NEW YORK STATE SENATE

THE STENOGRAPHIC RECORD

ALBANY, NEW YORK

March 29, 2001

10:03 a.m.

REGULAR SESSION

SENATOR RAYMOND A. MEIER, Acting President

STEVEN M. BOGGESS, Secretary

P R O C E E D I N G S

ACTING PRESIDENT MEIER: The Senate will come to order.

I ask everyone present to please rise and join me in repeating the Pledge of Allegiance.

(Whereupon, the assemblage recited the Pledge of Allegiance to the Flag.)

ACTING PRESIDENT MEIER: In the absence of clergy, may we bow our heads in a moment of silence.

(Whereupon, the assemblage respected a moment of silence.)

ACTING PRESIDENT MEIER: Reading of the Journal.

THE SECRETARY: In Senate, Wednesday, March 28th, the Senate met pursuant to adjournment. The Journal of Tuesday, March 27th, was read and approved. On motion, Senate adjourned.

ACTING PRESIDENT MEIER: Without objection, the Journal stands approved as read.

Presentation of petitions.

Messages from the Assembly.

Messages from the Governor.

Reports of standing committees.

Reports of select committees.

Communications and reports from state officers.

Motions and resolutions.

Senator Bruno.

SENATOR BRUNO: Mr. President, it is, five minutes after 10:00. Is that correct, Mr. President.

ACTING PRESIDENT MEIER: Yes, it is, by the clock in the corner, Senator.

SENATOR BRUNO: Thank you. I need verification of whatever takes place here in the chamber. I look around, and I see a lot of empty chairs in this chamber. And the members are elected to represent their constituency by being in their chairs when we're in session.

And we have a lot of interesting bills. We have a budget to put in place. We have a lot of interesting questions to be asked and interesting answers to those interesting questions.

So I am asking any of the members

that are in their offices to get to this chamber. We have a rather lengthy agenda. We're going to be here until we finish that agenda, whatever hour that may relate to.

So for those that are trying to catch planes and trains and cars, I would not make any specific plans unless you have a private charter service to take you wherever you want to go that are standing by.

So, Mr., President having said that, I believe that there is a privileged resolution by Senator Stafford -- oh, it's by Senator Goodman. And Senator Goodman would like to have the title read, and we would like to move for its immediate passage. And for those members that aren't going to have the privilege and the pleasure of voting for it, it will be their loss, Mr. President, and they will be so recorded.

ACTING PRESIDENT MEIER: The Secretary will read the title.

THE SECRETARY: By Senator Goodman, Legislative Resolution Number 1088, honoring Judge Franklin R. Weissberg upon the occasion of his retirement from the New York

State Court of claims.

ACTING PRESIDENT MEIER: The question is on the resolution. All those in favor signify by saying aye.

(Response of "Aye.")

ACTING PRESIDENT MEIER: Opposed, nay.

(No response.)

ACTING PRESIDENT MEIER: The resolution is adopted.

Senator Bruno.

SENATOR BRUNO: Mr. President, I believe there's a privileged resolution by Senator Nozzolio. I would ask that the title be read and move for its immediate adoption.

ACTING PRESIDENT MEIER: The Secretary will read the title.

THE SECRETARY: By Senator Nozzolio, Legislative Resolution Number 1087, commending Frances T. Barbieri upon the occasion of her designation by the Seneca Falls Women's Coalition as its Woman of the Year on March 31, 2001.

ACTING PRESIDENT MEIER: The question is on the resolution. All those in

favor signify by saying aye.

(Response of "Aye.")

ACTING PRESIDENT MEIER: Opposed, nay.

(No response.)

ACTING PRESIDENT MEIER: The resolution is adopted.

Senator Bruno.

SENATOR BRUNO: Mr. President, I think there are three privileged resolutions at the desk by Senator Morahan. I would ask that their titles be read and move for their immediate adoption.

ACTING PRESIDENT MEIER: The Secretary will read the titles.

THE SECRETARY: By Senator Morahan, Legislative Resolution Number 1098, commemorating the 50th Anniversary of Orange County Community College, to be celebrated March 31, 2001.

By Senator Morahan, Legislative Resolution Number 1099, commending Dr. Marvin Shapiro upon the occasion of his designation for special recognition by the American Red Cross in Greater New York on April 1, 2001.

By Senator Morahan, Legislative Resolution Number 1100 commending Neil Berg upon the occasion of his designation for special recognition by the American Red Cross in Greater New York on April 1, 2001.

ACTING PRESIDENT MEIER: The question is on the resolutions. All those in favor signify by saying aye.

(Response of "Aye.")

ACTING PRESIDENT MEIER: Opposed, nay.

(No response.)

ACTING PRESIDENT MEIER: The resolutions are adopted.

Senator Bruno.

SENATOR BRUNO: Mr. President, can we at this time take up the noncontroversial calendar.

ACTING PRESIDENT MEIER: The Secretary will read the noncontroversial calendar.

THE SECRETARY: Calendar Number 105, by Senator Balboni, Senate Print 862, an act to amend the Civil Practice Law and Rules.

SENATOR CONNOR: Lay it aside,

please.

ACTING PRESIDENT MEIER: Lay it aside.

THE SECRETARY: Calendar Number 250, by Member of the Assembly Lentol, Assembly Print Number 5305, an act to amend the Judiciary Law and the Penal Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 252, by Senator Skelos, Senate Print 399, an act to amend the Family Court Act and the Criminal Procedure Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 258, by Senator Farley, Senate Print 2838, an act to amend the Banking Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 268, by Senator McGee, Senate Print 3089, an

act to amend the General City Law and others.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 274, by Senator Libous, Senate Print 2900, an act to amend the Tax Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 283, by Senator Morahan, Senate Print 514A, an act to amend the Highway Law.

SENATOR CONNOR: Lay it aside, please.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 286, by Senator Kuhl, Senate Print 3071, an act to amend the Vehicle and Traffic Law.

SENATOR CONNOR: Lay it aside, please.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number

298, by Senator Bonacic, Senate Print 2275, an act to amend the County Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 300, by Senator Kuhl, Senate Print 2491, an act to amend the General Municipal Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 301, by Senator LaValle, Senate Print 2589, an act to amend Chapter 554.

SENATOR CONNOR: Lay it aside, please.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 302, by Senator Padavan, Senate Print 2774, an act to amend the General Municipal Law.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number

314, by Senator Seward, Senate Print 3653, an act to amend the Insurance Law.

SENATOR CONNOR: Lay it aside, please.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 328, Assembly Budget Bill, Assembly Print Number 1301A, an act making appropriations.

SENATOR CONNOR: Lay it aside.

ACTING PRESIDENT MEIER: Lay the bill aside.

THE SECRETARY: Calendar Number 331, by the Assembly Committee on Rules, Assembly Print Number 8316, an act to amend the Military Law.

SENATOR CONNOR: Lay it aside, please.

ACTING PRESIDENT MEIER: Lay the bill aside.

Senator Bruno, that completes the reading of the noncontroversial calendar.

SENATOR BRUNO: Mr. President, can we now take up the controversial calendar, starting with Calendar Number 331.

ACTING PRESIDENT MEIER: The Secretary will read Calendar 331.

THE SECRETARY: Calendar Number 331, by the Assembly Committee on Rules, Assembly Print Number 8316, an act to amend the Military Law, in relation to military funds.

SENATOR CONNOR: Explanation.

SENATOR BRUNO: Is there a message of necessity at the desk?

ACTING PRESIDENT MEIER: Yes, there is, Senator.

SENATOR BRUNO: Move we accept the message.

ACTING PRESIDENT MEIER: All those in favor of accepting the message of necessity signify by saying aye.

(Response of "Aye.")

ACTING PRESIDENT MEIER: Opposed, nay.

(No response.)

ACTING PRESIDENT MEIER: The message is accepted. The bill is before the house.

SENATOR CONNOR: Explanation.

ACTING PRESIDENT MEIER: Senator Padavan, why do you rise?

SENATOR PADAVAN: I wish to speak on the bill, if I may. However, I defer to the distinguished chairman of the Finance Committee.

SENATOR STAFFORD: Same time, if you'd like to speak -

SENATOR PADAVAN: No, no, I defer to you, Senator.

SENATOR STAFFORD: What I'll do, just before I yield, is very quickly, very quickly -- because we're certainly not going to let things drone on. And I know, Mr. President, you're going to enjoy this today because we're going to be brief, all of us.

What this bill does, it extends various provisions of law that would otherwise expire or become inoperative on March 31, 2001, to ensure the continuation of various programs and fiscal management provisions for the 2001-2002 fiscal year, and enacts provisions proposed for 2001 and 2002 that require authorization.

In other words, we're passing these

billings for the continuation of government.

It's a pleasure to yield to the Senator from -- Brooklyn? Queens.

ACTING PRESIDENT MEIER: Senator Padavan.

SENATOR PADAVAN: He just moved me. But that's all right. I was born in Brooklyn, so I don't mind that at all.

Thank you. Thank you for your courtesy, the Senator from Plattsburgh or thereabouts.

Mr. President, I will try and be as brief as the distinguished chairman of the Finance Committee, but there are a few things I would like to say relevant to this bill.

First, all the aspects of this bill obviously make sense, except one. Certainly a continuation of the Loft Laws, which I always supported, makes a great deal of sense. It's unfortunate that their continuation will only be for three months, when we'll have to revisit their concerns, which are very valid.

But the expansion of Quick Draw, provided courtesy of GTech for the State of New York, is something which I do feel is a

major mistake. The people of this state are not clamoring for us to continue Quick Draw. Quite to the contrary. Every major newspaper, from the New York Times in the City of New York to the Buffalo News, in editorials and stories, has come out in opposition to continuing Quick Draw, for very valid and cogent reasons.

Civic organizations and religious organizations throughout the state, from the Catholic Conference to the Saratoga Chamber of Commerce, have come out in opposition to continuing Quick Draw.

I'd like to talk just briefly about the economics of the issue. The average amount of revenue that Quick Draw has produced is $125 million annually.

Whatever the amount, I think we're all sophisticated, and our constituents are even becoming more sophisticated, in coming to the conclusion that that does not translate into more aid to education.

However, in the process, Quick Draw takes out of the economy a half a billion dollars. A half a billion dollars. Now, if

someone had a proposal before us labeling it economic development and said we have a way of putting a half a million dollars into the economy in goods and services and the jobs it produces and the local, state, and city and county tax revenues that it produces, we would say, Great, let's do it.

We're doing the reverse here. That half a million dollars is coming out of the economy. A lot of it is going to GTech. And they're not in New York, they're in Rhode Island. If you know anything about that outfit in terms of their history, you know how sleazy it is. Six percent goes to the vendor.

We've heard some talk about jobs being lost if we don't continue Quick Draw. There are 3200 outlets. If you divide the total handle of a half a billion, the average comes to about $9,600 per outlet. And I've visited many of them. Obviously, not all 3200. And wherever I have gone, without exception, there is not a new employee handling Quick Draw. It's the waitress in the bar and tavern, it's the bartender, it's the clerk.

And they're losing money by this, those individuals. Because when somebody puts $20 down to make a purchase, and part of that goes to that video crack terminal up on the wall, it doesn't help the person who handed them the card to fill out. There are no tips associated with that money. So they lose on the deal.

And virtually all of them that I spoke to said they're annoyed by it. Yes, for the owners of some of those establishments, it a revenue, it's a little gravy, it's a little icing on the cake. But it's certainly not economic development by any stretch of the imagination.

I think it's clear that the economics do not justify this by any measure. And economists have written on this issue at great length, and I won't bore you with who they are and where they are, but they are people in institutions, academic institutions across the country.

Now, there are three studies that address this issue, two of them generated by entities, agencies here in New York State.

The Office of Mental Health is the most recent. They commissioned an independent study done by a nationally renowned expert in this field, Dr. Volberg. The results of that study were quite compelling. Just a couple of the highlights.

Quick Draw is played disproportionally by minorities and those least able to afford it. 30 percent of the people wagering on Quick Draw are in income brackets under 25,000. And all you have to do -- it doesn't take a rocket scientist or economist or a Ph.D. to see where those outlets are. They are in low-to-low middle-income communities. They're not on Park Avenue, Fifth Avenue or any place like it. They prey upon people who can least afford to be enticed into gambling.

The study also shows that when that type of activity is combined with alcohol, which is the case in the bars, there is less tendency on the part of the individual to use good judgment. And so people are losing their paycheck, their welfare payment and the like, all for the sake of benefiting a few.

The other study was done by our New York State Council on Problem Gambling. Their conclusions, independent, were exactly the same. The low-income people with their propensity to be enticed into this game, the connection to alcohol, the abuse, the negative aspects of the entire issue.

Nationally, we're all familiar - I'm sure you are, because they were doing their work for a couple of years or more - the National Gambling Impact Study Commission, a bipartisan commission made up of individuals on both sides of the gambling issues of this nation. And they came out with a number of recommendations.

And the recommendation on the top of the list was that states should withdraw, whenever possible, convenience gambling, and certainly not add any more. And that's what Quick Draw is, convenience gambling. And they gave all the reasons in great detail, not just here in New York but elsewhere in this nation.

So we have three studies done independently, each one coming up with the same conclusions, but we're smarter than all

of them, because we're going to continue. We're going to continue today -- I'm very realistic, this bill will pass -- continue to move forward for several more months without taking this opportunity of saying let's stop.

Why was there a sunset? The logic was that let's evaluate the effect of Quick Draw on the people of New York State and see whether or not we should continue it. But we have had that evaluation, in great detail. And I could bore you all morning on it, but I won't. Yet we're ignoring it. We're just simply ignoring it.

So, Mr. President, although I support every other aspect of this bill, I do draw the line on Quick Draw. And when it comes time to vote, I will vote no.

ACTING PRESIDENT MEIER: Senator Connor, why do you rise?

SENATOR CONNOR: Mr. President, on the bill.

ACTING PRESIDENT MEIER: Senator Connor, on the bill.

SENATOR CONNOR: Later I'll address other aspects of this, but I do want

to address Quick Draw myself, because I share Senator Padavan's views about this particular game.

With respect to, for example, casino gambling, one can certainly argue the deleterious effects versus economic development. Generally, where there are casinos, people invest large amounts of money in hotels, they employ large numbers of people, both in the gaming floors and in the hotel and restaurant adjuncts to it. I know you can debate whether or not it hurts other restaurants that are already there. If you look at Atlantic City, it killed the restaurant business outside of the hotels that had gambling. But clearly, there's significant investment involved in that.

Quick Draw amazes me because, you know, GTech readily supplies the TV and that little ball just keeps bouncing every whatever it is, 90 seconds or so. And I made an observation over the past years, without - and I appreciate Senator Padavan's diligent collection of objective studies. But I don't need those. I live in Brooklyn. I live in

Brooklyn Heights. It's considered an upscale neighborhood, has several taverns and inns. And you cannot find anywhere within the confines of that neighborhood, although there be maybe eight or 10 different restaurant bars, saloons-type places, you cannot find the game of Quick Draw. When you're selling a pint of Guinness for $5.50 or a mixed drink for $7.50, you really don't want your bartender wasting his time taking Quick Draw action. You want the person that lays the $20 on the bar to spend it on food and beverage and the bartender or waiter or waitress wants an appropriate tip on that.

This game just doesn't make it in upscale neighborhoods. I once saw a map of Manhattan of where the locations were. And the places on the East Side and West Side that are regarded as upscale, upper middle class and wealthy neighborhoods, certainly they have plenty of restaurant bars, saloons, the types of outlets that have Quick Draw. You cannot find a game.

I don't think there's customer demand, number one. Because the clientele is

not into a dollar and a dream, they're not into a fantasy. That kind of fantasy that you can beat the odds obviously appeals to people, working class and poor people. We understand why it does. Because it does offer an illusory solution to a lot of economic problems that those people have. But I say illusory because we all know the odds on these games are against it. No real professional gambler or real gambler would ever play it, because the odds are so prohibitively against the player.

We've seen Quick Draw expire for a few months in a past budget impasse. I can't say that I disagree with the idea of keeping it going if the alternative is well, it will go down for three months but then come back. The real problem about Quick Draw is Quick Draw could never pass a straight-up vote in this house, by my count -- and I think I count pretty well, and I think Senator Padavan counts very well. It could never pass. If we had a straight up or down vote on Quick Draw, it would lose. It would lose in this Legislature.

Yet what we're confronted with in this bill, and the whole reason we have Quick Draw, because it was in a big budget bill, is the overpackaging. I understand compromise is what makes legislation happen. And I understand in compromise there's something you want and there's something I certainly very much want in here, an extension of the Loft Law, although I'd prefer a permanent one. You get something you want, you get that sugar cube, and then you have the poison pill in there, something you don't want, something that couldn't pass but for its packaging.

It almost -- the packaging, frankly, that we've fallen into defies, defies the constitutional -- and I know it's been deemed to be precatory -- language that says bills should deal with a single subject. Because they don't deal with a single subject, and yet we get this packaging.

And as I say, I'm sure in other legislatures there are bills that have the good with the bad. But we've frankly overdone it here. And we've frankly overdone it with procedures. We've overdone it with procedures

in both houses that make it impossible to amend the bill on the floor. You know, unlike other legislatures, unlike, frankly, more respected legislatures -- I'm called to mind what I'm reading every day this week in the newspaper about the United States Senate and the McCain-Feingold bill, how it is being shaped by the membership through amendments, amendments that fail, amendments that delete provisions, amendments that add provisions. That's how legislative bodies work in most places. The members have the final say, they have that final say on the floor by amendments. Any member -- majority, minority -- can offer an amendment. If a majority of the members accept it, it goes into the bill. If a majority reject it, it's finished if a majority want to excise the bill.

We're watching that legislative process, the one we teach our children in civics class, unfolding right now in Washington on that very subject, a contentious subject, obviously a politically charged subject, one of great public interest. And

the final bill is being molded on the floor by all the members voting on a series of amendments and motions.

We don't allow that here in Albany. And I say here in Albany because it's not just this house. But I suggest that if we had that kind of procedure, if amendments weren't just automatically slapped down by both majorities as somehow an affront to the majorities - which it's not. Amendments should reflect the wills of the members. I suggest that if that were the case, then we'd be debating right now the Padavan amendment to delete the Quick Draw provision in this bill. And perhaps when we finally have a complete budget bill, a similar amendment to delete Quick Draw. And if we were a real legislature, it would pass in this house and Quick Draw would fail here, because it doesn't enjoy support.

And, Mr. President, it really calls into question the nature of what we have done in New York, both houses, with what was our representative democracy. Because our representative, our Republican form of government said that the ultimate decisions

should be made by the people's representatives on the merits and the majority of members wins.

And we're not going to solve this problem today. As I say, I like the sugar cube in here. I suppose I have to swallow the pill, the poison pill of Quick Draw. But there is something wrong. We ought to all, my colleagues, in a nonpartisan, bipartisan way, examine what we have been about. And I'm not casting any blame. This isn't something anybody invented this year or last year or ten years ago or twenty years ago. But over the decades of the last century and now, unfortunately, into the first years of this one, we are accepting of what became a trend, became the facts of life. Amendments can't happen, they can't pass. Now you can barely make them. You can't get a straight-up vote on it from any member.

I remember in this house when members of the Majority advanced amendments, and one of them actually passed once because the majority of the members agreed with it. I haven't seen that -- I didn't understand what

a historic day that was. It was my second week here, and there was an amendment, there was a vote. I was against it, but it passed. Everybody is going [gasp]. I said, What's the matter? It passed. An amendment has never passed, not in 30 years.

I thought that was rather peculiar. I thought it was rather peculiar that that was the reaction. What do you mean, it hasn't passed in -- you know, I took civics, I read Robert's Rules, I watched the Congress from the galleries when I was in college and law school. People offered amendments. Sometimes they passed; sometimes they failed. And it was a big shock to me to learn in the New York State Legislature amendments didn't matter, they could never pass. Well, there was that exception. It passed.

I don't see what's wrong with it. I think that's the way you make laws. In public, with the lights on, in the chamber with the public watching. That's the way it's supposed to be. Look at Congress. Look at the U.S. Senate. For all the faults in Washington, they're making laws the way the

people think their democratic form of government ought to operate.

Thank you, Mr. President.

ACTING PRESIDENT KUHL: Senator Onorato, why do you rise?

SENATOR ONORATO: I'd like to know -

ACTING PRESIDENT KUHL: Senator Onorato, I've started a list up here.

SENATOR ONORATO: You have a list? Okay.

ACTING PRESIDENT KUHL: Yeah, I have a list. I'll put you on the list. So far Senator Larkin, Senator Dollinger, and Senator Brown are ahead of you, and Senator Duane is also being added to the list.

The chair recognizes Senator Larkin.

SENATOR LARKIN: Thank you, Mr. President. I rise in support of the legislation and specifically to address the issues of Quick Draw.

I've heard people say that Quick Draw really doesn't do anything except it promotes gambling, it hurts those that can

least afford it. There are over 3,000 outlets in the State of New York, as Senator Padavan pointed out. Most of them are upstate. And I hear people say that it has nothing to do with economics. Well, I have a sheet of paper here, many of them from across the state, attesting to what the Quick Draw shutdown last year cost.

In Saratoga, during that three-year [sic] period, one restaurant lost $30,000 and laid off three people. In Senator Skelos's district, one facility lost $9,000, just in sales of food. This is not gambling money they lost, but they lost it in sales of beverages and food. And a number of people were laid off.

When we talk about economics, we start to realize that these people shut down many of their businesses, their hours were reduced, and that related to less income for the State of New York. Last year there was $146 million taken in in Quick Draw. That part of it was part of our budget last year of how much was going into aid for education.

Now, when we say we want to cut

these programs out, we also have to start to look at where are we going to get the money. These are viable businesses. Are we saying to these businesses: Shut down your business, we don't need you? We understand that all of these businesses pay a business tax, their employees pay a tax. And the revenue that they receive and the revenue that goes to the state keeps a vital small business going.

And I cannot understand why we can keep knocking something. People are going to gamble in one shape or form no matter what happens today in this world. But here we are, we're saying to a business that we asked to invest. Some of them invested 25,000 and 30,000. Because at the last go-round we made changes and we said, so much of your business has to be devoted to food. If you don't meet that requirement, you're not going to have your license. Many of them invested that 25,000 or 30,000 or $40,000. And when we shut them down, they had no place to go for the revenue. They had to go to a bank and borrow the money to pay their mortgage for upgrading their facility to meet the demands of the

State of New York, and then the State of New York shut them down.

And here we are again only extending this for three months. We should extend it. We should extend it for a minimum of two to three years. And, yes, we have studies. And we'll always have studies to find out about what people do with gambling. But here we have an industry where we ask people to invest 25,000, 35,000, $40,000 of their own money in order to participate in a program that the State of New York approved of. And what happened? They lost, and they lost.

Most of these in this paper that I have said it took them two to three, four, five months to just get back even, not make profit. What we're doing here in extending this is saying, to those that we asked to be a partner with us in helping us raise revenue so we increase aid to education, We're going giving you a small tip. And that tip is for three months.

ACTING PRESIDENT KUHL: Senator Paterson, why do you rise?

SENATOR PATERSON: Mr. President, would Senator Larkin yield for a question?

ACTING PRESIDENT KUHL: Senator Larkin, do you yield to a question from Senator Paterson?

SENATOR LARKIN: I'll yield for a question.

ACTING PRESIDENT KUHL: The Senator yields to a question.

SENATOR PATERSON: Senator, on the issue, the economic issue that you just discussed, what I heard Senator Padavan say was that there were 3200 outlets, the vendor got 6 percent, he took the $500 million and divided it, and he said that each facility averaged receiving $9,600.

So what he was saying was that $9,600, much of it being replacement money - in other words, entertainment money that was spent on Quick Draw that probably would have been spent somewhere else in the facility, that there really wasn't enough to accommodate any new employees.

So on the upward side of the bell-shaped curve, I would think that there

might be a few facilities that might have lost money. But if we're going to make an argument that this is economically feasible, wouldn't we understand that it would have been the majority of these facilities, not the exceptions, that we're saying employed people and made money? What I heard from you were a couple of exceptions, a restaurant in the district that Senator Skelos represents and some facilities upstate that you cited. But I didn't hear anything that was clear and convincing relating to the majority of the facilities, that they were actually losing money and not employing people.

So my question to you is, do you have any systemwide information that refutes what Senator Padavan is saying?

SENATOR LARKIN: Mr. President, Mr. Paterson, I took about 70 locations spread out across the state, from Buffalo to Montauk Point, including New York City, and we asked the question of "What was the impact on your core business?" And the impact here: My lunch business, in one place here -- Fulton County -- was off 50 percent. I have lost an

average of 2,000 in lunch and dinner trade. My sales for the entire shutdown were decreased by 20,000. My shutdown cost of $15,000 to $25,000 lost in food and beverages. By business lunch was off 30 percent. My food and beverage for lunch and dinner was off 20 percent. Overall business was lower than 20 percent. Food and beverage decreased by 17 percent. Late-night business and hotel guests disappeared, a loss of 30 percent in sales at the bar. Sales decreased by 20, 25 percent. 30 percent decrease in food and beverages. 20 percent decrease in food and beverages. 25 percent decrease in food and beverages. Shutdown almost ruined my business, I have not fully recovered today.

I could continue.

This is all over. This is New York City, this is Suffolk County, Nassau County, the home of our leader, Saratoga County, Depew, which is Senator Dale Volker's. You name it, it's there.

The idea of it is that this is economic to them. This is their livelihood. Some of these places are two and three and

four people running it. When they close out, they close out of business, and there's no place else to go. I interviewed approximately 35 to 40 people in the last two months. And some of the people that are working there, some of the women, right in my own district, they said this is the difference in having icing on the cake for my family. One woman said: I send my two children to a Catholic elementary school, and the tips from what I make at a facility -- without naming it -- is great. It allows me to send that child at my pleasure to this parochial school.

Another one said: I have a retarded child, and this allows me to do things that I would never done. Because when they're there, I'm here from 10:00 in the morning till 3:00 in the afternoon.

Another one said: I put my children on the bus at 8 o'clock, I go there at 10:00, I'm home when my children come home. It allows me to buy the things that are essential because my husband doesn't have enough income coming in.

This is part of economics. This is

part of some of their livelihoods. And I have to go about that back to what I said before, Senator Paterson. We in this chamber and in the other chamber specifically put in provisions at the request of some people, as Senator Padavan is well aware, that they had to have so much of their space, so much of their revenue devoted to food. They did that. And then we turned off the lights. And when we turned off the lights, they had a mortgage of 25,000 or 30,000 and yet here you're seeing people saying I lost business and I lost revenue.

I think -- I believe -- I don't think, I know that this money that we are taking in is part of that enormous package that many people want to add to the increase in aid to education. And if you take this 146 million away, you take that away from an education outlet, you take it away from a businessman. And what do you do with some of these people who had that mortgage of the 25,000 or 30,000 spread over four or five or six, seven years, we're turning their light off, and yet we're telling them to pay the

freight.

ACTING PRESIDENT KUHL: Senator Paterson.

SENATOR PATERSON: Mr. President, on the bill.

ACTING PRESIDENT KUHL: Well, Senator Paterson, Senator Larkin had the floor. And there was a list going. Senator Dollinger was next, along with about seven other Senators behind that.

SENATOR PATERSON: Oh, I'm sorry, Mr. President.

ACTING PRESIDENT KUHL: So if they would all like to yield to you to speak on the bill, that is fine.

SENATOR PATERSON: No, I don't want to owe them all, Mr. President. I'll come back later.

ACTING PRESIDENT KUHL: Next on the list is Senator Dollinger.

Senator Duane, why do you rise?

SENATOR DUANE: Mr. President, I was hoping that Senator Larkin would yield for a question.

ACTING PRESIDENT KUHL: Senator

Larkin, do you yield to a question from Senator Duane?

SENATOR LARKIN: A question.

ACTING PRESIDENT KUHL: Senator Larkin yields to a question, Senator Duane.

SENATOR DUANE: I'm wondering if the Senator believes that perhaps the income of some of these taverns would be improved if we were legislating the opening of a brothel or a place to sell joints or crack or something, if that would increase the business of some of these taverns.

SENATOR LARKIN: Senator Duane, would you please speak a little louder? I can't hear you over here.

SENATOR DUANE: Mr. President, maybe we should quiet down the chamber.

ACTING PRESIDENT KUHL: Senator Duane.

SENATOR DUANE: I'm wondering if the Senator believes that if we were, instead of legislating Quick Draw, which some of us call video crack, if instead we were legislating the legalization of -- instead of that kind of gambling, if we were allowing

brothels or the selling of marijuana or crack in some of our taverns, if that would perhaps increase their business as well.

SENATOR LARKIN: Senator, I don't think that's part of the question. The question we're addressing is Quick Draw. We're not addressing others.

SENATOR DUANE: Well, we're talking about vices like gambling, aren't we, Senator?

SENATOR LARKIN: Senator, I'll ask the question on Quick Draw. The other part of your question doesn't pertain to what I'm responsible for.

ACTING PRESIDENT KUHL: Senator Onorato, did you have a question of Senator Larkin?

SENATOR ONORATO: If Senator Larkin would yield to a question, please.

Senator, you mentioned quite a number of statistics here about how many bars and grills and whatever were losing money because of -- to my knowledge, most of these businesses were already in existence. They did not open specifically for the purpose of

having a video Quick Draw machine installed into their premises.

The restaurateurs also claimed that when we passed the no-smoking ban in restaurants, that they were all going to lose money and go out of business. All of the restaurants that I frequent with the no-smoking ban have not gone out of business and have adapted to the rule.

So I don't believe that the fact that they don't have a Quick Draw machine in their establishment is going to close them down in any way shape or form.

But beside that point, what other little bit of extra money that some of them may be making, there's also the probability that Quick Draw is almost like a video game. And it's brought into not only bars and grills, but in really fine restaurants around. And I've seen children getting involved in this Quick Draw. And it's one of the quickest way for them to get involved in gambling. It's the slippery slope to becoming a gambler's anonymous or a gambling alcoholic or whatever you want to call them, addicted to

gambling.

And then the overall problem, we probably cause more debt for some of the services that we have to provide to these gamblers who don't bring their money home to their families. Is there any part of the Quick Draw money -- you say it's going for education. What part of is going to cure the gamblers that are addicted to this gambling scheme?

SENATOR LARKIN: I don't know if it's coming directly out of this pocket, Senator. But there are funds that go to a Gambling Anonymous -- I don't know if that's the correct term in here. But we have an agency here in the state that receives money in order to educate people against bad problems of gambling. And it's a whole society effort on it.

SENATOR ONORATO: One more follow-up question.

ACTING PRESIDENT KUHL: Senator Larkin, do you continue to yield to Senator Onorato?

The Senator continues to yield.

SENATOR ONORATO: Again, in view of the fact that Quick Draw is so very closely related to a video game, can you actually not believe that there is a very, very serious problem that children would be more susceptible to getting involved in this game?

Because I know we're supposed to have the machine in the clear visibility of the bartender or whoever it is to keep an eye on it. But we all know that that's virtually impossible to do, because when a bartender is mixing drinks and it's crowded, he doesn't have the time to go over and look, or could care less about it.

SENATOR LARKIN: Well, I don't know that that's -- that may be true in Queens, but in the facilities that I visited, it doesn't hold true. There are no children that I ever see near the Quick Draw machines.

And when you look at the rules and regulations that come out of the lottery division to the operators of the Quick Draw, they're specifically informed of what they can and can't do, and the fines. And they've terminated Quick Draw when they found out that

there was a violation.

So what I'm saying is that this is monitored, we have peopled in the lottery division that go out on a regular, routine basis, unannounced, unannounced. And some of the Quick Draw operators complain about it: They come in here at lunchtime, they come in here at suppertime, they come in when our busiest time is.

That's fine with me, because then they're observing that facility operating Quick Draw to ensure that they're complying with the rules and regulations of the Lottery Division.

ACTING PRESIDENT KUHL: Senator Dollinger, why do you rise?

SENATOR DOLLINGER: On the bill, Mr. President.

ACTING PRESIDENT KUHL: Senator Dollinger, on the bill.

SENATOR DOLLINGER: I know that we've sort of jumped this appropriations bill into a discussion of Quick Draw. My views on it are well-known. But I have to add one thing to what Senator Larkin said.

Senator Larkin I think made a very cogent and powerful presentation that people needed Quick Draw in their facility in order to be able to continue to survive. I would suggest to Senator Larkin that that is the exact problem that Senator Padavan and I have been talking about since the day we first heard the words "Quick Draw." That what we now have is we now have restaurant addicts. We now have bar addicts. They're addicted to Quick Draw. They have to have it in order to be able to make money, so Senator Larkin says.

That's the whole point. The whole point is we have now taken not just the people who play but the taverns that are selling it, and we've addicted them. What are we doing with gambling? We're taking not only the people who are paying the price by throwing their ten or twenty dollars over the counter that they shouldn't be paying -- and they're not going to win any money, because this game has odds that are enormously stacked against the bettors.

So we've created a dependency on the part of the bettors, and now we've created

a dependency on the part of the industry. How many more people are going to be infected with the virus of gambling in New York State because we think it's okay?

And we've gone around the state and told gamblers it's okay to play Quick Draw. And now we've gone to tavern owners and said it's okay to sell this product, you can make money selling it. And now they're hooked on it. Now we've got businesses that are hooked on it, we've got people that are hooked on it.

This is the whole problem with addiction to gambling. This is what Senator Padavan fought against from the start, that exactly the argument that Senator Larkin would make. That is, businesses now say they need gambling. Well, they're as addicted as the people who are playing the game.

I would suggest that that's a fallacy built on an improper assumption and that the nature of gambling is exactly that, it becomes addictive, it becomes destructive, and it's going to eat away at the fiber of New York.

I would suggest to Senator Padavan

that the other thing that he needs to do is to look outside the United States in order to determine the real nature of gambling problems. He talked about the presidential study about gambling. Let me call to mind two other studies, both of them from outside the United States.

One comes from the University of New South Wales in Australia. What it says is that the three elements relevant to gamblers irrespective of what their background is, the most important determinative, the most important determinant to the incidence of pathological gambling, people who become addicted to gambling, it's tied to the number of available gambling outlets.

The more places you have to gamble, the more you encourage pathological, addictive gambling. We know the consequences of that disease. We know what they are. We know how it erodes family incomes and can tear families apart. We know it's connected to domestic violence. We know it's connected to family deterioration. And yet the evidence is the more outlets we have, the more we increase the

problem. Why we would have 3200 outlets for Quick Draw is absolutely unfathomable.

The last piece I would just mention, again, Senator Padavan, look outside the United States at a study from Toronto, Ontario. The government of Ontario has committed itself both to Quick Draw and to casinos. And what do they tell you? They tell you that the incidence of gambling is actually related to psychological deficits. There's a study that ties it to attention deficit hyperactivity disorder, a well-known, well-established psychological condition.

And what it says is that this disease, this psychological problem, leads to impulsivity and the difficulty of sustaining attention. And it further says that gambling -- for people who have this problem, gambling impulses are poorly controlled and chronic boredom, depression, and low self-esteem, which are all symptoms of this disease, are relieved by the stimulus and reward of gambling.

We may be actually exposing those who are psychologically unprepared for

gambling, we may be actually taking people who have a physical limitation and we may be exposing them to gambling, which is only going to accentuate their physical limitation or psychological disorder.

We all know that gambling preys upon people. We all know it can be addictive. I think it's an absolute national shame that we may be actually feeding an addiction of a population that has a psychological deficit that leads them to this kind of impulsive gambling.

We are continuing to walk down a road that leads to nowhere. We are continuing with Senator Larkin, who properly represented the potential impact on the industry of entertainment and the tavern industry. But I would suggest that they are addicted, a significant portion of our population is addicted. And why we would continue to not only allow this out in the marketplace but we instead promote it, we take the imprimatur of the State of New York and we say that this is not only okay, it is good. It is something that the state Legislature thinks is good.

I would suggest, Mr. President, we have to stop sending that message to anyone in this state that gambling of this nature is good. It is not good. It is bad, it is destructive, it eats away at the fiber of our families, it creates an addiction in our small tavern owners and restaurants. And under those circumstances, Mr. President, I would say we need to get off this road immediately, erect a big stop sign right in the middle of the road, and say stop this game now.

I will be voting in the negative on this entire budget appropriation, simply because if we don't send that message, we consign a whole group of people in this state to a continuing mystery.

ACTING PRESIDENT KUHL: Senator Brown, why do you rise?

SENATOR BROWN: Mr. President, I would like to speak on the bill.

ACTING PRESIDENT KUHL: Senator Brown, on the bill.

SENATOR BROWN: Like Senator Padavan and others that have spoken, I too have some concerns about Quick Draw. And

while I'll be speaking on other elements of the emergency language bill, I want to speak to Quick Draw right now.

I represent the 57th district, which is Buffalo, Niagara Falls, Grand Island, and the City of Tonawanda. My parents live in the district that's represented by Senator Malcolm Smith. And I went to junior high school in the district that is represented by Senator Padavan. This morning when I came in, I got a memo from Senator Padavan which outlines some of his concerns on Quick Draw, and I took the time to read the memo.

And I appreciate Senator Padavan for his concern to take the time to do this kind of work, because it is clear that this game, Quick Draw, is unlike many other games of chance, unlike many other lotteries and forms of gaming that exist in this community. Quick Draw is highly addictive, highly addictive. And as Senator Padavan pointed out, it affects the least among us, the poorest among us, the poorest in our communities who can least afford to be involved in this form of gaming.

Now, as Senator Padavan pointed out, the average income per vendor across the state, out of 3200 outlets, is only $9,375. So we're not talking about tremendous economic impact to businesses. But the people that play Quick Draw generally earn less than $25,000 annually.

Now, this Quick Draw -- the thing that gave us the ability to create Quick Draw in 1995, as part of the legislation that created it, the Division of Lottery was required to conduct an evaluation in conjunction with the Office of Mental Health -- and Senator Padavan has cited the study -- to look at the participants of this game. And the study concluded that this game is hurting people.

So one would infer from what we did in the legislation in 1995 to actually take a look at Quick Draw, it meant that if it was not working, if people were getting hurt, we would look at reevaluating what we were doing with Quick Draw. Now is the time for us to reevaluate. People are getting hurt. This isn't helping the people who are playing Quick

Draw. They're addicted to the game. They're spending money that they can't afford to spend, and in many cases families are being hurt.

Senator Larkin talked about the positive economic impact upstate. Well, prior to being elected to the Senate, I represented a city council district that was about 90 percent African-American. And I can tell you, there is no positive economic impact of Quick Draw on the city council district that I represented. In fact, right now, if you walked around some of the streets in that district, you could see grown men on the street, grown men sitting in bars playing Quick Draw, depressed because they can't find jobs. Not that they're lazy, not that they don't want to work. But the economic boom that was enjoyed by downstate, by New York City, just bypassed many part of upstate. And Buffalo, the City of Niagara Falls are a couple of those examples of places that were bypassed and a couple of examples of places that are being hurt by games like Quick Draw.

So I appreciate Senator Padavan for

his stance, for his research, for his taking the time to stand up on principle and say to us that with respect to Quick Draw we're going in the wrong direction.

And a lot of things that we're doing I think don't help some of the communities that need the help the most in this state. Just recently, we watered down the impact of the Empire Zones, the Empire Zones that were designed to help urban communities, communities where economic opportunity had bypassed people, where businesses weren't growing and where jobs weren't being created. And we just gutted that program, and we're extending the benefits of that program to communities that might not need it as much as those that were originally designed to benefit from that Empire Zone program.

And so now today, by rote, and Senator Padavan, when he spoke, said in spite of the evidence that argues against the continuance of Quick Draw, we're going to continue it anyway. So by rote, we're just going to move forward.

Well, Senator Padavan, I want to say to you that I took the time to read what you sent, and I took the time to listen to what you had to say. Now, I'm not going to say to you that I'm opposed to all forms of gaming. And in fact, in the future I will probably be sponsoring legislation to allow gaming to come to parts of upstate.

Because some of my constituents are asking for gaming, particularly in the City of Niagara Falls, where just across the border, in Niagara Falls, Ontario, that community is taking in about a billion dollars annually on gaming and tourists are crossing the border and going to Niagara Falls, Ontario, as opposed to Niagara Falls, New York. But that kind of game is not as insidious as the Quick Draw game. Evidence shows that it's not hurting people and hurting families in the way that Quick Draw does.

So, Senator Padavan, I've heard you, I'm listening, and I share your concerns.

Thank you, Mr. President.

ACTING PRESIDENT KUHL: Senator Onorato was next on the list. I don't see him

in the chamber.

Senator Duane, why do you rise?

SENATOR DUANE: Thank you, Mr. President. I was hoping the sponsor would yield.

ACTING PRESIDENT KUHL: Senator Stafford is carrying the debate. I don't see him in the -- well, he's in the back of chamber. If you want to wait a minute, we'll ask him.

SENATOR STAFFORD: It's a pleasure to yield.

ACTING PRESIDENT KUHL: Senator Stafford yields to a question, Senator Duane.

SENATOR DUANE: Thank you. I'm wondering why we are only doing an emergency bill now instead of actually doing budget bills for 2002.

SENATOR STAFFORD: Mr. President, is the Senator asking, in other words, why aren't we doing a budget?

SENATOR DUANE: Why are we not doing the 2002 budget today, why are we doing emergency bills?

SENATOR STAFFORD: It would take

some time to explain this. There are many vagaries and vicissitudes. Because of course we have, shall I say, a political climate here that we're working with. I've been here long enough so that I understand these climates. I would share this -- and I say this very sincerely, not at all attempting to make light of the serious question that you asked. This house, the Majority, is more than anxious to sit down and negotiate, on the anvil of discussion, sensitivity, concern and understanding. If the party across the Capitol on the second floor -- would that be the north side? -- on the north side -- that's right, because that's the south; right? If we do not find cooperation, concern, understanding, and sensitivity there, then we find we aren't able to use that anvil of discussion and hammer out a budget that is needed.

And this Majority wants to sit down, wants to start, is frustrated, is concerned and, as I say, more than willing to do our job.

ACTING PRESIDENT KUHL: Senator

Duane.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question from Senator Duane?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Can you tell me why the conference committees have not met yet on the 2002 budget, which might have meant that we didn't have to do this emergency bill?

SENATOR STAFFORD: Conference committees -- as we all know, the conference committees meet when one house passes a bill, the other house passes a bill -- when we have a situation where the bill has been passed.

And again, as -- I always receive excellent counsel, as you can tell from my presentations. I don't take any credit for them whatsoever, it's the people that work with us, which is always the case.

We need to really sit down and

first decide and agree what is available to make a budget. Up in my area, we say make a budget, make budget. Down here, I -- we work on a budget.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

The Senator continues to yield.

SENATOR DUANE: It's my understanding that -- I know we've passed a budget, the Assembly has also passed a budget. So indeed, we are ready to have the conference committees. So I'm wondering why there's been a delay, since both sides have passed their -

SENATOR STAFFORD: This is -- my counsel hit the nail right on the head and explained, and now I'm attempting to explain that before we can sit down with conference committees, we have to have an agreement on what's available.

SENATOR DUANE: Then through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: When was the last meeting between the finance people of both houses and the Governor's finance people to try to come up with that revenue amount?

SENATOR STAFFORD: These meetings are constant. And the last meeting was two days ago.

SENATOR DUANE: And through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

The Senator continues to yield.

SENATOR DUANE: Has any consideration been given to setting up a conference committee to decide what the revenue is?

SENATOR STAFFORD: Well, I'm not sure that's the job of the conference committees or a conference committee. We have

to have -- you know, a budget -- see, we make policy here in the Legislature. That is, we think we do. Sometimes we don't quite meet our goal, but we work on it. And when it comes to avails, that is strictly -- not strictly, but it's really crunching the numbers and finding out what we have with the revenues, with the revenues, and then realizing what we have available, the avails.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: But is there anything that prevents us from having a conference committee to set the revenue?

SENATOR STAFFORD: Well, I would say that -- you know, I do my best not to be political. Not to be political. Now -

SENATOR DUANE: Me too. Me too.

SENATOR STAFFORD: Now, every

couple of years you'll find I get a little political, like all of us here, but I try not to. And I try not to point fingers. I try not to point fingers. But again, I have to refer to that north side of the Capitol on the second floor for the reason.

ACTING PRESIDENT KUHL: Senator Duane.

SENATOR DUANE: Through you, Mr. President, did you -- just to clarify. Not to be political, but do be factual, do you mean the Assembly or the Governor?

SENATOR STAFFORD: Well, the second floor -- did I say second floor? Oh, correction. Thank you. Thank you very much. You know, it's amazing what fatigue will do.

(Laughter.)

SENATOR STAFFORD: You wore me down yesterday, and now I'm trying to get a second wind. But let me correct that. I can't believe I said the second -- anyway, third floor. North side of the Capitol. And thank you for the correction. And I stand corrected.

SENATOR DUANE: And through you,

Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR DUANE: I would be remiss, though, if I didn't ask whether or not there was an agreement between the Senate and the Governor, though, on the revenue estimate.

SENATOR STAFFORD: Well, I don't think that we should look for agreement there until those of us on the second floor have really worked things out. And of course that's the job right now, for us to pass a budget -- did I say second floor again? Well, I don't believe that. I've got to get ahold of myself.

The third floor. It's up to those of us on the third floor to do our job. I apologize.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: Can you tell me when the extender bill was drafted?

SENATOR STAFFORD: Yes. The staff that drafted this -- we were all there. And it was drafted last Thursday, the 22nd of March. That's when it was drafted.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Is it within the realm of possibility that while the Finance staff was working on the extender they could have in fact been working on the 2002 budget?

SENATOR STAFFORD: Well, you know, I -- now, we had a question like that, Mr. President, when we said does it cost more really to have an extender, are we spending time where we should spend on something else.

I think -- and I don't mean to make light of extenders, and I don't mean to say that this minibudget isn't important. But we have a great deal of faith, admiration and also understanding of the work our staff does. And I have to say I don't believe these - drafting this minibill or extender taxes them. And I don't think it takes away from any work that needs to be done.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: I want to be clear that I have no doubt that the Assembly is equal in blame to the lateness of the budget. But we are responsible, really responsible for our own side of the street only, and I'm wondering whether or not the sponsor believes that it might be a good idea for us all to work through the weekend, since

Sunday is April 1st, to try to meet that budget deadline, or to give up our holiday vacations and Holy Day vacations to try to get the job done for the people of the State of New York, if we are -- if we should be willing to make that offer.

SENATOR STAFFORD: Well, I would emphasize that staff will be working until we have a budget passed. And as far as the north side of the third floor, I'm always reminded of what an old gentleman used to say to me that lived up the Adirondacks. He said you can lead a horse to water, but you can't make him brush his teeth.

(Laughter.)

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

The Senator yields, Senator Duane.

SENATOR DUANE: I am wondering, though, whether it might not be prudent for us to actually make that offer, that we would be willing to forgo our time off and spend most

of our waking hours working on the budget until it's done, even if that means giving up a weekend or giving up time off that we have around holidays and Holy Days in the next couple of weeks. Again, only being responsible for our own side of the street, if we would be willing to make that offer.

SENATOR STAFFORD: Mr. President, I would assure all here in the Senate with me that we will be in touch with the staff who are working. And as a matter of fact, I assure you, if I don't call Mr. Lackman, he will call me. And I assure you, it's more than once during the weekend. And also, he has my cell phone and insists that I carry that with me when I go back to my district when I do.

So there is constant communication, work is being done, and we just have to stay with it.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes. Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: I'm wondering if the Finance chair, though, today -- and again, just being responsible for our own house, for our own side of the street -- would be willing today to make that offer to the other parties involved in the budget and say we're willing to stay and get it done, if we could make that offer to them today.

SENATOR STAFFORD: Mr. President, I would emphasize that there has to be communication so that -- you could make any offer. I don't think we should make offers that aren't realistic. I would say this, that if we could just sit down and agree on the parameters as far as avails are concerned, we then could take steps toward getting a budget passed.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: Could not the Finance chair today pick up the phone and dial the north side, third floor, and say, We're willing to stay and work, how about you? Is it not possible for us to make that overture today?

SENATOR STAFFORD: Well, Mr. President, I could do that. Anyone could do that.

SENATOR DUANE: Through you, Mr. President, may I do that?

ACTING PRESIDENT KUHL: I don't think Senator Stafford has answered your question entirely. I'm going to give him the opportunity to finish his answer.

SENATOR STAFFORD: Mr. President, to continue, the point was made about the germaneness and exactly what we're debating here. And I think we are going a bit afield. But I certainly will answer this question.

And I think that there has to be a communication, the parameters of avails

established, before we're going to be able to take any steps which are useful.

SENATOR DUANE: Mr. President, I'm sorry, I just -- I could not hear that. There's some noise in the chamber. Could the sponsor repeat his answer?

SENATOR STAFFORD: The Assembly has already gone home.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Could not the Assembly be called back into session?

SENATOR STAFFORD: That's of course a question -- Mr. President, I would urge that we stay on the bill here. I think I've attempted to answer and will again state that we have to have agreement on avails and have to understand where our parameters are if we're going to establish communication and

have some meaningful work done.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: What would happen if this extender bill didn't pass?

SENATOR STAFFORD: I think it would be very serious. I was going to say something light, and I shouldn't on that question. It would be very, very serious. Government would not continue. And it would -- I could name a hundred things that would not be functioning. And we would, I think, find that it was irresponsible not to pass this bill.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: More or less irresponsible than not actually passing the 2002 budget bill?

SENATOR STAFFORD: Excuse me?

SENATOR DUANE: More or less irresponsible -

ACTING PRESIDENT KUHL: I don't think the Senator understood your question, Senator Duane. Maybe you'd like to speak to the Senator directly so he hears you. But I don't think he understood your question.

SENATOR DUANE: More or less irresponsible than not paying the 2002 budget?

SENATOR STAFFORD: One man's ceiling is another man's floor, often. As I've often said here. You know, sure, we need another budget. Or not -- excuse me. Sure, we need a budget. But on the other hand, we need to continue government. And of course I think we should do it.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to

yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: Has the State Comptroller weighed in on this extender bill?

SENATOR STAFFORD: The State Comptroller -- of course this is a legislative branch. I'm sure we're always pleased to have the communication, have input from any agency, anybody in government. But we're not aware of any -- I'm not aware of any actual input in this bill.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: I'm hoping that the Senator could describe the details of the

waiver of jury sequestration that's in this extender.

SENATOR STAFFORD: I couldn't hear that. Would you repeat the question, please.

ACTING PRESIDENT KUHL: Senator Duane, would you repeat the question for Senator Stafford.

SENATOR DUANE: If the sponsor could give us the details of the waiver of jury sequestration. I'm having trouble saying that word, sequestration. Like filtration, only sequestration?

SENATOR STAFFORD: This is extended for three weeks, Mr. President.

SENATOR DUANE: But through you, Mr. President, if he could just describe what it is.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question from Senator Duane?

SENATOR STAFFORD: Mr. President, even the staff has taken pity on me. And they said just read what that says. So that's what I'll do.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR STAFFORD: It extends for three weeks the authority of judges to suspend the requirement for jury sequestration in certain cases.

And, Mr. President, am I being asked what jury sequestration is?

ACTING PRESIDENT KUHL: I don't believe that was the question, Senator.

Senator Duane, do you ask Senator Stafford to yield to another question?

SENATOR DUANE: Another question. I'm going to move on to a different area.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: I'm wondering if the sponsor could tell us why it was decided to put Quick Draw extender in this bill as if -- you know, to describe what is the emergency and why it's just mushed into this emergency extender.

SENATOR STAFFORD: Mr. President, you find in government, we have legislation. And this is what we have before us. And we find that legislation has often various sections and we accomplish various goals. One of the goals of this bill is to pass the provision that you referred to. And that is why.

And it's been explained very well by Senator Larkin and I believe other Senators here today just how important this provision is to businesses in various parts of the state, and it does raise $4 million a week.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DUANE: Is it really an emergency to provide for snowmobile trails? I mean, what is that money really used for? And would it be, you know, a catastrophe if that

money wasn't in the emergency -

SENATOR STAFFORD: Mr. President, I wish I could answer that question, because that is something that I'm very, very concerned about and is very near and dear to the people of the North Country. But I can't, because it's not in this bill.

SENATOR DUANE: Oh.

ACTING PRESIDENT KUHL: Senator Duane.

SENATOR DUANE: My apology. I thought that the snowmobile trail thing was in this bill.

And I also just wanted to ask if any thought had been given -

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question from Senator Duane?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: -- on something that's very important to me and people in the South Country. I'm wondering if there's been any thought about presumptive eligibility for

inmates, presumptive eligibility for Medicaid once they've been released from prison.

SENATOR STAFFORD: Mr. President, I think that's something we're all concerned about, but that's not in this bill.

SENATOR DUANE: Thank you. Thank you.

ACTING PRESIDENT KUHL: Senator Lachman, why do you rise?

SENATOR LACHMAN: Mr. President, I rise to speak briefly on Quick Draw. And through you, Mr. President, with the permission of the distinguished chairman of the Finance Committee, I would have a question or two for him afterwards.

ACTING PRESIDENT KUHL: Would you like to have him yield to a question first?

SENATOR LACHMAN: Well, they're unrelated.

So I just very quickly would like to say that I would like to slowly withdraw from Quick Draw, after having commended Senator Frank Padavan for his memorandum and his position. And I also regret that I cannot vote the way I want to vote on the issue of

Quick Draw, because it is part of an extender bill that has many excellent aspects of it.

Now, one of the excellent aspects to this is the extension for four years of the MTA tax surcharge. But I do have now a couple of questions, through you, Mr. President, for the distinguished chairman of the committee.

ACTING PRESIDENT KUHL: Senator Stafford, would you yield to a question from Senator Lachman?

SENATOR STAFFORD: Mr. President, I certainly yield.

And you find yourself reacting various ways when you're doing this, and I felt I was a little quick yesterday with the Senator who is asking the questions. Exactly, there were two. So I apologize and I yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR LACHMAN: Mr. President, there is no need for Senator Stafford to apologize for anything. I respect him and admire him and his ability.

But I do have a couple of questions, with your permission, Mr.

President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR LACHMAN: Okay. Since the MTA tax surcharge extension is the longest extension we have in this emergency language bill -- I believe it's four years. The other extensions are for one year, two years, or three years -- wouldn't we be better off, Senator, in having a permanent extension of this surcharge? I say this because I have been informed that the financial markets would feel that this would be better for the MTA in the long run, especially in the support of MTA bonds.

SENATOR STAFFORD: Mr. President, I would answer it in two ways here. First, we're having the extension for four years because the MTA has to put out paper. And there has to be a financial stability.

Now, if it was made permanent, it would affect insurance companies, and they would be paying more insurance -- more taxes, excuse me. I'm slow today. More taxes.

SENATOR LACHMAN: You're doing

very well. I appreciate it.

Mr. President, through you, can -

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR LACHMAN: Am I correct in asserting that the financial markets, however, would prefer to have a permanent surcharge which would enable to secure more adequately the MTA bonds in this area?

SENATOR STAFFORD: It's very complicated. And it's -- and I know you're familiar with financial paper, and I am to a degree. And I hear exactly what you're asking, and it's right on target. The problem is it would affect insurance companies here in New York because of retaliatory taxes that we have in other states.

So we have to try to balance here. And most financial houses -- or the financial houses understand the four-year extension.

SENATOR LACHMAN: Mr. President, through you, would the distinguished Senator

and chairman of the Finance Committee continue to yield?

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to a question from Senator Lachman?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR LACHMAN: I know that you have this information and that your staff, well-equipped, has the information. But I would like to know how much this surcharge would bring to the MTA in the following fiscal year, in terms of dollars.

SENATOR STAFFORD: You know that my staff has good roots.

SENATOR LACHMAN: I know him vaguely.

SENATOR STAFFORD: And the answer, right from there, is $530 million.

SENATOR LACHMAN: Mr. President, through you.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

The Senator continues to yield.

SENATOR LACHMAN: Is this approximately the same amount that the surcharge has generated during this present fiscal year?

SENATOR STAFFORD: Mr. President, it would be about the same. Possibly a little bit more.

SENATOR LACHMAN: Mr. President, on the bill.

Thank you kindly, Senator Stafford.

ACTING PRESIDENT KUHL: Senator Lachman, on the bill.

SENATOR LACHMAN: With reservations in some areas, and with difficulty in accepting certain provisions, such as the Quick Draw provision -- but as I explained to Senator Padavan yesterday before his memorandum arrived, there's more to gain from this than to lose from this. However, I would hope that the chairman, the distinguished chairman of the Finance Committee, and his distinguished advisors would look into the possibility of having a permanent surcharge, which I have been led to believe by outside sources is what the

financial community actually desires and would be able to support MTA bonds more adequately than having surcharges for three or four years.

I support this legislation. Thank you.

ACTING PRESIDENT KUHL: Senator Onorato, why do you rise?

SENATOR ONORATO: Will Senator Stafford yield to a question?

ACTING PRESIDENT KUHL: Senator Stafford, do you yield a question from Senator Onorato?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR ONORATO: Senator, I'm a little perplexed about the Loft Law. It has nothing to do with any finance, it doesn't bring any money in. It's not a budget bill.

And why would we only be extending it -- it's expiring on March 31st of this year. We're subjecting a great number of people to a great deal of anxiety by not extending -- we're extending everything else

around for three years, four years. Why is it part of a budget bill rather than a just straight-out bill, an extender?

SENATOR STAFFORD: Mr. President, my esteemed and distinguished colleague from -

SENATOR ONORATO: Queens. I live near Frank Padavan.

SENATOR STAFFORD: -- from Queens -- I can remember when there were farms in Queens -- is perplexed with the Loft Law. What do you think people who live where we have all the deer and bear, what do you think we are?

But on a serious note, the house on the north side, on the third floor, had this as a proviso if we were going to continue government.

SENATOR ONORATO: Are you implying -

ACTING PRESIDENT KUHL: Senator Onorato, are you asking Senator Stafford to yield for another question?

SENATOR ONORATO: Yes.

ACTING PRESIDENT KUHL: Senator

Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

SENATOR ONORATO: Are you implying that the Assembly only requested a three-month extender rather than a full extender, the way we do with any other rent-controlled apartment?

SENATOR STAFFORD: Mr. President, I think that, as so many times I find it that way, very often I ask a question and I know the answer once I've asked the question.

SENATOR ONORATO: I don't know the answer to that, and that's why I'm asking. I am surprised that we're only extending it for a couple of months when everybody knows that we do all of these kind of plans for two or three years.

SENATOR STAFFORD: The proviso was for three months.

ACTING PRESIDENT KUHL: Senator Onorato?

SENATOR ONORATO: Thank you.

ACTING PRESIDENT KUHL: Senator Breslin, why do you rise?

SENATOR BRESLIN: Mr. President,

will the sponsor yield for a couple of questions?

SENATOR STAFFORD: Mr. President, now I also have an opportunity to share with my esteemed and distinguished colleague from Fort Orange that I was a little quick yesterday, and I certainly apologize. And now it gives them a -- my colleagues an opportunity to be quick with me.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BRESLIN: Not at all, Mr. President. My distinguished friend and colleague, no apology needed.

And I had a couple of questions relating to jury sequestration. And first of all, it appears to be that they've distinguished between more serious crimes, Class A felonies and B and C violent felonies. Can you tell us why there's a distinction between the nature of crimes?

SENATOR STAFFORD: First, I'd point out to my colleagues here, Albany used to be called Fort Orange. That's important.

SENATOR BRESLIN: It was named

after the club, I believe.

SENATOR STAFFORD: Now I have my esteemed colleague -- I think I know the answer, but let me see whether I'm right or not.

The answer is quite complicated, but I'll make it simple because that's the only way I can do it. There are negotiations going on right now as far as the issues you had referred to, and they asked for a three-week extension here to see what can get worked out, when we'll have sequestration, when the judges will be doing it. And that's what's going on right now.

SENATOR BRESLIN: One or two additional questions.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield to a question from Senator Breslin?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BRESLIN: Since the initial enactment in 1995 of the sequestration statute, if you will, has there been any cost

savings? And if, so how much?

SENATOR STAFFORD: I remember that, again, Senator Breslin's question is about cost savings. And they have been large. And they hope that they will be continued in these negotiations.

ACTING PRESIDENT KUHL: Senator Breslin.

SENATOR BRESLIN: Through you, Mr. President, how large?

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR BRESLIN: Bigger than a bread basket?

SENATOR STAFFORD: You don't want to start that with him.

SENATOR BRESLIN: I have no further questions.

SENATOR STAFFORD: Yes.

SENATOR BRESLIN: Thank you.

ACTING PRESIDENT KUHL: Senator Paterson is not in the chamber.

Senator Hassell-Thompson is on the list. Senator Montgomery, do you wish to be put on the list?

SENATOR MONTGOMERY: Yes.

ACTING PRESIDENT KUHL: All right, Senator Montgomery is added.

Senator Hassell-Thompson, why do you rise?

SENATOR HASSELL-THOMPSON: If the Senator would yield to a question, Mr. President.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to a question from Senator Hassell-Thompson?

The Senator yields.

SENATOR HASSELL-THOMPSON: Thank you, Senator. We have heard consistently the last couple of days that both yesterday's bill and today's language bill contain items of emergency, of an emergency nature that requires that we do these extensions. So I'd like to ask, Part C, Section 36 on the Department of Health Medicaid payments for inmates, can you tell me why this has been included in the emergency language bill?

SENATOR STAFFORD: Mr. President, we're in the process of going back to the federal government claiming benefits for those

you had referred to. Therefore, we want to continue this for three weeks so we can continue that process.

SENATOR HASSELL-THOMPSON: If the Senator would continue to yield, Mr. President.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR HASSELL-THOMPSON: Senator Stafford, I understand that to be true of many of the proposals that we're discussing. But this is a new proposal. And I'm not clear how we can be collecting or requesting funds for a proposal that is new. This is a new initiative.

SENATOR STAFFORD: Mr. President, you want to maximize the federal dollars for all of these programs; therefore, you go back and see if we can get the qualifications set and get the funds and get more money for the state.

SENATOR HASSELL-THOMPSON: If the

Senator would continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR HASSELL-THOMPSON: Thank you. Through you, Mr. President. Then the answer to that is that we have a window of opportunity in which we are trying to capture these dollars even though they are new dollars and a new initiative?

SENATOR STAFFORD: The window of opportunity is really to continue this process.

SENATOR HASSELL-THOMPSON: To continue the process of a new initiative?

SENATOR STAFFORD: Pardon me. Yeah, going to the federal government, going back two years and trying to get funding for the benefits you've referred to.

SENATOR HASSELL-THOMPSON: If the Senator will continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR HASSELL-THOMPSON: Does the Legislature have to approve new federal maximization plans such as this Medicaid payment for inmates prior to an agreement on the budget?

SENATOR STAFFORD: Once we get the money, Mr. President, then it would have to be appropriated.

ACTING PRESIDENT KUHL: Senator Hassell-Thompson.

SENATOR HASSELL-THOMPSON: Through you, Mr. President, if the Senator would answer that again. I wasn't -- I'm not clear on the answer.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to another question from Senator Hassell-Thompson?

SENATOR STAFFORD: Yeah, I yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR HASSELL-THOMPSON: I'd like -- I'm sorry, I was asking if you would

repeat your answer. I didn't understand the answer to the question.

SENATOR STAFFORD: As I often point out here, when the state gets any funds in revenue, federal government, fees, anywhere, before it can be spent, we have to appropriate the money.

ACTING PRESIDENT KUHL: Senator Hassell-Thompson.

SENATOR HASSELL-THOMPSON: Yes, Mr. President, if the Senator will continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: THE Senator continues to yield.

SENATOR HASSELL-THOMPSON: That's the heart of my question, Senator. If you will, through you, Mr. President, we are not appropriating. This is a new initiative. My question was, are we trying to capture a window of opportunity, which is the reason that you have put a new proposal into an emergency language bill?

SENATOR STAFFORD: My answer is yes.

SENATOR HASSELL-THOMPSON: Thank you. Thank you, Senator.

Through you, Mr. President, if the Senator will continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR HASSELL-THOMPSON: Thank you. Senator, do you or your staff have an analysis of the fiscal benefits to counties as it pertains to the Medicaid payment for inmates? And if so, what is this dollar amount? What do you assess?

SENATOR STAFFORD: We don't have a county breakdown, but I'm sure we can get that material if you'd like it. The state number is $15 million.

SENATOR HASSELL-THOMPSON: Thank you, Senator.

Mr. President, if the Senator would yield to just another question on the Child

Health Plus.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR HASSELL-THOMPSON: My understanding is that last year the Governor vetoed this bill. Thank you, Senator.

Through you, Mr. President. Last year when the bill was proposed, the Governor vetoed a provision for the inclusion of emergency services for the Child Health Plus. Are we supporting that ambulance service amendment in this bill?

SENATOR STAFFORD: Ask the question again, please. I can't hear.

SENATOR HASSELL-THOMPSON: Okay, Senator. Last year, when we proposed the continuing of the Child Health Plus program, there was a provision that was in that bill that asked for ambulance services to be included. When the Governor vetoed that bill, it was not -- I'm asking, is that provision included in this year's proposal?

SENATOR STAFFORD: Anything that was vetoed wouldn't be in here. Because if you analyze it, as I've said now for the last two days, this does not make new policy, this just continues government from last year's budget. I said that a number of times.

ACTING PRESIDENT KUHL: Senator Hassell-Thompson.

SENATOR HASSELL-THOMPSON: Mr. President, if the Senator will continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR HASSELL-THOMPSON: Thank you. Senator, but isn't that a contradiction to what you just said in terms of the new initiative? Even though it is a window of opportunity, it's still a new initiative.

SENATOR STAFFORD: Now, again, make sure that my patience isn't taxed here.

SENATOR HASSELL-THOMPSON: Okay.

SENATOR STAFFORD: So let's -- I

see some eyes coming up here. That's good. So we're all communicating.

The initiative is a program to maximize the federal government's payments to the state. That has nothing to do with last year's budget or a policy. That's a program that it's already in effect. It's already being done. It's being continued.

ACTING PRESIDENT KUHL: Senator.

SENATOR HASSELL-THOMPSON: Mr. President, through you, if the Senator will continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield to a question from Senator Hassell-Thompson?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR HASSELL-THOMPSON: It is not my intent to try yours or anyone else's patience. But it is my intent, Senator, if you will, I'm just trying to get some information. And I'm not trying to be contradictory, but I'm trying to understand.

I asked the question about the

ambulance and -- only because it was a part of last year's proposal. If the answer to that is no, that's one thing. But when we talk about the windows of opportunity that are available to maximize federal reimbursement, this is also a federal reimbursement. And that's the only reason I'm asking the question the way I am.

SENATOR STAFFORD: That's the reason, Mr. President, I'm answering the way I am.

SENATOR HASSELL-THOMPSON: Okay. If the Senator will yield for one more question.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to one more question?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR HASSELL-THOMPSON: Through you, Mr. President, there have been changes in the federal regs that allow us to bill for Medicaid and some other Medicaid initiatives which help us to maximize. Is it our intent -- I'll ask the question this way.

It is our intent with this Child Health Plus to do that, and could we not extend it further than June 30th of this year?

SENATOR STAFFORD: Of course, we have the opportunity, Mr. President, to pass really whatever legislation we desire to. Hopefully it's good legislation. As far as this particular provision, this is what was sent up, this is what is there to continue the program for three months.

And as a matter of fact, I now go, to try to answer completely here, to that house on the third floor on the north side, and that house did not want to go more than three months. We were willing to go more than three months, and the Governor was willing to go more than three months.

SENATOR HASSELL-THOMPSON: You say the Governor -- you said we were willing to go longer?

SENATOR STAFFORD: Yes.

SENATOR HASSELL-THOMPSON: But you did not get that agreement from our northern neighbors on the third floor?

SENATOR STAFFORD: Right.

SENATOR HASSELL-THOMPSON: Thank you, Mr. President. Thank you, Senator.

ACTING PRESIDENT KUHL: Senator Paterson, why do you rise, sir?

SENATOR PATERSON: Mr. President, if Senator Stafford would yield for a follow-up question.

ACTING PRESIDENT KUHL: Senator Stafford?

SENATOR STAFFORD: I will yield to Senator Paterson for one follow-up question.

ACTING PRESIDENT KUHL: The Senator yields to one question.

SENATOR PATERSON: Senator, I'm just trying to get an idea of what the policy is that's guiding us in this particular situation. For instance, it's been he suggested that we raise the coverage in Child Health Plus -- I was just listening to your conversation with Senator Hassell-Thompson - from 250 percent within the poverty line to, say, 300 percent, and we're not doing it in this particular extension.

However, what Senator

Hassell-Thompson properly pointed out, and I thought it was kind of interesting, is that we did make a policy change with respect to the national regulations regarding Medicaid so that we are going to be, as she pointed out, taking the full hundred percent refund from Medicaid to cover inpatient hospitalization of inmates.

So what I'm just -- my general question to you is, what is the difference between the policy that we enact and the situation such as you described earlier where we wouldn't go back and insist that we get the ambulance coverage for Child Health Plus, which was something that everybody here agreed upon and was vetoed?

Now, I can understand -- don't get me wrong, I can understand that in a three-week period that we don't want to get into a fight with the Governor about an issue on which he's already made policy. But I'm just trying to get your idea of where's the line between new policy and continuation.

SENATOR STAFFORD: I think the difference here is very, very clear. One is

working toward a program that's already being done, and the other is changing policy.

Now, Senator Paterson I'm sure understands that.

ACTING PRESIDENT KUHL: Senator Paterson.

SENATOR PATERSON: Mr. President, on the bill.

ACTING PRESIDENT KUHL: Senator Paterson, on the bill.

SENATOR PATERSON: Well, this is a language bill, and it's tied to policy. And so all I'm seeking is a little consistency.

What I would interpret from Senator Stafford is that where a change in policy vis-a-vis another government -- meaning the federal government -- gives us an opportunity to vest in something that we didn't have last year, that we would not eschew the opportunity to do that. We wouldn't wait until we actually passed the budget to enact it now.

And that in those situations regarding specific policy changes for which we have eminent control -- that being the issues of Child Health Plus expansion of coverage,

and also the ambulance services, which are very important and which I think everyone in this house knows that we need -- but still, I guess what Senator Stafford is saying, and I guess what I will adhere to at this point, is that we're going to be unable to do it at this particular time. Maybe later on in the year. I'm sure Senator Stafford agrees, or he'd be jumping up right now to point it out to me.

On the bill, other than that, Mr. President, just to finish a conversation earlier, the balance, to me, on the issue of Quick Draw is very important. We would not want to be making situations so easy for many of our constituents that they take opportunities that are going to inure to their detriment and be playing this game where the odds are hopelessly against them and they are likely to be hurt from that actual process.

Senator Larkin did point out that we require that the facilities engage in a certain amount of restaurantism and that there has to be a certain percentage of their profit that is derived from food service before we let them get allowed. But what I would

admonish to Senator Larkin, even though I'm going to vote for the bill, is that there are a lot of areas where that may appear to be the case but actually is not. And I see them to a great deal in my district.

And the fact that Senator Padavan pointed out that 30 percent of the individuals who are going into these places are doing this in minority neighborhoods, where sometimes the desperation and squalor conditions of life have caused people to feel that they have to take chances that they ordinarily might not take, is something that we have to take a closer look at.

In situations where we have to spend money to actually get to the point where you're gambling, such as in the major casinos, and a person that loses a great deal of money can really do it in a recreational fashion, that it's not going to affect their daily intake of food or paying rent or those human services that are vital, that's a little different.

And I'm not sure where exactly that line is, and I wasn't able to continue the

questioning too much to find that out. But I will vote for it in the hope that we will always continue to observe and scrutinize the situation further.

Thank you, Mr. President.

ACTING PRESIDENT KUHL: Senator Schneiderman, why do you rise?

SENATOR SCHNEIDERMAN: Thank you, Mr. President. Through you, if the sponsor would yield for a few questions.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to a question from Senator Schneiderman?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR SCHNEIDERMAN: The first area that I want to ask about relates to the Lower Manhattan Revitalization Plan. I gather that that is covered in Part H of the proposed bill; is that correct?

SENATOR STAFFORD: Once again, it is a three-week extender of existing law, an existing program.

SENATOR SCHNEIDERMAN: Through

you, Mr. President. But is my understanding correct, that that's covered in Part H of this proposed bill?

SENATOR STAFFORD: I can't hear, Mr. President.

ACTING PRESIDENT KUHL: Your point is well-taken.

Can we have a little quiet in the chamber, please. We've got members and staff talking.

SENATOR SCHNEIDERMAN: My question once again, through you, Mr. President, is I gather that the Lower Manhattan Revitalization Plan extender is addressed in Part H of the bill before us; is that correct?

SENATOR STAFFORD: Well, do you have the legislation there, Mr. President?

SENATOR SCHNEIDERMAN: I have the legislation here.

SENATOR STAFFORD: Good.

SENATOR SCHNEIDERMAN: The reason I'm asking this question is that -

SENATOR STAFFORD: Does it say H?

SENATOR SCHNEIDERMAN: H.

SENATOR STAFFORD: Good.

SENATOR SCHNEIDERMAN: Okay. Now we're getting somewhere. Thank you.

Through you, Mr. President, if the sponsor will continue to yield.

ACTING PRESIDENT KUHL: Senator standard, do you continue to yield?

SENATOR STAFFORD: Right.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR SCHNEIDERMAN: And the reason for this question is that in reading Part H, it's not clear to me that all of the components of the program are included in it. And I just wanted to make sure that my understanding of what precisely is being extended is correct.

Is the Lower Manhattan Energy Program extended for three weeks?

SENATOR STAFFORD: The answer is yes, Mr. President.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President, the Lower Manhattan Residential Conversion Program - which, again, I just don't see any reference

to, and I want to make sure that is being extended as well.

SENATOR STAFFORD: The complete program, Mr. President, is being extended.

SENATOR SCHNEIDERMAN: If the sponsor will continue to yield.

ACTING PRESIDENT KUHL: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The sponsor continues to yield.

SENATOR SCHNEIDERMAN: And once again, I gather this is a three-week extender. This is a program that has many, many private contracts that arise because of the commitments made through this program. And stability, as I'm sure the sponsor knows, is often as important or more important than tax reductions.

What possible reason is there not to extend this program for a longer period so that commercial uncertainty does not undermine the financial benefits it seeks to provide?

SENATOR STAFFORD: Well, once again, Mr. President, we get back to

responsibilities here at this moment. We all wish that we could get the cooperation on the north side. But it's necessary to pass this for three weeks. And as a matter of fact, I'm advised that for this particular provision, it was only asked that we extend it for three weeks.

SENATOR SCHNEIDERMAN: Through you, Mr. President, I'm not sure I understand. It was only asked by who? North side, south side, east side, west side?

SENATOR STAFFORD: By the greatest city in the world with a population over 5 million.

ACTING PRESIDENT KUHL: Senator Schneiderman.

SENATOR SCHNEIDERMAN: I appreciate the fact that that excludes Plattsburgh, Fort Orange.

Let me move to another area very briefly. Through you, Mr. President, if the sponsor will yield for one more question.

ACTING PRESIDENT KUHL: Senator Stafford, do you yield to one more question?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR SCHNEIDERMAN: This is a question that actually I probably will just talk on the bill and then invite your comments.

You mentioned earlier that this legislation does not change policy, it just continues government. Once again, as I was attempting to do yesterday with another piece of legislation, I am concerned that there's a very important area of government funding that is not being continued. And it raises a concern that in fact a policy change is taking place. Can you explain why funding for Superfund remediation, the funds for which have expired as of the end of this month, is not included in this extender?

SENATOR STAFFORD: I think once again, Senator, you know the answer. In fact, I know you know the answer, because I have a lot of confidence in your -- anyway, I'll continue.

The answer is, of course, additional funds will be required for the

Superfund in the next budget, and this will be of course included in the next budget.

SENATOR SCHNEIDERMAN: Thank you, Mr. President. On the bill.

ACTING PRESIDENT KUHL: Senator Schneiderman, on the bill.

SENATOR SCHNEIDERMAN: I appreciate the sponsor's answers. However, I do not think that in this area he is being properly advised. My understanding -- and we've had recent contact with the Department of Environmental Conservation on this issue - is that as of March 31st, at state-funded sites, we are not going to have sufficient funds to continue remediation proceedings.

We have 766 sites in the State of New York where no remediation has taken place. 146 of these are Class 2 sites, meaning that they're very, very serious. Cleanup is in various stages of progress at a lot of these sites. There are investigations underway. In some cases, investigations have been completed and records of decision, or RODs, have been issued.

There is not enough money, and I

urge that before we do another extender, the appropriate distinguished and skilled personnel in Senate Finance get in touch with DEC and make sure that we do extend the funds necessary for this.

One aspect of this that's tremendously important is when you have a polluter on the hook for a Superfund site, the State has leverage and negotiation by saying we have the funds to come in and we'll do the cleanup, and then we'll charge you. And this charge is always very high. We're losing that leverage. April 1st, we don't have that leverage anymore.

And this is a tremendous issue. It has been set as one of the highest priorities, if not the highest priority, by the environmental groups for this year's legislation session. And I would urge a careful examination of whether or not it's not necessary in this extender. And sadly, I'm afraid we have to face the fact that this may not be the last extender this year. And that that's something I hope we will be able to address.

Thank you, Mr. President.

ACTING PRESIDENT KUHL: Senator Bruno, why do you rise?

SENATOR BRUNO: Mr. President, how long have we been debating this particular calendar?

ACTING PRESIDENT KUHL: Debate on this bill, I'm informed by the desk, started at 10:08. So it's about two hours and one minute ago.

SENATOR BRUNO: Then, Mr. President, according to Rule IX, Section 3-D, I would move that we close debate and move the question.

ACTING PRESIDENT KUHL: All those in favor signify by saying aye.

SENATOR CONNOR: Party vote in the negative.

SENATOR BRUNO: Party vote in the affirmative.

ACTING PRESIDENT KUHL: The Secretary will call the roll, record the party-line votes. Announce the results.

(The Secretary called the roll.)

THE SECRETARY: Ayes, 21. Nays,

34. Party vote.

ACTING PRESIDENT KUHL: The debate is closed.

The Secretary will read the last section.

THE SECRETARY: Section 3. This act shall take effect immediately.

ACTING PRESIDENT KUHL: Call the roll.

(The Secretary called the roll.)

ACTING PRESIDENT KUHL: Senator Connor, to explain his vote.

SENATOR CONNOR: Thank you, Mr. President.

I will be voting in favor of this because, as I said before, there are some ameliorative provisions in here. I wouldn't want to see the Loft Law expire as it did a few years ago and leave loft tenants unprotected for months. As my colleagues who were here then may recall, we ended that session that year sometime in warm weather, I don't remember if it was June or July, with the loft tenants sitting up there, having been at risk of being evicted for several months,

and the final bill we did, late that evening or I think it was a Saturday afternoon, in fact, was the loft renewal.

So -- but my question is this. What's the Loft Law got to do with the budget? Why couldn't we have been dealing with the Loft Law for the last three months that we've been up here so we could do a permanent extender or a three-year or four-year, whatever it is?

I am also glad that the Lower Manhattan extension is happening. It's only three weeks. I hope we have the real thing. I was the sponsor of the Lower Manhattan Commercial Revitalization program in this house. My colleague and the Assemblyman for Lower Manhattan, the Speaker, in the other house, was the sponsor there. I hope we could take up that and do the amendments in the future.

For those reasons, Mr. President, I vote aye.

ACTING PRESIDENT KUHL: Senator Connor will be recorded in the affirmative on the bill.

Senator Padavan, did you wish to be recorded in the negative on this bill?

SENATOR PADAVAN: Yes.

ACTING PRESIDENT KUHL: Okay.

Senator Morahan?

Senator Paterson, to explain his vote.

SENATOR PATERSON: Thank you, Mr. President. Being that I represent an area of Manhattan and am very familiar with the problems of loft tenants, I certainly appreciate the fact that we are going to grant the extension. But I agreed with what Senator Onorato said, that since it isn't going to entail any financial encumbrance to the state, that we might have extended it a little bit more.

Senator Connor's memory is the same as mine. It was a Saturday afternoon. Actually, it was July 13, 1996, when we actually passed the budget that particular year, and we had to come back on the 10th just to extend the life of the loft tenants' rights a few days until we could actually pass the budget.

So knowing that we've gone down a road before, as Senator Connor ably pointed out, it really would be a good time to address it right now.

The other issue about the language of this bill, the specifics between what was actually policy and what is actually continuation of what goes on in our previous budgets of this sort, wasn't entirely clear to me. But I'm relieved enough that I can cast a vote in the affirmative.

ACTING PRESIDENT KUHL: Senator Oppenheimer, to explain her vote.

SENATOR OPPENHEIMER: If I may, Mr. President.

There have been about 20 studies done now concerning adolescent gambling. And we know that there has been a large increase in the number of young people starting at age 12 who are now participating in the Quick Draw gambling. We also know from this study, from these studies -- as I said, about twenty different studies -- that the majority of 12-year-olds now say that they have already gambled.

My concern is now and always is and will be with the children. And to think that because this is encompassed in a single bill I am voting for this is distressing to me -

ACTING PRESIDENT KUHL: Senator Oppenheimer, in the affirmative.

SENATOR OPPENHEIMER: -- because it's the wrong way to go. But I'll be voting yes on the bill, because there are too many provisions that cannot be permitted to elapse.

ACTING PRESIDENT KUHL: Senator Oppenheimer, in the affirmative. Senator Stachowski, to explain his vote.

SENATOR STACHOWSKI: Mr. President, I rise to explain my vote. There's obviously some extenders here. It's a cut-and-dried situation. And I think it's important to note that we would lose millions of dollars if we didn't extend these things, particularly in jury sequestration we would lose money. And I know that the Loft Law is very important to the people that live there. And the Armory piece would lose money. Just about every piece would lose money if we didn't extend it.

And Quick Draw obviously would lose money. But in the area of Quick Draw, you would think that since we only make 25 percent of the revenue for education, and education is the reason we supposedly have it, and it raises $470 million to $500 million a year, somebody else is making a lot more money than New York State and the Education Department. And the sad part is that it's going out of state, and not only out of state, but out of the country, because that company is not even -- it's a British company. So it's kind of interesting that we would be helping them out so much.

If we're going to do gambling, we might as well be honest about it and do a casino gambling legislation piece, do a revenue stream out of that legislation that would go to education and make considerably more money for the state. And at the same time, you could have a stream of money that would at least help support work with problem gamblers that we're developing through all these various revenue sources that we're finding to support education.

I think it would be much more up front, it would be a better way to do it. I'm sure that it would be just as hard to pass as this, but I'm sure you could find some big bill to stick it in. And maybe we could get casino gaming going and at least give the people an opportunity to vote for it. But if we were going do that, do a revenue stream for education and problem gambling, it would make a lot more sense than doing this. Obviously the rules are twisted. People are supposed to watch so kids don't use it. Everybody's been in a facility that has it where the father is sitting with his son or his daughter and letting her pick out the numbers she wants to play, and they're watching the board. And that's technically an illegal betting, but nobody enforces it.

And there's other places that are supposed to have a certain amount of food revenue, and they don't do that either, and nobody goes and enforces that either, unless somebody happens to pick that place out. Then Schenectady will send somebody down, they'll take that place out. And they might be doing

all the rules, but for some reason they had a reason to take them out.

So I just wanted to throw those few comments in about Quick Draw, since I didn't get an opportunity to speak earlier. The fact is, we need to do this extender. The various pieces are too important. The amount of money lost would be too great. Last time I guess we didn't extend Quick Draw because there was a commitment to cover the money. But this time the houses would have to make up the money. They don't want to do $3 million a week, so we're doing an extender. Hopefully by the time this extender is over we'll at least be a little bit forward on doing the budget, and not just another extender.

I vote yes.

ACTING PRESIDENT KUHL: Senator Stachowski, you're voting yes?

SENATOR STACHOWSKI: Yes.

ACTING PRESIDENT KUHL: Okay. Senator Stachowski will be recorded in the affirmative.

Senator Santiago, to explain her vote.

SENATOR SANTIAGO: Thank you. I'd like to address -- thank the sponsor for the Loft Law. He forgot Brooklyn. I think that people in Manhattan are going to be covered, I think through the 30th. And hopefully at some point they will have a permanent residence protection, is the word I'm looking for.

But at this point I'd like to remind everyone that Brooklyn, in the section that I represent, there are approximately 55 buildings that are about 2,000-plus people who, as we speak, are not covered under this extender. I will support this legislation, but I do with the understanding that there will be legislation before this house that I hope that everyone will take into consideration in the same way that we're taking this one into consideration, and to vote in the affirmative when Brooklyn is covered as well.

ACTING PRESIDENT KUHL: Senator Santiago will be recorded in the affirmative.

Senator Smith, to explain her vote.

SENATOR ADA SMITH: Thank you,

Mr. President. I have a reluctance to vote for this bill, based on the havoc that Quick Draw has wrought in our communities, especially communities that are poor and of color. However, based on the need for the extenders for the -- that we've granted for the Loft Law -- and I too have the same concerns as my colleague from Brooklyn, Senator Santiago, that we will work something out that will benefit those people who are not presently covered so that they will be able to remain in their homes that they have -- they may have taken these buildings and made them into something habitable, and they should have the right to remain there. Because of this, I too will be voting in the affirmative.

ACTING PRESIDENT KUHL: Senator Smith in the affirmative.

Senator Stavisky, to explain her vote.

SENATOR STAVISKY: To explain my vote, Mr. President.

One of the most frustrating questions that I'm asked at community forums is education. I thought lottery money was

going for education. Now, as Senator Stachowski indicated, 25 percent of the Quick Draw money is allocated for education, approximately $120 million or so. It seems to me that this is the wrong way to raise scarce education dollars. And instead, as I said yesterday, we should be implementing Judge DeGrasse's decision instead.

I am very much opposed to lottery money, to the Quick Draw and to other forms of quick fixes. However, there are so many good parts that are necessary -- the child health insurance, and all of the other aspects, that, Mr. President, I wish to be recorded in the affirmative.

ACTING PRESIDENT KUHL: Senator Stavisky in the affirmative.

Senator Dollinger, to explain his vote.

SENATOR DOLLINGER: Thank you, Mr. President.

There's an old line, I guess it comes from business -- we often talk about running this house as a business -- and it's very simple: Bad process, bad result. This

is a bad result.

This is an ugly bill. This is a bill that is born of a type of politics based on hostage taking. How do we get a bill through? How do we get all the affirmative votes? We take the Loft Law hostage. How do we get Quick Draw through the State Senate when we know that it would never pass, that the majority of members in this house would vote against it? We take it hostage. We take everything hostage. We throw it into this big, ugly bill and then ask people to support it.

Mr. President, I'm going to vote no. I think that it's time to draw the line on Quick Draw. I'm fascinated, Senator Padavan, you were absolutely correct when you started off talking about Quick Draw five years ago. The first people to get addicted were problem gamblers in our taverns. The second group of people to get addicted were tavern and restaurant owners who now say to us, We need that revenue, we need the fix.

And you know what the third group is, Senator Padavan? It's the 61 members of

this house who are now saying, We need that $125 million, we're fixed, we need our fix of Quick Draw. I would suggest, Senator Padavan, with clairvoyance you predicted this a long time ago. The continuing taint of addiction to Quick Draw gambling has gone near and far throughout this state, and it is now present in this chamber. I think that's a disgrace to this state.

I think that I have to vote against the tyranny of hostage-taking, the tyranny of bad result, the tyranny of an ugly, ugly budget process that today, by voting for this bill, we only make the ugliness acceptable. I am unwilling to do that, Mr. President. I vote no.

ACTING PRESIDENT KUHL: Senator Dollinger will be recorded in the negative.

Senator Schneiderman, to explain his vote.

SENATOR SCHNEIDERMAN: Thank you, Mr. President.

I join Senator Dollinger and others in their sentiments about Quick Draw. I honestly do not understand how this game,

which is identical to games that are played in Las Vegas casinos, doesn't violate New York State's constitutional limitations on gambling. I guess it was litigated. I'm not sure how this possibly squeaked through.

There are other things in this bill that I think are essential for us to extend, so I'm going to vote yes while holding my nose. However, I do think that the political nature of this bill is clearly demonstrated by the differences in the dates for the extenders. The notion that the Lower Manhattan Commercial Revitalization Program should only be extended until April 22nd, the Loft Law until June 30th, the MTA surcharge for four years -- this is a political document. It is not simply an extension of essential financing for the government of the State of New York.

And I think it is a shame that we are not more distressed in this house at being here approaching the deadline, with so little work being done on the budget, and everyone just sort of milling around casually. This is not what we should be doing here. This sort

of delay costs tens of millions of dollars to the people of the State of New York.

And we could at least show a little bit of concern, a little bit of shame at having failed again. Finger pointing at the other house or at the Governor I don't think really is what we should be about. We should be trying to fix this process. It's a flawed process. I will vote yes, but I hope we can do something soon to fix the overall budget process.

ACTING PRESIDENT KUHL: Senator Schneiderman will be recorded in the affirmative.

Senator Montgomery, to explain her vote.

SENATOR MONTGOMERY: Yes, Mr. President, briefly. I'm just quite disturbed and totally in agreement with Senator Padavan on what he I think appropriately refers to as video crack. This is something that is not good. Certainly the state should not be sponsoring it and supporting it and using it as a means of revenue.

However, the parts of the budget -

I certainly would not want to see us lose any of the Child Health Plus benefits that are so important to children in our state, and families. And some of the other important aspects. I have loft dwellers in my district; I certainly would not want them to lose the protection. And hopefully we by June can come to an agreement on the Loft Law that certainly does cover Brooklyn, as my colleague Senator Santiago has indicated.

So for those reasons, despite the fact that I feel that I'm swallowing this very bitter pill, this video crack program, I'm going to vote yes on this budget.

ACTING PRESIDENT KUHL: Senator Montgomery in the affirmative.

Senator Onorato, to explain his vote.

SENATOR ONORATO: Mr. President, to explain my vote.

Mr. President, I too join with many of my colleagues about the misgivings of attaching nonbudgetary items to a budget bill. But there are so many good things in here that we know that we have a responsibility to, to

make sure that the funding goes on for many of the good aspects on here.

I hope that by June 30th, when the Quick Draw is again presented, that it will be presented on an individual basis so that we will have an opportunity to vote against it. Because I certainly don't approve of the Quick Draw aspect that's in this budgetary extender.

And I hope that they also put on the floor the loft bill on its own particular merits, and not for a three-month extender. Because while it's not a budgetary producer for the state, it is certainly a budgetary issue for those people who are living in those loft buildings who are threatened with the loss of their homes. That would be a catastrophe, and it would have a tremendous budgetary -- minus budgetary effect on their lives.

I do vote reluctantly yes on the budget.

ACTING PRESIDENT KUHL: Senator Onorato in the affirmative.

Senator Hevesi, to explain his vote.

SENATOR HEVESI: Thank you, Mr. President.

I too rise with great reservations about the legislation that's before us. And I think all of my colleagues here, and I truly believe some of my colleagues on the other side of the aisle are really distressed about this process and the way it goes. Again, we're in the situation where we're forced to vote on something that should happen. We should do these extenders not for political reasons, just because it's the right thing to do to keep the government functioning. I even suggested last night that if we outlawed these emergency appropriation bills, the political incentive would be built into a system whereby we'd never have late budgets.

But having said that, the fact that we don't have that system in place, we're now in a situation where we've got to do these emergency extenders where -- which are a big mishmash of different policy objectives with different things thrown in there. And has been articulated by a number of my colleagues, there are things that have been put in here

that would never pass this house were they to stand alone as a separate piece of legislation. And that is just disingenuous. And I guess we shouldn't be surprised that that being disingenuous is in any way inconsistent with the disingenuous process that we are currently engaged in. It actually is perfectly consistent.

So having said all that, I'm incredibly saddened and frustrated by this process, though not surprised by it one bit, in light of the need to carry on with the policies and the payment for state employees and the language that's built in here. I'm going to vote for it, but again over the strongest possible objections which I have and many of my colleagues have to this horrible, horrible process.

I vote aye.

ACTING PRESIDENT KUHL: Senator Hevesi in the affirmative.

Senator Duane, to explain his vote.

SENATOR DUANE: Thank you, Mr. President. Earlier today a Senator referred to a woman whose husband doesn't bring home

enough money and that's why she needs to work and work in a place where they have Quick Draw. But I think maybe one of the reasons that her husband doesn't have enough money is he might be throwing it all away on Quick Draw. Because in fact that's what happens day in and day out across the state, that people's hard-earned money just get gambled away in Quick Draw. It's one of the biggest shames of the State of New York that we allow that to go on.

I can't believe that we're doing this bill today right before a real budget for 2002 should get done. I think it's a disgrace that we don't have our act together in this house, and I think it's horrendous that the Assembly went home today without a budget in place.

There was an agreement reached on many items that are in this extender budget. Well, if we can agree on that, then why can't we agree on a real budget? I've said this before. Many of us here come from bodies - city councils, county legislatures -- where the budget is done on time and balanced.

Maybe we should get those three guys out of that room and let those of us who have experience balancing budgets go in and make a budget. I know that there's several people here who would volunteer to do that. I know that I can do it, and I have confidence that they can do it, but I've run out of confidence that those three guys are going to be able to do it. They certainly aren't going to get it done on time. And that is just wrong. That's just wrong.

We can put blame on the other side, and certainly they deserve it. But really we have to be accountable to ourselves for our part in this. And we certainly haven't done enough, because we don't have a budget on time.

As I say, there are so many items that we're agreed on in this extender, why couldn't we have spent the time agreeing on what the 2002 budget would look like? I think it's a complete outrage that loft dwellers are held hostage in this way. It is really wrong. We don't hold people hostage in their homes in any other circumstances in the State of New

York like this. It is really wrong. It's just plain wrong.

I represent probably more loft tenants than anybody in this body. I believe they've really enlivened and rejuvenated many parts of the City of New York. They certainly have helped make New York City a destination which brings in lots and lots of good tourism and tax dollars. That we should be doing this to them is just plain wrong.

I know that those -

ACTING PRESIDENT KUHL: Senator Duane, how do you vote?

SENATOR DUANE: -- people will understand why -

ACTING PRESIDENT KUHL: Senator Duane -

SENATOR DUANE: -- I'm casting this vote -

ACTING PRESIDENT KUHL: Senator Duane -

SENATOR DUANE: I'm going to vote in the negative on this.

ACTING PRESIDENT KUHL: Senator Duane will be recorded in the negative.

Senator Gentile, to explain his vote.

SENATOR GENTILE: Thank you. To explain my vote, Mr. President.

Before I came to this chamber, I would take a look at votes of representatives in my area and would be astonished, be astonished to know they voted yes or voted no on particular pieces of legislation. And certainly that also became an issue when I became a candidate.

But, you know, I have to say, having served in this chamber now for -- this being my fifth year, I've come to understand why some of those votes were yes or why some of those votes were no, given the procedure that we follow in this house where items are lumped together in a kitchen-soup-type budget bill and we're asked to vote yes or no. And as Senator Connor so aptly described before, we don't have the ability to present an amendment to delete a portion of a kitchen-soup-type bill, and therefore we either have to vote yes on the whole bill or no on the whole bill.

And I look at my constituents and consider that if I voted no on a bill of this type, it could very well be said or an argument could be made that I voted no for Child Health Plus or I voted no on the Loft Law, I voted no on some other very good things that are in this extender. Unfortunately, there are some very bad things in this extender, as has been so aptly described by my colleagues here in this conference. Yet I'm forced, as many others are forced here, to vote yes because of the good things in this bill. The bad thing is the process by which we put a kitchen-sink-type bill together and say vote yes or no. And that is -

ACTING PRESIDENT KUHL: Senator Gentile -

SENATOR GENTILE: -- the process that I object to.

ACTING PRESIDENT KUHL: How do you vote?

SENATOR GENTILE: I vote aye, reluctantly.

ACTING PRESIDENT KUHL: Senator Gentile will be recorded in the affirmative.

Senator Sampson, to explain his vote.

SENATOR SAMPSON: Yes, Mr. President. I just want to explain my vote.

I just wanted to make note for the record that I am against, as Senator Montgomery said, video crack. But most of all, I'm kind of dismayed because of the point that the Loft Law does not protect the loft tenants in Brooklyn. My clients who are landlords in Manhattan, they're kind of disappointed that it wouldn't be extended to them, but my clients in Brooklyn who are landlords who own lofts are very excited about this extension. But, you know, I have to advise them to be realistic in this situation.

I will vote for this bill. But once again, I do not tolerate instances where we have to pit one section of the borough against another with respect to Brooklyn and New York. But most of all, when it comes to Quick Draw and video crack, as we may call it, I'm totally against that. But maybe we should take bets on whether or not we'll pass a budget by April 1st. I wonder what the odds

would be on that.

Thank you very much, Mr. President.

ACTING PRESIDENT KUHL: How do you vote, Senator Sampson?

SENATOR SAMPSON: I vote yes.

ACTING PRESIDENT KUHL: Senator Sampson will be recorded in the affirmative.

Senator Brown, to explain your vote?

SENATOR BROWN: Yes, Mr. President, to explain my vote.

This budget process, as I said yesterday, is a bad one. I'm going to continue to say that. Every chance I get, I'm going to say that to my constituents. I'm going to let them know how bad this process is.

Like Senators Padavan, Connor, and Dollinger, one of the things that I lament in this extender is Quick Draw. I don't think it works for people, I think it hurts poor people in our state. When I look at the fact that supposedly it's in there for economic development purposes, as was mentioned on this floor, it doesn't seem to be developing some

of the more distressed areas of our state.

If I could, I would propose an amendment to this bill. But I can't. The kind of amendment that I would propose would be to change the formula for how the money on Quick Draw is paid out. I'd like to see money go for business development and job creation in urban areas and other distressed communities as well as money going to programs to help problem gamblers. So if we must have Quick Draw, let's use the money more wisely than we use it presently.

I probably will vote for this bill even though I don't want to, because, as has been said by colleagues, there are good and needed things in this bill. One thing that I would hate to see not continue is Child Health Plus insurance for poor children and families in this community.

So with great reservation and with great trepidation over this process, I will be voting in the affirmative, Mr. President.

ACTING PRESIDENT KUHL: Senator Brown, in the affirmative.

Senator Bruno, to explain his vote.

SENATOR BRUNO: I rise because I'm listening to others explain their vote, and I've been listening for two hours plus to all of the discussion. I want to, Mr. President, again, while I vote in the affirmative on this, just remind the members here that what we're doing is an alternative to a budget. To keep the state going forward, which is our job. To keep government functioning.

We have no alternative before us, Mr. President, because the Speaker and the leadership in the Assembly, your colleagues, refuse to deal in reality. We are prepared to debate a budget in public this afternoon, tomorrow, through the weekend, in public. We have a procedure in place. But we don't have that option. The Speaker and the leadership and the Majority there in the Assembly are not prepared to get engaged. Why? We're the Legislature, which is our responsibility, because the Governor will not guarantee a veto-proof budget if we send him one between the two houses.

Now, I have shared with the

Speaker, privately and publicly, the Governor's not going to do that when he has an $8.3 billion, over the next several years, proposal over and above the Governor's budget. So it's a nonstarter, it's a no-brainer, it's not reality, it's not prudent, it's not fiscally responsible.

So you ought to use your considerable influence to talk to the leadership there to see if we can't do a real budget, start the process today or tomorrow. We're prepared to do that.

And, you know, you're right, there are things in this emergency bill we'd rather not have in it. You're right. But that's our life. It's not all pure and holy and sanctimonious.

I read in the paper today that for the first time in a freshwater lake of any size, they're going to use Eurasian milfoil. Up in Lake George, in the esteemed Senator Stafford's district. It's a chemical. And they're talking about using that. Why? Because it's a better alternative to the Eurasian milfoil.

You have to make choices. We are voting for this because the large choice is that we are continuing government inaction. We are doing our jobs. And that's why we are supporting what is before us, because it's all that we have to support, Mr. President.

So again, I vote aye.

ACTING PRESIDENT KUHL: Senator Bruno will be recorded in the affirmative.

Announce the results.

THE SECRETARY: Those recorded in the negative on Calendar Number 331 are Senators Dollinger, Duane, Morahan, and Padavan. Ayes, 53. Nays, 4.

ACTING PRESIDENT KUHL: The bill is passed.

Senator Bruno.

SENATOR BRUNO: Mr. President, can we at this time take up Calendar Number 328.

ACTING PRESIDENT KUHL: The Secretary will read.

THE SECRETARY: Calendar Number 328, Assembly Budget Bill, Assembly Print Number 1301A, an act making appropriations for

the legal requirements.

SENATOR CONNOR: Explanation, please.

ACTING PRESIDENT KUHL: Senator Stafford, an explanation of Calendar Number 328 has been requested by Senator Connor.

SENATOR STAFFORD: This -- it doesn't appear that anyone wants to listen.

This bill is a bill that provides for our debt service. And I might add it's a bill through the years that's easy to explain and always -

SENATOR CONNOR: Excuse me, Mr. President. Point of personal privilege. There's too much noise.

ACTING PRESIDENT KUHL: You're absolutely right. You're only four or five or six, maybe eight feet apart, and you can't hear each other. You're absolutely right. Let's take the conversations out of the chamber. Staff, have seats, please. Members, if you wish to exit, please exit. If you wish to come in, please come in. But let's be quiet.

SENATOR STAFFORD: That was

rather shocking, Mr. President, that we have to -

ACTING PRESIDENT KUHL: Well, Senator, I apologize too, because I was having my own conversation up here, some discussion about the Final Four pool and getting into it. I thought that was appropriate, so -- I'm just kidding. Just kidding, of course.

Anyway, Senator Stafford for an explanation.

SENATOR STAFFORD: Thank you, Mr. President. I'll start over -- that door won't stay closed. I don't know. I guess it's the -- is it a full moon?

(Laughter.)

ACTING PRESIDENT KUHL: The next full moon is April 7th, Senator Stafford.

SENATOR STAFFORD: Mr. President, you keep track like I do.

On a serious note, this bill, through the years, has been easy to explain, as it is this year. And as I recall, it usually passed with little or no discussion.

What this bill will do, it will allow us to meet the existing legal

requirements for the payment of state debt service obligations during fiscal year 2001-2002. The bill contains all of the Executive's recommended appropriation levels for those purposes. The appropriation authority totals $5.3 billion for the payment of interest and principal on general obligation bonds, contractual and lease obligation payments of the state, and for certain state entities.

ACTING PRESIDENT KUHL: Senator Connor.

SENATOR CONNOR: Thank you, Mr. President. And thank you -- through you, Mr. President, my thanks to Senator Stafford and the thanks of all my colleagues here for his patient explanations, not just the one we just heard, but throughout the day and yesterday afternoon as well.

Back in past years when we had these budget impasses, we didn't deal with the debt service budget either until the whole budget was resolved. And going back three or four years ago, our former colleague Senator Manny Gold, who was then the ranking Democrat

on the Finance Committee, came upon the idea that, you know, at least we ought to do the debt service bill, because what choice do we have? We have to pay our debts, we have to pay the interest.

That, in his view and our view then, was what Senator Stafford just described. You take what the Executive sent down for debt service, it's just a matter of paying the bills that come due.

And to the great credit of the Majority, and of Senator Bruno and Senator Stafford, they took that idea, the other house took it, and we've been doing that these past few years. And it usually passed unanimously in a minute or two, because we all took it at its word. Nothing new in here, it's just debt service. The view we all had is we're just paying the tab that came due on past bond issues and borrowings.

And, Mr. President, that's what I believed yesterday, until I did something that I truly confess I have never done before on a debt service bill. I don't want to shock anybody, but I read it. And I found out that

it's not just paying the interest on past debt. Bond issues that we all knew, some of them frankly pretty shady back-door borrowings under not just the last administration, but this one.

There's more in this debt service bill than just paying interest and principal. There's appropriations in here, of hundreds of millions of dollars for new debt. New debt. And later, Mr. President, I'll address the big picture on debt. But I learned about something that I didn't know or understand: COPs. And I don't mean police officers. I mean a new device that sounds so familiar to me as a resident of New York City in the early '70s, a new device called certificates of participation that has evolved in these past years.

This is a page from an official publication of the Division of the Budget that reflects some uses of borrowing. These so-called certificates of participation are borrowings that we authorize and that indeed in this bill before us we will be authorizing.

What do you borrow for? Oh,

capital needs. You borrow for capital needs. That's what they always say, capital needs. Once upon a time -- and I know, Mr. President, that Senator Marchi well remembers this -- and he was ahead of his time when he was a candidate for mayor -- and I'm proud to say he was then my State Senator when I first moved to Brooklyn -- and was pointing out these problems. Regrettably, he wasn't taken seriously. Because when you talk about debt, Mr. President, you talk about borrowings and all these fiscal matters, frankly, it's over the public's head in a lot of ways. Seems rather esoteric. Hundreds of millions, billions, whatever it is, debt.

But, Mr. President, that's where our responsibility as legislators comes in, to read this and understand this and to be fiscally prudent on behalf of the people we represent and future generations. Because runaway debt has a real impact. The runaway borrowing to pay for day-to-day expenses by the City of New York in the late '60s and early '70s had a real impact. It cost our schoolkids when the piper had to be paid and

there had to be cutbacks in education. It cost New York City public schools things that they've never yet restored, like athletic programs in the high schools and so on. It's cost decades of our kids because of that fiscal crisis.

We say we solved it. Yeah, we solved it, the city didn't go bankrupt. But we didn't solve it in the sense that we never restored to 25 years' worth of high school kids the opportunity to have real phys ed classes, to have schools that weren't falling down, because there was no ability to pay as you go. In fact, there were cuts. It cost us in ways -- in our parks, trees that are irreplaceable died and they're not there now for my kids to enjoy because we had to cut back on parks budgets. It cost the citizens in crime because the police department was cut back to levels way, way back that they've only recovered from, frankly, since we did Safe Streets legislation under Mayor Dinkins, and it's been carried out by Mayor Giuliani. And we've got a handle on crime in the city. It's down. But it cost us, that fiscal

irresponsibility.

So, Mr. President, I feel obligated to speak up and tell my colleagues something they may not know. Certificate of participation, it's a debt -- it's in the debt service, in disbursements here. The COPs debt service disbursements will rise from $119 million up to $209 million, a 75 percent increase over the current fiscal year.

And what is the Executive using these certificates of participation, what's this borrowing for? Photocopiers and imaging systems, PCs and printers, upgrade switches. Passenger vehicles, $24 million. We're borrowing money, we're authorizing them to borrow $24 million to buy passenger vehicles.

Okay, sounds like a car loan, Mr. President. People borrow money to buy cars. But you don't have a loan that lasts seven years. You don't buy $24 million in passenger vehicles that end up costing you in interest. $3,908,000, you don't pay it back over seven years. You don't pay -- you're not going to use those vehicles for seven years. Why are you borrowing and paying for them over seven

years? That's what we're authorizing in this bill.

The total tab here is about $300 million. The total interest tab is $99 million or so. These are rough numbers, but it's here. Desktop computers, Internet initiatives. What are we borrowing for this? Furniture and other office equipment, $8 million. We're borrowing and paying interest?

The big fight about avails, the Governor says, oh, I don't know, the surplus is a billion, the Majority says it's a billion and a half, the Assembly says it's 2 or 3 billion. But nobody doubts that we have multihundreds of millions, well over a billion in surplus.

So why are we authorizing in this bill the Executive to borrow, for furniture, $8 million? There's not enough money to go out and buy for, the Unified Court System, $8 million? By the way, OGS, the cars were; the furniture is Unified Court System. They've bought into this now too. The Executive's been doing it for a few years.

But we've been authorizing it in this thing we put through before we ever do the budget, and it's always on time, it's just debt service. Well, it's not just debt service. There's new debt in here. Hundreds of millions of dollars for things that simply are not, in my opinion, the kind of thing you ought to borrow and pay back over seven years with all the interest cost involved. I'm looking here at about 90 some million dollars worth of interest, to buy $300 million worth of stuff that in my opinion we ought to just go out and buy if they need it.

You know, PCs and printers, personal computers and printers. Due to the good influence of my children a few years ago, I have a PC. I bought a PC back then, they tell me it's junk now, they have new PCs. The fact is, anybody who buys PCs knows they're outdated in, what, three years? Three years is pushing it. They're outdated before you get it out of box, Mr. President. But you're not going to keep using it seven years later. Why are we going to be paying for it seven years later, with interest?

Mr. President, where are my fiscally conservative colleagues? I'm not passing blame. Nobody read this. This has been slipped by us year after year after year, under the guise of debt service, when it's new debt and it's new debt for things that ought to be paid as you go, particularly since we've had budget surpluses these past years.

Now, I know, Mr. President, it's not fashionable to talk about debt, debt, debt. And I coined the phrase, and I admit it, it's political. It's political. You know, I've been called, oh, tax and spend Democrats, tax and spend Democrats. Well, frankly, frankly we have -- these past years, in this Capitol, we have a new type of political person. The borrow and spend Republicans is what I call them, Mr. President. I know it's labels. But we ought to think about that.

We ought to think about that the fact that, since Governor Pataki became governor, that state-supported debt has increased by 39 percent. We ought to think about things like these gimmicks, this

certificate of participation debt service rising 75 percent in one year. The new issuance rate is five times over -- the new issuance rate on these certificates of participation, five times what it was last fiscal year. We're set to issue $308 million in new COPs debt while retiring $204 million.

It's getting worse and worse and worse. And we're letting it happen because, oh, it doesn't seem big. Hundreds of millions of dollars of debt for things like desks, automobiles? It's just crazy. We ought to just buy them. We have the money. Save the interest. Who are we making rich here, bankers? We're now going to pay all this interest, tens of millions of dollars in interest, to bankers for things that we could buy -- frankly, Mr. President, that we could buy pay as you go if they're really needed.

Mr. President, what is this Legislature doing with its fiscal oversight? Maybe we're fighting about these big things and having late budgets because the three men in a room -- I don't expect the three men in the room to be looking at sheets like this and

saying why are we buying desks and equipment and borrowing? But somebody ought to be looking in this Legislature. Mr. President, maybe this 80 whatever it ends up -- $81 billion, $82 billion, $83 billion budget is too big a job for three men in a room. Oh, maybe we need to bang heads and get the billions for school aid, right, and this and that. But somebody is not scrutinizing a couple of hundred million dollars here and there.

I cannot believe that my colleagues on either side of the aisle would ever vote to incur seven years' worth of debt and interest payments to buy these kind of items that ought to just be purchased by OGS as part of their normal bidding out of state appropriations, pay as you go.

The big picture on debt -- the big picture on debt, by the way, I know there used to be that thing in Manhattan, that clock that showed the national debt, spinning away. Well, just a couple of years ago, it stopped spinning the wrong way and started spinning back the right way and lowering it. And for

all the rhetoric, I remember when Ronald Reagan -- a great president in many ways - ran for office and talked about getting the national debt under control. And under his reign, it tripled or quadrupled, quadrupled, to the trillions, without a big war or without any reason in the past history of this country we incurred debt.

And under President Clinton - whatever you may fault him about, the first administration in 60 or 70 years to halt the growth of the national debt and to turn around and start reducing it and produce federal budget surpluses. And it meant a lot, Mr. President.

I talked earlier about consequences, about how Senator Marchi was right and no one listened. And years later, oh, the city almost crashed. And how real people paid a real price for that in the education of children, the safety of their streets, the quality of their lives, the quality of their housing and everything else.

Well, real people benefited from that fiscally prudent Democratic eight years

in Washington. Real people did. Because instead of the bankers keep making more and more in interest, there was money available to focus on things like education and health care and other things that we as a government ought to be doing.

Mr. President, our constituents don't want us to make investment bankers, investors, and bond counsels richer. They don't view that as our job. They want us to spend their tax money on their needs - education, health care, providing dignity for our senior citizens, prescription drugs. They don't want us to pass their tax money over to those who already have plenty.

And that's what we do when we incur debt. We just got the census, Mr. President, a couple of weeks ago. Good news, New York grew. What did we come to, 18 million? California is what, 32 million? Okay. Well, the total net tax supported debt in California is $21.67 billion. $21.7 billion, and they have over 30 million people. New York State's net tax supported debt is $37 billion and growing. The Executive projections are by the

end of next fiscal year it will increase by $1.36 billion, 3.7 percent. That's before the end of this fiscal year that we're now entering on Sunday. We have far more debt than California does.

And you know what the number-two debtor in America is among states and localities? New York City, at $31 billion. New York State, $37 billion and growing. It will be $38.4 billion by the end of the coming fiscal year. New York City is at $31 billion. And the state of California is at $21.7 billion. Massachusetts, $16 billion, New Jersey, $14 billion, Florida, $13 billion, Connecticut, $10 billion, Illinois, $9 billion. MTA -- Metropolitan Transportation Authority, state agency, $7.8 billion. More debt than all the rest of the states but for the ones I've named. Then we have Ohio, Washington, Pennsylvania, and Texas. Oh, and the TBTA, Triborough Bridge and Tunnel Authority, comes in at $5.4 billion, more than most of the other states. And not to be forgotten, we get Georgia, Maryland, Michigan, Virginia, Hawaii,

Wisconsin, Kentucky. And guess who's next? Nassau County, New York, $2.7 billion.

The top of the list nationwide, New York State has New York State, New York City, the MTA, the TBTA, and Nassau County.

We've had some great years economically in New York. What's going to happen when we don't? Who's going to pay the piper? Debt service. Our localities, oh, they're going to support us? The state gets in trouble because of our debt growth, our unrestrained debt growth, our revenues suddenly go down? The sad part, Mr. President, is if we hit tough years, if the economy goes down and our revenues go down, we still have to pay for tax cuts locked into law that haven't kicked in, because we haven't done them on a pay-as-a-you-go basis.

And we have to pay -- not the COPs, not the certificates of participation. That's something new we're authorizing in this bill. But we do have to pay the nearly $5 billion in interest and principal in the debt service bill here. And then we have other obligations in federal funds and so on. And we end up

with a few billion dollars from which we can extract whatever deficit we end up with in some future year. And I have been here long enough to see years where we were three and four billion dollars in the hole. And you have to take that out of not the $83 billion or $82 billion budget, you have to take it out of $7 billion or $8 billion that is really all we have any real discretion over.

So what happens? The kids pay, the parks pay, the senior citizens pay, education pays, highways pay. In this debt service bill, Mr. President, we are authorizing borrowing of about $500 million for highways, I believe. And elsewhere in there, we're doing a dry appropriation, nearly $300 million, while we're borrowing $500 million for the same purpose. Hello, why aren't we just eliminating that $300 million of that borrowing and paying our tab?

The fact is that debt in New York State -- and our State Comptroller has pointed it out in reports year after year, his concern for the level of debt in this state -- has just run out of hand.

Now, when I say that New York State's tax supported debt is growing and will grow to a total of $38.5 billion -- that's just the state tax supported debt -- by the close of this coming fiscal year, these are the Executive's projections. Oh, what about full faith and credit? What about the voters? Of $38.5 billion in state tax supported debt, only $4 billion of it have been approved by the voters of this state. And it's no wonder, Mr. President, that the last bond issues have all gone down. But we don't listen to the voters, and we subvert the constitution with back-door borrowing. $34.5 billion of it is back-door borrowing, borrowing it through authorities, guaranteeing it with state tax revenues, a practice that was rhetorically condemned by everybody for decades, but we're still doing it.

By the way, if you add what the authorities borrow and owe, secured by their own revenues, not by tax revenues, you're up at about $100 billion. You're up at $100 billion in state debt between our authorities and our tax supported debt. A

hundred billion. And that doesn't include New York City, Nassau County.

Mr. President, we're being fiscally foolish here. We're making a lot of investment bankers, bond counsel and what have you very, very wealthy, at the expense of the future of our children and education.

Mr. President, I learned something in that New York City fiscal crisis. Up until then -- and I was younger then -- I thought, I'm a very progressive -- actually, you could call yourself a liberal then, Mr. President. It was okay. And I thought, oh, well, liberals borrow, we're going to do all these great things with it. That taught me something. If you're really progressive and you care about the future and you care about investments in the future, whether it's in the environment, education, health care, providing for seniors, meeting our responsibilities, our social responsibilities to those in our society who need it, then you must be fiscally prudent. Because fiscal recklessness costs those very people, those very people we are all sworn to serve.

And I am really disturbed about this. I am disturbed that in past years, based on a good idea that Senator Gold had - let's do debt service right away, there's no discretion in there. And I went along with it, we all did, unanimously passed. Debt service. As Senator Stafford said, Mr. President, this is the Executive's debt service proposal. We all take it at full value. Well, we've got to pay that.

Well, there's stuff in here we don't have to do. There's stuff in here that isn't paying for past debt. There's new stuff in here. There's new debt in here for things like automobiles for OGS. What are we doing? Why are we being rolled over by the Executive this way? We're being rolled, Mr. President, by the Executive. On the big picture we're being rolled because this Legislature won't get together and use the talents of all of its members to produce a budget and then stand behind it in a bipartisan way, stand behind that budget in the face of the Executive. That's the big picture, where we're being cowed by the Executive. And in the little

picture, we're swallowing a couple of hundred million dollars in reckless, reckless borrowing for things that should not be financed, that nobody should make a nickel of interest on.

Mr. President, it's really a serious issue, this debt issue. And I'm kind of glad, obviously -- why did I read it? Because we've announced we want to fully debate all bills. But I learned something when I read it. I learned we're being had, Mr. President. We're being had in this debt service bill. We're being had on the issue of debt. We're hearing from the Second Floor the rhetoric, the rhetoric of fiscal responsibility, and we're seeing the reality of a 37 percent increase in debt.

When we already have, by far and away -- on a per capita basis, it's more disturbing where we've been and where we're going. On a per capita basis, New York debt per capita is $2,022 in 1999. Per capita. That means every man, woman, child, and infant in New York State, that's the per capita debt. The national mean for per capita debt, $727.

As a percentage of personal income, as a percentage of personal income -- and I'm only talking the state tax supported debt. I'm not addressing New York City, Nassau County, or the authority debt. I'm only really talking about the $37 billion or $38 billion, not the hundred-billion-dollar tab that the authorities are running. On the tax supported debt by personal income, 6.2 percent, 6.2 percent of our personal income is encumbered this way.

If you look, Mr. President, at the growth of state debt as -- in 1969 and '70, state supported debt was 5.6 percent of personal income. The interesting thing, Mr. President, and where the rhetoric, where the rhetoric never matches the reality, if you go ahead, '74-'75, it was 6.5 percent. Now, let's get to the infamous Cuomo years. '81-'82, 3.8 percent. '83-'84, 3.8 percent. 3.5 percent in '84-'85. '85-'86, 3.4 percent. '86-'87, 3.5 percent. The next year, 3.5 percent. Up until 1990, 3.5 percent. Yes, it grew. In '90 and '91, 4.1 percent. And in '91-'92, 5.1 percent. And then it took off,

it took off. 1994-5, 5.9; 95-'96, 6.2. Then 6.3. Then 6.25 percent. 1999-2000, 6 percent.

The rhetoric doesn't match the reality. As a percentage of personal income, in these past years the percent has gone up, the percent of our debt. Yet our revenues have gone up, our -- the income of the state has gone through the ceiling in those years. Yet the percentage of that income that's encumbered by debt has increased. That's the reality, Mr. President. The rhetoric is all politics. The reality is the numbers. It's gone up.

State supported debt service as a percentage of all funds. Now we do all funds budget; right? Well, let's go back to some of these Cuomo years. '86-'87, 2.5 percent. 2.5 percent, 2.5 percent, in the next years. '89-'90 went to 3.5 percent. '90-'91 went to 3.2 percent. '91-'92, 3.7 percent. '93-'94, 3.9 percent. '94-'95, 4.1. Oh, now the Pataki years. '95-'96, 4.4 percent. '96-'97 4.5 percent. '97-'98, 4.8 percent. '98-'99, 4.8 percent. '99-2000, 5 percent. And that's

where we're stuck, 5 percent. Debt service is five percent of all funds. It's gone up. It's gone up. Gone up dramatically. It's doubled. It's doubled. It's doubled since 1986. And the big jump has come since 1995.

Mr. President, we're going in the wrong direction on debt. We've seen -- we've seen this before in New York State. Indeed, I talked about the New York City fiscal crisis. Never forget, Mr. President, that at that time the state tottered on the brink of insolvency because of the full faith and credit -- or, I'm sorry, the moral obligation bonds in UDC, in which the investment public lost faith because of the New York City crisis and some other things. And indeed, it wasn't just, you know, people talk. And the great Warren Anderson, together with the people who were here then, like Senator Marchi and the then Speaker Steingut and Governor Carey, and they saved New York City. And Senator Stafford voted for it.

And the fact is, they saved New York City because it was the right thing to do. But they had to do that to save the state

at the time, to save the fiscal integrity of the state. And now we're headed down that path. Runaway debt. Runaway debt, the responsibility rests right here in this Legislature, because it represents a lack of self-restraint, lack of self-control, and a lack of paying attention to details.

How can we approve this, Mr. President, when there's $300 million worth of borrowing for what ought to be ordinary expenses, annual expenses? Why are we authorizing the Executive to do this borrowing and pay interest? Oh, the interest, 5.45 percent interest on all these COPs borrowings. That's what we're going to pay over seven years. So that the total payment will just grow and grow.

Mr. President, more people should read this bill. More people in this chamber should understand it's not just routine debt service. We're not just paying interest on debts. More people should understand we're actually making appropriations here to cover new debt. New debt that we don't even know we're allowing to be created. New debt for

some of the very wrong things that you ought to incur indebtedness for.

And, Mr. President, we really ought to get a handle on New York's debt system. I know we're going to hear from the Executive that Standard & Poor's gave New York a two-step upgrade. I know there are proposals for constitutional amendments to cap debt and do all sorts of other things and end back-door borrowing. But all this back-door borrowing, Mr. President, just didn't happen. This Legislature authorized it all over the past dedicate. This Legislature voted for it. Sometimes you voted for it because it was in a big, ugly bill as part of the budget, and you had to make the Hobson's choices that my colleagues have talked about when they described their interest in preserving loft tenant protection versus their disdain for Quick Draw.

This debt is a product of the dysfunctional budget process in New York State. It is a product of compromises late in the summer to finally get a budget. This back-door borrowing is a compromise. One side

or the other wants it because they need spending in a dysfunctional -- this debt, Mr. President, is a product of three men in a room doing a budget. And I don't just say it's the three men who are now in the room. It's a product of that process, because a few years back there were three different men in the room with a budget, as Governor Pataki pointed out in his first campaign for Governor.

This runaway debt is not just because the Legislature lacks self-control, it's because the Legislature has no control. The rank and file members have no control over this process anymore, as they once did. No control over the process. It's dished up to us late. It will clearly be very late this year. I've heard, Mr. President, our Majority Leader talking about, well, it won't get done until September. Mr. President, those kinds of things become self-fulfilling prophesies. If you believe the budget won't be resolved until August or September, you're probably right. If you're one of the three men in the room and you believe the budget won't be resolved until August or September, Mr.

President, regrettably, that person is undoubtedly right. Because it's indicating a willingness to get it done that late to get what you want.

Mr. President, our dysfunctional budget process isn't just, oh, the budget was late but we'll pass it in August, we'll all get paid, eventually school districts will get their money. Yes, some agencies under local assistance and so on will incur a little bit of interest charges to carry them over. Some school districts will be disrupted because they couldn't plan properly. It's not just that.

It's taking us into a terrible hole, a terrible debt hole. Because at the end of that process, there are so many quick compromises that back-door borrowing, just another half a billion, just another 600 million, just another billion and the Governor gets to spend 500 million of it and each Majority gets to spend 250 million of it, and we'll tell you, yeah, it's for, I don't know, capital programs, we'll tell you later where it's going. That's what we've been

doing.

And we're digging that hole deeper and deeper and deeper. And the debt service as a percentage of all funds has gone up and up and up.

Mr. President, on this bill, I'd ordinarily vote yes, because, hey, you know, we borrowed this money, we have to pay the interest. But since there are new appropriations and new authorization in this for new debt, for things like automobiles, I'm going vote no, Mr. President. On this one, I'm voting no.

ACTING PRESIDENT MEIER: Senator Onorato.

SENATOR ONORATO: Will Senator Connor yield for a question?

ACTING PRESIDENT MEIER: Senator Connor, do you yield?

SENATOR CONNOR: Certainly.

ACTING PRESIDENT MEIER: Senator Connor yields.

SENATOR ONORATO: You opened my eyes today on something that I'm here 18 years and I was never aware of this here. I was

always under the impression that debt service was for the money that we actually owed.

Now you're telling me here now that we're actually borrowing money that's going to take us seven years to be purchasing automobiles, and we currently have somewhere, depending on whose figures you use, anywhere from a $2 billion to $5 billion surplus.

Why in God's name would we be borrowing money when we have a surplus? I mean, we wouldn't do that at home. If we have money in the bank, we wouldn't go out and borrow money where we got to pay 9 or 10 percent interest on it. What possible justification is there for borrowing that kind of money for those kind of expenses? I'd like the rationale for it.

SENATOR CONNOR: Mr. President, Senator Onorato asked the question. There is no good rationale.

It's akin to a household that's in debt that has three credit cards maxed, that owes a big mortgage and a car loan. And, lo and behold, a rich old uncle or a great-uncle leaves them a couple of hundred thousand

dollars. Do they pay off the mortgage? Do they pay off the car loan? Do they pay off the three credit cards? No. They actually, because they have some money now in the bank, get the three credit card companies to double their line of credit, trade in the car and buy a bigger car, with a bigger car payment, and go spend the $200,000 the rich uncle gave them and then start charging on the increased lines of credit.

That's what the State of New York has been doing, Mr. President.

ACTING PRESIDENT MEIER: Senator Paterson.

SENATOR PATERSON: Mr. President, if Senator Connor would yield to me for a question.

ACTING PRESIDENT MEIER: Senator Connor, do you yield to Senator Paterson?

SENATOR CONNOR: Yes, Mr. President. I think I should learn what it feels like to -- no, I'll be happy to answer a question.

ACTING PRESIDENT MEIER: Senator Connor yields.

SENATOR PATERSON: Senator, you talked about our colleague who served here for a number of years and was your ranker on Finance, and you were talking about Senator Emanuel Gold and how he suggested this back in '96, which was his first year as the ranker, and in '97.

And let's go back to that first budget, the first debt service we ever did. In that, we passed the CFAP legislation, the Continuing Enhancement Facilities Assistance Program, $425 million, much of it for good measures. $100 million of it went to refurbish the Buffalo stadium, they've done street lights, and they've also, you know, paved the parking lot at the Little League and that kind of thing. And those would be good debts.

But the same office supplies and little items that you could just buy with the surplus which we had at that time got bought the same way as this was. And here we are in 2001, we've just about half paid that off, but the debt service for that allotment, which really there were three ways that that

allotment was distributed, the Governor decided what to do with a third of it, the Majority Leader got a third of it, the Speaker got a third of it.

So here we are, we've about halfway paid it back, we're about five years later, and yet the debt service for that is going up.

So my question is, are you aware that even in these original debt services, that we thought we were just paying back the debt and that you and I and Senator Gold and Senator Onorato and a number of our colleagues on the other side of the aisle relied on in good faith, we were really relying to the detriment of the taxpayers of the state? Because here we are in many respects refinancing a debt that goes to pay for supplies that the money is sitting right there.

Now, to be fair, the Governor has talked about converting $60 million of that to cash. But we as the Senate and Assembly haven't even addressed it in our one-house bills this session.

SENATOR CONNOR: Mr. President,

Senator Paterson raises the point. This has been going on these past few years. I have to confess, I was not focused on it and unaware of it. We did believe that debt service meant for paying for debt that we were all aware of.

This practice, this practice, though -- I mean, runaway debt is one issue. You have to be able to handle paying that back and look at the future consequences of it. But the practice of paying for what should be expense items in accounting terms, expense items by capitalizing them, is a road to disaster. It was a road to disaster in the late '60s and early '70s for New York City, and it's a road to disaster for the State of New York.

ACTING PRESIDENT MEIER: Senator Paterson.

SENATOR PATERSON: Mr. President, one final question, I promise, for Senator Connor.

ACTING PRESIDENT MEIER: Senator Connor, do you yield?

SENATOR CONNOR: Thank you, Mr. President. I'd be happy to.

ACTING PRESIDENT MEIER: Senator Connor yields.

SENATOR PATERSON: I want to ask him, because I am shocked, I'm really appalled when I hear that the largest debtor, tax-sponsored debt in this country belongs to New York State at $37 billion, when in fact we have roughly, I'd say, three-quarters of the population of California, who has $16 billion less debt, and that the second on the list is New York City at 31 billion.

Then you listed some states, I guess you got down to number six or seven on the list before you got to the Metropolitan Transit Authority. Then you went down four or five more states, and then you got to the Triborough Bridge and Tunnel Authority. Then you gave us a few more states -- some of them were pretty large states, if I remember -- and then you got down to Nassau County.

Just generally, if you were to add up all those numbers, because it's all New York, how would you assess in gross numbers all of the debt that exists in the entity of New York when you put together its local

governments, its municipalities, and its other institutions?

SENATOR CONNOR: Well, I think what we're looking at here -- and I don't know every locality, obviously, in the state. But just adding up the big ones, through New York City, and adding them to that number that - the state-supported debt plus the authority debt, which is about a hundred billion, we're talking about here about roughly $150 billion.

And frankly, that's not including any debt smaller counties may have, no debt of any counties except for Nassau County. So excluding all counties but Nassau County, it's $150 billion. And it's virtually more than all the other states in the United States combined.

ACTING PRESIDENT MEIER: Senator Stavisky.

SENATOR STAVISKY: Is there somebody who can answer a question for me concerning this bill, Mr. President?

SENATOR MARCELLINO: Mr. President, Senator Stafford will be back in a moment.

ACTING PRESIDENT MEIER: Senator Stavisky, would you like to wait for -

SENATOR STAVISKY: Perhaps Senator Connor can answer the question for me.

ACTING PRESIDENT MEIER: Are you asking Senator Connor to yield for a question?

SENATOR CONNOR: Mr. President, why are they doing this to me?

ACTING PRESIDENT MEIER: Senator Connor, will you yield to Senator Stavisky?

SENATOR CONNOR: I'd be happy to yield, Mr. President.

ACTING PRESIDENT MEIER: Senator Connor yields.

SENATOR STAVISKY: Senator Connor, you spoke about -- Mr. President, Senator Connor spoke about automobiles and computers and the like. I wonder, Mr. President, if Senator Connor can tell me what the useful life is, the way we generally figure out the number of years that we're going to engage in a borrowing practice, for a car.

SENATOR CONNOR: Yes, Mr. President. For accounting purposes, an

automobile is usually written down, so to speak, over a five-to-seven-year period. But from a fleet management standpoint, the practice is usually to trade in cars, usually no later than after three years because of the economies involved in the trade-in at that point and avoiding repairs and maintenance costs that go up.

So while just for accounting purposes they often carry it out over five to seven years, the real fleet maintenance practice is usually at three years.

And as I said, Mr. President, in terms of computer equipment, furthermore, when we're talking about PCs and things like that, in my own personal experience, not just at home but some other organizations that I have responsibility for, one political organization where I thought when I became leader six years ago that, gee whiz, we're going to spend $35,000 and have computers, and my people told me about a year ago we need all new computers. What happened to the other? And the answer is they're really not very good more than three or four years.

So computers, generally businesses are looking to upgrade after three or four years.

SENATOR STAVISKY: Thank you, Mr. President. I do have a question for Senator Stafford.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield for a question?

SENATOR STAFFORD: By all means.

SENATOR STAVISKY: I have two questions, really. Just two questions.

Senator Stafford, I'm troubled by what Senator Connor has spoken about, about the increase in the borrowing in the sense that we are in a sense appropriating money here in this debt-service section of the budget. Can you respond to the points that Senator Connor raised?

SENATOR STAFFORD: I certainly will. And I also would like to thank Senator Connor for answering questions here in this very, very difficult field. And I can see that he understands how taxing this is, no pun intended.

On a serious note, actually there

is money made available to pay the debt, the interest, but any authorization for what that will be spent for has to be in the main budget bill. So I think we should point that out. Any new programs or any new authorizations, anything new, any new cars or anything you're going to buy.

SENATOR STAVISKY: But, Mr. President, if the Senator would yield.

ACTING PRESIDENT MEIER: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: The Senator yields.

SENATOR STAVISKY: Senator Connor indicated that there were -- I don't have the section that Senator Connor was referring to in the bill, but apparently there are appropriations for cars and computers and the like.

SENATOR STAFFORD: Yeah, that's exactly right. But that's already been authorized in the previous budget. And therefore, there are no new authorizations in this budget.

SENATOR STAVISKY: If the Senator would yield for one last question.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: He yields.

SENATOR STAVISKY: On page 14, the last page of this budget bill, there is $95 million appropriation for a special contractual obligation payment to the Dormitory Authority. The Dormitory Authority, as I understand it, assumed the contingent obligation authority of that medical care facilities -- I don't remember, it's an acronym. How much has been used of that $95 million?

SENATOR STAFFORD: Before answering exactly, I have to make this point also. This will be a little inside for those of us who have been here for a while. But Senator Connor now can be the Harvey Strelzin of the Senate. Harvey used to read every single bill.

SENATOR CONNOR: In the bathtub.

SENATOR STAFFORD: That's right.

SENATOR STAVISKY: No, Assemblyman Strelzin announced on the Assembly floor one day that he took a bill back to the old DeWitt Clinton Hotel with him, he read the bill in the bathtub, in a tub filled with hot water, Mr. President, and Assemblyman Strelzin announced that bill was so bad the bathwater turned cold.

SENATOR STAFFORD: Harvey was quite a fellow.

This is a dry appropriation.

(Laughter.)

SENATOR STAFFORD: I was serious. A dry appropriation.

SENATOR STAVISKY: Could you explain to me -- well, I know what -

SENATOR STAFFORD: Just a second.

SENATOR STAVISKY: While Senator Stafford -- Mr. President, if I could explain my concern, my interest in this bill, perhaps I can explain a little bit -

SENATOR STAFFORD: What it is, Mr. President, no cash will be used. It's there in case it's needed, but it's not

expected it will be used.

SENATOR STAVISKY: And none has been spent up to now?

SENATOR STAFFORD: None has been spent, no.

SENATOR STAVISKY: Mr. President, on the bill.

ACTING PRESIDENT MEIER: Senator Stavisky, on the bill.

SENATOR STAVISKY: The reason I asked that question is that there's a hospital in Queens that was categorized as a depressed -- a distressed hospital, Flushing Hospital. It eventually, if my memory is correct, went into bankruptcy. And I was curious as to whether any of the funds have been used to help distressed hospitals such as Flushing Hospital, and that was the thrust of my question. And you've answered it, and I thank you.

ACTING PRESIDENT MEIER: Senator Schneiderman.

SENATOR SCHNEIDERMAN: Thank you. Thank you, Mr. President. If the sponsor would yield for a question.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield for a question?

SENATOR STAFFORD: Yes, Mr. President.

ACTING PRESIDENT MEIER: The Senator yields.

SENATOR SCHNEIDERMAN: I share the concern that Senator Connor and others have expressed here for the runaway debt for the State of New York. And I note that in addition to state-supported debt, there is a serious problem with debt of New York's authorities. Are you aware whether or not the revenue of the Metropolitan Transit Authority and the TBTA have increased over the last five years or decreased?

SENATOR STAFFORD: They have been increased gradually. I don't know the rate.

SENATOR SCHNEIDERMAN: Through you, Mr. President, if the sponsor would continue to yield.

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: In fact,

my understanding is that in the case of the MTA there has been an extraordinary increase in revenues due to the increase in ridership. Why is it, then, that the MTA's debt during this period of an expansion of its revenue has continued to grow?

SENATOR STAFFORD: I am very pleased to answer that question, because we in the North Country are very pleased that we are making railroad cars and we are selling the railroad cars to the MTA. They're automatic. I think you'll find that, you know, just very, very enjoyable.

That's the reason, I would suggest, that there have been equipment purchases. And we of course hope that we'll be able to continue to improve the equipment for the MTA, the rail equipment.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President, if the sponsor will continue to yield.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: The

Senator yields.

SENATOR SCHNEIDERMAN: And I note that the North Country cars are also graffiti-proof, which I think is a significant contribution to our quality of life.

My concern, though, is why these are being paid for with debt, increasing debt during a period when operating revenues have expanded significantly. The actual annual budgets of the MTA, as far as state appropriations, have in fact gone down. So the debt has gone up even though the revenues are increasing. Do you have any explanation for that?

SENATOR STAFFORD: Now, this is very sensitive which I am being about to say. And I shouldn't go here. I shouldn't even mention this. But someone who goes to work and rides the MTA to work and from work, I believe that costs $3.

Is that right, a dollar and a half? Well, I take the subway all the time. It's a dollar and a half. So that makes it -- is that $3? Right. Right.

Now, some of my friends from

upstate are scowling. I understand why. Those who drive to work and come home, it's very often, often, much more than that.

So I'm suggesting that the revenues are such because we have such a very reasonable fee there that we need to do what we are doing in order to provide the equipment that is necessary.

SENATOR SCHNEIDERMAN: Thank you. Thank the sponsor for his answers.

I have another issue I want to address. But let me -- I want to speak, if I may, Mr. President, on the bill on this subject.

ACTING PRESIDENT MEIER: Senator Schneiderman, on the bill.

SENATOR SCHNEIDERMAN: Because I do not know much of mountains, streams, and valleys, but I know a lot from subways. In fact -- and I urge our distinguished sponsor to consider -- in the history of the United States, there has never been a public transportation system receiving as small a state subsidy as the buses and subways of the City of New York. The way to calculate this

is to determine how much of the cost of riding on the subways is borne at the farebox with our token dollars, or in this case now our Metrocard dollars. In the case of the buses and subways of the City of New York, we are paying for well over 80 percent of the cost. That is half what the subsidies for the Long Island Railroad are. Long Island Railroad commuters only pay about 45 percent or 40 percent of the operating cost. Metro North doesn't make out quite as well as Long Island, but a lot better than the riders of the buses and the subways of the City of New York.

What has been happening over the last five years, and I think it is one of the great disasters of public policy that -- along with several others encompassed in this debt support bill, is that the State of New York has been taking our token dollars, reducing the state's appropriations for the MTA, using the money for other purposes so that MTA is forced to borrow more and more and more. In fact, we are now doing something which as far as I'm aware has never been done by any transit system in the history of the country,

which is we are issuing bonds backed by token dollars for operating costs. Not for capital costs, for operating costs. We are mortgaging our future.

And in fact, the revenue of New York State's authorities, as our tax revenue has in the last five years, has gone way up. The great national boom, which sadly seems to be coming to an end, along with the end of the Clinton administration, has provided great infusions of funds to our coffers and to the coffers of the MTA, the TBTA, and other authorities.

What have we done with the money? We have spent it in a way that is as irresponsible as anything you can imagine. We have not cut the size of New York State's government, we have not made some great substantial improvement in the services we provide to our constituents. We have had some tax cuts which really have not had any particular effect unless you're at the very, very top of the tax brackets. And we have gone further and further into debt.

If during the flush times we are

borrowing more and more, what happens during the recession? The Wall Street Journal today has an article talking about private sector lending, about banks and how during the boom they allowed loans they would not otherwise have allowed, how they've loosened their criteria for lending, and what a disaster some are now facing with the coming downtown in the economy.

We do not have, under the Pataki administration, an economic development policy in this state. We have an economic disaster policy. And I know that this is not just some sort of liberal New York point of view, because I received a report not long ago from an organization that I don't usually find myself in agreement with, and it criticized the Pataki administration for the loss of jobs, for the expanded debt, for the fact that we've got all these increased revenues where you can't tell what they're going for, and it was a memorandum from Change New York.

Now, when Change New York's analysis and my analysis is the same, I think we have a fairly good -- we have a problem,

yes. Thank you, Senator Balboni, for acknowledging we have a serious problem in the State of New York.

I urge that this sort of borrowing and lending is a disaster for our children and our grandchildren. It is not something that we can -- we shouldn't be able to hold our heads up and go back to our constituents and say we have done this with the budget, in spite of the fact that we've had years of great, great infusions of revenue. We have - at the same time our revenues have gone up, we've gone further into debt than any state in the history of the country. Our authorities are going further into debt in spite of the fact that their fareboxes are full and their revenues have increased.

This is an economic disaster policy. And we have to take some action here in the house, which I understand has prided itself on fiscal prudence in the past. And I would urge that we try and give some reality to that and not just scam our constituents and scam the public and say we're fiscally prudent when we're doing exactly the opposite.

I have to say that after listening to the debate here, I'm going to be constrained to vote against this bill as well.

Thank you, Mr. President.

ACTING PRESIDENT MEIER: Senator Dollinger.

SENATOR DOLLINGER: Thank you, Mr. President.

This particular piece of legislation, from my point of view, is a bad cartoon show. This is the worst kind of cartoon show that we could put on the people of the State of New York, because we're about to do something that has very little resemblance to reality and, frankly, I think is a testament to one of my favorite cartoon characters. This budget item paying for debt should be called the Wimpy bill.

Why? Because you remember that fabulous character from the cartoon show, J. Wellington Wimpy? J. Wellington Wimpy was in the Popeye cartoons. And remember what he constantly said? Remember his claim to fame? He said -- what did he say, Senator Stafford? You saw the cartoons. I've seen the cartoons.

His line was: I will gladly pay you Tuesday for a hamburger today.

New York State has been buying hamburgers by the droves, by the truckload. We've bought cowherds of hamburgers. And we're waiting for Tuesday to come. And in this Legislature's point of view, Tuesday will never come. We'll just keep buying hamburgers, accumulating hamburgers, with the notion that someday, some other Governor and some other Legislature will have to start paying them back when Tuesday arrives.

The wisdom of J. Wellington Wimpy is still present today. Senator Connor talked eloquently about the problem with borrowing, about the danger of borrowing. And I would just remind all of my colleagues in 1848, after twenty years of doing what this Legislature refuses to do, for almost 20 years after the boom created by Erie Canal, the New York State Legislature, the legislators who - well, they didn't sit in this chamber, because this building hadn't been built. But they sat in this house, and they refused to impose taxes. No taxes. Why? We will rely on debt.

It's a wonderful thing to do. We can borrow all this money, we don't have to raise taxes to pay for expenses. As the state grew, the state boomed. Everything was rosy. Until, of course, the financial crisis of 1845, when the State of New York virtually went bankrupt.

The wisdom of the voters in the State of New York was eloquently spoken because they asked to convene a constitutional convention. They went to the convention and they did one critically important thing. They enacted an amendment to the constitution from the people that said the State of New York can only borrow through general obligation debt secured by the full faith and credit of the State of New York, and it may only do that with voter approval.

That amendment, in my opinion, has never been honored. That amendment has a century of avoidance. The brilliant work of Robert Moses, who started it, the brilliant work of others who expanded it so that the State of New York -- John Mitchell, the brilliant work of John Mitchell, what a wonderful idea. It's too bad later in life he

went astray. But those men rebuilt the notion that the State of New York could borrow without voter approval, avoiding the strictures of our constitution and avoiding what the people told them they didn't want to have happen.

I'm always astounded that this Wimpy bill comes up. And every year we hear discussion, and I -- with all due respect to Senator Bruno, who talked about those horrible practices of the past, we can't go back to those horrible days in the late '80s and early '90s when we were spending more money than we were taking in. I would of course remind Senator Bruno, since I have the votes in the '90 budget, the '91 budget, and the '92 budget, that Senator Bruno and almost every Republican in this chamber voted for every single one of those budgets. And they voted for every penny of debt.

This is not a problem that we can proscribe to anybody but ourselves. We are where we are today because the majority in this house -- Democrats and Republicans - mostly Republicans, since you control what

goes on the table, what's there to eat. You place the food on the table. And your position has been, for the last two decades, borrow as much as we want. Why pay for it with cash? Why have to go to the people and raise taxes to ask them to pay as we go? Let's borrow money. We haven't borrowed enough, let's borrow more. Let's keep going until Tuesday comes.

And there's no question in my mind that this Governor is the personification of J. Wellington Wimpy, because debt in this state has risen by almost 40 percent since George Pataki became Governor and told us all we're borrowing too much money. There couldn't be a better personification of a man who wants to get a hamburger today and wait till Tuesday than the Governor of this state. And I think for someone who campaigned against increases in public debt to now be offering up budgets, to be giving us messages to spend more public debt, is an outrage and, frankly, a breach of his projection to the people made six or seven years ago.

I think that the time has come to

recognize that Tuesday is right around the corner. The Bluto of bad debt is at our door, Mr. President, and I would suggest there's no Popeye out there. This is not something, with all due respect to Senator Stafford, where a Popeye is going to show up at our doorstep, down a can of spinach, and the problem will go away. My guess is that it's about 10 o'clock Monday night, Tuesday is a couple of hours away, and here we are on the doorstep of this enormous problem created by public debt, the problem that the people thought they had solved in 1848, the promise that was made more than a century and a half ago that we continue to breach every single day, Mr. President.

I think this bad debt is going to swallow us. I think it's going to potentially create an enormous problem for us. I can't continue to borrow money this way. I know Tuesday will come sooner than we all think. And when it does, this state will be in enormous, enormous trouble.

I will vote no, Mr. President.

ACTING PRESIDENT MEIER: Senator Duane, do you rise to further torture the

Popeye metaphor?

(Laughter.)

SENATOR DUANE: Through you, Mr. President, I was rarely allowed to watch television growing up, so I missed a lot of those shows. Only "Leave It to Beaver" and "Donna Reed," I think.

But on point, New York State has nearly $40 billion in debt, of which the voters have only approved about $4 million of that debt. The rest of that debt has come through a group of authorities -- the Dormitory Authority, the Empire State Development Corporation, the State of New York Mortgage Agency, Housing Finance Agency, Battery Park City Authority, Environmental Facilities Corporation, Long Island Power Authority, and the Energy Research and Development Authority. There might even be more than that, but those are the ones that I -- I can't say I have a tremendous amount of knowledge about them, but I have some knowledge of them. I'm not sure that most people in the state have very much knowledge about these authorities.

I recently went to my first meeting of the PACB board, the Public Authorities Control Board, where the other billions of dollars are approved. And we did spend a lot of time earlier today discussing the terribleness of three people in a room doing our year-by-year budget. But in fact, we have vested the power to put our state $36 billion into debt in just the hands of three people in a room. In a meeting that took about 15 minutes, and probably would be shorter if I hasn't asked some questions, billions of dollars -- or maybe not billions of dollars yesterday, but certainly tens of millions of dollars were decided on. There was very little detail given out about what the projects were. No minutes were taken of what was happening at the meeting. There's no tape recording of what goes on there.

When I asked for addresses of some of the companies that were getting funding through the Empire State Development Corporation, there was a lot of shuffling of paper. There were a lot of "I'll get back to you with that." And we were talking about

giving them millions and millions of dollars allegedly for job retention and job creation. CBS was on the list, tire companies, chemical companies. And some small businesses were on the list as well.

I went on to ask how it is that we measured whether or not they had actually done their job retention or whether they created jobs. And unfortunately, I would have thought, by the way, that minutes of the meetings from three years ago would have been put on the table and then reports on how the companies had fulfilled their obligations on job retention and job creation would have been put on the table. But they didn't have that information. After a lot of sort of harrumphing, I was told that I would be provided with that information when reports were done. Although it remains to be seen whether I'll actually get to see those reports, but hope springs eternal.

But three men in a room -- the minority parties of the legislative bodies don't get a vote. We can sit at the table, but we're not allowed to vote -- make a

decision about approximately $36 billion in debt to the State of New York. Mind-boggling.

The Constitution of the State of New York envisioned that the voters of the State of New York would be approving what our debt would be, and they approved approximately $4 billion of that $40 billion. And sadly, the millions of people who live in the State of New York approved $4 billion, and three people approved $36 billion. There's something terribly wrong with this picture.

I'm not claiming that each and every job-retention program is terrible or that every program that says that it will create jobs is terrible. I'm not saying that using bond money to provide for clean water around the state is a terrible thing. I mean, that's what the Environmental Facilities Corporation does. But I have to tell you, the things that I saw in that one meeting and the things that I've seen in the past are, frankly, irresponsible and are really mortgaging the future of our state.

To saddle the people of the State of New York, and particularly the young people

of the State of New York with this crushing debt is just unconscionable.

Before I came here -- and I know it was another administration, and I'm certainly holding them accountable -- I think we like sold the prisons to the Thruway or something like that at one point. Nothing as terrible as that happened yesterday. However, the exact same system that allowed the state to sell the state's prisons to the Thruway Authority remains in place. I can't imagine that the framers of the Constitution and the voters who approved it ever imagined that there would be that kind of abuse or, frankly, the kind of abuse that allows three men in a room to give away millions and millions of dollars without even on the spot knowing what the address of the company is or what they do and what they want to use the money for.

These are difficult economic times still in the State of New York. Our economy is still not as diversified as it should be. We may or may not be in for a very bad economic time. And I've been through a few of them already. I was working in the stock

market in 1987, and I can tell you that was a very bad time. I don't know what the future holds. But whether times are going to be good or times are going to be bad, $36 billion of debt that's been approved by three men in a room cannot be a fiscally responsible thing to do.

I'm going to continue to serve on the board, even though I don't have a vote, in the hope that I can continue to bring information to this body on what's really going on there. Because we're talking about the people's money. We would have lots more money to spend on programs which help people if we weren't saddled every year with paying back interest and occasionally principal on enormous debt.

So once again, I find myself faced with a very difficult situation here on the floor. Earlier today I had to vote on a budget which contained really horrible things in it -- some good things, but some terrible things; it was just a continuation of last year's budget -- when I think our time would have been better spent working on the 2002

budget. If we'd started working on that right as this session began, we would be there. We're not. It's embarrassing. I mean, fortunately, or to our credit, we're still here. I hear from our side of the aisle that people would be willing to stay here and get the budget done. Our colleague in the Assembly on both sides of the aisle saw fit to go home, I think that's a disgrace, without even working on the 2002 budget.

So even though protections for people I care about very deeply, loft tenants, was in that, I voted against it because I thought it was an outrage. And now I'm being faced with another outrage. Billions and billions and billions of dollars in debt that we are just going to let go through, $36 billion of that approved by three men in a room. The people on this side of the aisle, on one side of the aisle in the Assembly had no voice in that how that $36 billion gets spent. We're going to vote on that today.

We're going to continue to saddle New Yorkers with debt. I realize that we have to pay our bills. We don't want to default on

this debt. We've boxed ourselves into a corner. It's financially irresponsible, but there's nothing else we can do about it. It's going to be a tough decision for me to decide how to vote on this, because I got to tell you, it's really -- fiscally, it's just - it's terrible, it's an outrage, it's embarrassing.

It really hurts us when we go to the market to try to float our bonds. We really set the standard for irresponsibility in terms of the level of debt which we have foisted upon the people of the State of New York. And not a lot of us -- I mean, many of us -- and I don't want to guess what the median age is in here, but for people younger than the median age of the people in this body, that's where the burden is to have to pay off all this debt.

That we don't consider paying as you go for a lot of things that aren't going to last for the term of the debt that we're putting out there is just completely wrong. If a corporation did that, the shareholders would revolt. I don't know why New Yorkers

not only are not revolted by the way we deal with debt in this state but don't revolt against it.

You know, once again, I find myself -- I mean, you understand how I feel. This is incredibly frustrating. $40 billion in debt, the voters approved about $4 billion of that. The other $36 billion, three men in a room. And we are mortgaging our future and the future of this state that way. Shame on us.

ACTING PRESIDENT MEIER: Any other member wish to be heard on the bill?

Senator Stachowski.

SENATOR STACHOWSKI: If Senator Stafford would yield to a couple of questions.

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield a question?

SENATOR STAFFORD: Always to my colleague Senator Stachowski from Erie.

ACTING PRESIDENT MEIER: The Senator yields.

SENATOR STACHOWSKI: Well, first, like to revisit a question that Senator

Stavisky asked and just ask for a little more explanation, because I got confused by the answer. And the question she asked was why would we be borrowing money to buy cars now, and the answer was that -- how can we do that, and the answer was that it's from a previous budget.

But my question was, would it be in this year's budget? Because if it's in a past budget, why wouldn't we just pay for the cars with money we have since we have a surplus? Why would we be borrowing money that we'd paying for the next seven years for cars that we had in last year's budget? That part I didn't understand. Maybe you can explain that.

SENATOR STAFFORD: Mr. President, I want to compliment Senator Stachowski because he got right to the heart of the issue. And he's the one who usually says, like me -- well, anyway, we're -- we're -

SENATOR STACHOWSKI: Simple guys.

SENATOR STAFFORD: We're the same.

You know, it's a balance. It's a

balance. Now, when I was growing up -- some debate whether that has ever happened. But anyway, I was told, you know, you pay for things and you don't charge them. And I can actually remember when people didn't have mortgages. I can remember that. Unfortunately, I am not one of them.

And it's a balance. You I think will have to agree that it is an accepted principle that you can have an asset and you can spread out the payment and it makes it possible to have that asset when you might not be able to pay for it in full.

Now, you will find that that's very much part of our economy nowadays. And it is of course not good, like anything, if things are overdone. But on the other hand, I think you'll find that what we have done here is acceptable and prudent. And what we have done is taken assets, whether it's equipment, real estate, and have spread out the payments.

SENATOR STACHOWSKI: Thank you, Senator. I can remember my father didn't have a credit card till he was about 70 because a lot of the trips he would go on, the hotels

wanted a credit card when you checked in.

SENATOR STAFFORD: I didn't have one until I was 60.

SENATOR STACHOWSKI: And he would always pay cash. And even though he had a pocket full of cash, they wanted him to get a credit card. So when he turned 70, he finally got one. He gave in to public pressure. So to speak.

But anyway, on the debt reduction and reserve fund, we're putting $500 million there, much of which, my understanding is, to be used for some transportation projects this year. At least that's what the Governor inferred when he was talking about how he was going to make up for the bond issue going down.

And since that money is going to go from there to pay for some highway and road bridges financing, why wouldn't we just take the money from the surplus that he's putting there and just put it into the highway and road bridge trust fund?

SENATOR STAFFORD: Mr. President, we're interested in using more for hard

dollars, there's no question about it.

And one other point on credit cards. I have to point out that I don't know whether any of you read The New Yorker. We get that upstate. Does that go into the city? And someone is walking into an office, and they say "I just received my prerejection from my credit card." So very interesting.

SENATOR STACHOWSKI: Well, back to the question, if the Senator will continue to yield.

It's still my understanding that some of the money put into the debt reduction and reserve fund is going to be used for capital projects, mainly highway projects. We're taking money out of the surplus and taking it and instead of just putting it in the budget and spending it, we're putting in the debt reduction and the reserve fund and then we're going to take it out and spend it as highway money. What is the advantage of doing it that way as opposed to just putting it into the dedicated highway and road fund and have the projects named?

SENATOR STAFFORD: Well, it's

actually for projects in the future. And from what I can see -- and again, looking at it very simply, I don't really that see that much of a difference myself.

SENATOR STACHOWSKI: Thank you, Senator. And I don't mean to stay on one thing too long or beat a dead horse, et cetera, but is there -- let me rephrase that part, since I think I understand part of your answer, but I'd like to get a little other part.

And that would be, is there any advantage, if the Senator will still yield, to putting the money in a debt -

ACTING PRESIDENT MEIER: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: I will.

SENATOR STACHOWSKI: -- reduction and reserve fund rather than just putting it directly into the transportation area where it could be spent in the future anyway?

SENATOR STAFFORD: It just gives us a choice of how we would do it in the future. It's there for the future if we needed it. We don't have the projects exactly

pinpointed. And when we do, the funds will be there. You could call it a small rainy day fund.

SENATOR STACHOWSKI: Thank you. The majority of the capital projects are going to be financed through that fund. Is it going to be only for -- the money we're going to use out of that for capital projects? Let me be -- if the Senator would continue to yield, which I was a little premature in just assuming you would.

SENATOR STAFFORD: Yes.

SENATOR STACHOWSKI: I have to ask, though, because I don't want the Acting President to jump up and hit the gavel on me.

So if you would, the money we're putting in that fund and we're going to do capital projects, are they going to be only transportation or might we use some of that money for some other capital projects?

SENATOR STAFFORD: I've received -- I'm getting a very -- there's a - the answer here, it gives us some leeway. And it's expected this will be for transportation.

But to answer your question

directly, there is a possibility that it would be used for other capital projects. Possibility, can be, same thing.

SENATOR STACHOWSKI: If the Senator would continue to yield.

ACTING PRESIDENT MEIER: Senator Stafford, do you continue to yield?

SENATOR STAFFORD: Right.

ACTING PRESIDENT MEIER: Senator Stafford yields.

SENATOR STACHOWSKI: Have the overall debt service disbursement levels behind these budget appropriations been changed through the negotiations this year, if there have been any? Or is this strictly still the Executive projections?

SENATOR STAFFORD: It's more than enough to cover the Executive projections. And we have it there, as I say, so it will be available for what is necessary.

SENATOR STACHOWSKI: If the Senator would continue to yield.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR STACHOWSKI: Can we assume, then, since there is more than enough to do that, there would still be a possibility that either the amount there or some of the projections could change as we go further down the road in the budget process?

SENATOR STAFFORD: Mr. President. Senator Stachowski has done his homework.

Yes.

SENATOR STACHOWSKI: Thank you.

On another area where we spoke earlier about, where we have appropriations in certain funds, as Senator Stavisky mentioned the distressed hospital fund, and we have what we call dry appropriations or zero disbursements, is there a reason why we need to have -- I can understand the hospital part, because we have it in case we need it. But say, for example, in the general obligation serial bond redemption. And if the Senator would yield, I will ask him a question on it.

ACTING PRESIDENT MEIER: Senator Stafford, I believe there's a question on the

way. Will you yield?

SENATOR STAFFORD: Yes.

SENATOR STACHOWSKI: There's a question coming.

ACTING PRESIDENT MEIER: He yields.

SENATOR STACHOWSKI: In the general obligation serial bond area, there's $225 million. And in payments of federal arbitrage rebates, there's $15 million. Both of those have zero disbursements. Is there the potential for that much need, or do we just have that much money there?

SENATOR STAFFORD: Mr. President, there's always the potential. And Senator Stachowski is also getting to the heart of what some of us like to say here's how much money there is, here's what we're spending, here's what we left over.

The budgeting process, my friends, gets very complex. And when they start -- we, not they, we start talking about dry appropriations and money won't be spent and we have this included but this is not hard dollars, to try to explain that, I go back to

my very simple explanation that I suggested yesterday about budgeting. And remember, you and I always have simple explanations.

SENATOR STACHOWSKI: Absolutely.

SENATOR STAFFORD: You can't always be sure exactly what is going to be needed. Therefore, you construct the budget in a certain way so that you allow for contingencies and funds are there if necessary.

To answer your question, that money can be spent and it -- there's a potential for any money to be disbursed that's in the budget. Because remember, as I've explained here, we're appropriating when we pass these legislative bills.

SENATOR STACHOWSKI: Every so often during the course of some of these long debates, and if someone makes an exceptional presentation, as I believe part of the things that Senator Connor's -- they stood out to me. And I thought the speech he made was very, very well done and thought out.

SENATOR STAFFORD: What about mine?

SENATOR STACHOWSKI: Your answers are always good. I don't mind you interjecting. And I -- again, as Senator Connor has thanked you, I always try to thank you at the end of each bill for your courtesy and your patience in dealing with all the various questions that come from all the various members, even when -- you try to stay patient even when maybe we stray from the bill that we're currently on, and you just try to calmly bring us back to the bill we're on and remind us we can't ask you questions, or you -- we can ask, but you can't necessarily answer questions about a bill that we're not currently on. So I wanted to thank you myself for that.

But in Senator Connor's presentation, and we talked about how the debt has grown, and he referred to the fact that how people look to the black days of the Cuomo administration, but the debt has grown considerably since then.

And that being said, you know, the Governor took great pride this year in saying we got a debt credit rating increase from one

of the raters. However, from Moody's, we didn't get any increase. And I was just curious, why do you think that Standard & Poor's would give us a two-level increase and Moody's would give us no increase, and would you have an answer to that question? I don't know. I'm curious myself. And that's really why I'm asking.

SENATOR STAFFORD: Mr. President, I would suggest Standard & Poor's is right and would hope Moody's could get the right information.

(Laughter.)

SENATOR STACHOWSKI: If the Senator would continue to yield.

ACTING PRESIDENT MEIER: Senator Stafford, do you continue to yield?

SENATOR STACHOWSKI: As much as I enjoyed that, is there possibly a real answer to that, or we don't know?

SENATOR STAFFORD: Well, I will always try to answer Senator Stachowski. You know, you and I, when it comes to any subject, including this, we always know enough -- it's like I was in school, I just sometimes

couldn't think of it.

But I suppose they looked at the information they had.

On a serious note, you have to understand that professionals use their judgment. I would point out that five years of surpluses and the reserves we built up are commendable, and Standard & Poor's took that under consideration. And of course I can't speak for anyone when they make professional decisions.

SENATOR STACHOWSKI: Thank you, Senator. If the Senator would yield, I've got a -

ACTING PRESIDENT MEIER: Senator Stafford, do you yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: He yields.

SENATOR STACHOWSKI: I don't know if you can answer this question or not, but I'm going to pose it to you anyway. And it would be more of a -- I don't know, you would be guessing why or maybe thinking why. Either way, yes or no, you would be projecting what

you believed this person's reason would be.

But in the Governor's reform package on borrowing and debt reform, he outlaws or eliminates the use of caps. And you would think that if he was going to put that forward -- and we in the Senate supported his package last year -- that it would have been a good gesture on his part or a good practice on his part not to come right back the following year in the budget and use caps anyway to pay for a lot of the things in the budget. If you were trying to convince the other house that we should eliminate these and yet you continue to use them, how do you make an argument that then maybe, you know, you're not being sincere or -- I'm just saying what the other house would think would think when they see that he's still using them even after he put them in his reform package, and he was saying that I'm really serious about this reform package, and obviously we were agreeing with him, because we voted for that reform package which would have eliminated the use of those, and yet here they are again this year in the debt service package, the -- another

bundle of the use of those.

So would you think that he's just using them because they're there, or do you think it would have been a good idea if he would have not used them this year because he's trying to show in good faith to the Assembly that he was really serious about his debt reform package?

SENATOR STAFFORD: Well, I see what Senator Stachowski is driving at. I understand. So I'm going to try to give you my opinion, my analysis. And I will try to, as I often say, make a broad stroke with a conceptual brush, and do it very, very quickly.

But we go back to where we were six years ago, and we went into or came into - yeah, went into 1995 with a $5 billion deficit. And we have now ended up that we do have a surplus. I would remind everyone that last year -- and I won't read them all off here. We have them here. But we remember what we did last year when we passed the debt reform bill here in this house, which was passed by the Assembly and was signed into

law. We've come a long, long way.

And let me say this about this package. It's very easy for any of us, any of us to stand up and criticize debt and compare New York with other states, with other entities. And I would suggest to you that New York is the Empire State, it's different than any state to live in, it's the best state to live in. We did have some major, major problems six years ago. They have been corrected.

But that's why we have the tourism in New York. That's why it's -- it is the capital of world. And I think sometimes we forget that. It has the best city in the world, as I've mentioned, with more than 5 million people. It's 8 million now, but we have to watch the upstate cities, of course.

But you hear what I'm saying. And we have to continue to be prudent, we have to be careful. But I think we can't stand up - and I won't use the word "demagoguery," because that's too strong a word. But we also have to be reasonable when we look at our overall picture. We are moving in the right

direction, thanks to Governor Pataki, thanks to the Legislature. And I would want none of us to leave today without having a bright opinion, a bright outlook about our state.

And I think you know what I'm driving at.

SENATOR STACHOWSKI: Thank you, Senator. I just want to make a brief statement on the bill.

ACTING PRESIDENT MEIER: Senator Stachowski, on the bill.

SENATOR STACHOWSKI: Just briefly, if I were cynical -- and I'm going to try not to be -- I would say, well, we were $5 billion in the hole in that dark period, and now we're $10 billion in debt with the surplus. I don't know that these coincide, but -- it's just coincidental, but those are numbers.

I know we have to pay our debts. I am disappointed -- and I don't say that the Governor himself does his whole budget package. But you'd think the people putting it together for him would be aware that he just proposed a law to say get rid of a

certain practice, and then they come right back and use it. And it's a practice that, when you're in a surplus situation, you may not have to be using.

So I get baffled by things like that. And that's just me. And maybe I'm only used to doing small economics. I'm not a business guy, I just try to take care of my own money, the little that I have. And I don't even do so well at that. But I know how to count and watch other people's money. And it's kind of like some of the sports I participate in. I love to play golf, I'm terrible at it, but I can see what somebody else is doing wrong, because I have a good eye for somebody's else's athletic stuff. That just happens.

But in this one, I'm not sure. I think Senator Connor made a lot of good points. There are some reasons to be concerned. However, there is debt here that we have to pay. I'm not sure yet how I'm going to vote, because there might be a couple more people that want to speak on this.

But I thank again Senator Stafford

for his courtesy and his patience and his effort to try to answer as best as he could and with the help of his staff, who is also very patient, and changing places and moving back and forth and helping us to get the answers we were looking for on this bill, especially when everybody is trying to find out as much as they can about this piece of legislation.

Thank you.

ACTING PRESIDENT MEIER: Senator Hassell-Thompson.

SENATOR HASSELL-THOMPSON: Thank you, Mr. President, just -

ACTING PRESIDENT MEIER: Senator Hassell-Thompson, if you'd just suffer an interruption, the desk has a list going, as was the practice. So if you'd like to be on the list, please let the desk know.

SENATOR HASSELL-THOMPSON: I just have one question which got lost in the shuffling of paper. If you'll indulge me one moment.

Thank you. Senator, will you yield?

ACTING PRESIDENT MEIER: Senator Stafford, do you yield?

SENATOR STAFFORD: Yes.

ACTING PRESIDENT MEIER: Senator Stafford yields.

SENATOR HASSELL-THOMPSON: It's a two-part question, through you, Mr. President.

Will we be revisiting this state debt service during the final budget negotiations? That's Part A. And if so, will we be acting on a B print of this bill later in the spring?

SENATOR STAFFORD: It won't be in the budget bills per se, Mr. President. But we can amend this bill. And through the years, Mr. President, I've never seen a bill that couldn't be amended. And the field we're working in, I certainly would not be shocked or surprised, you know, if there were amendments due to the complexities.

SENATOR HASSELL-THOMPSON: Thank you, Senator. Thank you, Mr. President. Thank you, Senator.

On the bill.

ACTING PRESIDENT MEIER: Senator

Hassell-Thompson, on the bill.

SENATOR HASSELL-THOMPSON: After having come from a city whose budget was just so small by comparison, to say that's this is not an overwhelming experience for me would be a lie.

But the thing that overwhelms me is not the numbers, and it's not the issues. The thing that overwhelms me continually is that we establish increases in our debt and we consider ourselves to be -- this house has always been considered as the most fiscally conservative, and yet we have gone way over the top and we don't see a problem with the fact that New York State, albeit that it is the Empire State, that it is one of the most marvelous states in the world -- it's the state I was born in, the state I will die in, hope to be buried in. It has all of the positive attributes.

But it does not -- the parallel to that is not that we have to be the greatest expenders in the world. Particularly because, as we look at the Constitution, which the voters assume that the debt in which this

state is incurring, that they have a real participatory role. And if less than 10 percent of this debt is being voted on by taxpayers, it just amazes me that we don't have concern that we are doing something that I perceive to be very duplicitous. And so I just have to say that.

I too, like my colleagues, will probably be forced to vote on the continuance of this debt, and so I will be as guilty in the participation of this duplicity as anybody else. But I certainly hope that for the years I plan to stay here -- and I plan to be here -- that we will do a much better job in terms of how we overhaul and how we really review those items that we perceive to be capital projects versus those things that we just want to put in because they make us feel good.

These are not all capital items. And for us to be incurring this kind of debt predicated on that is somewhat unconscionable. But in the last couple of days, we've done some other unconscionable things, so we'll just add this one to our list.

Thank you, Mr. President.

ACTING PRESIDENT MEIER: Senator Hevesi.

SENATOR HEVESI: Thank you, Mr. President. Would the sponsor yield, please.

ACTING PRESIDENT MEIER: Senator Stafford, do you yield to a question from Senator Hevesi?

SENATOR STAFFORD: I won't get on the phone anymore, I apologize.

SENATOR HEVESI: That's okay.

Mr. President, I was wondering if the sponsor would be able to tell us whether or not there is some kind of legal requirement that would obligate the state or any public authority operating within the state to refinance any outstanding debt at favorable interest rates in light of the fact that we are now seeing a lowering of interest rates because of the national economic climate.

SENATOR STAFFORD: Mr. President, there's a good question, and it's something that is often done. We do that periodically. And I think the point is very well taken.

As far as any legal requirement, I

don't know of any.

SENATOR HEVESI: Thank you.

Mr. President, on the bill.

ACTING PRESIDENT MEIER: Senator Hevesi, on the bill.

SENATOR HEVESI: Thank you, Mr. President. I think that gives us a decent jumping-off point for the comments that I want it make here today.

First of all, I believe that there should be, on this particular issue, a requirement that wherever possible, whenever possible -- and probably the way to do this is to set in statute a particular amount of time, irrespective of the economic climate and irrespective of the trend with which interest rates are moving -- that anyone who is involved with the issuance of debt must do a review and analysis and attempt to refinance that debt at favorable rates.

And by the way, you can do bad refinancing also. And that reminds me a few years back, the mayor of New York City tried to do some bond refinancings to provide cash infusion that would have extended the length

of the debt, the life of the debt. Even though it would have been at a more favorable rate, the end product being that the total amount of interest that the City of New York would have wound up paying on that debt would be millions of dollars more than what it was going to pay based on the original debt issuance.

So you got to be really careful in the way you do this. But particularly in light of the fact that now, because of our national economic climate, the Federal Reserve is under tremendous pressure to drop interest rates, stimulate the economy and Wall Street, that with that trend, it would be nice to have the confidence in those issuing debt that they would naturally take advantage of a favorable market climate in order to go and do this. But I don't have really the confidence in these authorities or in the State of New York just to do that without some kind of institutional incentive. And so I really think that we need to take a look in terms of requiring them to do that.

On the broader issue, I honestly do

not know how I'm going to vote on this bill. I walked into the chamber today fully intending to vote on this bill, and now I have some major question marks in my mind. And I'm not trying to be melodramatic here, I really don't know how I'm going to vote on this bill.

And most of the reason for that is because of what Senator Connor spoke about. I think all of us here duly recognize that we've got a tremendous, tremendous problem with the way we are proceeding with our financing in the State of New York. That in and of itself gives real pause. But the state nonetheless has the obligations to meet, irrespective of the trend and the policies that we have set out, even if those policies are not in the best interests of the state.

What Senator Connor was talking about this morning was a violation of some fundamental principles in how you should do public financing. And as I was listening to him -- Senator Connor, that is -- I started remembering back to the public finance courses that I took in graduate school and some of the fundamental rules that existed in terms of how

you handle situations such as the ones that we're confronted with now.

It's interesting to note, one of the professors that I had was an expert in bailing out municipalities and states that got into trouble, major trouble, such as Newark, New Jersey, New York City in the mid 1970s. And this individual was therefore an expert in not only how to get municipalities and other municipal governmental entities out of hose difficulties but, more importantly for our purposes here, how to avoid getting into those difficulties in the first place.

And the one fact, the one statistic that really stands out here for me, because it doesn't look on its face as if it's that striking, because the numbers are small, because they're expressed in percentages. But when you examine them and extrapolate the numbers out, you'll see how significant it is. It is the statistic that since the early 1980s, the overall share of the state budget that's spent on debt service has increased from 3 percent to 5 percent. Okay, that is tremendous. That is tremendous.

And a trend upwards at all - remember, we're not talking about the aggregate numbers. You can hold your percentages constant and your aggregate numbers will increase because the size of the government, the size of your revenue stream is going to increase. The 3 percent to 5 percent jump is extraordinary. It's billions and billions of dollars.

And to really break it down for us in terms of why this is such a problem, it means simply this. There is less amount of the pie as disposable revenue to spend on the state's most pressing needs. Because the way I see it, the way I see it, the debt service portion, what we're doing to be voting on today, it's not discretionary at all. We are looked into that. The decisions that we make on how we finance our projects in this state, we're locked into. Everything else is discretionary.

So debt service is the equivalent for an individual as paying their mortgage. You don't have a choice. And so the more your mortgage costs or your rent or your car

payment, the absolute essentials, the more those costs increase, if your total income stays the same or increases slightly, everything else gets squeezed.

And that squeezing are the things that we need to help the taxpayers of the State of New York in their daily lives. We're talking about education and all the other things that are vitally important.

So we're in a really bad situation here. And the one lesson that this professor continually imparted to us as students in his graduate public policy course was wherever you possibly can, you do pay-as-you-go capital, pay-as-you-go capital financing. It means you don't go and borrow, wherever you can, wherever you can, you go and pay for it. And we're not doing that.

And Senator Connor pointed out in his comments earlier that there is new borrowing in here that does not fit any of the real qualitative, structural integrity parameters of how you do debt borrowing. And what was he talking about? He was talking about the fact that we're borrowing money to

pay for computers and we're borrowing money to pay for vehicles with a seven-year time period where we're going to be paying -- I believe the number Senator Connor indicated was $3.9 million in interest on a debt load of $24 million.

It's just -- it's stupid. I don't know how else to categorize that. It's really, really dumb. Notwithstanding the fact that it seems that -

ACTING PRESIDENT MEIER: Excuse me, Senator Hevesi.

Senator Skelos.

SENATOR SKELOS: Mr. President, pursuant to Rule IX, Section 3-D, I believe the two-hour limit on debate has expired. I move that we close debate at this time.

ACTING PRESIDENT MEIER: All those in favor of closing debate signify by saying aye.

SENATOR PATERSON: Party vote in the negative.

SENATOR SKELOS: Party vote in the affirmative.

ACTING PRESIDENT MEIER: The

Secretary will call the roll.

(The Secretary called the roll.)

THE SECRETARY: Ayes, 23. Nays, 34. Party vote.

ACTING PRESIDENT MEIER: Debate is closed.

Senator Connor, why do you rise?

SENATOR CONNOR: On the roll call, to explain my vote.

ACTING PRESIDENT MEIER: Read the last section.

THE SECRETARY: Section 1. This act shall take effect April 1.

ACTING PRESIDENT MEIER: Call the roll.

(The Secretary called the roll.)

ACTING PRESIDENT MEIER: Senator Connor, to explain his vote.

SENATOR CONNOR: Thank you, Mr. President.

Numbers, numbers, numbers. Certificates of participation, automobiles, $24 million, interest, as Senator Hevesi pointed out, total COPs, 300 million roughly, total interest, $90 million, desks, furniture,

computers, et cetera.

Numbers, numbers, numbers. $40 billion in debt, the voters approved $4 billion. Number that really ought to concern us. New York State, 18,976,457 people. Tax-supported debt, $37 billion going to $38.5 billion. New York City, 8,800,278 people. Debt, tax supported, $31 billion. California, 33,871,648 people. 33 million, almost 34 million people in California. Debt, $21 billion. New York City, 8 million people, $31 billion in debt. California, nearly 34 million people, $21 million. New York State, nearly 19 million people, $37 billion.

Mr. President, these numbers not only don't make sense, they're very, very dangerous. I vote no.

ACTING PRESIDENT MEIER: Senator Connor will be recorded in the negative.

Senator Paterson.

SENATOR PATERSON: Mr. President, I vote no. The MTA doesn't even have any people and it ran up as much debt as all but five states on that list.

The comment I want to make is

somewhat personal and somewhat reflective of the neighborhood I represent, which is 95 percent African-American, Puerto Rican, and Dominican. It's interesting, but how many times have I had to listen to the radio or read the newspaper and heard people who live in my constituency, or people who look like the people that live in my constituency, blamed for our social services waste, for our welfare waste, for problems related to housing, for the upkeep of neighborhoods, for the high crime rate.

And the funny thing is, if you added up all of that money that the public is wasting on these individuals who have been stigmatized by the way we have been portrayed in the media and written about and by word of mouth, it doesn't even achieve a scintilla of the amount of money that Senator Connor pointed out that this state owes. And so when I start thinking about who is responsible for it, I really don't know too many people of that ilk that are even involved.

And it just shows you what the distraction has been and what the value of at

times castigating groups of people has been when our real financial problems, when our real issues, when those who have been duped into thinking that there's some kind of class issue that causes us to have fiscal problems as a state, when they find out what's really -

ACTING PRESIDENT MEIER: Senator Paterson, how do you vote?

SENATOR PATERSON: -- causing the problem, we'd all vote no.

Thank you.

ACTING PRESIDENT MEIER: Senator Paterson will be recorded in the negative.

Senator Oppenheimer, to explain her vote.

SENATOR OPPENHEIMER: Thank you. I'm not sure I agree with my colleague Senator Hevesi that we should always do pay-as-you-go financing, because I think there's a real need for capital financing for things that go into future generations where I do believe that they should be sharing in the burden of those costs.

I have to thank Senator Connor.

Because I did not pick up this certificate of participation. I did check it off, and I was going to question what it was, but I did not have the background. I thank him for that background, because it's quite an eye-opener.

I was taught, when I was getting my -- I think I said this on the Senate many years ago. I was taught when I was getting my M.B.A. from Columbia University that there really were 11 Commandments, and the 11th Commandment was "thou shalt not capitalize expense items."

And it seems to me that computers and desks and cars are not capital items, they are items that more fall in the line of maintenance. And therefore I think it is that 11th Commandment that we are breaking when we are capitalizing those kind of expenses.

I must say that in my own private life, I lead a very conservative financial life, in that I don't believe in debt. I know governments need debt, because obviously for those big capital projects we have to have debt. But to think of the inordinate amount of money we are spending on interest when

there are so many needs in this state -

ACTING PRESIDENT MEIER: Senator Oppenheimer, how do you vote?

SENATOR OPPENHEIMER: -- it kind of hurts me to spend that kind of money just on interest.

I'll vote yes, because I don't know how else we'll pay for our services.

ACTING PRESIDENT MEIER: Senator Oppenheimer will be recorded in the affirmative.

Senator Dollinger, to explain his vote.

SENATOR DOLLINGER: Mr. President, this is a continuation of the borrow-and-spend policies of the Pataki administration. We're up 39 percent, it's galloping out of control. I mentioned earlier how it violated the rules that we've become nothing but a Wimpy state. I made reference to J. Wellington Wimpy.

I'd just like to go back to one other cartoon character that provides us with a little sage advice that we ought to be listening to, Mr. President. Remember Pogo's

comment "We have met the enemy and it is us"? We are the enemy. We are spending more money, we are putting more money into debt than we should. We know that the rainy day will come. And when it does, the puny $250 million that the Governor is putting in his debt reduction fund will be gone like that.

And lastly, Mr. President, it seems to me that there was a Financial Control Board that we've had to use for New York City when its debt practices got out of control. We used a Financial Control Board when Nassau County's debt practices got out of control. Who will be on the Financial Control Board for the State of New York?

I would suggest to all of my colleagues, we are the Financial Control Board of the State of New York. And what we are doing by continuing these borrow-and-spend policies is grossly irresponsible. I will continue to vote no for such irresponsibility. Please count me as a negative.

ACTING PRESIDENT MEIER: Senator Dollinger will be recorded in the negative.

Senator Schneiderman, to explain

his vote.

SENATOR SCHNEIDERMAN: I think it's unfortunate that we're here in the late afternoon. It seems that people are not paying as much attention as they should be paying.

Issues have been raised here today that go to the economic future of our state. And I don't think that anyone present can argue that our state is moving in the right direction. This is not a matter of a few fringe characters yelling out that the sky is falling. As I mentioned before, this is one of those areas where I and my progressive colleagues find ourselves in agreement and analysis with Change New York. Someone also just handed me an article from the National Review making the same point about what they call Pataki's obese $70 billion budget with spending spike -- this was a few years ago - and saddling New Yorkers with more debt.

So when all across the spectrum responsible fiscal analysts agree that we're headed in the wrong direction, how do we go back to our constituents and say, yeah, we're

doing this, but so what? We are not going to be able to sustain the services for our constituents, in spite of the great national economic boom of our revenues going up. It is our fault. It is our responsibility.

We want to have an economic future in this state -- good schools, good transportation, affordable housing. We are now creating a situation where we're going to have to cut those very keys to long-term economic growth. This is a disaster looming, and I'm sorry that we're taking the shortsighted view that we are.

I ask to be recorded in the negative. And I urge that after this budget is passed that we really try to address these issues, because this is not a casual or a humorous matter. Thank you, Mr. President.

ACTING PRESIDENT MEIER: Senator Schneiderman will be recorded in the negative.

Senator Onorato, to explain his vote.

SENATOR ONORATO: Mr. President, to explain my vote.

I had originally intended on voting

for this, because I certainly believe in paying off the debts that we incurred. But I was completely unaware about the new borrowing that we wanted to do while we have the money available to pay for these current needs.

Senator Stachowski was questioning Senator Stafford earlier on about some of the reasons for the borrowing. And Senator Stafford replied that we have to anticipate unanticipated expenses that we're not sure for, so we're actually even borrowing money but we're not sure whether we need it or not, incurring an additional interest on borrowing money that we're not sure that we need.

And also borrowing for money that we have in our pockets, I certainly don't think it's prudent to be borrowing additional funds. When the real budget presents itself -- and I'm sure that it will be, hopefully, sooner than not later, it will be a responsible budget answering all of the questions that were brought forth here today.

I vote no.

ACTING PRESIDENT MEIER: Senator Onorato will be recorded in the negative.

Senator Stavisky, to explain her vote.

SENATOR STAVISKY: To explain my vote, Mr. President.

I was appalled by the $102 billion figure that was cited in terms of the debt incurred by the state and the authorities.

Secondly, I'm troubled by the item on page 10 of the budget bill which talks about the issuance of certificates of participation. I remember the New York City fiscal crisis in the late 1970s. The City of New York got into trouble for doing precisely what you're asking us to do right now.

I came in today fully prepared to vote for the budget bill, but after listening to what everyone has said, I wish to be recorded in the negative.

ACTING PRESIDENT MEIER: Senator Stavisky will be recorded in the negative.

Senator Hevesi, to explain his vote.

SENATOR HEVESI: Thank you, Mr. President.

First, just to clarify, maybe I

wasn't clear before, in reference to Senator Oppenheimer's comments. You don't pay capital -- pay-as-you-go capital finance for every capital need you have. You physically cannot do that. It's not realistic. But you do it when you're running in a surplus condition and your state-supported long-term borrowing is spiralling incredibly out of control. That's when you do it. And so we need to be shifting our priorities.

I got cut off by the clock as I was speaking on the bill before. But the one point I want to make as I'm explaining my vote here is the real problem, as I see it, is we've got to get our public authorities under control. That's where our real problems are. And the public authorities largely exist so that they circumvent the debt caps. That's why they're there. And so it's their borrowing that's really becoming a tremendous, tremendous problem. The revenue bonds that they float are just creating a situation where there's no end in sight. And the higher our debt level goes, the more it's going to wind up compromising the fiscal integrity of the

state. And the more we put ourselves in a position where we're going to not only reduce the available expenditures in our overall budget because the portion of the debt service in the budget keeps growing, we're preventing ourselves from having additional money available to pay for the needs that we have in this state. It's a tremendous problem.

And this is, I believe, largely as a result of the psychology of the politician. And the psychology of the politician is the following. And I hope I don't run out of time here. It is that we care -- and this is not what we should, but we care about the next meeting, the next group of constituents that meet, this year's annual budget, what is our immediate priority. And it's much easier politically to take a very short-term view and do things that are favorable and politically expedient in the short term and that create tremendous problems for us in the long term.

It is that approach and that view that we've got to get away from, because it's blowing the state's fiscal condition apart. The fact that we have $10 billion -

ACTING PRESIDENT MEIER: Senator Hevesi, how do you vote?

SENATOR HEVESI: -- in additional debt since 1994 is the reason why -

ACTING PRESIDENT MEIER: Senator Hevesi -- Senator Hevesi, how do you vote?

SENATOR HEVESI: I'm voting no on this bill, Mr. President, because we're heading in the wrong direction.

ACTING PRESIDENT MEIER: Senator Hevesi will be recorded in the negative.

Senator Duane, to explain his vote.

SENATOR DUANE: Mr. President, you're clairvoyant. I hadn't even put my hand up.

ACTING PRESIDENT MEIER: I thought you had, Senator. But go ahead.

SENATOR DUANE: I do want to first set the record -- not straight, correct the record and acknowledge that the prisons were sold to the -- what was then called the UDC. So I'm sorry about that. But it's the same horrendous policy.

I don't really think that -- I think that we need to send a strong message

about this. I know that in this year's budget the Governor has proposed getting rid of the PACB board, which means then that he would be in control of really what all these funding, bonding sources are. But that doesn't negate all of the bad policies that brought us to this horrendous debt situation we were in before. We'll still have to be paying the debt by the three men in the room of the PACB. And it's wrong for us to mortgage the future of our -- of the people of the State of New York.

Maybe it would be better to give the Governor that authority so that from this moment on, we would know who was responsible. But we're still going to pay the price for a long time to come for the largesse given by three men in a room.

And I'm going to vote no on this, Mr. President.

ACTING PRESIDENT MEIER: Senator Duane will be recorded in the negative.

Senator Montgomery, to explain her vote.

SENATOR MONTGOMERY: Yes, Mr.

President.

About my second term in office, one of the authorities, the Port Authority proposed a $20 million project in my district which was then in Red Hook, and it was to move the Fish Market to Brooklyn, create jobs. Everybody got very excited. We had meetings and we had hearings and the Authority came many times and talked about how wonderful this would be. And the bottom line, it never happened. And that was $20 million, poof, gone, no jobs, no fulfillment of the promise.

And I'm sure that is just one example of many. The Battery Park City and its promise to be responsible for having affordable housing built in the city, nothing has come out of that, or very, very little.

So the question about what happens with the authorities I think is an excellent one and certainly we need to be looking at that.

I want to thank the Minority Leader, Senator Connor, for giving such an illuminating and brilliant presentation. I certainly had every intention of voting yes on

this debt service bill, but after having listened to him and understanding much more fully what this means and the problems and the pitfalls, I'm going to be voting no on this legislation because I think the taxpayers of the State of New York, we owe the taxpayers much more as it relates to being responsible and accountable for what happens to those dollars that are raised and that debt service that is created by those dollars and for the project that we supposedly are raising that money for.

So I'm voting no.

ACTING PRESIDENT MEIER: Senator Montgomery will be recorded in the negative.

Senator Breslin, to explain his vote.

SENATOR BRESLIN: Thank you, Mr. President, briefly.

I join my colleagues in urging all of us to vote no. $10 billion in increased debt since 1994. $10 billion. And that at the same time we have surpluses that we can use, surpluses that we are hiding. It's time to be accountable. It's time to look to the

people of the State of New York and stop paying this enormous debt service and begin to pay off that debt.

I urge everyone in this room to vote no. Thank you, Mr. President.

ACTING PRESIDENT MEIER: Senator Breslin will be recorded in the negative.

Senator Ada Smith.

SENATOR ADA SMITH: Thank you, Mr. President.

I too came this morning with every intention of voting yes on the debt service bill. But after sitting in the lounge listening to my leader, Senator Connor, while having chills from the cold that I've caught from all the air coming up under this desk, I forced myself to come into this room to vote no, after listening to all of the -- what I consider to be irregularities in how our money is inappropriately being used.

We need to go back to trying to pay for what we purchase or the goods that we use and stop hiding all of our assets and fooling the people of the State of New York. It's time we took responsibility for what we were

elected for. And I vote no.

ACTING PRESIDENT MEIER: Senator Ada Smith will be recorded in the negative.

Senator Stachowski.

SENATOR STACHOWSKI: Mr. President, to explain my vote.

I too came here to vote yes on this bill. I normally vote for the debt service bill. And although I know we do have to pay our debts, I have a problem this year. Senator Connor has pointed out some real problems.

I have a basic problem with the fact that, one, in this year's -- in the bill we'll see later, an Article 7 bill, Governor is going to try to eliminate the PACB. And even though as a Minority member, when I sat on that we don't get a vote, we do, however, get to ask questions and we get to discuss the items that come before us and we get a good view of a lot of the things that are bonded and. I just think it's a terrible idea. Especially when our debt service is as high as it is, I think it's a good idea that we have as much information as possible, and that is

one of the venues for doing that.

And then at the same time, in last year's proposed constitutional amendment the Governor put a piece in that would eliminate the use of COPs. And there in this year's debt reform package he has again an extensive use of certificates of participation. And I find that very difficult.

I think that if you're going to propose something be removed, you don't just use it because it's still there. I mean, this house, when they proposed legislation that they were going to change the rules and we weren't going to have unlimited meals with lobbyists, we then felt that since we proposed that, even though we didn't pass it in both houses, we follow that rule.

And so that's the same way I look at this. And since that's not the case, if for no other reason as my vocal no on the fact that that's being done, I'm going to oppose this bill and vote in the negative.

ACTING PRESIDENT MEIER: Senator Stachowski will be recorded in the negative.

Senator Gentile.

SENATOR GENTILE: Thank you, Mr. President, to explain my vote.

Call it my conservative viewpoint, but it is my fiscally conservative viewpoint that we should pay for the things that we have money to pay for. And I think Senator Connor's explanation of what we were asked to vote on today was explosive, was dynamic of what we really have been asked to vote on here today.

And certainly, from a fiscally conservative viewpoint, the correct vote here is a no vote. Because if you're fiscally conservative, to ask us to authorize this extra borrowing when we have a huge surplus, frankly -- frankly, the surplus is a political instrument and that surplus is good when the campaign season rolls around. But to endanger the State of New York to continue to borrow just to keep a surplus out there during a campaign year is not right for the Legislature, it's not right for the people who will incur the result and consequences of this debt, as Senator Connor has indicated.

So the fiscally conservative, the

prudent vote here is a no vote. So, Mr. President, I too vote no.

ACTING PRESIDENT MEIER: Senator Gentile, you will be recorded in the negative.

The Secretary will announce the results.

I'm sorry, Senator, I should stand up. The lamp is in my way.

Senator Malcolm Smith.

SENATOR MALCOLM SMITH: Thank you very much, Mr. President.

I am going to be voting for this bill. And while Senator Connor has very appropriately pointed out some of the experiences and appropriations that are in this bill, which is true, what is driving me at one point to do this -- because, one, we'll be back. We're going to be back probably in three weeks, probably in two months, where we are probably going to have to do this entire debt bill all over again.

What is important to me at this point from a financial standpoint is Senator Hevesi asked a question of Senator Stafford, and while he somewhat answered the question,

the fact is that we are doing some refinancing of debt in this bill. And it is actually the right time, whether it was just pure luck or whether it was actually somebody forecasting the time, this is actually the right time to refinance some of the debt that will be refinanced in some of these debt issuance that will occur with some of these authorities.

So for those reasons, I will be voting for the bill. But I know we will be back. And when we come back, at that time I think will be a different kind of vote, given that will be the real debt service bill. This one here, I believe, is just sort of a shadow.

Thank you.

ACTING PRESIDENT MEIER: Senator Malcolm Smith will be recorded in the affirmative.

Senator Brown.

SENATOR BROWN: To explain my vote, Mr. President.

I too, being somewhat fiscally conservative, am a little bit concerned that we are voting on a debt service bill that doesn't just pay off past debt but that has

new appropriations, that creates new debt.

And like others who have spoken before me, I'm very thankful to Senator Connor also for pointing out the certificates of participation in this bill. To me, $24 million for passenger vehicles paid over seven years, $3,908,000 in interest is excessive.

But as we have gone through this debate yesterday and today and talked about the need to continue programs and the need to pay our debts, I too believe that while I don't like the process, while I'm concerned about how this has been going and I'm going to speak out about that, I'm going to be forced to vote in the affirmative on this bill.

ACTING PRESIDENT MEIER: Senator Brown will be recorded in the affirmative.

Senator Lachman.

SENATOR LACHMAN: First, I want to say that I'm in great debt, tremendous debt of gratitude to my leader, Senator Connor, for bringing things to my attention that I was unaware of. And in doing that, he's just torn me apart for the last two or three hours. But

I've heard what he had to say, and I believe a great deal of what he has to say is correct.

But at the same time, in looking at this legislation, there are so many important things that we need in the State of New York, with all the problems that have been brought to our attention -- and I also don't want New York State to rank 51st in the states of the Union.

But the final decision, I have to admit, was based on a political policy issue. I said to myself a few minutes ago, when I hadn't decided yet how to vote, what the heck, even if I vote no, it will pass because the other side has the majority. And then I said to myself, how would I vote in a few years when we might have a majority? And I said the responsible thing to do today is to vote as if the Democratic Minority was in the majority.

I vote aye.

ACTING PRESIDENT MEIER: Senator Lachman will be recorded in the affirmative.

Announce the results.

THE SECRETARY: Those recorded in the negative on Calendar Number 328 are

Senators Breslin, Connor, Dollinger, Duane, Gentile, Hassell-Thompson, Hevesi, Montgomery, Onorato, Paterson, Schneiderman, A. Smith, Stachowski, and Senator Stavisky. Ayes, 43. Nays, 14.

ACTING PRESIDENT MEIER: The bill is passed.

Senator Kuhl.

SENATOR KUHL: Yes. Would you recognize Senator Morahan, please.

ACTING PRESIDENT MEIER: Certainly.

Senator Morahan.

SENATOR MORAHAN: Yes, Mr. President. I'd ask for unanimous consent to be recorded in the affirmative on Calendar 331, Senate Bill 3995.

ACTING PRESIDENT MEIER: Without objection, Senator Morahan will be recorded in affirmative on Calendar 331.

Senator Kuhl.

SENATOR KUHL: Is there any housekeeping at the desk?

ACTING PRESIDENT MEIER: Yes, I believe we have some motions.

Senator Fuschillo.

SENATOR FUSCHILLO: Thank you, Mr. President. On behalf of Senator Maltese, I move to recommit Senate Print Number 1855, Calendar Number 206 on the order of third reading, to the Committee of Veterans and Military Affairs, with instructions to said committee to strike out the enacting clause.

ACTING PRESIDENT MEIER: So ordered.

Senator Fuschillo.

SENATOR FUSCHILLO: Mr. President, on behalf of Senator Libous, on page 27 I offer the following amendment to Calendar Number 181, Senate Print Number 2819, and ask that said bill retain its place on Third Reading Calendar.

ACTING PRESIDENT MEIER: The amendment is received, and the bill will retain its place on the Third Reading Calendar.

Senator Kuhl.

SENATOR KUHL: Could we go to the regular calendar now and call up Calendar Number 314, by Senator Seward, please.

ACTING PRESIDENT MEIER: The Secretary will read Calendar 314.

THE SECRETARY: Calendar Number 314, by Senator Seward, Senate Print 3653, an act to amend the Insurance Law, in relation to homeowners' insurance.

SENATOR CONNOR: Explanation.

ACTING PRESIDENT MEIER: Senator Seward, Senator Connor has requested an explanation of Calendar 314.

SENATOR SEWARD: Certainly, Mr. President.

This bill would extend the New York Property Insurance Underwriting Association, the so-called NYPIUA, for two years. Currently NYPIUA will expire on April 30th of this year. This bill would extend it for a two-year period, to April 30, 2003.

It would also extend for the same two-year period provisions allowing for multitier programs for homeowners' insurance to encourage the availability of insurance in so-called high-risk areas.

ACTING PRESIDENT MEIER: Senator Dollinger.

SENATOR DOLLINGER: Mr. President, will the sponsor yield to a question?

ACTING PRESIDENT MEIER: Senator, do you yield?

SENATOR SEWARD: Yes, I do.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR DOLLINGER: Through you, Mr. President, to Senator Seward, is there any evaluation of the NYPIUA program that has been undertaken to determine its effectiveness and the impact on the marketplace that it was designed to achieve?

SENATOR SEWARD: Well, I would say, Mr. President, there are really two ways that I could answer the question. Number one is if you take a look at the market in both some of these high-risk areas, particularly on the coastal regions of our state, which are susceptible to hurricanes and those types of more dramatic storms, the market for this type of insurance is quite vibrant. There have been a number of companies in competing for business to the benefit of the insureds. So

that's one part of the answer.

The second part of the answer would be that there is in place, and this bill would continue it, the Temporary Panel on Homeowners' Insurance Coverage, which is made up of producers, and the Superintendent of Insurance chairs this body. And it is their responsibility to evaluate the market and to, you know, make recommendations should there be the need to change. But so far, it has not been necessary because the market is doing pretty well. And that's why I'd like to see this extended.

SENATOR DOLLINGER: Well, through you, Mr. President, that's my question to Senator Seward. I mean, this was a program undertaken by the State of New York to have an impact on the marketplace because either there was insurance coverage that wasn't available for the kind of catastrophic problems of windstorms, hailstorms, hurricanes, high water levels even in some places. And so we entered the marketplace to create this association.

And my question now is, given the seeming -

ACTING PRESIDENT MEIER: Senator Dollinger, are you asking Senator Seward to yield?

SENATOR DOLLINGER: Yes, I am, Mr. President, thank you.

ACTING PRESIDENT MEIER: Senator Seward, would you yield to a question from Senator Dollinger?

SENATOR SEWARD: Yes, I will.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR DOLLINGER: I think that's, Mr. President, because I didn't articulate that, that's correct.

But my question is, we entered into the marketplace in 1984 to provide benefits that were either too expensive or nonexistent. My question is, is there any study of the marketplace to show that those benefits are now existent in the marketplace or that the price has come down to such a point that we need to continue to be in the marketplace? Which I think most of us would agree the State of New York is best kept out of the vibrant marketplace.

SENATOR SEWARD: Well, Mr. President, if the Senator is suggesting that because of this improved market in these areas that we should allow NYPIUA to expire, I would only point out that around 2 percent of the state's residential properties are insured through NYPIUA. And if you were among those -- within that 2 percent, I don't think you would want to see NYPIUA expire.

SENATOR DOLLINGER: Through you, Mr. President, if Senator Seward will continue to yield.

ACTING PRESIDENT MEIER: Senator Seward, do you yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR DOLLINGER: Senator, I would agree with you that if I were one of those 2 percent that were covered, I might be concerned. But shouldn't I know what else is out there in the marketplace and what it costs before I draw that conclusion?

If we allowed it to expire, how could we tell whether it was working unless we

could show there was either a lack of insurance available or that it was too expensive and that this organization had somehow either made something available that was never there or to reduce the cost? Where's the evidence that it's worked and that it needs to continue?

SENATOR SEWARD: Well, Mr. President, I would respond in this way. NYPIUA, which by the way is not a New York State-run operation, it's made up of -- all the insurers who write fire and property coverage in New York State are members of NYPIUA and make up NYPIUA. We obviously through statute authorize this association, but it's not a New York State-run operation. It's run by these companies that make up NYPIUA. They participate in all of the expenses and profits and losses and all of that.

So NYPIUA exists as what I would describe as the insurer of last resort. If you are a homeowner or a small businessman in a high-risk area and did not have the availability of insurance in the voluntary

market, then you have this option of going to NYPIUA. And as I said earlier, about 2 percent of the state's residential properties depend on this insurer of last resort. And so that's the reason for the extension.

I point out the vibrancy of the market, particularly in the coastal areas, we went through a time back prior to -- let's see. I forget the exact year. In the mid-'90s, obviously, because in 1996 this Legislature had adopted provisions in the law which came in with the multitiered program to entice insurers into the coastal areas.

So this Legislature has responded over the years to market conditions. Right now, things seem to be fairly stable. And I recommend that we keep it that way through the extension of NYPIUA.

SENATOR DOLLINGER: Through you, Mr. President, if the sponsor will continue to yield.

ACTING PRESIDENT MEIER: Senator Seward, do you continue to yield?

SENATOR SEWARD: Sure.

ACTING PRESIDENT MEIER: The Senator yields.

SENATOR DOLLINGER: Is there a recommendation from the Superintendent of Insurance to keep this program going?

SENATOR SEWARD: Well, Mr. President, I can't point to a formal memo or letter. But certainly in conversations with the Superintendent, they would like to see NYPIUA continue, yes.

SENATOR DOLLINGER: Through you, Mr. President, if Senator Seward will continue to yield.

ACTING PRESIDENT MEIER: Senator, do you yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR DOLLINGER: Do you know what the factual basis was for the Superintendent's comment that it should continue in existence?

SENATOR SEWARD: The facts speak for themselves, Senator, and Mr. President, that the -- we still continue to have

2 percent receiving their coverage through this vehicle. And therefore, it should be continued. I mean, the facts speak for themselves.

SENATOR DOLLINGER: Through you, Mr. President, if Senator Seward would continue to yield.

ACTING PRESIDENT MEIER: Senator, do you yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR DOLLINGER: Senator, I'm just trying to figure out what's in the mind of those people who get the 2 percent of the coverage. Are they selecting this option because it's the least expensive? Is there any market survey as to the rate that's paid by this organization versus other commercial insurers? That's number one.

And, number two, do you have any price advantage in this as distinguished from other insurers?

I agree with you, Senator Seward, I think that this state has had the benefit of a

vibrant market. I think that's a good thing for consumers to have lots of choices. And my question was, in 1984 we said there wasn't enough competition in the marketplace. That was in part, Senator Seward -- and I think you may acknowledge this, as the chair of the Insurance Committee -- that was in part because there weren't large, massive insurance companies.

Back in those days, in the preconsolidation days, the companies generally tended to be smaller. So underwriting the catastrophic risks that this program does - windstorm, hail, explosion, hurricanes -- was very difficult to do for smaller insurers.

We now live in a world where, because of consolidation, we have much bigger insurers, there's a much more competitive marketplace. You haven't yet -- and with all due respect, I just don't see the basis for suggesting that there's a reason to continue this just because 2 percent of the people have it. Why shouldn't we send them to the private marketplace and get the state out of the business of selling this kind of insurance?

SENATOR SEWARD: Well, Mr. President, the reason that people find themselves doing business through NYPIUA is the fact that they do not have access in the voluntary market. It's a question of access to basic insurance coverage.

And so there's certainly no price advantage, because -- it's in fact more expensive, because the cost is higher to be insured through NYPIUA. And that's just part of the pricing mechanism. So there's no advantage from a price point of view.

The advantage is that they do in fact have access to insurance coverage. And in sort of these so-called high-risk neighborhoods, the fact that because of NYPIUA they're able to receive coverage, this basic coverage, that, I think, is very beneficial to those communities. It helps them to secure a mortgage on properties, it helps to attract private investment. I think these are all very positive things, and I think they should be continued.

SENATOR DOLLINGER: Okay. A final question, through you, Mr. President.

ACTING PRESIDENT MEIER: Senator Seward, do you yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR DOLLINGER: Has the Insurance Committee of either this house or the other house studied the impact of this device on the marketplace and drawn the kinds of conclusions that you just drew with respect to availability and price? Has there been any study of this by any of the bodies in this Legislature to confirm your observations?

SENATOR SEWARD: Well, Mr. President, I would direct the Senator to the various reports that are -- that have come to us over the years from this Temporary Panel on Homeowners' Insurance Coverage which delve into these issues and have recommended the continuation of NYPIUA. Even though they do acknowledge that overall the market is much more vibrant, but the recommendation is there that it continue.

So the Senator is free to read those reports, and I'd happy to provide them

to him.

SENATOR DOLLINGER: Through you, Mr. President, just one final question for Senator Seward.

ACTING PRESIDENT MEIER: Senator Seward, do you yield for a question?

SENATOR SEWARD: Yes.

SENATOR DOLLINGER: Just one final question. When is the most recent of those reports?

SENATOR SEWARD: The most recent was on May 1, 2000.

SENATOR DOLLINGER: Okay. Through you, Mr. President, just on the bill.

ACTING PRESIDENT MEIER: Senator Dollinger, on the bill.

SENATOR DOLLINGER: Mr. President, I'm not quite sure I understand the theory of an extender for a two-year period of time in this bill. And it really comes down to -- and, Senator Seward, I appreciate the colloquy about this.

I once again am struck, however, somewhat by how we put extenders into effect. And the whole purpose of sunset legislation is

that we will force each other -- we'll force the Legislature to examine a piece of legislation before we make it permanent. The whole point of it is that we're going to force ourselves to go through a self-examination, to come up with a conclusion as to why a proposed piece of legislation should be renewed.

And with all due respect to Senator Seward, I hear a concept that should be continued, but I don't hear the facts to support it. This was obviously put in place at a different time. This was obviously put in place because the current marketplace did not provide access to insurance, it was too expensive. So what, at least as I understand this, it was designed to do, is this said, well, we're going to sell you this insurance at a particular rate and if you have losses above those, we will charge the entire pool of available insurers an additional cash sum to fund those losses to put the money in. That's the way I understand it works. And I don't deny that there was an appropriate time to do this.

But it seems to me, given what

Senator Seward acknowledges is a vibrant marketplace, why not put this back on the marketplace? Why not just turn over to big commercial insurers the availability of insuring the full extent of the risk? I'm not so sure there's any evidence that the private sector couldn't do that.

And under those circumstances, I think the private sector should be given a chance to do it, I don't see a justification for continuing this. If there were one -- and I'd be glad to look at the May 1, 2000, report -- I haven't seen it to this point, Mr. President. I'm not satisfied that at least what I've heard to date suggests that there's a basis for the continuing presence of government in the marketplace. And in the absence of that kind of evidence, I think the government ought to get out of the marketplace, turn this over to private insurers, let them figure it out. And if they need to come back to us, we'll make that judgment then.

But I'm going to vote no on this, Mr. President, because I don't think there's

the evidence to support it.

ACTING PRESIDENT MEIER: Senator Onorato.

SENATOR ONORATO: Mr. President, will the sponsor yield to a question.

ACTING PRESIDENT MEIER: Senator Seward, do you yield for a question from Senator Onorato?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR ONORATO: Senator Seward, I think I'm going to be in favor of this bill, and I just want a little clarification. Actually, isn't this almost the equivalent of a assigned risk pool for homeowners? Because I've had some experience where I had people from my own district living with waterfront property and they couldn't get any of this insurance to insure their homes.

Now, this association was basically formed to provide insurance for this particular category of homeowners and property owners, was it not?

SENATOR SEWARD: Mr. President,

Senator Onorato is basically correct. I think it is a -- if you want to talk concept, to think in terms of this as an assigned risk for -- in terms of the auto insurance area. This would be for the fire, basic home residential insurance.

Now, unlike what has been described by Senator Dollinger, this is not an extra layer of insurance. We're talking about making available very basic coverage. These policyholders that secure their insurance through NYPIUA currently, as you correctly point out, have no other options.

SENATOR ONORATO: One further thing. I believe the association -

ACTING PRESIDENT MEIER: Senator Onorato, do you want Senator Seward to continue to yield?

SENATOR ONORATO: Would you continue to yield, Senator?

ACTING PRESIDENT MEIER: Senator Seward, do you yield -

SENATOR ONORATO: I have a couple of questions, Senator.

ACTING PRESIDENT MEIER: Wait,

wait, wait.

Senator Seward, do you yield for a question?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR ONORATO: I understand, Senator, is it correct or not that the association will guarantee that if there are any losses to any of the private insurers that do the insuring, they'll be reimbursed or made up for the differences? Or do they simply raise the rates the following year when it expires?

SENATOR SEWARD: Mr. President, the rates that are charged are set by statute. And in terms of the members of the association, they share in whatever profit or loss develops depending on, you know, the claims that are filed.

SENATOR ONORATO: Again through you, Mr. President, I was under the -

ACTING PRESIDENT MEIER: Senator Seward, do you yield for another question?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR ONORATO: I was under the assumption that the association reimbursed anybody for a deficit if it should occur, through the provision of the insurance.

SENATOR SEWARD: Just a point of clarification, Mr. President. You're referring to any loss that may be incurred by a member of the association, a company that is a member?

SENATOR ONORATO: Right. Yes.

SENATOR SEWARD: Well, the association does, through its flow of finances, in effect do that, because there is a sharing of the profits and the losses. So that if one company -- it's a sharing of the risk, as you point out. So there is a form of what you suggest in terms of the making up the difference for a particular company. Because they're not out there on their own, it's a member of this association which is made up of all the insurers. And so the risk is shared and the losses of a particular company are made up by the other members of the

association.

SENATOR ONORATO: And one final question, through you, Mr. President.

ACTING PRESIDENT MEIER: Senator Seward, do you yield for another question?

SENATOR SEWARD: Yes, Mr. President.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR ONORATO: Are these insurers capable or are they allowed to provide any other types of insurance besides this specific catastrophe for the homeowners with the waterfront property?

SENATOR SEWARD: Well, Mr. President, the -- there's very basic coverage, in terms of what they offer through the NYPIUA program is very specific and very basic coverage.

There are additional coverages that are on what I call a standby basis. The Superintendent, under existing law, which would be extended, has the authority to, after having public hearings and so on, if the market in some other lines necessitates their

offering other lines of insurance through the NYPIUA vehicle, that is possible.

Although it's interesting to note that these additional types of insurance have never been invoked. I mean, the superintendent has never determined, to date, anyway, that that has been necessary. But it is possible.

SENATOR ONORATO: Thank you, Senator. As I stated earlier, I think it's a good bill and I certainly do intend voting for it.

ACTING PRESIDENT MEIER: Senator Schneiderman.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President, if the sponsor would yield for a few questions.

ACTING PRESIDENT MEIER: Senator Seward, do you yield to a question?

SENATOR SEWARD: Yes, Mr. President.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: I'm trying to understand the relationship between the

members of NYPIUA and the temporary panel that was discussed earlier. Which is, I guess, defined in Section 12 of Chapter 42. Are the same companies represented -- that are in NYPIUA also on the temporary panel?

SENATOR SEWARD: Mr. President, they could be. The association members have a board of 13. There are 10 that come from the companies that are participating, or at least they vote 10 members in. And then the Superintendent is able to appoint three.

And in terms of -- the Temporary Panel on Homeowners' Insurance Coverage is also made up of producers, so it's more than likely that many of them are the same companies involved, the same entities. There's nothing that would prevent that.

I would point out that as this temporary panel reviews the market, I think who better to make judgments than the people who are out there, you know, on the street, so to speak, knowing exactly what the conditions are because they're doing business there.

SENATOR SCHNEIDERMAN: Well, through you, Mr. President, then -

ACTING PRESIDENT MEIER: Senator Seward, do you continue to yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: Thank you. I think that the concern that I'm raising is -- and it was hinted at by Senator Dollinger's question -- is that it does not appear, and I may be mistaken, it does not appear there's been any objective appraisal - and by that I mean someone who is not a part of the industry, not those entities that are writing coverage for a profit -- that has produced any sort of assessment of this.

I appreciate that there are reports by the temporary panel, but I gather that the temporary panel is evaluating the program that is participated in by the same people who are on the temporary panel.

Has anyone else looked at this, or any other representatives of consumer interests, public interests, or the insured, as opposed to the insurer?

SENATOR SEWARD: Well, Mr.

President, in terms of this temporary panel, it consists of 14 members. They are appointed by -- some by the Governor, three members by the Governor and the Temporary President of the Senate, the Speaker of the Assembly. The Minority Leader of the Senate get two appointments, and the Minority Leader of the Assembly gets two appointments as well.

So it is -- if you're suggesting it's some sort of an inside group, I would speak to your leader and other leaders who are appointing members if you feel that they're appointing inappropriate individuals to that body.

I've never heard a complaint at all about it.

SENATOR SCHNEIDERMAN: Well, through you, Mr. President, if the sponsor will continue to yield.

ACTING PRESIDENT MEIER: Senator Seward, do you continue to continue to yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: I'm not

suggesting that anyone is doing anything improper. It's just that if I am regulating myself, if I am doing a report on whether my office is doing a good job, it will be a different report than if somebody else is doing such a report. And I'm sure that everyone is endeavoring to appoint the most qualified people to this panel.

My concern is that the great majority of people on the temporary panel are, and I'm reading from the statute, representatives of producers actively placing homeowners' insurance policies in this state and representatives of insurance companies actively writing homeowners' insurance policies in this state. Which, as I gather, are the same entities that are in NYPIUA.

So I'm not suggesting anything improper, it's just that we get different perspectives from different sources. And my question, once again, is has there been any other outside entity that has ever evaluated this program?

SENATOR SEWARD: Mr. President, I'm not aware that there has been. And I'm

also not aware that there really is a need to have an outside group or another entity created to do that.

You know, it's interesting to note, when you take at a look at the NYPIUA association, that is in fact made up of -- the members of the association elect that governing board, more than likely company representatives. The panel members that are advising the Superintendent of Insurance and us, because we receive those reports as well, there is a far-reaching group that's there involving agents -- I mean, any number of people. There are so many players in the insurance field that it's more than just company representatives. So you have agents and the like. And it's a situation where - plus the market is very visible.

I think the best way to gauge how well NYPIUA and some of the other changes in the law that were made to address some of the issues along the coast, the best way to assess it is to talk to individual homeowners. And in fact, if there was not an availability of insurance -- which was the case a few years

ago in this state in select areas -- believe me, we would not need a temporary panel to tell us that. It would be pretty well known.

SENATOR SCHNEIDERMAN: Thank you.

Through you, Mr. President, if the sponsor will continue to yield.

ACTING PRESIDENT MEIER: Senator Seward, do you continue to yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: I'm curious as to how the categories of insurance that are covered by NYPIUA were developed. It seems to apply to a fairly broad range but actually a fairly random sprinkling of types of insurance -- vandalism, extended coverage. How were the different categories that are under NYPIUA identified?

SENATOR SEWARD: Mr. President, NYPIUA was created originally back in 1968 to provide this basic property insurance coverage, particularly in urban areas that - if you recall, in the late '60s, in some of the urban areas of our state, there was some

civil unrest and some communities had serious problems. And it was difficult and in fact impossible for certain properties in certain areas to obtain insurance coverage. And so NYPIUA was created. That's the origination of it.

And what we have done since that time is to basically carry forth those coverages in the statute. Personally, I have had no involvement in establishing the list of coverages. And I don't -- I can't answer your question directly other than the fact that we are carrying forward what is in place now, and it seems to be working very well.

SENATOR SCHNEIDERMAN: Through you, Mr. President, if the sponsor will continue to yield.

ACTING PRESIDENT MEIER: Senator Seward, do you continue to yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: I note that one of the areas that appears to be covered is professional liability insurance.

I'm not sure I understand -- I understand the notion of homes in dangerous areas or in environmentally hazardous areas. How does professional liability insurance get into this?

SENATOR SEWARD: Well, Mr. President, the commercial risk insurance, public entity insurance, and the professional liability insurance, those three categories are in that so-called standby powers, which have never been invoked. But because back in 1986, when there was a general liability insurance crisis in this state in terms of access and availability, those -- that's when those particular coverages were added to the statute on a standby basis. And that was in response to conditions that existed at that time.

SENATOR SCHNEIDERMAN: Through you, Mr. President, so those -

ACTING PRESIDENT MEIER: Senator Seward, do you continue to yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: So in fact, NYPIUA has never done that, it's been authorized but not undertaken as far as those additional categories of insurance are concerned?

SENATOR SEWARD: That is correct. It would require a process that is headed up by the Superintendent of Insurance, has to have public hearings and go through a process outlined in the statute before that type of insurance could be available through NYPIUA.

SENATOR SCHNEIDERMAN: Thank you. And through you, Mr. President, just one or two more brief questions.

ACTING PRESIDENT MEIER: Senator Seward, do you continue to yield?

SENATOR SEWARD: Yes.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR SCHNEIDERMAN: What happens if the association runs a deficit? What's the mechanism for dealing with that?

SENATOR SEWARD: Well, Mr. President, the members of the association would have to assume any losses.

SENATOR SCHNEIDERMAN: So there would be no drain on the public funds? There's no public funding for that?

SENATOR SEWARD: Mr. President, the Senator is correct. There's no exposure here on the part of the State of New York.

SENATOR SCHNEIDERMAN: Sounds pretty good to me. Thank you.

SENATOR SEWARD: You're welcome.

ACTING PRESIDENT MEIER: Senator Oppenheimer, why do you rise?

SENATOR OPPENHEIMER: I would like to ask a question, if the Senator would yield.

ACTING PRESIDENT MEIER: Senator Seward, do you yield a question from Senator Oppenheimer?

SENATOR SEWARD: Certainly.

ACTING PRESIDENT MEIER: The sponsor yields.

SENATOR OPPENHEIMER: This is a simple question for you. I know many people who are near the waterfront having trouble getting -- you know, in the voluntary market getting insurance. But every time there's a

northeaster there, part of their houses go underwater. And I wonder how they would specifically go about availing themselves of this insurance.

SENATOR SEWARD: Well, Mr. President, if a homeowner found themselves in that situation when -- if their regular insurance carrier refused to renew them and they had no availability of insurance coverage through the normal marketplace, then they could approach NYPIUA to obtain coverage. Only then. Only if their regular -- in the regular market they could find no coverage there.

But I must say, the -- that has improved along coastal areas, because of some additional changes we made in 1996 in this Legislature. So that the availability has improved greatly. However, if someone does find themselves in the position of not having availability of coverage, then they could receive that coverage through NYPIUA.

SENATOR OPPENHEIMER: Would you continue to yield, Senator?

ACTING PRESIDENT KUHL: Senator

Seward, do you continue to yield?

SENATOR SEWARD: Certainly.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR OPPENHEIMER: How would we go about that? Is there a central office you could provide us with?

SENATOR SEWARD: Well, Mr. President, I was turning to counsel here to say do we have an address or a phone number. I do not have that available at this time.

But generally, if an individual is working with an insurance agent and together they have reached the conclusion that there's no coverage available, obviously the insurance agent could direct them to NYPIUA.

But, I mean, it does exist. I mean, it has a physical location and a phone number. I'm sure they're in the book.

SENATOR OPPENHEIMER: Okay. Thank you.

On the bill, please.

ACTING PRESIDENT KUHL: Senator Oppenheimer, on the bill.

SENATOR OPPENHEIMER: This is a

good bill. It will definitely be of some service to many of my communities which are surrounded by water. And very often the FEMA insurance is not available, which is the Federal Emergency Management office, which has insurance.

But I think this can only benefit us, and so I'll be happy to support it.

ACTING PRESIDENT KUHL: Senator Brown, why do you rise?

SENATOR BROWN: Through you, Mr. President, if the sponsor would yield for a few questions.

ACTING PRESIDENT KUHL: Senator Seward, do you yield to a question from Senator Bruno?

SENATOR SEWARD: Yes, I do, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BROWN: Senator -- Mr. President, through you, is NYPIUA a statewide organization that has listings across the entire state of New York?

SENATOR SEWARD: Mr. President,

yes, NYPIUA is empowered to write coverage or obtain access to coverage throughout the state for individuals. It's not in a select area.

SENATOR BROWN: Through you, Mr. President, would the sponsor continue to yield?

SENATOR SEWARD: Yes, I will, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BROWN: So in my district there are certain areas where homeowners have been told that their insurance is being canceled. In cases like that, Senator, would they then be able to go to NYPIUA for insurance?

SENATOR SEWARD: Yes, Mr. President. An individual who has been canceled, if they work with an agent or on their own if they make some calls and attempt to secure coverage from another carrier, if that's not possible, then NYPIUA is there as, shall we say, a safety net, the insurer of last resort.

SENATOR BROWN: Through you, Mr.

President, would the sponsor continue to yield?

ACTING PRESIDENT KUHL: Senator Seward, do you continue to yield?

SENATOR SEWARD: Yes, I will.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BROWN: And I apologize if you answered this question already, Senator Seward. Do the rates that NYPIUA charges, are they comparable with the voluntary market?

SENATOR SEWARD: Mr. President, the insurance premiums and costs through the NYPIUA program are higher than the voluntary market, in recognition that there must be a higher risk involved. Otherwise, the voluntary market would have assumed that risk voluntarily.

SENATOR BROWN: Through you, Mr. President, would the sponsor continue to yield?

ACTING PRESIDENT KUHL: Senator Seward, do you yield?

SENATOR SEWARD: Certainly.

ACTING PRESIDENT KUHL: The

Senator yields.

SENATOR BROWN: Senator Seward, how does NYPIUA market itself? I have never heard of it. And even previously, as a city council member representing a district where homeowners and business owners sometimes found it difficult to get the insurance they needed, I never heard of it offered as an option in those communities.

SENATOR SEWARD: Well, Mr. President, I think it was Senator Onorato who had made the comparison to the so-called assigned risk pool with auto insurance. One doesn't see the high-risk pool, you know, out there marketing themselves either. It's the case when -- generally when an individual in working with an agent finds that there's no insurance coverage available to them, then that agent will direct them to NYPIUA, much as they do with the assigned risk pool when it comes to auto.

SENATOR BROWN: Thank you, Senator.

SENATOR SEWARD: Thank you.

ACTING PRESIDENT KUHL: Senator

Dollinger, why do you rise?

SENATOR DOLLINGER: Just one other question, if Senator Seward will continue to yield.

ACTING PRESIDENT KUHL: Senator Seward, do you yield to a question from Senator Dollinger?

SENATOR SEWARD: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DOLLINGER: There's no joint sponsorship of this bill. Has the Assembly taken up the extender, and what if anything have they done, if you know?

SENATOR SEWARD: Mr. President, the Assembly has passed a permanent extension of NYPIUA. And I would anticipate, if history is any indication, that they will pass this two-year extender once we do.

In the past, we have been, in this house, passing one-year extensions of NYPIUA. There are those that would argue for a permanent extension. And it's my view, and the majority of the Insurance Committee's view as we reported out this bill, that we should

extend it for a two-year period because I think it is, as we've had this discussion today, as we allow the Temporary Panel on Homeowners' Insurance Coverage to do their work in terms of evaluating the marketplace, I think there is some value to bring these issues to the forefront on a periodic basis in order to assess the marketplace and see if there are any changes needed.

If you take a look at the statute, there were changes made in the mid-'80s to NYPIUA, and again in the mid-'90s, in reaction to market conditions at those times. So I think there's some value to bring this matter before the Legislature on a periodic basis. And that's the logic behind the two-year extension.

SENATOR DOLLINGER: Okay. Mr. President, just briefly on the bill again.

ACTING PRESIDENT KUHL: Senator Dollinger, on the bill.

SENATOR DOLLINGER: I've listened to the colloquy between my other colleagues who have questioned Senator Seward. I continue to be skeptical about the continual

renewals. I think if this program has value in the marketplace, we ought to do what the Assembly did, make it permanent. Or we should commission the kind of study to figure out whether the marketplace is vibrant enough to provide this insurance without state assistance.

I'm reluctant to have the state get involved in the marketplace and remain there, become a fixture there. I think we could look at the State Insurance Fund and think about selling that off, because I'm not sure that we need that either. I think there are a number of times when we have entered into the marketplace for a beneficial purpose and stayed way, way, way too long.

I just think that this is something that there isn't enough evidence for me, sitting here in this chamber today, to conclude that the vibrant marketplace that's now available cannot provide this function, cannot serve this function.

Under those circumstances, Mr. President, as I articulated earlier, I'll be voting in the negative.

ACTING PRESIDENT KUHL: Does any other member wish to speak on the bill?

Senator Breslin.

SENATOR BRESLIN: On the bill, Mr. President.

ACTING PRESIDENT KUHL: Senator Breslin, on the bill.

SENATOR BRESLIN: I think Senator Seward has done an exemplary job in explaining NYPIUA. And I think NYPIUA, on an ongoing basis, has performed an admirable service, particularly for Nassau and Suffolk County, but also for inner city areas. And it provides a coverage when no coverage exists. And as was pointed out, it still carries 2 percent of the insurance business in the State of New York, albeit at a premium, at a premium often in the neighborhood of 30 percent. But that's as opposed to not being able to find insurance.

However, NYPIUA has been with us for a generation, and it's proved to be viable, it's proved to be necessary, it's proved to fulfill a mission. And the Legislature ought to say, fine, leave it

alone, leave to the Insurance Department to assist in regulating, and make this permanent. And the Assembly felt that way on the 19th of March of this year and passed a permanent extender.

And I would urge this body, at a later point in time, because I intend to vote on this legislation, to consider that, to get on to more important business and let NYPIUA operate as it has for, as I said, the past generation in a very positive and successful way.

And because of that, Mr. President, I intend to vote in the affirmative.

ACTING PRESIDENT KUHL: Senator Brown, why do you rise?

SENATOR BROWN: Mr. President, if I may, through you, ask the sponsor just one additional question.

ACTING PRESIDENT KUHL: Senator Seward, do you yield to one additional question?

SENATOR SEWARD: Certainly.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BROWN: Senator, do you know how much of this insurance or what percentage of NYPIUA's coverage is sold in inner cities across the state?

SENATOR SEWARD: I must say I'd have to do a little research. I don't have that information off the top of my head.

But it's primarily in the urban areas, and occasionally along the coastal areas which are vulnerable to storms.

SENATOR BROWN: On the bill, Mr. President, if I may.

ACTING PRESIDENT KUHL: Senator Brown, on the bill a second time.

SENATOR BROWN: I too want to thank Senator Seward for his explanation of NYPIUA. Prior to reading the bill and hearing Senator Seward's explanation, I was not acquainted with NYPIUA at all or its function.

I understand how it works in coastal areas. I haven't seen evidence of it in urban areas at this point, but I certainly intend to do more research on NYPIUA and certainly want to provide it as an alternative to my constituents, some of which I know have

not been able to get homeowners' insurance and in some cases commercial insurance, business insurance in some areas of my district. And it certainly sounds like an intelligent option, because some insurance to safeguard one's possessions is certainly better than no insurance.

And so I'm thankful to Senator Seward for his kindness in responding to our questions. And I certainly today have been better educated on this matter, and hopefully that will inure to the benefit of my constituents.

Thank you, Mr. President.

ACTING PRESIDENT KUHL: Senator Stachowski, why do you rise?

SENATOR STACHOWSKI: Mr. President, briefly on the bill.

ACTING PRESIDENT KUHL: Senator Stachowski, briefly on the bill.

SENATOR STACHOWSKI: I'd just like to thank Senator Seward for his patience and his thoughtful answers and the information he shared with everybody here.

This particular debate is another

example how a new member that wasn't aware of what was available through NYPIUA now knows about it and will avail it to people in his district that might not have been aware of it. And another member that was here for a while for whatever reason maybe didn't know that this particular insurance was available to people that are right on the water and now as a result of this debate and all the information that Senator Seward provided will also make sure that people in their district find out about this insurance availability where maybe they couldn't get any insurance coverage before.

So the fact is that this particular debate has proved to be not only informative for all of us, but it's going to come in handy for a couple of members in providing more information and an additional service to people in our districts. So I just wanted to commend him on that fact.

And I don't understand, as Senator Breslin said, why we wouldn't do the permanent extender. I will vote for this bill because it does extend it, but it would seem to me

that even if we did have changes to make to whatever operates, governs NYPIUA, we could do that through a chapter if we permanentized it. So it could still be discussed and changed if necessary.

And usually these kind of associations would bring forward any changes they needed, or people that worked with them would bring forward any changes they needed for debate. And I'm sure the Insurance Department, in oversight, if it noticed that it needed changes, if this was permanentized, would bring them forward.

But since that's not available, I will take the next best thing and vote for the two-year extender. It's better than the one-year extenders we used to do.

So with that I'll be supporting the issue. Thank you.

ACTING PRESIDENT KUHL: The Secretary will read last section.

THE SECRETARY: Section 4. This act shall take effect immediately.

ACTING PRESIDENT KUHL: Call the roll.

(The Secretary called the roll.)

ACTING PRESIDENT KUHL: Record the negatives and announce the results.

THE SECRETARY: Ayes, 56. Nays, 1. Senator Dollinger recorded in the negative.

ACTING PRESIDENT KUHL: The bill is passed.

Senator Skelos.

SENATOR SKELOS: Mr. President, would you please call up Calendar Number 258, by Senator Farley.

ACTING PRESIDENT KUHL: Calendar Number 258, by Senator Farley, Senate Print 2838, an act to amend the Banking Law, in relation to the appointment.

SENATOR OPPENHEIMER: Explanation, please.

ACTING PRESIDENT KUHL: Senator Farley, an explanation has been requested by Senator Oppenheimer.

SENATOR FARLEY: Thank you.

This bill was originally was proposed in 1999 as part of a Banking Department bill. It was introduced as a

separate bill in 2000, and it was passed unanimously by the Senate in 2000.

The bill would clarify that the boards of banking institutions may establish policies for the appointment of appraisers - these are real estate appraisers -- rather than having to individually appoint each appraiser used by each institution.

Currently, some bank boards review and approve each appraiser individually, while other bank boards establish general policies governing the appointment of appraisers. However, the Banking Department has noted that the current law is ambiguous in regard to the appointment of appraisers. They point out that some could interpret the existing language to mean that bank boards must individually appoint each appraiser used by their institution.

In order to clarify this is not the case, the Banking Department developed these direct appointments of each appraiser and said it may be cumbersome, inefficient, and especially for the larger institutions. Furthermore, there's no need or benefit in

requiring that this level of detail be addressed by the -- at the board level.

This is a matter that should be left to the discretion of each individual institution. And while some may wish to retain this authority to individually appoint appraisers, others may wish to establish policies to be followed.

It is important that it be noted that in response to the savings and loan crisis, New York State now has a state law which provides for the licensing and certification of real estate appraisers. This has helped to strength and improve the professionalism of the industry.

Also attached to this bill are technical changes. This bill includes a few technical corrections. It eliminates the designation of paragraph B within Section 103.4 of the Banking Law. The designation of paragraph A had been eliminated back in 1984. However, the statute still contains the designation of paragraph B. This designation is meaningless and confusing. The bill would eliminate this outdated and unnecessary

designation.

It enacts conforming changes to Section 5 in the Banking Law in regard to the use of one appraiser rather than two. Laws enacted in 1984 and '86 had eliminated the requirement that state-chartered banks and thrifts use two appraisers on every property. The use of two appraisers was unnecessary and simply resulted in higher costs of mortgage loans.

However, Section 5 of the Banking Law, which relates specifically to VA loans, was inadvertently overlooked when these laws were enacted in 1984 and 1986. This bill makes the conforming amendments to that section.

SENATOR OPPENHEIMER: That was very thorough.

ACTING PRESIDENT KUHL: Senator Oppenheimer.

SENATOR OPPENHEIMER: If the Senator would yield for a couple of questions.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to a couple of questions from Senator Oppenheimer?

SENATOR FARLEY: Senator, before I yield, do you understand all of these technical amendments?

SENATOR OPPENHEIMER: Oh, perfectly, thank you. I have some other questions, though.

SENATOR FARLEY: I may ask you a few questions on them.

(Laughter.)

SENATOR OPPENHEIMER: Not a word.

SENATOR FARLEY: Go ahead.

ACTING PRESIDENT KUHL: Ladies and gentlemen, I realize it's 4:00 in the afternoon -

SENATOR OPPENHEIMER: I'm sorry. I'm sorry.

ACTING PRESIDENT KUHL: -- and I'm being very gracious in allowing you to deviate from the rules, but the rules don't allow for a dialogue back and forth in the chamber, neither from you, Senator Farley, nor from you, Senator Oppenheimer.

So I appreciate all your conversations going through the chair.

And no, I'm not distracted by the

phone. I've been known to throw these, as a matter of fact. So please listen to and obey to the rules of the house.

SENATOR FARLEY: There will be no more dialogue from this part of the chamber.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to a question?

SENATOR FARLEY: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

Thank you, Senator Oppenheimer.

SENATOR OPPENHEIMER: Thank you very much. Mr. President, is there someone on that phone or is this like Ernie and the banana?

SENATOR FARLEY: I think it's the Banking Board.

(Laughter.)

SENATOR OPPENHEIMER: Okay, Senator, I actually have a pretty simple question. These appraisers, were they -- was the law originally written that each single bank would have to have their own appraisers? Or was this a board of appraisers that could be used by all of the -- each of the banks in

that area?

SENATOR FARLEY: The law was originally each bank had to have its own appraisers. Each bank branch, if you will, or whatever you wish. Yup.

SENATOR OPPENHEIMER: Okay. Well, if you would yield again.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to a another question?

SENATOR FARLEY: I will yield.

ACTING PRESIDENT KUHL: The Senator yields. Thank you.

SENATOR OPPENHEIMER: It would seem, if they're small banks, for each of them to have to acquire one or two appraisers - since you said some of the instances of real estate appraising required two appraisers instead of one. Certainly if it's a branch where there is not that much activity, one can see why a board that could handle several banks, a board of appraisers would be logical. Am I correct in -

SENATOR FARLEY: Yes, I think you're getting to the problem. The bank can set a policy, let's say, that this board could

have several appraisers which could handle the appraising for several branches.

SENATOR OPPENHEIMER: I see. Through you, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley, do you continue to yield to a question from Senator Oppenheimer?

SENATOR FARLEY: I certainly will, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR OPPENHEIMER: Then the - how shall we phrase this -- the mother bank would have a board of appraisers that would be able to service the various branches?

SENATOR FARLEY: The mother bank would have a policy as to how the appraisers -- it leaves it open that each individual bank could -- they could have a policy which each individual branch could appoint its own appraiser or they could have appraisers that would service all the branches. Or -- in other words, it clarifies the law, which was kind of ambiguous, and the board didn't have do micromanage, if they

didn't want to, all the appraisers of -- real estate appraisers for the branches.

SENATOR OPPENHEIMER: I think I'm understanding. Now, this bill isn't at the request of the Banking Department -

ACTING PRESIDENT KUHL: Senator Oppenheimer.

SENATOR OPPENHEIMER: Through you, Mr. President, is there a reason that the Banking Department hasn't said they're in favor of this legislation?

SENATOR FARLEY: Yes, it was originally a department bill. They are in favor of it. And the law needs to changed or clarified, is a better way to put it.

SENATOR OPPENHEIMER: Through you, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to another question?

SENATOR FARLEY: I certainly do, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR OPPENHEIMER: Would this law and the change, the clarification that

we're making to the law, would this apply to all banks that are doing business in our state? You know, the federal and the state and the foreign banks?

SENATOR FARLEY: Just state-chartered banks.

SENATOR OPPENHEIMER: Just state-chartered banks.

Now, are the federal -

ACTING PRESIDENT KUHL: Senator Oppenheimer, are you asking Senator Farley to yield to another question?

SENATOR OPPENHEIMER: Yes, please.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to another question?

SENATOR FARLEY: Yes.

ACTING PRESIDENT KUHL: The Senator yields to a question.

SENATOR OPPENHEIMER: In the cases where a federal or foreign bank was making a realty loan -

SENATOR FARLEY: We are conforming to the feds.

SENATOR OPPENHEIMER: They are

conforming -

SENATOR FARLEY: No, we are conforming to them. We're leveling the playing field and having our state-chartereds have the same law apply to them that the federal chartered banks have.

SENATOR OPPENHEIMER: Oh, I see. Okay, well, thank you very much.

SENATOR FARLEY: My pleasure.

SENATOR OPPENHEIMER: And I do understand it now, and I certainly will be supporting it.

SENATOR FARLEY: Thank you.

ACTING PRESIDENT KUHL: Senator Duane, why do you rise?

SENATOR DUANE: If the sponsor would yield, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley, do you yield a question from Senator Duane?

SENATOR FARLEY: Yes, I will, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: As I recall,

there was a time when the Banking Department not only supported this bill, but it was one of their program bills. I'm wondering if they now have a position on it or if they came to the -

SENATOR FARLEY: Yeah, I believe I said that, that this -- I think it was last year, was a -- this last year was a Banking Department bill. It is a bill that they support. They knew I was going to put it in as Banking chairman. It's been supported by the Banking Committee, and it's on the floor for your discussion.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to another question from Senator Duane?

SENATOR FARLEY: Mr. President, I will yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Is there anything different about this bill than the bill that

was the program bill of the Banking Department?

SENATOR FARLEY: Just those technical amendments which I -- it's a cleanup bill, that I cleaned up some of the inaccuracies, if you will, in the current law. I read them all to you.

ACTING PRESIDENT KUHL: Senator Duane.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to another question?

SENATOR FARLEY: Yes. I certainly will, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Are there really any bank boards now individually appointing appraisers?

SENATOR FARLEY: Yes, there are.

SENATOR DUANE: And through you, Mr. President, has the Banking Department -

ACTING PRESIDENT KUHL: Excuse

me.

Senator Farley, do you yield to another question?

SENATOR FARLEY: I will yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Has the Banking Department or anyone else taken any action against any bank that didn't use their board to make the appointment?

SENATOR FARLEY: No.

SENATOR DUANE: And through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to another question?

SENATOR FARLEY: I will yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Do we have any sense of how many have been using their boards to make the appointments and how many have been doing it through another process, an internal process?

SENATOR FARLEY: I have no sense.

SENATOR DUANE: Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to a question?

SENATOR FARLEY: I will yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DUANE: Did the Assembly take any action on the former bill, or do you know what they're doing this year on it?

SENATOR FARLEY: The Assembly has not taken action on this. I don't think they have any objection to it. We were in such a rush to get out of here last year, because we were a little late with things, and things came together in a hurry. And this is one that fell between the cracks.

SENATOR DUANE: And through you, Mr. President, if the sponsor would continue to yield.

SENATOR FARLEY: Yes.

ACTING PRESIDENT KUHL: Senator Farley yields.

SENATOR DUANE: Do I take that to

mean, then, that there is an Assembly sponsor this year?

SENATOR FARLEY: Not yet. But I think there will be.

SENATOR DUANE: That's it. Thank you, Mr. President.

Thank you.

ACTING PRESIDENT KUHL: Senator Stavisky, why do you rise?

SENATOR STAVISKY: I have one question for the sponsor, if he would yield.

SENATOR FARLEY: I will yield, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley yields.

SENATOR STAVISKY: I think I heard Senator Farley say that the federal government has this benefit now.

SENATOR FARLEY: That's correct.

SENATOR STAVISKY: And did I hear you say that -

ACTING PRESIDENT KUHL: Senator Stavisky, are you asking Senator Farley to yield to another question?

SENATOR STAVISKY: I'm sorry.

Well, it's the same question. Well, I haven't had a -- all right, yes.

SENATOR FARLEY: I will yield, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields to another question.

SENATOR STAVISKY: How is this going to affect foreign banks? And I ask that question because I have a great many foreign banks in my area in Queens.

SENATOR FARLEY: They can do it by policy. They're not affected by this. This bill is specifically for our state-chartered banks.

SENATOR STAVISKY: Thank you. That's what I thought. Thank you.

ACTING PRESIDENT KUHL: Senator Onorato, why do you rise?

SENATOR ONORATO: Senator Farley, would yield to two questions, please?

SENATOR FARLEY: I will yield, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley yields.

SENATOR ONORATO: Senator Farley,

are there any statutes or regulations that currently could be used to help shape this new clarification that you're trying to clean up regarding the assessors? Is there anything that they can use, any other statutes?

SENATOR FARLEY: No.

SENATOR ONORATO: And through you, Mr. President, one last question.

SENATOR FARLEY: I will yield, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley yields.

SENATOR ONORATO: Will the Superintendent continue to review this aspect if it becomes law? Will the Superintendent have the supervision over this aspect?

SENATOR FARLEY: Yes, the Superintendent in the Banking Department examines all the banks. You know, we'll go to the bit if they're not appraising and they're supposed to be appraising, they will be penalized and so forth.

What this basically does, Senator Onorato, is to kind of makes it uniform within the banking industry as to how appraisers,

real estate appraisers are appointed and kind of lowers the cost, if you will, for a consumer's loan on a mortgage. And it's certainly not high on anybody's agenda, but anyway it's one that I think that we need to do and correct the law. There's some mistakes written in the law which we're correcting.

ACTING PRESIDENT KUHL: Senator Onorato.

SENATOR ONORATO: Through you, Mr. President, will he continue to yield?

ACTING PRESIDENT KUHL: Senator Farley, do you yield to another question?

SENATOR FARLEY: I certainly will, Mr. President.

SENATOR ONORATO: Thank you.

Senator, through our deregulation bill that we passed, now we're removing a portion of the Banking Law that the current Superintendent had jurisdiction over. This is what the gist of my question was. In view of the fact we are now removing this now from part of the regulations that were already in existence, will the Superintendent continue to have supervision over the policy?

SENATOR FARLEY: The Banking Board -- incidentally, which is one of the finest in the nation. Our Banking Department really does a great job -- will continue to have supervision. All this does is clarify the law. That's all this is doing, is clarifying the current law because it's going kind of ambiguous and confusing.

SENATOR ONORATO: Thank you, Senator.

ACTING PRESIDENT KUHL: Senator Dollinger, why do you rise?

SENATOR DOLLINGER: Will Senator Farley yield to a question, please?

SENATOR FARLEY: I certainly will.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DOLLINGER: Senator, as I understand this bill, this bill will substitute a single appraiser's judgment for now what is required that two or more people participate in the valuation of a piece of property. I assume that the two or more person language was placed in the statute to

create two different opinions as to value rather than the opinion of a single person. Why is this a step forward in bank regulation if we're substituting the single judgment for what has previously been a two-person judgment?

SENATOR FARLEY: Not exactly, Senator Dollinger. Seldom have I ever heard you say something that was inaccurate. But that's not quite accurate.

We repealed that two or more in the '80s, that they had to have two or more. Currently under this law and the law that's - that we will be passing, they may have two or more if they wish.

SENATOR DOLLINGER: Through you, Mr. President, if Senator Farley will continue to yield to a question, I'm willing to allow the term "shall" to be interpreted any way it wants to. We've been -- in the course of the last two days, we've been through "shall" so many times, and we've learned that it really means "may," it really means "might," it really means that the Governor can do it whenever he wants to.

But I would call Senator Farley's attention to line 20 on page 3, which says: "Current language now says such appraised value shall be determined by two or more persons." That bracketed section is now what we're repealing.

SENATOR FARLEY: That -- I know, that is the law that relates to only to VA loans, Veterans Administration loans.

SENATOR DOLLINGER: Again through you, Mr. President, I must be confused.

ACTING PRESIDENT KUHL: Senator Dollinger, you're asking Senator Farley to continue to yield?

SENATOR DOLLINGER: Yes, please, Mr. President.

ACTING PRESIDENT KUHL: Senator Farley, do you yield?

SENATOR FARLEY: Yes, I'd be pleased to yield.

ACTING PRESIDENT KUHL: Senator Farley yields.

SENATOR DOLLINGER: This says that no such loan upon the security of real estate -- I'm referring to line 15 on page 3.

It makes reference to a paragraph of subdivision 1 of Section 5 of the Banking Law. Now, I'm going to assume that Section 5 of the Banking Law is right up front in the Banking Law and constitutes the general provisions of banking -- circumstances under which banks can operate.

SENATOR FARLEY: Only VA loans.

SENATOR DOLLINGER: Section 5 -

SENATOR FARLEY: It's only VA loans, Veterans Administration loans. Trust me.

SENATOR DOLLINGER: I do.

Through you, Mr. President, under this -

SENATOR FARLEY: I will yield, Mr. President.

SENATOR DOLLINGER: Thank you, Senator Farley.

ACTING PRESIDENT KUHL: Senator Farley yields.

SENATOR DOLLINGER: Under this section of the bill we have previously required that we have two appraisers, two people make a determination of value about VA

loans. Senator Farley, those loans are the best loans we can make, that any bank can make, because they're backed by the full faith and credit of the United States. Those are the VA loans.

My question is, why, if we've had the protection of two people determining value for federally backed loans -

SENATOR FARLEY: We only require one.

SENATOR DOLLINGER: Well, again Mr. President, if Senator Farley will continue to yield, I'll just read the current law as it appears in -

ACTING PRESIDENT KUHL: Senator Farley -- excuse me, Senator Dollinger.

Senator Farley, do you continue to yield?

SENATOR FARLEY: Federal law requires one.

SENATOR DOLLINGER: Through you, Mr. President, if Senator Farley will continue to yield, since I didn't even get the question out of my mouth.

ACTING PRESIDENT KUHL: Senator

Dollinger, I -

SENATOR FARLEY: We were inconsistent.

ACTING PRESIDENT KUHL: Senator Dollinger, I'm enjoying this conversation, but I'm standing here and every time I look at that seat, I see Senator Paterson. And I don't know whether you have decided to vacate the Minority Leader's seat or whether it's something that Senator Onorato said earlier today that causes you to be not in your seat.

SENATOR DOLLINGER: Yes, I understand, Mr. President. I'll be glad to go to the one that has my name on it.

ACTING PRESIDENT KUHL: That would make me much happier.

SENATOR DOLLINGER: Thank you, Mr. President. I could go either way, you're saying, but not stay in -

ACTING PRESIDENT KUHL: Well, I won't go into a dialogue with you about that last statement of yours. But are you asking Senator Farley to yield to a question?

SENATOR DOLLINGER: Yes, Mr. President.

SENATOR FARLEY: I will yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DOLLINGER: What I'm trying to understand is under current law, as I understand you've explained it to me, if it's a VA loan, in New York we require that the appraised value of the property for the purpose of advancing the loan, that it be done with the -- with two people being involved in the appraisal. And it's my understanding that you've responded to me by saying federal law says you only have to have one.

SENATOR FARLEY: That's right.

SENATOR DOLLINGER: My question, through you, Mr. President, is -

ACTING PRESIDENT KUHL: Senator Farley, do you continue to yield?

SENATOR FARLEY: I do.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DOLLINGER: If New York State believed that two appraisers was the right number in the first instance at some prior point, what has happened to convince us

that we should back off from that combined value to the judgment of a single person? Why not continue to use two, regardless of what the federal government does?

SENATOR FARLEY: It should be noted that during the savings and loan crisis, New York now has a state law which provides for the licensing and certification of real estate appraisers. This has helped to strengthen and improve the professionalism of the industry. I said that.

Also, it's more expensive because the homeowner or the person getting the mortgage has to pay for that, and there's no need for it. Federal law, the VA law says you only need one appraiser, and we're conforming to that.

SENATOR DOLLINGER: Through you, Mr. President, if Senator Farley will continue to yield.

ACTING PRESIDENT KUHL: Senator Farley, do you yield?

SENATOR FARLEY: Yes.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DOLLINGER: Under current law, Senator Farley, the bank could use two appraisers; correct?

SENATOR FARLEY: That's correct.

SENATOR DOLLINGER: So -- through you, Mr. President, if Senator Farley will continue to yield.

ACTING PRESIDENT KUHL: Senator Farley, do you continue to yield?

SENATOR FARLEY: I continue.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR DOLLINGER: So under current law, we have an extra layer of protection for the bank making the loan, because we require that two appraisers determine the value for the VA loan; is that correct?

SENATOR FARLEY: No, I don't think that's correct. You're calling it an extra layer of protection. I call it an extra expense that, generally speaking, the entire industry, including the Banking Board and this -- unanimously in the Senate last year, felt that that was unnecessary.

Now, if that particular bank feels it is terribly important for them to have two appraisers, I guess they still can have that. But there's no need of it, in my judgment, particularly if you have a licensed professional appraiser. And it's one that allowed them to set a policy to have one appraiser.

SENATOR DOLLINGER: Okay. Through you, Mr. President, first of all, I appreciate Senator Farley's education of this member.

I'm going to vote in favor of this. I guess what Senator Farley has convinced me is that if the federal law only requires one, and if by -- we have an assurance that we have a higher quality brand of professional providing these services, I guess under those circumstances I'm willing to take a small step back from what was, at least in my judgment, a stronger form of protection for the banking system. And that is that before loans, whether they're government-insured VA loans or not, that banks were required to have two opinions as to value before they made a

judgment about the amount that they would loan on a particular piece of property.

I would suggest, Senator Farley, and at least in my practice as a lawyer, despite the greater professionalism -- and I believe that our appraisers are pretty good in this state, at least the ones that I've dealt with. But nonetheless, Senator Farley, as I'm sure you realize, I have been faced, as have others, with two certified appraisers giving very significant differences in the property value.

And my concern is that by going to a single appraisal, the banks may be exposing themselves to greater risk. If they want to do that, from my point of view that's really their choice, and I will abide by their policy-setting. I would just suggest that there clearly will be instances where two appraisers should look at a piece of property. And I would hope that the Banking Department would encourage state banks to consider two appraisers in certain required circumstances.

I'll leave that to the discretion of individual banks. But I wouldn't like to

think that we're telling banks that in every single instance, only one appraiser is necessary.

Thank you, Mr. President.

SENATOR FARLEY: Thank you, Mr. President. On the bill.

ACTING PRESIDENT KUHL: Senator Farley, on the bill.

SENATOR FARLEY: This law does exactly what you say it should be doing. It gives that bank the option to have two appraisers if they feel it's necessary. They still can do that. And there's times when you may want two appraisers, and this law allows them to have that if they wish it.

But truly, it's in the benefit of the consumer, because it raises costs to have a couple of appraisers, and sometimes it's not necessary.

ACTING PRESIDENT KUHL: Senator Stachowski.

SENATOR STACHOWSKI: Mr. President, if Senator Farley would yield.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to a question?

SENATOR FARLEY: Certainly.

SENATOR STACHOWSKI: I heard a lot of your explanation on the appraisers. However, when you were explaining to Senator Oppenheimer the technical pieces, I couldn't hear it. And it wasn't your fault. There was a lot of conversation in this general area, and I just couldn't hear it.

So if you wouldn't mind going over that for me quickly, and then I might have a couple of other questions. But I'm really serious about that. Thanks.

SENATOR FARLEY: Okay. This bill contains a few technical corrections. It eliminates the designation of paragraph B within Section 103.4 of the Banking Law. The designation of paragraph A had been eliminated in 1984. However, the statute still contains the designation of paragraph B. This designation is meaningless and confusing. The bill would eliminate this outdated and unnecessary designation.

It also enacts conforming changes to Section 5 of the Banking Law in regard to the use of one appraiser rather than two.

Laws in 1984 and 1986 had eliminated the requirement that state-chartered banks and thrifts use two appraisers on every property. The use of two appraisers was unnecessary and simply resulted in higher costs for mortgage loans. However, Section 5 of the Banking Law, which relates specifically to VA loans, was inadvertently overlooked when these laws were enacted in 1984 and 1986. This bill makes conforming amendments to that section.

SENATOR STACHOWSKI: Mr. President, through you.

ACTING PRESIDENT KUHL: Senator Farley, do you yield to a question?

SENATOR FARLEY: I'll yield.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR STACHOWSKI: The technical changes had to do with that VA part, or it was just taking other parts out, unnecessary parts of the bill?

SENATOR FARLEY: It took out unnecessary parts and also specifically spoke to the VA part.

SENATOR STACHOWSKI: Thank you,

Senator.

On the bill.

ACTING PRESIDENT KUHL: Senator Stachowski, on the bill.

SENATOR STACHOWSKI: I had asked some of the questions on the appraisers when we were in committee, and Senator Farley gave me answers that were satisfactory to me. At first I was concerned that maybe we were doing this change because the bank boards didn't want to have extra meetings or we didn't want to burden those very busy people that are on bank boards getting that particularly attractive stipend that they get for serving on them, and we wouldn't want to overburden them with a lot of extra work because they might have to increase that attractive stipend that they currently get. Sometimes in multiple cases.

I think it was Senator Volker that once told me he used it find it particularly embarrassing that no matter what kind of bank you named in the early '80s, Senator Barclay would get up and recuse himself because he was on the board. So, I mean, that was -- and

Dale always said that he would love one time to be able to do that.

But anyway, I found his answers satisfactory. I believe that the Banking Department wouldn't be behind this if they thought there was an extended risk to the people that deal with the banks or to the banks themselves by changing this to set up all appraisers available at once and that the use of one appraiser should be sufficient.

Not being a lawyer, I don't find all the difficulties that lawyers seem to find in a lot of these kinds of changes. But then again, I don't find a lot of the difficulties in everyday live that a lot of the lawyers seem to find. So anyway, with that being said, I'm going to support this bill and thank Senator Farley for his time and gracious explanation.

ACTING PRESIDENT KUHL: Is there any other Senator wishing to speak on the bill?

Senator Brown.

SENATOR BROWN: Through you, Mr. President, would Senator Farley yield for a

few questions?

SENATOR FARLEY: I would yield, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR BROWN: Senator Farley, I've read the legislation, and I think I understand it. But can you tell me, do you think that bank appraisers can contribute to redlining?

SENATOR FARLEY: I can't see where they would be involved in that, Senator. A bank appraiser basically goes out and establishes the value of a piece of property to protect the bank's investment in that property. If they've got a personal agenda, I don't think they're going to be working for the bank for very long.

SENATOR BROWN: Thank you.

Through you, Mr. President, would Senator Farley yield for another -

SENATOR FARLEY: I would yield, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields to another question.

SENATOR BROWN: Thank you, Senator.

In this are there any provisions for the banking boards to look at diversity in terms of the hiring of appraisers?

SENATOR FARLEY: No, not that I know of.

SENATOR BROWN: Thank you, Senator.

ACTING PRESIDENT KUHL: The Secretary will read the last section.

THE SECRETARY: Section 6. This act shall take effect immediately.

ACTING PRESIDENT KUHL: Call the roll.

(The Secretary called the roll.)

THE SECRETARY: Ayes, 57.

ACTING PRESIDENT KUHL: The bill is passed.

Senator Bonacic.

SENATOR BONACIC: Mr. President, can we call up Calendar Number 274, by Senator Libous, please.

ACTING PRESIDENT KUHL: The Secretary will read.

THE SECRETARY: Calendar Number 274, by Senator Libous, Senate Print 2900, an act to amend the Tax Law, in relation to extending the authorization.

SENATOR DOLLINGER: Explanation, Mr. President.

ACTING PRESIDENT KUHL: Senator Libous, an explanation of Calendar Number 274 has been requested by Senator Dollinger.

SENATOR LIBOUS: Thank you, Mr. President. This piece of legislation has come to us through the Tioga County Legislature, who voted to ask us to extend the sales tax extender so that they could raise an additional half a percent in sales tax for the County of Tioga.

ACTING PRESIDENT KUHL: Senator Gentile, why do you rise?

SENATOR GENTILE: Yes, if Senator Libous would yield to questions.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to a question?

SENATOR LIBOUS: Mr. President, I would be pleased to yield to Senator Gentile.

ACTING PRESIDENT KUHL: The

Senator yields.

SENATOR GENTILE: Thank you, Mr. President. And thank you, Senator Libous.

Through you, Mr. President, I'll just ask the sponsor, do you agree that at this point in time our state is actually moving in the direction of repealing the tax sales tax on items, particularly clothing and footwear?

SENATOR LIBOUS: Mr. President, I was very proud to be a cosponsor of that legislation. As a matter of fact, when I first ran for the Senate in 1988, because I live in the Southern Tier and, Senator Gentile, south of us is the Pennsylvania border. And at that time, and as it is today, people could go to Pennsylvania and purchase clothing with no sales tax. As a matter of fact, many people would go in busloads, and leave the State of New York.

And I was a proponent back then of trying to remove sales tax on clothing. Back then my proposal was $500 or less. I was very pleased when this house, in conjunction with Governor Pataki, took a very big move several

years ago and eliminated the sales tax on clothing on items of $110 or less.

So, you know, I'm a bill proponent of that. I would like to see us go further as a body to $500, and that's very important.

However, Mr. President, this particular piece of legislation is designed a little bit different, where this is something that the local entity, Tioga County, chose - and by the way, that county has chose not to reduce their sales tax on clothing, like other individual counties have.

Now, in Broome County, where I live, Mr. President, they chose to also eliminate their share of the sales tax on clothing. But Tioga County did not, because they had some debts that had to pay off and they felt that that was a better way of taking care of those debts rather than passing them on to the property taxpayer.

One of the reasons for that, Mr. President, is because Tioga County is a rural county in which we have a lot of farms. And to pass that on to the farmer would not be a good thing.

ACTING PRESIDENT KUHL: Senator Gentile.

SENATOR GENTILE: If the sponsor would continue yield.

SENATOR LIBOUS: I would be honored to.

ACTING PRESIDENT KUHL: Senator Libous yields.

SENATOR GENTILE: Thank you, Mr. President.

First of all, I'm shocked to hear that Tioga County has not taken the lead of the Governor and the Legislature in this state and followed the path to reduction of the sales tax. Certainly that is shocking to hear.

My question to you, Senator, is that in practical terms, how much has this increase percentage in the sales tax brought to Tioga County?

SENATOR LIBOUS: About $1.6 million annually.

SENATOR GENTILE: Did you say million?

SENATOR LIBOUS: $1.6 million.

SENATOR GENTILE: $1.6 million annually.

Well, Senator, I'm not sure, not having known any of the -- and I'd ask the Senator to continue to yield.

ACTING PRESIDENT KUHL: Senator Libous, do you continue to yield?

SENATOR LIBOUS: Yes, Mr. President, I will.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR GENTILE: Not knowing any of the officials in Tioga County, I'm wondering if you or someone on your staff has shared with them the wonderful economic stimulus that a repeal of the sales tax on clothing and shoes, particularly that we have led, has made around the state of New York, particularly in the City of New York, and maybe even in Broome County also. Have you been able to share that good news with Tioga County?

SENATOR LIBOUS: Mr. President, would Senator Gentile yield to a question?

SENATOR GENTILE: Sure.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR LIBOUS: Mr. President, has Senator Gentile ever been to Tioga County?

SENATOR GENTILE: I have never been to -- actually, drove through Tioga County. Never stopped in Tioga.

SENATOR LIBOUS: That's unfortunate, Mr. President, because I would hope the next time Senator Gentile drives through Tioga County that he would have an opportunity to stop there and visit some of the people.

Let me, Mr. President, answer the Senator's question. Tioga County is a wonderful place in which the local officials, who I have tremendous respect for, like I do in all three of the counties that I represent, have made a decision. They were elected by the people of that county, and they meet on a regular basis and they made a decision. I respect the decision that they made, sent us a home rule message.

And because of that, I think it is proper for this body to carry out their

wishes, because I believe that government closest to the people is the best. And that in this case we have government very close to the people. And their decision is to take this half a percent and put it toward bond indebtedness.

Mr. President, earlier today a number of people on the other side of the aisle voted against debt. And I certainly respect that. And certainly the legislators in Tioga County want to continue paying down their debt. So they take the money from this, and they put it toward their bond indebtedness, whether it be on the county jail that they were mandated to build by the state, or other items that have been mandated by the State of New York.

So, Mr. President, yes, I think they're very much aware of the importance - that the sales tax reduction on clothing, as Senator Gentile mentions, is important. But at the same time, I do believe that government closest to the people is the most responsible and responsive government.

SENATOR GENTILE: If the Senator

would continue to yield.

SENATOR LIBOUS: Yes, Mr. President, I will.

ACTING PRESIDENT KUHL: Senator Libous yields.

SENATOR GENTILE: Thank you, Senator. I agree with you that government closest to the people can be the most responsible at times.

But when that government closest to the people is also a tax-and-spend government, then wouldn't you agree with me, Senator, that the best fiscally conservative approach to proceed with in this state is to put money back in the pockets of the residents of Tioga County, and wouldn't that be the most fiscally conservative and prudent and best way rather than a tax-and-spend approach of Tioga County?

SENATOR LIBOUS: Well, Mr. President, one might think that. But in this case I believe what they're doing is they're saving the taxpayers money. Because by taking a broad approach and taking this half a percent and paying off the bond indebtedness on the jail and other items, they -- by doing

that, they don't have to raise property taxes. And property taxes, especially in a rural county, when you have large farms, is devastating.

And then at the same time, the State of New York of which we are responsible in passing legislation for, has passed a number of important tax measures that have helped businesses and have helped property owners. Obviously the STAR program comes to mind.

So I think what the county legislature is doing here is a prudent approach. And actually, by collecting an extra half a percent, over the long run what they're doing is they're reducing the burden to the property taxpayer. So I think this is a very prudent approach, and therefore I support it.

SENATOR GENTILE: Senator, thank you. If I can continue and -- if the Senator would continue to yield for a question or two more.

ACTING PRESIDENT KUHL: Senator Libous, do you continue to yield?

SENATOR LIBOUS: Be happy to, Mr. President.

ACTING PRESIDENT KUHL: The Senator continues to yield.

SENATOR GENTILE: Senator, then the question -- I think you mentioned it, with the addition of the STAR property tax cut and all the other benefits that all New Yorkers now receive through the STAR program. I'm curious as to when was the last time Tioga County was forced to raise their property taxes.

SENATOR LIBOUS: You know, Mr. President, again, I would revert back to my philosophy. And my philosophy is that the government closest to the people governs best. And I try not to get involved in the day-to-day operation of Tioga County or the decisions that the county legislators make. Because again, they too were representatives of the people.

So I don't know the last time that Tioga County raised its property taxes. But I'm sure that if we were able to contact the county legislature, they might be able to

provide us with that information.

SENATOR GENTILE: If the Senator will continue to yield.

ACTING PRESIDENT KUHL: Senator Libous, do you yield?

SENATOR LIBOUS: Be happy to, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR GENTILE: Senator, the only reason I asked that question is because you have used that as a condition for having this tax raised, so that property taxes would not have to go up. If we found out that property taxes have not gone up in Tioga County in quite some time, then wouldn't you agree that this reason for having an increase in the sales tax is really nonexistent?

SENATOR LIBOUS: You know, Mr. President, we pass a number of major pieces of legislation here on an annual basis, and some years quicker than others. But we do pass very important legislation that impacts the people of New York State.

And I know that it's always

well-intended that when I vote for a tax cut, that it is my hope that the local government doesn't pile on later on. Because I know that this house, under Senator Bruno's leadership, has been very concerned over the years about additional mandates to local governments and adding an additional tax burden to those particular areas of the state that feel that state government piles onto.

And because of that, Mr. President, it is always with good intention that we pass tax cuts that we would hope get passed on at the local level. However, as a state official, I have no control over what my county legislature does or my city council does. And if they wish to pile on, which would be unfortunate, that again is certainly their decision.

SENATOR GENTILE: If the Senator would continue to yield.

ACTING PRESIDENT KUHL: Senator Libous?

SENATOR LIBOUS: I would certainly do so.

ACTING PRESIDENT KUHL: The

Senator yields.

SENATOR GENTILE: Well, Senator, I guess what I'm asking you is that -- and I understand your philosophy on tax cuts and applaud you and stand shoulder to shoulder with you, although you're somewhat taller than I am.

But I ask you that with that philosophy and what you have espoused in terms of tax cuts, why not join me and the others who believe that cutting the sales tax across this state in every county is the right thing to do and therefore lead a campaign to convince the local officials in Tioga County that they're doing the wrong thing?

SENATOR LIBOUS: Well, Mr. President, I see it in a different view. I see Senator Gentile and his colleagues following Senator Bruno and us as far as leading the fight to cut taxes and sales tax on clothing in this state.

And certainly, Senator Gentile, I will continue to try to convince those local officials that what the Senate Majority here is doing in Albany, in conjunction with the

Governor, is the right thing to do.

However, again, they are elected by the people, they have a right to pass resolutions and laws. And we have a right to honor those resolutions and laws. And in this case, I feel that when the majority of the county legislature, both the Democrat and Republican, say to me as their elected representative that we need assistance in this particular legislation, I'm here to give it to them.

SENATOR GENTILE: If the Senator would continue to yield.

ACTING PRESIDENT KUHL: Senator Libous?

SENATOR LIBOUS: I'd be happy to, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR GENTILE: So, Senator, are you saying in essence that although you don't agree with the officials in Tioga County you nevertheless will sponsor this legislation because that's their will?

SENATOR LIBOUS: I believe in the

will of the people, Mr. President. I believe the will of the people is being carried out through the elected representatives at the local level. Therefore, it is upon us to do what they feel is best. And that's what we are doing here today, Mr. President.

SENATOR GENTILE: If the Senator would continue to yield.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to another question?

SENATOR LIBOUS: I will do so.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR GENTILE: Well, Senator, then I'm forced to ask you this question, then. Do you believe it's the will of the people to go ahead and have a sales tax increase imposed upon them?

SENATOR LIBOUS: Again, Mr. President, I think if Senator Gentile had an opportunity to stop in Tioga County at some point -- and I'm going to invite him today to do that, because I think that's important. And if he had an opportunity just to walk down the streets of the village of Owego and talk

to some of the people there, he would find - I really believe this in my heart -- that overwhelmingly they would prefer a half a percent increase in sales tax over increased property taxes.

And again, they have elected these individuals. These individuals meet on regular basis. They make decisions. Sometimes the decisions are good decisions. And I'm sure maybe in the past, from time to time, they might have made one or two bad decisions.

But again, they feel that this is what is in the best interests of their county. As their state elected representative, I'm going to carry out their best wishes and try to do it here today before the end of the afternoon.

SENATOR GENTILE: If the Senator would yield to one more question.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to one more question?

SENATOR LIBOUS: I certainly will, Mr. President.

ACTING PRESIDENT KUHL: The

Senator yields.

SENATOR GENTILE: Senator, what I hear you saying, what I hear you saying is that you wish you really didn't have to bring this bill to the floor, that frankly, frankly, you would join the rest of us on this campaign to cut sales taxes across the board in every county of this entire state, and yet your hand is forced, you're saying, because the County of Tioga -- and I've been through Owego, the County of Tioga -- never stopped there, but been through it -- the County of Tioga, for whatever reason -- maybe they can't see that border in Pennsylvania. Maybe it's the reason that I said, it's a tax-and-spend local government. They're going to push this bill. Should we be party to that, Senator?

SENATOR LIBOUS: Mr. President, having won 86 percent of the vote in Tioga County, I feel confident that this is the right thing to do for the people.

SENATOR GENTILE: Thank you, Senator.

On the bill, Mr. President.

ACTING PRESIDENT KUHL: Senator

Gentile, on the bill.

SENATOR GENTILE: Mr. President, I appreciate Senator Libous's answers to my questions. And certainly it's a pleasure having that conversation with him.

But it still comes down to the bottom line. The bottom line is that the sales tax that is being proposed here is the exact type of sales tax that this state, over the last several years, has sought to eliminate. The fact that Tioga County has not jumped on that bandwagon is at the detriment, is at the detriment of the people in Tioga County.

And certainly I'm willing to come and visit the people in Tioga -- as I said on my way to Cornell University, always drove through Owego -- but certainly willing to meet with them. Because I think if they saw what the benefits were in New York City and elsewhere in this state as to what an economic engine it is to cut the sales tax and put that money back into the pockets of the people of the State of New York, that would convince them that any half-percent increase in sales

tax is by far the less preferable than the economic engine of putting the money back in the pocket of the people in this state.

And that's why I think we've moved forward in repealing the sales tax at $110. My next step, and I hear it's your next step, is to make it a $500 limit on the repeal of the sales tax on clothing and shoes. I'm glad to hear that, Senator Libous. I will join you in that effort.

However, I cannot join you in this effort, on principle, and I will be voting no.

ACTING PRESIDENT KUHL: Senator Stachowski, why do you rise?

SENATOR STACHOWSKI: Would Senator Libous yield to a couple of questions, please.

ACTING PRESIDENT KUHL: Senator Libous, do you yield?

SENATOR LIBOUS: Be happy to, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR STACHOWSKI: Right off the bat, prefacing my first question, I'm not

sure if I've ever been in Tioga County or not. But I have been in Binghamton.

SENATOR LIBOUS: Mr. President, I would extend the same invitation to Senator Stachowski.

SENATOR STACHOWSKI: And I've been in Binghamton more than once, for -- way back, for a bunch of coaching clinics when I was coaching in high school. Most of those stories I will share with you sometime, but not on this floor.

Anyway, I'm curious about why it was a half a percent in the first place and not a whole percent. Because it would seem to me it would be a little difficult for all the merchants, et cetera, that do sales tax. So why did they do a half a percent?

SENATOR LIBOUS: I believe, Mr. President, because Tioga County is a very conservative county.

(Laughter.)

SENATOR STACHOWSKI: Thank you, Senator.

If the Senator would continue to yield.

ACTING PRESIDENT KUHL: Senator Libous?

SENATOR LIBOUS: Yes, I will.

ACTING PRESIDENT KUHL: He yields to another question.

SENATOR STACHOWSKI: If this is retiring some of their debt services, that's what this sales tax is used for? And you said it's about -- did you say 1.6?

SENATOR LIBOUS: It's approximately 1.6, Mr. President.

SENATOR STACHOWSKI: The question is, what was it when it started and how much has it grown? If you know. You may not know that. But I don't know.

SENATOR LIBOUS: Mr. President, I think I can best answer Senator Stachowski's question by saying that the half a percent goes toward the debt on the jail. It is my best understanding, Mr. President, that that debt was about $10 million. And there are about 10 to 15 years remaining, somewhere in that time period, on the bond indebtedness, with both the amount of principal and interest. And what they try to do is pay

toward this each year with that percentage.

SENATOR STACHOWSKI: If the Senator would continue to yield.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to another question?

SENATOR LIBOUS: Yes, I will.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR STACHOWSKI: So this particular sales tax piece, as opposed to most of the other ones that we see, is just dedicated strictly for the jail? Or is there any other debt service that it's dedicated for?

SENATOR LIBOUS: Mr. President, the ranking member of the Finance Committee is quite astute in that this particular half a percent is unique from other sales tax extenders. In that this half a percent, as the Senator indicates, does go toward the bond indebtedness, which is the indebtedness on the jail and I believe on a couple of other capital projects that were thrown into that bond.

So, Mr. President, Senator

Stachowski is correct, and this is different from other extenders that we have done.

SENATOR STACHOWSKI: On the bill. Thank you, Senator.

ACTING PRESIDENT KUHL: Senator Stachowski, on the bill.

SENATOR STACHOWSKI: Because this is so much different than most sales taxes, and I'm sure that with it being a rural county and a conservative kind of people that wouldn't want an extra tax on themselves unless it benefited them in the long run - and obviously if this is dedicated only to their debt service reduction -- I'm going to probably support this. It seems to me like it's probably not a bad idea.

I know in Erie County one of the problems that we constantly get faced with is they have a 1 percent that the county gets and it's grown immensely. It's over a hundred million dollars, I think. And the problem is that all the localities and school districts that signed off on the county getting that, way back when we first started it -- and they originally put it in for the reduction of the

Dome Stadium payments. And once that was done, they kept it. And it continues to grow.

And the city, which is financially probably the worst off, is hurt because they can't get a share of that extra 1 percent. And the school districts, which are always looking for a little extra money rather than raise taxes, are up against it because they can't get their normal percentage of that extra 1 percent.

And the county does some kind of interesting things how -- talking about how fiscally responsible they are and how they have money always and everybody else is looking to raise taxes. And oftentimes when people make the request, they'll say, well, if you were as fiscally responsible as we were, and as finding good ways of spending your money and not taxing, you would have money, you wouldn't have to come to us for it.

And yet most of us that observe this from afar notice that that 1 percent keeps growing. And that extra hundred million dollars -- probably it's close to between 110 and 120 now -- is a pretty nice fallback

package that nobody else had available to them. And yet they continue to keep it to themselves.

And I'm not saying that that's entirely wrong, but to take the attitude that we don't have to share it, you guys don't do as good a job as we do, because we are financially sounder, when everybody pretty much knows they're financially sounder because of this wonderful hundred plus million dollars that comes every year because of that 1 percent, it's rather interesting.

And the most interesting part, from my perspective, is that one of my predecessors -- not the immediate predecessor, but the one before him, who Senator Marchi would know and a few of other members that are here, probably Senator Johnson. Because if Jimmy Griffin was here, he'd be as popular as Senator Johnson is. And I had just been to a conference, and everybody that found out I was from New York said, "How is Owen?" I said, "As conservative as always." And they all smiled and said, "That's great, we'll see him in New York," and I said, "I'm sure you will,"

and da-da-da-da-da.

But anyway, back to this sales tax that I was talking about. Jimmy Griffin was the one that made sure the county could get that in the first place. He signed off from the city. And then shortly thereafter, he was the one beating our doors down saying, you know, You got to get us a share of that sales tax money, because it's not going.

So my only fear, even with this 1 percent, and as dedicated as it is, is that someday they're going to retire all their debts, hopefully, and they won't be building anything else major, or they won't have to, and so that then they'll have -- the county will have that extra one-half a percent. And I don't know what they'd use it for, because -- I mean, I don't know what's there, because I haven't been there. But I will make a point of going there just so I can find out, besides farms, what's there. Because it sounds like a very nice place and wonderful people.

And because of all those reasons, and my little story, even though I have some

concern because of what's happened in Erie County, I'm going to support this. Because I also believe that in most cases, when the home rule message comes, unless there's some strange circumstance that brought it here - and I may know other reasons, and in that case I might vote against it. I have no reason to vote against somebody's home rule message in this case, and so I'll probably support this bill.

And thank you very much, Mr. President.

ACTING PRESIDENT KUHL: Senator Dollinger, why do you rise?

SENATOR DOLLINGER: I'll yield to Senator Schneiderman, Mr. President.

ACTING PRESIDENT KUHL: Senator Schneiderman.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President, if the sponsor would yield for a few questions.

ACTING PRESIDENT KUHL: Senator Libous, do you yield?

SENATOR LIBOUS: Sure. Yes, I will.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR SCHNEIDERMAN: Listening to this debate, I think it raises some interesting issues about the purposes and effects of sales taxes. I'm concerned about communities like the community of Owego. Are you familiar with Owego?

SENATOR LIBOUS: Mr. President, is he asking you that question or is he asking -

SENATOR SCHNEIDERMAN: Through you, Mr. President, is the sponsor familiar with the community of Owego?

ACTING PRESIDENT KUHL: I think he's asking you, Senator. I'm familiar with Owego, so he wouldn't want to ask me.

SENATOR LIBOUS: Mr. President, would you please tell Senator Schneiderman I'm not even going to respond to that.

ACTING PRESIDENT KUHL: The Senator refuses to answer.

SENATOR SCHNEIDERMAN: Well, the reason I'm asking about Owego is that it's an area that has been undergoing some

redevelopment, starting up antique businesses, other things that may be affected by the sales tax. So that is the reason for that, and I would hope that the Senator would respond, because I am concerned about its impact on redevelopment of small businesses.

Has there been any effort to examine whether or not the cottage industries growing up in places like Owego would be affected? Through you, Mr. President.

ACTING PRESIDENT KUHL: Are you asking the Senator to yield?

SENATOR SCHNEIDERMAN: I am asking if the Senator will yield for that question. And if he would like, I will be happy to repeat it.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to a question from Senator Schneiderman?

SENATOR LIBOUS: I'd yield to a question from the Senator.

ACTING PRESIDENT KUHL: The Senator yields to a question.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President. Has anyone

looked, to your knowledge, in Tioga County or anywhere else, at the issue of these cottage industries, antique stores that are developing there, and I gather somewhat successfully, and whether or not the sales tax would have an adverse impact on their business?

SENATOR LIBOUS: Mr. President, I take it Senator Schneiderman has been to Owego, or at least has received information about Owego, because Owego has a magnificent antique row. And I do know that the county legislator that the represents the heart of the city was supportive of this legislation, actually was the sponsor of this legislation.

So the best information that I could provide the Senator, that if the local legislator who represents Antique Row supports this legislation, I would have to assume that it would be in the best interests of the community.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President, if the sponsor would continue to yield.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to another question?

SENATOR LIBOUS: Sure.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR SCHNEIDERMAN: Thank you.

Do you know if any consideration was given to any other type of tax to cover the financial needs of Tioga County in income tax or other additional property tax?

SENATOR LIBOUS: Mr. President, I do know that when this tax was first imposed and came to us and voted by the legislature with a home rule, they looked at a number of ways to pay off what they considered a state mandate. And that was the jail that I've talked about.

At that time and again at this time, they feel that the half a percent is the best way to go. It is going to be one of the taxes that is going to be less abusive to the people who own property and do business in Tioga County.

And again, Mr. President, through you, I defer -- and I've said this a number of times, I will continue to say that I really do defer to the legislators in knowing what is

best at the local level when it comes to local taxation on their constituents.

ACTING PRESIDENT KUHL: Senator Schneiderman.

SENATOR SCHNEIDERMAN: Thank you. Through you, Mr. President, if the sponsor would yield for another question.

ACTING PRESIDENT KUHL: Senator Libous, do you yield to another question?

SENATOR LIBOUS: Yes, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR SCHNEIDERMAN: I've heard your repeated references to the government closest to the people governing best. Would I then -- what would your position be then regarding the fact that the local government I deal with mostly, the government of the City of New York, frequently requests this body for additional authority to impose rent regulations and is routinely turned down on the basis that the big government in Albany knows better?

ACTING PRESIDENT KUHL: Senator

Schneiderman, let me just interject here. I assume that Senator Libous is having some concern about answering that question because it has nothing to do with his bill. And I would just simply say to you that if some member were to object to the germaneness of your question, I would be inclined to rule that question nongermane. I just reflect that.

And I would remind you, so that we don't have to go through that kind of a battle on the floor, that to try to keep your questions germane to the bill before us.

Senator Libous, for an answer to the question.

SENATOR LIBOUS: Mr. President, in the 13 years I've served here, I have handled each piece of legislation separately as it comes here and make decisions based on that particular piece of legislation that is before me.

SENATOR SCHNEIDERMAN: Thank you. Thank the sponsor for his answers.

On the bill.

ACTING PRESIDENT KUHL: Senator

Schneiderman, on the bill.

SENATOR SCHNEIDERMAN: And I have benefited for many years as an attorney from judges whose suggestions were made as artfully as the presiding officer today.

I think that the only concern that people have expressed here -- Senator Gentile and others -- is over the overall direction of tax policy in New York State. I think it sounds as though Senator Libous is doing a fine job representing his constituents here, based upon my limited knowledge of events in Tioga County, limited, I'm afraid, to people from New York City who have purchased antiques there. It does sound as though things are moving in the right direction.

I do share the concern expressed by several of my colleagues, though, that we - in addition to piling up debt, we continue to shift taxes in New York State. Many of the tax cuts that we've locked in that have yet to achieve their full impact cut taxes like the income tax for top income brackets. And what we end up with is an increase in things like sales taxes and user fees that actually have a

tremendously regressive effect.

The New York State economy is now the most regressive of all the fifty states. The gap between rich and poor is greater than in any other state. And that is really a tragedy of the last decade. And I'm afraid that the direction we're headed in is probably not the best one for the long-term economic health of the state.

And I would respectfully submit that we would be better off maintaining a responsible level of state income tax, given the expenditures we're going to make. If we're going to cut the size of government, that's different. But we don't seem to be interested in doing that. Rather than creating a situation where communities such as Tioga have to increase sales taxes, which do disproportionately affect low-income and working residents.

I do intend to vote for this bill based on the commentary of the sponsor and the colloquy we've had here today, but I do think there are larger issues raised by this question.

Thank you, Mr. President.

ACTING PRESIDENT KUHL: Senator Dollinger, why do you rise?

SENATOR DOLLINGER: Mr. President, will the sponsor yield to one question?

SENATOR LIBOUS: Yes, Mr. President.

ACTING PRESIDENT KUHL: The Senator yields.

SENATOR DOLLINGER: Senator Libous, the sales tax that we're about to impose goes also on the price of gasoline. And my question is in a place like Tioga County, where the cost of fuel -- both in terms of farming and because of the somewhat rural nature of Tioga County, I would assume that the cost of gasoline, consumption of gasoline is a significant expense.

And my question is that the -- by reimposing this sales tax, I mean, out of a $1.50 price of a gallon of gas, we're imposing 12 cents worth of sales tax. And my question is considering the continuing imposition of the tax, do you know whether the county

legislature considered the rising price of gasoline as a factor in the collection of sales tax and in the impact on the farming and other industries there?

SENATOR LIBOUS: Mr. President, I do not know the answer do that question.

SENATOR DOLLINGER: Okay. Thank you, Mr. President. On the bill, briefly.

ACTING PRESIDENT KUHL: Senator Dollinger, on the bill.

SENATOR DOLLINGER: I'm actually going to change a long-standing practice in this house -- I have voted against all the sales tax increases that we've seen -- largely because the colloquy that we have had today we're finally having.

I think Senator Libous has presented a reasonable explanation for the continued imposition of this tax. I've generally been against continued imposition of sales taxes because, from my point of view, one, I think they have a regressive nature to them and, two, by imposing sales taxes rather than property taxes, you lose the tax deductibility of property taxes. They are

deductible on federal income tax returns. We allow it to be deducted on your state tax return. So generally, if you're paying property taxes, you're actually having the federal and state government finance as much as 40 percent of the total cost is actually financed through the form of a tax deduction. That is not true with sales taxes.

But I know why sales taxes have been very popular among local governments. They are collected by an entity that is not government. Nobody ever has to send a check to government. They're collected right at the point of purchase. Makes it enormously convenient. They're the hidden tax that everybody pays.

And in addition, the rising cost of some items -- for example, items like gasoline -- means that the revenue goes up even though they don't have to increase the percentage rate. It just keeps going up. The price goes up from a dollar to dollar and a half, the revenue from a sales tax on gasoline goes up 50 percent. It's as though it was a tax increase. Nobody sees it. It's all

collected at the wellhead, all collected at the point of purchase. It's an invisible yet increasing tax.

Through you, Mr. President, I've voted against this Tioga tax before. I'm not going to vote against it. Senator Libous, you've convinced me, and I'm going to withdraw that position. A good justification for a sales tax, it looks like conscientiously arrived at by the County of Tioga, explained by their Senator in the State Senate. I'm going to back away from that position.

I'll retain one position. Sales taxes that have no explanation, that nobody offers an explanation for, that go through as a matter of routine I will not vote for.

This one, I'm going to change my mind. You've convinced me.

ACTING PRESIDENT KUHL: Senator Oppenheimer, why do you rise?

SENATOR OPPENHEIMER: I'd like to explain my vote.

ACTING PRESIDENT KUHL: We're not on a roll call yet, but we will be shortly.

SENATOR OPPENHEIMER: Oh, I

thought that's what he was doing.

ACTING PRESIDENT KUHL: Is there any other member wishing to speak on the bill?

Hearing none, the Secretary will read the last section.

THE SECRETARY: Section 2. This act shall take effect immediately.

ACTING PRESIDENT KUHL: Call the roll.

(The Secretary called the roll.)

ACTING PRESIDENT KUHL: Senator Oppenheimer, to explain her vote.

SENATOR OPPENHEIMER: Under most every circumstance, I don't favor the sales tax, because I do believe it is the most regressive of all taxes. And therefore, I normally don't like sales tax.

But I feel, as the sponsor feels, that the entity that's responsible for giving the local services is the entity that has to decide how those services are to be paid for. One of the things we have often felt at the local level of government is that we don't have enough choices, we don't have enough mix in our total tax package. And sales tax is

one avenue we do have. We cannot put everything on the property tax.

And for that reason, because the local government wants it, because I feel we should unless there is some really strong reason why we would not support our local governments, we have to go along with their decisions, because they are the ones that are most directly responsible for the provision of services at that level.

I'll be voting yes.

ACTING PRESIDENT KUHL: Senator Oppenheimer will be recorded in the affirmative.

Senator Stavisky, to explain her vote.

SENATOR STAVISKY: To explain my vote.

I compliment Senator Libous on his discussion of Owego and Tioga County. I've learned more today about it. And I'm delighted with his explanation.

While I too believe that the sales tax is a regressive tax, you have convinced me that -- Senator Libous has convinced me that

we should all be voting yes.

ACTING PRESIDENT KUHL: Senator Stavisky will be recorded in the affirmative.

Senator Gentile.

SENATOR GENTILE: Yes, to explain my vote, Mr. President.

Although Senator Libous tried hard to convince me, and did a very good job of it, I'm not totally convinced. I'm still on my campaign to repeal the sales tax on clothing and shoes across the state, in every county, up to $500 at least and, better yet, completely. Completely.

So given that, and on principle, I am voting no.

ACTING PRESIDENT KUHL: Senator Gentile in the negative.

Announce the results.

THE SECRETARY: Ayes, 56. Nays, 1. Senator Gentile recorded in the negative.

ACTING PRESIDENT KUHL: The bill is passed.

Senator Bonacic.

SENATOR BONACIC: Mr. President, is there any housekeeping at the desk?

ACTING PRESIDENT KUHL: There is.

Senator Morahan.

SENATOR MORAHAN: Mr. President, on page 17 I offer the following amendments to Calendar Number 213, Senate Print 2355, and ask that said bill retain its place on the Third Reading Calendar.

ACTING PRESIDENT KUHL: The amendments to Calendar Number 213 are received and adopted, and the bill will retain its place on the Third Reading Calendar.

That completes the housekeeping, Senator Bonacic.

SENATOR BONACIC: Would you return, please, to motions and resolutions. And recognize Senator Dollinger, please.

SENATOR DOLLINGER: Thank you, Mr. President. I just give written notice, pursuant to Rule XI, that I will move to amend the Rules of the Senate to add a new rule, XV, with respect to ethical standards for officers, members, and employees of the State Senate.

ACTING PRESIDENT KUHL: The notice is received and filed.

Senator Bonacic.

SENATOR BONACIC: Mr. President, there being no further business, I move we adjourn until Monday, April 2nd, at 3:00 p.m., intervening days being legislative days.

ACTING PRESIDENT KUHL: Without objection, Senate is adjourned until Monday, April 2nd, at 3:00 p.m., intervening days to be legislative days.

(Whereupon, at 5:12 p.m., the Senate adjourned.)