

**A See-through Budget
For the Empire State**
*Promoting Responsibility
Through Transparency*

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Professor Lachman, other distinguished faculty of Wagner College, students and visitors:
Thank you for this opportunity.

I am honored to be here at Wagner. Indeed, I am especially honored to speak under the auspices of the Hugh L. Carey Center for Government Reform. For any student of New York State's political and economic history, one of the more gratifying developments of the past ten to fifteen years has been the growing consensus — across party and ideological lines — that Hugh Leo Carey deserves to be recognized among the greatest governors that New York has ever had.

If there is one word that sums up Governor Carey at his best, it is *leadership* — the kind of leadership we saw both during *and* after the fiscal crisis of the mid-1970s, which could easily have sunk the two New Yorks, city and state.

We saw that kind of leadership on display again in the fall of 2005, when Governor Carey emerged from retirement to play a very visible role in the campaign to defeat Proposal One, the Legislature's so-called "reform" amendment to the state Constitution that many of us felt would have gutted key provisions of New York's Executive Budget law. At a conference sponsored by the Manhattan Institute, the former governor warned that the amendment would deprive future governors of the power they would need to deal with future fiscal crises. And he concluded: "For God's sake, if you love New York, don't let Prop One become law." The voters listened, rejecting the proposal by a large margin.

Proposal One really represented the worst of all worlds: it would have significantly strengthened the legislature at the expense of the governor *without* injecting more transparency or accountability into the budget process.

The events of the past twenty-four hours, culminating in the resignation of Governor Eliot Spitzer and the inauguration of Lieutenant Governor David Paterson in his stead, obviously have

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created a different political context for this talk that any of us would have imagined a few days ago. Yet after the briefest of interruptions, the work of state government must and will go on. After all, the state fiscal year has not changed — a new one begins April 1, just three weeks from today.

And so, with perhaps the briefest of pauses, the final stage of New York's state budget negotiations is about to unfold in Albany. The Assembly and Senate have prepared their own "one-house" versions of appropriations and revenue bills. Legislative conference committees will convene to resolve differences — or, perhaps to put it more accurately, they will convene to make speeches while the Speaker, the Majority Leader and their staffs haggle behind closed doors. Ultimately, the leaders will seek help in brokering deals from whoever occupies the governor's office.

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Last year's budget process took us into depressingly familiar territory. At a crucial stage less than two weeks before the end of the fiscal year, Governor Spitzer declared a good budget was more important than an on-time budget. This was an encouraging development — for, in truth, the budget "deadline" matters very little.

Unfortunately, a week or so later, the governor changed his mind and decided that an on-time budget was what mattered most. And so, in the final week of March, there was mad rush to seal the three-way deal. The Senate and Assembly and their overworked staffs spent the last hours of March — voting on bills whose most important details were, in many respects, unclear at best.

So much for everything changing from "day one."

This year's budget will be negotiated in more worrisome fiscal and economic climate. Beneath the headlines that were claiming our attention yesterday, the Dow Jones index sank to a two-year low, reflecting continuing anxiety on Wall Street about fallout from the credit market turmoil, slumping employment and other signs that we may already be in a recession.

So the stakes of this year's budget process — the impact on our ability to weather economic conditions ahead — are particularly high.

But the secrecy surrounding the end of the budget-making process is only part of the problem. In fact, the opacity of the budget process is the *least* of the problem.

Too much information about the spending of taxpayer money by every level of government in the Empire State is needlessly obscured from us *all year round*.

And so, at the risk of disappointing you — and, even worse, disappointing Seymour Lachman — I will not focus today on how to improve the budget process. Instead, I will suggest a more ambitious transparency goal: the ongoing, real-time, public disclosure of *all* state and local government financial activity — including *all* expenditures, *all* contracts and *all* grants and loans made with our money.

Until relatively recently, the kind of real-time transparency I am talking about would have been unthinkable. Even if the city of New York had been willing to, in effect, share its checkbook register to anyone who asked to see it, you'd need your own multimillion-dollar mainframe to read the computer tapes, and a team of programmers to reformat them first. Of course, if you couldn't afford the mainframe or the programmers, you would need a warehouse in which to store the piles and piles of continuous feed, Z-fold computer printouts the city would hand you every

week. And then you would have to spend the rest of your life leafing through the pages.

But the power of the Internet and desktop computer technology now found in most households — and virtually every public library — has effectively eliminated the excuse for governments to maintain any wall between citizens and detailed information on the spending of their tax dollars.

And around the country, elected officials of every political stripe are beginning to tear down those walls.

A major breakthrough in this area came last year when President Bush signed the Federal Funding Accountability and Transparency Act. Sponsored by Republican Senator Tom Coburn of Oklahoma and Democratic Senator Barack Obama of Illinois, the law creates a Google-like search engine and database tracking some \$1 trillion in federal grants, contracts, earmarks and loans. The Web site already up and running at www.federalspending.gov — using a software application purchased from the private, non-profit group OMB Watch, which had already been doing much of the same disclosure.

Inspired by the Coburn-Obama bill — or in some cases anticipating it — we see a growing number of states going further. Indiana was the first to post an online list of all state contracts, pursuant to an executive order signed by Governor Mitch Daniels back in 2005. Bills to expand transparency based on the Coburn-Obama principles are pending in more than a dozen other states, as well.

So far, the states of Alaska, Texas, Kansas, Missouri and Minnesota have done the most to share information on state expenditures and contracts over the Internet. For clarity and ease of use, my favorites are the Kansas and Missouri sites. Their addresses are:

- + www.kansas.gov/kanview
- + <http://mapyourtaxes.mo.gov>

In New York, of course, the most significant step forward for transparency has been Attorney General Andrew Cuomo's Project Sunlight, a searchable Web-based public database (www.sunlightny.com) of political contributors, lobbyists and government contractors.

When Blair Horner, of the attorney general's staff, spoke here at Wagner College last fall about Project Sunlight in a presentation sponsored by the Carey Center, he naturally focused on tracking campaign contributions and lobbying expenditures. But Project Sunlight also provides an informative glimpse into one small, previously clouded corner of the state expenditure universe — legislative "member items," which are New York's version of the pork barrel expenditures known in Congress as "earmarks," and which now total nearly \$200 million a year. Thanks to Project Sunlight, you can search member items by reference to recipient, sponsoring legislator, or county — and you can also easily jump to information on file with the Attorney General for charitable and non-profit groups receiving state funds.

Project Sunlight is a significant achievement for which the attorney general deserves a lot of credit. But it is just a start.

The good news is that New York State Comptroller Thomas DiNapoli has indicated that he, too, is committed to sharing more financial information with taxpayers. The comptroller's involvement is especially important — because he ultimately maintains the state government's

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accounts and pays its bills. Indeed, if the comptroller were sufficiently committed to this concept, he could begin to implement it entirely on his own.

Now, the goal here is not simply transparency for its own sake. Universal, Web-based, real-time disclosure of expenditure details can have practical added value as a deterrent to would be rip-off artists in and out of government — like the mid-level state bureaucrat who was charged last year with misdirecting funds to pay for a lavish lifestyle that included a fleet of vintage Corvettes.

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Web posting of contracts and expenditures would transform New York taxpayers into a mass army of auditors, including hundreds of smaller platoons at the local level. For example, it is unlikely that school officials in Roslyn, Long Island, could have embezzled \$11 million over a period of several years if their extravagant expenditures had been regularly exposed to local residents concerned about their property-tax bills.

An effective Accountability and Transparency Act for New York would create a searchable Internet database of all groups getting funds from state agencies and public authorities, including the purpose of each grant and the names of sponsoring legislators. Taxpayers could also download a complete list of government contracts, linked to copies of the contracts themselves, including collective bargaining agreements with unions.

The state comptroller would also be required to develop a system for quarterly online posting of all expenditures on an agency-by-agency basis, including the legislature and judiciary. And when I say all expenditures, I mean *all* — right down to items like the new carpet in the mayor's office.

But, again — most importantly — these requirements would not be limited to the state government. It should ultimately extend to every level of government — county, municipal, school districts and special districts. The largest local governments, starting with the City of New York, would go first.

Again, to make sure this is clear, I am not just talking about government budgets, appropriations bills or financial statements, although these are important in themselves. Nor am I talking about performance measures — although these are important in their own right as a management and accountability tool. I am talking about sharing near real-time information with taxpayers on how their money is being spent.

Fortunately — and thanks in part to Governor Carey — New York has a strong foundation to build on in our state Freedom of Information Act, which was signed into law thirty-one years ago. The FOIL law creates the presumption of public access that is the basic prerequisite for true transparency in government.

New York's FOIL statute is a model for other jurisdictions — and this is due in no small measure to the fact that, when enacted back in 1977, the law also established an oversight agency, the Committee on Open Government. Even better, the Committee has been headed for the most of the past thirty years by the same exceptionally able, honest and effective public servant — the aptly named Robert Freeman. Building on this example, once a solid transparency and accountability law is enacted in New York, the state should also establish an oversight agency to provide assistance and monitor compliance.

Is all this level of transparency a hopeless dream? Not at all. Under the circumstances, there are grounds for optimism that such a law can make it through the Albany sausage machine.

Consider, for example, what has been happening the last few years in the area of member items. Up until the mid-1990s, these expenditures could be tracked as line-items added to the governor's budget by the Legislature — although you would still have no idea who was sponsoring the appropriation, or its purpose, or the background of the entity receiving it.

But in the late 1990s, the individual line items disappeared — replaced by a lump sum appropriation to be divvied up in a private “memorandum of understanding” between the governor and the leaders. For a few years, comprehensive information on member items simply was not available. Then, in 2006, both the *Albany Times Union* and my organization, the Empire Center, obtained copies of the memorandum from the Budget Division. We posted three years of worth of lists prominently on our Web site, and were immediately deluged with thousands of hits from across the state. Calls for more disclosure picked up steam around the state.

Governor George Pataki then vetoed the member items for fiscal 2006-07, along with billions of dollars in other spending additions by the Senate and Assembly. The legislative leaders got ready to counter him with a quick veto override in each house.

Then something unprecedented happened. One of the legislative minority leaders announced he would withhold votes necessary to override Pataki's vetoes until there had been full disclosure of member-item details. This essentially forced Senate Majority Leader Joseph Bruno and Assembly Speaker Silver to agree that more details of discretionary member-item funding would in the future be routinely disclosed prior to the approval of the budget.

The minority leader who brokered that agreement was someone whose name will soon be more familiar to a lot of you: David Paterson.

It is too early to predict how the new governor will approach the pressing and complex budget issues he inherits. But Governor Paterson's record indicates that he is a friend of transparency and accountability in government — so there, at least, there is hope for further improvement and reform.

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