

JOINT OPERATING BUDGET MEETING
OF THE
WAYS and MEANS
and
BUDGET and FINANCE COMMITTEE

A joint Operating Budget Meeting of the Ways and Means and Budget and Finance Committees was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Smithtown, New York, on Wednesday, October 19, 2009 at 9:30 a.m.

MEMBERS PRESENT:

Legislator DuWayne Gregory - Chairman - Budget and Finance
Legislator Louis D'Amaro - Chairman - Ways and Means
Legislator Brian Beedenbender
Legislator John Kennedy

MEMBERS NOT PRESENT:

Legislator Lynne Nowick
Legislator Cameron Alden
Legislator Vivian Vilorio-Fisher
Legislator Daniel Losquadro

ALSO IN ATTENDANCE:

Gail Vizzini - Director - Budget Review Office
Robert Lipp - Deputy Director - Budget Review Office
Connie Corso - County Exec's Budget Office
Allen Kovesdy - County Exec's Budget Office
Barbara LoMoriello - Deputy Clerk, Clerk's Office
Lance Reinheimer - Assistant Director - Budget Review Office
Anita Katz - Commissioner - Board of Elections
Christine Malafi - County Attorney
Cheryl Felice - President - AME
Debra Alloncious - Legislative Director of AME
Justin Littell - Aide to legislator D'Amaro
Robert Mitchell - Suffolk County Legal Aid
George Roach - Suffolk County Legal Aid
Gene Pritz - Suffolk County Legal Aid
Deborah Kinzer- BiasHELP
Arley Pelaez - BiasHelp
Cesar Malaga - Hispanic American Association
Pamela Johnston - VIBS.
Dale Moyer - Cornell Cooperative Extension

MINUTES TAKEN BY:

Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 9:40 A.M.*)

CHAIRMAN GREGORY:

Good morning, everyone. We're going to go ahead and get started with the joint Budget and Finance and Ways and Means Public Hearing. We will have the Pledge of Allegiance led off by Legislator Beedenbender.

SALUTATION

Good morning, again. My name is Legislator Gregory, I'm the Chairman of the Budget and Finance Committee. Next to me, we have Legislator D'Amaro, who is the Chair of the Ways and Means Committee. At this time, I'm going to ask the Budget Review Office to give a synopsis of their report.

MS. VIZZINI:

Thank you, Mr. Chairman, for the opportunity to briefly review some of the major findings of concern to this committee in our review of the recommended Operating Budget. Our major concerns are addressed in our letter of introduction in the report, and also, there's an executive summary for you, a summary of findings and recommendations. The major concerns for Budget and Finance and Ways and Means are as follows: First and foremost, is the revenue projection as far as sales tax.

The County Executive had included a rate of growth of negative six for 2009 and positive five for 2010. The Budget Review Office forecasts negative 8.6 for 2009 and positive 2.75 for 2010. We used our traditional forecasting methodology, and we have concluded that although there are signs the economy may be improving, it will take time before these improvements translate into additional sales tax revenue in the County coffers.

Consumer confidence and spending and unemployment are still serious concerns. There's a substantial difference between the County Executive's revenue forecast and the Budget Review Office. In 2009, it's about \$28.5 million and 52.5 million in 2010, for a total projected shortfall in our estimation of 81 million in the General Fund.

The rating agency Fitch has recently reaffirmed our credit rating in its assessment of our \$158 million public improvement serial bonds. I want to quote from Fitch that it cites, "our credit concerns include the County's ability to maintain budgetary balance in light of the current economy given declining sales tax and property tax revenue and the ongoing pressure of high fixed-cost burden." But specifically, Fitch believes the County's 5% projected sales tax growth in fiscal 2010 is vulnerable to continue economic volatility. They go on to discuss cash flow to some extent or our needs for cash, indicating that the County has a history of exceeding cash coverage projections, although there will be challenge to do so next year given the aforementioned revenue vulnerabilities.

Because of the magnitude of this potential shortfall, we want to caution the Legislature that it's a risky strategy for budgeting and may lead us to have to announce yet another consecutive budget shortfall mid year in 2010, seeking budget shortfall mitigation measures. I also want to point out that real property tax revenue is estimated at \$20 million less in 2009 compared to what we adopted, and we expect that this scenario will continue in 2010, also directly related to the economy.

County-wide, total authorized positions are reduced by 503 from 12,071 in '09 modified to 11,568 recommended for 2010. This is primarily due to abolishing 60 filled police officer positions and 376 vacant unfunded police officer positions in compliance with the Administrative Code. An additional 100 vacancies are abolished County-wide. Funds to fill vacant positions are typically in the 16 to \$20 million category. This year, projected 2010, turnover savings is very high. There's an estimated \$7 million for fill-in positions. Most of this is actually for the Sheriff to fill the 11 Deputies and to provide for a Correction Officers' class and Social Services to fill the 100% Medicaid funded positions. There's seven million available to fill vacancies as opposed to the usual 16 to 20.

In March of 2010, the Budget Review Office will be presenting to you our two year budget model in terms of consensus revenue and expenditure projections as required by Charter along with the Budget Office. We have concerns in regards to 2011. Those concerns are, you know, to what extent does this 2010 budget position -- not only to get through 2010, but to face 2011. First and foremost is if our sales tax projections are closer to the pin, there's the sales tax shortfall of over \$81 million. Secondly, the -- unless there's another stimulus package, the Federal Medical Assistance Percentage, affectionately known as FMAP, falls off 39.2 million in 2011. We expect that even in 2011, real property taxes will continue their decline, that although we may budget the 50 -- 49 to 51, depending on the levy, more than likely there will be a \$20 million shortfall.

And as I have said to you before, the Comptroller has advised that requirement -- because of the less than stellar performance of the Stock Market, retirement costs that employers pay will go up. This will hit the General Fund approximately \$21 million and the Police Department \$24 million in additional costs in 2011.

The report makes several recommendations for revenue enhancements. You know, despite our concern regarding the potential shortfall, we do identify areas where there's a need for additional appropriations to fill positions and to continue service delivery. We also identify certain surpluses where we believe expenditure cuts can be made. A subject that often comes up in Ways and Means is the extent to which we have budgeted for anticipated litigation. We're recommending that an additional \$2.5 million be added for potential litigation to save on the borrowing aspect. If you have any questions, my staff and I are available.

CHAIRMAN GREGORY:

Okay. Thank you. A question I have just off the top of my head, you had mentioned with the \$7 million for vacant positions, the funding was 16 million last year? You said part of that goes to Medicaid-funded positions. So do we have an estimation of how much of that -- I know we expend it, but do we get reimbursed for a certain percentage of that, 80% or 60%?

MS. VIZZINI:

Could you rephrase the question?

CHAIRMAN GREGORY:

Those positions, does that calculate the reimbursement or just our outlay?

MS. VIZZINI:

No. It's the appropriations available to fill positions. It's approximately two million for Social Services, two million for the Sheriff, and the rest distributed County-wide.

CHAIRMAN GREGORY:

Okay. All right. Thank you. Okay. No questions. Do we have the County Executive's Budget Office?

MR. KOVESDY:

Good morning.

CHAIRMAN GREGORY:

Good morning.

MR. KOVESDY:

We appreciate the opportunity to address you this morning concerning the 2010 Recommended Budget and the October 16th report from the Budget Review Office. With us this morning is Connie Corso, Deputy County Executive, Tom Conoscenti, who is our economic consultant who helped us with sales tax, we have Carmine Chiusano who's the Assistant Budget Director and other staff in the auditorium. So if there's any specific questions, we'll be more than happy to address them and have

a forum with Budget Review.

Suffolk County is very fortunate to have two offices which strive to provide decision makers and the public with a budget based on the best information available, an historical perspective of expenditures and an understandable estimate and projection of certain financial data. In the case of the 2010 Recommended Budget, the continued provision of service is both mandated and unmandated, and the ability to protect the taxpayers from additional taxing has been met in this difficult economy.

As you are aware, a budget is a financial plan for a specific purpose over a delineated period of time. However, the budget is not just a listing of numbers and revenues. To be understood, it must be clearly explained and projections and information clearly communicated to decision makers so that they can make the correct decision. This year's budget, like the previous budgets submitted by County Executive Levy, have more than met this criteria.

Getting to this year's budget, BRO has identified numerous items in their report, 2009 estimate and 2010 projections, and sales tax, the estimate of sales tax is the number one issue between the two offices. We would agree that that's the number one issue. But before we actually get into that, I just wanted to point out in looking at sales tax a little historical perspective of how accurate both our office and the Legislature has been, but indeed, how accurate the County Executive has been over the last five years in estimating sales tax. So I brought a little chart with me which shows over the last five years sales tax revenue. The Legislature had 5.69, and it was off 20 million, not that great over that period of time. So as you see that the County Executive has really proven that over.

The question obviously is going to rise as to what happened in 2009. As you know, we're in a gigantic recession. But the time that the County Executive presented his budget in 2009, sales tax was up 1.64% -- we had numbers through August -- and there was no clear indication that the bottom was going to fall out, Lehman Brothers was going to go broke. So again, when we did the budget and when the Budget Review Office did the budget, we were positive at that particular point in time. So I just wanted to address 2009 at the same period.

Projected from September through December of 2010 is a very difficult task. You're going 16 months in the future. We base it on numbers that are actuals through August. The Budget Review Office has actuals through September. They have -- you have two more checks than we do. And we try to do the best with limited information. No one has a crystal ball, no one is perfect. But as again, as you can see, over time in actuals, the County has done very, very, very well. And you have not been getting numbers that are just picked out of the sky, you have been getting realistic numbers, that the basis and truth has been proven.

As I said in the beginning here, communication is the key. I'm sure you've had time to read the County Exec's budget. And on Page 17 through 25, our estimates and projections are laid out in detail. We have laid out every assumption that we've made, we have given you a picture of the economy, we have told you what we think, what we hope will happen and how we based our numbers. We didn't just put a number on a piece of paper and say, "This is the number." We detailed specifically what events we hope to happen this year, when they will happen and so forth. So rather than reiterate that, Tom is going to deal with it. We laid out all these assumptions for you.

Before turning this over to Dr. Conoscenti to address our estimates and projections, I just want to point out one or two things that have happened in the last week. Governor Paterson in his proposal to the State Legislature has offered the Tax Amnesty Program. According to his press statement, there's \$84 million available to local governments, we're a local government obviously. And I called the New York State Department of Finance, and according to the information they gave me, we're eligible -- we get historically 9.5% of local monies. So of that \$84 million, if everybody who owed money paid it, we'd be eligible for 9.5% of that. That money would come in 2010, it wouldn't show up in 2009.

BRO correctly pointed out that there's a \$5 million -- actually \$4.9 million adjustment in the fourth quarter, it was positive. What they may not have stated, but obviously did know and we did state is that Tanger Mall, the new Tanger Mall, was not in the December numbers last year, nor was Suffolk's largest box store. They didn't pay their revenues on time. So those two numbers were not in the 2008 fourth quarter. And we're projecting that they will come in and give us a little push and offset that other number. Also, the stock market, hopefully as we speak this minute, is back up again. As of last Thursday it reached 10,000. It went down a little bit on Friday. And that's a good sign up. It's up by 25% after the precipitous drop from the \$14,000 level down to the \$7500 level. It's up over 10,000. We would hope that as the stock market goes up, people would not save as much and they would -- some of this pent up demand for consumable goods would be met. Having the stock market rise is a very good sign for us.

Also, unemployment, while at an acceptably high level for the last four months in Suffolk County, has leveled off. It has not gone up. Actually, we had a blip that it went down one-tenth of 1% in one of the months. But it's leveled off at the level. So we're hopeful with the stimulus money coming in, the efforts of the Labor Department, that unemployment now that it's leveled off will start to dip. Obviously as it starts to dip, people have more money to spend. The multiplier affect will take effect, and we will do that.

In relation to the BRO report, I just want to point out four facts. One is that their substantial agreement on all of the revenues in the budget other than sales tax, most of the interest in the account, a substantial agreement on that. Number two, their substantial agreement on the personnel cost -- so the biggest item of expenditure is an agreement between both offices. Also, that while Budget Review has stated that there's approximately an \$83 million revenue over statement or they feel that revenues will be -- are overstated, they are also adding millions -- they are also recommending to you the addition of millions of dollars in appropriations, and you can't have it both ways.

And more importantly to the Budget Office is that the report did really not give you a smorgasbord of recommendations on how to deal with it. What we gave you was a balanced budget with alternatives to take. This report, while pointing out valid points, doesn't come up with a way to reconcile what they believe is a shortfall in revenues. So at this point, I'd like to turn it over to Dr. Conoscenti. Dr. Conoscenti has worked for us for 19 years. He's our sales tax consultant and works on the economy. And he can address any of your questions. Thank you very much.

DR. CONOSCENTI:

Good morning. Good morning, members of the Finance Committee. My name is Thomas Conoscenti. I'm a resident of Smithtown. I live in the area called Nesconset. I have been doing the sales tax estimates for the County since 1987, for Mr. Halpin at first and then for Mr. Gaffney and now for Mr. Levy. So we've had a long track record of evaluating and looking at the sales tax as well as Mr. Lipp and Gail have over the past years.

I'd like to say this up front in the beginning here that Mr. Lipp and Gail are very highly -- high quality professionals whom I've known and enjoyed working with over the last 22 years. And I think after today's session we'll still be friends. In April, when the final numbers come in together, I will be happy to go to Pace's and have Mr. Lipp buy me lunch for our forecast.

But anyway, I wanted to come and say there is a big difference here. There's a difference between 6% minus this year and a minus 8.6% by Budget Review, okay? And that -- that basically is the only difference we're talking; what is the base year in 2009. Okay? For next year it's 5%, which is the County Executive's number. And their number is 2.7%. So I think if you begin to look at this here, we'd kind of like to walk you through what we do, because we haven't had that opportunity in many years to kind of give you that idea of what we're doing. You're familiar with Mr. Lipp's approach, okay? Mr. Lipp has a model, and he says it's a very complicated model, and it probably is a very complicated model. However, we have a sophisticated model, which is a little different. So there's just a fine level of difference here.

We start working on this, on the sales tax estimates -- we do work every month during the year based on our contract, but in July and August it's the time we really kind of turn up the fire and spend a lot of time looking at the economy more closely, looking at the sales tax revenues that come into the County, looking at the sales tax revenues that come into other counties that we do work for. I do work for Dutchess County and also for some other counties on special sales tax issues in Upstate, New York. So I kind of look at the State level and trying to look at this whole thing as an entity. You know, the apple is only so big, and so we try to do that.

During that two and three month period and even -- even today, I've worked with Mr. Pollert who was working for the County at the time. I've worked with Connie Corso and Mr. Allen Kovesdy. And the same with them, they are really great professionals who've done a great job working with me or me working with them. There's some things that one should be really aware of, and I think that Mr. Lipp would agree with me on that.

There are technical problems with sales tax revenues that come into the County. First of all, the numbers that we've got in the last couple of weeks, which we call the October numbers do not reflect September sales -- sales tax revenue. It reflects August and September. There's a lag between the revenues that come into the County and when the revenue was initiated and when it came into the County. Remember, it's got to go to -- it's got to go to Albany, and then from Albany, it kind of works its way down on the Thruway to the Long Island Expressway and finally to Suffolk County. So we have to be kind of aware of the fact that there is this lag. And we did the sales tax estimates and worked on them in July and August and into early September. And so that puts us at -- I don't want to say the word disadvantage, but that gives us a timeframe from September to the end of 2010, December 31 or a little bit beyond that, which is the first couple of checks in January.

There's some basic -- other technical issues that revolve around sales tax revenues coming in and that is people who pay sales tax, those businesses on Long Island and in Suffolk County and any other County in the State. Many of the people are supposed to pay -- all of them are supposed to pay their -- fill out their forms, send in their tax revenue by the 5th of the following month. So the month ends on the 31st of the month. By the 5th, they have to fill out their forms, send in their money and so on. Do they send their money in? The answer is not always, okay? In the last -- during the recessionary times we found out that there's a big lag between when people actually have to pay their sales tax and when they actually do. And so let's assume that they pay it on the 15th or they send in their forms on the 15th of the next month, it doesn't get recorded until the end of the month, and the County will not receive it within -- will not get that money for another couple of months. So we find that there's -- that's an issue that we have to address and prepare in the sales tax.

We have to -- the next major issue is to look at the economy. The economy is, as Allen just said, is that we're looking at data -- the latest data. Well, surprisingly enough in some of the data that we received, the latest data is August and July. Other data is maybe September or the preliminary data, meaning that its estimated data and it's subject to change. And usually those numbers have a plus or minus 3% variation or standard error -- what is called standard error of the estimate, meaning that, gee, it could be 3% plus or minus.

I just want to point out to you some time if you are interested there's a book by a gentleman by the name of Oskar Morgenstern, a book called *On The Accuracy of Economic Observations*. And what he found was that over time was that the United States Congress makes errors, their gross national product is off, okay, by 10% plus or minus. So we've made national policy decisions on that. So as you get closer to the local level here, the error factor becomes a lot more volatile. So I think that it's something that you should kind of keep in mind, that we do have these kind of -- we have current data, but the current data for us in early September was that of July and maybe into August.

So what happens is that we want to align the data up. And Dr. Lipp also does the same thing too. We have to do that because that's what we have been trained in econometrics classes and statistics

classes that we have to do those things. So our model, as I said, will take into consideration a lot of things, some of which I think Mr. Lipp's model does too; that is that we look at the national economy, we look at the state economy, we look at the local economy, we see how those three are relating to each other. Long Island, just as a piece of information tends to lag the national economy between three months -- I mean, six months and nine months, a difference of three months there. But we tend to do that. And we saw that in the down side of the contractionary side of the cycle that occurred a couple of years ago, that when the national economy was contracting, we were still riding pretty high. And it's only been towards 2008 that we began to really see some major declines. But those declines have never been as bad as they were in other states such as Ohio, such as Chicago -- I mean Detroit and places where you had a very big manufacturing base. Manufacturing economies tend to fall very quickly. Service sector economies and retail economies like ours tend to kind of fall but not as fast.

We look at employment, unemployment, we look at personal income, we look at the interest rate because that has a big affect on whether we buy cars or whether we buy a home or whether we would like to have a home built. Housing, we look at housing starts, we look at car sales, we look at housing sales, and we look at what's happening between that. Now understand one thing, from our point of view, housing sales, if I sold my home to you or vice versa, okay, that has very little affect in the economy directly because it's just a transfer of money from one person to another. I may -- if my house is being sold, I may move to some other place, meaning I may move to California, I may move to Boston or some other place, or I may want to stay here on the Island. So there's no guarantee that the money that I would get was going to be here. Somebody would buy that house and -- but there is a lag, a relationship between when people buy a house, whether it's a brand new house or whether it's a used house -- if you want to use that term -- okay, there is -- the relationship is that after about a year, people now -- once they move into their house and then -- for us guys, okay, our wives start saying, "Gee, I need new a couch. I think we need a new piece of furniture. I need something else." And you go out to the stores and you start buying furniture and really begin to fix up your house. So there's about a year's lag time in that. Sometimes it's gone as far as 18 months.

We looked at car sales, we've looked at the Home Depot sales. I go into Home Depot quite a bit and look around, not necessarily to buy. But just -- I go to the malls, I walk around the malls to see what people are doing and what they're not doing as part of what we have to do for our analysis here. And Home Depot, you know, Lowe's, you know, those kinds of stores, we look -- as I said, we look at Costco, BJ's and WalMart and the other major box stores. And I have something that I developed -- and I mentioned it to mister -- Dr. Lipp at one time -- Costco index. Now the Costco index is very simple. And that it three years ago or four years ago, if you went into Costco or BJ's or whatever and you went to go out to check out, what did you do? You got on line, right? You got ten people in front you, okay? And the baskets were overwhelming, filled up to the rim and above and there was something underneath. Now you can go to Costco, as I did -- last Friday evening, and guess what? I had a basket that was maybe a little -- a quarter filled up. I walked up to the register, walked right to the register, unloaded my stuff and checked out. You know? So that means that things were going fast, meaning that people weren't spending that much, meaning this, meaning that, meaning a variety of other things compared to what they were a few years ago.

So if you take the total numbers of registers multiplied by what the kind of observation is as to whether the basket is half full, half empty or a quarter full or what have you and the number of registers with the baskets there, you begin to get a sense of whether that index is moving up or down. And I've gone to all the stores, looked around. And I have spotters out there, friends of mine, "Hey, you went up to BJ's, what did you do? And so on. So what we're looking at, we're looking at a variety of different things that help us to do whatever we have to do to come up with a reasonable and commonsense approach to what our -- what our forecast is about.

We look at mall activity. I go out to look at my boat on the East End and guess what? I stop at Tanger and I look at something. I've been a consultant to Tanger II. I've been over at Tanger II looking around. And I've talked to the mall managers around, not only at Simon Properties and Walt

Whitman Mall and so on, the various people there. Sales have been down this year, and that's understandable. Or sales are going up. But there's an indication that the world is changing right now.

So the economy then contracted itself. And so the question is when are we going to reach the bottom? And so there was article -- I saw it on Saturday -- in Newsday that Mr. Gary Huth, an economist from the Department of Labor and Pearl Kamen from the Long Association said that we've reached the bottom. Okay, that may very well be or it may not be. But we're close to it, we're not far from it. And our original estimate in preparing the sales tax was to look -- it was to estimate that by year's end anyway we would be -- have hit the bottom and then start to turn around.

Now, there's two schools of thought out there. One -- one school of thought is that we have the V School, okay? That is the Victory School, that is the Obama School, that is Washington saying to us the economy -- the rate of decline in the economy is going to hit bottom, and that once it hits bottom, the rate of -- the rate of expansion is going to be at the same percent as it declined. That's one school of thought.

The second school of thought -- there's a number of other ones. There's the L School, there's the W School, there's, you know, a variety of other alphabet soup types of school. But the one that's most prevalent is the U School meaning that the economic is going to drop down, level itself off and then stay there for a while and then start to come back up. So those are the extreme ends of the spectrum. And that's what we presented to the County Executive and the Budget Review Office -- I mean the Budget Office here in terms of what we're doing in terms of the economy. Our recommendation was that the U School is the most prevalent school of thought and that -- that it would not necessarily turn around or stay at that bottom, but it would dribble up a little bit, start up to dribble up towards -- in 2010, meaning that -- you know, if you're playing basketball, up dribble it up, the ball gets higher and higher.

And we think that by the end of 2010 into 2011 we're beginning to look at the economy turning around and starting to give us some steam. Remember, economic growth doesn't happen on the down side quickly. On rare occasions does that happen. And neither does economic -- I mean, economic growth occurring at a rapid rate. It doesn't normally happen that way unless there's some kind of major event like a World War II or a Korean War or Vietnam War where that money is being pumped back into the economy.

So we've taken a look at all these things. And we have our model that looks at all the stuff. As I said, we had two different scenarios to run; the V School scenario and the U School scenario. And we run the model -- our model and we come up and it -- you know, it chugs along like Bob's model does and it pops out a number. And to that number, we begin to look at that number and look at in real terms and say, "Well, this doesn't make sense, you know?" Too often, you know, some of my colleagues -- and I'm not talking about Bob -- some of my colleagues in the economics profession will just, "Oh, here's the number, it's written on your chest, that's it, we're going to stay with it." No. I don't think that's the case. We look at it, try to see if it makes sense within what we know; what we know anecdotally in the community, what we know is happening with sales tax revenue, what we know is happening with employment.

So we begin to adjust this data to -- as time goes on to look at the current situation. And we look at sales tax revenue, we look at various new articles that have come out, employment numbers that are here. The Dow Jones, as we know, last week went up to over 10,000. It dropped on Friday to a little under 99 -- 9000, but it was pretty close to ten. I'm expecting that the next couple of days it will be back up there again hopefully.

We look at retail sales, we look at some of the mall operations. And so by September, we had a number or an estimate which we came up with for our aggressive scenario and also for our U scenario, the V and the U. So those are the two analysis that we gave to the County Executive. And to that, you know, we have seen some things that are happening, okay, to the economy.

I think that Irwin Kellner made some comments that the economy was doing well. I haven't seen -- I haven't talked to him, but I thought he was quoted in the paper or some article. Okay? Now, we got something here that -- so we have this minus 6% for 2009 and minus -- and plus 5% for 2010. Now, we have to understand a couple of things. There are other technical problems that pop up into the picture or into the equation. We know that the Dow Jones is up. Okay. Well, that's a good sign of confidence.

There's an issue that is called the Cash for Clunkers operations, you know, the program. And everyone says, "Wow, look, a Cash for Clunkers." The program was over in end of August. Okay. That didn't mean that we got sales tax revenue out of it. What it meant was that people went there and signed on the dotted line. And when they signed on the dotted line it didn't mean they got their car the next day. They had to wait for Washington or some other bureaucrat in Washington to give us -- give -- give them the final say on it. So we don't get sales tax until the transaction is made. So that transaction could have been made at the end of the September or made in October. I like probably all of us here have seen on the news, CNBC or one of those programs about how people have put money down on cars, haven't gotten them yet, and here it is October. So that's happened to Long Island.

So think of it. If a car was signed up for at the end of -- the last day of the program and it came through -- it came through the the Federal Government program, was approved by the end of September, we won't see that until November. So we're saying here that that -- we're looking at that still coming through the pipeline. Okay. We know that retail sales are up. Just walk through the mall, any mall on Long Island on a weekend, today versus six months ago and we'll see things up.

Consumer price index is stable, which is another good sign. We know that -- I've talked around, and Christmas sales are up -- are expected to be up over last year, a plus. We know that -- this morning on Market Watch there was a lady on there who was talking about the part time employment is expected to be up 40% over last year during the Christmas Holiday. Big plus for us. So I mean, I think what we're beginning to see is a lot of differences. Now, we know that the difference between Bob's forecast and the County Executive's forecast is minus 8.6% in 2008 and plus 2.75 in 2010. If you just add the two up together forgetting about the plus or minus signs, okay, just add them up, all right, it comes out to -- he has 11.35. And if you add up our 6.0 -- minus 6.0 plus 5%, it's 11.0. Almost the same number. So what we're saying here, Bob, we have the same number, right. He will argue that -- I'm sure he's going to argue that it's a different base, but that's okay. I'm just looking at the absolute spread there.

2009, I've given you all the reasons why I think that our base is going to come in at 6% and probably a little -- maybe a little higher if it's a little bit stronger. I tend to be, you know, a moderate type of a person in terms of looking at things. But I think there are really big, big signs out there that are saying that we're going to turn around. Are we going to turn around at 10%? No. Are we going to turn around at 5%? No. I think we're going to dribble along for another year, but we're going to be dribbling at a higher level. Okay.

To summarize all this here -- before I do that, I want to make one thing clear. I read Bob's report very carefully. Robert, nice job. Okay. However, he makes a comparison between Nassau County and Suffolk County. Come on. There's no comparison. Nassau County has Tom Suozzi, we have Mr. Levy, okay? You pick whatever you want to do there. But anyway, we have to look at the economies of Nassau County and Suffolk County, okay, and how they affect retail sales and how the affect sales tax revenue. Okay?

In -- we both have residents who go to the shopping malls and buy, both in Nassau County and Suffolk County, similar, very same. We have workers, but Nassau County residents, 33% of them, where do they work? Manhattan. Where Suffolk County residents who work in Manhattan is 18%. We have a lot of our workers in Suffolk County go to the Nassau County hub. We have a lot of

workers in Nassau County who come out here. Okay. We have shoppers from Suffolk go to the hub because there are some stores there that are probably unique. As I go -- as people go into New York City. And we also have vice versa people coming out to Tanger, people coming out to some of the other major stores here.

But here's where we begin to have a real major difference, okay? They get shoppers from the Bronx, Brooklyn, Queens and Manhattan and other places that travel to the hub, probably even some people from New Jersey, okay? We don't normally -- we get those kind of people but in a different way. We have a tourist trade, okay? We have people that come out here and enjoy the Hamptons and the North Fork and the wine country. I drove out to Mattituck last Monday and, gee, there were people on the pumpkin fields all over. When people -- tourists come out like that, they do buy and spend locally, and that's a big plus for us, okay?

Nassau County doesn't really have a tourist industry. I mean, it has a convention industry, but it doesn't have a tourist industry. And since the Islanders don't do well, there's no -- very, very few people that are going to Nassau County. But we have that. We have a good -- we have also a second home sector of our economy, okay? People have second homes. I don't know too many people that have second homes in Nassau County, but I know that Southold, Riverhead -- Riverhead, where I grew up, I grew up in Wading River back in the '50's. There were people all over the place that had second homes. Where I lived was probably one of few homes where there was an all-year-round resident. But today, it hasn't changed that much. People have second homes, and they spend, money when they come out on the weekend. They buy gasoline out here, they do -- home heating oil, and so on and so forth, go to stores, go to the restaurants, etcetera. Nassau County really doesn't have that. And so we have people who come out here. But we've had it -- let's be honest about it, this summer, the first half of the summer kaputsky, it was raining. And I think Mr. Kennedy had a couple of affairs and -- not affairs, but programs.

LEG. KENNEDY:

Keep going, keep going. Get to the point. Sooner or later it you're going to get to it.

DR. CONOSCENTI:

He had a couple of programs at the Smithtown Armory -- the Nesconset Armory. And they were very good programs. But a couple of times it got rained out, right? We had rain, rain, more rain and some more rain. August became a lot better and so -- but I can't really say the weather was warm enough for me to go to the ocean these days.

So anyway, in general, we have some differences between both -- both our forecasts. Our basis is the basis that I've just given you, okay? And the real issue here is not necessarily just the statistics behind it or how -- which model is working any better. You know, I think what you have to do is look in your own mind and your own soul and think of what we have to do there and what makes sense, what makes commonsense to you, okay? I've laid out a whole variety of issues here that I think will bolster that minus 6% and maybe a little -- little less than that -- when I say a little less, meaning minus five, okay, that would be a plus, okay, in year's end. Remember, we do not close the sales tax year until February. We -- not we, but the auditors of the County, the County auditors, do not do that because there's a lot of transactions that happen in January. Without keeping you bogged down with the dismal science here, I'd be happy to answer any questions you have. Thank you.

CHAIRMAN GREGORY:

Okay. Thank you, Doctor. So basically the data you used for your analysis was done off of sales tax or numbers from July and August of this year?

DR. CONOSCENTI:

You know, I've looked at them, and after the report was completed, we looked at the numbers, you know, in August, September and the numbers last week that came out, and, you know, it was very consistent with what our forecast is. In addition to that, it's not only consistent, but I think that

we're going to come in at a little bit less than 6%, a shortfall from last year. And that's because a couple of the reasons that I mentioned to you. And I think Mr. Kovesdy here had indicated that we will be -- Tanger Mall last year was not included in the January number. There was a technical problem in Albany in that it was not set up in their data base. And finally that money came to us, but it was kind of spread out in the Year 2009. Okay. Thank you.

CHAIRMAN GREGORY:

Okay. So you're sticking to your number, your projection?

DR. CONOSCENTI:

Am I sticking to my number? What I'm saying is that 6% is a realistic number, sir. And it could be less than that. I'd love to see it less than that just for society, not necessarily because I'm right or wrong.

CHAIRMAN GREGORY:

And that's including the Costco index?

DR. CONOSCENTI:

You like my Costco index.

CHAIRMAN GREGORY:

Yes. You know, I can see that. But you said -- according to you from your statement, you said the Costco index was down a little bit. You know you're going through the line and you're not -- people aren't purchasing as much.

DR. CONOSCENTI:

Maybe you misread me, sir. I think that it's changing. Baskets are starting to get a little more -- I thought I mentioned that. Baskets are getting a little bit more fuller, people are putting some -- you know, a box of Pellegrino under their wagons. So I think you're beginning to see that. I was there last week, there were really four people ahead of me compared to, you know, six months ago when there was -- I used to walk right up and go through. I was just using that as a reference point, that's all.

CHAIRMAN GREGORY:

And historically, it's my understanding that Long Island in particular lags behind in the economy. We've been in -- this recession was declared, what, last year, December of last year. So we're not even a year into it yet.

DR. CONOSCENTI:

We were still on the rise, sir.

CHAIRMAN GREGORY:

I'm sorry?

DR. CONOSCENTI:

We were on the rise. In the early part of 2008, employment still kind up laid up there. It didn't fall down.

CHAIRMAN GREGORY:

Right. But I'm saying that there was a recession -- excuse me -- recession that was declared --

DR. CONOSCENTI:

Concession, recession, depression, whatever.

CHAIRMAN GREGORY:

Nationally, last December, if I'm correct, right?

DR. CONOSCENTI:

Yes, sir.

CHAIRMAN GREGORY:

And they had said at that point we were in a recession a year already. And from whatever I've heard and seen and read, our economists that we haven't hit bottom yet which you referred to. So the country as a whole hasn't turned around yet. We generally lag behind the country. But your projections seem to indicate that we're going to be ahead of the curve instead of behind the curve.

DR. CONOSCENTI:

That is correct, because I said to you earlier manufacturing economies such as Detroit and places in Ohio and middle America, you know, Illinois and Ohio and places like that, they're manufacturing economies, they're not expected to turn around for a while. Okay. What's driving them -- what's driving us here is the fact that we have a well educated society, okay, we have people who are working in the retail, financial services sector, which is starting to bounce back a little bit. So we may just either parallel the national economy or advance it. And I think a little bit that we're going to advance it.

Historically, we had -- we had lagged. But I think in this case here there was a major structural change in economy beginning in 2007 and eight. I'm talking about the national economy and the local economy also. The State economy, look at how much Governor Paterson is in the hole there with some money. So I think that we're going to kind of weather it out a little bit. If one would make reference to nineteen -- I think it was early in the 1980's, okay, we did not have a recession on Long Island when the national economy had a recession. And we kind of -- there were all sorts of stories written that we're a recession-proof economy, okay. And that wouldn't happen, because if you go back to the Old Testament, there was seven years of feast and seven years of famine. The first recorded business cycle that we know of. So it's going to go up and down. It's done that for -- since then that we know of.

CHAIRMAN GREGORY:

And from what you said, we're more likely to -- you like to use the U-type model?

DR. CONOSCENTI:

I believe that we're going to have a U-economy that's going to be dribbling along on an upward track, a minor upward track, like maybe 1% or half a percent, but dribbling up like you would in a basketball game -- you know, you dribble up a little higher and higher -- as opposed to coming down and going right back up. I don't see that happening. I don't think Dr. Lipp would see that happening either.

CHAIRMAN GREGORY:

Okay. I understand that. But you're saying that we haven't hit the U part of the U yet, and we're going -- how long do you project that we're going to be at the bottom and then we start to climb our way back up?

DR. CONOSCENTI:

The indications -- until the adjusted numbers come out next month -- would be that, I think for Long Island, we'll probably hit the -- we're getting -- we're at the bottom now or we will be there within the next two months

CHAIRMAN GREGORY:

What gives you the indication? Is it because the housing sales are up?

MS. CORSO:

Can I just say one thing?

CHAIRMAN GREGORY:

Sure.

MS. CORSO:

If you look at last week's check, last week's check was a slight growth, the second check of the week. We were still growing. That check last year in 2008 was a 5.5% growth. So now you had a growth of a growth which is very encouraging. So if you looked at that number based on 2007, that would have been an 8% increase. So we think that this is a very positive sign, because we haven't seen the lower big hit numbers, which were in December and January, we had minus 12, minus 25, minus nine. To see growth over growth is extremely encouraging.

MR. KOVESDY:

And just to parallel Connie, what we wrote is the numbers, especially for this year, have been diminished by such a great amount that a plus will be a higher percentage. So this was the worst stretch of numbers that we've ever had as long as I've been with the County. And with a change, a positive change, it won't be a small change percentage wise, the number will jump off the page. So the base has been lower significantly. Therefore, when the economy turns around, we will see a higher percentage.

In addition, we're not saying that we're going to get back to 2007. We're actually estimating that we're going to be approximately \$50 million less than 2007. We went about half of the way back in our numbers. So we took a conservative -- we didn't say we're going to bounce back. We said we're not going to hit 2007 levels. But because the numbers are so dramatically low in 2008 and 2009 and we had such poor weather in June and July, there's a higher chance that the numbers are going to go -- are going to go up. No one is -- I wrote in my little notes, "no one is Karnak here." We can't close our eyes, put a hat on and get an answer. But we look historically, we've been pretty accurate historically. We usually don't have two summers where we washouts to the same extent that we had here. And if you build some type of recovery on top of lowers numbers, the percentage increase should be higher.

CHAIRMAN GREGORY:

Okay. But my question was as we go to the model that you're using, the U model, how long does it generally take to begin the climb back up, since we haven't hit the U portion of the U yet? I mean, you're talking about --

DR. CONOSCENTI:

First of all, no one knows if we hit the U portion. That's usually decided by the the National Bureau of Economic Research, and that will not done for another year or so. The actual date that it turned around will not occur. But in calculus, if you've taken calculus, you know that the first derivative is the rate of change. And what we've looked at is the rate of change. It slowed down considerably. So in our mind, it's kind of coming down to almost zero or has been there as of data that I used in August, that I had actual data for August adjusted.

So I think that we're there -- maybe another month we'll be there for sure. And it will turn around. And I think Christmastime will help boost it up. I think that, you know, the Cash for Clunkers will have come through. I think the Dow Jones hopefully will go up. I have some -- I hope the market goes up. I have some stocks that I'd like to see push up a little bit. And I think that retail sales, from the conversations I've had around, retail sales at Christmas -- retailers aren't talking like they did last year. They're talking in a positive way. So that's all good signs that the economy has turned around. And go to the Smithaven Mall or the Huntington Mall or wherever on Saturday and Sunday, just drive by, look at the number of cars and walk in there, see the number of people buying.

CHAIRMAN GREGORY:

What do you see as the cause for the slowdown or the turn around? Because as I go through the

community and I talk to people --

DR. CONOSCENTI:

What I see -- the reason why the economy contracted?

CHAIRMAN GREGORY:

Yeah. Is it because -- obviously companies aren't -- they're not employing people. You know, I do talk to some real estate agents, some people -- the home sales have increased a little bit. When I do my Costco index, I don't see a lot of baskets being filled, I don't see a lot of people purchasing things.

DR. CONOSCENTI:

But say in July and August, the baskets were almost empty, say a quarter full. And I found that in the last couple of weeks they've been kind inching up to maybe a half or somewhere between a quarter and a half, you know. But I haven't seen anybody -- I agree with you. No one has had overflowing baskets. And I had a friend who normally buys some of these Sara Lee Carrot Cakes, 18 of them at a time, he's not doing that. You know, I don't see anyone else doing that.

CHAIRMAN GREGORY:

And as I talk to people in the community, everyone is concerned about what's going to happen to health care; you know, if they're going to be taxed for it, if they're going to have the money to pay for it. People are more in a conserving mode, not a spending mode, at least from my experience. So I'm just trying to understand where you're drawing your analysis from to give you these projections that next year is going to be, you know, a plus year from last year.

DR. CONOSCENTI:

Well, I think that next year is going to be a plus year because I think we're seeing the signs now. If employment reaches the bottom and it stays at that level, okay -- people do one of two things with income; they either spend it or they save it. And -- or they're paying off debt. Debt is part of consumption, because when you incur -- when you go into the store and use your credit card, what you are doing is postponing future consumption, okay? We know that as a fact. So I think people have done that. If you look at the -- the debt payoffs have been considerably higher over the last few months. And I think what that does is it just gives people the opportunity to have that credit card go down from -- you know, reduce it from 5000 to, say, 2500. That gives them \$2500 to spend. And I think people are just waiting for those little signs. And I think the -- there's a big pent up demand out there. And I think we all have pent up demands for things that we may have wanted to buy and said, "Hey, I'm not doing that." So I think that we see the signs -- those are the kind of signs that I'm looking at.

Also, too, I've been a consultant to the major mall operators in Nassau and Suffolk County. And I know Tanger II, Tanger II in 2010, okay, has already leased out a substantial amount of space to retailers. I know what the number is, I'm not at liberty to tell you that. But anyway, they've seen that. And also, too, all of the projections on sales at Tanger II have been met and a little bit beyond. Even in this tight recession. But we can expect that in those kinds of stores.

CHAIRMAN GREGORY:

I thank you for coming here today. You know, this issue, particularly as it relates to sales tax is very important for us. As we go -- the working group goes through the budget and we listen and take the analysis of BRO, you know, we're looking at a possible 30 to \$50 million difference. And that pays for a lot of different programs. It can pay down our debt. So, you know, it is important that we understand how you came to your analysis. So we appreciate you coming here today. Legislator D'Amato and Legislator Beedenbender have some questions for you. Thank you.

DR. CONOSCENTI:

Thank you for giving me the opportunity. And I hope that I've cleared up how we go about doing our analysis. If there's any questions, you can always get in touch with me and I'd be happy to

answer them or to Allen, and I would be happy to respond to that. Given all of this here, Bob and I will still be friends.

LEG. BEEDENBENDER:

Thank you Mr. Conoscenti. I have two questions. One -- the question I'm going to ask you and then I'm going to ask Mr. Lipp. I'm just trying to get an understanding. I know both of you have models and you different words to describe them, but what I'm trying to understand is the basic -- the method that you use. You have your model and it spits out a number and then you said, "You know, we put some real eyes on it and think whether or not it's realistic." So in your model, the numbers that you've come up with that are in the County Executive's budget, is that, like a 50% -- you know, do you have a range and you shot for the middle and hope that what's going to happen or you have the model and you lowered it? I mean, what did -- did your model come up with numbers more positive than this? Lower than this? I'm just trying to understand, because from a policy perspective, just so you can understand my point, is that I need to understand how you got your number. And then I'm going to ask Bob the same question, how he got his number. Because if you guys are shooting for the middle or yours are optimistic and yours are pessimistic, it gives me a better picture as to where I should be going.

DR. CONOSCENTI:

I understand what you are saying. Understand that the model that Bob has and I have are what are called econometric models, okay? They are models that are a mixture of mathematics and economics put into various kinds of equations. The question is how those equations are structured, which may give us different results at the end. And I've never seen the internal workings of Bob's, except that we've discussed them over lunch, okay? And any of these models are -- the purpose of an econometric model or a statistics model is to divorce yourself, you, the person in there from trying to tweak it, in a manner of speaking, okay?

And so what you do is you set up the model and say, "Okay. I think that GDP is going to grow by 3% next year. I think personal income is going to grow by 5%." And you put it in a model and you run the model, and it gives you an unbiased -- biased factor, okay? And that number is what we shoot for. To that number, we look at that number and look at the -- look at the -- you know, does it make sense? You know, there's an old saying that -- I have a shirt -- a sweatshirt home that says, "garbage in garbage out." And that's what you have to concern yourself with, okay? So we want to make sure that the numbers were correctly being put in. And one of the ways of testing it is looking at the end result and saying, "Gee whiz, we have a 30% growth in sales tax revenue, something is wrong." So we look at that.

Then from that, as time ran on, we ran the first model probably in July, and then in August we had some updated model -- some updated numbers, we ran it again. And the model kept coming up, our model anyway, kept coming up very consistent in that we were -- we had -- we were going to probably reach some sort of a plateau in -- you know, in October, November, sometime in the fourth quarter. And that's what I said up front. And our model does that. Then we kind of look at it and make some adjustments to that number by going back in and doing some other regressions or some other analysis that would make a .2 adjustment to it or a .1 plus or minus, depends on how we look at it, sir. So that's the way we do it.

LEG. BEEDENBENDER:

So the numbers that you -- the numbers that we have that are in the County Executive's budget, those are the numbers that -- that you produced? Go ahead, Connie.

MS. CORSO:

What we did is we took the middle range.

LEG. BEEDENBENDER:

Thank you. Thank you.

MS. CORSO:

On the high end, he had 8%.

LEG. BEEDENBENDER:

Okay.

MS. CORSO:

Okay. On the low end he had three and a half percent. We took in the middle.

LEG. BEEDENBENDER:

Thank you. Thank you.

DR. CONOSCENTI:

Sorry about the dullness to the dismal science.

LEG. BEEDENBENDER:

Doctor, it's okay.

LEG. D'AMARO:

So at the end of the day, you just took a guess.

MS. CORSO:

A very well-informed educated guess.

LEG. BEEDENBENDER:

That's okay. I'm not being critical about, but it's just important that I know how you got there. Dr. Lipp, I just spoke to doctor -- Dr. Lipp, same question. How do you do yours, your model?

MR. LIPP:

Tom Conoscenti basically gave a general description about how economic model work, and we basically do the same thing. You know, as he said, he's not exactly sure how I do mine and I'm not exactly sure how he does his, okay.

At the end of the day, it's -- basically we're looking at some forecasts of national local economy. I have data, quarterly data, he probably does too, going back to the 1990s. And, you know, we look at trends and relationships. And I do a couple of different types of statistical estimates. And we were coming up with numbers that range from 2% to three and a half percent. And we thought -- you know, internally, we talked it over and --

LEG. BEEDENBENDER:

Which year, Bob? I'm sorry.

MR. LIPP:

Forecasting for 2010. So we came up with the review 2.75 percent. And now, of course, he could have a different view of how the economy is moving forward. He may be right, we may be right. I would like the opportunity of discussing, you know, how we look at it in terms of how the economy is moving forward and why we're even more convinced now that our numbers are correct.

I would also like to say from a point of personal privilege, Mr. Conoscenti is totally 100% accurate that there's a forecast of like two to 3%. Okay. So we could be off, either of us, by two to 3% typically. For instance, our model, one of many statistics that I look at is the mean absolute percent error, which is about 2%. So I could easily, you know, be off by 2%, no doubt, okay. What's my point? And that's basically what he said too. What is my point there? My point is that the forecast errors implied -- these forecast errors imply that the chart that Mr. Kovesdy showed was meaningless, okay, in particular, the difference that he was showing between our estimates -- I

don't know if those differences were correct, I didn't look at them -- and Mr. {Condesendi's} estimates were zero point two percent difference over the 2000-2004 period, which is meaningless when you have a forecasting error anyhow of 2%. And also, he didn't include 2009, which we had a better forecast. But even if we were a little bit ahead, I wouldn't use stuff like that because it's meaningless, okay. That being said, I'll stop for now unless you want me to go over the other points.

LEG. BEEDENBENDER:

So for 2010, Bob -- and I'm just going to say Bob, because if I say doctor it's going to get confusing.

MR. LIPP:

I would not like the doctor thing.

LEG. BEEDENBENDER:

All right. For 2010, it's between two and four and a half percent is what your model shows and you went with 2.75.

MR. LIPP:

Two and three and a half percent. We felt comfortable in that range. We went with 2.75. To be perfectly honest, given the way the economy is going, in a perfect world, we would preferred to be at the lower end. In other words, to be conservative.

LEG. BEEDENBENDER:

And, Connie you said that the numbers were -- the County Executive's Budget Office was looking at -- in working with Mr. Conoscenti was between three and a half and eight.

MS. CORSO:

(Shaking head yes).

LEG. BEEDENBENDER:

Okay. Thank you.

MR. LIPP:

But there's also -- and I'll get to it when given the opportunity -- it's very important to talk about the rest of this year, which we haven't which is 2009.

LEG. BEEDENBENDER:

Thank you. And I just have one more question for Mr. Conoscenti. You talked a lot about consumer spending, and obviously that is the biggest impact on sales tax and all the factors included in it. But -- I'm not an economist and I wouldn't claim to be one, because obviously I don't have the requisite education for it, but it seems that it matters what the consumer spending it.

You talked about Costco. And it seems at least to a layperson like myself that if more people are spending money at Costco as opposed to somewhere else, that tells us something about the spending level too, that, yes, they are spending, but if more consumers are going to Costco, it seems like they're making a choice, "I need to get a better bang for my buck," rather than just out spending. Now, I know for purposes of the sales tax it doesn't matter where that money is spent, because \$100 spent on a luxury item or \$100 spent on a necessity item produces the same sales tax. But do you think that has a factor in what we're looking at coming forward.

CHAIRMAN GREGORY:

Doctor, before you answer I feel inclined to ask, do you get paid by the hour, before you answer the question.

DR. CONOSCENTI:

No.

CHAIRMAN GREGORY:

Okay. All right. Good.

DR. CONOSCENTI:

I teach at New York University, and we're required to talk for two hours.

CHAIRMAN GREGORY:

I kind of noticed that.

LEG. BEEDENBENDER:

You understand what I'm saying though.

DR. CONOSCENTI:

I won't answer any more. The difference between whether somebody spends \$100 on a shirt or 20 bucks at Costco and buys five shirts doesn't make any difference as you pointed out, you know, the sales tax. The big difference comes in whether or not people are buying durable goods or nondurable goods, okay. Nondurable goods being the soft goods. And people are looking for, you know, the best value that they can get for their dollars spent.

Where it becomes more important is are sales for washing machines going up, are sales for cars going up, and those are the issues, you know? And I think that -- you know, I'm looking at a new car. So I've been out looking around wherever I get a chance. And I think that, you know, that's good sales tax revenue there. You know, if you buy a car that cost 20,000, you got a new car. Thank you. If you get a car that's 20,000, there's a big chunk of money coming in to us. So that's where we look for the big difference. That's why I said earlier, we're looking at new home starts, we're looking at car sales, we're looking at -- and I'm talking about new car sales, not used car sales, okay? And I'm looking at, you know, what is the rate of change of used homes or, you know, preowned homes. You know, that's important, because, you know, within -- within the next, say, six -- I mean 12 months, we're going to see people renovating their homes, buying a new couch, you know, when those people move in. It's just normal that those things happen. You know, you say, "Wow, the dining room table I had in Brooklyn doesn't fit in this room here." You know, those kinds of things.

MS. CORSO:

Can I just say one more thing to you, Brian. We had heard from the Long Island Regional Planning Board last week that the consumer confidence on Long Island is the highest in the region other than New York City at 9.9%. So we do feel that that's a very good sign.

LEG. BEEDENBENDER:

Thank you.

LEG. D'AMARO:

Okay. I want to go back to the -- just to have a simple understanding of the minus six and the plus five. The minus six is projected for the outcome of 2009. The plus five is projected for the outcome of 2010. But the plus five would only make up a portion, most of what we lost in '09. So what you're saying is that at the end of 2010 we would not even be back to the beginning of 2009 in sales tax revenue collection. Is that what that number is saying?

MS. CORSO:

You won't even be back to 2007.

LEG. D'AMARO:

Right. Well, that was my next question. How far back do we need to go to be -- when we're done with 2010, when was the last time we hit that level?

MS. CORSO:

I would say somewhere between 2006 and 7, because you're at 1.141 in 2006 and 1.17 in 2007. So you would be between those two years.

LEG. D'AMARO:

All right. So the projection, just so it's clear at least to me, even for the Budget Review Office, is that when we say we're growing plus five or plus 2.75, that's over this diminished base of sales tax revenue that we are left with at the beginning of 2010 that's been being down the last couple of years dramatically.

MR. KOVESDY:

Correct. Right.

LEG. D'AMARO:

So when we're talking about recovering, this may be just a fractional point past the down side of the U curve and starting to just see the beginning of coming to the up side, but certainly nowhere close to the top, which you'd have to back several years to hit that type of sales tax collection. But in or for it to have even the plus five or the plus .275 -- we talked a lot here today about what factors go into that projection. It seems to me that it's obvious that consumer spending needs to increase in order for sales tax collection to increase. In my mind, for consumer spending to increase, you need more jobs. It's just that simple.

I don't see that in the data that I look at and the forecasts that I've been hearing either. Now, I don't have my ear to the ground like you do. But are you saying that for a plus five increase -- my question to you is how much of that plus five is based on unemployment data or the job creation projections as opposed to factors like consumer spending or talking with other people who run large shopping centers and things like that? Because in my mind, again, in order to have real growth in sales tax -- and yours happens to be a little more optimistic than what our Budget Review Office is saying, but even Budget Review Office, unless we're creating new jobs -- now, you talk about the Dow, you talk about Wall Street, that is not funneling down onto Main Street, and it's not coming into job creation. That is more of a reflection that Wall Street is now more lean and mean, there was a lot of bailout money that went to prop up a lot of companies that are publically trade. But I don't think that -- and the financial industry is not rehiring. They may be paying record bonuses right now, but it's not because -- it's -- it's not because there's been more jobs created and the economy is growing, all right? So again, my question is what's your projection on unemployment and how much of a factor is that on your projection on sales tax?

DR. CONOSCENTI:

In my case, yeah, we don't really -- as I look at the employment rate, okay, that's a rate, but I don't like to use that number. We tend to look at the number of people employed. There are a lot of technical problems with the unemployment rate. There are people who are unemployed who are not counted in that data for -- you know, somebody is on unemployment, collects unemployment insurance for the period of time that they're eligible, and then once once they run out of that, they get basically taken off of there. So we don't use that. We tend to look at employment. We're looking at employment next year growing, you know, some -- some -- if we're going to hit bottom, we're going to either dribble along -- we're not looking at a 2% growth or a 3% growth, we're looking at maybe a half a percent.

Long term, from 1950 to current times, okay, the long term historical growth rate of employment is about one percent, 1.2% per year annually. So we're not going to -- we're starting to -- we've got to get back up to that trend line again, and it's going to take a while. I said to you earlier, I said the rate of decline -- the rate of growth -- growth does not happen overnight, it doesn't do it in what they call step functions, it jumps up and then jumps up, okay? It's kind of a nice smooth curve that goes --

LEG. D'AMARO:

Let me tell you why I'm focusing on unemployment. And just as an aside, I have to ask this question. We went through this process at this time last year. And we had numbers before us for projecting the end --

DR. CONOSCENTI:

You did this last year?

LEG. D'AMARO:

Right. 2008 and then a projection for 2009. Who was less wrong last year in their projections?

MS. CORSO:

Wait. Wait. Wait. The Legislature got the budget after the crash of Lehman Brothers. We had no way of knowing that that was going to happen.

LEG. D'AMARO:

I'm just making a point.

MS. CORSO:

And believe it or not, we were only off about --

LEG. D'AMARO:

Right. But I'm just making a point.

MS. CORSO:

You were still off \$74 million. And you had better data than us.

LEG. D'AMARO:

Okay. But that's my point. That's exactly my point, all right? My point is that sitting here today, anything can happen. There's always the unforeseen factor that looms over us. And you presented a lot of positives to support the 5% growth, and I understand it's over a lower base, but there's also a lot of negatives out there. And it just seems to me that it might make more sense to error on the side of caution at this point as opposed to being more optimistic with your numbers. It's very difficult -- and that's why I bring up unemployment, because the people that I'm speaking to are not going out and spending more. I mean, maybe you did see some upticks in sales tax. That might be because of stimulus funding from the Federal Government or the Cash for Clunkers Programs or things like that. But looking at the long term for the end of this year to all the way through next year, I find it difficult to be quite as optimistic as you are.

MS. CORSO:

You have to really look at the collections from this next check forward. So really you didn't get -- you know, the negative 22% check didn't come until January of the following year. So you're still -- your sales tax is coming in on growth. It wasn't until the fourth quarter that you really hit those huge negatives. I can only imagine what -- you had a 22% decrease in a check. You're trying to say it's going to be flat or zero? It's got to be at least a two or 3% increase on that big of a dip.

So my point is we're still in a position where we were still looking at growth in 2008, and we really didn't see the big hits. And we feel that -- you know, even if we had zero growth on those checks, those next checks that come in, what, about six or eight checks, you'd be at a negative 7.4 if you had zero growth. I don't think we're going to see zero growth on a negative 22% check. I think it's really modest -- it's very, very conservative to think that you are going to -- you may get a positive -- so negative 7.4 versus negative six.

LEG. D'AMARO:

You know, some people would argue that we're yet to see the next wave of foreclosures, the next wave of credit card default. There's a lot more bad economic news coming that going to directly

extrapolate into job loss. Some would argue that unemployment is going to far exceed 10%. We're teetering on that right now. So, you know, again, it's just -- I ask the whole question about unemployment because it seems that you don't rely on employment data as much as you might some other factors when projecting sales tax.

DR. CONOSCENTI:

I think you misunderstood, sir. First of all, the numbers that you're talking about are national numbers, they're not local numbers. You have to make that clear, because you read Long Island Business News, you read Newsday, sometimes there's a confusion there between what is local and what is national and what is State information. So I think you really have to kind of segregate that.

We depend on employment numbers as opposed to unemployment numbers. In our model we use unemployment to look at it. But I said to you earlier, there's a technical problem with unemployment numbers. If a person is on unemployment and his time is up and, you know, he maxes out with his unemployment insurance check, he almost gets pushed off of the unemployment count. So, you know, that person there. So we can't really go by that. We know that it's X plus something. You know, we don't know what that Y is. It could be small, it could be large.

But we look at employment, because employment is that which drives sales tax. A person gets employment, he receives money, he goes home, he takes care of some of his bills, he goes out, he buys food for his family, he buys clothing for his children and so on. And so that's why employment becomes a very, very critical issue. In our model, it's a very, very dominant issue along with the other factors that we've -- we've considered there.

So I think that, you know, you're mixing apples and oranges when we're talking about 10% and so on and so on. We're talking about nationally. Yes, nationally, we're going to probably hit about 10.5 or maybe 11%. But locally, we're not going to do anywhere near there, number one. Number two, you mentioned --

LEG. D'AMARO:

Well, I think we already are near there locally. Well, you know, it depends how you define "near." That's a way highly unacceptable number of -- you know, percentage of unemployment here.

DR. CONOSCENTI:

Sir, I'm not a policy maker.

LEG. D'AMARO:

But I am. And I just want to tell you -- and there are some towns that are above the County level. So I think we are getting near that. You know, again, I'm not sure I'm using the right terminology when you talk about employment numbers or unemployment numbers. All I'm saying is that if people don't have jobs and if we don't create jobs through growing the economy of whatever philosophical approach you want to take at job creation, you're not going to have the consumer spending, therefore, you're not going to have the growth in sales tax. And that's why I see the employment rate or the unemployment rate as a critical factor in whether or not we grow the sales tax percentages in our budget.

DR. CONOSCENTI:

But I said before that we're looking at employment growth in the Year 2010. We're not looking at two and a half percent or 5%. We're looking at more like a half percent to 1%. So that's growth. I mean, however you want to define it, that is growth, number one. Number two, in Babylon it's 8.6%, which is the unemployment rate, not ten, not 11. I don't think it's going to reach that level of 10% at all. You know, I'm just pointing that fact out to you. I'm not a policy maker as you folks are. And I'm just here to give you what my interpretation of the facts are, an educated guess, a guesstimate. And we have consistently done this every year for the last 22 years. That doesn't make us right or it doesn't make us wrong. It just means that we're providing --

LEG. D'AMARO:

I appreciate how difficult it is to speak to these projections. You know, you take what model you have and data and you do the best you can, and I appreciate that very much. But we really got blind sided last year. And as a policy maker, I think given the financial difficulties that we have with our budget that everyone is experiencing, I would just like to error on the side of caution. And if we're all wrong, then that's great, okay? But, you know, again, our own budget office is projecting growth for next year half -- just about half of what you're projecting. And as the Chair pointed that's, that's an \$81 million difference. That's a significant amount when we're making policy with respect to a budget. So, again, you know, it's good that we have this dialog and conversation, because I really want to understand what's going into your numbers. And I appreciate that.

MS. CORSO:

Lou, can I just add something to you -- to your statement? When we looked back at the history -- and, you know, we really haven't seen a downturn other than in 2001, which was, you know, a different kind of economic downturn. But I wanted to point out to you that, yes, you are the policy makers along with the Exec. And at that time, the Budget Review Office recommended a decrease of \$15 million to the Executive's sales tax projection. Well, you guys -- the Legislature increased that by 20 million. So in the end, the actual receipts can in 50 million above BRO, 37 million over Exec and 30 million over adopted. So just keep that in mind that that type of growth is out there and has happened. And if you looked at the growth since 1994, it does average about 5%. Ups and downs, back and forth, we trend at 5%. So, I mean, just keep that in mind. And you are the policy makers.

DR. CONOSCENTI:

I'd like to make one other comment to Legislator D'Amaro. You mentioned the stimulus package here. There's been a number of articles that the highway and road construction money has really not gotten to Long Island and that's it's anticipated that that will be in the hopper in 2010 if Mr. Herbst and Mr. Crosson are able to turn that money loose. So if that happens, we will see a much stronger growth rate in employment.

LEG. D'AMARO:

And I think the stimulus funding was designed to be spread out over two years, and you'll also see more coming in as we go into next year as well. It certainly hasn't all been expended, at least I don't think so, not even close.

DR. CONOSCENTI:

Only about 35% of the Federal stimulus money has been spent. The balance of it has yet to be released.

CHAIRMAN GREGORY:

Right. Just to make a quick comment just to your note about the stimulus funds. There was just a report that I read over the weekend that they were talking about even a re-recession because the stimulus funds are not doing -- they haven't had the affect that they were intended, that they're looking to use 400 or \$500 billion instead of bailing out Wall Street, actually going to middle class people because there's still a threat of losing their homes and they need a recovery. So, you know, that's the thoughts I have in mind when we look at your projections. Okay. Legislator Kennedy.

LEG. KENNEDY:

Thank you, Mr. Chair. Thank you, Dr. Conoscenti for being here. It's always important to try to hear some of what makes up the modeling. And as we sit here trying to go through the budget, it's important that we have some sense. In the spirit of full disclosure, I do have to indicate that Dr. Conoscenti is my constituent. Notwithstanding, let me ask you --

DR. CONOSCENTI:

Are you sure I vote for you?

LEG. KENNEDY:

I don't know. I don't know. Come to a concert if we ever get some sun. We talked about a lot of the drivers and there's concern about employment, there's concern some of the other things. I want to go back to the housing issues again, though, and specifically, I guess, I ask to what degree did you look at the housing trends and in particular the foreclosure trends? And I guess I would ask Dr. Lipp as well.

I agree with you that there's this notion that when somebody purchases, whether it's new construction or existing housing, that there's this factor that goes into the remodeling. And I think that remodeling actually can be quite a significant driver when it comes to sales tax, be it furniture or if you're going to actual, you know, floor board, carpeting, all the other things that are going into renovating rooms, painting rooms, electrical work, landscaping, all those other types of things. And, you know, as we're sitting here looking at the these predictors, we're also, somewhat as Legislator D'Amaro talked about, concerned about this notion that's percolating behind us. Our foreclosure rate is going up. It's not stabilizing, it's not going down. Suffolk County is significantly higher than the rest of the State. We had 84 closures just in Brentwood alone filing in September. So my question to you is, is when you looked at your modeling, did you look at this as a sense or did you try to drill down to some hard numbers associated with where the housing trend is now and where it's going?

DR. CONOSCENTI:

I have been the consultant to the Long Island Builders Institute, I think you know that. And, you know, we see very, very little housing starts, okay? Housing starts are important because they employ people, okay, basically. There's some indication that 2010, based on our analysis here for this here, that we will see some increase in that, okay? Even if it's 5% increase, it's going to be a big plus. There's some other County programs that are being touted about, and that's -- that would be a plus, okay?

We've looked at the foreclosure rate, because that's a very big concern of ours, and it is high for Long Island. That just adds to the stock of housing. And what that does is it drops the price of housing down. And so, yes, for an individual that is important, that, you know, your house that was worth, say, 500,000 is now worth 400,000, okay? But to other people, that's an economic opportunity, for people to buy a house at a more affordable rate, not affordability, but more affordable rate.

So we do take that into consideration.

And I said earlier, and you may have stepped out, is that the remodeling aspect of a preowned house, okay, basically comes about a year later, at least 12 month later, because people move into a house and it takes some time to settle down, or if they need something immediately, a new dishwasher or something. Those are the kinds of things we see, but we see furniture, rugs, carpeting, drapes and so on. I can't say that I'm a model, but I remember moving into my house, it kind of took me -- it took me a while to catch my breath.

LEG. KENNEDY:

Okay. I guess my point goes to -- Robert, I'll ask you same question. Based on a lot of the variables that were issued, the variable mortgages in the early part of the 2000's that are triggering with these known resets, whether they're 36 month or 60 month resets, there's a fairly predictable type of wave that's going to continue to cycle through our County as these things are hitting that are guaranteed to ratchet up and guaranteed that individuals cannot make. And so as a property lapses, even though we're going through, you know, the loss mitigation and trying to renegotiate and all those other things, there's a certain number of properties that go into that bulge that just sits then for about a 36 month time period as the foreclosure works it. Again, is that anything that you looked at -- did you -- did do like this or did you get down to some numbers as to where that factors into what's going on for us?

MR. LIPP:

The data that we looked at on the real estate market is that we don't think it's going to turn around locally until the end of 2010. Could be wrong, but I mean prices are very sticky on a downward direction locally. It's not as competitive a real estate market as other parts of the country, so it's difficult -- there still needs to be a lot of wringing out I think.

That being said, it's really hard to use that data, and I'm sure Dr. Conoscenti is the same way, to actually build it into the models because every variable you use creates another degree of freedom which makes statistical properties more difficult. I can give you the general overview of what we put into the model and why we think ours is correct for 2010 and why we know it's correct for 2009.

LEG. KENNEDY:

To a certain degree I guess I'm just looking at -- I mean, at the end of this we're really getting to confidence, because a lot of what drives is the psychological aspects and econometrics is a science, certainly more of a science than alchemy, but still it's something that goes towards do people feel confident enough to spend or they're going to continue to go ahead and remain with their cards close to their vest. And I'm just curious to what degree you went into this aspect that's a known aspect that going to continue to hit us in predictable cycles going forward, for at least the next 24 to 36 months.

MR. LIPP:

We have measures of consumer spending at the national level for sure, and there are forecasts available for that stuff, and we see how it relates locally, at least Budget Review. And that being said, the consensus, for instance, you know, in terms of the national economy, is it picking up? Yeah. We haven't seen it yet on the data, but the third quarter is supposed to be up nationally. And that's the consensus. But then again, jobs are expected to continue to be lost, you know, through early 2010 nationally. And that's implicit in the consumer spending numbers that we're looking at.

More problematic is typically Long Island tends to be six months to nine months lagging behind the rest of the country. You know, to the extent that that's the case, things could be a lot worse even then we're talking about. And on top of that, you know, sales tax is related to consumer spending. Why is the national economy improving? It's improving in spite of consumer spending not because of it. The decrease in consumer spending is approximately more or less taken over by the increase in Federal Government spending, period, okay? So you are not seeing big increases in consumer spending. Let through national economy go through the roof. It's still not going to translate into huge sales tax at the risk of overexaggerating.

Stock market, okay, consumption is a function of income and wealth. The income part, we still have decreasing employment, albeit a reduced rate, that's good, but if you're still losing jobs, incomes aren't going up, hello, and neither is consumer spending. In terms of wealth, stock market is going up, yes. Does that help? Yes. But the other -- biggest factor in terms of wealth in most people's consumer spending is the value of their house, okay? We all know what's going on there. People aren't likely to spend on that. You add on top of that the whole credit crisis, financial crisis, that financial markets are not lending to consumers that much. Consumers are trying also to save more and to lower their debt, okay, so that we had historically low savings rates for years and that's turning around. And those things are implicit in our forecast in for 2010, are that employment will continue to shrink, maybe be flat start in the second quarter and maybe -- will start to grow in the second half of 2010. We're going to be here by mid 2010 saying, "Wow, I don't know if that 2.75% will make it." And we will hopefully, if our crystal ball is right, which, you know, we have a 2% forecast error easy, then we will say, "Don't worry, you know, the second half will pick up." But that remains to be seen.

Let's talk about this year. This year, okay, the third quarter, in my opinion, in our opinion, we spent hours talking about this, is especially troublesome. First half, we were down ten and a half percent for New Year before in sales tax. Third quarter we were down 9.1%. I don't care that the last check of the quarter was positive, it was. I don't care. Why don't I care? Because the sales tax is a quarterly system. The individual checks are irrelevant, okay? That's a fact. We were down 9.1% in

the third quarter. That with Cash for Clunkers. Cash for Clunkers was in July and August, okay? The last check we got -- the first check we got in October after the budget was put to bed was the early payments from the large vendors, the first 22 days of September. That's down 10.1%, okay?

So you got -- any car dealers through September that are putting their monies in for cash -- from July, from August and from September, that's just a sale. If there's any left, I'm not aware, there may very well be, but I think that's probably di minimus. So we got our first piece of September vendor sales in the October check. We'll get the rest of that as we move forward. That's lousy, okay. And on top of that, Cash for Clunkers, the ship has sailed. If you bought your car already with Cash for Clunkers, you're not going to go back and buy another one in all likelihood. Most economic models show that any sort of temporary tax cut is -- doesn't have much of an impact. It just moved the sales from one period to another.

On top of that, the fourth quarter of last year had a positive prior period adjustment, which is nothing to do with the vendor sales, it's just that we had extra cash of \$1.8 million. So typically that flat lines out over time. So we have a \$1.8 million hump, which is a small number admittedly to make up in the fourth quarter that we don't -- that we got as a benefit last year that we didn't this year. The only hope is that we have a tremendous Christmas that results in December sales coming through through mid February.

What's my point? Two things; number one, we will back here on or before February 12th, which is when the budget year ends with a significant decrease. Our model shows a minus 5% growth for the fourth quarter. It would require to have a positive four and a half percent in the fourth quarter for the actual 2009 number to come in on target, okay? Now if it did come in on target, I would be extremely surprised. And if you asked me how I could be so wrong, my answer would be 2004. That is if you go back to October of 2004 -- by the way, at four o'clock today, 4:17 I believe it is, the Yankees are playing. What's my point? My point is that if you go back to October 2004, the Yankees were leading the Red Sox in the American League Championship Series three games to none. I would have bet the ranch that the Yankees were going to win. The Yankees lost that series. That's the only way that we're going to come in on budget for 2009.

MR. KOVESDY:

You just lost Mr. D'Amaro.

LEG. BEEDENBENDER:

And Mr. Beedenbender.

MR. LIPP:

And one more point, point of personal privilege. I would like to say welcome back to Donna. She just had a baby a few months ago, a four month old baby now. Welcome back to the Legislature.

LEG. BEEDENBENDER:

Great. That's more spending.

MS. CORSO:

Can I just add something about the fourth quarter. I need you to really listen to me. The fourth quarter in the base does not include Deer Park Tanger Outlets and a major big box store did not submit their fourth quarter sales tax. So neither one of those numbers are in that four quarter base.

LEG. BEEDENBENDER:

I have a separate question. If you want to talk, go ahead.

MR. LIPP:

The way the sales tax works is if there's something not included in the data, typical thing is you get what's referred to as a prior period adjustment six months later. That would have been the second quarter of 2009 from the fourth quarter of 2008, not in the fourth quarter of this year.

MR. KOVEDY:

That's a misstatement because the actual sales that occur will show in this year's number. I agree, Robert, that we didn't show last year's Tanger until this year, but the people who shop in Tanger today, we will get the sales tax receipts. That's what we're basing it on. We're saying that the people who shop today will be counted. The people who shopped last year in the fourth quarter of 2008 were not counted. So there's a fundamental difference in that point.

And the other point is realistically you have -- we do not expect sales tax to be negative 5% in the fourth quarter, okay? If it were just to turn flat, it would some place in the mid point between what's Robert's number and our number. We expect things to get better. Maybe it's as simple as someone looking at the glass as being half filled with the possibility of drinking from it and going up and someone saying the glass is half empty and the rest of it is going to spill out. We're not taking that approach.

We've laid it out to you. There are going to be hiccups. We are -- none of us is happy that sales tax came off \$100 million from the budget. You know, we try to do the best job possible. Both of our offices, we're not happy that that happened. But you have to realize, when we did it the trend was still solis at 1.6% positive. If we had gone down two or three more months, we would have seen the trend down and come back to you with adjustments. Right now we're seeing information that has the scope of going up, and we're taking that information, that positive information, and using it for next year's budget. If we just took a stagnant shot and we said it's down 9.1% and follow that true, you get Robert's number. But we're saying, "No, there is some good news in the pipe. We taking that good news and we're using that good news to go forward."

If you don't think there's going to be any good news and the economy is going to get worse and we haven't hit bottom, then we have a problem. But if you say that things are turning around to some degree -- we are a service-based industry on Long Island, we're not a manufacturing-based industry. As things get better, people will start spending it, people will buy the gift for their children that they didn't buy last year. That will equate to more sales tax. The price of gasoline has leveled off. We don't have the hiccup where it was very, very high then very, very low. It's been level at that particular point. The weather will not be as bad next year, God willing, as it was this year. All those are positive signs. And you put all that together, and you can make a reasonable argument that the County Executive numbers are just as accurate as anybody elses.

LEG. BEEDENBENDER:

I just had one other quick question not related to that, but somewhat. Robert mentioned it and it was something I wanted to ask about and forgot. The savings rate, historically the savings rate whether it's nationally -- I don't know if there's a difference in Suffolk County or locally or New York State -- was very low. It seems from an economic perspective, somebody who's got -- either Robert or Mr. Conoscenti, it seems to me that we might have more -- that this increase in the savings rate might be somewhat static or more long term than we would have anticipated, because, you know, just anecdotally, and I have no mathematical evidence for this, but when you talk to people, they have a different perspective. You know, I think it's going to be a long time before people are running up those very high credit card debts and things like that if they absolutely have to. I think there might have been a change in perspective.

So the savings rate where we're at right now might be a little higher, I wonder if from an economic perspective situations like this historically produce kind of a longer savings -- a higher rate which would also affect our ability -- affect consumer spending.

DR. CONOSCENTI:

Higher savings rate over the long term would only mean decrease in interest rate, so it would keep the interest rates down. Man is a creature of habit, okay, and we all are creatures of habit. We buy and we sell -- you earn income you do one of a couple of things with it; you consume it or you save or -- and if you're going to save it, you do it one of three ways; you do it for transaction purposes,

meaning, you know, buy a pack of gum and so on, you do it for -- you put money into a savings account for precautionary purposes and then you have a speculative amount of money for something else, which is a strong indicator, as -- Bob doesn't seem to have that much confidence in the Dow Jones going up to ten -- but that means that there are people who are speculative mode and people are -- that's confidence in the economy, that's confidence in people, that's confidence in what is going on.

I think that -- our analysis has indicated, in talking to, you know, retailers and people that collect that kind of information, kind of tends to suggest that people have been looking at bargain deals, you know; the Tanger Mall kind of places, which is good for us, because that will bring in -- we have two major malls that will bring in income, sales tax income. But also too, I think that what's happening is that there's a big pent up consumer demand, as expressed through that savings rate, meaning that Christmas Holiday is going to come around and I think people will spend a lot more than they did last year, some monies more than they did last year, which we can translate into sales tax, which is one of our reasons why we think that it's going to be minus, one of the reasons of many.

I want to make one reference to Bob's comment on the Cash for Clunkers. Understand -- and Bob surprised me because I thought that -- you know, we know that when a transaction is made it means when the final deal is made, you know? In the opera we wait for the Fat lady to come out and sing. Here you want that piece of paper signed and you pick up your car and your keys and you walk out the door. So even though the program ended in August, last August, you know, if the -- if the deal didn't come through or the papers weren't signed in from Washington until the end of September, we're not going to see that money until November. And when you talk about a car, whether it's a \$10,000 car or a \$60,000 car, it's a big chunk of sales tax revenue coming in. And we're expecting that that's going to help bolt it up.

LEG. BEEDENBENDER:

Let me just ask again. Do you think that the saving rate will be higher for a long period of time?

DR. CONOSCENTI:

I think it will just stabilize itself at what it is now, maybe a little higher. And then I think after the first of the year, we're going to start seeing it go down again because people are going to consume. They're going to consume out of their savings account rather than consume out of their credit card account.

LEG. BEEDENBENDER:

Okay. Thank you, Doctor.

CHAIRMAN GREGORY:

Okay. Thank you. You don't have more to add, do you? Quickly, please.

MR. LIPP:

We're done.

CHAIRMAN GREGORY:

We're almost two hours in and we haven't gotten to our third presentation nor the public portion yet. So thank you. And congratulations, Connie.

MR. KOVESDY:

I just wanted to point out, I think there might have been a misstatement in the beginning inadvertently. Both offices are projecting that property taxes are going to be down \$30 million in 2009, not \$20 million. There may have been a misstatement.

MR. LIPP:

She said it was down to 20 million.

MS. FELICE:

Good morning.

CHAIRMAN GREGORY:

Good morning.

MS. FELICE:

Thank you very much, Legislator Gregory, for allowing AME the opportunity to speak before you today. With me is Rob Zielenski, AME Treasurer who is also a CPA and Debra Alloncius who serves as our Legislative Director. And if I could at this time just let you know that Debra is retiring at the end of the week and will not be the point person here at the Legislature for us any longer. And I just want to say she's done a fine job, and I know she's earned your respect. And I want to thank you for the time that you've given her to advocate on our behalf and thank Debbie for a job well done.

APPLAUSE

LEG. BEEDENBENDER:

Heck of a last week, Debbie.

MS. FELICE:

She picked budget week to retire. Anyway, thank you very much. My name is Cheryl Felice. I'm President of AME. And today we're here as an advocate on behalf of the AME membership and the residents of Suffolk County alike. To that end, AME has personal cause for concern. There are intolerable conditions in many of our departments due to the staggering vacancy rates of over 13%.

The County budgeted positions and General Fund are at an all time low and at a time when needs and services are at an all time high. In 1970, property taxes represented 25% of the General Fund and brought in over \$160 million in revenues. But today, property taxes represent less than 2% of the General Fund and 49 percent in revenues -- 49 million in revenues. The General Fund from a financial perspective has become too dependant upon sales tax, a revenue base over which there is no control.

Given an economic downturn as we are currently experiencing, the revenue base disappears at the same time that the services demands increase. A moderate 3% increase on the smallest portion of the tax bill in the General Fund would mean a \$2.65 annual increase for the average homeowner and may avoid a midyear budget crisis like one we experienced in 2009. The members of the Suffolk County Association of Municipal Employees and every other employee in Suffolk County sacrificed greatly this year to help Suffolk address and struggling economy and an unbalanced budget.

The Suffolk County Executive and the Suffolk County Legislature must not forget or dismiss these sacrifices and work to avoid similar events from happening again in 2010. The County must, in adopting the 2010 proposed budget, take the necessary steps to adequately fund its operations through reliable recurring revenue sources. Rob is going to read for you some of the summaries in our findings of the budget report, but I would just like to make two comments before Rob make his comments.

The presentation we heard previously from the County Executive's Office is very important to us, and we listened to it quite closely. And one of the -- one of the facts that was being bantered around was a budget projection or forecast that's off by two or 3% represents about -- for 2% according to our calculations \$25 million. Now, as you saw last year with the budget crisis, \$26.1 million was the total payroll, two week payroll, of every County employee in Suffolk County. So those forecasts if off by just two or three percent really means that Suffolk County can't meet its payroll, you know, the biweekly payroll two weeks at a time. So those figures are very important,

as I know they're important to you. And why we want to work together to make sure that the same kind of crisis that happened this year doesn't happen in 2010. So Robby will for you the summary of our major findings.

MR. ZIELENSKI:

Thank you. Summary of major findings. County employees and persons in need have borne a disproportionate share of the financial crisis over the last two years. There will actually be 1653 fewer filled position, that's about 13%, in 2010 then there was in 2009. The proposed 2010 budget continued the optimistic forecast that created the fiscal crisis. The proposed 2010 budget will need an increase in the General Fund or suffer serious service reductions in 2011. Funding has been excluded from the contingency accounts for those bargaining units without contracts.

Also, the County Executive is incorrect in his assertion that he kept property taxes down in Suffolk for the last six years. In fact, the overall property taxes have increased over 34% since 2004. Staffing levels have been reduced significantly in an effort to not raise General Fund property tax bill, which represents about 1.2%. Property taxes to support the General Fund are at a historical low and will result in reduced bond ratings if they're not rectified, which is a very important point. The County has a structural problem with the budget that has been masked by the use of multiple one shots, which we have seen the last two years.

I think we're going to talk a little bit about some of the sales tax figures that were just brought up. And I just -- that I heard from the County Exec's Office. I just want to mention that if it hasn't been reiterated already that in 2008 we had a shortfall in sales tax from the estimate of about \$37 million. And then in 2009, it looks like it's expected to be about 107 million. That's 144 million over two years, that's a lot of money. And it's an important point because when you come in with an optimistic forecast of 5%, you better be right. There's no room for error here.

I don't have a Costco index. I like to shop at Costco, to be honest with you. But I am in the market for a 2010 Ford Mustang GT. There were some people in August at the dealerships. Last weekend I was at -- I was at two dealerships and I was one of two customers there. I used to walk in dealerships and you would have to wait on line to speak to a sales representative. Not only that, I might have to order my car because they're not keeping inventory on the lots. And another thing, I didn't realize it, because I was talking to the representative about Cash for Clunkers. He told me that as much as the government -- Federal Government is giving the Cash for Clunkers stimulus towards the consumer, the dealership still hasn't collected their full amount yet from the Federal Government. In fact, they collected less than 50% of the money, which I find that very interesting, even though the consumer has already bought the car. So I'm a little concerned with the sales tax.

Another thing I'd like to mention, Labor Day Weekend, I was on at Cupsogue Beach, County Beach, with my girlfriend. And we drive along Dune Road, you saw about a quarter of the houses empty for rent. It's never been that way before when I drove around Dune Road. And I go there every year to the beach. And I think that some of the Legislators brought it up here, and it is an important fact, that people are in a saving mode. If you go on any internet website, they're pushing how to save money and how to be -- have better control of your finances. In all my years, and I've been -- you know, I've been a CPA many years now and been in the County for 12 years, I've never seen that advertised before in our economy, and I think that's an important point. I thank you for your time.

MS. FELICE:

And just to -- just to reiterate Robby's comments about sales tax, again, we want to just point to the Legislature's Budget Review Office and their numerous reports that have stated the property tax levies are too low to support the operations. The County Executive in his budget message is proud the that the current property tax levy is the lowest it's been since the Legislature was established in 1969, but those are two contradictory views as to the merits of a low General Fund property tax levy. And again, to the importance of sales tax and its forecast, if the sales tax estimates are wrong for the third year in row, the County will be forced again to make midyear budget corrections in 2010 that would have a toxic impact on AME members and every County employee.

It would be more prudent to reduce the sales tax revenue projections to an appropriate level and also appropriately gauge the General Fund property tax to make up the difference. The County would be taking a step in the right direction by weaning itself on the total dependence on the volatile sales tax revenue and bolstering the General Fund property tax in a more consistent funding source for General Fund Operations. This practice would also be consistent with the mandatory Suffolk County Sewer District Tax of 3% annually. Again, the total tax increase per average property tax owner of 3% of the General Fund would be about \$2.65 per year.

And I'd also like to point out too in the summary of the major findings, in the budgeted positions, that this budget will show 1653 fewer filled positions for an average 13% vacancy rate in the County. This figure also represents that a mandatory 911 positions must remain vacant in order to meet the turnover savings that the budget is proposing as well. So those are the -- those are some of our major findings. We have a conclusion that we'll read to you, but at this point, I'd like to take your questions if you have any at this time.

CHAIRMAN GREGORY:

Great. Thank you. Legislator Beedenbender.

LEG. BEEDENBENDER:

Real quick. Cheryl, I think the section you just read was off of page 17 on what you gave me, the bolded section. I'm just to understand that a little bit more. It's more prudent to reduce the sales tax revenue projections, I agree. In the working group, I've been arguing for that because I'm under the impression that -- we can't solve an \$80 million problem as the Legislature right now. I'm assuming we're going to be in some sort of budget correction next year no matter what happens. So my preference would be to layer that number as much as possible to make it more palatable, because it just seems like the best way to go.

But what you're suggesting, I don't quite understand. If we reduce sales tax 2%, that would be roughly equivalent, if it's in one year, to \$22 million. Even a 3% increase in the General Fund only gets us like a million and a half. So in order to get that \$22 million back, it would be about 46%. So I understand what you're saying, but I don't understand how this paragraph works together.

MS. FELICE:

Well, actually the point we're trying to make is that the General Fund really need to be addressed all along over the last six years. And those additional million, \$2 million for the past six years would have made quite a substantial difference in the budget overall. When you are facing a budget deficit, keeping the General Fund property tax levy the same or cutting it doesn't seem to be making ends meet especially when you are relying so heavily on sales tax that is a -- you know, an unpredictable source.

I also just want to mention for the record that AME has been providing this presentation to you for the last seven years. And we had formally contracted with former budget director -- people from New York City. And this year we are fortunate enough to get back two Suffolk County former Director of the Budget Office, Ed Bogel and Bob Bortzfield. So we were happy that -- this is their report that they worked on with us, and we were happy to have them do it.

LEG. BEEDENBENDER:

Thank you for clarifying. And I saw Bob before, and it was pleasant to see him back.

CHAIRMAN GREGORY:

Okay. Also, I'm just going through your report, you're recommending that we tap into the Tax Stabilization Fund, is that what I'm reading?

MS. FELICE:

We have offered that as one -- as one possible solution cognizant of the fact that it requires a 2.5%

increase in the General Fund. Again, on the levy that's set in the proposed budget, that amount is only \$2.65 cents annually per household for the average property tax owner.

CHAIRMAN GREGORY:

Now, from your analysis of the budget, you're saying that there's a vacancy rate of 13%?

MS. FELICE:

That's an average vacancy rate. Actually, some of the departments go much higher than that. In fact, we note that DSS most notably that there's a significant rate of vacancies, high rate of vacancies, in DSS. And your highest unit that has vacancy rate is the Consumer Protection, which is at 30%, and that's a revenue producing agency, which really doesn't seem, you know, prudent for a whole host of reasons.

CHAIRMAN GREGORY:

All right. Thank you. Legislator Kennedy.

LEG. KENNEDY:

Thank you, Mr. Chair. Cheryl, hi, how are you? Good to see you again as always. I'm trying to read over the report, and I will, because you always bring forward a good independent arm's length observation and perspective. And certainly, both Bob and Ed have had many years at this and will be able to share some of their insight. I'm just going to ask one small item -- actually, it's not a small item because you know what? It means a lot to members. Do you have comments about the tuition reimbursement? My understanding is that the 200,000 that's been in the previous years is removed by the County Executive in 2010. I know firsthand about the benefits of that program and how it's served to advance the careers of many, many, many our members by being able to attend classes that they ordinarily would not have been able to do. Any sense with this?

MS. FELICE:

Actually, the report goes on to show that there's quite a few contingencies that have been left out of the budget going forward for next year. We did not have steps -- step increases and longevity payments are in there, but there's absolutely no contingency plan for in the event a contract is negotiated in the Year of 2010. The only money that's left in there is for the police unions. So, yes, that is a problem for us. And it is a contractual agreement, tuition reimbursement, at this point. So as you well know and has cited on a number of occasions, the Taylor Law is still in effect in spite of the fact the contract is expired and the terms and continues in in affect accordingly. So that would -- that would be a grievance in itself if the funding were to be left out. And in fact may be an improper labor practice that it was even taken out because we have the Taylor Law.

LEG. KENNEDY:

Okay. Thank you.

CHAIRMAN GREGORY:

Legislator D'Amaro.

LEG. D'AMARO:

Just very quickly. Good morning. And thank you, again, as Legislator Kennedy mentioned. I appreciate your analysis, an extremely realistic analysis I think. I just wanted to ask you about one of the recommendations you made. You put recommendation number six, increase the Police District property tax so it more accurately reflects the cost to Police District residents, return the sales tax to the General Fund to cover the cost of public safety for all county residents. I just want to clarify, what you're referring to there is that a portion of sales tax does subsidize the Police district. And the Police District is not 100% self-contained in the sense that the tax that goes into the Police District takes more than that to fund the district operations. Is that what you're referring to here?

MS. FELICE:

What we're referring to is because the Police District is a separate tax and that levy is raised on its own that the cost of operations could be handled within that levy itself and the sales tax money, we believe, should remain in the General Fund.

LEG. D'AMARO:

Okay. And the 3% that you're recommending with respect to property tax, as Legislator Beedenbender points out, would only be about a million and a half dollars, not even enough to make up our MTA payroll tax burden in Suffolk County. So, you know, the problem we're having is that there are other taxing jurisdictions on that property tax bill that are taking a much higher percentage of revenue, and it's really handcuffing the County in a sense on raising property taxes as well because there's really no room. I mean, we're at a point where it would help to fund County operations, I mean, a dollar is a dollar, but at the same time, it would be raising property taxes at a time where people are really having economic problems, including, I'm sure, some of your members as well. So it's a recommendation that I can understand why it's been being put forth. But does your analysis include what the impact of that recommendation might be on Suffolk residents?

MS. FELICE:

Well, we're very well aware of the fact that to bring the levels back to what property tax -- taxes represented in 1970 that the General Fund was 25% of the total tax bill yielded \$160 million. And if you had that \$160 million today, you wouldn't have that budget shortfall. But we also recognize, I believe in the meat of the report, that would mean about a 229% increase in property taxes, which we know is not realistic.

The point that we're trying to make is that there's a structural imbalance with the General Fund and the property tax bill. And we think that that fact has been overlooked for too long and really must -- really must be looked at in this budget cycle especially knowing what we went through last year. I mean -- and we're talking about, again, if a two or 3% fluctuation in the sales tax that Suffolk County is so depend upon were to fluctuate to the negative, you're talking about each two or 3% represents one entire payroll of your entire work staff.

And I think Legislator D'Amaro, you mentioned it, you know, earlier, that jobs -- Suffolk County is a big employer here and the threat of layoffs also put the threat of consumer confidence in our members. And those members were not spending because they did not know what their fate was going to be; whether or not they were going to be laid off, whether or not they were going to be demoted if there were layoffs through bump and retreat. And the morale of this -- of this workforce right now is very, very hurt and demoralized because of what had to happen last year.

And it was troubling to hear today about the Tanger monies that weren't reported for the fourth quarter and did that contribute to the overall budget problem of last year that our members sacrificed and your members too, your staff members sacrificed as well, as well as every person in this County, whether they're represented by the union or not had to sacrifice in some way to help -- to help Suffolk county. And I think what every County employee just wants to be assured of is that everyone shares the pain. And I think that's our point to the General Fund.

The General Fund is the smallest portion of the County -- of the County property tax. It represents 1.21%. If you take the college out, it represents 1.07% of the total tax bill when at that time -- when times were good and times were much better, it represents a 25% of the property tax bill. So we need to put our heads together and come to the table in the spirit of labor management cooperations like we do with our health insurance. And the County Executive was very generous in recognizing the work of the Labor Management Committee and the savings that we have been able to generate for the plan to keep that plan affordable for Suffolk County and the workers. And also, the work that we've done with the John J. Foley facility last year. Last year there was a projected \$15 million deficit for John J. Foley. And today, remarkable, the subsidy from Suffolk County for JJ Foley is less -- is about \$900,000 at this point.

So there really is a lot to be said when the parties can come together. And I want to thank you for allowing us the time to offer our insight and for continuing to take our opinions with such high regards.

LEG. D'AMARO:

I appreciate those comments. And your point is well taken with respect to the property tax. You know, it's just unfortunate, I guess, that property taxes are such a burden right now, especially in Suffolk County and on Long Island that when we talk about increasing them at this point is -- while the historical perspective makes the case for it, I think the reality right now is that it's somewhat problematic. But I understand your point. And I'm going to look very closely at all of the recommendations that you've made. I'm also a member of the Budget Working Group. And I very much appreciate your candor in setting forth all of the recommendations. And I'll guarantee you that they're seriously considered.

MS. FELICE:

Thank you. And our final point in the issue that has been brought up by the County Executive in the past, and that's the issue of consolidation. Whether it's the issue of consolidation in taxing districts or in purchasing power, there's a lot of opportunity to be gained here in Suffolk County to -- to pool our resources together and come up with -- come up with the means to lower the property taxes in all respects; the County, the towns and the school property.

LEG. D'AMARO:

And when you talk about cooperation and how much we can accomplish, I had a commission that also made similar recommendations with respect to schools, and I think many of us have added our voice to that chorus. And that might be an area where we all can work together and really realize some significant savings, whether it's to our own jurisdictions or others and help the burden and then become more fair and equitable on the revenues that we raise as well. So that might be an area that we should target going into next year, if I'm still here.

MS. FELICE:

Thank you

CHAIRMAN GREGORY:

Okay. Thank you. And I look forward to having an opportunity to thoroughly look through your report. And thank you again for your recommendations.

MS. VIZZINI:

Mr. Chairman, if I could just clarify one thing. Although I absolutely agree that the General Fund is too small to support the operations of this County, we are operating under the premise that if the Legislature were to increase General Fund property taxes, that alone would not give you access to the Tax Stabilization Reserve Fund as under the advice of Legislative Counsel.

CHAIRMAN GREGORY:

Right. Yes. We understand that. Thank you.

MS. FELICE:

Thank you.

CHAIRMAN GREGORY:

Okay. We're going to go to the public portion. I'm sorry, folks, I know you have been waiting a very long time so we'll get right into it. We have Robert Mitchell. Is he still here? There he is.

MR. MITCHELL:

Mr. Chairman, members of the committee, my name is Bob Mitchell. I'm in charge of Suffolk County

Legal Aid. This is Mr. Louis Mizzolla. I don't want to bore you again. I've been here several times. I put some documents on the table. There are two pages in regards to our budget, summary of our budget. There is two pages from the Administrative Judge of the District Court, Judge Fitzgibbons. And in these reports, we show where -- we were given a cost to continue. We're \$600,000 shy. And the money is needed for our medical coverage and for our pension, etcetera.

Judge Fitzgibbons goes on to point out the number of cases we handle, and that our cost per case is \$400 versus 4500 for 18B. We are really strapped. We've got an awful lot of cases. We handle over 20,000 cases in District Court, that not considering what we handle in Family Court. And we're starting to sink. And we need your help. And we're requesting that you put back the money we requested in our budget.

Now I see that Legislative Budget Review seems to agree with what we're saying. I just received a copy of it now. And they're going along with putting back the money for the medical -- the medical, the pension, fee for services, etcetera. And also for you to consider whether we should get the additional positions. But that 632,000 is critical for us to continue. Lou, you want to say something? Thank you very much.

CHAIRMAN GREGORY:

Thank you very much. Legislator Kennedy.

LEG. KENNEDY:

Thank you. Mr. Chair. Thank you for coming to us again today. I have seen the material that you sent. But in light of the contrast in cost that you just brought up, I have a question for BRO and it goes to the 18B funding. Is that something that is identified that is a County liability or is that something that -- can you speak to that? Well, actually I'm asking BRO, so if there is a need to look at possible position adjustment, can we offset one with the other?

MR. DUFFY:

18B that's shown in the County Attorney's Office, I believe, is \$4,050,000. That's considered a mandated cost. We have hit the 18B limit, I think, for the last seven or eight years. If you're talking about taking money away from 18B, outside counsel, and giving it to Legal Aid, Legal Aid would have to handle more of those.

LEG. KENNEDY:

I'm not necessarily suggesting I'd reduce -- we'd want to reduce one to go to the other. However, what I'm asking is about the amount that's identified for outside counsel on 18B, particularly in light of what has been presented to us about the thousand percent difference in cost to do the same function. That's all. So where does the number for 18B come from in the first instance?

MR. DUFFY:

It represents those cases that judges assign to outside counsel.

LEG. KENNEDY:

The County Attorney is at the podium, Mr. Chair. Should we recognize her to address us?

MS. MALAFI:

Thank you. The number in the budget for 18B Panel, not Legal Aid Society, 18B Panel comes from me in my budget, I put it in. It's a little over 4 million a year for the last couple of years. We go through all of that money. And the State reimbursement is a little over three million. So there's about a million unfunded. I believe that last year we didn't even get our three million, we got a lot less than our three million from the State. But it is mandated that the County, not the State, pay the 18B Panel administrators' vouchers.

We work very closely with the Legal Aid -- I'm sorry, the 18B Panel administrator to keep the bills as low as possible because the County is without the power to review the legal bills with respect to the

entries on them. When I get them from the 18B Panel administrator, we just check them -- I have someone in my office who checks them to make sure the calculations are correct and that there's no mistake in them. I am without the power to take anything of the bill, lower a bill, say, "No, this one doesn't deserve the extra money." I can't do that.

So it's -- the 18B Panel is through my office, it's in my budget. I've requested four million, a little over four million this year for them. And it is true, the more cases that Legal Aid can't handle, the more cases go to legal -- to the 18B Panel administrator to assign. And it is, the cost is completely different. It's about \$450 per case for Legal Aid or 410, and it's well above -- a few hundred dollars above 4000 per case at the 18B level.

LEG. KENNEDY:

Is there an hourly reimbursement rate? Is similar to, Counsel, to Family Court, they used to go 70, 80 bucks an hour, 100 bucks an hour, or is it awarded by case?

MS. MALAFI:

It used to be 40, \$45 an hour. About four years ago, five years -- four years ago it was changed to between 60 \$75 an hour. And the case maximum for felonies and misdemeanors were doubled. So it's 2400 a case for a misdemeanor, 4500 a case for a felony, right? I might be a hundred dollars here or there. And they can also apply for additional monies if the case has some extra something going on, like a murder case on the 18B Panel is not being handled for \$4500.

LEG. KENNEDY:

Right. So but more often than that counsel are hitting at max each time that their --

MS. MALAFI:

Absolutely. And we've had a number of occasion where counsel hits the max and the client stops cooperating with the 18B Panel administrator and then it goes to Legal Aid anyway.

LEG. KENNEDY:

What makes the determination in the first instance as to whether a defendant is going to be represented by Legal Aid or they're going to go over and it's going to be outside counsel through 18B?

MS. MALAFI:

Judges. There's some judges who -- there's two things. One is if let's say two people are arrested -- two or more people are arrested for the same crime, like burglary, Legal Aid because of the conflict of interest cannot represent all three people, so they would represent one of the defendants and the other two would have to go to the 18B Panel. That's one way it's determined.

The second way it's determined is we do have instances where judges on the bench, instead of directing a criminal defendant who's appearing at arraignment to get a lawyer through Legal Aid, there are times when they'll say to them, "You know, I'm directing the 18B Panel Attorney So and So to represent this person," which we do try and cut down on.

LEG. KENNEDY:

Okay, Mr. Chair. Thank you.

CHAIRMAN GREGORY:

Legislator Beedenbender.

LEG. BEEDENBENDER:

Thank you, Mr. Chair. Bob, real quick. I just want to make sure that I understand the documents you have in front -- you put in front of us, because when we go through this in the Working Group, it's very important that, you know, we know exactly what you're asking for so we can evaluate what we have.

The one -- the one memo for the Operating Budget for the Legal Aid Society says that the request is that there's an increase of 632,000 and some change in order to maintain current operations as well as an additional of 340,000 and some change for new positions. Now, my question is this other memo with the Senior Citizen Division for a \$369,000. That's not built into those other numbers, that's in addition to as well?

MR. MITCHELL:

That's a separate -- it gets confusing. They always seem to put the senior citizen budget in with our general budget. It's separate altogether. Mr. Roach is here, George Roach is here and also the gentleman from AARP.

LEG. BEEDENBENDER:

I just wanted to make sure that they were different so I understood what I had in front of me. Thank you.

CHAIRMAN GREGORY:

Okay. Thank you. George Roach.

MR. MITCHELL:

This is George Roach. He is the attorney in charge of the Senior Citizen Division for Legal Aid. We have the general budget, which is the Criminal and the Family Court, and then we have the -- which is under the general budget. And George is the senior citizens' attorney. We also have another system, the law guardian, which is the State budget which is separate and complete.

MR. ROACH:

Good morning, Mr. Chairman, members of the committee. As Bob said, my name is George Roach. I'm the chief attorney for the Legal Aid Society Senior Citizen Division. We provide the legal services, advice, counseling and representation to the more than 250,000 seniors who reside here in Suffolk County. Again, it's budget time. The County Executive, through his budget and passed down through the Office for the Aging has only given us \$218,000. You have the memo in front of you.

We come back every year to the Legislature, and in the Legislature's wisdom and good judgment in my opinion, you restore the additional funding. You put us in that working group and provide that additional funding so we can continue to provide the services we provide to the county. We cannot do it on \$218,000, it's just not there. I know times are tight. As Bob said, we're looking for cost to continue. These are not large numbers compared to the numbers you guys usually deal with. So I'm here again to ask you to put us back in that working group and see if we can continue our funding and provide these services.

And by the way, the additional funding that we're asking for from the County does not contain any Federal grant money. And Federal Older Americans Act money is already included in the \$218,000. The rest of the money, the Legislature always puts back from whatever funding sources you have. So I just wanted to clear that up for the record.

CHAIRMAN GREGORY:

All right. Thank you. Gene Pritz. Did I pronounce that right?

MR. PRITZ:

Good morning. My name is Gene Pritz, and I consider myself an advocate for senior issues. And as already been mentioned, there are over 250 million -- 250,000 seniors in Suffolk County. I'm also President of Fairfield at St. James, an adult condo community. And that position is a voluntary position, I don't get paid for it. But if anything happens to the Senior Division of the Legal Aid Society, my community will suffer greatly. We've called on them for over 20 years, and they've been very, very helpful.

As you can realize, many of our people are divorced or have lost a spouse. And in that issue, when they need legal aid, they cannot afford to go to the usual lawyers. And the Senior Division of the Legal Aid Society has been very, very helpful, as I say, in their 20 some odd years. We have used their services for all kinds of things, whether it be foreclosure, helping with a will or a lease or anything like that, and they've always come through to us.

So I urge you, please, please continue their services and restore their budget and look at it more than dollars, look at the people, the 250,000 seniors, that will be in jeopardy unless that budget is replaced. Thank you.

CHAIRMAN GREGORY:

Thank you, sir. Deborah Kinzer and Arley Pelaez.

MS. KINZER:

Good morning, almost. My name is Deborah Kinzer, and I'm the Chief Financial Officer of BiasHELP. I'm here to remind you of the important work that BiasHELP is doing in Suffolk County to address the issues of bias and hate. The Suffolk County Executive Steve Levy understands the importance of work our and has included \$60,000 in the 2010 Executive budget to fund vital education programs to young people in Suffolk County with an emphasis in the Patchogue-Medford area.

In addition, BiasHELP secured matching funds from a private foundation to subsidize the cost of a voice against violence and oppression in communities everywhere. Because this is a matching grant, BiasHELP must secure funding from Suffolk County in order to even be considered for continued funding. For every dollar from the Suffolk County budget, we risk equal or greater cuts from the foundation. Please show the residents of Suffolk County that our government is concerned about biased crimes and that you want to address the matter with education and community healing. Thank you.

MR. PELAEZ:

Good afternoon. My name is Arley Pelaez, and I'm the Deputy Director of BiasHELP. And we're today to talk about some of the programs that we offer. And I would like to start with BiasHELP is a nonprofit organization dedicated to preventing, monitoring and lessening the affects of bias crimes, hate related harassment and discrimination in Nassau and Suffolk Counties.

We believe that government plays an important role in bias discrimination reduction. And BiasHELP has been successfully working partnership with Suffolk County Government in fostering the reduction of bias, hate and intolerance incidences in our communities. With the 60,000 funding for our agency in 2010, BiasHELP will work to support and strengthen Suffolk County community voices to ensure a response to the discrimination and bias crimes is swift and forceful.

We believe that education is a most important weapon for combating discrimination and bias-related violence. In 2008, BiasHELP was able to reach more than 5000 Suffolk County youth and youth service professionals. In 2009, just from January to September, we were able to reach with our limited funding more than 2000 Suffolk County youth and youth serving professionals in communities such as Medford, Brentwood, Dix Hills, Hauppauge, Patchogue, Middle Island, Central Islip, Farmingdale, Bay Shore, Selden, Sayville, Medford, Huntington, Manorville, Amityville, Northport, Mastic Beach and Bluepoint among others.

What isn't known is the long range consequences that the lack of educational presentations and trainings to promote prevention of bias hate crimes as well as bullying through violence and gang activity in Suffolk County would have on the residents of the County. Do not wait for another hate-related crime or death before you act. We are powerless without your financial support. It is imperative that you vote to get our \$60,000 funding to BiasHelp for the contract year 2010 and also work in partnership. We ask to ensure that Suffolk County is a community free of bias-related violence where children can go to school without fear, families living in harmony, justice and equality

prevail. We envision such a place. And through your support in our wide array of community-based programs and services, we will work in Suffolk County to make that dream a reality. Thank you.

CHAIRMAN GREGORY:

Thank you. Cesar Malaga.

MR. MALAGA:

My name is Cesar Malaga, I'm from West Babylon. You know what's happening is greed is killing our country, the economy of our country. Our country's economy is going to get worse than predicted. You have to cut your expenses and not raise taxes. Police Commissioner, who I was here when he was questioned about several things, what I was here did what anyone can do, he cut, you know, his budget as he was told. I said that the Police in Suffolk County are the highest paid in the world, but they work full time.

In Suffolk County, we also have the highest paid Legislators, that's you guys. You only work part time. Some of you work hard, others, I don't know. All of you have -- you know, the Presiding Officer has two aides. Some of you have three or four aides. That is unheard of. Many of the residents -- like, you have District Offices, and no one goes to those District Offices. As the New York Times reported, one aide says, "In the summertime, one or two will enter the office, and in the wintertime, no one comes to the office." So close those offices, you don't need those offices. Legislator Romaine is the only one who uses a public building for his District Office.

As part-time public servants, your salary is too high compared to Westchester and Nassau County Legislators. Westchester Legislators get paid 49,200, possible two part-time aide, no District Offices; Nassau Legislators get paid 39,500, possible two part-time aides, no District Offices. Here in Suffolk, we have 13 Legislators who make a salary of 89,102; three Legislators make a salary of 86,106; Presiding Officer makes 105,352; Deputy Presiding Officer, 99,011. So total salary of Legislators, 1,621,277; total salary of aides is, 215,920; your rental of these District Offices is 790,329 for this year; and the community support initiatives have, 630,000 to make a total of 6,257,000. This expense should be cut to possible \$2.5 million.

We will have enough money for Police Commissioner Dormer to provide needed police protection and have the detectives when they are needed. We can also provide limited Sunday bus service, which I have suggested at this -- for the last 15 years at this chamber. Sunday bus service possibly would cost \$3 million without counting the revenues generated by the Sunday bus service.

In 2008, you spent over \$11 million. The total I have mentioned of \$6 million 257. It's your salary, aides, the rent, does not include office supplies, cell phones, County cars, gas, health insurance and other expenses. We cannot afford this in 2010. Now, for over two hours I heard this forecast for the sales tax, this or that. I work for 20 years about forecasting revenues. When you heard, you know, something that's future, what we need is to cut expenses, and that is the only way we can, you know, solve the problem we have.

Many, many, many -- as I said, all of you make, you know, so much money. The Senator and Assemblyman who travel from this area to Albany, they make 79,500. You only travel less than one hour to this building here. And you do not deserve to make \$89,000 and have aides. If Nassau County and Westchester can have two part-time aides, we don't need more than two-part time aides here. If you cannot do the job, let someone else do the job.

So we have to cut expenses. That's the main thing, cut expenses. We cannot continue increasing taxes. The more taxes you increase, the less money people will have to spend. And when the sales tax goes up by 6% or 5%, people are not going to be able to pay taxes. And someone mentioned you cannot -- you have to increase, you know, property taxes. How much are you going to increase property taxes? As I said, cut expenses, cut your salaries, cut your aides and close all the District Offices. That's a saving of, as I said, over \$4 million. So, gentlemen, let's be realistic. Let's not be dreaming of a crystal ball. You know, Greenspan said, you know, there is no economic forecast that

you can compare to what's happening to this country today. So all forecasts, you can throw it out the window. It's not going to happen. Thank you for listening.

CHAIRMAN GREGORY:

Pamela Johnston and JoAnne Sanders.

MS. SANDERS:

I am JoAnne Sanders. We're here today, and unfortunately, we come back here every year and have to ask you to please help us out. We're serving more and more victims of domestic violence than we ever have before. Our calls are escalating. We're expected to do more with less. And we're asking that you please restore the Omnibus money that you have done for the past several years. It is critical.

We will still lose people even with the return of the Omnibus money. We're trying to do all we can in fund raising. It's very difficult because of the economy. We've lost some grants. And it's just -- it's becoming very frightening for our clients out there. And we need your help. I sent letters off to you about our particular agency, it's about \$94,000, which is -- pays for that contract in particular, it pays for precinct advocates, counseling, education and so much for more. So we really need your help. Thank you.

MS. JOHNSTON:

Thank you for giving us a little bit of time. We came here together this morning because our two agencies serve -- we both serve victims of domestic violence. VIBS also serves victims of rape and sexual assault. We work very closely together, we have for many years. Suffolk County is a big county, we have a large population and a large geographic spread. And we -- both of our agencies have seen an increase in hotline calls and people needing our help. Because the economy is bad, it exacerbates the problems for victims; their unemployment is higher, they're in the home together more frequently, there's more substance abuse, and all of those contributing factors have played a role in an increasing number of people who needed our help.

We are having a very, very tough time raising funding from the private sector. We both have fund raising events and ask our donors for money, but the economy being what it is, that has fallen off. This summer at VIBS, we had to lay off four staff members. And we're looking at a pretty grim budget next year. We're expecting cuts from New York State. I think probably all the -- a lot of the nonprofit community got hit hard on money that we usually get from the State Legislature.

So we're really facing a lot of problems. And we listened to the analysis of the budget and the revenues, and we're happy that we're not in your shoes to make those difficult decisions, but we're just here to put a human face on the funding for -- that the County provides to our agencies. We really need it, and we hope that you will remember us and restore us in the Omnibus Budget. Thank you very much.

LEG. BEEDENBENDER:

Thank you.

CHAIRMAN GREGORY:

Thank you. Commissioner Anita Katz.

COMMISSIONER KATZ:

Good morning. Commissioner Greier has been out sick out week, and that is why she is not here with me today. And if I could take 30 seconds as a point of personal privilege. As a former Legislative Aide and a Chief of Staff to Presiding Officer Bachety, I think everybody in this room knows that being a Suffolk County Legislator is not only a full-time job, but it is a seven day a week job. Wherever you go, people can tell you their problems, and you are glad to hear them. So just a personal aside.

CHAIRMAN GREGORY:

How many do you want? You got it.

COMMISSIONER KATZ:

I know you're up against the time, so I'm not going to give my full presentation. If you'd like us to come back and talk about machines and where we are, we'll be glad to at another time. I'm just going to hit the highlights since it's so late.

When the Board of Elections submitted our budget, we did cut the 2% that the County Executive requested. But the County Executive's budget has cut an additional \$500,000 from our printing line. I'm here this morning to ask you to support the Budget Review recommendation of putting back \$475,000 into the printing line. That line will be used to print the ballots for new machines that are coming next year. A Federal judge -- we have been sued by the Federal Government as the last state that has not put the new machines in. So the Federal judge has agreed to do a pilot program this year. And about three-quarters of the counties in New York State are using the new machines for the primary and in November. Suffolk County is not one of those. We had the opportunity to tell the judge that we did not want to participate this year, and fortunately, the judge agreed. You had put extra money back in last year for those ballots. We are obviously returning that money to the General Fund.

As part of the settlement for the pilot program, the judge ruled that next year is the last year. So the rest of the State, including Suffolk will be going in with the new machines. This year we have a handicapped accessible machine and the lever machines as we did last year. In 2010, no more lever machines, it's only the new machines. We need the extra 475,000 that Budget Review had recommended to print the ballots. The law says that we have to print 110% of the number of ballots as there are registered voters. That means if you use the numbers we have today -- and, of course, next year, it will be even higher -- we need a million ballots for the September primary, and we need to print a million ballots for November, regardless of the turnout, in English, of course, and ballots in Spanish as well.

We're glad to come back at any other time to go into all the details of the new machines. We're asking you to support the Budget Review recommendation and return the money for the printing. Thank you. Any questions?

CHAIRMAN GREGORY:

Great. Thank you. Legislator Beedenbender.

LEG. BEEDENBENDER:

Just real quick, Anita. Last time -- when you were here last year we talked extensively about the fact that this included some outreach programs to go wherever you could with new machines, whether it be civic association, libraries and things like that. Does the budget for 2010 include money for you to do those sorts of thing next year to prepare people for that election?

MS. KATZ:

We did not request it, but Budget Review did put in an extra half a million, you'll see it in the Budget Review recommendations for overtime, which is what we would need for our employees to go out and do that outreach. We are absolutely committed to doing it.

LEG. BEEDENBENDER:

So that's above the 475 for printing. So you need about a million, maybe, if you go by BRO's numbers, is what we'll say.

MS. KATZ:

Correct.

LEG. BEEDENBENDER:

Okay. And the only reason I ask is because, I mean, from a purely self selfish standpoint, I'd rather the Federal Government who passed the law be the first ones on the ballot to deal with it. But I think there's going to be a tremendous outcry or request for that sort of thing. I know that some of the seniors in my district that I've spoken to, they -- they want an opportunity to see and use this thing before they go and use it for real. So I would imagine that just from the 18 individuals sitting at this horseshoe, you're going to get a lot of requests to come to our groups, to have people -- to give people the opportunity to do that.

So that extra 500,000, would that include, I guess, printing the fake ballots that you would use for these sorts of things? So if we did \$500,000 extra for the Board of elections that BRO suggested, would that include everything you might need in order to go to these groups and say this is what our machine, this is how you use it?

MS. KATZ:

It's an approximation, certainly, but for --

LEG. BEEDENBENDER:

You're fairly confident you could do it.

MS. KATZ:

Absolutely.

LEG. BEEDENBENDER:

Okay.

MS. KATZ:

For the samples that we would use going out to the community, they don't have to be the kind of high quality stock that we would use for the regular ballots obviously.

LEG. BEEDENBENDER:

Okay. Thank you, Anita.

CHAIRMAN GREGORY:

Okay. Legislator Kennedy.

LEG. KENNEDY:

Anita, similar to Legislator Beedenbender's questions with the outreach, we had machine out at -- up in Smithtown with the primaries that we had there, and I had a chance to talk to a couple of the operators when we came in. And although I know that your staff has had training with it, my sense is that they will benefit from a refresher as much as all our civic and other groups will benefit from some training as well.

They were able to work with it, but it was -- it was a challenge. And I recall vividly hearing a couple of things about even the start up time to get that unit functional took somewhere in the neighborhood of 30 to 40 minutes before it was able to actually perform. So we're now beginning to contemplate that people are going to be opening polling places in the middle of the night in order to go ahead and be able to vote; is that true?

COMMISSIONER KATZ:

Well, let me clarify. There are actually two kinds of machines that we're talking about. The one that you saw is for a handicapped accessible user. That takes 40 minutes to boot up. It's a problem, we all know it's a problem. The machines that -- those are called Plan B machines. There are Plan A machines, which we have order, which are just for scanning. And although we have been criticized, we have chosen in Suffolk County to have machines for handicapped and extra scanners in all of the polling places which do not have those kind of problems because they are not set up. So there will be one handicapped machine in each polling place. There will also be one strictly scanning machine

where you fill out the circles and you scan the paper through for each Election District. So although it's a lot of machines, life happens and we expect to be prepared.

LEG. KENNEDY:

Okay. So let me make sure that I understand. So we have six EDs that are in the Nesconset Elementary. We're going to have one handicapped machine and then six that are just straight scanners?

MS. KATZ:

Five to six, yes.

LEG. KENNEDY:

Okay. All right. Again, like my colleagues, I'm very interested in supporting a pre -- a road show with the machine, if you will. I'm trying to think of a better name. But I'm also encouraging that your own staff have another opportunity to maybe cycle through and get comfortable with operations.

MS. KATZ:

Every year all our polling inspectors have two classes. We have budgeted, and it was still included for three classes, for poll inspectors because they have to learn how to use the Plan A machines as well.

LEG. KENNEDY:

Okay. Thank you. Thank you, Mr. Chair.

CHAIRMAN GREGORY:

Thank you. Dale Moyer.

MR. MOYER:

Good afternoon. I'm Dale Moyer, currently serving as interim Executive Director of Cornell Cooperative Extension. I know you're running kind of late, so I'm going to keep this short. I'd like to thank you for support in the past years. Cornell Cooperative Extension feels privileged to have been a partner with Suffolk County for 92 years.

Individuals and families turn to Cornell Cooperative Extension for help in chronic disease prevention and management, nutrition, education, as well as human development and parent education. Through the basic principles of 4-H, we help young people develop skills and reach their full potential. We work with the County's nearly \$400 million agriculture and marine industries, these heritage industries that support a \$4 billion tourist industry. We addition, we operate the County Farm in Yaphank and Peconic Dunes Camp along with the SOAR Project, which is the juvenile day reporting program with the Probation Department.

We have all faced challenges in the past year, and it looks like we're going to continue to face them this coming year to adjust to these economic uncertainties. In 2009, our County budget organization was cut nearly one million dollars in funding. These cuts were primarily directed at two major program areas; the 4-H Youth Development and our Family Health and Wellness Program. These two program areas were totally eliminated from the budget.

In the County Executive 2010 Operating Budget, no further cuts were suggested except a previously agreed upon 10% reduction in water quality funding. The proposed funding is consistent with the 2009 levels; therefore there's no County funding for Family Health and Wellness or 4-H Youth Development Program. In the Budget Review Office recommendations, BRO recommended deleting the water quality projects. BRO requested the Department of Environment and Energy present an assessment of our programs to the Legislature. And because of -- that was not done, they are requesting that they delete those programs from our budget.

We at Cooperative Extension have provided extensive reports to the Department of Environment and Energy and to the Department of Health Services regarding our achievements and our financial records of these water quality programs. It is my understanding that the Department of Environment and Energy is preparing a report which will be submitted to the BRO and the Legislature tomorrow.

I respectfully request that the Legislature fund our water quality projects that have been very successful over the last several years as per the recommended County Budget -- proposed budget from the County Executive's Office. Our administrators and Board of Directors have met and discussed our financial issues extensively. We have studied our budgets closely and determined the minimum funding that would enable us to keep our Family and Youth Programming intact for 2010.

I'm here today to respectfully request the Legislature help our families and youth get the information needed to be healthy and vibrant County residents and partially fund our Family Health and Wellness Program and our 4-H Youth and Development Programs. This funding which represents a portion of the core County funding which we originally received in 2008 would enable us to bring in more than \$1.2 million in funds for next year. Without those funds for those programs, the Health and Wellness Program and the 4-H Program, this \$1.2 million may be in jeopardy. Once again, we look forward to working with you to assist in solving the County's financial challenges and maintaining our services to businesses and residents of Suffolk County. Any questions, I'd be glad to answer them.

CHAIRMAN GREGORY:

All right. Thank you. There's a question from Legislator D'Amaro.

LEG. D'AMARO:

Mr. Moyer, welcome and thank you for your testimony this morning. I wanted to ask you, the 4-H Youth Program and the Family Health and Wellness Program were both defunded in the 2009 Budget. Did those programs continue despite the lack of funding from the County?

MR. MOYER:

Those programs did continue. We laid off approximately 15 individuals and cutback several staff in hours. What we did was we moved some of our State dollars and tried to supplement with some of the grant dollars. However, because if we don't get any funding, core funding, from the County, a lot of those grants and other fundings, matching dollars could be in jeopardy.

LEG. D'AMARO:

All right. And the Budget Review Office -- Gail, you're recommending defunding the water quality projects in -- I didn't read that section of your report yet, but you're recommending -- how much is that?

MS. VIZZINI:

It's approximately 1.2 million. And if I might clarify what we're talking about Commissioner Gallagher and I had a recent conversation in regards to this and I think that's what contributed to expediting her report to you. The 477 Funds, as you well know, can be appropriated during the course of the year. And this issue has come up in the past. Although the Commissioner has made her recommendations and provided information to the Water Quality Review Board, that information regarding the continued funding of these programs, who happen to be Cornell administered, was not provided to the Legislature.

The Water Quality Review Board is advisory to you. What has happened in the past is the funding, even though the contracts come to an end, which all of them do in '09, the funding is automatically rolled over, you adopt the budget, the funding is there, the programs continue. This is once again our effort to make sure that the information comes to you before you adopt the budget with the funding. It's your option. So it's an effort on our part again to develop a mechanism whereby an explanation of these programs, their accomplishments, what they expect to be doing in 2010 comes

to the Legislature.

LEG. D'AMARO:

Thank you.

CHAIRMAN GREGORY:

So basically, you're not getting the information you need in a timely fashion.

MS. VIZZINI:

You are not getting the information that you need.

CHAIRMAN GREGORY:

Correct. Okay. All right. Thank you.

MR. MOYER:

Can I just make one comment about that?

CHAIRMAN GREGORY:

Sure.

MR. MOYER:

We have provided every report we've been asked to and all financial reports and an analysis of all those water quality projects that range from obviously marine to agriculture. And so the Department of Environment and Energy has all that information. And we do our best to report immediately as they soon as they request it. And like I said, over the last six months, we've provided them with several achievement reports and also a financial analysis of all those programs.

LEG. D'AMARO:

Mr. Moyer, what is your total funding from Suffolk County for all programs?

MR. MOYER:

The total -- the total general appropriation is for this coming year, which has been proposed by Executive Levy, is 2.6, and then there's an additional about \$2 million in funding, which includes water quality projects, diabetes, other programs that are -- that we have to, in many cases, put in an RFP for or provide reporting for in addition. So it's about a total of I think about \$4.6 million.

LEG. D'AMARO:

Thank you.

MS. VIZZINI:

On page 160 of our report, we detailed the 4.9 million recommended for Cornell by a program.

CHAIRMAN GREGORY:

Christine Malafi.

MS. MALAFI:

High. Thank you for giving me this opportunity. There was -- other than the Legal Aid discussion that we just had, which I just would like to reiterate, the Budget Review Office has recommended lowering my legal -- I'm sorry -- my 18B Panel down to a little over 3 million to match the State funds. It's not enough money to pay. I need the four million fifty-six thousand dollars in order to pay the Legal Aid bills for next year which is the same amount I asked for this year which we're going to hit. So I need the full four million fifty-six thousand dollars for that.

The only other thing that I would like to talk to you about is the County Executive accidentally deleted a position in my office for a research technician that is filled right now. So if you don't put it back in, he will lose his job. I know that Ms. Corso has spoken to Ms. Vizzini and indicated that it

was just an error, so I would like for the research technician to be placed back into my budget. And then I'm here if you have any questions.

CHAIRMAN GREGORY:

Okay. Do we have -- Gail?

MS. VIZZINI:

That's accurate. My understanding is we can just reverse the abolishing of the positions. There's a couple of things that the Deputy County Executive have discussed in terms of corrections to the budget. This is one of them. It could be restored depending on your pleasure with no funding.

CHAIRMAN GREGORY:

All right. Anybody else? Okay. Thank you. That's it. That's all the cards that we have. Is there anyone in the audience that would like- - that hasn't filled out a card that would like to have an opportunity to speak? No? Everyone is ready for lunch. Okay. We are adjourned. Thank you.

(*THE MEETING WAS ADJOURNED AT 12:39 P.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY