

**OPERATING BUDGET
JOINT COMMITTEE HEARINGS
FINANCE AND FINANCIAL SERVICES COMMITTEE
WAYS AND MEANS & BUDGET**

Minutes

The joint Operating Budget Committee Hearing of the Finance and Financial Services Committee, the Ways & Means Committee and the Budget Committee was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on **October 24, 2002**.

MEMBERS PRESENT:

Legislator Michael J. Caracciolo - Chairman
Legislator Andrew A. Crecca - Chairman
Legislator Lynne C. Nowick
Legislator Ginny Fields
Legislator Jon Cooper
Legislator David Bishop

ALSO IN ATTENDANCE:

Ed Hogan - Aide to Legislator Nowick
David Ryan - Aide to Legislator Nowick
Barbara LoMoriello - Aide to Legislator Cooper
Clark Gavin - Presiding Officer's Office
Dr. Thomas Conoscenti - Budget Office
Dr. Paul Kukasovic - Budget Office
Bob Bortzfield - Budget Office
Jan Moore - Budget Office
Ken Knappe - Budget Office
Lance Reinheimer - Budget Review Office
Jim Spero - Budget Review Office
Tim Motz - Democratic Caucus Aide
Sheriff Alfred C. Tisch - Suffolk County Sheriff's Office
Undersheriff Donald S. Sullivan - Suffolk County Sheriff's Office
Chief Allan Otto - Suffolk County Sheriff's Office
Deputy Warden Joseph Rubacka - Suffolk County Sheriff's Office
Thomas Isles - Planning Department
Kathy LaMonica - Board of Elections
Nancy Plompen - Board of Elections
Betty Mangella - Board of Elections
Wallace Broege - Suffolk County Historical Society
Diane M. Stuke - Deputy Treasurer
Eleanor Seidman-Smith - American Red Cross
Diana Amarosa - American Red Cross
Stacey Romeo - American Red Cross
Thomas B. Williams - Cornell Cooperation Extension
Marcia Spector - SNAP
Phyllis M. Garbarino - AME

Janet Walerstein - Child Care Council of Suffolk
Leila Zogby - Cornell Cooperative Extension

MINUTES TAKEN BY:
Ana Grande- Court Stenographer

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CHAIRMAN CRECCA:
Please stand for the pledge of allegiance.

(SALUTATION)

CHAIRMAN CARACCILO:
Chief Otto.

CHAIRMAN CRECCA:
And just for the record too, let the record reflect that Legislator Haley is at the doctor this morning and, therefore, has an excused absence. Probably a psychiatrist. That was a joke.

CHAIRMAN CARACCILO:
Let me take this opportunity to welcome back to the horseshoe and the auditorium Suffolk County Sheriff Al Tisch and his staff who made a, a very impassioned plea yesterday to the Legislature to restore positions in the Department so as to avoid a number of problematic issues that the Department has dealt with over the years and to increase staff.

And so, Sheriff Tisch, since I and some of the members who are present today heard the complete presentation, and in the interest of brevity, we would appreciate if you could just highlight and summarize the key points that the members of this -- of these committees should be cognizant of.

SHERIFF TISCH:
Thank you very much, Legislator Caracciolo. Good morning, Andrew Crecca, Legislator District Number 12. Good morning Lynne C. Nowick, Legislator District Number 13.

As Legislator Caracciolo mentioned, I was, in fact, before the Public Safety Committee yesterday and I presented my report on the fiscal 2003 operating budget request from the Sheriff's office. Following the presentation, the document which was read into the record by me containing twelve pages of information was circulated to those members of the Public Safety Committee who present. That document as modified will also be circulated here today.

I do not wish to belabor the issues that are before the Legislature at this time vis-a-vis the Sheriff's Office, but I must tell you in response to my requests to bring the Sheriff's Office into the 21st century, up until very recently, my pleas seemed to have been falling on deaf ears.

Those of you who know me, know my history as a public servant, know that I very, very infrequently make any public statement. It has not been my style to do so. However, I am here making public statements because I think it's the only way that these very, very important issues will actually get the consideration that they need.

It's unfortunate that I came into office on January 1st at a time when the exuberance of the late 90's with regard to budget surpluses had come to a screeching halt. I found myself confronted with an aging infrastructure, a severe lack of manpower resources, an overtime

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budget going out of sight and an economy that was headed south. All of these, unfortunately, have worked against my vision to update, to enforce and to strengthen a very, very important branch of our County government.

Public safety is an issue that has been, shall we say, brought to the forefront by what just went on in the DC area. I don't think there's anyone, any citizen in this country that feels as secure today as they did a year ago. I think the situation has become an imperative, that we commit the resources that are necessary in order to provide for the health, safety and welfare of our citizens. Certainly, law enforcement agencies deserve to have the financial support necessary by whatever means to provide our citizens with that safety and security.

To that end, I will tell you this, unlike some other branches of government where services can be curtailed, delays can be accomplished, people can moan about it, but still get on with their lives, law enforcement is not one of those areas.

Therefore, the services that are mandated to be rendered by my office will be rendered. Let's not misunderstand my point here, we will do these things. The choice is very simple. Are we going to do them with individual bodies or are we going to do it on overtime?

Our overtime budget was predicated upon new hiring. Not only did the County Executive's budget not provide for new hiring, it emasculated our Department by eliminating positions that were already filled.

We had members of our office participate in the early retirement

initiative. Other branches of government in the County also had that. Unfortunately, in the Sheriff's Office, we cannot allow those vacated positions to remain vacant. What we have been doing for the last several months is forcing our employees to work on overtime in a very hostile, stressful environment. It is not safe, it is not healthy and it can't go on.

I am asking that those positions be restored, I'm asking that appropriate funding be put in place so that we can avoid the excesses of overtime that have been endemic to the Sheriff's Office for many, many years.

As a matter of fact, as you may be aware, we're about to graduate from the police academy a class of twenty-six Deputy Sheriff recruits. It was the first hiring that took place since 1999. We have asked for ten additional recruits to be placed into a class commencing November 12th. If this does not happen, we have every reason to believe we will not be able to hire Deputy Sheriffs until 2004, since it is likely that there will be no Suffolk County Police Department class conducted next year.

When we put those twenty-six recruits into the academy, we were able to effect a huge savings for the County. When we received information that approximately fifty percent of the recruit class were, in fact, already certified police officers, most of whom had been New York City Police Officers, we took the initiative, modified the academy training

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schedule for these officers, thereby putting them on to the work force almost four months sooner than they would have been. This resulted in approximately two hundred and fifty thousand dollars in overtime savings.

This has been determined to be such a cost-effective measure that the Suffolk County Police Department is currently looking into this cost reduction strategy for their future classes.

We have not been asleep at the switch. We have been doing what is necessary to bring this under control, but we cannot do it alone. We are so short staffed in Corrections, we have sixty-two vacancies, the Commissioner on Correction insists that we hire fifteen more above that sixty-two just to bring us into minimum staffing compliance.

We have been fielding correction posts on overtime. Our officers' staff was depleted by one third. We have had those positions eliminated. It has forced us to require Lieutenants to work eight hours after eight hours. They're tired, they're irritable, it's unsafe, we can't continue to do it.

As of day after tomorrow, I'm going to have to declare an emergency and I am going to have to issue direct orders compelling people to work in my correctional facility. I can't keep doing this. These people are human beings, they have lives, they have families, they can't be required to work eighty, ninety hours a week.

That's the side of this overtime issue that the public doesn't see, how it effects the health and safety within the facility and on the streets. It's unfair to these people to ask them to continue to do it. I'm imploring you, please take the time to consider my requests.

We have a doomsday date of November 4th for our Correction class, we have requested thirty-five positions. It's far short of what the Commission requires. It's the only pool that we have left out of the existing list, which will expire on November 11th. If we don't fill those positions and put those people into the academy, the list expires, we will not be able to certify the new list until next summer, which means we would have a shortage of Correction Officers continuing up until November of next year, which would mean we will not have a new Correction Officer body in that facility until November. All of those posts from this day till then, one whole year, will be filled on overtime.

CHAIRMAN CRECCA:

Sir, are you saying -- my understanding is that I know last week the -- you know that it's already authorized in the 2002/2003 budget, the thirty-five deputy -- I'm sorry, Correction Officer positions in the new class. I was told last, about a week ago from the County Executive's Office that there was a possibility that the SCNS were not going to be signed. It's my understanding from conversations with the union leaders and The Correction Officer's Association and after a meeting with some key County Executive people yesterday or the day before, I should say, that he is going to sign those SCNS for the thirty-five. Is that your understanding?

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SHERIFF TISCH:

I have not received anything officially. Kind of like what's happening in Montgomery County in Maryland, they know they've got them, but they're not admitting it.

CHAIRMAN CRECCA:

Sheriff, you know --but you are aware of the fact that we've authorized that from a budgetary point of view and there has been no speak as of yet in some of, among individual Legislators, I can assure you as Finance Chairman, I'm sure that Legislator Caracciolo will confirm this as Budget Chairman, of eliminating those thirty-five

positions from the 2003 budget.

SHERIFF TISCH:

I understand that, Legislator Crecca. However, although we can only hire thirty-five, and those positions are already funded for this year, that will still leave us a shortfall. We need seventy-seven Correction Officers. If I had available bodies to put into a Correction Officer class, I would ask for all seventy-seven. I know I can't get that, but we do have to look to the 2003 budget to make certain that there is sufficient funding for the next class that I need to hire in 2003.

CHAIRMAN CRECCA:

When do you want to hire that class and how many do you want to hire.

SHERIFF TISCH:

Our list presently expires on November 11th. Once that list expires and a new cert is handed to us, we will begin to screen those people. We believe that we can have that class ready to go in June. If you subtract thirty-five from the seventy-seven we're going to need, we're talking about another forty-two positions in 2003, beyond what I'm hopefully going to hire next week.

CHAIRMAN CRECCA:

Okay. What, if any, savings do you think we would actually realize in 2003 with overtime costs? One of the large concerns among Legislators in speaking of the Sheriff's Office, and I'm, I'm very empathetic to your situation and, like you said, you have mandatory staffing requirements and all, but in the same respect too, overtime expenditures have exceeded those that are budgeted.

And it's my understanding, and if I'm wrong please correct me, that you've overspent the allocated amounts in the budget. I don't know how that's done, because it violates --

SHERIFF TISCH:

It's true.

CHAIRMAN CRECCA:

-- it violates the charter is my understanding. And I'm not, I'm not saying this in a critical way of you, I'm not trying to criticize you, but it is of concern that we have -- at this point we have no control over the overtime costs. And if we authorized new positions, what kind of savings can we expect in overtime, number one, so that we can actually see what the actual cost is to us? And number two, is, you

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know, do we have any assurance that you'll stay within the budgetary

amounts.

SHERIFF TISCH:

Let me address one issue first and foremost. When we plan for how much overtime we are going to need, it's predicated upon full staffing to the level at the time that we're making that projection with the assumption that as we have lost people, we will be able to rehire. That has not been the case. We have sixty-two vacancies existing in Corrections today. Those positions were not, were not planned for to be backfilled on overtime, but they are being backfilled on overtime.

Another point, as posts within the Correction facility are increased because of special classification problems, for instance, suicide watch people require one Correction Officer eyeballing you twenty-four hours a day on the other side of the bar. That's not necessary if you're in general population.

Every time we have Mental Health Wards expanded within that facility, and suicide watch, there was a point three weeks ago when we had thirty-seven people on suicide watch. It's driving us crazy, because we have to put "X" number more Correction Officers on scene in that tier twenty-four hours a day.

These things are things that you can't comprehend. As the jail population goes up, the staffing requirements within the facility go up. As you know, we are so overcrowded in that facility, it's bursting at the seams.

I can tell you this, we have undertaken since day one a survey of all of our manpower needs within the facility within the Deputy Sheriff's Division as well Corrections. We have a Task Force that is working as we speak that has been tasked to visit every single command and to take an objective, serious view of the posts and assignments to see where we can pare back, where we can control things to a greater degree than we've been able to do so far.

We're serious about this. This is something that we will continue to pursue every single day during this administration. But I implore you, please, this document which we presented is an absolute mandatory document. It will -- it will perhaps allow us to do the job and to grab a hold of the out of control overtime situation.

CHAIRMAN CARACCILO:
Sheriff Tisch?

SHERIFF TISCH:
Yes.

CHAIRMAN CARACCILO:

We'll get copies?

CHAIRMAN CRECCA:

I don't know if I got a copy of it. I probably did in my Legislative office, but if you have an extra copy, I'll take that today.

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SHERIFF TISCH:

Yes, absolutely. Chief Otto just brought something to my attention.

CHAIRMAN CRECCA:

Thank you.

CHIEF OTTO:

We have a figure. For every new officer that's hired, there will be a savings in overtime between fifty-eight and to sixty-five thousand dollars a year, a savings in overtime.

CHAIRMAN CARACCILOLO:

That's the point I wanted to really focus on, because I think the case has to be made that if you hire replacement officers or officers to replace those who have retired or have left service for whatever reason, you have obviously a shortfall. You say seventy-seven Correction Officers and how many Deputy Sheriffs?

CHIEF OTTO:

We have thirty-one vacancies right now.

CHAIRMAN CARACCILOLO:

Right. One of the problems I think my colleagues are aware of, but don't fully understand sometimes is that when the Legislature authorizes positions, as we often do, and those positions are not filled, the needs you have are not met. And that's been one of the most frustrating parts of our job, is that we fund positions in the County budget and they're not implemented.

Now, unfortunately, we don't have much control over that. In fact, we have no control over that. And I think one of the reluctancies becomes whether it's the Sheriff's Department or other County departments or agencies, time and time again, I can think back to CPS, Child Protective Services, where's the Legislature because of a crisis there authorized positions and those positions took months and months and months to fill.

And this can no longer be tolerated, particularly in the Sheriff's Department. You are not the first Sheriff that's come before this Legislature in the last decade and complained about the need for manpower resources. And I think you make a very cogent case when

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talk about the cost effectiveness, not only in terms of dollars and cents, but on the wear and tear of the people who work for the County and who work for the Department.

We have a moral responsibility to make sure that when they go home at night they can go back and live a normal life with their families and not take everything that's dished out at the facility home with them, because then that, that incurs other costs, both mental, physical, emotional and psychological and financial. And we see those costs exercised in other areas. So, it's as I've said many times before, penny wise and pound foolish.

And I don't know why, Sheriff Tisch, you have met with the same frustration as your predecessors in trying to have the Department properly staffed. I think the numbers you just shared with us, Chief

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Otto, are very, very significant and I would implore you over the next four or five days before the budget comes up for a vote next Tuesday, to get that information out to each and every Legislator, because no one with a clear conscious can justify not providing the additional staff needs with evidence like that.

SHERIFF TISCH:

We have one matter that I brought to the attention of Public Safety yesterday, and that is the history of permitting vacancies to remain unfilled and a bean counter saying, "look how much we're saving by delaying filling those positions," when at that very moment that that statement is being made, those positions aren't vacant, they are filled on overtime. And then at the end of the year when it's printed at Newsday, look at how much the Sheriff's Office spent on overtime, I didn't bring that about, I don't have my hand on the purse strings, I can't hire a single, solitary soul unless the people on the west end of the County give me the authority to do it.

Now, you have done that. Unfortunately, there has been a disconnect. That can't continue to occur. When I have a vacancy that is funded by your Legislature, I need to hire to fill that position immediately. It can't be delayed, because every moment that it's delayed, it's being filled on overtime.

CHAIRMAN CARACCILO:

Al, one of the other things I wanted to get into that you mentioned yesterday that was very significant were as you pointed out then, pardon me, there is thirteen million dollars budgeted for overtime next year, and you indicated you will need at least twenty-two million unless you have replacements?

SHERIFF TISCH:

It was fifteen million, which was put into the budget at our request to cover overtime predicated upon positions being filled. If they're not filled, there will be a shortfall of approximately seven to eight million dollars in overtime.

CHAIRMAN CARACCIOLO:

Okay. Now, if we take that seven or eight million dollars in overtime, and forget all of the other costs that I've already mentioned, the psychological, the emotional, the physical and the financial costs to the employee and the County, how many additional employees does seven million dollars permit?

SHERIFF TISCH:

It was approximately a hundred positions. That's Deputy Sheriffs, Correction Officers and civilians that are presently being filled on overtime that we had asked to hire. A large part of those were positions that were funded for 2002, people retired and those positions have not been filled and a large number of those were cut by the County Executive out of the 2003 budget.

CHAIRMAN CARACCIOLO:

Now, what explanation have you received? I mean you're an elected official like we are, what explanation have you received, what justification have you been provided as to why these positions have

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not been filled?

SHERIFF TISCH:

Because we have to feel the pain.

CHAIRMAN CARACCIOLO:

Excuse me?

SHERIFF TISCH:

We have to feel the pain.

CHAIRMAN CARACCIOLO:

Someone told you the Sheriff's Department has to feel the pain?

SHERIFF TISCH:

Every branch of County government was going to feel the pain.

CHAIRMAN CARACCIOLO:

Well, I'm not aware, A lot of the departments --

SHERIFF TISCH:

We were asked to prioritize, Legislator Caracciolo. We indicated to them, in Public Safety you can't prioritize how many positions we don't need, because we need them all. And we were told we were arrogant and greedy. Well, I'm sorry, we're still filling those positions, but we're doing it on overtime. Somebody just didn't get the picture.

CHAIRMAN CARACCIOLO:

I mean this isn't rocket science, we all know how to add and subtract. We're going to have budget people come up here later and this is one of the lines of questions I want to pursue with them, but I don't want to take your time away and I don't want to take Committee members' time away, so I hope they'll prepare some reasonable explanations as to why they are pursuing actions like this.

SHERIFF TISCH:

Before I leave, I just wish to remind you, I think I mentioned that the Suffolk County Police Department is conducting a class commencing November 12th. We have requested that we be given the hiring authority to put ten Deputy Sheriff recruits into that class.

Our fear is that if we don't do that, we will not be able to hire a Deputy until 2004. Since they spend six months in the academy and three months in field training, those people would not be on the street until the fall of 2004.

LEG. NOWICK:

I was going to say Judge. Sheriff --

SHERIFF TISCH:

Yes, Legislator Nowick?

LEG. NOWICK:

Just, I want this to go on the record, what you're trying to do and what your team is trying to do is to make that Sheriff's Department

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there the premiere Sheriff's Department in all of New York State, and I know that you're doing that.

My colleague had asked if you got these positions that you need that what are our guarantees that then you still would not go into the overtime?

SHERIFF TISCH:

We're going to go into overtime. As the report from the Commission on Correction has provided and as Budget Review has indicated, there is a

staffing analysis that was done by the Commissioner of Correction which required that for the number of people in our facility, there should be eight hundred and sixty-four correction officers, from Warden all the way down to Correction Officer 1.

They realized that we can't have full manpower staffing, so they will allow us to cover eighty-five officers out of that number with overtime, which means that we don't have to have more than seven hundred and seventy-nine actual human Correction Officers on board. There will never be total, full staffing, I don't see that it will ever be possible.

LEG. NOWICK:

But you will save money on overtime?

SHERIFF TISCH:

Absolutely. A substantial -- what I can say is this, we can actually eliminate all overtime, total, eliminate all overtime totally, okay, no overtime, if we had the same system that they have in the school system where you have substitute teachers. Okay? We would have them waiting in the wings to come on board and they would be paid as normal employees, it wouldn't be an overtime expense, but we can't do that.

Every time a Correction Officer is sick, we can't have an extra guy waiting outside to come in. So when someone calls in sick or someone takes a vacation day, that position will be filled on overtime. When we have to take our people out of the correctional facility or out of the Sheriff's car and send them to the academy to be trained, their functions that they were doing don't stop.

LEG. NOWICK:

But you're not talking about the same overtime expense?

SHERIFF TISCH:

No, absolutely not.

LEG. NOWICK:

You're talking about cutting it --

SHERIFF TISCH:

All of our training is done on overtime, all of it. Every time an officer trained, or even a civilian, every minute of that training is overtime, because their positions are backfilled by other people.

CHAIRMAN CRECCA:

But if you had full staffing, those could be scheduled in, obviously.

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SHERIFF TISCH:
Absolutely.

CHAIRMAN CRECCA:
I know you don't, I know you don't. Okay. All right. Thank you, Sheriff.

SHERIFF TISCH:
Thank you very much.

LEG. NOWICK:
Thank you.

CHAIRMAN CARACCILO:
Thank you.

SHERIFF TISCH:
And thank you for inviting me.

CHAIRMAN CRECCA:
We're going to go to the cards right now.

CHAIRMAN CARACCILO:
Bob Bortzfield.

CHAIRMAN CRECCA:
Budget Director.

CHAIRMAN CARACCILO:
Budget Office representatives, come forward. Good morning, Bob.

Good morning, Tom. Did you want to make a presentation?

MR. BORTZFIELD:
Yes, I did. I just want to make a short presentation and just to bring a couple of issues to light that have come up. I also have me today is Tom Conoscenti and Dr. Paul Kukasovic from Conoscenti & Associates, our economic consultants.

CHAIRMAN CARACCILO:
Will your remarks be addressing the recent disclosure of additional sales tax receipts in the third quarter?

MR. BORTZFIELD:
That's correct.

CHAIRMAN CARACCILO:
Okay.

MR. BORTZFIELD:

We wanted to bring to light, obviously since the Bureau report has mentioned on numerous occasions the additional sales tax that came in with the October payments that were substantially higher than had been originally estimated and had made further projections for the end of this year and to 2004 that would actually increase the sales tax estimates over what we included in the County Executive's recommended budget by approximately twenty-nine million dollars.

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We feel in our reviews of the current sales tax situation, adjustments that have been made to the sales tax, that these numbers could be very optimistic at this point in time and we wanted to be able to address the fact that at best we feel the numbers are more in the range of potential of possibly about thirteen million dollars higher for 2002, 2003 than the original estimate and not the twenty-nine million dollars.

I'd like for Tom Conoscenti & Associate to address these issues to explain some of the rationale behind it. We have copies of the report that was done and some additional handouts that we'll provide to everybody to break this information down for you.

CHAIRMAN CRECCA:

Before Bob -- before Tom does the presentation, the report that you're talking about, was that done post the actual when we got the third quarters numbers in or was it done before that?

MR. BORTZFIELD:

No, post.

CHAIRMAN CRECCA:

Okay.

CHAIRMAN CARACCILO:

Before you begin, Tom, since we have Robert Lipp from the Budget Review Office, our economist present, I'd like to know if the information or your findings, as recent as they may have been, have you had any conversation with them, have you reconciled the numbers and is there agreement about the thirteen million and not twenty-nine million?

MR. BORTZFIELD:

We haven't reconciled. We provided our reports to them, they brought their reports to us.

CHAIRMAN CARACCILO:

Leading then up to this time, Bob, based on the budget projections for sales tax receipts for 2002, has there generally been agreement between both branches that the numbers are up to this revelation, thirteen million not twenty-nine million, pretty much on the mark?

MR. BORTZFIELD:

Well, they have a potential for being an increase over what was originally estimated in the recommended budget. Because of the unsure conditions of the economy at this point in time, we're not sure even that thirteen million, and not all of that thirteen million is for 2002, only about ten million is 2002.

CHAIRMAN CARACCILO:

I guess what I'm trying to establish is that overall for this year, 2002, sales tax receipts, we will actually exceed our sales tax receipt collections from what was budgeted?

MR. BORTZFIELD:

We hope to, yes.

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CHAIRMAN CARACCILO:

Yes. Okay. In that context, there has been for the last several years consensus, agreement between both branches as to these numbers so that when we budget them, we come closer to realizing them than we have in previous years where there's been substantial disagreement and often times our Budget Office projections were more accurate than others. So that said, I think it's important to establish that we're now pretty uniformly in agreement that what we have been budgeting the last two or three years are numbers that both sides agree with more than disagree, with the exception now of this third quarter finding of additional sales tax receipts.

So without any delay, Mr. Conoscenti, why don't you make your presentation.

DR. CONOSCENTI:

Good morning, Legislators. My name is Dr. Thomas Conoscenti. I'm president of Thomas Conoscenti & Associates. My colleague is Dr. Paul Kukasovic. He's Vice President of Thomas Conoscenti & Associates.

As you know, we've been preparing the sales tax estimates for the

County for a number of years, and you're correct, Legislator Caracciolo, that Mr. Lipp in the Budget Review and Mr. Pollert and us together have been working to come up with rationales as to the, either any differences in the sales tax estimates or any agreements in the sales tax estimates. Over the years I think we've worked very well and I think Mr. Lipp, Dr. Lipp would agree to that.

As we get to this point in time, we've gotten some really additional sales tax revenue that came in during the month of October, the first two checks of October. And, you know, initially one could look at it and say, wow, we can -- we should take this number and raise the base by, by that and look at the end of the year and then raise the base again and do our projections, but we found that there's a number of issues that are related to that, that money.

And so my colleague, Dr. Kukasovic has worked with me on this, will kind of summarize some of the factors that are driving the third quarter results up higher and then how that will impact and how that difference between Dr. Lipp's estimate and our estimate.

CHAIRMAN CARACCIOLO:

Okay. I would request that if you have a copy, we can make copies so we can follow along and provide Budget Review with that.

DR. CONOSCENTI:

We do have copies right here.

CHAIRMAN CRECCA:

Also, if you can, to the extent, because you've seen Budget Review's analysis reports, correct?

DR. CONOSCENTI:

Yes.

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CHAIRMAN CRECCA:

And to the extent that -- because we were all aware of a lot of the -- how some of this is one shot, you know, an adjustment and the new accounting system with the early payment schedule. So if you can while addressing it, point out where you think Budget Review is wrong, because I know what you're saying, but remember too, that while there was a 22.9 percent increase over last year's, 2001's numbers, we're also not taking all of that as an increase in the sales tax, the adjusted. We're saying it's really an adjusted increase of about five percent that we're allowing for and the adjustments that Budget Review did. So if you can address those at the same time, it would just help speed it up.

DR. CONOSCENTI:
We will, Legislator Crecca.

CHAIRMAN CRECCA:
It's all your's, take it away, Doc.

DR. KUKASOVIC:
Good morning. I'll wait for the report to be handed out. I'll work my way through --

CHAIRMAN CARACCILO:
Robert, do you have a copy?

MR. BORTZFIELD:
Yes.

DR. KUKASOVIC:
We have basically the report plus some supplemental tables that we put together showing kind of -- showing what we look at in terms of the economy. So why don't I wait until the report gets handed out.

CHAIRMAN CRECCA:
We all have it.

DR. KUKASOVIC:
Oh, you do. Okay. Well, in light of the third quarter numbers, we put together a little analysis in the third quarter addressing basically three fundamental questions. The first question was what causes strength in the third quarter? Secondly, how does the BRO forecast differ from the recommended budget? And thirdly, what are the implications of the third quarter, our sales tax surge for the outlook for 2002 and 2003?

CHAIRMAN CRECCA:
Your mike.

DR. KUKASOVIC:
Sure. So let me address the first question first.

CHAIRMAN CRECCA:
Just pull the mike a little closer. Thanks.

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DR. KUKASOVIC:
Thank you. So let me address the first question first. What factors drove growth in the third quarter? Well, first of all, we had the impact of the energy tax. On March 1st of 2002, we raised the energy

tax of one percent to two and a half percent, the home energy tax.

Number two, we had legislation that was reflected in the October check for the electronic funds transfer. Electronic funds transfer numbers was raised, the threshold was lowered to five hundred thousand from one million. That had the effect of effectively doubling the number of filers, okay, and that brought the County in about five million dollars. And I believe BRO pretty much agrees with the additional revenues.

However, the important point to realize is that the EFT payment is not additional revenues, but mainly an acceleration of revenues from future months. Revenues that would normally have been distributed in November as non EFT payments were paid as September EFT payments.

Therefore, November non EFT payments will be down.

We estimate those non EFT payments slightly offset by higher EFT payments for September 23 to 30. It's a technical issue. And we estimate the net result will be November numbers, which will be reflected in both checks, will be down by about three million dollars.

Okay. Second factor --

CHAIRMAN CRECCA:
Do you want to just --

DR. KUKASOVIC:
Do you want me to go through all the factors and then I'll --

CHAIRMAN CRECCA:
Just one second, I apologize. I'm talking to the Chairman, I didn't mean to interrupt you.

DR. KUKASOVIC:
Yes.

CHAIRMAN CARACCILOLO:
We suggest that as you make the presentation, we give the Budget Review Office an opportunity to response. We'll open that to them.

DR. KUKASOVIC:
Could I do the whole presentation first? It's up to you.

CHAIRMAN CARACCILOLO:
Just point by point, because there are a lot of points you want to make and we want to make sure you don't lose anything here. Robert?

MR. LIPP:
We disagree with that. Should I explain?

CHAIRMAN CARACCILO:
Absolutely.

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CHAIRMAN CRECCA:
Yes. Very briefly.

MR. LIPP:

Okay. Yes, there will be a decrease in the monthly filings in November by these new vendors that have now become prompt payers, which they would have been previously made payments in November,

so

they're not there. However, the prompt filers for November also include these new vendors, so it offsets.

Now, on top of that, you have the monthly filings by these prompt filers for the last few days of November, to the 23rd -- rather September, the 23rd of September through the 30th of September that will now show up in the November check. So even though it's not the same sequence of months, it's basically a push. There shouldn't be any offset.

I've spoken to several people in the State. At first they thought that there would be a reduction in November. And then I spoke to a couple of other people and went back to the first person I spoke to, and they basically had to agree with me. So we don't see any offset. And we've gone through it in-house also several times.

DR. KUKASOVIC:

We've also checked with people in the State and they disagree. But the point, can I make the point? Okay. What happened is this, the October check reflected EFT payments --

CHAIRMAN CARACCILO:

Speak into the microphone, please.

DR. KUKASOVIC:

I'm sorry. The October check reflected EFT payments from September

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through September 22nd. Okay. Now the November check will reflect EFT payments from October 1st to October 27th. Dr. Lipp is correct in that. Those are basically the same filers, so the number will basically reflect a month to month increase.

However, the difference is going to be this. November check will also reflect the September 23 to 30th EFT vendors, which will be off -- which will be up, but the September 1 through September 30th non EFT vendors will be down sharply. So we're talking non EFT vendors over a

thirty day period versus EFT payers over a seven day period.

But my point is even if we differ on these technical adjustments, our main difference is really the economy. So if --

CHAIRMAN CARACCILO:
Continue.

DR. KUKASOVIC:

Okay. The second factor. The second factor was September 11th. September 11th had the effect of causing a loss of revenues in the third quarter, which was offset by higher payments in the fourth quarter. So the third quarters numbers were low, fourth quarter numbers were too high, we need an adjustment.

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Our estimate is that the adjustment, which needs to come down off the fourth quarter is about nine million dollars. I believe BRO's number was 6.6 million, so we're off a little on that.

CHAIRMAN CARACCILO:
How does that equal thirteen million versus 29.1? I mean we're talking about a sixteen million dollar difference, not three.

DR. KUKASOVIC:
I don't follow your question.

CHAIRMAN CARACCILO:
Mr. Bortzfield in his opening remark made a comment --

DR. KUKASOVIC:
Well, let me finish everything.

CHAIRMAN CARACCILO:
Okay. We want to see where this thirteen million dollar adjustment adds up, how it adds up.

DR. CONOSCENTI:

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Legislator Caracciolo, it's going to be the summation of these various differences that will make up for that differential.

DR. KUKASOVIC:
Let me kind of work through everything. Okay. The third factor was a cigarette tax. Cigarette tax, it was a prepaid tax on cigarettes,

which was effective in September, that resulted in something like six hundred thousand dollars additional revenues. I think BRO had a little bit lower number, I forget their exact number, four hundred or something number.

CHAIRMAN CARACCIOLO:

While we're on cigarette taxes, and even though it's not germane to Suffolk County, you're all aware I'm sure that New York City raised their cigarette tax, I think it's a dollar forty-six or a dollar fifty cents a pack. What data has -- are you aware of as to whether or not those tax collections, those increased revenues, if you will, are on schedule? Because that tax went into effect I believe back in June.

DR. CONOSCENTI:

It's too early to tell, because they need a couple of months to collect that tax before it actually gets recorded. So we don't have any information on that.

CHAIRMAN CARACCIOLO:

I read two articles just yesterday, one, the New York State Sun, and one, of all places, the New York Daily News, and both were reporting that the Mayor's Office projections of additional hundred and twenty-five million dollars in sales tax receipts as a result of the tax increase will not materialize.

DR. CONOSCENTI:

That's his projections, okay, those --

CHAIRMAN CARACCIOLO:

No, no, no, these are based on some preliminary collections. No, this was data they received from the State and the City. I just wanted to know if you had any information on that.

DR. KUKASOVIC:

No. No.

CHAIRMAN CARACCIOLO:

Continue.

DR. KUKASOVIC:

All right. The fourth factor was in the third quarter we had very, very strong retail sales. In particular, automobile sales were very, very strong. In addition, there was a, quite an excellent summer tourist season. This had a, this had a -- this boosted sales tax revenue. We don't have an exact estimate on that.

But the most important point is the consumer spending numbers since the summer months have slowed noticeably. We have a table. Table one, which shows national trends in retail sales and automobile sales. As you're probably aware of, there is no retail sales data available

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on a local level, the only numbers we really have are employment
datas.

Now, the numbers in table one show the following, you will notice,
these are month to month increases in retail sales and monthly
annualized sales of motor vehicles. As you can see, the summer
months, particularly July and August, were very, very strong months in
automobile sales. This was a reflection of the zero percent
financing.

Since August, automobile sales, and I have some further data down the
road, automobile sales have come down quite a bit. And this is going
to be a problem, this is one of our main points for the fourth
quarter. So, retail sales have slowed significantly in September.
Anecdotal evidence since September shows that sales are continuing to
be relative weak, and I'll address that a little bit later.

Okay. In sum --

CHAIRMAN CARACCILO:
Let me ask you.

DR. KUKASOVIC:
Yes.

CHAIRMAN CARACCILO:
We're talking about auto sales or big ticket items sales, you're
talking about cyclical?

DR. KUKASOVIC:
Yes.

CHAIRMAN CARACCILO:
And there are ebbs and flows, I mean I discuss this all the time with
our Budget staff.

DR. KUKASOVIC:
Yes.

CHAIRMAN CARACCILO:
So I think, you know, put these things in perspective and not just
take a selected three month period --

DR. KUKASOVIC:
Okay. Yes.

CHAIRMAN CARACCILO:

-- and try to come up with a result --

DR. KUKASOVIC:

Yes.

CHAIRMAN CARACCILO:

-- that may not be complete.

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DR. KUKASOVIC:

Can I jump the gun a little bit?

CHAIRMAN CARACCILO::

Okay.

DR. KUKASOVIC:

Let me go to one of our tables and let me show you one of our tables. Look at table five. Okay. This is -- as everybody probably is aware of, last year in the fourth quarter of 2001, we had the beginning of zero percent financing for the automobiles. The fourth quarter of last year, 2001 I'm talking about, was one of the strongest motor vehicle sales period on record. In fact, October of last year, automobile sales hit a record 21.5 million on the annualized rate. Okay.

So you'll notice that the number of fourth quarter, 18.8 million was the number in the fourth quarter. Okay. You'll notice the number in the third quarter, table five 16.7 million. The difference between 16.7 million in the third quarter and 18.2 million in this year's third quarter was what's really was reflected in the surge in sales tax earning, partially.

And notice the projection for the fourth quarter. This is a consensus forecast of 16.5. The year over year comparison in automobile sales, while being a plus in the third quarter, will be a negative in the fourth quarter. For two reasons really, one is we took a lot of third quarter sales and we basically -- people pushed the sales into the third quarter at the expense of the fourth quarter, because of zero percent financing. The zero percent financing lured sales into the third quarter.

Secondly, the fourth quarter, the fourth quarter comparison for retail sales will be very, very difficult. So that would suggest to us that, in fact, what -- our forecast is basically this, that the decline in automobile sales will contribute significantly to a slow down and, in fact, we believe a decline in sales tax revenue in the fourth quarter.

If you look at the numbers, these are national numbers. These national trends tend to more or less be reflected at the local level. So, that's

where we're coming -- I hate to kind of jump the gun, but I'll go over this one more time.

Okay. So, in sum, sales tax revenue for Suffolk County for the third quarter were boosted by a number of one time events, they will not be repeated in the future. While the above factors explain some of the strength in sales tax revenue, they are not the complete story.

The third quarter increases in Suffolk County were significantly above those in neighboring counties and the State as a whole. We put a table together, table two, which looks at growth rates, third quarter over third quarter in different counties around the State.

And if you notice, we looked at some of our surrounding counties in the State as a whole. Nassau County had a 12.2 percent increase year over year. Westchester, 2.8. Suffolk County, 22.9 percent. The question really it raises, and we really don't have a good answer, is why was Suffolk County so much stronger than the rest of the other surrounding

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counties.

Our own feeling is when these type of discrepancies occurred in the past, the County subsequently has a time period adjustment in the following year, which tends to hit down sales tax revenue. So, we're worried about that, because the bottom line is this abnormal strength is not fully explained by the numbers.

And if you look at this tremendous discrepancy across the State, why? We really can't answer that. But my suspicion is that we have to be very, very cautious in going ahead.

Okay. The next question was, how does BRO's forecast differ from the recommended budget? In looking at the BRO, comparing the BRO budget forecast, excuse me, with the recommended budget, basically our outlook for 2003, at least in terms of growth rate, is pretty much equivalent.

Okay. They're looking at 3.5 percent growth rate, we're looking at 3.75 percent, so it's a -- it's a few million dollars here, but it's in the neighborhood, it's in the ballpark.

The key issue is the fourth quarter number. It's the fourth quarter number. And fortunately, the fourth quarter number is not that difficult

to analyze in the differences. Okay. BRO forecast projects a 1.4 percent increase in sales tax revenues in the fourth quarter to a level of 251.6 million. We believe this number is too high.

Now, we analyzed the BRO forecast versus our forecast in table four.

And

basically, the difference between BRO and our forecast is on the basis of the following factors: One, I'll just go through the list, the September 11th adjustment, which I've already mentioned, BRO calls for

September --

September 11th adjustment is the overpayment in the fourth quarter, underpayment in the third quarter.

The September 11th adjustment, BRO calls for a 6.6 million down, we estimate nine million down. BRO has zero on EFT adjustment, we have minus three down. We both agree on the energy tax, 5.3 million. The

big

difference is the projected growth rate in the adjusted base. BRO calls for a two percent growth rate on their adjusted base, we're calling for a minus one percent growth rate in the adjusted base. And I'll explain

why

we get to that minus one percent number in a few minutes.

I think this is, if -- the adjustments are technical issues, which we may be wrong, they may be wrong, who knows, but the economic numbers

is the

key, in my opinion, to where we go from here. So our estimate, based

on

our numbers, is that the fourth quarter collections will come in at 238.8 million.

And moreover, our concern is that -- I allude to the differential in growth rates around the State, is that the adjustments may be bigger

than

our numbers, not necessarily in the fourth quarter, but sometime next year. Okay.

CHAIRMAN CARACCILO:

Wouldn't that argue, on that very point, wouldn't that argue then that your forecast, which is more ambitious than BRO's at 3.75, or a quarter

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percent higher, be adjusted? I mean I see a contradiction there in your statement.

DR. KUKASOVIC:

Well, see, see, the way we look at things is this, we're looking at -- we're looking at the following situation -- let me talk a little bit

about the 2003 outlook. We're looking for the economy basically to be flat over the next six months, pick up substantially in the second half of the year. That's kind of the consensus --

CHAIRMAN CARACCILO:

And what do you see as the catalyst in the local economy that will drive it in the latter part of 2003?

DR. KUKASOVIC:

The main factor driving the economy in the latter part of 2003 is two factors essentially, mostly reflecting national factors. Two factors is this, one is, as everybody is probably aware of, the big problem in the current downturn in the economy nationwide as well as regionally has been a cutback in capital spending. Business sector has cut back on capital spending.

Now, our estimate, we may be optimistic on that, the economists have been forecasting an upturn in capital spending for months now, we believe that sometime in the summer months and in the fall of next year, there will be a major upturn in capital spending. The reason is this, high tech companies -- purchases for computers and other high tech have been deferred so long, that if you look at PC's in many of the business companies, they're a couple of generations behind. Sooner or later there will be some catalyst, which will pop up those numbers.

Secondly, is that if you look at the inventory levels, inventory levels nationally, in fact, in the last month, hit a very, very low level. Historically, when inventory levels come down to a very, very low level, we normally have a pop in the economy in four or five, six months to rebuild inventories. So, that's basically more or else --

CHAIRMAN CARACCILO:

Okay. But that said, you also have a lag.

DR. KUKASOVIC:

Yes.

CHAIRMAN CARACCILO:

If it begins in the latter part, if you're seeing economic growth in the latter part of three, then by the time we will experience it, the consumer will experience it, the retailer will experience it, will not be until the following year.

DR. KUKASOVIC:

Well, that's, of course, a risk, but our feeling is that the lag, the lag

is now. In other words, we'll see the pop in the middle of 2003.

CHAIRMAN CARACCIOLO:

Yeah, I think in the global, in the global scale, you're right, you know, that's what most economics -- economics -- economists, rather, are

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forecasting right now, but they've been wrong right up to right now.

DR. KUKASOVIC:

Absolutely, that's actually one of my main points, that's actually one of my main points, in kind of conclusion. The sales tax forecasts right now, we've been doing this for a number of years, this is probably the most difficult sales tax forecasts we've done in years, a lot of special factors are affecting it. We have the three-one tax increase, energy taxes, last year's quarter percent increase in sales taxes, we had the EFT payment, we have uncertainty in the economy, mixed sales taxing

is

very, very difficult going ahead. So I think that a cautious approach is what is necessary and I think you would agree.

But, let me get back to the issue of why we see two percent down --

why

we see one percent down versus two percent up in the fourth quarter. Projections obviously for the fourth quarter of 2002 depend critically on the prospects of the regional economy and especially on the health of retail spending and motor vehicle sales.

The Christmas selling season is also critical. We believe that the strength in retail spending evident in the third quarter is unlikely to be repeated in the fourth quarter of 2002 for the following reasons, okay, as I show it on table one, retail spending has slowed in

September.

Anecdotal evidence suggests that retail spending remains weak in October.

Major retailers are projecting, Walmart, Target, Kohl's, they're all projecting, Costco, they're all projecting relatively weak sales in the Christmas season.

CHAIRMAN CARACCIOLO:

Well, that's nationally.

DR. KUKASOVIC:

Nationally. And I think that --

CHAIRMAN CARACCIOLO:

And you have to again put that in context. We live in one of the highest socioeconomic areas of the country.

DR. KUKASOVIC:

I think if you look at trends, if you look at trends, we, again, we don't have the tools to look at retail spending nationally -- locally, we have to look at national trends and kind of regional trends, we have available data. On both of those accounts, the correlation between what I believe is local activity and national is quite high.

CHAIRMAN CARACCIOLO:

Okay.

DR. KUKASOVIC:

Okay. Second point is the point that I already mentioned, is automobile sales. Automobile sales were a major factor pushing up third quarter sales tax revenue. It is our belief that automobile sales will be a major drag and subtract from sales tax collection in the fourth quarter.

Okay. Number three, indicators of the national economy in general point to further weakness ahead. And I put together a couple of charts here,

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which tend to be some pretty good indicators to the national economy. And if we can take a look at these charts, and we just got some actually some fresh data in today, and let me read you what the Fed reported. Consumer sentiment index, this measures consumer confidence. Okay.

CHAIRMAN CARACCIOLO:

Are you talking about the Michigan Index?

DR. KUKASOVIC:

Yes. This is the University of Michigan. And the University of Michigan Index is actually a better index than the Conference Board Index, there's two surveys. And if you look at that, that chart, you can see the October numbers have come down and are down substantially from their peaks. Part of this is war related.

Now, if you look at the next page, which is the more important component, the next page, is a consumer sentiment index broken down into two components. One is the so-called expectations component and one is so-called current conditions component. The expectations component tends to have a very, very good track record of forecasting future retail spending. As you can see, that number fell quite sharply in October.

Okay. Thirdly, if you go to the next page, we have a little piece here from the New York Times last week, actually we just had some -- this week, I mean, we had some, we had -- the Department of Commerce report data on the index of leading indicators. Okay. The index of leading indicators has now declined for four consecutive months.

Traditionally we have a rule of them in the economics profession, three consecutive declines in the index leading indicators are pre-stages of recession. We've had four declines. Okay.

Fourthly, let me -- let me ask, what just came out, was reported yesterday is a report that the Federal Reserve compiles called the beige book. The beige book is based on anecdotal evidence in the region.

And

let me just read you -- I circled these two pieces, let me just read you what the Federal Reserve reported yesterday.

"New York, for the New York region. The economy showed more signs of

slowing, but inflation has been restrained. The job market remains weak." Let me also continue. "The beige book report, which surveyed economic conditions in September and early October, found that retail sales were weak or down in nearly all areas of the country, an indication that consumer spending, which more than any other single factor has kept

the economy afloat, may be running out of steam." It said automobile sales have slowed from very high levels and that tourism was mixed.

This just came out, by the way, yesterday, and it was in today's -- from today's New York Times, by the way. As I was driving in, I -- we copied this page.

CHAIRMAN CARACCILO:

You weren't reading the newspaper while you were driving?

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DR. KUKASOVIC:

No, no. Okay. And let me just finish with two other factors. As everybody is aware of, we had some employment reports on the region just out lately. Job growth on Long Island virtually stopped in September. The region gained only six hundred jobs year over year in September. And, actually, the private sector lost seventeen hundred jobs, so the only gains in September were government employment.

Moreover, major regional employers, such as Cable Vision, JP Morgan Chase, Merrill Lynch, Twin Labs, Worldcom, etcetera, have announced

layoffs in recent weeks.

So saying all that, we revised our forecast for 2002/2003, and basically, our number is basically reported in table seven. We believe that relative to the recommended budget, looking at the numbers, we think sales tax may be 12.8 million dollars, a little bit higher, between 2002/2003.

However, the confidence level in this forecast is relatively low. There's a lot of uncertainty, A, with the adjustments; B, with terms in the economy, so I -- we feel that it would not be prudent to use any other numbers other than those in the recommended budget.

And the simple answer I think is this, if you look at factors which can go wrong, if you ask yourself this question, what can go wrong going ahead, what can go right going ahead? It is our feeling that more things can go wrong than can go right, and, therefore, one should adopt a very, very cautious approach in budgeting the numbers. And that is why we feel that even though we think this third quarter pop adjust our numbers slightly, we just don't have the confidence going ahead and we feel that we should stick with the recommended budget given the tremendous uncertainty.

And if you look at the BRO report, I believe I read it at least two or three times, they mentioned the word uncertainty. And I think Dr. Lipp would agree, the uncertainty going ahead is very, very great. And prudent budgeting is, in my opinion, would warrant that we go with a cautious approach.

CHAIRMAN CARACCILO:

Well, again, that would underscore the point I made earlier, and that is are you prepared, will you consider over the next three days whether or not you would like to revise your sales tax growth estimates from 3.75 downward?

DR. KUKASOVIC:

I think we'd be willing to do that.

CHAIRMAN CARACCILO:

Well, I mean we just don't want to --

DR. KUKASOVIC:

I think we'd be willing to re-examine the situation.

CHAIRMAN CARACCILO:

Because that makes all the difference, that's a major source of County

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revenue. And if you're going to do that, we'd have to know that by Tuesday.

Robert, I know you -- I suspect you just received the report this morning or you had it previously? Okay. Did you want to comment on it?

MR. LIPP:
Sure.

CHAIRMAN CARACCIOLO:
Are you planning on issuing any type of memorandum to the Legislature with regard to it?

MR. LIPP:
I read the report yesterday and I had an opportunity to sit down with Fred Pollert afterwards and we went over it with a fine tooth comb and we're just as confident as we ever were in our recommendations that came out in the review on Monday and that we spoke about perhaps a little earlier prior to that.

If you like, I could address the different issues as to why.

CHAIRMAN CARACCIOLO:
That would be great for the five or six members present, I think it would be better if maybe you can just issue a brief memorandum for all Legislators so that they can compare the two and make decisions accordingly.

MR. LIPP:
No problem.

CHAIRMAN CARACCIOLO:
Thank you. New York City is looking at a five billion dollar budget deficit, the State's looking at a ten billion dollar budget deficit, both of that does not portend well for Suffolk County next year for a variety of reasons. We know that we have a local economy that very much depends on what happens in the City of New York, and we know from the impacts, the adverse impacts of State mandates, unfunded mandates, the likes of which we haven't seen over ten years, that that trend is likely to continue.

So looking ahead to 2004, which has always been my belief that when you adopt a budget you have to look ahead as far as you can and project what impacts may take place then. Now, New York City has an exemption on clothing and footwear, as does Suffolk County, as does fourteen other counties in the State. A number of the Upstate counties, which don't have the myriad of tax revenue sources as we have, are looking very seriously at retail and the sales tax on clothing and footwear.

So far I have not heard that New York City has that under active consideration. Is that accurate?

DR. CONOSCENTI:

We have not heard any word as to whether or not they're going to reinstitute it yet.

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CHAIRMAN CARACCILO:

Okay. I mean I know they're talking about computer -- commuter taxes, I

know they're talking about taxes on bridges and tolls, which the Governor

has said flatly he would not support, which means that's pretty much dead. And I hear a number of elected officials around the State, particularly in my party, talking and mitigating against raising taxes. They believe it has adverse effects on the economy, that it doesn't enhance the economy.

So I want to on focus on New York City. If they have a five billion dollar budget deficit and they're not considering what to them would have

to be a very significant revenue windfall, why should Suffolk consider it? Because we know that when people come to Suffolk County, out to particularly Tanger, there are several outlets in the County, but Tanger is by far the largest, there are other expenses and revenues that are derived to retailers, to government as a result of other purchases made, be they food purchases, be they what they may.

There appears to be agreement now that the sales tax repeal would generate about fifty-eight million dollars in additional tax revenue. However, we are actively looking at all options. We may not adopt that revenue source, we may take other actions to close the budgetary shortfall.

But that said, one of the lingering questions in my mind is that when we look at this budget, Bob, I see an attempt to focus and save, cost savings be generated by contract agencies, but I haven't really

identified in the budget yet any real cost savings that the County itself through its departments and agencies have been willing to make. I don't see any department consolidations, I don't see any overhauls, in fact, I see a lot of waste and spending in certain departments. And we're going to be addressing that, the Legislature will be addressing that.

But that said, even with the cost cutting that's been targeted for contract agencies and health centers, and my colleagues should be aware when we're talking about the health centers, it's the contract agency health center portion that is by far the biggest piece of the cuts that the health centers have seen, it's not the County health centers per se, that's minimal compared to the total, but why haven't we seen some effort to pare back the size of county government?

MR. BORTZFIELD:

There was a tremendous amount of effort to pare back the size of government just with the early retirement insensitive alone. Based on the request of the Legislature when they adopted the earlier retirement incentive, they required that there be an eighty percent savings across the board to County departments. That is a tremendous impact on County departments, as you've heard from any other committee meetings you've had so far and committee meetings that will be coming in the future as to the impact on County departments.

We're looking to save, to only use twenty percent of the monies that were available as a result of the early retirement to allow backfill of positions with an eighty percent savings in that. That is a real strong reduction of -- and will be a real strong reduction of County services across the Board.

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The ten percent cuts to contract agencies was just an additional method of creating savings again across the board to all outside agencies that deal with the County, other than the ones that basically were a hundred percent funded by other sources.

The other, supply, material, equipment, expenditure items in all the various departments has been reduced to cost to continued levels to just provide the basic services. All departments have been requested to look

over their operations to look for any types of consolidations, restructuring, anything that can be done in the way they do business to be able to provide services.

Services are going to be provided at reduced levels. The monies are just

not there. Our mandated costs across the board have increased tremendously. That's -- your tremendous increases that we're hitting in this operating budget are medicaid costs, are other social services mandated costs, our pension costs, our health costs. All of these costs are driving the cost of County government that we have to address.

We've addressed as many of these as we potentially could. Obviously, when you go through during your budget process, you can do whatever adjustments, other adjustments you feel are necessary to address this situation. We felt we came across with a balanced budget that addressed

these issues in a reasonable manner to provide recurring revenue sources

to cover these expenses, because these mandated expenses are not going to

decrease in the near future. We need to be able to have recurring revenue sources to cover these.

There was minor increases in property taxes that can pick up some of the

exemption difference. The recommended increase by the elimination of the

on the sales tax for clothing became a continuing revenue source. We stayed away from one-shot revenues and we did all the expenditure reductions across the board with County departments, with contract agencies to address the overall issue.

CHAIRMAN CARACCIOLO:

Bob, the County as a result of early retirements saw the termination or retirement of how many employees in total, how many people?

MR. BORTZFIELD:

Six hundred and thirty-six.

CHAIRMAN CARACCIOLO:

Six thirty-six. What was the County's total labor cost last year?

MR. BORTZFIELD:

Labor cost, I don't have the number offhand.

CHAIRMAN CARACCIOLO:

About a billion dollars. And it's up by ten million dollars for next year with six hundred plus fewer employees. When I say labor costs, it's

labor plus fringe benefits. So personnel costs, one billion, one billion, one billion. I don't understand the arithmetic. We are planning on having six hundred less, fewer employees next year, but we see a budget that includes ten million dollars more for six hundred less people.

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MR. BORTZFIELD:

Well, you're not going to have six hundred thirty-six less, because there are going to be positions that are going to be kept.

CHAIRMAN CARACCIOLO:

Well, twenty percent backfill.

MR. BORTZFIELD:

Twenty percent, with twenty percent of the dollars.

CHAIRMAN CARACCIOLO:

The average County employee makes forty-five thousand dollars a year, that doesn't include police officers obviously, but average County salary employee is forty-five thousand dollars a year, and then you add in fringes, you're looking at -- and you do the arithmetic, I don't know

how

payroll costs go up when you have six hundred fewer people.

MR. BORTZFIELD:

Well, payroll costs are going to go up, because you have your mandated salary increases, you have your step increases.

CHAIRMAN CARACCIOLO:

Salary increases for next year are twenty-five million dollars?

MR. BORTZFIELD:

Well, you're throwing numbers that --

CHAIRMAN CARACCIOLO:

Well, I've researched the numbers. You're the Budget Director, I'm trying to get an understanding from you, you put the budget together. Now, we're having a net increase in payroll costs when we have six hundred fewer people and the savings associated with the early

retirement

incentive, gross not net for this year, but going forward, should be about 38 million dollars annually. And then you minus the backfill, the twenty percent.

MR. BORTZFIELD:

Then you also have new positions that were put in, in other operations. You look at a total on a Countywide basis, on a net basis, the total

reduction in staffing was about two hundred and thirty-five positions, I believe, out of that six hundred and thirty-six total.

CHAIRMAN CARACCILO:

Well, that includes law enforcement.

MR. BORTZFIELD:

That includes everything, yes.

CHAIRMAN CARACCILO:

Okay. I'd like an answer to that basic question of how payroll costs are increasing to the tune of ten million over what was budgeted, adopted this year when we have six hundred fewer employees, taking into account

the new police class, taking into account, hopefully from my perspective, additional personnel in the Sheriff's Department and in vital areas, because right now the numbers just don't reconcile.

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And, Mr. Conoscenti, I don't know if this is an area you're involved with or --

DR. CONOSCENTI:

No.

CHAIRMAN CARACCILO:

Okay. Budget Review, do you have any thoughts on the subject?

MR. REINHEIMER:

As Bob pointed out, we didn't lose over six hundred people, the net reduction in positions is about two hundred and forty from the 2002 modified level. So you couple that with mandated salary increases and the backfilling of a certain number of early retirement employees and your salaries are going to go up.

CHAIRMAN CRECCA:

But weren't we told during -- that they were only going to backfill twenty percent of the positions, like one out of every five jobs, and wouldn't that -- that was what --

MR. BORTZFIELD:

Twenty percent savings dollars, that could be more than twenty percent of the positions.

MR. REINHEIMER:

We've identified --

CHAIRMAN CRECCA:

Now, we were told, if I'm wrong, tell me, but I thought we were going to

backfill only twenty percent of the jobs is that not what the County Executive said?

MR. REINHEIMER:

It was twenty percent of salaries, not positions.

CHAIRMAN CARACCILOLO:

That was my first question, and that is, where is the cost cutting savings in County government?

MR. BORTZFIELD:

Had those positions all been backfilled and left, your salary accounts would be extremely higher than what they are in --

CHAIRMAN CARACCILOLO:

Well, that was the rationale for doing the early retirement incentive, we all understood that. However --

MR. BORTZFIELD:

There is a net savings, you know, from our estimations of the recommended

budget of close to eighteen million dollars from the early retirement incentive. Your salary costs alone would be eighteen million dollars higher in the 2003 recommended budget.

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CHAIRMAN CARACCILOLO:

So if there was an eighteen million dollar net reduction, why then next year are we seeing not only eighteen million dollars net reduction not materializing, but an additional cost of ten million dollars?

MR. BORTZFIELD:

No, you're not understanding. You have additional costs of twenty-eight million dollars next year had the early retirement savings not taken effect.

CHAIRMAN CARACCILOLO:

Fred?

MR. POLLERT:

Yes.

CHAIRMAN CARACCILO:
Would you like to join this conversation?

MR. POLLERT:
As Jim had mentioned, a variety of spots were backfilled, so it's not a total net loss of six hundred plus spots. Number two, there also --

CHAIRMAN CARACCILO:
What is the -- what will we actually realize as far as a net reduction in County work force?

MR. REINHEIMER:
Out of the three hundred -- six hundred and fourteen employees that retired, that's excluding school crossing guards which aren't included --

CHAIRMAN CARACCILO:
What page are you on, Lance?

MR. REINHEIMER:
Early retirement's addressed on page 118. Okay. The recommended budget abolishes a little over three hundred of those retirees, at a savings of about three hundred and seven of those retirees vacant positions, at a savings of approximately 18.5 million dollars. Exactly, it would have been eighteen millions dollars, 18.5 million dollars higher had those employees remained on the payroll.

CHAIRMAN CARACCILO:
Okay.

MR. POLLERT:
Likewise, however, part of the Budget Review Office's review has found that there is extra funding in the salary account --

CHAIRMAN CARACCILO:
Thank you, that's where I was ultimately going.

MR. POLLERT:
Depending upon the level of turnover savings that you want, we created
a budget model that modeled it high, medium and low. High would be to maintain the existing staff and backfill twenty percent of the people

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that have approved 167's on them. That would generate nearly eleven million dollars net, the gross savings would be closer to close to fifteen million dollars.

CHAIRMAN CARACCILO:

Okay. That, I might add, is one of the areas that the Legislature will be looking at very closely to restore some cuts in services.

Other members of the Committee?

CHAIRMAN CRECCA:

No.

CHAIRMAN CARACCILO:

Okay.

LEG. BISHOP:

I actually have a question.

MR. BORTZFIELD:

I have another point I'd like to make not related to the sales tax issues and other issues, just regarding potential costs, impacts for the upcoming year. We've received notices from the New York State Government Finance Officers Association regarding their analyses of the pension costs that we were hit with by the New York State Employee Retirement System. As everybody is aware, the costs increase between 2002 and 2003 has been phenomenal. We have a two hundred and seventeen percent increase based on the information provided to us by the State.

What GFO has found out and what they're stating now to everybody is there actually potential for these costs to be substantially higher than these costs that were originally provided to the municipalities around the State of New York to the tune of seven to eight times what we've been given to believe is our pension costs for next year.

If that's the case, our pension costs could sky rocket, you know, much higher than what's been included in the budget, to the tune of between a hundred and fifteen million to a hundred and thirty-two million versus the 52.4 million dollars that's included in the budget.

CHAIRMAN CARACCILO:

Okay. Before I recognize Legislator Bishop, let me just go back to BRO.

First you, Bob. As we sit here today, based on the adjustments you've made since the presentation of the budget, what do you see is the overall budgetary shortfall for 2003?

MR. BORTZFIELD:

We don't -- we still stand by the shortfall that we're showing at this point in time that we've addressed in the recommended budget.

CHAIRMAN CARACCILO:

Which is?

MR. BORTZFIELD:

Which is we basically spelled out it was a 111.5 million dollars that we had addressed between 2002 and 2003.

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CHAIRMAN CARACCILO:

I'd like to ask Budget Review the same question.

MR. POLLERT:

The largest area of projected shortfall in the estimation of Budget Review Office is in the employee medical health benefits. We believe that the shortfall will be an additional 10.9 million dollars. The County Executive had forecast that there would a shortfall of approximately 5.8 million dollars with the ending funds balance. And we're forecasting that the actual shortfall will be 16.7 million dollars, that there will be a net deficit of 16.7 million dollars in the employee medical health benefit fund.

Those numbers are relatively consistent with both the consultant as well as insurance risk management's forecasts.

CHAIRMAN CARACCILO:

So when you add that amount to the one hundred and eleven, then the total difference is in excess of a hundred and twenty million dollars?

MR. POLLERT:

Depending upon what happens with retirement. In addition to that, there was some concerns that we had with respect to smaller items like medical malpractice, we normally budget two million dollars, there's one hundred thousand dollars budgeted next year. Clearly that's an area of concern on the part of Budget Review Office. You would have the capability of bonding that out as a judgment and claim, but there's clearly a departure from normal budgetary types of patterns.

In addition to that, there are some technical adjustments to the general fund, like a million dollar transfer that needs to take place to the District Court. If you can -- you don't want a blended basis, there

won't be a net tax increase, but it will result in an increase in the police -- in the General Fund tax warrant if those type of technical changes are made.

CHAIRMAN CARACCILO:

Now, you both heard either yesterday or today, you were out of the room

when Sheriff Tisch was in the audience, made a presentation, his presentation this morning, Fred, but you heard it yesterday, about the shortfall in the budget for overtime expenditures in the department. They estimate it to be at least seven million dollars next year.

I'd like to have both of you comment on that. I mean there are other remedies, which may be addressed, I certainly will support them, but whether or not they prevail, we'll all have to wait and see. But that said, what about that seven million dollars? I mean the head of the department is here saying if you don't give me the personnel, then you have to increase my overtime budget. Is that something that should just be ignored?

MR. POLLERT:

No, it should not. One of our -- well, the problem with Sheriff's overtime is a chronic problem. In 2001, the County Executive represented that he was going to fill all of the titles of Correction Officers and Deputy Sheriffs. If that had taken place, we wouldn't have such major

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problems with overtime, but clearly that didn't take place. And then 2002, we are forecasting about an eight million dollar cost overrun in overtime in the Sheriff's Department. They're currently running in excess of eight hundred thousand dollars on a biweekly basis.

For 2003, our forecasts were that the Sheriff's Department was going to be over by an excess of five million dollars. Since the Sheriff is not here --

CHAIRMAN CARACCILO:

He is, he is.

LEG. FIELDS:

He came back.

MR. POLLERT:

Oh, too bad. I shouldn't have said that. But our forecast were that he was going to be over by about five million dollars, the Sheriff had asked for 1.2. we felt that if he wanted 1.2, if we included 1.2, we would be

ahead of the game. But in all probability, the amount of overtime will probably be five million dollars over budget.

CHAIRMAN CARACCIOLO:

Okay. I'm struggling with the concept that when the department head, another elected official comes in with his budget presentation and identifies his needs, he's a public safety agency, we all know what a premium we place on public safety these days, how does anyone respond to him by telling him we all have to share the pain, and what does that mean?

MR. BORTZFIELD:

I'm not sure what he meant by we all have to share the pain, but we met with all the departments as a result of the early retirement program and stated that we had to come up with eighty percent savings, twenty percent backfill. We asked all the departments to come up with their plan for doing that based on the conditions of the early retirement.

The Sheriff's Office did not provide a plan other than to say they had to backfill every position and required numerous new positions.

CHAIRMAN CARACCIOLO:

Are there any distinctions between the Sheriff's Department and State Corrections, Commissioner on Correction requirements and staffing levels than other County departments and agencies?

MR. BORTZFIELD:

Well, the State --

CHAIRMAN CARACCIOLO:

Yes or no, Fred?

MR. POLLERT:

Part of the reason that the Sheriff's Department considered the mandated costs with respect to jail overtime and with respect to appropriations is it meets the statutory requirement, that it's mandated by a different

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level of government. They actually come in and tell us the number of posts that have to be covered five days a week or seven days a week, you know, and the number of shifts as well.

The reason departments like the County Clerk's Office, which also has a legal mandate, are not considered mandate is there's no group that does that. So the Sheriff's Department is relatively unique in that they are mandated to cover a certain number of posts.

CHAIRMAN CARACCILO:
I'll give you an opportunity, Bob, to respond. It is a mandated expenses as the Director of Budget Review said.

MR. BORTZFIELD:
The question is how much of the expenses are actually mandated in regarding staffing of these posts and everything else. That's a subject to various interpretation as to how these mandates are established.

CHAIRMAN CARACCILO:
But is it cost effective to leave a department like that understaffed and incur the expense anyhow?

MR. BORTZFIELD:
We work with the department, the Sheriff's Office as well as every other department regarding staffing levels and what has to be met, and we will continue to do that, but we also have to do it within existing budget limitations facing the conditions that the County is facing at this point in time.

CHAIRMAN CARACCILO:
Does the County -- I mean, let me interject. For 2002, do we expect to close the year with a negative or positive fund balance?

MR. BORTZFIELD:
Positive fund balance.

CHAIRMAN CARACCILO:
Positive?

MR. BORTZFIELD:
Right.

CHAIRMAN CARACCILO:
Why then weren't the positions that we budgeted for 2002 filled?

MR. BORTZFIELD:
A number of positions for 2002 were filled. Their 110 accounts are expected to be over by almost two and a half million dollars over the adopted budget for the current year.

Also budgeted for the Sheriff's Office through the right resolution was a twenty-six additional Deputy Sheriff positions that were totally unfunded. There was no funding provided, you know, with that authorization for filling those positions.

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CHAIRMAN CARACCILO:

Do we have funds before November 11 to pay for the additional personnel he's requested?

MR. BORTZFIELD:

We will be reviewing this. I'll check, you know --

CHAIRMAN CARACCILO:

Because there was a representation made earlier today that Legislator Crecca had conversations with people in the Executive Branch just yesterday and that there was agreement on this.

MR. BORTZFIELD:

I have no knowledge of any agreement at this stage of the game.

CHAIRMAN CRECCA:

Just to correct that, I spoke to --

CHAIRMAN CARACCILO:

You said the unions and the --

CHAIRMAN CRECCA:

I spoke to the unions. The unions had sat down with the County Exec's people supposedly and told that they were going to get, I'm talking about the Correction Officer's union, the thirty-five SCNS signed for the correction officers. But the thirty-five corrections officers are -- is in the 2002 budget as well as in the proposed 2003 budget, correct, Fred?

MR. POLLERT:

The spots are in the budget, it's up to the County Executive's Office to authorize the 167. There are hundreds of spots in the budget that are vacancies, it's up to the County Executive's Offices, the Chief Budget Officer to sign off on the 167's.

CHAIRMAN CRECCA:

You're talking about the SCNS?

CHAIRMAN CARACCILO:

Yes, yes, the SCNS, 167's.

CHAIRMAN CRECCA:

Okay.

CHAIRMAN CARACCILO:

So that brings us full circle. The department head is saying if you don't give me the resources I need, then don't go away thinking you saved anybody any money, you're only going to cost taxpayers more money. Do you disagree with that fundamental position?

MR. BORTZFIELD:

No. But that fundamental position is made by every department head in the County, that if you you don't give us the resources we need --

CHAIRMAN CARACCILO:

But again, we're talking about a department that's mandated to have certain staff and requirements.

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MR. BORTZFIELD:

Again, that --

CHAIRMAN CARACCILO:

He doesn't have the flexibility that other, you know, the Director of Civil Service has. Legislator Bishop?

LEG. BISHOP:

Just one question for our economist. With this latest beige book and national picture as it is, are there macroeconomic policies that the federal government is likely to take next year that would pump prime, you know, prime the pump and have an impact at the local level in terms of our revenues?

DR. KUKASOVIC:

Well, as you're probably aware of the tax cut that was implemented a couple of years ago is basically there's -- next year is the year there will be no tax changes, so it's kind of an off year. So there really will be no fiscal stimulus other than some increases in spending.

Rumors around now, the stuff I've been reading and talking to people is that there are proposals out there for a substantial increase in both government spending and some further tax reductions, and hopefully, I think the economy clearly needs it.

LEG. BISHOP:

Right. I would agree with that and I think there will be a national consensus to go in that direction. I guess what I'm asking you is if they were to do that in let's say March, April, May, in the spring, would that have an immediate impact on our revenues if they announced a tax cut?

DR. KUKASOVIC:

The impact of fiscal policy is pretty quick, ones the tax cuts are in, you have the impact within, within that quarter.

LEG. BISHOP:

Because there has to be some hope, we have to leave with some or else

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DR. KUKASOVIC:

Yes. Well, hopefully. There's been a lot of talk that democrats have proposals out there and the President looks like he's going to be pushing some tax cuts and government spending increases.

LEG. BISHOP:

Yes.

DR. KUKASOVIC:

So that's a hope for next year.

DR. CONOSCENTI:

Mr. Bishop, in the past when we were a defense industry and there was an initiative made in Washington to have additional money spent on defense, we would see that almost on a one-to-one basis, you know, on a Monday if they made their decision on Tuesday, Grumman and Sperry and the other companies, but we no longer have that type of an industry base here or an

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economic base to warrant that. So, the kinds of things that we will see in this region will be the same as we'll see in New England and other places, in areas of the country where we do not have, where we do not have industrial military complex.

LEG. BISHOP:

Right. But I think what you're telling me then is that in terms of stimulus, that would have an impact at the municipal level, we should

be

hoping that what comes out of it is in terms of -- if we're looking for immediate gratification and help, is a tax cut, right?

DR. CONOSCENTI:
Exactly.

LEG. BISHOP:
So people spend and sales tax coffers rise. Thank you.

CHAIRMAN CARACCIOLO:
Tom, would that account for -- would that have accounted for in your presentation despite last year in auto sales and other large ticket items, purchases as a result of the congressional action to cut taxes?

DR. CONOSCENTI:
I think we saw some of that. I think the interest rates have been low and the automobile --

CHAIRMAN CARACCIOLO:
Refinancing.

DR. CONOSCENTI:
I'm sorry?

CHAIRMAN CARACCIOLO:
No, I said refinancing.

DR. CONOSCENTI:
Refinancing of homes. The interest rates being as low as they are, have created a lot of refinancing going on in our region, additional revenues people spend on activities. The zero percent -- the zero percent interest on automobiles was kind of twofold, there was one to maybe stimulate automobile production, but also too, they had inventories, they wanted to get rid of inventories.

So, what we saw in August and September was an effort made to reduce their inventory levels. When the new cars came out mid September or October, okay, they're not going to offer zero percent financing on those cars, because they want to see what the year is going to bring.

CHAIRMAN CARACCIOLO:
Actually, a number of new car manufacturers have on the 2003 models already.

DR. CONOSCENTI:
Well, they have some stuff, but you're not going to see it across the

board in the big ticket item cars, you know, the Lexuses and the Mercedes, the Jaguars. We haven't seen it at that level or initiatives

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being made there where there's that hope that our spending will buy those type of cars instead of the smaller models.

CHAIRMAN CARACCIOLO:

From your perspective, in the past we've had economists come in from various agencies, financial institutions and share with us their thoughts about when you're facing a situation, and we weren't at that time, but the question posed to them at that time, which is germane now, is when you have a situation that we're facing, in excess of a hundred million dollar budgetary shortfall, is it best to address that problem, obviously not with one-shots, we all agree on that, but is the sales tax the way to go, by repealing the sales tax on clothing or should there be an adjustment beyond the proposed amount of 6.9 percent property tax?

DR. CONOSCENTI:

In 1995 and '96 we did a study, state-wide study for the New York Association of Counties and County Executive's on sales tax and there was, which also included New York City. There wasn't one County in the State that came out ahead by eliminating sales tax at the local level. I mean if the Governor wanted to do it at the State level, that was fine, but we looked at the piece for the local level.

We took into consideration consumer spending, we looked at the multiplier impact of that consumer spending on the local economy and there wasn't one County in the State of New York that came out ahead. We estimated at that time that Suffolk County, based on that model in 1995, that Suffolk County was positioned to lose about thirty-five million dollars. Okay.

In 19 -- in the year 2000, our recommendation to the County Executive was not to eliminate sales tax, because we have kind of a unique situation in Suffolk County. We knew Nassau County wasn't going to do it, we knew New York City was and Nassau -- we were doing the work for Nassau County at the time. We didn't see any big shifts back and forth between Nassau County and New York City or Brooklyn and Queens and the Bronx from people

who normally shop, because we found that people are creatures of habit.

They get in their cars in the Bronx and they say, where are we going to go, right or left, either to New Jersey or to Mitchell Field or some other place. So we didn't see that Nassau County was going to have any real impact on it, and it didn't, as a matter of fact.

And when you look at Nassau County, Nassau County does about, on a monthly basis on average, about thirteen percent of the State's retail sales. That's a big chunk of money. I mean, excluding New York City and say Buffalo, which is another large retail center.

Our recommendation was not to do that, it was to leave it the way it is, because if we get the of tourists that the Tourism Commission consistently tells us that we get to Suffolk County, we did a study probably in the early 90's, and we looked at by quarter sales tax revenues in the five eastern towns. Sixty percent of the revenue that came in from the five eastern towns, came from the tourist industry or the people who go out to the east end of the island.

So, in effect, our feeling was that you're giving those tourists, if they are tourists in the traditional sense, we're giving those tourists a free ride, and by giving them access to Tanger Mall and other places.

Okay?

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So, we think that by reinstating the sales tax at the local level, which is only four percent, four and a quarter percent, then I think then you'll be able to pick up, you know, additional revenue and keep that consistent over time.

If you look at sales tax revenue from 1971 to date, it's growing and it grows at some revenue base every year and it's a good source of revenue.

But the drawback to sales tax is that when the economy goes down, it follows it, you know, maybe not --

CHAIRMAN CARACCILO:

But we haven't really experienced that this year.

DR. CONOSCENTI:

We've been lucky in our regional economy here, because we have plateaued out to some extent. We have done better than any other County in the country. We came up, we've come down a little bit, but we still have had

growth in jobs. And as Dr. Kukasovic pointed out, we had six hundred jobs created in September. That doesn't sound like a lot of jobs compared to the five thousand and eight thousand jobs we were doing in months past or in years past, but it's happening.

I mean we're slowing down, and if something, if we can just slow down and maintain a no growth in employment, no increases or decreases, then we could probably make it through. And that was one of the issues that Paul pointed out, that at best, we're looking at twelve million, because we get a no growth or a negative growth, what we're going to see is that sales tax revenue base fall down a little bit more.

CHAIRMAN CARACCILO:
Bob, is there any disagreement with our Budget Review Office that 2004 is going to be a much more difficult budget year for the County than even 2003 presents?

MR. BORTZFIELD:
It may very well be, yes.

CHAIRMAN CARACCILO:
And what leads you to say that?

MR. BORTZFIELD:
The increases in the mandated costs are going to continue. We don't see them being reduced we, in fact, we see them increasing in the Medicaid costs.

CHAIRMAN CARACCILO:
So what actions should we be prepared to take now to offset some of those eventualities?

MR. BORTZFIELD:
Well, the actions that we're taking that were in the recommended budget and the reducing expenditures in areas where we can, to try to get the State to --

CHAIRMAN CARACCILO:
When you say reduce spending, I don't see where we're reducing spending

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except for eleven millions dollars in health centers and six million dollars in contract agencies.

MR. BORTZFIELD:

Well, they're the ones, although reductions in spendings are in the budget and stuff, they're just not, have not been spelled out in detail, you know, item by item in any of the analysis, but there are all sorts of expenditure reductions that are in there.

CHAIRMAN CARACCILO:

We have a number of speakers that want to address us on contract agency cuts. I appreciate if you stand by, because when we get into those particular agencies, I think it's important for the Legislators to hear what your rationale was for their cuts, because some of them again on the surface, don't appear to be cost effective. Thank you.

Okay. At this time I'd like to call up Wally Broege.

MR. BROEGE:

Good morning. My name is Wally Broege. I'm the Director of the Suffolk County Historical Society in Riverhead. For those of you who may not be familiar with our program, as I said, we're located in Riverhead. We have a museum, we have a library and archives, which is a research facility, and we offer public education programs. We're an authorized agency of Suffolk County.

The recommended budget funding for the Suffolk County Historical Society in the 2003 recommended budget shows a 22.5 percent reduction in funding based on the adopted budget for 2002. That translates to a loss of forty-seven thousand six hundred and thirty-seven dollars for the Historical Society.

And I'm somewhat stunned after listening to some of the presentations that I've listened to today, that our amount is very small. By the same token, it's a catastrophic cut for the Historical Society. We are already facing a deficit for 2003 even if funding had continued at the 2002 level. So right now if this budget is adopted, I'm facing a total deficit of about seventy-seven thousand four hundred and thirty-seven dollars just to maintain current services.

The Historical Society has no cash surplus and we're not optimistic about

our ability to raise that quantity of money to fulfill this budget shortfall. In order to balance the budget, the Society may very well lose one full-time staff member and four part-time staff members.

I want to stress to you that these positions are currently filled by experienced staff members who are dedicated to their work. They work hard at what they do and they truly want to succeed and do their very best. Their loss -- their loss will be a -- have a great impact on our programs, both for the short and long term.

It may also cause an additional loss of income of about twenty-seven thousand dollars from a variety of sources that each of these staff members are involved in earning and raising through grants and activities they do.

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In 2002, the Legislature added almost thirty thousand dollars to our budget, so that we were able to maintain the position of curator, which we've struggled to fill, it's been vacant since 1992. That position has a variety of fulfills, the person that fills that position fulfills a variety of services within the institution. They're responsible for our artifact collection, she plans and installs exhibitions, writes grants and plans programs that are offered in conjunction of exhibitions.

Due to the support that the Legislature added to our budget last year, that thirty thousand dollars that enabled us to maintain that position, we were able to earn a fifteen thousand dollar grant from the State Council on the Arts. It's a three-year contract, so we're pretty much locked in to three years of funding at the fifteen thousand dollar level.

And we were also able to earn a twenty-two thousand dollar -- a twenty-two thousand five hundred dollar exhibition grant. That's the largest exhibition grant that the Historical Society has ever had and it was judged one of the four best Statewide. So the funding that you added to our budget, although it was a relatively small amount of money, had a big impact.

At the same time, we took steps to balance our budget. We cut our discretionary spending, we eliminated a position, the position of librarian, we froze salaries at the 2001 level and we stepped up our fund-raising. I'm pleased to report that we were able to receive a four hundred thousand dollar charitable trust remain -- or charitable remainder trust donation this year. The down side of that is, because of the nature of a trust like this, we don't actually receive that money until the donor is deceased. But that has, that will have the effect of

doubling the size of our endowment. So, some of our fund-raising has been effective.

I want to thank -- before I leave, I want to thank you for your past support because it has made a big difference in our institution and your continued interest in your programs. We realize that you're facing a lot of difficulties with the budget this year.

At this time, though, I would ask that you give serious consideration to reinstating the cut to our budget. It's forty-seven thousand six hundred and thirty-seven dollars to restore it to the 2002 level of funding. That would move the funding from the Executive's recommended level of one sixty-three eight sixty-three to two hundred and eleven thousand five hundred dollars.

If you're not able to do that, I would ask that you give consideration to helping out in any way you can. We'd appreciate it.

CHAIRMAN CRECCA:
Thank you.

CHAIRMAN CARACCIOLO:
Thank you, Wally.

MR. BROEGE:
I have a summary, Mr. Caracciolo, that I'd like to leave with you. It's basically the same thing that I left at the general meetings of the

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Legislature, but I just feel it's important that you have this kind of stuff when you need it.

CHAIRMAN CRECCA:
One of the aides will come over and take that from you for distribution. Next up I have Naney Plompen from Board of Elections.

CHAIRMAN CARACCIOLO:
Wally, I also want to take this opportunity to thank you for attending all three of the budget hearings.

MR. BROEGE:
You're welcome. I wish I could say you've seen the last of me, but I'm going to come to a couple of more Committee meetings on Monday.
Thank
you.

CHAIRMAN CARACCIOLO:

Take care.

CHAIRMAN CRECCA:

Just for the speakers, obviously we'll try to let you finish up your statements, but we're going to try to stick to the three minute time limit, if we can. Thank you.

MS. PLOMPEN:

Okay. Thank you, Legislators. I'll try to be very quick. I'm representing the Board of Elections. In the recommended budget from the Budget Review Office, they are recommending the abolishment of four Assistant Election Clerk positions and I'm here because that creates a great hardship to our department.

We are mandated under law to have equal representation of both parties at the Board of Elections and in 2002 new positions were created to bring us into compliance with the mandate of the New York State Constitution and with the election law. And we need to maintain these positions not only for that mandate, but because now the new election law has mandated that we take on additional responsibility.

We are now having to have bilingual services to the constituency, we need to go out in teams and visit all the nursing homes in Suffolk County. We have seventy-one nursing homes in Suffolk County. We're required to visit each one of those that have more than twenty-five registered voters under the law, which means we have to send teams of our people out to them.

The new law also mandates that we go to school district votes and do their absentee ballot voting. Again, visiting nursing homes. However, the law states that the school district can set the number of people that are registered in that nursing facility. So while the State law says twenty-five for our general elections, the schools can say two. If we've got two people registered in that nursing home, we want you to send a team there, and we will have to abide by that. That's part of the new law and the way it's structured.

We have to send teams out to train people to be inspectors, so we are desperately in need of all of our people and all of our positions, not

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only to maintain the equality, but to maintain the fact that we -- to live up to the mandates that we're required to do.

Right now, since the retirement incentive, we've been hard pressed. It happened at such a time that we don't have the time to train new personnel in the vacated positions to come in and we're backfilling with overtime. Our overtime budget is going to be impacted major, majorly because we can't have the number of people that we need to go out on the road.

And we're under time constraints. We're in the election mode and we have a time from a primary election until the November election where we have to do this work. It's not something we can say, well, we'll try to accomplish it in January or February. We need to get all of this work done, we need to get our teams on the road, we need to have our people available when we come into election mode and we need to have them trained.

We've also been told that we're going to be mandated, it's waiting for the President's signature, it's been passed in both the house and Senate, that we're going to be required to purchase new voting machines, which is going to mean more training, more personnel. It's really right now at the time when we are in a budgetary crunch, and I understand that, we are being mandated by the Federal and the State government to increase our services and to put more people out in outreach and out on the road.

CHAIRMAN CRECCA:

Your time is up, but is there anything else you wanted to say?

MS. PLOMPEN:

I just wanted to thank you for listening and I hope that you'll give some attention to our needs.

CHAIRMAN CRECCA:

Thank you.

MS. PLOMPEN:

Thank you.

CHAIRMAN CRECCA:

Do you have a copy of something that we can distribute?

MS. PLOMPEN:

I will certainly get something ready and send it over to you.

CHAIRMAN CRECCA:

That will be great, so that we have it. And send a copy to the Presiding Officer's Office too, that will be very good.

MS. PLOMPEN:

I will do that. Thank you very much.

CHAIRMAN CRECCA:

Thank you. Next speaker is Thomas, Tom Williams. Come on up, Tom.

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MR. WILLIAMS:

Good morning. Thank you very much. I'm here to ask you to restore some

funding to the Cornell Cooperative Extension of Suffolk. The proposed budget decreases our 2002 appropriation by twenty-one percent and

last

year we lost about that same amount to the Marine Program.

We've been working very hard over the last year to increase our fee producing programs, to get grants. Our Family and Consumer Science Programs is able to bring in about three dollars for every one dollar we get from the County. We provide parenting education, nutrition, food and

nutrition work to low income people throughout the County and we feel that it's cost effective.

We also get reimbursement from the State for the programs that we have,

because of the County dollars that are put in, which we would lose through this funding.

We would like to request that the Legislature approve the recommendations

from the Budget Review Office that are in the recently issued proposal and also help to restore our Family Consumer Sciences.

And we will be making presentations to other budget committees on the Marine Program and diabetes, which also we also hope to have reinstated.

And at the end of next year if we can get the steady funding, we would be

able to get Medicare reimbursement through the Health Department, so that

would reduce the County dependency on that program.

CHAIRMAN CRECCA:

Tom, I'd just have to say Tom did it with a hundred and twenty seconds to spare. No, I'm sorry, eighty-five seconds.

CHAIRMAN CARACCIOLO:

He has a lot of experience.

MR. WILLIAMS:

I appreciate your patience.

CHAIRMAN CARACCIOLO:

Tom, just again to put the Cornell Cooperative Extension Program and budget in perspective, could you just enumerate of the -- what your total budget is, what portion comes from the County and how Suffolk County compared to other counties in the State provides funding for its cooperative extension far excess of any other County in the State. So if you could just comment on that.

MR. WILLIAMS:

Well, our appropriation from the County this year was two million, two million, I'm sorry, it's right around two million dollars, plus the two hundred thousand dollars for the 5 -- 477 funding from the Water Quality Review for our IPM program.

We are well funded in terms of other cooperative extensions throughout the State. Our sister County in Nassau County has decreased their funding by considerable, but we also provide such tremendous services to the people in Suffolk and it is -- these are requested through surveys and requests that we get from the County.

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We did get the request from the County to do the diabetes program. The parent education program was one that the County supported two or three years ago and asked us to put in place. So that we are responding to needs and requests from Suffolk County Legislators and, and the residents in the County.

We also are the number one agricultural producing County in the State of

New York and so we are responding to that need as well and provide great support to the farming industry, the marine industry, the fishing and sports fishing industry out here.

CHAIRMAN CARACCILO:

As you are well aware, the proposed budget essentially cut the funding amounts and stated Cornell should go back to his core mission and that's what we will continue to fund and nothing more. Would you like to comment on that?

MR. WILLIAMS:

Yes. It's -- I'm not exactly sure what the definition of that core mission is, I'm assuming that perhaps it's agriculture. And in 1865 when they created the Land Grant College, agriculture in teaching farmers, best industry practices was certainly a core mission, but within years they realized that there need be to a lot of nutrition education, food preservation, education for the farming industry and the people that work within that industry and to provide that kind of information and education to people throughout the country.

So that really our core mission is to provide information to residents throughout the State, and in Suffolk County in particular, on the kinds of research that's being conducted by our Land Grant Colleges. We're part of a nationwide system that uses resources from not only Cornell Cooperative Extension in the State level, but we go far and wide to Rutgers in New Jersey, we go to Michigan, we bring in information from throughout the country to help our residents live better lives and be more productive and provide economic incentives and economic development to all people in our County.

So our core mission really is to help people improve the quality of their life, provide them with information through education that allows them productive lives, good eating habits, how to be good farmers, how to be productive in the marine fishing industry.

And then, of course, we do a lot of work with young people through our Youth Development Program and the 4H Program.

CHAIRMAN CARACCILO:

The Budget Review report indicates that funding for next year will be at the two million six hundred thousand dollar level, that's what's recommended. What's Cornell's total budget from all sources?

MR. WILLIAMS:

From all sources, it's approximately nine million dollars.

CHAIRMAN CARACCILO:

Okay. Now, I think it's important for you and others who advocate for Cornell, as well as many of the Legislators who are here this morning,
to

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identify and share the fact that many of the services that would be cut, somehow there's this perception that these are east end services that are being cut, that's clearly not the case.

You know, I didn't have an appreciation for the numbers of people Cornell touches until January, up until this January, we're now being co-located in the same building. I see on a daily basis scores of people from all over this County and some from outside of this County that come out to your classrooms for instruction. And I know you have many outreach programs in the school districts, libraries and many other places.

So I think it's absolutely essential that you and the other members of the Board at Cornell get that word out to Legislators and let them know that many of their constituents will be losing vital services, that this is not an east end program. The builder may be in Riverhead, but the programs are Countywide and many of the people who will be affected by these cuts live in the five west end towns of this County. Am I overstating that?

MR. WILLIAMS:

Not at all. We have operations at the Vanderbilt Museum in Huntington and we meet with many school districts and community agencies there. Our marine program and farm programs reach fifty-eight out of the sixty-two school districts throughout the County.

On Saturday we're working with the Babylon Sports Fishing Association to open up a new education and research center down in the southwest corner of Babylon. We have a lab diagnostic program, excuse me, at the Bayard Cutting Arboretum. We provide diabetes education throughout the County and especially focussing on Amityville and Wyandanch. So, we are all over, we see people everywhere.

And we have been meeting with Legislators to talk with them about the kinds of need they have so that we can respond in particular to those as well.

CHAIRMAN CARACCILO:

Okay. Bob, could you help us answer this question, Bob Bortzfield, as to Cornell, the budget being presented on the basis of Cornell going back to it's core curriculum or programming?

MR. BORTZFIELD:

That was a policy decision that was made this year based on the economic conditions in the County to reduce their funding levels to what we felt was the core program's initial intent regarding agricultural, those types of programs of the Cornell Cooperative.

CHAIRMAN CARACCILO:

Did anyone who was in on making that decision take a look at the positive economic impacts of the various programs that are being cut?

MR. BORTZFIELD:

We look at the impacts of all the programs that are being cut, yes.

CHAIRMAN CARACCILO:

Again, Mr. Williams, I would suggest that you make available to

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Legislators how this is being penny wise and pound foolish once again by cutting programs and services that have an economic benefit to the taxpayer and County government. So I look forward -- I know Chris Smith has worked up a lot of that data, and make sure it's disseminated and presented to Legislators before next week.

MR. WILLIAMS:

Okay.

CHAIRMAN CARACCILO:

Thank you very, very much. We appreciate it. Is this Maria Spector or Marcia?

MS. SPECTOR:

Marcia Spector.

CHAIRMAN CARACCILO:

Okay. Please come up.

MS. SPECTOR:

Thank you. I hate following Tom. Good morning. My name is Marcia Spector. I am the Executive Director of SNAP, Long Island, known to many people as the Suffolk Network on Adolescent Pregnancy. I have been the County's designated agency for adolescent pregnancy prevention and services since 1985.

Suffolk for many, many years led the State in the incidents of adolescent pregnancy. I'm happy to report that between 1985 and 2000, pregnancies in Suffolk County have decreased fifty-four percent. And there's been a lot of research on the national level which indicates that prevention programs really do work.

Because this is Budget Committee, I'd like to focus on some budget issues. We just completed a study with data obtained from the New York

State Department of Health, Suffolk County Department of Health and Social Services in a Long Island Regional Planning Board. And what we came up with is that one public assistance eligible adolescent birth in Suffolk County and eighty percent of births to adolescents will be public assistance eligible.

One birth costs the County a minimum of twenty-two thousand four hundred and twelve dollars from the time the infant is born until the infant's first birthday. That would be for public assistance eligible mother and her baby living at home with her parents.

If goes to twenty-six thousand seven hundred and eight dollars for an adolescent mother and baby living on their own. And to a whopping seventy thousand dollars a year that the County pays to put up an adolescent mother and a baby in a shelter.

These costs include routine expenditures for public assistance, housing, child care, food stamps, WIC and Medicaid coverage and is a snapshot of taxpayer estimated costs from the time the adolescent gives birth until their first birthday.

In 2000, there were eight hundred and fifty four out-of-wedlock births to

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adolescents ages ten through nineteen in Suffolk County. Based upon that figure, the cost to Suffolk taxpayers for one year of adolescent births is fifteen million dollars, fifteen million three hundred and seven -- three hundred and ninety-six dollars.

The County Executive has proposed cutting our agency twenty-four thousand eight hundred dollars. And I realize that in a scheme of the budget that you're dealing with, it's a speck, but our money from the County is very precious. We spend it very wisely. Our costs are low. As a contract agency, we don't have pensions, we don't have retirement, we get donated items, we absolutely operate on a shoestring.

A twenty-four thousand dollar cut is a position for us and it will seriously cripple our efforts to continue to prevent adolescent pregnancy and adolescent birth in Suffolk County. And as was stated a few minutes ago, it's a penny wise, pound foolish cut. It makes no sense. If we can prevent one adolescent birth in Suffolk County, one adolescent birth, we've made up the cut that the County Executive is proposing.

And considering that we have been able to prevent fifty-four percent of the adolescent pregnancies since 1985, it makes absolutely no sense to do this and I'm really appealing to you to consider anything you can do for us, anything. If you can't give us back the whole thing, help us get back some of it. I just can't see doing this. Thank you.

CHAIRMAN CARACCILO:
Thank you very much. Legislator Cooper.

LEG. COOPER:
Quick question. Fifty-four percent translates into how many pregnancies?

MS. SPECTOR:
In 1985 there were four thousand one hundred pregnancies to adolescents ages ten through nineteen. In 2000 there were one thousand nine hundred. And at the public hearing in Riverhead, I did bring gobs of material, which I left for everybody, including an analysis by Legislative district.

Although some districts are less impacted than others, this is clearly a huge County burden and every research paper that I've read says that

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prison costs, the costs of long-term welfare dependency are all related to adolescent child bearing. So any consideration, we appreciate.

CHAIRMAN CARACCIOLO:

Well, let me take this opportunity to thank you for preparing that document. I think a lot of Legislators will find it very eye-opening and useful.

MS. SPECTOR:

Thank you.

CHAIRMAN CARACCIOLO:

Phyllis Garbarino.

MS. GARBARINO:

Good morning. I'm here again to repeat actually the message that I need

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to make everybody aware of, positions. There are a number of things that

I'm not sure have been made clear in this budget position. Obviously, the largest percentage of retirements were from the AME Bargaining Unit.

The large percentage of cuts are from the AME Bargaining Unit.

Some of them don't make financial sense to me. There is a huge cost saving in just replacing the position. We all know that the majority of retirees that went out with twenty years plus, if not even more. They were at a higher level of salaries, because they were mostly mid-level administrative positions and up, all AME Bargaining Unit.

Also, a lot of them, which I don't see and I don't know if it's reflected in either of the budgets, the number of positions that are proposed to be

cut that are State and federally reimbursed, and what are the cost losses

by not getting that reimbursement? I know in many of the departments in

Health, Social Services, Labor Department, percentages of reimbursement are very large.

Our bargaining unit also, and you know that we represent everybody across

the County, so I think we are more impacted and you are more impacted by

our numbers, because we do everything, we are not -- we work hand in hand with every single level of government in every single department.

Therefore, by cutting these positions, you are going to lose the services that government is supposed to mandate. There are the clinics, the social service centers, which are already seriously feeling the cuts on the hours that they can handle at the centers because they just can't handle the number of people that come in the door, the clinics, I'm facing the same thing, but it's at every single level.

Our contract, we also have, which I'm sad to say, we have the lower number of benefits than some of the other employees and the other bargaining units. I saw some of the numbers on longevity, on the savings

on longevity. In our contract, longevity starts at ten years, which means that a new employee coming in does not cost any longevity, there's

a savings there for ten years. So these costs savings just by bringing in new employees is large, I think larger than the numbers I'm seeing from either side.

And although I'm not a budget analyst or a financial projectionist or an accountant, but just on plain knowledge and on common sense, I'd like to

know if these budget figures reflect all of the things I've just brought out. But it's a dangerous position to take to just cut the positions without realizing the impact of each and every one of them.

And as I said, we have people that are working hand in hand with the police, with the Sheriffs, with the County Executives, with the Legislative offices, with the Planning Departments, these are people who

work there too, and I think it's not being looked at, that the impact that will have at a very minimal cost to the County budget. And I need to bring that out at every -- I'm at every committee meeting bringing that out, because I think you need to hear that and need to look at it two, three, four, five times before you make decisions on exactly what you're going to propose as a budget and work together. I realize you work together with the County Executive's Office to come to something that everybody can live with.

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We recognize the economic times we're now living in, but we all recognize

too the responsibility of government and I think everybody's mind is to continue to provide these services. They can't be provided by eliminating these positions. They are -- every -- the positions are from

the lowest level to the highest level, but yet the cost impact is minimal compared to what you are facing.

CHAIRMAN CARACCIOLO:

Phyllis, I can tell you that a number of Legislators have requested that information about aidable positions, so it will be factored into any equation to restore positions. And I can't speak for others and I'm really not going to speculate on what the possibility is of position restoration given the large size of the budget deficit, but it is something that was discussed as early as eight a.m. this morning.

MS. GARBARINO:

Because we do in the budget, which is historically in the budget and that's maybe a conversation for another day on the budgeted unfilled position, but now there's additional of the retirement positions that are being eliminated. That is going to make it far worse. We have serious shortfalls right now.

We have -- I met with case workers the other night. They didn't have
as

large a retirement as they did the last time, but the average time that a case worker is here with this County right now is less than three years. So their costs are even minimal. And consider the service that they're provided. They're working now, I'm calling some of their work, to be polite about it, it's volunteer work, because they're working to get their work done and they're not looking at the clock, which is certainly something I don't advocate, but they said they can't keep their heads above water, they can't keep their cases up. This is just one title that I'm addressing.

And just as earlier today, it was discussed that overtime, you can't expect people to put in twelve hours a day every single day of the
week,

regardless of the fact they have lives and they have families, physically and mentally it's an impossibility. And that's what we have in certain areas right now where people are working on their own, those kind of things, just to keep their heads above water and to be able to look at themselves in the mirror. And that can't continue, because something
is

going to break.

CHAIRMAN CARACCIOLO:

I think the point you just made about that case load management really equates to quality control or the potential for lack of quality control, which only then exacerbates and costs more money.

MS. GARBARINO:

Correct.

CHAIRMAN CARACCIOLO:

Thank you.

MS. GARBARINO:

You're welcome. Thank you.

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CHAIRMAN CARACCILO:

Eleanor Seidman-Smith and Stacey Romeo. Okay. Come on up.

MS. SEIDMAN-SMITH:

Eleanor Seidman-Smith. I feel like I live here, I should have brought my slippers. I was up this morning at seven o'clock faxing all of you the information that I received yesterday from the Budget Office, and I appreciate that. I just want to hand out one of the -- one of our recent letters that we got as early as yesterday, which you have not received yet, from the Family Court, Drug Court. That's a new piece of information.

A month ago, 9/21, County Executive Gaffney stated that he set aside five hundred and forty-one, one forty-four in the Probation Department to run an effective community service program. Having run the program twenty-two years, it gives me pleasure to say that the County Executive designated that we, and I remember, I guess Lynne was there, that we run the program, and for twenty-two years we have never had one public safety risk. And for twenty-two years we've saved the County thirty three million dollars.

You hear the jail overcrowding, you heard from Marcia about the pregnancies that go into the criminal justice system, you heard from every other organization and agency, the health agencies and everything, how devastating it is if they don't loss -- if they don't have their money.

Well, in the economic downturn, crime will be going up. And here we are, the net, to make sure that every single one of these criminals are, you know, are supervised so that there's no public safety in the area, in your communities.

The most important thing I want to direct, and I'm so happy that the, to meet face-to-face with the Budget Office finally, we have requested meetings and I'm so thrilled to be able to be here, I would like to just

request for the record that the Budget Office talks to us directly next year, understands what programs we have, understands what our operations

are, because clearly there are problems with some of the numbers that have been given to you, and I would like to refer to one of them.

In the budget on page 290 it clearly states that Probation will be getting two hundred and ninety-five thousand dollars from the State of New York. It's not correct, because really we only get two hundred and nine thousand dollars from the State of New York and I would like to show

you, and I faxed it to your offices, and I would also like to show it to, to the Budget Office, two hundred and nine thousand nine hundred and thirty come directly to us as demo-direct monies. That money comes every

year, it's been every year since 1989 that we've gotten it, so we're assured of that. That's our operational state monies.

And I do want to pass this -- and I will be giving this to the Budget Office to show them that clearly two hundred and nine thousand is our monies that's given to us by the State.

Something yesterday was also stated by Probation --

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CHAIRMAN CARACCILO:
Excuse me, Eleanor, on that very point --

MS. SEIDMAN-SMITH:
So that's wrong right there.

CHAIRMAN CARACCILO:
That amount of funding, is that consistent with previous years?

MS. SEIDMAN-SMITH:
Yes. It's been that way for the last eighteen years.

CHAIRMAN CARACCILO:
Okay. So you haven't seen a decline in --

MS. SEIDMAN-SMITH:
I have not seen a decline in that monies. Because of that monies, we've been able to bring in half a million more money, by the way. Half a million dollars worth of monies that comes into our program is grant money, foundation money, monies that the County cannot get, because we are a not-for-profit agency we bring in half a million more dollars.

That money enables us to go out with our crews.

The four vans, which we use throughout the whole Suffolk County, are donated vans, they are not County vans. We are actually using four donated vans that were given to us as number items and we are ready -- we are expecting one more, so there will be five vans that will be coming to us that, at no cost to the County at all, which enables us to go throughout the whole County with our crews. So that's another plus that we bring to the County, no money.

Penny wise and pound foolish, we're six pennies wise at this point, because if you look also it says here that the budget includes a hundred and eighty-two dollars -- hundred and eighty-two thousand dollar expense in vehicle and equipment costs that Probation is asking you to fund up front, we have -- we don't need equipment, because you've given it to us in the last five years, we're fine. We don't need vans, we've got that from the State. So you can save a hundred and eighty-two thousand dollars in this year's budget coming up in 2003 right away, there's a hundred and eighty-two thousand dollars that you do not have to spend because we already have it. We have it in our budget, we have no problem with, you know, with vehicle, because they've been maintained.

CHAIRMAN CARACCILO:

Before you go further, I'd like to give Budget Review Office an opportunity to respond.

MR. SPERO:

Jim Spero. The van cost would be a one-time cost. If the County took over the program, we would have to buy vans. And then after that, that cost would not be there until about three or four years later.

CHAIRMAN CARACCILO:

Could not the vans be transferred to the County? I'm not saying that's going to happen, but --

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MS. SEIDMAN-SMITH:

No, they can't.

MR. SPERO:

They were purchased with County funds as Elly pointed out.

CHAIRMAN CARACCILO:
She said they were not.

MS. SEIDMAN-SMITH:
They were not. They're state funds, a hundred percent state funds.

MR. SPERO:
Oh, State funds. Okay.

CHAIRMAN CARACCILO:
Okay. Continue, Jim.

MR. SPERO:
Then they might have to be -- if the program disbanded, the vans sold, the money might have to go back to the State. That's how -- what would -- often happens with federal grants. Equipment purchased under a federal grant would have to go to -- the funds you get from selling that equipment has to go back to the federal government.

CHAIRMAN CARACCILO:
Okay.

LEG. NOWICK:
Can I just ask, Jim, what is the one-time cost?

MR. SPERO:
The vans.

LEG. NOWICK:
How much?

MR. SPERO:
A hundred and eighty-two thousand dollars.

CHAIRMAN CARACCILO:
One eighty-two.

LEG. NOWICK:
You would have to expend one-eighty two --

MR. SPERO:
To get the program -- for Probation to get the program going, they would have to expend a hundred and eighty-two thousand.

MS. SEIDMAN-SMITH:
We're here, we're going with twenty-two years, we've saved the County thirty-three million dollars just in jail costs alone. We haven't built a new jail, because the program has taken fifteen thousand offenders.

And we also have a list for, that we proceeded that came from, thank you, from the Budget Office of the County, which shows every year how much

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the -- how much we've gotten from the County of Suffolk, and it comes out to a total of seven million dollars for twenty-two years. Divide that by twenty two years, that's three hundred thousand dollars. Divide that by fifteen thousand people, it comes out like to twenty dollars a year, which -- so, actually we're twenty dollars wise and a pound foolish, you know what I'm saying, it's just astronomic.

There are also two other pieces that are in the budget report that I wanted to direct to both the Budget Office, both budget offices, reduced placement delays. We don't have placement delays. I don't know how -
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who gave the information to you, we have no placement delays. Within two weeks of getting a person in for an interview, they're placed. I don't know where this information came from. We do have a statistical number cruncher sitting in the back and she's ready for you at any time you want. Our statistical piece is daily. We keep our numbers just like the Sheriff's Office, daily we have our number counts, because we have to get them on the crews.

The third piece is communication with the courts regarding compliance status. Again, you have the information from the courts that say that because of us they're able to keep their Juvenile Drug Court going.

The fourth piece is expanded service delivery to the east end. And on that end, I would like to introduce or east coordinator, nobody has ever talked to Stacey about what she does on the east end, so I'd like to give it over to Stacey for two, for a few minutes to talk about the east end.

MS. ROMEO:

Okay. My name is Stacey Romeo and I'm a case manager for the American Red Cross Community Service Program. I'm not a number cruncher, I'm a foot soldier, I work in the trenches, I deal with our clients on a daily basis and I also work as a partnership with Probation.

As it stands right now, out of a hundred and ninety-four, out of a hundred and -- I'm sorry, out of nine hundred and forty-six agencies, a

hundred and ninety-four of those are east end agencies. Right now we have a hundred and twenty-two open cases out of five hundred eighty that are east end. Right now we have eighty-nine of those people placed in agencies doing community service. The remaining thirty-three are distributed through the eligibility awaiting sentencing, intake or they have been accepted and they're awaiting placement.

And as Eleanor Seidman said, we give a two-week window to do our placements. We have a responsibility not only to our clients, but we have a responsibility to the community. This two-week period that we have for the client to come in, we are very careful, we review their files and we make sure we're going to place them in a suitable environment for themselves and one that's going to be beneficial for them and for the community. So this is why we have this two-week waiting period to do that.

And then I monitor my clients very closely. During our intakes, we have a set standard of questions that we do ask them. I will, depending on the client that I have in front of me, will take somewhere sometimes upwards of two to three hours, because I think it's very important that I get to know my clients so that I can handle any problems that arise, that

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I have full information that when anyone from Probation has a question regarding my client, I may have extra information that I can give them and together, hopefully, then if we do run into problems, we can share this information and be more effective in handling our clients and making them more successful so that we don't see them returning to court and using up extra hours or extra taxpayers' money or resulting in them being terminated and put in prison.

MS. SEIDMAN-SMITH:

A couple of things were said yesterday that I would like to talk about. Only, only thirty percent of community service programs in the United States are in Probation. Only thirty percent. The rest of them are in not-for-profit agencies, like Suffolk County has had for the last twenty two years. The reason they were put in not-for-profit agencies is because we have a handle on the volunteer sectors. We have over nine hundred not-for-profit agencies, institutions and corporations under 65-10 (2) H, which is the mandate. It's mandated to do community services, it's not mandated to have it under Probation.

Actually, the -- most of your -- in Rockland County, it's under the Sheriff's Department, in Queens County, it's under the District Attorney, all the way up and down New York State. I've been going to every -- at the beginning, as Lynne knows, I was out almost once every month,

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week, training people all over New York in the United States, I was a trainer for the United States to set up these programs in the volunteer agencies of American, to set them up in the Salvation Armies, in the American Red Crosses all over the United States.

Very few were set up originally in Probation Departments, so what was said yesterday was not completely, you know, I would have to say only thirty percent of Probation. The reason it wasn't put in Probation is because of the high cost of the pensions, because of the high cost of the counties of retaining people. And as I think it was said before, and I think Mr. Caracciolo said it, Legislator Caracciolo said that the County employees start at forty-five thousand dollars.

CHAIRMAN CARACCIOLO:

No, I didn't say they start at that.

MS. SEIDMAN-SMITH:

Start or their average, the average. Even if they start at thirty-five thousand, we still -- we can only start our people with a living wage, we can only start -- we start our people at eleven dollars an hour. And as you can see from the five-year chart, from the five-year chart of salaries, we keep it pretty much that way and we've been under the

four

percent.

So, our salaries are never mandated to go up, there's no mandate to

put

our salaries up. And we don't have anything you know, that we -- and that's sad too, because I lose a lot of people that way. But again, they're trained, they're the eyes and the ears of the community. We

add

an extra layer, we do not duplicate any services. We are the only

agency

doing community service and we work in partnership, as Vinny said, we work in partnership with Probation on a daily basis.

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So, I'm asking for us to have the consideration to put back the five hundred and forty-one, one forty-four that was, that Gaffney said that

was putting into a 3191 account, please return that money to the community service program and the American Red Cross Community

Service

Program. And I'm also saying that we can still do it seventeen thousand dollars cheaper because of the error in the State monies and we could save an extra one hundred and eighty-two thousand dollars right off the bat because we have donated vans that we give to the County. So, you're saving a hundred and eighty-two thousand, seventeen thousand on top of that and I'm bringing in half a million dollars from other sources to match.

CHAIRMAN CARACCILO:

Thank you. Jim, do you want to respond? Because you did address this issue in your report.

MR. SPERO:

Yes. It's a push in the first year if Probation takes it over, but then after the expense drops out for the vans, then it would be cheaper for the County to continue the program, assuming Probation can provide the same units of service that American Red Cross is providing, assuming that Probation can provide the equal amount of service.

CHAIRMAN CARACCILO:

And they -- Well, all right. Lynne?

LEG. NOWICK:

I just can't help thinking, asking the question, is it broke, why are we fixing it? I know that -- I've watched -- I know Elly Seidman created this and did all the legwork and you did it twenty-one, twenty-two years ago. Convince me it's broken.

MS. SEIDMAN-SMITH:

It's not. It's healthier than it's ever been. We have thirty-seven percent increase. Just this month alone we had a thirty-seven percent increase in the amount of Judges sending us people. Plus, they're sending them directly to us. And Probation is a wonderful department, don't get me wrong, they do a wonderful job, but we have Judges sending them directly to us now.

LEG. NOWICK:

And how do you respond to -- it's the first year, one hundred and eighty-two thousand dollars the first year, but the second year that the County can save money if they keep it in Probation.

MS. SEIDMAN-SMITH:

Well, hearing from what everyone said is that there are mandated salary

increases that they have to give, and we don't, and there are certain costs. I'm not an economist, I would have to defer to the good people in the Budget Office, because they do the number crunching, but we have saved the County thirty-three million dollars in the last, you know, twenty-one years just on jail costs alone.

And the numbers are going up. We have increased our numbers a hundred and thirty-nine percent just since last year. So, if you look at what we're doing, we're -- not only are we not broken, we're the -- this is

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our best we have ever had in the history of the American Red Cross Community Service Program. Everything is in place and nobody's left.

We have not one person who has left the program.

The positions, and I'd have to defer to our Executive Director, we do have three open positions and we just would like to fill them, but we don't want to tell people you only have ten weeks, go through all the paperwork, go through the, you know, we have to go through the police,

they are routine, because they have to get fingerprinted, we have to know

that they don't have a record because they work with our juveniles, and that takes three weeks just to hire somebody after the interview.

LEG. NOWICK:

Do your people get benefits?

MS. SEIDMAN-SMITH:

Okay. Let me defer to Mrs. Amarosa. That's a good question.

MS. AMAROSA:

I'll address that for you. Legislator Lindsay had asked yesterday if we were able to continue to operate, if we could accept a ten percent cut, and we could. We had figured that out, because that's why I had asked Elly not to fill the positions.

Our staff does get a --- our full-time staff working thirty-five hours or more does get health benefits, but we get them through our national organization, so they are at a reduced rate. Of course, we pay FICA, we pay workmen's comp and we do offer a pension to our staff, but it's only

one percent of their salary. So, I mean that's where we cut expenses down, we're not union.

Unfortunately for Elly, after she trains the people and they get their experience, they do move on, because we can't afford to pay them, so she's constantly training. But I think you're getting a good bang for your buck with the American Red Cross. I really do. And thank you for taking the time to listen to us.

CHAIRMAN CARACCILO:

Thank you. Bob, do you want to comment at all, Mr. Bortzfield?

MR. BORTZFIELD:

Unless you're looking for something specific in this regard, I mean I can just give the general overall comment regarding all contract agencies. As part of the budget process this year, we required contract agency evaluation forms to be prepared by the departments on an agency by agency basis, because we have hundreds of agencies, we want to see some kind of performance evaluations, what's being done by the departments and rate them accordingly to see if funding should be continued, if there's duplications between agencies and other programs. And the Red Cross program, the adult and juvenile program through the Red Cross came through with a poor rating, you know, by the department.

CHAIRMAN CARACCILO:

So in effect, it's your position that we can do the -- provide the same level of services for an equal or lesser amount of money short term, intermediate and long term, so in two or three years if we come back and

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this issue is before us and our costs exceed theirs, you would not have any hesitation to revert it back to the American Cancer Society?

MS. SEIDMAN-SMITH:

American Red Cross.

CHAIRMAN CARACCILO: :

I'm sorry, American Red Cross.

MR. BORTZFIELD:

I can't speak for three years from now, but based on the information that's been provided to us, you know, by the Department as to the costs and information as well as the service level information, we have all confidences that they can provide the services at a reduced cost.

CHAIRMAN CARACCILO:

Going forward as a premise, if it were to cost less to have them, to return these services to them at a subsequent date, would there be any other reason why we would not do that?

MR. BORTZFIELD:

I'm not aware of any reason why we wouldn't do it.

CHAIRMAN CARACCIOLO:

Okay.

MS. AMAROSA:

Could I just add --

CHAIRMAN CARACCIOLO:

I'm just thinking ahead, you know, we talk about 2004, I can see where we're going to be sitting -- I mean the people think this year is difficult, wait till next year. That's a prediction. Wait till next year, because the County employee organizations will be in here wanting

to know why we're looking at possibly personnel cuts a year from now, because you can't get to where we're going to have to go without eventually something like that taking place.

I don't have a crystal ball, but unless this economy turns around awfully quick and substantially, we may very well, if this takes place this year, be in the situation where a year from now it's revisited and returned back to the Red Cross.

MS. AMAROSA:

I would just like to ask if an evaluation was done of the program, if we would be privy to a copy of that? I mean we deal with the Judges all the time --

CHAIRMAN CARACCIOLO:

That's a reasonable request. Can they be provided with a copy?

MR. BORTZFIELD:

We directed all the agencies, the contracting departments to receive the copies of the evaluations.

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CHAIRMAN CARACCIOLO:

I'm sorry, I missed that.

MR. BORTZFIELD:

We directed all the agency requests, you know, not only from the Red Cross, but all the agencies to contact the departments if they wanted

copies of their evaluation form.

MS. AMAROSA:

Legislator, I can assure you we were never notified that an evaluation was being done.

CHAIRMAN CARACCIOLO:

Have you made a request for a copy? You have?

MS. SEIDMAN-SMITH:

Yes, I made a request. Vinny said, when I said may I see our evaluation,

he said, you don't have an evaluation, quote, unquote, and that was exactly what he said, because that was the issue that, that was brought up to us.

CHAIRMAN CARACCIOLO:

I'd like you to make a request, copy myself and the Presiding Officer and

we will assist you in receipt of that information if it's available, and if it's not available, we'll make an inquiry why that wasn't done.

MS. SEIDMAN-SMITH:

Thank you very, very much.

MS. AMAROSA:

I'm sorry, I just might have misunderstood or didn't hear, who did the evaluation as to --

MR. BORTZFIELD:

Department head, Probation Department.

LEG. NOWICK:

The Probation Department evaluated community service?

MR. BORTZFIELD:

As well as any other contract agencies.

LEG. NOWICK:

And are all the Judges part of that and all the people that -- or is that just the Probation Department?

MR. BORTZFIELD:

It would be the Probation Department, they're the responsible people.

CHAIRMAN CARACCIOLO:

I think you raised, Legislator Nowick raises a very good point, because each of us have received scores of correspondence from jurists in support of this program

MS. SEIDMAN-SMITH:

Thank you.

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CHAIRMAN CARACCIOLO:

Maybe the jurists aren't as aware as to the cost effectiveness of the program, and that's really something we have to determine, they obviously support the program because the program works.

LEG. NOWICK:

I think they're looking at the quality of the program.

CHAIRMAN CARACCIOLO:

And I think the Judges want to see the program working and I think the concern some of us may have is that it may not work indefinitely if it, you know, if we can't fund positions, which brings me to the Probation budget. So, you're done?

MS. AMAROSA:

Yes. Thank you very much.

MS. SEIDMAN-SMITH:

Thank you again. I really appreciate all the efforts on everyone's part and we will continue working to the end.

CHAIRMAN CARACCIOLO:

Jim Spero, if you can just quickly go to the summary on the Probation Department, page 291, the top of the page where it talks about staff. Just summarize your findings.

MR. SPERO:

Well, in reviewing the 110 permanent salary accounts for the Probation Department, we found that across the Board, based on the current number of vacancies and the current number of filled positions, that turnover savings are understated or could be increased, which would reduce the permanent salary accounts. On 292 you'll see a little chart which details by appropriation.

CHAIRMAN CARACCIOLO:

Six hundred, a net savings --

MR. SPERO:

Right. A net savings of six hundred and twenty-two thousand dollars.

CHAIRMAN CARACCIOLO:

That's what I wanted to focus on and give you, Mr. Bortzfield, the opportunity to respond.

MR. BORTZFIELD:

Well, based on our numbers, we put in numbers that we felt were valid numbers and we haven't addressed to see if there's a major difference between our's and BRO's as to --

CHAIRMAN CARACCIOLO:

Would you do so between now and Tuesday?

MR. BORTZFIELD:

Right.

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CHAIRMAN CARACCIOLO:

Because when I look at six hundred thousand dollars, that goes a long way in restoring some of what many consider are cost effective programs that are being cut.

MR. BORTZFIELD:

Well, that may not have taken to the fact SCNS that have been released during that period time that we've had built into our numbers that are not in BRO's number, it can be a number of factors.

CHAIRMAN CARACCIOLO:

So you'll report back to the Chair of this Committee as to your agreement or disagreement and your justification if you disagree? Thank you.

On Tuesday there will be a special meeting to adopt next year's budget. It's being rescheduled to Tuesday. Okay. Janet Walerstein.

MS. WALERSTEIN:

Hi. My name is Janet Walerstein and I'm the Executive Director of the Child Care Council of Suffolk. I'd like to also give the Budget Office and the County Executive a copy of the testimony that was presented on October 8th, and I'd like to reissue that to the Committee so that we can have an understanding of what the issues were. I don't want to belabor this --

CHAIRMAN CARACCIOLO:

Bob would you by, or, Barbara, would one of you be kind enough to --

MS. WALERSTEIN:

There is also a clip on here of the kinds of services that we do that go beyond the contract that we are talking about. I want to thank you for this time this morning and thank you for your past support of child care issues.

The copy of that testimony clearly spells out how the Executive's budget has taken forty percent from one of our contracts that we have with the Department of Social Services, which is a resource and referral commitment to help Suffolk Works Employment Program, SWEP clients, find child care, transportation, etcetera, and we are outstationed at the Department of Labor four part days per week.

As of yesterday's budget review, we are pleased that they have recommended a restoration of thirty-seven thousand dollars to continue this important work. This still leaves an eleven percent cut of about -- and we're talking about seventy-five hundred dollars. And that translates into cutting a person one day per week at the Department.

So while we appreciate the, certainly the thirty-seven thousand dollars restoration that was in the omnibus bill, and we would ask that all of our forty percent cut be restored.

This program also helps the Department meeting its TANF numbers, the temporary assistance and needy families, for reimbursement from the federal program, so that we are asking that, you know, and that you consider what the Budget Review Office has asked for on, I have that on

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for page 354 of the Budget Review's publication. So that we were asking that restoration, that you consider that, and if possible, to restore the eleven percent cut.

CHAIRMAN CARACCILO:

Thank you, Janet.

MS. WALERSTEIN:

Okay.

CHAIRMAN CARACCILO:

Let me also thank you for attending all the budget meetings.

MS. WALERSTEIN:

Yes. And I'll see you tomorrow.

LEG. NOWICK:

The next one we have is Leila Zogby.

CHAIRMAN CARACCILO:

That is the last card, I believe, unless I missed somebody. Is there anybody else in the audience that would like to address the Committee?

Okay.

MS. ZOGBY:

Good morning. I am Leila Zogby. I am Vice President of the Board of Directors at Cornell Cooperative Extension and I'm also a resident of East Northport, so I can attest in person physically here that the Cooperative Extension has a major impact at least on one family on the west end.

I will be brief. I just want to reiterate a couple of points that I think are very important for everyone to understand in making these important decisions that you'll have to make in the coming weeks. And the first one is that our organization, as a nonprofit organization, has, is basically an educational organization, we're not an advocacy group.

Our job is to serve as a conduit between the very strong and wonderful research based work that is done as Cornell University, which is our land

grant college here in New York State, and bring it down to the grass roots to Suffolk County. The way we do that is by partnering with libraries, school districts, other nonprofits and governmental entities, many County, County agencies included.

And what that allows is that a school district, if they want to do, and they're required now to do many programs to meet the learning standards,

the educational standards, we can bring in a marine science educator into

a classroom at far less cost than if they had to hire a teacher who could specialize in such a thing. We can bring in a nutrition or health education expert on certain topics that they have to teach, which is cheaper than having to go out and hire a teacher.

In the libraries, we bring in programs of all kinds for all of our program areas. And again, the library does not have to pay a private sector fee to bring that information in to the community. So this is how we help to maintain costs and -- by providing a very available and

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legitimate service at a very reduced cost. So that is one of the ways that we really impact things.

The other thing I wanted to address again is the core mission statement that has been made. I think there is not an understanding of the fact that family and consumer sciences, which is the program that has been targeted for complete deletion from the budget, is what was traditionally known as home economics. I mean, I think it would be very hard for anyone to say that agriculture and home economics are not integrally associated with one another. It's the right hand and the left hand.

Family and consumer science is simply the new name, because the world is different from what it was a hundred years ago. We do not have, you know, a clear division of labor in our households where one parent stays homes and does all the domestic arts and the other parent goes out and raises the food, that's not what happens anymore.

So now we have parenting education, we have nutrition education, we have -- we do have even good, old fashioned things like how to preserve your crop you grow in your backyard, how to can vegetables and things like that, but it has always been a core mission. I really just think it's a, not an understanding of the fact that these are very related concepts of what we do. And I hope that by continually repeating that, you know, we'll be able to educate people in the budget process to the fact that it is our core mission. There is, you really are taking an arm off when you take that, you're really leaving us not complete.

So I encourage you all to think carefully about the cuts that you're making because they really will affect good people.

CHAIRMAN CARACCILO:
Thank you, Leila.

MS. ZOGBY:
Thank you.

CHAIRMAN CARACCILO:
Is there anyone else that would like to address the Committee? Okay.
Then the Committee stands adjourned.

(THE MEETING WAS ADJOURNED AT 11:45 A.M.)

{ } DENOTES BEING SPELLED PHONETICALLY