

**SUFFOLK COUNTY LEGISLATURE  
SPECIAL MEETING  
FOURTEENTH DAY  
SEPTEMBER 19, 2002**

THE MEETING WAS HELD AT THE WILLIAM H. ROGERS LEGISLATURE BUILDING  
IN THE ROSE Y. CARACAPPA LEGISLATIVE AUDITORIUM  
VETERANS MEMORIAL HIGHWAY, SMITHTOWN, NEW YORK

MINUTES TAKEN BY  
ALISON MAHONEY, COURT STENOGRAPHER

1

---

[THE MEETING WAS CALLED TO ORDER AT 3:06 P.M.]

P.O. TONNA:  
Roll call, please.

(\*Roll Called by Mr. Barton\*)

LEG. CARACCIOLO:  
Here.

LEG. GULDI:  
Here.

LEG. TOWLE:  
(Not Present).

LEG. CARACAPPA:  
Here.

LEG. FISHER:  
(Not Present).

LEG. HALEY:  
(Not Present).

LEG. FOLEY:  
Present.

LEG. LINDSAY:  
Here.

LEG. FIELDS:  
Here.

LEG. ALDEN:  
Here.

LEG. CARPENTER:  
Here.

LEG. CRECCA:  
(Not Present).

LEG. NOWICK:  
Here.

LEG. BISHOP:  
Here.

LEG. BINDER:  
(Not Present).

LEG. COOPER:  
Here.

2

---

LEG. POSTAL:  
Here.

P.O. TONNA:  
Here.

MR. BARTON:  
Mr. Binder is here, Haley, Fisher. 16 present  
(Not Present: Legislators Towle & Crecca).

P.O. TONNA:  
Okay. We're going to have a Salute to the Flag led by Legislator  
Guldi.

#### Salutation

Thank you very much. Henry, would you please read the meeting notice.

MR. BARTON:  
Dated September 16th, 2002, to all County Legislators from Robert J. Gaffney, Suffolk County Executive; "Pleased be advised that a Special Meeting of the Suffolk County Legislature will be held on Thursday, September 19, 2002, at three in the afternoon at the William H. Rogers Building, Hauppauge, New York, pursuant to Section 2-6B of the Suffolk County Administrative Code for the following purpose; a public portion to be followed by a budget address and an overview of the 2003 Recommended Operating Budget." Signed by the County Executive and distributed to all Legislators.

P.O. TONNA:  
Thank you, Henry. Okay, we're going to go to the public portion.  
Phil Goldstein.

LEG. CRECCA:  
Henry, I'm present.

P.O. TONNA:  
Phil, if you want, by the way, I'll give you a few bucks so we can get  
a barber for you on the way out. Okay, three minutes, Phil.

MR. GOLDSTEIN:  
Thank you, Ladies and Gentlemen. I'm here to speak with regard to the  
budget. According to Newsday, the County Executive contemplates a  
property tax increase in order to makeup for the deficit which we will  
be facing. I would like to urge consideration of my pet project

### Patriotic Energy Tax.

We are at war, a war against terrorism which is going to be a prolonged battle. War requires sacrifice. We have not been asked to make any sacrifice in defense of our nation. Our nation is addicted to petroleum, petroleum which is imported from the Middle East which is a source of the terrorism that has affected us. It would seem to me that we have an obligation to assist our nation in dealing with this problem by making a sacrifice and at the same time diminishing our addiction to petroleum. And therefore I would urge you that rather than impose a regressive property tax, that we call upon the citizens

3

---

and set an example to the rest of the nation that we reduce the amount of petroleum that we are importing, and that in order to bring about that reduction, that we impose a tax upon ourselves which will induce us to reduce our consumption of gasoline. And that this will be a step in the right direction in terms of our national security and it will also help to deal with the financial problem which exists here in Suffolk County and which in part is a problem that was created by our political leaders who have lacked the leadership that I feel the citizens of Suffolk County deserve.

By relieving yourself of the obligation to deal with contractual situations, the newspaper also reported that Nassau is in that similar such situation, allowing an unelected official an arbitrator to determine the salaries of our Police Department and impose that burden upon us I think fails in the obligation that you have; it is taxation without representation. And so I'm asking you now to reverse that taxation without representation by representing us in a truer manner and leading us in a patriotic endeavor to deal with two problems at once. Thank you.

P.O. TONNA:

Oooh, you're timing it to three minutes. Very good, Phil.

LEG. HALEY:

You're practicing.

D.P.O. POSTAL:

That's a teacher.

P.O. TONNA:

There we go, okay. Are there any other cards for the public portion? Does anybody wish to speak at the public portion?

LEG. CARACAPPA:

Motion to close.

P.O. TONNA:

We have -- I think we still have to wait 15 minutes?

LEG. GULDI:

Motion to waive the rules and waive the 15 minutes and close the public portion.

LEG. CARACAPPA:

Second.

P.O. TONNA:

Okay, he wants to make a motion to waive the rules.

LEG. GULDI:

Waive the rules, waive the 15 minutes and close the public portion.

P.O. TONNA:

Okay, seconded by Legislator Caracappa. All in favor? Opposed?

4

---

MR. BARTON:

Seventeen, one not present (Not Present: Legislator Towle).

P.O. TONNA:

Legislator Bishop, any thoughts?

LEG. BISHOP:

I usually oppose these.

P.O. TONNA:

Yeah, I know. There you go. Okay, there being none, I don't know where our County --

MR. SABATINO:

Now you need a vote to terminate it.

P.O. TONNA:

Okay, now we need 14 votes to terminate it. So I make a motion to terminate, seconded by Legislator Bishop because philosophically he's for this termination of the public portion. All in favor? Opposed?

MR. BARTON:

Seventeen, one not present (Not Present: Legislator Towle).

P.O. TONNA:

Okay. All right, now I would like to end the public portion and introduce our County Executive. County Executive Bob Gaffney.

COUNTY EXECUTIVE GAFFNEY:

Presiding Officer Tonna, Deputy Presiding Office Postal, Members of the Legislature, good afternoon. Tomorrow I will be filing my recommended 2003 Operating Budget marking the start of the budget process. I have taken the unusual step of asking for this special meeting today because the budget process this year will probably be the most difficult that we have seen in a decade. The challenges that we face are of such magnitude that painful choices and difficult decisions will have to be made. And it will be especially frustrating because they're not the challenges of our own making but our problems over which we have virtually no control. Mandated Medicaid expenses and skyrocketing costs triggered by investment losses at the state Pension System will drive up spending in 2003 by an amount greater than this year's entire General Fund Property Tax Warrant.

And we're not alone. All counties throughout the State are being impacted by the same onerous burdens. The result is an historic budget crisis. Across the State counties are making tough choices; double digit property tax increases, layoffs and reductions in payments to

contract agencies are under consideration in most counties. Some are even proposing to close parks during the week and open them only on the weekend. And it's a combination of factors coming together at the same time that's raised the crisis to this level. It's almost like the budgetary equivalent of the perfect storm where everything seems to come together at the most inopportune time in the worst possible way.

Even before last September 11th it had become clear that the slowing national economy and the growth in mandated costs were creating a very

5

---

difficult situation for our government, a very, very difficult climate. Slower growth in sales tax revenues goes as being compounded by our success in reducing the General Fund Property taxes over the past decade. The challenge to Suffolk County's financial health was already a serious one and together we were working hard to stay ahead of the curve, being proactive rather than allowing conditions to worsen before reacting. But none of us could have foreseen the events of last September 11th; the tragic loss of life, the tremendous response of our emergency services and the coming together of our region, state and nation in solidarity against terrorism. From the standpoint of our County's fiscal condition, no one could have anticipated the shock waves that the terrorist attacks would send to our economy. Well, those shock waves are being felt here with full force as we begin to develop the 2003 Operating Budget.

As long ago as July, it was clear that this budget process would be an especially painful one. Both the Budget Director and the Budget Review Office were projecting a huge budget gap next year. At the time the Budget Director believed that the General Fund budget gap would be \$73 million. The driving forces he identified were State mandated Medicaid costs and other mandated social services costs and a reduction in sales tax growth resulting from a slowing economy. Seventy-three million dollars, that's more than the County collects in General Fund property taxes, some idea of the level of that. And plugging that kind of a gap through property taxes alone would mean a 140% increase in General Fund Property Taxes. And since July we've gotten new information and none of it is good.

We had figured that Medicaid was the biggest challenge that we faced, and I will talk more about just how big challenge is in a few moments. But the most recent information we have gotten is more bad news, this time about the State Pension Fund and the County's contribution to the State Retirement System. This is one cost that's tied directly to the economy and the volatile situation on Wall Street after September 11th. The Pension Fund is heavily invested in stocks, as we know. And during the late 1990's when the market was strong, the County required contri -- the County's required contributions dropped year after year. All that changed after September 1th. Our 2002 contribution increased by almost \$3 million and that was bad enough. Everyone had hoped that Wall Street would turn around by the middle of this year and that the State Pension Fund's condition would stabilize. But as a result of the Enron and WorldCom situations, and other factors as well, that just didn't happen. The Standard and Poor Index is now down about 21% this year, and on August 30th we heard from the Pension Fund about next year's contribution. Now remember, we all thought that the \$3 million increase that we absorbed in 2002 was a problem, but as this chart shows, that amount is less than 10% of the hit we'll take next year.

When I first heard that next year's increase would be \$36 million, I was sure that that was a mistake. How could the number be that high? But it's not a mistake. A 217% increase in the County's Pension Fund contribution. Our Pension Fund contribution alone will nearly equal what the County collected in General Fund Property Taxes this year. Think about that.

6

---

(\*Legislator Towle entered the meeting at 3:20 P.M.\*)

It's a massive gap and a huge problem. It's the single largest increase in spending being forced on Suffolk County next year, but it's not the only one. Social Services costs, other than Medicaid, will increase by \$13 million. The cost of educating handicapped children will increase by \$9 million. Health insurance costs are projected to rise by more than \$20 million. These cost increases are huge and they add up to a big, big problem for Suffolk County, but none of them is as frustrating as the increase in Medicaid costs being mandated by the State of New York.

Now, to fully understand the big picture we have to review the history of the program. Medicaid was created in 1966 by the Federal government to provide health care for the poor. The program was created by a State and Federal partnership. Across the country, only 20 states require local governments to contribute anything at all to Medicaid. In fact, New York is only one of two states, the other being New Hampshire, that forces counties to pick up a full 50% of the non-Federally funded cost of the program. Now, New York has one of the most generous programs in the nation and the State has expanded the program at least nine times just since 1999. Only two states have opted into every available part of the Medicaid program, New York is one of them, the other is Michigan; not even California has opted into every single option. Each time the program expands, County taxpayers are forced to pay more of the costs of this State program.

It's a problem that's been building for years, we have talked about this for years, but it's finally reached the breaking point. Counties across the State are now considering huge tax increases and cutting back on core service to fund Medicaid payments to the State instead. For Suffolk County the numbers are staggering. As we can see by this chart, the cost to our taxpayers increased by \$30 million this year alone, and they're projected to increase by another 20 million in 2003. Our Medicaid expenses next year will hit \$228 million. Every week on average we'll send more than \$4 million to Albany, more than \$600,000 every day of the year. Now, let's put that in perspective. Suffolk County's Medicaid contribution for 2003 will be more than four times the amount that the County will collect in General Fund Property Taxes this year. And if we didn't have to pay Medicaid at all, then next year we could eliminate County General Fund Property Taxes all together. And at the same time, we could cut sales tax by three-quarters of a percent. Now, that's how severely Medicaid is impacting Suffolk County taxpayers.

Now, a major focus of our State Legislative agenda has been trying to convince our State Legislators to cap the local contribution for Medicaid. And last week I joined a Bipartisan Coalition of County Executives from the Downstate Region in pleading for action on this

issue. Almost simultaneously, all of the other County Executives met in Syracuse in an emergency session to deal with the same kinds of problems. Pressure is building across the State. Hopefully we'll eventually see some relief, but right now we have a huge problem on our hands and we need to deal with it.

7

---

Here in Suffolk we have avoided the most serious financial problems by being experienced by -- that are being experienced by other counties in the region. We have done so by acknowledging the problems, facing them squarely and working to find solutions. And much credit and my sincere thanks must go to Presiding Officer Paul Tonna and the members of this Legislature for making some very tough decisions over the past several years, you all deserve a tremendous amount of credit. Together we have been the difference that doesn't exist in many other counties. But it seems clear that this will not be an easy time; this will be our most difficult budget process yet.

All told, the Budget Office has projected a combination of increased costs and revenue losses across all Property Tax Funds totaling \$111 million. To close a budget gap, any budget gap, you can do two things; boost revenues or cut expenditures. When you have a gap this size, however, you have to do both, and the recommended budget would do exactly that. One thing that we can do to generate savings is to take advantage of early retirement incentives implemented this year to downsize the work force. By abolishing 373 positions vacated due to retirement and replacing them with just 80 lower level positions, we can save nearly \$18 million. Now, this amount -- this will amount to a downsizing of the work force and there will be an impact on services, we can't make any mistake about that. But I think you'll agree that we have to do these things, we really don't have a choice.

I have informed the department heads to identify ways to consolidate the functions and streamline operations within their departments. The bottom line is that they're going to have to be even more efficient than they have been and to do more with less. Secondly, just like other counties throughout the State, I will ask County funded contract agencies to share the burden by reducing funding for most agencies by 10%. But as I said earlier, tough decisions must be made. The county itself is going to absorb a significant reduction in funding for operation, and it's only fair that the contract agencies tighten their belts as well. This is not something that I do lightly because I know that it will impact people's, lives but it's something that needs to be done.

Finally, the budget proposes that we scale back our tobacco control effort somewhat until conditions improve, but we'll still have one of the most aggressive tobacco control programs in the nation and the most comprehensive in the region. To boost revenues, the recommended budget will propose two key actions. First it will include a General Fund Property Tax increase of 1.68% and an increase in the Police District of 5.93%. While I would prefer not to propose any increase in these areas at all, the reality is that we don't have a choice.

The next chart deals with property taxes. And I should point out that as this chart indicates, if the recommended budget were approved as submitted, General Fund Property Taxes in Suffolk County would be 66% lower for 2003 than they were ten years earlier. Finally, to plug the massive gap that would remain, the Recommended Budget would include

the elimination of the exemption from County Sales Tax for clothing and footwear purchases under \$110. Now, you may recall that when this exemption was proposed it was estimated that the revenue loss would be about \$30 million a year. At the time some questioned whether the

8

---

County could afford that exemption; others pointed out that it could always be repealed if it turned out that it would be necessary in order to protect against massive property tax increases. Well, as it turns out, the revenue loss associated with the exemption is more than twice what was originally estimated, and the impact to the County's financial health is twice as significant.

By returning this revenue source, we can plug a significant portion of our budget gap with a reoccurring revenue stream and help stabilize the County's financial condition. Now, the alternative would be a massive property tax increase which I, and I think everybody else, would reject as unacceptable.

This final chart shows the challenges that we face and the solutions proposed in the recommended operating budget side by side. As I said earlier, this will be the most difficult budget process in recent history. Painful choices and tough decisions will have to be made. These are not times for the faint of heart or for people with weak stomachs. There are literally hundreds of worthy causes looking for financial support and it's not easy saying no. We have a serious problem, though. But we faced down financial problems before. Ten years ago, if you remember, we confronted an inherited budget deficit of more than \$100 million and working together the Executive and the Legislative Branches made the tough decisions necessary to solve the problems; it wasn't easy but we got it done.

In the coming weeks we must once again rise to the challenge of addressing a problem we did not create and work to find a way to protect the financial health of our County; not to do so would only lead to more serious problems like the ones happening all around us.

My recommended budget seeks to address a huge problem in a responsible way. It's not the only way to address the problem, but given the alternatives available I think it's the most sensible and responsible way and I urge your support. I also want to thank you for your past cooperation and look forward to working together with the Legislature to meet the significant challenges that we face. These are issue that we've proven our ability to work together on in the past. Never have we faced, since I've been here and since most of us have been here, a financial situation quite like the one we have. It's going to be a difficult budget process, but it's one I'm confident we can get through successfully with everybody's cooperation. Thank you.

APPLAUSE

P.O. TONNA:  
Okay. Meeting adjourned.

LEG. ALDEN:  
I thought we were going to approve the budget.

P.O. TONNA:  
Oh, motion to approve the budget. Meeting adjourned.

**[THE MEETING WAS ADJOURNED AT 3:31 P.M.]**

**9**