



## MEMORANDUM

TO: All Clients  
FROM: Ostroff, Hiffa & Associates  
DATE: January 6, 2010  
RE: 2010 State of the State

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This afternoon Governor Paterson delivered his second State of the State address. The speech was centered on fiscal reform, economic development and ethics reform. Noticeably absent from the speech were predictions for the upcoming year, however, the importance of rebuilding New York's economy and the need for Government to be fiscally responsible were emphasized. Recognizing fiscal improvements will require a multiyear effort, Governor Paterson has asked Lieutenant Governor to develop a Four Year Fiscal Recovery Plan.

The following points were made in today's speech:

### **Proposed Fiscal Reforms:**

- The creation of *EmpireStat*, a new system to track agency progress specifically those dealing with Economic Development, Job Creation, Health, Public Safety and Road Safety.
- The Office of Taxpayer Accountability will continue to help reduce government expenditures through monitoring of agency and State Official expenditures.
- The consolidation of state agencies, call centers, help lines, email systems, technology, telecommunications, HR functions and purchasing.
- Replacing outside contractors with state employees.
- Utilizing prepaid debit cards rather than paper checks.
- Initiating "power down" to reduce energy consumption in State Operations.
- Instituting a spending cap proposal to limit State Operating Funds to the average rate of inflation from the three previous years. If a surplus is realized the State will provide incentives that limit property tax increases and benefit home owners.

### **Economic Development & Job Creation:**

- Replacing the Empire Zone Program with the new Excelsior Jobs Program. This new program will include a Research and Development Tax Credit, an Investment Tax Credit and a New Jobs Incentive primarily for high technology, clean energy, biotechnology, finance, and manufacturing industries.

- Providing \$25 million dollars for the New Technology Seed Fund to incentivize collaboration between NY businesses and NY's colleges and universities.
- Reviving the New York Insurance Exchange to provide a better infrastructure and increase transparency within the commercial insurance industry.
- Creating a Manufacturing Legacy Program to revitalize and retrofit former industrial facilities.
- Renewing focus on Clean Energy Manufacturing through agency programs.
- Implementing the NYS Energy Plan.
- Developing the Sustainable Neighborhoods Project by creating long term affordable housing for first time homeowners. The program will begin in Buffalo.
- Working with private sector industries to encourage relocation to Upstate NY as the "Back Office of Corporate America"
- Funding \$25 million for the Small Business Revolving Loan Fund.
- Creating the "Families First Initiative" connecting those in need with current government services.

### **Reform Albany Act**

- In addition to financial reforms, the Governor suggested:
  - Ethics reform by limiting terms of statewide(two 4-year terms) and legislative(six 2-year terms) elected officials;
  - Creating an independent ethics enforcement agency;
  - Requiring disclosure of business relationships between lobbyists and elected officials;
  - Requiring enhanced disclosure by lobbyists of grant solicitations and meetings with state agencies;
  - Requiring full disclosure of outside business relationships and income from members of state government; and
  - Increasing all financial penalties for failure to comply.
- Changing the structure that manages the Public Pension Fund from a sole trustee to a five member board.
- Instituting Campaign Finance Reforms including:
  - The reduction of individual contribution limits to \$1000;
  - Limiting lobbyist contributions to \$250;
  - Prohibiting contributions from corporations, LLCs or LLPs; and
  - Phasing in a public finance system beginning in 2012.

Attached to this summary of today's speech is the full text of the 2010 State of the State, a compilation of responses, press releases and a Times Union blog posting with additional observations. We expect additional information with the submission of the State Fiscal Year 2010-2011 Budget on or about the 19<sup>th</sup> of January. If you have any questions or would like more information on any particular issue please contact us.

Thank you.