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January 14, 2010

Hon. David A. Paterson  
Governor  
Executive Chamber, Capital  
Albany, New York 12248

Dear Governor Paterson:

I write responding to your blueprint for state agency consolidation. I commend your efforts to undertake these reforms which will help make New York State more fiscally sound. As you said in your State of the State message this is a “winter of reckoning.” With that in mind I would like you to consider even greater comprehensive agency consolidation. In a letter I sent to your office in October several ideas were proposed that have been incorporated into your blueprint; the consolidation of the Office of Homeland Security and State Emergency Management Office, reform of the corrections and criminal justice systems that would lead to greater savings, and improvements in the state’s electronic communications and technology offices that could reduce the budget while creating greater efficiency. I urge you to consider the other recommendations I made as well as an additional set of proposals. In order to bring our state into long-term fiscal order every agency and office must be given its due consideration for possible consolidation.

In the attached document there are a number of proposals for reducing the state budget and bringing reform to the process. These include some ideas which I presented to you before, such as a moratorium on pork barrel spending and dramatically reducing the number of authorities in New York State. Others are new suggestions which call for additional agency consolidations and a reduction in the number of SUNY/CUNY campuses.

As you put your finishing touches on the Executive Budget that will be delivered to the legislature next Tuesday, I hope you will consider expanding your blueprint to include many of these ideas. We must go further in taking steps to reduce the cost of government in New York and eliminate the bureaucracy of duplicative state agencies. Thank you for your consideration of these proposals. I would be happy to discuss these ideas in great detail with your staff, so please feel free to call.

Sincerely,

SAM HOYT  
MEMBER OF THE ASSEMBLY

## *I. Agency Consolidations:*

**Department of Environmental Conservation, New York State Energy, Research and Development Authority, Office of State Parks, Recreation, and Historic Preservation and NYPA into Department of Environment, Parks and Energy:** Merging NYSERDA, OPRHP and potentially NYPA with DEC would create a synergy of purpose shared by these agencies and authorities. In this functional consolidation we would combine the Department of Environmental Conservation with the New York State Energy Research and Development Authority and the Office of Parks, Recreation and Historic Preservation. Innovative research on energy conservation and environmental protection can be coupled together. Allowing OPRHP to be a major partner in this new agency would foster greater improvements, efficiencies and increased environmental protections of our valuable state park resources. This move should result in cost savings and improved mission resources.

**Department of Transportation and New York State Thruway Authority:** Merge the Department of Transportation and the Thruway Authority. Both of these agencies service road systems across the State. Merging these two entities would achieve economies of scale and reduce costs.

**The Canal Corporation and the State Office of Parks, Recreation and Historic Preservation:** The State Canal Corporation is a component of the State Thruway Authority, I propose divesting it from the Thruway authority and merging the Canal Corporation into Parks. While originally intended to be commercial, it is now largely a recreational tourism attraction. I propose seating it where it would be best administered, over privatizing it outright.

**NYS Division of Lottery and New York State Racing and Wagering Board:** A possible area for efficiencies is to merge the New York State Racing Wagering Board with NYS Division of Lottery. The consolidated agencies would oversee all regulatory functions of the New York State Racing and Wagering Board and the Lottery Division. Merge New York State's six regional Off Track Betting Corporations. The consolidation is designed to avoid duplication, attract new capital, modernize facilities and potentially generate more revenue for the state while saving taxpayer dollars.

**NYS Office of Mental Health, Office of Mental Retardation and Developmental Disabilities and Office of Alcoholism and Substance Abuse Services with NYS Health Department:** This proposal would create one agency in NYS for all health related programs by combining the state Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities and the Office of Alcoholism and Substance Abuse Services under the umbrella of the NYS Health Department. Instead of breaking down health related programs into separate specialized state agencies or departments, this proposal would blend the services offered by OMH, OMRDD and OASAS under the state Health Department providing a more cohesive system of health related services that meets the needs of all New Yorkers.

**NYS Banking Department and the NYS Insurance Department into the State Department of Financial Services:** Both the NYS Banking Department and the NYS Insurance Department are responsible for strict supervision and regulation of their respective departments. This proposal would merge both departments under a new entity that would be called the Department of Financial

Services. This new department would enable the staff of two separate departments to interact more freely providing the necessary expertise in both the financial and insurance industry under one roof for greater economy of scale.

**Public Service Department:** The Public Service Department has a budget of \$83 million and covers a wide range of services and activities. Many of these can be consolidated within existing agencies, offices or departments that already possess the staff, informational infrastructure and expertise to successfully carry out these functions in an efficacious manner. While retaining all regulatory and telecommunications duties, all other functions of the Public Service Department should be allocated to either a new Department of Environment, Parks and Energy that I proposed above or NYSERDA and NYPA. Either course of action would create substantial savings in administrative costs, would focus funds on research and energy efficiency (thereby creating an even greater long-term savings) and help ensure that a reformed Public Service Department can focus on a few areas with greater efficiency and diligence.

## *II. Specific Agency Cuts:*

**Office of Medicaid Inspector General:** Consolidate the Office of the Medicaid Inspector General with the Attorney General's Medicaid Frauds Control Unit (MFCU). The Inspector General's office was established in 2006 in order to help save the state money by decreasing the amount of Medicaid fraud and waste. While this is certainly a laudable goal, it instead has diluted federal funds dedicated to preventing waste, created an additional bureaucracy and created an additional expense for state government that it can today ill afford. The Inspector General's office has a budget of \$92.2 million, comprised of state and federal funds. The \$52.2 million in federal dollars sent to this office, should be allocated to the MFCU, as well as an \$8.5 million for additional investigators and attorneys. This will result in a savings of \$32.1 million.

**Consumer Protection Board:** This agency handles consumer complaints and mediates consumer disputes; promotes consumer education and fraud prevention and represents consumers in utility rate cases. The agency received \$5.1 million in 2008-2009 budget, \$.3 million came from the general fund and \$4.8 million came from special fund sources. I propose that we shift statutory obligations to the Attorney General. Currently, the Office of the Attorney General devotes a significant portion of its resources to consumer protection and advocacy.

**Division of Human Rights:** The Division is responsible for enforcing the State's civil rights law which affords every individual the opportunity to a full and productive life in the areas of employment, housing, public accommodations, education and credit. The Division budgeted \$21.6 million in 2008-2009, \$14.7 million of which came from the general fund. The work of the Division is very important and should not be left behind. As a cost cutting measure, I suggest merging it into the office of the Attorney General.

**New York State Racing and Wagering Board:** I suggest merging this organization with the Division of the Lottery. In addition, the State should halve the \$101,000 salary of its members.

**Governor's Office of Regulatory Reform:** This office was created by Governor Pataki in 1995. The 2008-2009 budget allocated \$3.8 million all from the general fund. We should eliminate the

office entirely and have the Governor's office take over its responsibilities.

**Office of the State Inspector General:** The office was restructured in 1996 by Governor Pataki and is primarily responsible for developing anti-corruption policies and investigating allegations of public corruption. The Office received \$7.1 million from the General Fund. The essential responsibilities of this office are already performed by the Attorney General and the Comptroller. Therefore, this office should be eliminated.

**State University of New York:** SUNY and CUNY are important assets to New York as well as the nation. The research they undertake, the quality of education they impart and communities they enrich have had a positive impact on New York. Unfortunately, New York can no longer continue to sustain all of the universities, colleges, centers and community colleges that it currently supports without substantial change. I recommend that a joint, bi-partisan review committee be established in order to identify campuses that the state should offer a path to privatization to or potentially restructure in some way. New York State can save \$50 million by overturning a decision that initiates the financing of three additional law schools in NYS. This is an unnecessary new taxpayer expense we cannot afford. New York State already has top quality law schools in the SUNY system including one in my district, the University at Buffalo Law School. The CUNY system also has a law school in Queens. The addition of these new law schools, underwritten by borrowed money, is an unnecessary expansion at the wrong time.

**Unemployment Insurance Appeal Board:** Cut in half the \$101,600 salary of its six boardmembers.

**Commissioners of the NYS Liquor Authority:** Cut in half the \$90,800 salary of its board members. Since there are only three members it does not make sense to halve the number of members on the board.

**Workers Compensation Board:** Cut in half the \$90,800 salary of its board members and limit the number of board members to six, down from eleven.

### ***III. All Agencies:***

**Eliminate Wasteful Public Authorities:** Last year you submitted Governor's Program Bill #30, a bill I carry in the State Assembly and Senator Flanagan carries in the Senate, which calls for the dissolution of dozen of public authorities across New York State. In addition to this bill I also sponsor a bill (A.3659) that would shrink the number of Industrial Development Agencies. In Western New York, we have two separate authorities that control four bridges mere miles apart – the Niagara Falls Bridge Commission and the Buffalo and Fort Erie Public Bridge Authority. All of these entities add costs to the bottom line paid by the State and its taxpayers. Eliminating as many of these as possible should be a starting point to budget cutting strategies.

**Eliminate Duplicative School Districts:** Last year I introduced a bill to create a "Commission on School Districts for the 21st Century" aimed at saving taxpayer dollars by shrinking the cost of school administration. This legislation, modeled after the Berger Commission on Health Care, would study consolidating the State's hundreds of school districts and then direct the commissioner of education to effect these consolidations. Currently, while there are 62 counties in the State, there are more than 600 school districts. That's too many. We can achieve great savings in administrative

costs by shrinking this number.

**Restrict Use of Consultants:** Studies from Wisconsin and New York suggest that contracted employees add to the bottom line faster than using in-house staff for services. The State should consider a temporary halt to agency utilization of unnecessary consultant contracts until such time as the State's conditions improve.

**Smart Growth:** As a state we have foolishly squandered resources by inducing sprawl. The enactment of policy-level strictures which tie agency public infrastructure expenditures to Smart Growth principles would help to minimize, and in some cases eliminate, waste caused by poor management and a clear lack of centralized goals.

**De-Authorization of Procurement Cards and State Credit Cards:** State government should lead by example. The practice, initiated during the Pataki years, of giving procurement cards or credit cards to State employees to make purchases was bad policy then and it is still bad policy today. Internal controls, accountability and a procurement processes are all safeguards against wasting public dollars. Procurement cards and government-issued credit cards help to sidestep these important procedural safeguards. The state should de-authorize the use of taxpayer funded credit cards or procurement cards to make purchases.

**Creating an "Energy Budget" and Entering Into an Enterprise Energy Contract:** I am impressed with Office of General Services Commissioner John Egan's efforts to limit energy use at the Empire State Plaza. It has paid great, reportable dividends. It makes sense that we as a State create an "Energy Budget" for all state agencies, authorities and other entities. This way the State can start to get a handle on its own energy usage. Another possible energy saving idea is to prepare a Request for Proposals for an enterprise-level energy contract. An enterprise level energy contract would have energy products offered via contract with OGS – and allow that state authorities, state entities and local governments be allowed to purchase off the contract. This expanded bulk purchasing could provide for discounts. Such a contract could have a not-to-exceed price that would be capped and could, if properly managed, save the State and localities millions of dollars.

#### *IV. Revenue Enhancements*

**Creating Rational Tuition for SUNY:** As the Co-Chair of the SUNY Alumni Legislative Caucus, I have seen that our State University campuses need help. One idea which has been advanced is the idea of rational tuition, and indexed tuition plan that will help keep the cost of SUNY low while increasing its potential for revenues each year. Rational tuition will also take the pressure off State government to subsidize our great universities, thereby freeing up funds for other purposes.

**Divest or Lease Space on State Fiber and Data Center:** The State has two great assets that are currently under utilized, the State's statewide fiber optic network and State Data Center. Both of these assets could either be divested or leased out to help defray costs to the State.

**State Board of Elections:** The Board executes and enforces all laws relating to the Election Law. Its budget was \$22.3 million last year, \$9.3 million of which came from the general fund. Currently, the Board enforces financial disclosure requirements and assesses fines for those committees who fail

to file timely. These fines ought to be higher than they are now and should be assessed for each day a filing is late rather than one set fine no matter how late. I support the idea that those who repeatedly file late, or not at all, should be assessed a stiffer penalty as well. This would not only add a revenue stream but encourage compliance with deadlines that are routinely ignored. A setup fee for new political committees should be established and an annual maintenance of effort payment to make the Board self sustaining.

### ***V. Legislative Expenditure Cutbacks***

In light of all the sacrifice we have identified above, some might ask what the legislature intends to put on the table. In keeping with the idea of cutting back on costs in a time of crisis I propose a two-house, two year moratorium on legislative initiatives, discretionary spending capital spending, member and committee newsletters and related communication costs. Member newsletter notifications could be achieved by electronic means thereby saving millions of dollars in legislative spending. However, this cost saving measure would have an absolute pitfall if only imposed on one house. It is clear that like other cost saving measures, we will all need to feel the pain if we are truly serious about addressing New York's budget crisis. Therefore, this concept will only work if both houses agree to them limitations.