

**MAYOR BYRON W. BROWN  
CITY OF BUFFALO, NEW YORK**

**TESTIMONY BEFORE  
NEW YORK STATE JOINT  
LEGISLATIVE FISCAL COMMITTEES  
REGARDING  
GOVERNOR'S 2006-07 RECOMMENDED STATE BUDGET**

On behalf of the citizens of Buffalo, New York, I am pleased to submit this written testimony to the joint fiscal committees of the New York State Legislature. This testimony is delivered in response to the Governor's recommended 2006-07 New York State budget.

When Governor Pataki introduced his budget on Tuesday, January 17, 2006, I anticipated recommendations that would reflect the Governor's recognition of the continuing struggles of the upstate economy, particularly in urban centers like Buffalo.

As the state's second largest city, I expected the Governor would announce new programs and initiatives that would at last recognize that Buffalo is making significant, permanent progress to reign in costs, while still maintaining critical service delivery that our citizens expect and need.

To some extent, the Governor's recommended 2006-07 budget achieves that expectation, but there are critical shortfalls that must be corrected if Buffalo is to achieve the level of competitiveness and fiscal stability its citizens desire.

While I appreciate the Governor's desire to accelerate Efficiency Incentive Grant funding ("EIG") that was originally authorized in 2005-06, I cannot accept the Governor's recommendation of dividing the first \$20 million installment of those funds in the current fiscal year by granting \$18 million for use in Erie County and only \$2 million in the City of Buffalo.

These monies, ostensibly targeted to encourage cost savings measures in the county and the city, would be distributed in a highly inequitable fashion. In fact, it is my position that the Governor's EGI proposal is inadequate. The City of Buffalo should get a larger, not smaller share to allow me to jumpstart the changes that are needed in City Hall.

The electorate has called for change in government and I am prepared to deliver in my first term, but I must have the resources to implement initiatives like CitiStat, which requires extensive technology upgrades and training. This would then achieve the original intent of the Efficiency Incentive Grant effort.

For those willing to examine the situation more closely, there can be little doubt that the City of Buffalo has engaged in significant cost-cutting and belt-tightening efforts, the cumulative effect of which has been a more stable and predictable fiscal environment. There is a wage freeze, a hiring freeze and the city workforce has declined significantly and it will likely decline further.

But these efforts alone are not enough.

Buffalo needs increased State support and additional sales tax revenue. Despite considerable cuts, consolidations, mergers, re-engineering initiatives and new revenue streams, Buffalo has been unable to stay ahead of economic trends that have sapped this community of its wealth while increasing costs beyond our ability to pay (e.g., pension, health care and utility costs). In order to change the structural nature of our budget problems, Buffalo must receive new recurring growth revenues and win relief from State imposed restrictions that drive labor negotiations and increase the cost of service delivery.

With the introduction in the State Assembly of a bill (A.9461) sponsored by Assembly Majority Leader Paul Tokasz and co-sponsored by Assembly members Sam Hoyt, Crystal Peoples and Mark Schroeder, the City of Buffalo, and other Erie County municipalities, may after 21 years benefit from sales tax revenue that has been denied annually.

The proposed Assembly legislation that will provide for a more equitable sharing of the "special" one percent sales tax can help establish a local response to a continuing problem. If Monroe County can share 34% of the sales tax with the City of Rochester and Onondaga County shares 37% with the City of Syracuse, why does the City of Buffalo only receive 16%? Simply, this is a fairness and regional stability issue.

We intend to continue to ask Albany for the assistance we need and deserve, but we will work hard to earn it and will do all that is possible at the local level to make your help go much further.

As my administration continues to put in place policies and reforms that will contribute to the city's rebirth, I have established a good working relationship with the Buffalo Fiscal Stability Authority's chair, Brian Lipke and his fellow board members. It is my goal, however, to end the Authority's as soon as possible.

An important way to assist Buffalo is to increase the city's tax base. The great news on Friday, January 20th was the state, represented by Speaker Sheldon Silver, Senator Dale Volker, Ambassador Anthony Gioia (representing Governor Pataki) and members of the Western New York State Legislative Delegation, had reached an agreement on the distribution of \$44 million dollars originally appropriated for the defunct Adelphia office tower project in downtown Buffalo. With this three-way agreement, the \$44 million will now be distributed to seven important development projects across the city – all of which have the potential to generate additional revenue for Buffalo.

We will continue to do our best to help both small- and medium-sized companies stay, as well as lure big ones. But yet again, we need tools.

The Governor's general governments provisions of the 2006-07 Executive Budget are also important steps in the right direction. The recommended increases in AIM funding are much needed by Buffalo as we face ever-increasing health care, pension, and now, utility costs.

I look forward to the development of proposals on a statewide basis that address the continuing escalation of health care costs. To combat this trend, the City moved to a single health care provider for all members of the City workforce. This initiative saved \$6.1 million in 2004-05 and, despite the fact that healthcare costs continued to rise, reduced out-year costs by over \$10 million annually.

My administration has moved aggressively to develop and implement programs and initiatives that are designed to reduce costs, create greater efficiency and maintain service delivery throughout the city.

It is my priority to implement the CitiStat management tracking system that will hold all city department personnel responsible for their daily activities on behalf of the citizens of Buffalo. It is my expectation that once the system has been fully implemented, the city will realize annual costs savings, which can be re-invested as necessary.

In addition, I have restructured the city's economic development functions, placing the Office of Strategic Planning and the Department of Permits and Inspections under a new Commissioner of Economic Development and Planning. This reorganization is designed to provide greater predictability, reliability and efficient response to potential developers and investors in Buffalo.

Within the Executive Department, I have created two Deputy Mayor positions – one for administration; the other for operations. In each instance, I expect greater communication, stronger management and, ultimately, better service for the citizens of our city. In Buffalo, we will maximize our resources and improve the overall function of city government. If the state is looking for a model of reengineering local government, you need look no further than Buffalo.

The new Aid and Incentives for Municipalities ("AIM") funding proposed for 2006-07 and beyond is intended to help high need communities with low per capita real property values. Buffalo is indeed a high need community.

Between 1998-99 and 2005-06 the City lost over \$2.6 billion in taxable value due to the devaluation of property located within the City limits, both commercial and residential. This is one of the most dramatic declines in value recorded in New York State in at least the past 30 years. This loss of value carried with it a reduction in the City's ability to levy property taxes. Our maximum Constitutional taxing power dropped by over \$50 million, annually.

Another important goal of the AIM program is to reduce the cost of employee health care. Health care reform has been a main, and contentious, topic of negotiations with the City unions for years.

And so with programs like AIM, the Governor's recommended budget contains some, but not all good news for the City of Buffalo. Indeed, I am troubled with the budget's net reduction in school aid to the Buffalo public schools.

According to the school district, the Governor's recommended allocation of \$433 million represents a net decrease in funding of \$1.4 million. Essentially, the Governor recommends

cutting statewide \$278 million in funds that would reimburse school districts for 2005-06 expenditures; this obviously will hurt all school districts, but particularly dependent school districts like Buffalo.

In order for the city to move forward, it must have an educated workforce that can meet the needs of employers either based in our community or looking to establish their businesses here. It stands to reason, therefore, that state appropriations to the school district, especially now, should be increased not decreased.

As Dr. Williams stated last week, "A reduction in funding will not move our students forward."

Having done so much with so little for so long, we were gratified when the State included increased aid to municipalities in last year's budget. The State, to the credit of the Western New York State Legislative Delegation, understood that Buffalo could not meet its financial obligations without this increased support.

The \$13.1 million provided by the State in 2005-06 was sorely needed by Buffalo to address increased pension, health care and utility costs and to avoid deficit borrowings. With these funds, the City of Buffalo was able to wean itself off Buffalo Fiscal Stability Authority ("BFSA") deficit borrowings two years earlier than contemplated in the BFSA enabling legislation.

As some of these fixed costs continue to rise unchecked, Buffalo will need additional support in 2006-07 and beyond. I thank the state Legislature and the Governor for all the support that has been provided to the City of Buffalo in the past.

I now ask that the Executive and the Legislature support critically important new funding and reforms designed to strengthen Buffalo and supplement our continuing effort to restore the city's competitiveness and economic viability.

As a member of the State Senate for five years, I understand your statewide challenges, but now as Mayor of the state's second largest city, a city still facing many challenges, I urge you to consider the fair and equitable allocation of state resources to assist Buffalo achieve greater fiscal stability and economic viability.

Thank you.