine government from the perspective of the citizen. New York’s government must begin, in this time of crisis, not only to manage the budget to live within our means, but to begin the process of bringing government back to its original mission.

Real reform would realign agency spending programs with the core purposes of those agencies. I’m proposing we look at every service government provides and examine those services from the perspective of our customers, not our agencies.

I don't mean just one stop shopping, I mean a customer based, outcome driven government, all with an eye toward making sure the ends are the focus of the means.

I don't pretend to have the complete roadmap. But I know New York cannot keep doing business as usual, because New York State doesn't have the dollars to pay for business as usual.

Obviously, there will be tough decisions ahead for the state and the country. The state is facing diminishing resources and struggling to find cost savings in all areas of the budget.

We have to avoid temptation and avoid the budget gimmicks and the bad borrowing of the past to fix our current problems. We need to set parameters of affordability and then stay within those spending parameters.

We also need to refocus our efforts on helping our citizens, clarifying our mission and focusing not on pieces of a particular problem, but the whole problem. And even in times of fiscal crisis, we cannot abandon our most vulnerable citizens - the elderly, the disabled, our children. Those are the people who rely on the government most.

I believe in Abraham Lincoln's "legitimate purpose" for government. But that legitimate purpose and fiscally responsible behavior are not mutually exclusive goals.

Let's do what we can right now. Let's find those immediate savings, let's make those reforms to our budget process. But let's take advantage of the opportunity for change and broaden our vision of government.

Let's set bigger goals. Let's build a better model of government that recognizes fiscal realities and still remembers what the legitimate purpose of government is.

Thank you.