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The Public Ought to Know: Why we should pay more attention to city budgets

By Corey Bearak



It's that time again. I'm not talking about the elections that just passed. I'm referring to City Hall which begins to focus on the city budget. The budget not only determines how much and the quality of municipal services we receive and how effectively they get delivered. It, in effect, determines city policies.

Laws often require resources for an agency or several agencies to carry out their mandates. The budget, its adoption and any subsequent changes, remain our municipal elected officials' most significant responsibility. City residents only focus on the budget when a service gets cut or a tax increased. Decisions get made throughout the year and the public must stay informed and make their priorities known.

This month or next, the mayor may submit a mid-year modification to the budget the City Council adopted last June. Our city budget must legally remain balanced; mid-year adjustments aim to keep our budget out of the red. The city faces a state takeover of its finances if it fails to pay its bills.

In the face of projected deficits in the budget the city adopts next June - in the middle of an election for mayor and City Council - the mayor directed 3 percent budget cuts to city agencies. The cuts would not apply to our schools or to city funding for City University programs (since the mid-1970s fiscal crisis, CUNY became state run).

However, public safety agencies such as Police and Fire Departments

received no similar exemption from the cuts. The mayor expects to save \$300 million this year over the last six months of this fiscal year which ends on June 30 and double that amount (\$600 million) the next fiscal year which begins July 1, 2005. The cuts will become part of the "PEG," which is the acronym for the Program to Eliminate the Gap, a regular feature of city budgets.

PEG routinely, as past columns have noted, features cuts to our libraries as well as many senior and youth programs funded through allocations included in the budget that allow elected officials discretion to direct funds to programs and services. To their credit, our council members and borough presidents, who allocate these relatively meager sums, maintain many core senior and youth services that the city either under-funds or overlooks.

Sometimes, after funding by an elected official gets a program started, it grows and begins to qualify for and receive city agency funding. Funding from agencies generally gets base-lined (maintained as is) in the budget each year and when cuts occur, the impact is less hurtful. Cuts to programs funded by the borough presidents and council members often represent a disproportionate share of any PEG, much more than the proposed 3 percent the mayor currently directs.

The Queens Borough Public Library seeks to baseline the restoration to cuts the mayor proposed but the council restored during this year's budget negotiations. The library also seeks to restore over \$8 million in further cuts. Forty-six Queens branch libraries no longer open weekends. 14 branches open one weekend day; only the Jackson Heights and main Flushing and Jamaica Libraries are open seven days.

Mayor Bloomberg also abandoned plans to use pay-as-you-go expense budget funds for school construction borrowing. This "saves" \$200 million a year for five years. If any projects proceed through borrowing, we'll pay more later.

For much of the past two decades, the city faced projections of enormous budget deficits after somehow managing to adopt a balanced budget for the current year. The city often used devices such as one-shots or projections of state or federal aid, or projected productivity from anticipated agreements with organized labor.

Think of one-shots as somewhat unexpected gifts that tide you through a personal crisis. But in city budgeting it often involves a sale of property, taking a city agency private or savings from the refinancing of bonds. The planned sale of Off Track Betting Corporation often plugged a gap in the city's budget during the administration of Mayor Bloomberg's predecessor. The city still operates OTB.

In part to meet my continuing legal education requirement, I attended "The Changed World of Corporate Governance" at Hofstra University School of Law - my alma mater. As I took notes on the fiduciary duties of corporate CEOs and boards of directors - including the fraudulent accounting practices that brought down Enron - I saw analogies in municipal finance.

If a corporate CEO approved a financial statement that included items not at all real to balance a budget, they just might face an indictment if found out (see the Sarbanes-Oxley Act). Why not apply strict corporate accountability to public budgeting?

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