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**Testimony of Ronnie Lowenstein
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To the Charter Revision Commission**

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Thank you for inviting me to join you today in a discussion of how the City Charter should be changed in anticipation of the expiration of the Financial Emergency Act (FEA) in 2008. While there are many issues that arise from the expiration of the act, there are two key matters I will focus on: the critical nature of maintaining a structure that fosters ongoing budget management and the importance of access to budgetary information.

The budget process currently laid out in great detail in the City Charter is essentially focused on adopting a budget for the coming fiscal year. However, the Charter has much less to say about what happens after the year's budget is adopted. As the Mayor's budget director, Mark Page, observed in his testimony to this Commission in December, the Financial Emergency Act created a fiscal planning and management structure over and above the budget process outlined in the City Charter—a structure that is less concerned with the essentially political act of adopting a budget, and more with the ongoing management of the city's financial condition, both during the budget year and with a longer-term planning horizon.

Many aspects of the FEA structure have become firmly embedded in practice and in the expectations of everyone with a stake in the city's continued fiscal well-being. It would serve the city well to continue these practices by incorporating them into the Charter. I want to briefly highlight some of what we think are the most important aspects of the financial planning and oversight functions created by the Financial Emergency Act and by the Financial Control Board (FCB), both in law and in practice.

The structure has several important elements:

- First, a four-year Financial Plan. This rolling four-year plan, continuously updated, helps ensure that the future fiscal consequences of decisions made today are taken into account.
- Second, quarterly modifications to the Financial Plan. The quarterly mods—which have become more or less integrated with budget modifications approved by the City Council—help ensure that the city is continually minding the store once the annual budget is adopted, aligning expenditure needs with available revenues.
- Finally, a year-end balanced budget test. The Charter currently only requires that the budget be balanced at adoption. Under the FEA, the city must show that it also finished the fiscal year without a deficit of more than \$100 million—just two-tenths of a percent of the city's roughly \$50 billion budget.

The benefits of the current arrangement are widely recognized and agreed upon. These provisions could be incorporated into the Charter budget process to create a comprehensive framework, not just for adopting a budget, but also for managing the city's fiscal condition on an ongoing basis to ensure that we continue to live within our means, as we have now for nearly a quarter century.

Another element of the FEA structure and process that has been at least as important—but less often recognized—is the Financial Control Board's access to the information necessary to carry out its functions. The Financial Emergency Act gives the FCB broad access to financial information, authorizing it to acquire whatever records and reports from the city it “deems necessary or desirable” to carry out its functions; the information must be available on a schedule that meets FCB's needs. The control board dictates the form and content of Financial Plans and reporting. Moreover, this information is made publicly available.

In effect, the act makes the FCB and its staff a partner on an equal footing with the Mayor's office in oversight of the city's financial condition. A number of practices have grown up as a result, including the institution of the quarterly “PEG” monitoring meetings, and the (probably far more useful) Education Task Force meetings. These meetings were created at the request of FCB, and when one administration tried to end the practice, the control board insisted that the meetings continue. The FCB has set the standard for reporting and information on the city budget condition, on a more or less real-time basis—and it is authorized under the act to require the city to provide *whatever* information it thinks it needs to perform its oversight functions.

One could argue that the success of the FEA structure has been due at least as much to the control board's access to information as to the threat of reimposition of a control period. This access enables it and others to form a sound, independent judgment about the city's financial condition, which has been crucial to maintaining the confidence of investors, citizens, and elected officials alike.

Based on this experience, it will be vital to replicate on the local level this strong right of access to information after the expiration of the Financial Emergency Act. It has been a crucial element in the sound fiscal management the city has exercised through five mayors, one sweeping restructuring of city government, and multiple business cycles. Whatever comes after the FEA expires, it must be possible to ensure that the standard set by the FCB for budgetary information and reporting is upheld and continued, and that the ability to undertake an independent evaluation of city finances is protected.

There are a number of other important issues stemming from the expiration of the Financial Emergency Act. Each of these issues, such as city debt practices, rainy day funds, and budget presentation, are worth considerable discussion as well. Thank you again for inviting me and I would be glad to answer questions on any of the issues you are considering today.