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**TESTIMONY BEFORE
NEW YORK STATE JOINT
LEGISLATIVE FISCAL COMMITTEES
REGARDING
GOVERNOR'S 2009-10 RECOMMENDED STATE BUDGET**

**SUBMITTED
Thursday, January 22, 2009**

ALBANY, NEW YORK



On behalf of the City of Buffalo, the second largest city in New York State, I am pleased to present to you our budget message and priorities for your consideration as part of the 2009-10 New York State Budget.

My testimony in many instances mirrors my testimony of the past three years. Albany, if you give us the tools, we will give you the results. One needs only to look at our record: overall crime in Buffalo is down by 12% over the past two years, and most significantly, homicides are down by 50% since 2006. Investment is up, with \$4.3 billion in public and private sector development completed, in progress, or planned. And, Buffalo is being recognized as an arts and tourism destination; with AmericanStyle Magazine placing it number 1 in its top 25 mid-sized cities arts destinations, the New York Times placing it in their top 44 travel destinations worldwide, and the National Trust For Historic Preservation listing it as one of its 2009 Dozen Distinctive Destinations. People are moving back into downtown Buffalo and many city neighborhoods are once again in demand. In fact, in 2007, the American Planning Association named the Elmwood Village as one of America's top 10 Great Neighborhoods.

My 2009-10 budget priorities for your consideration are:

1. State Authorization for New Sources of City Revenue—specifically authorization for a red light camera system, dedication to the city of 100% of the local share of Buffalo's Seneca Creek Casino, and eliminating Albany's practice of taking a share of locally generated revenues, for example, state requirements that the city share with the state nearly half of the costs of all marriage licenses it issues. A list of these revenues is attached to this testimony.
2. Extending to Buffalo, the third poorest city in the nation, the Governor's recommendation for a "Say Yes to Education Program", to provide Buffalo City School students greater access to a college education.

3. Restoration of a \$2.5 million reduction in Buffalo's efficiency grant, appropriated by the legislature in 2007-08 to aid Buffalo in its fiscal recovery.
4. Preservation of components of the Empire Zone program designed originally for hard hit urban areas, like Buffalo, to revitalize their urban cores.

My message to you over the past three years has been simple: give us the tools and we will make our City one of the best places in the nation to live, work, raise a family and visit. While the State has been generous with state aid, my call for resources over the past three years that would lessen our city's dependence on state aid has yet to be answered. As a result, Buffalo continues to face a precarious fiscal future without the recurring revenue sources to address our structural imbalance, which in times of state fiscal stress, like today, makes the city vulnerable and hinders our continued fiscal recovery. And, of critical importance, it prevents us from being able to invest in programs that will lift Buffalo from its standing as the third poorest city in the nation.

I am once again calling on you to help lessen the City of Buffalo's dependence on state aid. We have done our share. With budget growth consistently under inflation, we have made tough choices and tightened our belts. Our workers have sacrificed by going, in some cases, nearly seven years without a raise, and doing more with less as their workforce numbers have been reduced by over 25% since 2000. We have implemented scores of efficiency measures and have put in place rigorous accountability tools such as CitiStat Buffalo, to ensure that we are delivering city services in as cost-effective and efficient manner as possible.

Let's look at the numbers: recently Buffalo's control board put together some statistics comparing our budget with Rochester, Yonkers, Syracuse, and Albany that I would like to highlight for you.

- Buffalo's employee levels are the lowest among these cities with 9.5 employees per one thousand residents (as compared to Albany with 14.2 per 1,000;

Rochester with 13.5 per 1,000; Syracuse with 12.5 per 1,000, and Yonkers at 10 per 1,000).

- Buffalo's per capita spending is the lowest as well with spending of \$1,210 per resident (as compared to Yonkers with spending of \$1,742 per capita; Rochester with \$1,731 per capita; Albany with \$1,723 per capita; and Syracuse with \$1,604 per capita)

Yet, despite our conservative spending practices, we continue to face structural challenges because the fiscal paradigm New York State imposes on its cities, other than the City of New York, does not provide a sufficiently diversified revenue stream.

The state authorizes very few revenue sources for cities outside of New York City other than the property and sales taxes. Buffalo, given its struggling economy, cannot raise property taxes and it receives a disproportionately low share of the locally generated sales tax (less than 12% compared to nearly 25% in Rochester and 34% in Syracuse), which means it captures little of sales tax growth. Consequently, if state aid fails to increase annually, the city does not have the recurring revenue required to fund inflationary costs such as employee health care costs or collectively bargained salary increases for its employees.

This year's Executive Budget reduces the city's actual and anticipated state aid by \$18.9 million. This figure includes a proposal to freeze local aid at current levels, marking a \$15.2 million loss in anticipated aid. In addition, the budget as proposed would reduce our CHIPS (Consolidated Highway Improvement Program) funding by \$1.2 million and reduce by \$2.5 million the efficiency grants the state allocated to Buffalo in 2007 assist in its fiscal recovery.

The City of Buffalo is required, under the terms of the state imposed financial control board to produce balanced four year financial plans that require approval by the Buffalo

Fiscal Stability Authority (BFSA). The city will be hard pressed to find resources to fill the \$18.9 million gap in state aid without substitute revenue sources.

Recurring revenue, some of which is contained in the Executive Budget submission, is imperative. The most important of these are authorization to install a red light camera system and to allow Buffalo to receive the full share of its locally generated casino revenue.

The city provides the services, such as fire, police and sanitation to support the casino and was the only party to the contract negotiated with the Seneca Nation of Indians to operate the casino, not the county. In fact the county took a leadership role in the litigation to prevent this casino from operating and, because of this, the project is at risk. Should this casino be prevented from operating, hundreds of jobs for Buffalo residents will be lost and the city will lose an important source of revenue.

As for red light cameras, I cannot understand why the state would deny the City of Buffalo the authorization to install this system when it has already been given to New York City.

State imposed mandates is another area challenging our continued fiscal recovery and I would ask that no additional mandates be imposed.

It is worth repeating: Buffalo is the third poorest city in the United States, surpassed only by Detroit and Cleveland. The City of Buffalo, as well as the federal, state, and county government, has a responsibility to invest in policy interventions that will help reduce the levels of poverty. I was heartened by Governor Patterson's proposal to fund a "Say Yes to Education" pilot program in Syracuse and am urge you to include Buffalo in this pilot. This program, joint public/private partnership with Say Yes to Education Inc., will provide full scholarships to Syracuse City School District high school graduates. It must be extended to include Buffalo. Study after study shows the more education our youth have, the more likely they are to lift themselves out of poverty and

the less likely they are to engage in criminal activities. I urge you not to leave behind Buffalo's youth by excluding it from this initiative.

An important tool we have used to revitalize our economy has been the Empire Zone Program. While I understand the need for reform, I ask the Governor and the Legislature to consider the importance of this program on upstate cities as you reform it. Unlike New York City, we struggle for demand for residential and retail development in our downtowns and urban neighborhoods. Development simply does not happen without incentives.

The City of Buffalo and many of its development partners, led by the Buffalo Niagara Partnership, urge state officials to understand a few basics:

- 1) Businesses need predictability. Changes midstream in the Empire Zone Program, after companies have been admitted to the program and made corresponding investments in NY State under one standard, the 15:1 cost-benefit ratio, and now facing a rescinding of those benefits by retroactively changing the minimum ratio to 20:1 sends a chilling signal locally and nationally that New York State is unsafe for investment because its programs are unpredictable and its agreements unreliable.
- 2) Encourage an alternative to sprawl. Central cities in New York State cannot compete with their suburbs and ex-urbs without support. The Empire Zone Program is, by far, the differentiator for businesses to consider Buffalo versus other sprawling locations. To repopulate cities with businesses and the residents who follow, there must be an incentive and I ask you to consider the original intent of the program in revitalizing highly distressed urban areas.
- 3) Address the market differences: Upstate cities, like Buffalo have profound differences from downstate, predominantly low market demand and legacy built environments that require developer incentives to rehab and eventually house business tenants. Any changes in the program must address these differences. It costs about

the same to rehab an historic building in downtown Buffalo as in Manhattan, but the rents and sales prices in Manhattan can cover the expenses and provide a return on the developer's investment. Prices in Buffalo require the extra subsidy, without which, development simply will not happen and historic building after historic building will be demolished by economic disuse, further burdening all levels of government.

4) Retention of manufacturing should be fast tracked. It's far easier to retain a company than to recruit one. Incentive programs should not leave out the most valuable existing business base in central cities. In fact, their economic multiplier and impact should give them "fast track" status. Any reform of the Empire Zone program should recognize that incentives alone will not attract the desired sector recruitments. However, Empire Zone benefits (much more so than comparatively meager city and county programs) could ensure companies with national options (like General Mills or Honeywell in Buffalo) continue to see value in their legacy locations. Export-oriented, high multiplier companies (which includes any manufacturing) should qualify and be certified quickly.

Finally, I ask for the restoration of \$2.5 million in efficiency grants appropriated to Buffalo to make necessary investments in technology and programs that would improve government efficiency and save money. With this cut, we are being penalized for our fiscal prudence. Instead of hastily spending the funding quickly on initiatives without the proper due diligence, we spent the money slowly on projects that were thoughtful and well-developed. New York State should not reward us for this by cutting the funding we have saved for future initiatives such as installing GPS in our snowplows and garbage trucks. By allowing us to more efficiently deploy these vehicles we will save hundreds of thousands of dollars in gasoline and unnecessary salting. Without the restoration of this funding, we will be hard pressed to install this system and begin to accrue the resulting savings.

I must address one final issue---our fund balance. Our tough budget choices have allowed us to keep our spending levels the lowest among the other big four upstate

cities and enabled us to set aside surplus funds to create a rainy day fund which has given Wall Street and its credit raters the confidence we deserve as demonstrated by our three successive credit upgrades and to help us weather the economic storm ahead.

Before our critics reflect on the City's surplus as an indication that Buffalo is doing so well that it does not need help, it is important to understand where this surplus comes from: unnecessary deficit borrowing by the Buffalo Fiscal Stability Authority that was unused and subsequently rolled into our fund balance, extremely conservative budgeting, and, importantly, a wage freeze that has made many of our city workers go nearly five years without any salary increase.

In conclusion, let's once again look at the numbers:

- Buffalo is the third poorest city in the nation
- Buffalo has the highest rate of vacant and blighted property in the state
- Buffalo has less police officers per capita than any of our peer cities in New York State
- Buffalo has the lowest per capita spending among the big four upstate cities
- Buffalo has had to cut its workforce by 25% since the beginning of our state imposed control period in addition to our extraordinarily long public employee wage freeze

Despite our progress, our challenges are great. We have the responsibility of rebuilding our neighborhoods and our business districts. This requires costly investments in infrastructure, such as shovel ready sites for new development, business parks, and streetscapes. We continue to operate under a control board. Many of our City workers continue to go without contracts or raises, demoralizing our workforce and contributing to a litigious climate where lawsuits trump negotiations. Like any urban center, we fight crime, gangs, drugs, and guns. And, with all of these pressures, we also take the responsibility upon ourselves to fill certain gaps in our social safety net by supporting community based organizations and creating employment opportunities for our youth,

so that they may learn job skills and earn money that helps them and, in many cases, their families while they struggle to stay in school and become productive members of our society.

We cannot solve these problems alone and rely on New York State for its support. Once again, give us the tools to help ourselves and we will continue to show the results.

Thank you for the opportunity to present this testimony.