

STATE OF NEW YORK

PUBLIC PAPERS
of
HUGH L. CAREY

FIFTY-FIRST GOVERNOR*
of the
STATE OF NEW YORK
1975



Albany
1982

* Hugh L. Carey is the fifty-first person to hold the Office of Governor of New York (four previous Governors served two or more nonconsecutive terms).

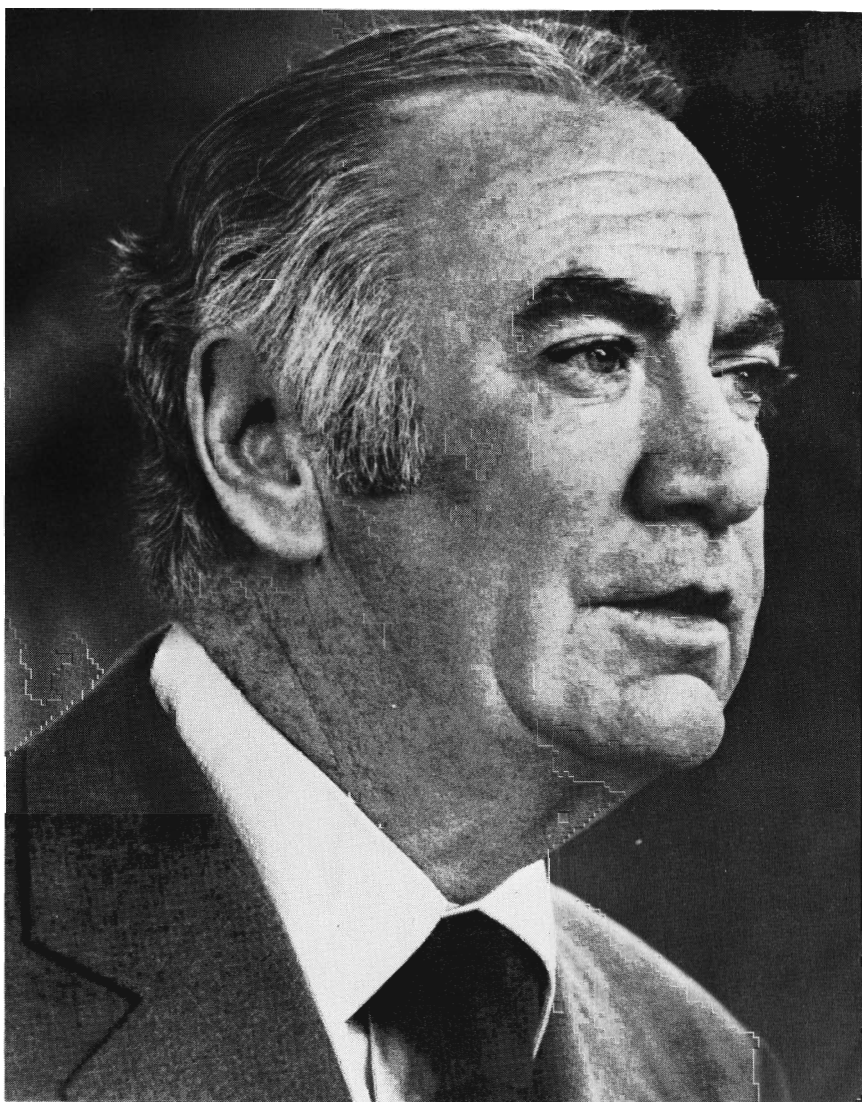




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GOVERNORS OF NEW YORK STATE, 1777 TO DATE

NAME	RESIDENCE	PERIOD IN OFFICE
George Clinton ¹	Ulster County	July, 1777–April, 1795; April, 1801–April, 1804
John Jay	New York City	April, 1795–April, 1801
Morgan Lewis	Dutchess County ...	April, 1804–April, 1807
Daniel D. Tompkins ²	Richmond County ..	April, 1807–February, 1817
John Tayler ³	Albany	February 24–July 1, 1817
De Witt Clinton	New York City	July 1, 1817–1822; ⁴ 1825–February 11, 1828
Joseph C. Yates	Schenectady	1823–1824
Nathaniel Pitcher	Sandy Hill	February 11–December 31, 1828
Martin Van Buren	Kinderhook	January 1–March 12, 1829
Enos T. Throop ⁵	Auburn	March 12, 1829–1832
William L. Marcy	Troy	1833–1838
William H. Seward	Auburn	1839–1842
William C. Bouck	Fultonham	1843–1844
Silas Wright	Canton	1845–1846
John Young	Geneseo	1847–1848
Hamilton Fish	New York City	1849–1850
Washington Hunt	Lockport	1851–1852
Horatio Seymour	Deerfield	1853–1854; 1863–1864
Myron H. Clark	Canandaigua	1855–1856
John A. King	Queens County ...	1857–1858
Edwin D. Morgan	New York City	1859–1862
Reuben E. Fenton	Frewsburg	1865–1868
John T. Hoffman	New York City	1869–1872
John A. Dix	New York City	1873–1874
Samuel J. Tilden	New York City	1875–1876
Lucius Robinson	Elmira	1877–1879
Alonzo B. Cornell	New York City	1880–1882
Grover Cleveland ⁶	Buffalo	1883–1884
David B. Hill ⁷	Elmira	1885–1891
Roswell P. Flower	New York City	1892–1894
Levi P. Morton	Rhinecliff	1895–1896
Frank S. Black	Troy	1897–1898
Theodore Roosevelt	Oyster Bay	1899–1900
Benjamin B. Odell, Jr. ...	Newburgh	1901–1904
Frank W. Higgins	Olean	1905–1906
Charles E. Hughes ⁸	New York City	1907–October 6, 1910
Horace White ⁹	Syracuse	October 6–December 31, 1910
John A. Dix	Thompson	1911–1912
William Sulzer	New York City	January 1–October 17, 1913
Martin H. Glynn ¹⁰	Albany	October 17, 1913–1914
Charles S. Whitman	New York City	1915–1918
Alfred E. Smith	New York City	1919–1920; 1923–1928
Nathan L. Miller	Syracuse	1921–1922
Franklin D. Roosevelt ...	Hyde Park	1929–1932
Herbert H. Lehman ¹¹	New York City	1933–December 3, 1942
Charles Poletti ¹²	New York City	December 3–31, 1942
Thomas E. Dewey	New York City	1943–1954
W. Averell Harriman	Harriman	1955–1958
Nelson A. Rockefeller ¹³ ..	Tarrytown	1959–1973
Malcolm Wilson ¹⁴	Yonkers	December 18, 1973–1974

¹ The Constitution of 1777 did not specify the time when the Governor should enter on the duties of his office. Governor Clinton was declared elected July 9th,

and qualified on the above day. On the 13th day of February, 1787, an act was passed for regulating elections, which provided that the Governor and Lieutenant-Governor should enter on the duties of their respective offices on the 1st of July after their election.

² Resigned February 24, 1817 to assume the office of Vice-President in the Administration of James Monroe.

³ Assumed position, although he never took oath of office, upon resignation of Governor Tompkins.

⁴ The Constitution of 1821 provided that the Governor and Lieutenant-Governor shall, beginning in 1823, enter on the duties of their respective offices on the first of January.

⁵ Lieutenant-Governor, became Governor on resignation of Martin Van Buren, March 12, 1829. Elected November, 1830, for a full term.

⁶ Elected President of the United States in 1884, and resigned from the Office of Governor January 6, 1885.

⁷ Lieutenant-Governor, became Governor upon resignation of Grover Cleveland, January 6, 1885. Elected November 6, 1885, for a full term, and re-elected November 6, 1888.

⁸ Resigned October 6, 1910 to become Associate Justice of the U.S. Supreme Court.

⁹ Lieutenant-Governor, became Governor upon resignation of Charles E. Hughes.

¹⁰ Succeeded William Sulzer who was removed from office October 17, 1913.

¹¹ Resigned December 3, 1942 to become Director of Foreign Relief and Rehabilitation Operations.

¹² Lieutenant-Governor, became Governor upon resignation of Herbert H. Lehman.

¹³ Resigned December 18, 1973 to serve as Chairman of the National Commission on Critical Choices for America and as Chairman of the National Commission on Water Quality.

¹⁴ Lieutenant-Governor, became Governor upon resignation of Nelson A. Rockefeller.

EDITORIAL PREFACE

The 1975 volume of the *Public Papers of Governor Hugh L. Carey* comprises documents released by the Governor's Press Office, supplementary material from the files of the Executive Chamber, transcripts of testimony before Congress and Federal agencies, and transcripts of press conferences. The volume encompasses the period from the Governor's election in November, 1974 through December, 1974—the transition period—and all of 1975.

As will be readily apparent, the manifold relationships among policy issues make it impossible to organize the documents in this volume in any incontrovertibly "most systematic" sequence. In general, the arrangement follows the traditional approach of classifying and categorizing documents based upon their functional purpose or distinctive format. Where this has not seemed advisable, however, other steps have been taken to help ensure a cohesive and coherent volume.

Thus, while adhering generally to the customary format of these volumes, the present compilers have tried to achieve greater clarity through the use of appropriate cross-references, brief narrative introductions and explanatory footnotes. There is also a comprehensive index to subject-matter categories, individuals and organizational entities.

It is hoped that these editorial annotations will facilitate use of this important reference source, help readers find their way through the myriad of documents and enhance their appreciation of the network of relationships that often lies beneath the surface of seemingly isolated day-to-day events.

Generally, documents appear in chronological order within each category. However, in certain cases, a topical-chronological approach was followed to provide a coherent picture of policy formulation or to organize a section for easy access by the reader.

It was decided not to group all of the Governor's Executive Orders in one place because many of them augment documents contained in other sections of the report (e.g., Executive Order No. 5, pertaining to "merit selection of judges," is incorporated, together with some supporting documents, in the section of the volume devoted to "judicial designations"). At the same time, to enable the reader to find the entire record series without difficulty, most of the Executive Orders are printed in a separate section

containing a complete chronological listing of such orders and cross-references to the location of all the others.

As another example, it did not seem logical to place all press releases in a single section, but those that did not logically fall into one of the other classifications of documents have been brought together and categorized according to subject matter.

The editors attempted to obtain a complete copy of each document. Where this proved impossible, the notation "excerpts" follows the heading to the document. In some cases, a summary of a document or a listing of a series of documents is provided (e.g., all proclamations are listed, but few are reproduced). In general, the editors limited corrections to typographical errors, punctuation and obvious omissions of words. Extremely wide indentations, and unusual spacing, often the result of last-minute revisions or deletions, are omitted. Quotations over three lines in length are blocked and indented. Headings for each document provide the date, place (if other than Albany), and a short description.

Annotations, numbered consecutively, follow at the end of each document. "Editor's note" precedes each annotation not part of the original document.

References to documents not included in the volume note full title and present location for reference purposes. Cross-references, utilized selectively, refer readers to the appropriate section where one or more related documents can be found. Abbreviations and acronyms are identified the first time they appear and, correspondingly, acronyms are given the first time the full citation appears in the text.

Changes, as noted below, are not explicitly noted if the meaning of the text is unaltered. In doubtful cases, changes appear in brackets to alert the reader.

The following changes were made without explicit annotation:

- Spelling is standardized to conform with Webster's *Collegiate Dictionary*; however, equally valid forms such as "insure" and "ensure" have been allowed to stand.
- Months, titles, and geographic place names are spelled out, but abbreviations for "Article" ("Art."), "Chapter" ("Ch."), etc., are permitted to stand.

- Symbols are spelled out (e.g., percent) except in tables and references to statutory citations (e.g., “section” is frequently rendered as “§”).
- Hyphenation follows accepted rules and the current trend of using compound words whenever possible, with the exception of common usage in New York State statutes (e.g., Lieutenant–Governor, Attorney–General).
- Capitalization of initial letters of nouns has been standardized to conform with customary New York State usage:
 - “State” is capitalized when it refers to New York State and “Federal” is capitalized when it refers to the Federal government.
 - References to other governmental jurisdictions (e.g., “county,” “city,” “town,” “village,” etc.) or organizational unit (e.g., “department,” “agency,” “division,” “commission,” etc.) are capitalized only when the term clearly refers to a particular entity.
 - “Governor,” “Legislature,” “Executive,” “Judiciary,” “Lieutenant–Governor,” “Attorney–General,” and “Comptroller” are *always* capitalized when they refer to New York State, except that “executive” is not capitalized when used as an adjective; other titles (e.g., “commissioner,” “chairman”) are capitalized only when they clearly refer to a particular individual.
 - “Legislative session” and “special session” are capitalized when they refer to a particular session. (However, “legislative branch,” “executive branch” and “judicial branch” are not capitalized.)
 - “Article,” “chapter,” “section,” and “sub–section” are capitalized when they refer to State law(s).
- Titles of books, major reports and judicial decisions are printed in italics, as are less frequently used foreign words and phrases.
- Numbers up to and including ten are spelled out; numbers over ten are expressed in figures, with the following exceptions:
 - Numerals are used to designate bill numbers, veto and approval message numbers, executive order and chapter numbers throughout;

- Charts and graphs utilize numerals throughout;
 - Percentages are shown numerically (i.e., “3 percent”);
 - Fractions are hyphenated and spelled out (i.e., “three-quarters”);
 - Ordinal numbers and numbers in juxtaposition are spelled out (i.e., “five and twenty . . .”); and
 - Money amounts are expressed in numerals, but amounts of \$1 million or more in this manner.
- Where absent, “No.” or “Number” has been inserted after “Assembly Bill” or “Senate Bill” to conform with the usage in the document.
- References to law(s) may be in Arabic or Roman numerals and conform to the citations in the *Consolidated Laws of New York State*.
-

BIOGRAPHY OF HUGH L. CAREY

Governor of New York State

Hugh L. Carey was first elected Governor of New York on November 5, 1974 with the second-largest plurality in State history. He defeated incumbent Governor Malcolm Wilson by a margin of 808,836 votes, rolling up 58 percent of the total four-party vote. That margin was exceeded only in 1932, when Governor Herbert H. Lehman defeated William J. Donovan with a plurality of 847,439 votes.

Standing firm on his record of tough fiscal management, tax cuts and the saving of New York City from bankruptcy, Governor Carey was subsequently reelected as New York's 51st Governor on November 7, 1978. Easily withstanding a primary challenge, he went on to defeat Assembly Minority Leader Perry B. Duryea by a margin of 272,868 votes.

When Hugh Carey first took office in January 1975, he inherited a government living far beyond its means.

New taxes had been imposed or old taxes raised eight times during the past 16 years. In 1958, New York State ranked 22nd among the states in total tax burden as a percentage of personal income. By 1974, New York was number one.

The growth of government had hurt the private sector, contributing to the loss of jobs and industries and to a severe economic decline.

The State faced financial disasters unparalleled in the State's or the nation's history: the default of the Urban Development Corporation and the threatened defaults of several other major State authorities. The State also faced the near bankruptcy of New York City and fiscal crises in Yonkers and other cities in the State.

The Governor had to move quickly to solve these problems and at the same time reverse the trends which had brought them about.

In his first term, he provided the people of New York with more than \$1 billion in tax cuts, with subsequent years' cuts bringing the total tax reductions to more than \$1.7 billion per year. New York no longer leads the nation in total tax burden.

He balanced the budget and reduced the growth of State spending.

Governor Carey also launched an aggressive campaign to bring business and tourists back to New York State.

Between 1969 and 1976, New York State had lost more than 500,000 jobs. Under Governor Carey, the number of jobs began to increase. Between the month of May 1976 and the month of May 1978, private-sector employment had grown by some 157,000 jobs.

The Commerce Department, under John Dyson, became an active promoter of business for New York State.

The Carey Administration strengthened and expanded the Job Incentive Program and the Job Development Authority to bring industry and more new jobs to the State.

As a result, industrial expansions brought to the State more than 36,000 jobs in 1977 and 1978, and the economy benefited by more than \$800 million.

Governor Carey consistently advocated the Westway project to revitalize lower Manhattan and create more than 36,000 jobs and billions of dollars for New York's economy.

With the new award-winning "I Love New York" campaign and the cooperation of the private sector, tourism in New York State increased for the first time in a decade. In the summer of 1977, the first summer of the promotion campaign, tourists spent \$41 million more in New York than they had spent the previous year.

The program was also credited with contributing to the significant increase in tourism in 1978.

Governor Carey was serving his seventh term in the House of Representatives when he became a candidate for Governor in the spring of 1974. After announcing his candidacy on March 26, he defeated fellow Democrat Howard J. Samuels by 212,814 votes (61 percent of the vote) in the primary election on September 10.

Governor Carey first won elective office in 1960. He ran for Congress in support of President John F. Kennedy, and defeated a four-term Republican incumbent in a major upset. He won seven successive terms despite a number of efforts to defeat him by gerrymandering his Congressional district.

Mr. Carey's first major committee assignment was to the House Education and Labor Committee. He was a principal architect and floor manager of the historic Elementary and Secondary Education Act of 1965, the first Federal law in history to aid children in all schools. President Johnson, in his autobiography, gave credit to Congressman Carey for breaking the 20-year logjam which had blocked legislation to help local schools.

Congressman Carey chaired a special Subcommittee on Education of the Handicapped during his tenure on the House Education and Labor Committee. During this time, he was responsible for more legislation to aid the disabled and handicapped than any other member of Congress. An example of his work in this State was the founding of the National Technical Institute for the Deaf, at Rochester, in 1968. It is the nation's only technical college for the deaf.

In 1970, Congressman Carey was assigned to the powerful House Ways and Means Committee, on which he had a leading role in passage of the historic Revenue-Sharing Law which provided Federal funds for state and local governments.

He worked as well for the Federal assumption of welfare and improvement of the SSI (Supplemental Security Income) program for the elderly, blind and disabled by securing passage of several amendments to correct inequities in this program.

Governor Carey was born in Park Slope, Brooklyn, on April 11, 1919. He was the third son of Margaret and Dennis J. Carey. His mother, Margaret Collins, was the daughter of Hugh and Marcella Collins, who had emigrated from County Tyrone, and his father was the son of Michael and Delia Graham Carey of County Galway, Ireland.

His older brothers are Edward M. and Dennis J., and his younger brothers, John R. and Martin T., all of New York City. His youngest brother, George G., died in an airplane accident in New York City in 1959.

Hugh Carey was graduated from St. Augustine's Academy and High School in Brooklyn. He took on several part-time jobs then and later during college to help pay school expenses.

After high school, he attended St. John's University, but his studies were interrupted by World War II. In 1939, he enlisted as a private in the 101st Cavalry, Squadron C, of the New York Na-

tional Guard. In 1941, the unit was activated and Hugh Carey remained in uniform for five years.

He rose quickly in the ranks and became a lieutenant and a company commander, helping to train reservists and new draftees in the 104th Timberwolf Division, which later became one of the most tenacious fighting units of the war in Europe. The Division fought in France, Belgium, Holland and Germany in 1944 and 1945, falling only two days short of the U.S. Army record for unrelieved duty at the front.

He was among the troop leaders who crossed the Rhine River on the Remagen Bridge, participated in the capture of Cologne, and liberated the Nazi concentration camp at Nordhausen.

Hugh Carey was released from active duty as a lieutenant colonel, after having received the Bronze Star, the Croix de Guerre with Silver Star, and the Combat Infantryman's Badge, and subsequently was promoted to full colonel.

Returning from service in 1946, Hugh Carey became active in a statewide effort to involve younger people and veterans in political affairs.

During that year, he met a young woman he had known as a teenager. Helen Owen Twohy had attended St. Angela Hall and Marymount College. Her parents, Alexander and Helen Tynion Owen, both had died when she was 17. In 1945, she married Ensign John F. Twohy, who was killed soon thereafter in the Pacific theater. A child, Alexandria, was born after his death.

Hugh Carey married Helen on February 27, 1947 in the Lady Chapel at St. Patrick's Cathedral in New York City. He adopted Alexandria, who was married 28 years later on January 25, 1975, also in the Lady Chapel, to Hank McManus.

Between 1947 and 1951, Hugh Carey returned to St. John's University to complete his education, studying evenings and summers to secure his degree of Doctor of Jurisprudence in 1951. He was admitted to the Bar during the same year. By this time, he and Helen were the parents of five children.

In 1960, Hugh Carey turned his attention to politics as a supporter of Senator John F. Kennedy.

He sought the Democratic nomination for Congress in the 12th District of Brooklyn, winning the upset victory which sent him to

Washington. He gained the respect and confidence of his colleagues as a Deputy Whip in the House, and worked tirelessly for a united and more effective New York delegation.

For 14 years, Helen and Hugh Carey and their family campaigned together and engaged in Brooklyn civic and community activities. Helen Carey and the children participated for many years in the work of the Brooklyn Bureau of Community Services, and in its summer program for the aged and the handicapped at its camp on Shelter Island, New York.

In 1969, the Carey children numbered 14: Alexandria, born on June 20, 1945; Christopher, born on November 23, 1947; Susan, on December 14, 1948; Peter, on August 15, 1950, and Hugh, Jr., on December 13, 1951 (both of whom died in an automobile accident on Shelter Island in 1969); Michael, on December 9, 1953; Donald, on May 3, 1955; Marianne, on July 19, 1956; Nancy, on December 5, 1957; Helen, on June 26, 1959; Bryan, on May 27, 1960; Paul, on October 18, 1962; Kevin, on February 20, 1964; and Thomas, on July 19, 1966.

Susan was the first of the Carey children to marry. She and Martin Dempsey, formerly of Philadelphia, were married on April 14, 1973. Alexandria (Randy) followed, marrying during her father's first month as Governor. Christopher married Bonnie Blum of Belle Harbor, Queens, on April 5, 1975.

In 1970, Helen Carey learned that she had cancer and underwent surgery. She made a determined and complete convalescence and resumed normal activities until early 1973, when second surgery was required. In the post-surgical treatment period, she was dependent on oxygen therapy, which severely limited her mobility. She persisted, however, in pursuing recovery and, despite her condition, insisted on being moved from the family residence in Washington to Shelter Island for the benefit of the children's summer vacation. It was there, in August of 1973, that she experienced a dramatic remission and again regained her ability to return to an active family life.

Although Helen and Hugh Carey had traveled to many parts of the world, they shared a long desire to make a family pilgrimage abroad. In November 1973, the entire family flew to Ireland for a ten-day Thanksgiving holiday. It was during this period that Helen and Hugh Carey decided that he would leave Congress and that the family would return home to New York, long a family desire.

When Hugh Carey's opportunity to run for Governor arose, the family began planning. Helen Carey organized the move to New York, and she made both preparations for their residence in Brooklyn and plans for the campaign. A recurrence of cancer, however, forced her to enter Lenox Hill Hospital, where she died on March 8, 1974. In accordance with her expressed desires, the family carried on, and Hugh Carey announced his candidacy for Governor on March 26, 1974.

Taking the Oath of Office on January 1, 1975, Governor Carey revealed in his Inaugural Address the scope and breadth of his commitment to the new office. Referring to the deeds and the tradition of great men who had held that office before him—Alfred E. Smith, Franklin D. Roosevelt, Herbert H. Lehman, and W. Averell Harriman—Governor Carey pledged to work with the people to build “. . . on this tradition of courage, candor, and, above all, hope.” He declared:

But what I ask of you most of all, what I ask of every New Yorker, is to reclaim that faith in a purpose greater than retreat into private gain. Early this morning, we gathered in a ceremony of offering, of renewal, of reconciliation. New Yorkers of every faith gathered to affirm a bond between man and God. The meaning of that ceremony must take root here: we must remember that we find the deepest satisfactions not in the goods we have but in the good we can do together. We shall find, in the hard work of building a better society, the best that is within us. With your help, with God's help, that is the work I seek to begin today.

October, 1982

INTRODUCTION TO GOVERNOR CAREY'S 1975 PUBLIC PAPERS

No single document in this volume can encompass the range of critical policy issues confronted and addressed by the incoming Administration during 1975. For over a century, New York had been the nation's most prosperous and productive state, with an unsurpassed range of public services. But that preeminence seemed to crack in the early seventies and, finally, in 1975, to break. The accelerating decline of the State's industrial base, a severe national recession, the oil crisis, decreasing State revenues and the dangerous proliferation of public debt combined to threaten New York's ability to control its own future. The setting in which the drama of 1975 was played out has been described perceptively by Peter D. McClelland and Alan L. Magdovitz in their 1981 work, *Crisis In The Making*.

As a new State Administration embarked on the largest managerial overhaul since 1959 (and some might say, justifiably, since 1926), we encountered an unprecedented confluence of traumatic set-backs that had staggering implications. On the one hand, the State's economy was stagnating and its fiscal integrity disintegrating; on the other, despite an increasing demand for public services, the State's administrative structure was no longer equal to the task of assuring that massive expenditures for existing programs would achieve effective performance. The rapid expansion and fragmentation of programs, due in part to Federal mandates and complex reimbursement mechanisms, had sapped the ability of the executive branch to manage State government, while the Legislature had abdicated its responsibility for oversight.

At the same time, the most grave managerial deficiencies afflicted the very State agencies whose mission was to sustain and to care for those individuals least able to meet their own needs. By 1975, it had become apparent that the State had mismanaged certain aspects of its stewardship of public institutions. The State's criminal justice system, for example, creaked under a burden of obsolete practices and structural rigidities. The State had also neglected supervision of those private institutions entrusted with greatest responsibility for the welfare of dependent citizens. Elderly residents of nursing homes and proprietary residential care facilities, the mentally ill and the mentally retarded were the victims of this neglect.

Addressing these problems and simultaneously tackling the

critical policy issues that arose during 1975 demanded judgment, determination and an unprecedented degree of cooperation among government, business and labor. It often required painful tradeoffs among competing and even conflicting goals. The Executive Budget system provides the forum in which the Governor and the Legislature have traditionally worked out such problems. And, indeed, the formulation and execution of the Executive Budget would ultimately prove once again to be a key instrument for reorienting State policy.

Initially, however, we had to act within the framework of an inherited budgetary deficit and a host of unresolved managerial problems that could be surmounted only by establishing new investigatory, financing and control mechanisms, and more immediately, by stretching the State's resources and its power to the utmost. Bringing about dramatic change meant formulating, enacting and implementing some of the most complex and profound statutory revisions in the State's history. The urgency of the situation compelled prompt administrative initiatives: instituting tight controls over spending, curbing the growth of State debt and creating, by Executive Orders, two Moreland Act Commissions to evaluate the State's oversight of public authorities and private nursing homes.

In view of the need to act promptly and decisively to resolve a variety of critical problems, we were denied the leisure of a gradual transition and a systematic, relaxed reappraisal of the programs that had been instituted and the policies that had become entrenched during preceding Administrations. Although the new Administration ultimately benefitted from the counsel of the several transition teams we had created after the election, the most crucial problems could not be held in abeyance pending the outcome of scholarly appraisals and assessments. Even before assuming office, we learned firsthand, during a two-hour inspection of Willowbrook, the grim realities of institutional neglect as manifested in this overcrowded facility for mentally retarded children.

Soon after, as the new Administration grappled with a largely predetermined budget, we became acutely aware of the extent to which economic erosion and fiscal profligacy, if unchecked, would undermine humane standards of care and treatment for the disadvantaged.

Immediately after the election in November of 1974, before we submitted our initial budget, the State government was confronted

with the first of a series of severe fiscal crises which threatened to paralyze any attempt at economic recovery or modernization of the State's obsolescent administrative machinery. Faced with the unwillingness of a wary investment community to extend further credit, the State's Urban Development Corporation (UDC) could not redeem soon-to-mature bond anticipation notes or obtain necessary construction loans. The UDC was on the brink of bankruptcy. In addition to the negative effect of a UDC default on confidence in the solvency and creditworthiness of the State itself, aborting UDC's construction projects would have resulted in a loss of jobs that the State could ill afford and possible financial ruin for many of UDC's vendors and suppliers.

The UDC was not an isolated incident of fiscal mismanagement. It became increasingly apparent that UDC's financial crisis was the harbinger of potential collapse for several other major public authorities in the State. As it happened, because of its timing, severity and complex ramifications, the UDC crisis proved in retrospect to be a providential "baptism by fire" as New York City and other public authorities faced the spectre of bankruptcy and an unprecedented disruption of essential public services.

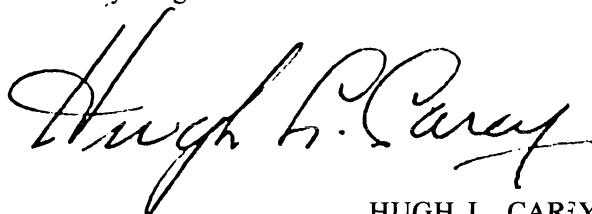
At the outset of the new Administration, we acquired a first-hand, hard-won appreciation of the intricacies, interdependence and frailty of the network of governmental finance in the Empire State. Moreover, the success of our concerted endeavors to contain and surmount the UDC crisis reinforced our resolve to strengthen the foundation on which the entire structure rested. We refused to accept the premise that New York's problems were so deeply rooted as to be unsolvable, or that bankruptcy was an acceptable alternative. We believed that the State, working closely with the private sector and the Federal government, could reorder its priorities, regain its economic vitality and restore fiscal balance.

Perhaps the most distinctive change in the climate of governance was reflected in the unrelenting pressures upon me, as Governor, and my key advisers to engage in seemingly endless rounds of negotiations. These negotiations involved not only traditional participants in the governing process—the Legislature, local governments, clientele of State programs, and labor unions—but also the leadership of the investment community and, to an unparalleled extent, representatives of the Federal government.

Another new factor was more frequent citizen recourse to the

courts as a vehicle for bringing about change in public policy. In part, New York State's experience mirrored a national trend that had begun in the 1960's toward direct court intervention to redress demonstrated inadequacies in the delivery of governmental services that deprived individuals of their constitutional rights. Legal challenges threatened to unravel the complex web of the extraordinary fiscal measures adopted during 1975 to contain and resolve the potentially devastating State and City fiscal crises. The State's officials soon became entangled in a thicket of litigation that seemed likely to have a critical impact in limiting executive and legislative policy options.

New York's safe emergence from the turbulent first year of my Administration was due to the unflagging efforts of many dedicated individuals, from both inside and outside of government. To those individuals I extend my thanks on behalf of future generations of New Yorkers who may study these documents, and learn the lesson that was so sternly taught in 1975.

A handwritten signature in black ink, reading "Hugh L. Carey". The signature is fluid and cursive, with the first name "Hugh" and last name "Carey" being the most prominent parts.

HUGH L. CAREY

October, 1982

I

INAUGURATION

I

INAUGURATION

INTRODUCTORY NOTE

On January 1, 1975, at 12:45 P.M., Hugh L. Carey was inaugurated as the fifty-first Governor of the State of New York at ceremonies held in the Assembly Chamber at the State Capitol in Albany.

In keeping with tradition (as a means of assuring continuity in the State's gubernatorial leadership), Governor Carey had initially taken his oath of office at 10:30 P.M. on December 31, 1974, in a private ceremony at the Executive Mansion attended by family members and close friends. In a departure from tradition, the formal inauguration on New Year's Day was a joint ceremony, during which Carey was sworn in as Governor and Mary Anne Krupsak was sworn in as Lieutenant-Governor.

On both occasions, the Honorable Charles D. Breitel, Chief Justice of the State Court of Appeals, administered to Governor Carey the following formal oath of office.

OATH OF OFFICE

State of New York }
County of Albany } ss.:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of New York, and I will faithfully discharge the duties of the Office of Governor according to the best of my ability.

(Signed) HUGH L. CAREY

Subscribed and sworn before
me the thirty-first day of December, nineteen hundred
and seventy-four.

(Signed) CHARLES D. BREITEL
*Chief Judge of the
Court of Appeals*

INAUGURAL ADDRESS

January 1, 1975

This is a new year, a new government. It is also a renewal of an old tradition. The words and deeds of great men who have stood here—Al Smith and Franklin Roosevelt, Herbert Lehman and Averell Harriman—have created a standard I shall seek to meet with all the strength God has given me.

The people of New York, by providing me with this chance, have given me the most rewarding moment of my public life. In return, I pledge my best to the people; and I ask all of you to join with me in building on this tradition of courage, candor, and, above all, hope.

For these men did not preside over a tranquil State in times of ease. They knew the ravages of war, depression, and loss of trust in government.

In our time, the task of leadership is burdened by our own harsh realities. Across America, and around the world, a sense of economic uncertainty prevails; and as a center of world commerce, New York has felt the full force of this uncertainty. Every wage-earner, every pensioner, every family in this State knows that the cost of our needs exceeds the capacity to pay for those needs.

And, this economic climate follows upon two of the most divisive and damaging attacks on our society.

—First, a costly and debilitating war divided our people and drained our sense of national pride;

—Then an abuse of power on a scale unprecedented in our history scarred the highest office of the land. And this abuse convinced more and more of our people that government was venal and corrupt, that as citizens we were alone in a hostile land.

And yet, our very struggles with war and corruption may provide us with a source of strength today. Those afflictions were assaults on our spirit, threatening our confidence and our liberties. But we survived them; and there will be tales of courage and loyalty for our children to hear.

The test we face now—a faltering economy, disappearing jobs,

a shrinking dollar—are material in nature. And I believe that we, the people, who met our spiritual tests will also prevail over this test of resources. And, so today, I ask you to join with me on a journey to a higher ground, to reclaim our rightful place as the first state among fifty, the Empire State.

The first step on this journey is the recognition that it is time to change course in what this government does and how it does it. All around us, in this capital, are symbols of splendor, monuments of glass and marble. They stand as living embodiments of an idea of government as an ever-expanding institution, to be paid for from the ever-expanding riches of tomorrow.

To the citizens of New York, I say: tomorrow is here. We have learned that every resource of this Earth is finite; so is the resource by which government sustains itself: the earnings of the people.

This government will begin today the painful, difficult, imperative process of learning to live within its means. To further tax the poor, and those struggling for bare necessities, would be intolerable. We will not take that path.

This decision imposes responsibilities at every level of government.

To the people of New York, I pledge a State government that will not use the public payroll to provide private ease. Every job, every commission, every agency, every person paid by the public, must answer to a single overriding test: are you worth the people's trust, are you worth their compensation?

To the mayors of our cities and towns, to the leaders of our counties and villages, I resolve to work with you to relieve unfair local burdens—to shape a State government that will, over the years, assume those responsibilities that are indeed statewide.

And from you, I ask a pledge to examine every one of your expenditures by the test of worth. We cannot continue to pass our responsibilities to the next generation of taxpayers. Now is the time, when economic hardship dramatizes needless spending, to bring government back into line with reality. A program that cannot be justified in hard times should never have been created in good times, and this is the time to rid ourselves of those drains on the pockets of the people.

To those who lead at the national level, I offer this resolve and

this challenge: New York State will be fighting to live within its means, but you cannot continue to permit our economy to drift beyond control. We will not wait for Washington to act; we will begin here and now. But we will demand from Washington initiatives to replace this inexcusable inertia.

So we must—all of us—return to the fundamental truth that there are limits to what any state government can do. But that truth only defines the boundaries of commitment. It does not determine what we will do with the public funds we hold in trust. For I believe that New York must not only reassess its strength, but redirect it. I am a New Yorker by birth, education and inclination. I know how strong we are as a people. I know that together, we are strong enough to do what must be done in the name of common decency. And I am determined, by the deepest teachings of my faith, to hear the cries of distress from the least among us—to redress those wrongs which challenge our claim of caring:

- I will fight to change a system in which thousands of our older citizens live out their lives in misery. Those who mistreat our elderly for gain will feel the full force of an outraged people. And those institutions built to serve the elderly will be scrutinized and reshaped. With your support, we shall defend these citizens.
- I will fight to change a system in which those who are ill are threatened with the loss of a lifetime's labor. Our programs to provide health care do not use the funds they have effectively. And every dollar ill-spent is a dollar lost to the work of curing the sick. With your help, we will find new ways to bring decent health care within the means of every man, woman and child in New York.
- I will fight to end the official injustice pervading institutions caring for New Yorkers afflicted in mind and body. No matter how harsh the economic realities, I will find the funds for the retarded, the mentally ill, the severely handicapped. For this battle will be waged in your name, and in the name of fundamental compassion.
- And, I will fight to be true to the first duty of government: to provide a sense of peace and tranquility against the relentless incursion of the criminal. A government that does not protect people against violence is a government that fails its every justification for existence. And this protection begins with a determination to make the sanctions against crime a

reality, instead of a mockery. In this State we must end the compromises and accommodations with the public safety. We must act so that every policeman on the beat, every citizen in the street, knows that he is not alone when his life or safety is threatened.

These battles are part of broader efforts: to provide productive jobs across the State; to build an educational system that reaches and teaches the young from village and ghetto and suburb; to restore the steadily diminishing health of our farm and rural communities; to make the land and air and water fit for our children to inherit. And because we need every dollar for these efforts, the squandering of public funds can be tolerated no longer. Every New Yorker, of whatever party or interest, must recognize this fact: the fight against waste *is* the fight to redirect government; it *is* the fight for social justice; it *is* the fight for a new change for New York.

There are also efforts which can be made immediately, despite the economic facts of life:

- It costs nothing to open the government to public view; to disclose the financial facts about those who shape State policy. That process has already begun. And I urge my partners in this government branch to begin that same process. There is room in this government for discussion, debate, and dissent. There is no room for deceit or dishonesty. The public will not tolerate it, and I will not stand for it.
- It costs little to insure that those in the seats of justice in New York State meet the standards of excellence we deserve—and that those who fail to meet these standards no longer administer justice. The fact is that the criminal justice system in New York does not work. It does not deter or punish or rehabilitate those who commit crime. No area of this government is more important than the total reform of this process, from the police officer on the beat to the judge in the courtroom, and we will begin this reform at the top.
- It costs little to take the political process out of the hands of well-endowed private interests. The men and women we choose for public office must be free from pressure of private control. That process will begin in this State in this year.
- And it costs nothing to have a government open to the participation of all citizens, regardless of race, creed, or sex.

We today enrich the history of this State with the presence of a Lieutenant-Governor independent and talented, who won her place with skill and public dedication. Let others follow—the doors of this government are open.

I make this covenant with the people without illusions. I will need the help of all of you. And most especially I will need the help of those in our Legislature, of all parties. I come here from 14 years in the national legislature. I have seen firsthand the consequences of executive arrogance. And I ask of you nothing that I will not demand from my own Administration and from myself.

But what I ask of you most of all, what I ask of every New Yorker, is to reclaim that faith in a purpose greater than retreat into private gain. Early this morning, we gathered in a ceremony of offering, of renewal, of reconciliation. New Yorkers of every faith gathered to affirm a bond between man and God. The meaning of that ceremony must take root here: we must remember that we find the deepest satisfactions not in the goods we have but in the good we can do together. We shall find, in the hard work of building a better society, the best that is within us. With your help, with God's help, that is the work I seek to begin today.

**Hugh L. Carey and Mary Anne Krupsak To Be Sworn
In at Joint Inaugural Ceremony as Governor and
Lieutenant-Governor on New Year's Day**

OFFICE OF THE GOVERNOR-ELECT

December 30, 1974

**CAREY AND KRUPSAC TO HAVE JOINT
INAUGURAL CEREMONY**

In a break with tradition, Hugh L. Carey and Mary Anne Krupsak will be sworn in as Governor and Lieutenant-Governor at a joint ceremony in the Assembly Chamber on New Year's Day.

Mr. Carey will also take the traditional private oath before family and friends at 10:30 P.M. on December 31st in the Governor's Mansion.

Preceding the Inaugural ceremonies on Wednesday morning there will be an Ecumenical Mass at 9:00 A.M. in the Albany

Cathedral, which both Governor Carey and Lieutenant-Governor Mary Anne Krupsak will attend and which will be open for general news coverage but no cameras will be allowed in the main sanctuary. Father Kennedy of the Diocese Press Office will answer any questions concerning coverage of the Mass.

Immediately following the Inaugural ceremony, the new Governor and Lieutenant-Governor will greet guests on a receiving line in the Red Room. After the receiving line, guests will proceed to the adjacent hall where light refreshments—all originating in New York State—will be served.

Lieutenant-Governor Krupsak will then attend a reception at the Polish Community Center in Albany, while Governor Carey and his family will receive guests at a reception at the Mansion.

**Governor-elect Carey and Lieutenant Governor-elect Krupsak
To Attend Mass at the Cathedral of the Immaculate Conception
before Being Sworn In as Governor and
Lieutenant-Governor on January 1, 1975**

OFFICE OF THE GOVERNOR-ELECT

December 30, 1974

Governor-elect Hugh L. Carey and his family will attend the regularly scheduled 9:00 A.M. Mass at the Cathedral of the Immaculate Conception on Wednesday in Albany a few hours before he is sworn in as New York's 55th Governor.

The Most Rev. Francis J. Mugavero, D.D., Bishop of Brooklyn, will be the Celebrant of the Mass.

The Most Rev. Edwin B. Broderick, Bishop of Albany, will concelebrate with:

- The Rt. Rev. Monsignor Theodore E. McCarrick, Secretary to Terence Cardinal Cooke, Archbishop of New York;
- The Rev. Thomas M. Haggerty, Pastor of St. Saviour Church, Brooklyn;
- The Rev. John F. McLoughlin, Director of St. Gabriel's Retreat House, Shelter Island;
- The Very Rev. William P. Furlan, V.F. Pastor of St. Mary's Church, Hudson;

—The Rev. Edward J. McCarthy, O.S.A., President, Villanova University, and

—The Rev. Louis R. Gigante, Assistant Pastor of St. Athanasius of Bronx, N.Y. and New York City Councilman.

Dr. N. Arne Bendtz, Pastor of St. Paul's Lutheran Church of Kingston also will participate. The Homily will be delivered by Bishop Mugavero.

The Cathedral, at 125 Eagle Street, was consecrated in 1862. Governor Alfred E. Smith attended Mass at the Cathedral with his family on the day of his first inauguration, January 1, 1919. The Cathedral was his place of worship and his daughter, Emily, was married there to Maj. John A. Warner. His grandson, the Rev. Alfred E. Smith, O.S.A. of St. Augustine's Church in Troy, will be in the Sanctuary during the Mass on Wednesday.

The Cathedral is located within walking distance of the Executive Mansion where Governor-elect Carey will reside with members of his family. Traditional "Open House" for Public at Executive Mansion Scheduled for January 12, 1975.

**"Open House" To Be Held at
Executive Mansion**

STATE OF NEW YORK—EXECUTIVE CHAMBER

January 1, 1975

Governor-elect Hugh Carey announced today that the traditional "open house" for the public at the Executive Mansion will be held on Sunday, January 12, rather than on New Year's Day as has been the custom for many years.

The "open house" has been scheduled for January 12, from 2:30 to 4:30 P.M., in order that it can be a more leisurely occasion for the Governor and his family to meet their neighbors and other residents of the Capital District.

Governor-elect Carey will take the oath of office as New York's 51st Governor in formal ceremonies in the Assembly Chamber on New Year's Day, at 12:50 P.M. The swearing in, by Chief Judge Charles D. Breitel of the Court of Appeals, will be followed immediately by an official reception in the Red Room at the Capitol and a family reception at the Executive Mansion.

The "open house," a custom dating back to the early 1900's, was scheduled for January 12, the Governor-elect's office said, to avoid any schedule conflict with the Inaugural activities and to assure that it would not be curtailed in any way.

"Governor Carey wants the 'open house' to be a leisurely opportunity for him and his family to meet friends and neighbors of the Capital District without having the occasion foreshortened by the requirements of any busy official schedule," a spokesman added.

Governor Carey and his children will greet visitors to the Executive Mansion at the "open house."

I hope that as many of our new neighbors as possible will find time for us to meet them," the Governor-elect said today.

**Governor Acknowledges Message of Good Wishes
from Vice President Rockefeller**

STATE OF NEW YORK—EXECUTIVE CHAMBER

January 10, 1975

Governor Hugh L. Carey released today the text of the following letter to Vice President Nelson A. Rockefeller:

January 8, 1975

The Honorable Nelson A. Rockefeller
Vice President of the United States
Old Executive Office Building
Washington, D. C. 20501

Dear Mr. Vice President:

I deeply appreciate your message of good wishes upon my becoming Governor of New York, a high and grave responsibility which you, yourself, had borne for 15 fateful years. I assume the office with determination to provide enlightened, decisive and effective leadership, consistent with that the people of New York have had from the succession of illustrious governors who have preceded me during the past half century.

I share with you the deep sensitivity reflected in the words of

your message that "the future of the State is significantly affected by the wisdom and understanding of the Federal government."

I also believe, a view you were kind enough to express, that my 14 years of service in the Congress acquaints me with what the Federal government has done and is doing—and still can do in extended dimension to help the states and cities cope with the seemingly insurmountable problems besetting their delivery of even the most basic essential services. At the same time, I believe we are fortunate—in New York and in our sister states—that we have as Vice President one so recently and so intimately involved with all aspects and nuances of the problems and so knowledgeable as to the need and nature of greater Federal participation.

Inasmuch as we, together, participated actively in development of the Federal government's revenue sharing program and operating subsidies for mass transit, I look forward to your active cooperation, in Washington this time, to achieve new responsibility—sharing by the Federal government in the delivery of essential services to the people as an urgently needed projection of the historic concept of revenue sharing that we have seen come to fruition.

With all good personal wishes to you and Mrs. Rockefeller,

Sincerely,

(Signed) HUGH L. CAREY

II

MESSAGES TO THE LEGISLATURE

II

MESSAGES TO THE LEGISLATURE

Section 3 of Article IV of the State Constitution provides, in part, that:

The governor . . . shall communicate by message to the legislature at every session the condition of the state and recommend such matters to it as he shall judge expedient.

Section 2 of Article VII of the State Constitution provides, in part, that:

Annually . . . , the governor shall submit to the legislature a budget containing a complete plan of expenditures proposed to be made before the close of the ensuing fiscal year and all moneys and revenues estimated to be available therefor, together with an explanation of the basis of such estimates and recommendations as to proposed legislation, if any, which he may deem necessary to provide moneys and revenues sufficient to meet such proposed expenditures. It shall also contain such other recommendations and information as he may deem proper and such additional information as may be required by law.

Traditionally, the Governor's annual message on "the condition of the state" is referred to as either the Governor's Annual Message or his "State of the State" Message. Governors often supplement their Annual Messages with subsequent Special Messages pertaining to key areas of State policy.

The Governor's annual budget submission is traditionally referred to as "The Executive Budget." The Governor's recommendations, the reasoning underlying them, and an overview of his proposed financial plan are traditionally set forth in a portion of this document referred to as the Budget Message, which is also published separately.

A.
REGULAR SESSION

**On January 8, 1975 the Legislature convened in
Regular Session, and adjourned *sine die* on July 12, 1975**

ANNUAL MESSAGE

STATE OF NEW YORK—EXECUTIVE CHAMBER

January 8, 1975

To the Members of the Legislature of the State of New York

We begin today the highest deliberations of a free people. The ceremonies and celebrations of recent days are but a prelude. Now, in this chamber, in this arena, we confront the deepest and most difficult problems of one-tenth of the American nation.

There have been great and portentous debates, in this hall and in this place, from the day of the Albany Convention of 1754 when Benjamin Franklin first proposed "one general government" for the 13 colonies. But seldom from that day to this has an American legislature met with a greater challenge or a greater obligation before it. Sudden storms have swept across our economy and all of American life, shattering our hopes and our illusions of comfort; and the storms do not abate. Albert Schweitzer told us that: "Truth has no special time. Its hour is now—always." Nonetheless this is a special time in the life of New York State, a special time for our people, a special time for us as public officials, a special time for truth.

Accordingly, I will not present, to this body of such well-informed men and women, the usual inventory and catalogue of statements from the various executive departments. Rather I will briefly set forth my view of the problems before us, and the directions in which I intend to meet them.

All we say and all we do is shaped by two harsh facts. One is that the nation is in deep economic difficulty. The second is that New York State suffers more than its full share of the nation's travail.

The State Council of Economic Advisors told us just three weeks ago that New York's employment and business activity have been in decline for the past five years. Indeed, when the nation's economic downturn began in 1974, the New York economy was still operating below the levels of 1969. Since World War II, we have been growing less rapidly than the rest of the nation: we have experienced an average net out-migration of 84,000 people each year since 1970. In New York City, and in particular upstate areas,

the Council finds that the economy is in "genuine stagnation." Unemployment is rising every day. Thus New York would be in difficulty were these the best of national times. The times make our case more difficult still; but even a better turn in the national climate, should it come, could not answer our fundamental economic problems.

Nevertheless, we must help to shelter our people from the worst of the national storm. We can help to alleviate some of the worst effects of inflation. We can assure that the consumer gets a dollar's value for every dollar spent. We can assist our farmers, and help our people to obtain adequate food at a reasonable price. Within the constraints of national policy, we can ensure that electricity is available to those who need it, at the best possible price. Above all, by a proper self-discipline, we can halt and defeat the largest component of inflation—the undue escalation of State and local taxation.

More than this, many of our most serious problems are not created by Washington at all. These will yield only to the work of our own hands and the labor of our own hearts. To care for the old and sick and poor among us; to protect our people from crime and violence, and ensure that justice is done in our courts; to preserve our farms and woodlands and waters; to end every vestige of discrimination, whether racial, religious, sexual or ethnic, in the operations of government itself; all these are our responsibility, not just a government's responsibility but yours and mine.

These things we can do. And we will.

I.

Every purpose, every goal, every achievement we seek, rests in the first instance on a sound and effective State government. Therefore the preservation and reshaping of this government is the first question that must be addressed. How then stands the government of the State of New York?

The first truth, central to every problem we must confront, is that the government of New York State is in need of strong action to avert financial crisis. The last budget of the previous Administration was balanced only in the most technical sense: by deferring, into the first budget of this Administration, hundreds of millions of dollars of expenditures that have been made, but not paid for. Those bills are now due. At the same time, a declining national economy threatens our capacity to pay them.

In the very simplest terms, the government of the State of New York, and we as a people, have been living far beyond our means. There has been scarcely an activity, a category of public spending, in which we did not lead the nation. What we did was limited only by our imagination and our desire: our buildings were the tallest and most sumptuous, our civil servants the most highly trained and paid, our public assistance programs the most expensive.

Indeed, so lavish was the style of our government that we came to depend on it for life itself, forgetting that government was only the result of our industry and not its source. As the State's private economy stagnated, government became the principal growth industry in New York. Fewer New Yorkers are gainfully employed today than in 1958. But those who work now bear an enormously increased burden for the support of their fellows, and for the expenses of government.

To pay for all of this, our taxes also became the highest in the nation. The extraordinary creativity and labor of our people skimmed the cream from a lush national economy; the government of the State in turn skimmed the cream from their rewards, and every interest and group and advocate came to think of the State budget and of State subsidy of local budgets, as a cornucopia, a never-ending horn of plenty that could pay for more and more each year.

Now the times of plenty, the days of wine and roses, are over. We were in the lead car of the roller coaster going up, and we are in the lead car coming down.

So we must first recognize the immediate burdens we inherit. We do this not in a spirit of recrimination, nor in criticism of any man or party. There is responsibility enough to go round for all. But if we would master our fate, we must first acknowledge our condition.

In the last year alone, the State payroll has increased by 10,000 persons. New retirement obligations were assumed by the State University system, and will now appear in the budget for the first time. Hundreds of millions of dollars, spent by local governments in the current fiscal year, must be reimbursed by the State in the fiscal year that begins on the first of April. Further mandated increases in the local assistance formulae threaten to add hundreds of millions to the budget. Wage and benefit increases sought by State employees could add more hundreds of millions.

Coming on top of what is already the largest State budget in the nation, these new obligations leave us to face an enormous budget gap—an excess of projected expenditures over expected revenues. The exact dimensions are as yet uncertain, but one thing is sure: whatever its size, there is a marked and substantial difference between what we can expect to take in, and what we are expected to pay out, for the approaching fiscal year. The full dimension of the problem will be more certain by the time the budget is presented next month.¹ However, knowing that the problem exists today, we will move today to meet it.

Accordingly, I have ordered that there be an immediate freeze on State hiring for the balance of the fiscal year.² I urge that every local government adopt a similar freeze in every area, save only the most vital expenditures for public health and safety.

However, immediate economies for the balance of this year are but an introduction to what is required for the coming year, and for the future of State government. In the year ahead, I invite you to join with me in what I intend should be the most searching and critical review of State and local government programs and expenditures in a generation. Every program must and will be called upon to justify its very existence. Agencies and programs that survive this process must justify every dollar they ask to spend. Item by item, line by line, there will be a thorough review of every taxpayer's dollar we budget.

The first budget of this Administration must be presented within three weeks, before the full reexamination I intend can be completed. As to this budget, we begin with the fundamental fact that, unlike the Federal government, the State of New York cannot constitutionally run a deficit. We cannot print money, nor can we meet the current expenses of government by borrowing. We must live within our means. We must close the immense gap we now face between our resources and our current programs, and there are only two ways to do it.

The first is to raise revenues, which means taxes. Our people are already taxed far more than is good for them, or in the best interests of our State's economy. Most of us now work from January to May to pay our taxes to Federal, State, and local governments. The taxpayer who can barely afford the rising price of his food, his rent and his children's clothing simply cannot be asked to contribute more to the cost of government. Over 40 percent of

the State's total personal income is absorbed by income, social security and sales and property taxes. Particularly as it affects the poor and the hard-working middle classes, this is an insupportable and confiscatory burden. This tax burden is especially inequitable because so great a portion of it is in the regressive sales tax, which in some parts of the State now takes eight cents out of a dollar spent by even the poorest family. Over the long run, we will undertake a fundamental reexamination of the entire State and local tax structure, to raise needed revenues more fairly and productively. To meet the financial emergency of this fiscal year, we must immediately raise certain taxes on those more fortunate and able to pay, as well as taxes on certain activities. With a single exception, however, I intend these new taxes as temporary measures only, pending the full review of State and local programs that will be carried out during the coming year. In no sense are they to be taken as a wavering in our fundamental commitment that, over the long run, all our governments must learn to perform their necessary functions at a cost that does not unduly penalize every taxpayer for living in the State of New York.

And even in the present emergency we cannot, and I pledge that we will not, increase the sales tax rate, or income taxes on the great majority of citizens.

Therefore, much of this year's budget gap, and the preponderance in the following year, must be closed by cuts in the cost of government: not cosmetic trims, nor painless excisions into waste, though all waste must be eliminated; but deep and hurtful cuts, into cherished programs, affecting thousands of government employees and hundreds of thousands of citizens.

I did not become Governor of this State to preside over the dismantling of its government, or of all the programs to help those in need for which we have struggled these last 15 years and more. But a government without self-control can do nothing and help no one. Nor can we allow ourselves to be trapped in the mere defensive maintenance of programs, however well-intentioned, that have long since outlived their effectiveness.

We will cut the budget not to destroy it, but to make it an effective instrument of our public purposes: to impose a set of priorities, above all to choose. True economy is not the hoarding of a miser. It is wise and careful spending, to achieve the greatest good from the resources we have.

Our economies will therefore be guided by the following principles:

First, they will proceed from the knowledge that we must learn to take more of our satisfactions from the quality of our life together, to rediscover ourselves as a society and as a community. Therefore, utmost priority will go to those programs and activities which allow us to live together in confidence and security and tranquility: to the amenity of our public facilities and the maintenance of our public transport, to the enforcement of our laws and the justice of our courts.

Second, coupled with our new sense of the limits of private wealth must be a new sense of reality about the contribution that is required from each of us, and the limits of what we can demand from our fellow citizens. From the most erudite scholar at the State University to the lifelong recipient of public assistance, we must recognize in our laws and in our conduct what we have always understood in our hearts: that all must work, that all must contribute, that none may live off his neighbor's labor while refusing or stinting his own.

Third, as government can no longer be a horn of plenty for citizens, much less can it be a source of personal advantage to public servants and politicians. Every servant of government, whether in the civil service or exempted, whether appointed or elected, must be held to new high standards of performance and effort.

Fourth, the new measures we are compelled to take will cause discomfort to many, and hardship to some. But the burden of the hardship cannot and will not be allowed to fall on those whose suffering is already a blight on our society and an enduring rebuke to our conscience.

With these principles in mind, we will effect three kinds of economies:

One: Inefficient, wasteful and low-priority programs will be excised from the budget for State activities altogether.

Two: Every department of State government must learn to run more efficiently, to carry out its full mission at sharply reduced expense. To both stimulate and take advantage of such efficiency, we have already imposed major budget reductions on most executive agencies. Even as you are organizing

the Legislature, we are proceeding in a further review, seeking further reductions.

The sum of these two means of savings from the budget bequeathed to us by the outgoing Administration will be substantial. For those activities and programs over which I have control, there will be a reduction, measured in real dollars, of 10 percent from the budget of the previous Administration. I believe this will be the first time in history that a budget for State purpose expenditures will be lower than the budget for the previous year.

Three: The remaining area that must be reduced is the State's assistance to local government activities. These are the most difficult and painful economies of all. Every locality in the State—every city and county, every water board and sanitary district—is sorely pressed for funds; school boards often face the most severe problems of all. Every local government already faces the need for reductions in jobs and cutting back of programs.

But more is needed. Any effort to cut the cost of government in the State would be futile if it did not address the local assistance which represents 70 percent of the entire State budget. I will therefore propose, in this session of the Legislature, appropriate amendments to the laws governing State reimbursement formulae, including those governing education, Medicaid, and public assistance. Amendment of the education formula to fully reflect the decline of enrollments in many areas is only one example.

For the budget I will shortly present, the State is required by law to reimburse the expenditures of local authorities according to the existing formulae. We here in Albany, therefore, have no authority to control local spending this year. And, under the existing law, we are required to include in our first budget amounts sufficient to reimburse localities for their current high expenditures. However, this session of the Legislature can amend the local assistance formulae so as to provide for reduced support to localities in the State budget for 1976-77. I intend, therefore, to consider State support to localities on a two-year basis. Assuming that present economic conditions continue, my local assistance budget for 1976-1977 will incorporate the necessary economies for *both* 1975-1976 and 1976-1977.

I therefore appeal to every local spending authority now receiving funds under a reimbursement formula. Money must be

saved both this year and next year. Those local authorities which spend up to their full legal limit this year will find themselves forced to make doubly deep cuts the following year. I urge every local authority to voluntarily cut its budget to the maximum extent possible this year, applying the savings to the far leaner budget that we must all face in the year that will follow.

I do not propose to decide for local governments how their economies are to be effected. That is a matter for the informed wisdom of the local authorities. What is absolutely required is that economies be made. I have informed the mayors of the largest cities in person, and I now inform every other local spending authority in the State: do not look to Albany for the solution to every problem. We will work with you to solve the difficulties we share. We will attempt to help you with special problems, such as those faced by many cities in the wake of the decision of the Court of Appeals in the *Hurd* case last year.³ In this connection, we will jointly explore whether appropriate local authorities should be afforded the opportunity to tax incomes, as a means of relieving some of the pressure on property and real estate taxes. Those localities which do tax incomes will be assisted through the use of the State's collection mechanisms. However, I stress that any new local taxing authority must not be used as a device to avoid necessary economies.

We will also search for ways in which the State can assume those responsibilities, and the concomitant taxing powers, that are most properly carried out on a statewide basis. We will seek to help localities lower their present high costs of borrowing, by the use of an organized statewide plan, similar to the Federal Financing Bank, by which the State and all its localities can borrow at the most advantageous possible rates, and not burden taxpayers with unconscionable interest rates. And we will strive to rationalize, and increase when possible, State sharing of revenues under appropriate guidelines for their use. But all our efforts cannot and must not obscure the essential fact that Albany cannot solve every immediate local problem. Nor is this a temporary condition. We must all live by a rule of austerity for as far ahead as we can see. This Administration cannot and will not crush the taxpayer to support unwarranted increases in local budgets, when the budget of every household in the State is itself under such stringency. The saving must be up to you. In this regard, the mayors of New York City and Buffalo, two men steeped in the traditions of the municipal service, have taken the lead with courage and foresight.

The necessary economies I have outlined will affect every citizen. Each of us will suffer some inconvenience, or make some sacrifice, as a consequence. Nevertheless, two groups deserve special mention.

The first are those who serve government: in the apparatus of the State itself, and in the thousands of local government units the State supports. This Administration needs your skills and values your contribution. I believe there is no life more worthy or noble than the service of government. We will seek to recognize and reward and encourage those who take public service as a calling to effort and excellence. Nevertheless, we must recognize the limits on what our people can be asked to give. My budget requires that the government payroll not be increased—in other words, that the payroll be lowered from its otherwise anticipated levels. How that is done, so far as the State itself is concerned, will be the subject of negotiation between this Administration and the organizations representing the civil service. It may be that they will choose to voluntarily forego pay increases. Or it may be that they will prefer to help us determine which jobs can be least painfully dispensed with; though I will insist that those who were the last to find work, because of racial, ethnic or sexual discrimination, must not be asked to bear a disproportionate share of any reductions today. Or it may be that we can together find other solutions. Only one thing is certain. The payroll is going down.

The second group deserving special explanation are those who look to the State budget for the very means of a mean life: for public assistance and Medicaid. I fully appreciate that it seems anomalous to force cuts in these programs even as inflation is eating into existing stipends, and as the economy produces greater numbers of applicants. To this there are four answers:

One is that cuts in these programs will soon be forced upon us by the Federal government in any case.

A *second* is that, for too long, the public assistance rolls have been the prey of too many who are by no standard qualified for assistance. This Administration will not seek political profit by denying the just claims of those in need. But neither will I allow the greed of some to endanger the well-being of the many. The work of the Social Services Department itself has proven beyond question that thorough checks are capable of cutting those rolls appreciably—enough, perhaps, to maintain qualified recipients at their current levels

of support notwithstanding cuts in the overall budget. Therefore, inconvenient as it may be for welfare workers and many recipients, I will require that every locality administering public assistance conduct such checks and reviews of the public assistance rolls, including face-to-face recertification under procedures prescribed by the State, as will ensure that all unqualified persons are removed. Localities which refuse to carry out these procedures will be subjected to appropriate sanctions. All public assistance programs will be constantly monitored by a special Office of Audit and Eligibility reporting directly to me. We will also insist that the Federal government live up to its responsibilities to enforce the immigration laws so that New York, its taxpayers and its workers, are not forced to pay the bills and suffer the competition of a host of illegal aliens. I will also insist that family obligations are enforced, if necessary by the courts.

The *third* is that the Medicaid reimbursement budget has produced many expenditures that are unjustifiable in themselves and an enormous contributor to inflation for all. The availability of immense new government funding for medical care has given us also a new corollary to Parkinson's Law: costs increase to exceed the government subsidies available to pay for them. Control of medical and hospital costs will be one of the principal long-range goals of this Administration. Nevertheless, it will take us time to get control of the Medicaid budgets, of hospital and medical expenses, of staffing levels and expenditures. I therefore call upon every hospital, every doctor, every worker in the health professions: begin to effect the economies now. This will be far less painful, for yourselves and for those you serve, than if you wait for the day of reckoning. For only one thing is sure, and that is the day will arrive far sooner than we think.

The *fourth* and most important answer is that the economies I propose are the only hope we have for true improvement in the lot of the poor, and especially the development of their children. We cannot afford to squander the resources and the public support that are their hope for the future, because we are afraid to face realities today.

In all this, I will need the closest support and cooperation of every member of this body. We are of differing political parties, but we share many of the same faiths. No Democrat can object to the overwhelming need for economy, nor can any Republican object to

attending the basic necessities of life for our people. There is not a member here without some cherished project of importance to his locality or constituency. But even as you represent your own constituency in Albany, so I ask that you also represent the general interest of the State to your constituencies. Only in that way can the necessary budget changes we must accomplish be made comprehensible and acceptable to our people, and the State be preserved as the embodiment of our best purposes.

II.

Necessary as it may be, cutting a budget is not a program. There is much that must be done in this State. It is to these matters that I now turn.

The first need is for reform, searching and fundamental, in the institutions of government itself. If there was one mandate given by the voters to many of those in this chamber, myself included, it was to cleanse out the corridors of government once and for all. Rhetoric can add nothing to the front pages of our newspapers these last two years and more. All that remains is for us to act.

First, as to the courts: I will shortly issue an Executive Order setting forth procedures to ensure that all judges appointed by me will be subjected to the most rigorous screening and evaluation of their quality and qualifications.⁴ They will also be subjected to full background checks such as those now conducted on high executive officials by the Bureau of Criminal Investigation, and on Federal judges by the FBI. No new judges will be appointed before that order is issued.⁵ More importantly, I urge the early enactment of a constitutional amendment providing for appointment of judges by the Governor under a merit system. I will submit an amendment creating a unified system of judicial administration under an administrator responsible to the Chief Judge. I urge speedy enactment of the amendment already proposed to facilitate the discipline and removal of judges. Pending passage of that amendment, I fully support the Temporary Commission on Judicial Conduct created last year. I also urge that judges be immediately removed from the statewide primary election system. Finally, I will await neither new legislation nor the actions of others to exercise the full power of my office. Whenever it appears appropriate, I will request the Chief Judge to convene the Court on the Judiciary to remove judges

who, whether by reason of incompetence, impropriety or simply refusal to work, are not fulfilling their responsibilities. I appreciate that the courts, like other government agencies, do not enjoy the funding they might ideally desire. But I do not believe that more money is a panacea for everything, and I will not accept lack of money as an excuse for anything.

Second, as to the executive departments: I intend to eliminate entirely the plague of no-show commissions and bodies, simply and directly. Unnecessary commissions will be eliminated from the budget. Those that perform a needed function will be maintained, but under new circumstances. Their members will be paid for work actually performed. No longer will anyone receive full-time pay for part-time work. I believe that, in this difficult time, those of the highest abilities, those with the clearest vision of the public good, will gladly serve this government, even at considerable personal sacrifice. I shall also require by Executive Order the fullest and most rigorous disclosure of the financial interests of policy-making officials.⁶ Appropriate elements of this information will be made public. There was a time when such disclosure could be viewed as an unwarranted invasion of privacy. I believe it is an intrusion, but it is necessary. In any event, no high official is drafted or compelled to serve. We are all volunteers, and these are now the minimum requirements for public service in the State of New York.

I will also eliminate duplicative and unnecessary offices and rentals. All major leases, like other government expenditures, will be published and scrutinized before they are made. More fundamentally, State agencies will operate from Albany—not from offices that happen to be convenient for their commissioners. The capital of this State is not New York City. The capital of New York is Albany. I shall be here, I shall work here, and so shall the government of this State.

Third, as to the Senate and the Assembly: I have spent my political life in a legislature. I know how fiercely, and properly, you guard your independence. But I urge you to impose on yourselves the same kind of rigorous disclosure and ethical rules I have ordered for the executive departments, as well as comparable economies. In this regard, I will offer legislation for your most serious consideration.

Fourth, as to political campaigns: one area in which we

cannot afford not to act is to provide widely based public support for political campaigns. Every elected official in this chamber, myself included, knows how destructive it is of the political process, and how demeaning it is to those who participate in it, for candidates to beg campaign funds from large contributors, too many of whom anticipate that government will do far more for them than they have done for government. The public purse can no longer be used for the private benefit of those with access to power.

Accordingly, I will propose to the Legislature an amendment to the income tax law, granting to every taxpayer a credit against his State income tax for political contributions up to \$10 a year. This will be coupled with rigorous new limits on large contributions, and I will use every resource at the Governor's command to ensure that the laws are enforced. It has become common to speak of challenging the system by which political power serves private greed. I do not "challenge" it. I declare that, for this government in this State, the system is over.

III.

The second great need is for drastic improvement in the entire process of criminal law enforcement.

We do not need dozens of studies to tell us the truth that literally hits us over the head every day: the criminal justice system has collapsed. The most elementary laws—those that command us not to rape and beat and kill our fellow citizens—have lost their power to deter. In the State of New York today, crime pays: there is hardly another occupation to equal its rewards, its ease of commission, and its freedom from sanction. Even the occupational hazards of crime—that is, the risk of incarceration or serious bodily injury—are less severe than the hazards of disease and injury faced by a chemical worker in Buffalo or a miner in Gouverneur, or by a New York City policeman or a fireman in Utica.

The result is that we have gone far toward forfeiting the first duty of any civilized government, which is the duty to protect our own people. Unless the present trend is checked, a baby born in New York State today will run a greater chance of dying a violent death than did the average soldier joining the Army in World War I. The awful impact of crime is most evident in the communities of overtaking. Indeed, I believe crime to be not only a result, but a

cause, of poverty. Crime and the fear of crime drive business and employment out of our cities and out of our State. Crime is a constant expropriation of the meager goods that the poor have been able to accumulate. And it is crime, again and again, that kills the earnest and difficult efforts of poor communities to organize themselves for change.

Crime may once have been far away from many of us. Perhaps some of us once held to the desperate delusion that the poison which wastes the children of Harlem would not, sooner or later, come round to haunt our own. That day is over. We should act against crime if only for the sake of the poor who are its preeminent victims. We must act against it for the sake of every man and woman and child among us.

There will be no higher priority in this Administration than to restore a sense of security, of justice and order in every corner of the State. I am aware that law enforcement has been primarily a local matter, and so it will remain. But the laws proscribing criminal conduct are laws of this state: you are charged with their enactment, and I have sworn to see that they are faithfully executed. I accept that responsibility, as every man and woman in this chamber must do, in the fullest sense of the word. When we see a report that a seven-year-old girl has been thrown off a rooftop, or an 80-year-old grandmother beaten and robbed of a few pennies, or a mother shot before the eyes of her young son, we must say, that is our responsibility, that is our fault. We must say this, not because we have caused the imperfections of human character, but because responsibility is the inevitable companion of power. To say that it is not our fault would also be to say that we have no power to change conditions that all know are intolerable. I choose not impotence, but responsibility.

Therefore, I announce the following immediate steps to reverse the tide of violence between citizens, and make the laws effective again:

First: Every agency of the criminal justice system—courts, prosecutors, police, probation and corrections—will be subject to constant and rigorous monitoring of its performance. In consultation with these agencies, we will establish for the first time standards by which to measure their performance on a regular basis. When performance falls below those standards, explanations will be sought. If the explanations reveal a genuine need for assistance from the State, that assistance will

be provided. If the explanations are not satisfactory, I will exercise my full powers—whether to convene the Court on the Judiciary, or to remove and replace other officers—to ensure that performance improves.

In this connection, I am informed that there are many hundreds of homicide cases in which the defendant has been awaiting trial for over a year. Such delays strike at the very heart of our sense of fairness and justice; they invite unconscionable abuses of plea bargaining that make a mockery of effective law enforcement. Therefore, as a first step, I hereby request a report from every district attorney in the State on every homicide case now awaiting trial for more than one year, together with the reasons why it has not already been tried, and what steps are being taken to move it to trial. These reports should be made not later than February 15. I will request a report on the further progress of these cases by the 15th of May.

Second: We already spend massive funds on law enforcement. I shall insist that they be spent far more effectively, and in a unified and balanced fashion. We must no longer, for example, buy hundreds more police cars than we have men to man. Nor can we any longer tolerate a “system” so fragmented and divided among a host of competing and jealous bureaucracies, that—as found, for example, by the SIC⁷—corrections officials do not even inform the police that they have in custody fugitives wanted for other crimes. Corrections, parole and probation agencies will be overhauled all over the State. Further in this connection, one of the few areas in which my budget will increase present spending is our assistance to the process of criminal prosecution: court parts, prosecution and defense attorneys. Throughout, I will insist that bureaucratic feuds and fiefdoms yield, and learn to cooperate in a single effort.

Third: I will insist upon the most rigorous enforcement of the laws protecting citizens from the violent acts of others. There must be explicit and timely sanctions against those who commit crimes with firearms and other lethal weapons. If inadequate sentences continue to be imposed, I will seek legislation establishing new sentencing procedures to assure certainty of imprisonment.

Fourth: I am directing the Department of Mental Hygiene

to give immediate priority to its facilities for the confinement and treatment of violent juveniles. A 15-year-old killer may be too young to send to prison, but he is too dangerous to return to the streets. Too often in the past, the Department has refused to accept custody of even the most dangerous juveniles, who were then released from custody. The new Commissioner has assured me that there will be a place for every juvenile requiring confinement.

Fifth: Corruption in the process of law enforcement and government is an intolerable cancer. Government cannot expect to enforce the law among its citizens if it cannot or will not enforce the law against its own agents and agencies. I have continued by Executive Order the Special Deputy Attorney-General appointed to prosecute corruption in New York City.⁸ I will shortly appoint a special prosecutor to coordinate investigation of possible criminal violations regarding nursing homes.⁹ I will work with the State's district attorneys to insure that any case involving abuse of the law enforcement and governmental process receives the utmost priority for investigation, and prosecution where necessary. I am also directing the Temporary State Commission of Investigation, with the assistance of the Bureau of Criminal Investigation, to report to me by July 1 on the condition of the criminal justice system in this regard across the State.

These are only initial steps. A complete program will be presented at an early time. Meanwhile, these measures, which are valuable in themselves, will also demonstrate the new first principle of law enforcement in this State: no citizen, no peace officer, will any longer walk the street alone. We will walk this road together. I am in this fight to stay.

IV.

We are all consumers. We eat, we buy or rent shelter, we use the services of others. We are also workers and merchants, producers and traders. Words like "economic justice" and "consumerism", therefore, do not describe a struggle against faraway unknown interests. They express the fact that we share a common society and a common fate. When we speak of the "quality of life", we do not describe the length of our automobiles, or of our vacations. The quality of our life is the sense of our life together. In these difficult times, there is no luxury called "protecting the con-

sumer", or "protecting the environment". There is a deep and urgent need to rediscover our sense of community: to deal fairly with one another, and to assure fairness to our inheritance, and to the least among us.

Every agency of the State government, therefore, must find a new focus: to help us bring justice to all, and find mutual solutions to our common problems. This effort must take many forms. It will require new relations: between landlords and tenants; between merchants and their customers; between citizens and the courts; between public utilities and the public interest. Some of these problems require Special Messages of their own: most notably, the State's support of a rent control system which satisfies no one, and which has helped bring about an impasse in rehabilitation, maintenance and construction of housing. The Special Messages on this and other matters will shortly be offered for your consideration. Some items of the highest priority should be considered at once:

First: So vast and various is New York State that we often lose sight of the fact that farming is New York's largest single industry, the indispensable bedrock of the State's economy. Agriculture, like the rest of the State, has problems aplenty: but those problems have been virtually unattended. This Administration will seek to redirect the efforts of the State University system, and of the Department of Agriculture and Markets, to ensure that family farms are preserved. When we speak in the councils of the nation, we will speak not only as the preeminent urban state, but also as the nation's third-largest agricultural state. Immediately, to begin to bring together the concerns of food consumers, producers, processors and marketers, I intend this year to convene a New York State Conference on Food. It will be the aim of this conference to seek and develop policies necessary to assure high-quality food to the State's people, while assuring reasonable returns to the farmers who produce it.

Second: To assure justice in the marketplace, I will shortly send to the Legislature a bill creating a Division of Consumer Affairs. It will be the mission of this Division to scrutinize, and investigate where necessary, every aspect of those markets where individual consumers must now find their way unaided, where information is often lacking and redress of grievances impossible for a single consumer to obtain. The Division will be charged with representing the interest of the individual consumer in the deliberations of other agencies of

the State. It will also be the responsibility of this Division to suggest needed remedial legislation, which I will send to you for your most urgent attention.

One piece of legislation that need not await such a recommendation is the bill already before you to allow class actions by consumers. Under present law, individual consumers are often at the mercy of unscrupulous merchants because no single claim or possible remedy justifies the enormous expense of litigation. A law allowing injured consumers to join their claims and seek a common remedy will not only correct this injustice. By creating a whole new corps of "private attorneys general", it will vastly improve the enforcement of all existing laws.

Third: We will look at the business community not as a necessary adversary, but as a vital and willing partner. We shall insist that businessmen do justice, and that they receive it as well; for what is "business" but ourselves in a different mask? Every effort will be made to encourage progressive business efforts to participate in the life of the State. Special shopping days for the elderly and handicapped, or the work of many large corporations in the Bedford-Stuyvesant Restoration Corporation, will be appropriately recognized and honored, and held up as a vital model for others. Whenever possible, we will also attempt to assist business efforts to preserve and expand employment in New York State.

Fourth: All aspects of existing State law will be reexamined to eliminate unwanted barriers to competition. One such barrier which should be eliminated forthwith is the so-called "Fair Trade Law", already repealed by two-thirds of the states. If a seller is willing to sell his goods at a discount, and there are New Yorkers who wish to buy them, the judicial power of the State should not be invoked to interfere in that transaction.

Fifth: I have charged the Commissioner of Transportation to develop the best system of statewide transportation in the nation. It will be the work of many years to build an efficient and economical system of mass transportation, both in the metropolitan area and in the far-flung communities of upstate New York. Still, we must begin to create that system now; not only because it will save money and energy, but also because it will help us make a true community out of this vast and

various State. New York's delegation to the Congress has led the way in a fundamental redirection of national transportation policy, turning away from the overemphasized automobile in favor of mass transit. Now it is up to us to make full use of their achievement, and use the resources they have won us with imagination and daring.

Sixth: Either as a State or as a nation, we are today without an energy policy. Therefore we have a policy of default, which is to use the most expensive fuel wastefully. In the days ahead, I shall seek to remedy this condition. At the national level, New York is joining in a consortium with other northeastern states to ensure that this region receives its fair share of lower-cost domestic fuel. At the State level, we will take a broad spectrum of appropriate steps to encourage conservation of the energy we have. We will seek to direct scarce fuel resources more to support the commerce and industry that are our life's blood, and less for the pleasure and convenience that are decreasingly defensible luxuries. As a first step and example, I am directing that all State agencies require wherever possible the use of car pools by their workers. Far more importantly, to discourage waste, I will request a ten-cent-a-gallon increase in gasoline taxes, with exemptions where appropriate for use in business, farming, and public and commercial transportation. This measure will be unpopular. Yet we must place before ourselves a constant reminder of our dependency on scarce fuel resources, and the urgent need to adjust our spendthrift ways. Finally, to insure that available electricity is soundly allocated and fairly priced, in the context of State and national policy, two more commissioners, oriented to consumer concerns, will be added to the Public Service Commission.

Seventh: One encouraging note in these difficult economic times is the enactment into law of a program of Federal assistance to support employment of those out of work, particularly the disadvantaged, the elderly and the young, veterans and the long-term, unemployed. We will assist local governments in their application of these funds. Above all, we will make a special effort to see that the programs create lasting benefits for the State and its people. Virtually all of New York's great parks were either built or vastly improved by the public works programs of the Depression. More than a generation later, it is past time to recreate the sense of public

amenity that is sadly lost in many of our parks and public recreation areas today.

Eighth: Even in a time where jobs are scarce, we cannot and will not ignore the fact that all too many jobs are intolerably dangerous to the safety and health, indeed to the very lives, of those who work on them. To the steelworker in Buffalo, the bridge and tunnel officer in New York City, the chemical worker in Syracuse and the transit policeman on his beat in the subway, I pledge the most vigorous and determined enforcement of the State and Federal laws designed for your protection. The labor that builds the State and creates our wealth will be recognized and protected for the vital asset it is, and for the unanswerable claims of justice it presents.

Ninth: Notwithstanding the economic difficulties of today, we will do what we must to preserve the natural environment for tomorrow. The work of the sewage treatment program, and for the preservation of the Adirondacks and the Catskills, will continue. Legislation will be submitted for the creation of a State park bordering the Erie Canal. We will search for an early end to indiscriminate ocean dumping of sewage sludge and an early start to protection of fresh water wetlands. We will streamline and bring order to the conflicting welter of environmental commissions and agencies. And we shall fully comply and cooperate with every national agency and requirement protecting the environment, with no attempt at evasion or undue delay. We will take our responsibilities to future generations with the same high consideration we give our own.

Tenth: Nothing has proven more pernicious in its effects, or more resistant to solution, than the recurrent problem of housing. At the very outset, however, we must act to meet the immediate crisis of the Urban Development Corporation. The UDC is facing an imminent exhaustion of funds. All of its ongoing projects will grind to a halt within four or five days unless we take immediate action. It takes \$1 million a day, seven days a week, to keep UDC running. But UDC is out of funds, and the financial community, with which we have been working over the few days since my inauguration, will not lend UDC any more unless its house is put in order. This is not only a problem of one agency. It is a challenge to the credit of the State itself.

The solution to this problem requires hard work and cooperation by all of us for long-term and immediate action to preserve the important mission of UDC to build housing for the people of New York. The situation requires an immediate change in the top management of UDC. The corporation will have a working board of directors and a chief executive who will bring a fiscally sound approach to UDC's important work.

I am also seeking immediate emergency legislation to maintain UDC operations through this fiscal year. This will require a first instance appropriation of \$178 million dollars: \$100 million to pay off UDC's debt which comes due on February 25th, and \$78 million to carry its operation forward to March 31st; as well as a project loss reserve of \$50 million to be used in the event that projects, on review, turn out to be overvalued.

I have directed a crash review of every ongoing and proposed project of UDC to independently evaluate their feasibility, making all the resources of the State government under my control available for this work. I am asking the financial community to work with us in this critical situation so that the credit of this State agency is maintained and the housing program of the State is not abandoned.

We will also call upon the Federal government for its assistance in strengthening the housing program in this State. We will move quickly to take advantage of existing programs, and urge the Federal government to draw regulations that will allow the commitment of Federal support to assist UDC in its mission to help the localities of New York State. I must emphasize that the crisis of the UDC faces us with a real emergency, threatening the State in the first weeks of a new Administration and a new Legislature. But facts are facts, however unpleasant. We must face them squarely, look not back but forward, and work together to solve our difficulties.

V.

Nothing more affects the quality of our lives than the care of them: and there is no higher priority in this Administration than the more effective, equitable and humane delivery of health services. Our scientific advances are unparalleled. Yet too often the barest necessities are denied to those most in need: the aged and poor,

those isolated by rural geography and those imprisoned by the illness of retardation of their own minds. Even those with access to the health care they need are hard-pressed to meet its rising costs. I pledge my constant attention to the affairs of the Departments of Health and Mental Hygiene with a single goal: that New York once again offer its people the best medical care in the nation, at a cost they can afford. To this end, I will appoint a Special Assistant to the Governor for Health Affairs, who will assist us to end an era of passivism in the Department of Health, so that it may assume its proper place of leadership in the State's health care system.

First: One of the questions before the Moreland Act Commission I will shortly appoint will be whether the Department of Health should assume the responsibility for Medicaid programs now lodged with the Department of Social Services. Immediately, I am directing that the Department of Health join with the Insurance Department to develop and present to me a plan for controlling the unbearable increases in the cost of health care, both those affecting Medicaid and those relating to private insurance plans such as Blue Cross and Blue Shield. Whether supported by the government or privately, we can no longer afford insurance plans which pay for services indiscriminately and raise the cost of care for all. Still less can we afford plans that encourage, and even compel, the wasteful use of scarce and valuable medical care resources. I am also directing the Health and Insurance Departments to report to me on a plan for controlling the absurd increases in the price of medical malpractice insurance, which threaten to prevent young doctors from opening their practice in this State.

Second: I believe that we can achieve a far higher standard of health among our people for less cost, if we emphasize health education and programs for the maintenance of good health, as well as the more traditional function of caring for illnesses after they arise. I am therefore directing the Departments of Health and Mental Hygiene to give new focus to preventive health care services, particularly for children. We shall move toward a system of periodic medical examination and necessary follow-up for all school children, not merely those eligible for Medicaid. A new Public Health Education Unit will be established in the Department of Health to coordinate all health education in the State.

Third: The Department will also assume the responsibility for inspection of milk, as well as all other inspection functions vitally affecting the public health.

Fourth: The expected enactment of a national health insurance system will be a major challenge to the health care system, public and private. Instead of passively waiting for it to be enacted, we should start planning for it now. I am directing the Department of Health to work with representatives of health professionals, consumer groups, medical schools and others concerned to prepare for the coming changes, so that the result is better and more equalized health care, not inflated costs and overtaxed resources. In this effort, we shall put special emphasis on encouraging new institutions for health delivery, such as comprehensive health centers and health maintenance organizations, and new professionals such as physicians' associates and nurse practitioners. We will stress the most urgent problems of inadequate access to care that occur in rural areas and central cities.

Fifth: The 18 teaching medical centers in the State constitute one of our State's greatest assets. To give leadership to their efforts, I propose that the Health Research Council of the City of New York, created by Mayor Wagner more than 15 years ago, be expanded into a Health Research Council of the State of New York, with statewide coordinating responsibilities.

Sixth: As our public and private health system increases in size and scope, the responsibility of State agencies to monitor and inspect hospitals, nursing homes and other facilities, public and private, becomes of critical importance. This role has been tragically neglected in the past. The budget I propose for the coming fiscal year will provide for a sizable increase in the number of auditors and inspectors of nursing homes and other health facilities. I expect to receive comprehensive reform proposals from the Moreland Act Commission I will shortly appoint. In any event, officials of the Department of Health are on notice that there is no room for politics where the health of the aged and helpless is concerned.

Seventh: Approximately two million New Yorkers are affected by some form of mental or emotional disorder or developmental disability requiring treatment, rehabilitation or special educational services. The Department of Mental Hygiene is the largest such department in the country, perhaps in the world. Its work has often been justly criticized, but we must recognize that progress in dealing with afflictions of the mind is slow. Unfortunately, scientific knowledge in these

fields in still inadequate for us to make dramatic changes in treatment. Nevertheless, important steps can be taken to improve the standards of care for the mentally ill and retarded. The budget I shall propose for the 1975-76 fiscal year will include a greater increase for the Department of Mental Hygiene than for any other department or agency.

Eighth: We must make a major effort to reduce custodial care in large impersonal institutions and put emphasis instead on care in communities, in smaller institutions serving both residents and out-patients. Two-thirds of annual admissions to State mental hospitals today are previous patients. A better system of follow-up care, and real coordination between State and local health systems, would do much to reduce this tragic cycle. We must recognize, however, that this cannot be done overnight, but requires careful implementation.

Ninth: Nearly half of institutionalized mental patients are over 65 years old. They require general health services as well as special mental health services. A primary effort of my Administration will be to deal more effectively with this aging population who live as wards of the State.

Tenth: The treatment of the mentally retarded presents a special challenge. For too long there has been a lack of sufficient differentiation among the retarded so that those who can be trained for a useful life receive the special education they need. This Administration will redirect State efforts to put primary emphasis on the area of education and rehabilitation. This must be done with the maximum possible involvement of the families involved and in localized facilities wherever possible. I believe that a strong and revitalized Department of Mental Hygiene, working in close cooperation with concerned parent groups, is the best instrumentality available to improve unacceptable conditions such as those at Willowbrook, and to redirect the treatment and care of the retarded generally.

Eleventh: The one resource we must never stint to spend is the well of our compassion for the plight of our fellows. Money may often be short, but imagination, effort and love will be in constant supply. As an example and forerunner, I ask students receiving the benefit of free tuition at universities supported by the State, including the City University, to give

in return of their time and effort in the care of those least fortunate among us.

VI.

These are difficult times, for the entire nation. They are especially difficult for New York: for while we share the nation's trials, we are still more fortunate than most, and cannot expect more than our share of help from Washington. But if we must confront our problems substantially unaided, that is surely less a source of regret than a challenge to our abilities and best nature. Texas has more land, California has more people, but New York is and remains the Empire State because of our people—their unquenchable energy and fire, their creativity and quick intelligence, their indomitable spirit in the face of adversity. This is the State of immigrants, of those who persevered. Our fathers endured pogroms in Russia and famine in Ireland, slavery in the Old South, foreign conquest in Poland and grinding oppression in Italy, poverty and hardship everywhere. All these, the disasters of half the world, we survived; and built a State to astound the rest. No matter how difficult our problems, how severe the constraints under which we work, I for one have no doubt that we shall persevere, and help the entire nation to find its way again.

We can do this as a State; you and I can do it, as servants of this great people. In recent months, a Congress of one party has elevated to the Presidency and [to the] Vice Presidency members of another [party]. Surely we can draw from that example a model for our own cooperation in the difficult days ahead. You are an equal and independent branch of government, compelled by circumstance and duty to reconcile the conflicting philosophies of our great parties. We are as diverse in our minds as the Philadelphia convention that gave our nation birth. We can do no more than heed the injunction of New York's revolutionary hero, Henry Knox, who told that convention that:

should they possess the hardihood to be unpopular and propose an efficient . . . government, free from the entanglement of the present defective systems, we may be a happy and great nation . . . but should the convention be desirous of acquiring present popularity; should they

possess local and not general views; should they propose a patchwork to the present wretchedly defective thing . . . supplicate Heaven! for you will have need of its protection . . .

If we can ignore the temptation of present applause or advantage, we can meet the stern duties and the injunctions to community and compassion that are before us. We will then have won the gratitude of every man and woman in the State, now and in the future. As Robert Kennedy told us, there is no more noble ambition or rarer prize for a public man. And even though we act in Albany, we may instruct the efforts of those in other states who also seek measures and programs adequate to withstand the swift torrent of change, demand and danger that is engulfing every state in this nation.

Let's go to work.

(Signed) HUGH L. CAREY

¹ Editor's Note: The Governor's Budget Message of January 31, 1975 follows.

² Editor's Note: This refers to the Governor's memorandum of the same date (i.e., of January 8, 1975), under "Addresses and Statements".

³ Editor's Note: *Bradley J. Hurd et al., Respondents v. City of Buffalo, Appellant* 34 NYR, 2nd, 628 (N.Y. Ct. App. 1974).

⁴ Editor's Note: See Executive Order No. 5 (dated February 21, 1975).

⁵ Editor's Note: See Introduction to the Merit Selection of Judges in Section VII, "Judicial Designations."

⁶ Editor's Note: See Executive Order No. 10 (dated May 22, 1975).

⁷ Editor's Note: This refers to the "State Investigation Commission," also referred to (as under point five of this section of the Message) as "the Temporary State Commission of Investigation."

⁸ Editor's Note: See Executive Order No. 55.14 (dated January 1, 1975).

⁹ Editor's Note: See Executive Orders No. 2 (dated January 10, 1975) and No. 4 (dated February 7, 1975).

**TRANSMITTING THE EXECUTIVE BUDGET AND
RECOMMENDED APPROPRIATIONS FOR
1975-76**

STATE OF NEW YORK—EXECUTIVE CHAMBER

January 31, 1975

To the Members of the Legislature of the State of New York:

Three weeks ago I told you that "the government of New York State is in need of strong action to avert financial crisis." Today I will detail the magnitude of that crisis and the steps I recommend to meet it.

As we did not come to our present plight overnight, so we will not resolve it in one year's Budget. Indeed, to bring the government of this State back to a sound financial course, able to meet the needs of our people and to strengthen the State's economy, may well take the full four years of my term. This, my first Budget, can only begin that work. But I intend that it place fully and squarely before you, and before the people of this State, the choices we face.

In all that follows, I will neither make apologies nor apportion blame for our current difficulties. All of us must share some responsibility for the mistakes of the past; all of us must take full responsibility for the stern measures that are required to right those mistakes in the future.

The Immediate Problems: 1974-75

One measure of the current crisis is that even before addressing the Budget for 1975-76, I am compelled to bring to your attention critical shortfalls in the Budget for 1974-75. Against a backdrop of rising prices and falling incomes, this Administration has inherited a Budget for the current year shaped by false illusions and wishful thinking. When the Budget for 1974-75 was prepared and presented for your consideration, it was hoped that income would rise to meet spending increases. It was thought that the State's economy was immune from the ravages of recession, and that ambitious new public and private projects for housing and commercial development would immediately return their investment by increased business activity. No consideration was given to the possibility that before the fiscal year was over, the State Council of Economic Advisers would be warning of an unemployment rate of 8 percent or worse, and reporting a personal income growth rate lower than that of any other state in the Union. We have inherited a Budget shaped in complacency, and are called upon to honor it in adversity.

The 1974-75 Budget, the last of the previous Administration, made no provision for:

—\$178 million to prevent the collapse of the Urban Develop-

ment Corporation, a collapse that would threaten not only thousands of jobs and the State's entire housing program, but the very credit of the State itself;

- \$35 million in State aid to meet recession-related growth in welfare rolls, increases in Medicaid reimbursement rates recently approved, and other inflationary expenditure increases;
- \$41 million to cover net cash outflow from the Capital Construction Fund;
- \$17 million net decline in Mental Hygiene Services Fund receipts.

Yet, unforeseen as they were, each of these demands has been made, each of these bills has come due. The result is that the Budget for the current fiscal year, 1974-75, is in deficit by \$271 million.

Program: 1974-75

To meet this unanticipated year-end deficit, I have imposed a series of austerity measures: a hiring freeze, a ban on new contractual services, limits on the use of temporary and overtime services. However, this Administration is in office for only one quarter of the 1974-75 fiscal year. The steps I have ordered can therefore offset only a small portion of the deficit. An additional \$263 million in resources must be realized before the end of this fiscal year.

Therefore, we must borrow from ourselves, by using certain income reserves and shifting certain expenditure payments. Such nonrecurring shifts are termed "windfalls." Their use means that current income is less than estimated expenditures. Moreover, their use now adds to our difficulties for next year. One of the major components of our problems this year is that the Budget for 1974-75 was "balanced" in the first place only through the use of nearly \$400 million of such nonrecurring revenue and expenditure shifts. But it is too late to raise new revenues for this year, and the money being raised was programmed before we reached Albany.

Accordingly, to meet the impending deficit for 1974-75, I will discontinue the \$150 million personal income tax refund reserve established by the outgoing Administration. I shall also discontinue the prefinancing of social services aid payments.

The sum of these two actions gives us an income for 1974-75 of \$9,743 million and expenditures of \$9,794 million, leaving a deficit of \$51 million. This deficit will be financed by a temporary depletion of the liquid assets of the tax stabilization reserve funds.

The Problems Ahead: 1975-76

For the approaching fiscal year, current income is projected to yield \$9,886 million. The spending requests we inherited from the prior Administration included calls for expenditures of almost \$12 billion. As I warned three weeks ago, this would leave an enormous gap between resources and spending, amounting to nearly \$2 billion.

More disconcerting than even the gap itself is the fact that most of the expenditure programs bequeathed to us are now written into law. These programs were voted and the commitments made before most of their costs appeared in the State Budget. Thus the Budget for 1975-76 is the first to reflect:

- A full-year increase of \$287 million in the newly enriched school-aid formula;
- New increases of \$240 million in welfare and medical assistance programs;
- An additional \$129 million to meet the full-year cost of newly opened facilities, the inflated prices of supplies, materials and utility services, and related fixed costs;
- Another \$249 million in capital commitments, debt service, retirement and social security contributions, and already-contracted salary agreements;
- State revenue sharing of an additional \$87 million.

All these are expenditures which were mandated, or should have been anticipated, by our predecessors. All are made infinitely more difficult to pay for by the irresponsible and illusory tax relief afforded in the election year of 1974, while the State relied on noncurring revenues and prepayments to finance its expenditures.

Program: 1975-76 Expenditures

To close the massive and threatening gap between expected

income and projected expenditures, I have begun by eliminating nearly \$1 billion from the program requests prepared by the previous Administration. The 1975-76 Budget includes no funds for program enrichment in any area other than the treatment of the mentally disabled.¹ An additional \$234 million will be eliminated from heretofore mandated programs. Of the \$234 million, \$177 million represents cuts from direct State operations.

In the course of [achieving] these economies, 20 agencies, commissions and boards are to be merged, consolidated, or entirely eliminated. Together with reductions in other agencies and programs, these actions will result in the elimination of 1,977 positions, of which 1,084 are currently filled. This total includes 147 filled full-time exempt positions, or 5.1 percent of all exempt positions in State government. The comparable percentage for all other filled positions is one-half of one percent. I shall also continue for 1975-76 the hiring freeze already imposed for the remainder of the 1974-75 fiscal year. To this end, special expenditure controls will be placed on every agency. I expect that the resulting attrition will eliminate approximately 7,200 jobs from the State payroll.

Notwithstanding these firm and unprecedented steps, the total State Purposes Budget will still increase modestly. Mandated increases in social security and retirement benefits, and higher prices for supplies, materials and utility services will more than offset our immediate economies. Nevertheless, under my recommendations baseline State Purposes spending will be reduced for the first time in recent history. Adjusted for inflation, these reductions are even more substantial, amounting to some 10 percent.

I do not submit this Budget pretending that it represents all the cuts that can possibly be made. My Administration cannot hope, in the short time that has been available to us, to have found every nonessential program or position. However, as I have previously pledged, the review of State expenditures will proceed throughout the coming year, and in the process I hope to have the full cooperation and guidance of the Legislature. If more waste or inefficiencies can be identified, if more nonessential programs can be eliminated, that must and will be done. I shall, however, act selectively, and I hope you will consider, as I shall, the human and economic effects of massive layoffs at a time of recession and hardship.

But even the most rigid economies in State expenditures can bring us only part of the way in resolving our budgetary problems.

The estimated expenditure total after all these reductions is \$10,542 million, which still exceeds our projected income by \$656 million.

The sole reason for the remaining budget gap is the mandated increase in local assistance. Increases in education aid and public assistance and Medicaid, together with additional [State] revenue sharing, alone requires us to allocate \$614 million in new money this year. All other local assistance programs require an additional \$40 million, for a total local assistance increase of \$654 million.

Thus the choice before us is clear. I have chosen to recommend the full funding of all major local assistance programs in 1975-76, and the tax increases required to support these programs. Those who wish to avoid further new taxation must understand that these tax increases are essential to meet the mandated level of State aid.

I believe it would be a serious breach of faith with our hard-pressed local governments if we were now to reduce the State aid formulas for fiscal year 1975-76 in order to avoid a tax increase.

Accordingly, I have prepared for your consideration a program of taxation to eliminate the \$656 million State Budget gap that still remains after we have effected all possible immediate economies in State operations.

Between now and the time when the Budget for 1976-77 is presented, we must subject all State and local programs—including every local assistance formula—to a searching and critical review. Thus in our future budgets we—along with every local official in the State—will face the single fundamental question: are we willing to tax the people of New York State to pay for these programs? Only in this way, only by that stern test, can we properly assess whether these programs are essential and worthy of support at this special time. It is in the knowledge that this fundamental question will be asked and must be answered that I have asked every local government to effect all possible economies immediately. But I stress again that those who would avoid higher taxes—their imposition this year or their continuation in the year that follows—must be prepared to match their resistance to tax increases by an equal resistance to spending, and specifically by a willingness to help us discover those areas where local assistance formulas can be changed or redirected with the least harm to our citizens and to the solvency of local government.

Revenues

To close the remaining budget gap for 1975–76, I am recommending a balanced package of revenue proposals, designed to achieve the following objectives:

- Introduce greater equity into the tax structure, even while I am conducting my year-long review of the State's entire revenue system;
- Encourage conservation of energy and the reduction of air pollution;
- Furnish emergency relief to local governments faced with emergency needs.

One element of this tax program, already much remarked upon, is the added ten cents per gallon levy on gasoline. This will produce \$410 million in 1975–76, of which \$150 million will be returned to local governments. On a full-year basis, localities can anticipate \$225 million from this increase. I emphasize that, unlike the proposed Federal oil taxes, this increase will not apply to public transportation, farm equipment, diesel fuel users, aviation, or marine vessels. Nor will it affect the cost of home heating fuels or electricity. I also emphasize that the rate has been set at a level high enough to accomplish two vital objectives.

One is to encourage the use of energy-saving mass transportation wherever possible. The second is to furnish relief to local governments in this year of fiscal emergency for all government. Accordingly, half of the new gasoline tax revenues will be earmarked for special revenue sharing with local governments.

The remainder of my 1975–76 tax program is as follows:

Business Taxes—\$195 million

- Increase the rate of the basic tax on general business corporations from 9 to 10 percent, with an additional two percentage point increase on that portion of allocated net income in excess of \$100,000, and modify certain features of the State's corporation franchise tax;
- Raise the franchise tax rate on banks from 8 to 9 percent, with comparable increases for those financial institutions paying on a basis other than net income;
- Eliminate the exemption for professionals under the State's unincorporated business tax, and raise the current allowance

for owners' services from \$5,000 to \$10,000, to more fairly reflect the effects of inflation.

Personal Income Tax—\$80 million

- Add two additional brackets to the personal income tax, affecting those with taxable incomes in excess of \$27,000;
- Require married couples who file joint Federal, but separate State, returns to allocate their deductions in the same proportion as they allocate their income.

Consumption Taxes—\$68 million

- Broaden the base of the State/local sales tax to demand more from those who can afford substantial luxuries and services, by including exempt admissions, user charges for persons engaging in participant sports, and cosmetic and other services;
- Extend tax relief to the less fortunate by providing a new sales tax exemption for certain medical supplies used by the handicapped and the chronically ill;
- Raise tax rates on liquor and wine equivalent to 15 cents per fifth of liquor and two cents per gallon of wine.

Other Taxes and Fees—\$53 million

- Substitute value for weight as a basis for imposing motor vehicle taxes and increase the average motor vehicle registration charge, to introduce a more progressive element into the State's fee structure and permit deductibility under Federal income taxes;
- Increase the cost of four-year drivers' licenses from \$4 to \$8, four-year chauffeurs' licenses from \$8 to \$16, and learners' permits from \$2 to \$5;
- Raise occupational licensing and examination fees to offset the higher cost of regulating these professions;
- Continue existing tax rate schedules at nonprofit thoroughbred tracks through the 1975 racing season.

I expect my total tax program to yield \$806 million, of which \$150 million of gasoline tax revenues will be shared with local governments in 1975-76. These taxes will enable us to meet our

constitutional mandate to balance the Budget for the forthcoming fiscal year. The burden will be somewhat lightened by the fact that most of these taxes will be deductible for purposes of Federal income taxes. Thus, out of every additional dollar paid to the State, more than 30 cents will be returned to New York's taxpayers by the Federal government.

THE 1975-76 BUDGET AND FINANCIAL PLAN
Expenditure Outlook for 1974-75 and 1975-76²

1974-75

Had I not acted to reduce a threatened deficit, expenditures for the current year would have risen to \$9,864 million, an increase of \$271 million over the *Budget Summary* estimate published by the prior Administration.

However, the savings from my austerity measures and the one-time discontinuance of social services aid prepayments will reduce estimated expenditures by \$70 million, to \$9,794 million.

1975-76

The expenditure recommendations in my 1975-76 Executive Budget are the product of the first phase of the most comprehensive and intensive review of State spending undertaken in at least 15 years. There were only two and a half months between the date of my election and the date this Budget had to be completed. Yet in this short time I have been able to identify areas where savings can be realized and recommend real cuts in spending for State operations.

These economies have not been achieved through sleight-of-hand, but through sharp scrutiny and careful pruning.

Even after agency budgets were reduced to the minimum required to meet mandatory and obligatory increases and 11,460 of 14,774 requested new positions eliminated, these increases totaled \$1,201 million. They included:

- \$711 million to finance statutorily required increases in State aid;
- \$129 million to offset inflationary increases in the prices of materials and supplies, the full-year cost of facilities opened or programs initiated in 1974-75, and related fixed costs;

- \$117 million to comply with capital construction contracts already in effect, lease–purchase payments for State office buildings, and other capital commitments;
- \$112 million to accommodate expanded workloads;
- \$64 million to fund retirement, social security, and other fixed cost increases levied against the State by statute or court decision;
- \$30 million to meet higher debt service commitments;
- \$25 million to pay salary increases and increments under employee contracts already in effect;
- \$13 million to honor fixed increases in grant programs, such as the Tuition Assistance Program.

Nonrecurring capital expenditures of \$219 million partially offset these increases, leaving a net increase of \$982 million.

To reduce this amount, I have taken decisive action.

First, appropriations for 35 out of 64 State agencies have been eliminated or recommended at levels below those for 1974–75.

Second, I shall direct all State agencies to continue the 1974–75 hiring freeze, and I shall enforce this through special controls on agency expenditures.

Third, I am requiring State agencies to absorb many workload increases. This Budget provides only \$70 million for such increases, including:

- \$33 million for the Department of Mental Hygiene;
- \$16 million for the State University;
- \$3 million for the Department of Correctional Services;
- \$18 million for all other departments.

These are the minimal increases that must be provided. Even if it were not required to meet the projected cost of pending litigation, the Mental Hygiene increase should be authorized to ensure humane care for the institutionalized and ill. The State University increase should be included to attain required levels of care for patients in teaching hospitals and for instruction of the 4,916 additional students to be admitted to the University system. The increase for Correctional Services must be recommended if we are to adopt new approaches to reduce crime.

Fourth, by reducing certain local assistance programs, I am indicating how local governments may make similar economies in their operations. My welfare recommendations assume that all local governments will take the necessary steps to reduce the number of ineligibles on welfare rolls and eliminate fraud. Similar economies are suggested for other programs. These economies will not add to local burdens; they will instead point the way to local savings.

With these reductions, State expenditures for 1975-76 would total \$10,542 million, an increase of \$748 million over 1974-75. However, my proposal to return to our local governments half the proceeds of the gasoline tax increase will cost an additional \$150 million; thus, total 1975-76 expenditures will increase \$898 million over 1974-75, to \$10,692 million.

Major Expenditure Increases, 1975-76

My 1975-76 Budget provides funds where they will be needed most—by local governments and the poor and unfortunate of our society. It controls expenditures where they have become most wasteful—in a proliferating State bureaucracy.

Under my recommendations, aid to elementary and secondary education will increase \$287 million. All other aid and operating expenditures for education will increase \$74 million.

My Budget also provides a \$237 million increase in State revenue sharing—\$150 million from my new program of revenue sharing from the gasoline energy conservation tax and \$87 million from the existing program of personal income tax revenue sharing.

Social services assistance expenditures are estimated to rise \$240 million. This reflects the effects of the current recession on the size of the welfare rolls, the sharply higher costs of medical care, housing and fuel, and the fiscal effects of the discontinuance of prepayments.

State services to the mentally and physically disabled and other health programs will be increased \$77 million in 1975-76, as we begin work to improve the quality of care for New Yorkers afflicted in mind and body.

Under this Budget, transportation program expenditures will increase \$81 million, primarily reflecting progress on mass transportation projects financed under the 1967 Transportation

Bond Issue and the initiation of rail preservation projects under the 1974 Bond Act.

I also propose a \$21 million increase for environmental protection programs, a \$19 million increase in public safety expenditures, and a \$9 million increase for parks and other recreational and cultural programs.

Other increases include \$64 million in fringe benefits and related costs and \$36 million for debt service and lease-purchase commitments.

These increases will be partially offset by \$219 million in nonrecurring capital expenditures—\$178 million for the Urban Development Corporation and \$41 million in net outgo—and by decreases of \$28 million in all other State assistance, operations, and construction programs.

Income Outlook for 1974-75 and 1975-76

1974-75

Total State usable income in 1974-75 is expected to reach \$9,743 million, including \$9,397 million in current revenue, \$239 million in Federal revenue sharing, and \$107 million in bond funds. This revised State income total represents an increase of \$150 million over the amount estimated in the [1974-75] *Budget Summary*.

This change principally reflects the effect of my decision to minimize the deficit we face in 1974-75 by discontinuing the \$150 million personal income tax refund reserve. A modest increase in current revenue is expected to offset a reduction in planned bond use, resulting from a lower-than-anticipated level of bondable capital spending, and a slight fall-off in estimated receipts from Federal revenue sharing.

The discontinuation of the personal income tax refund reserve, clearly the most significant factor in this change, was not included in the financial plan published at mid-year. The inclusion of these funds in the revised plan is essential if we are to be able to assist the financially troubled Urban Development Corporation without having to resort to short-term borrowing.

The 1974-75 income figure is inflated by several other devices, including \$123 million in 1973-74 surplus revenues carried into

1974-75, and \$133 million in Federal purchase-of-service reimbursements also carried over from prior years.

To arrive at a realistic measure of the State's capacity to support its continuing expenditure commitments, it is necessary to discount these three one-time windfalls, which aggregate \$406 million. Such an adjustment to the 1974-75 Financial Plan has the effect of reducing current revenue to \$8,991 million and total State income to \$9,337 million.

1975-76

Under current law and practice, State income in 1975-76 would be expected to total \$9,886 million, composed of \$9,492 million in current revenue, \$241 million in Federal revenue sharing receipts, and \$153 million in anticipated bond funds.

The estimated yield of the current revenue structure is \$501 million more than is estimated for 1974-75, after appropriately adjusting the current year's [i.e., 1974-75] figures to exclude the three nonrecurring revenue items, a year-to-year increase of about 5.6 percent. This is obviously much less than the current rate of double-digit inflation and it reflects the anticipated impact of the deepening recession upon our more volatile tax yields, particularly the corporation franchise tax which is levied on the basis of net income.

Many of our excise taxes are based upon measures of volume (alcoholic beverage and motor fuel), numerical count (cigarettes), or weight (highway use by trucks). Thus, the yields from these taxes are not responsive to the effects of price inflation; indeed, they may actually decline as families are forced to divert increasing percentages of their income to meet the rising costs of such basic necessities as food, shelter and medical care. Similarly, Federal aid does not automatically keep pace with inflation. Our Federal revenue sharing receipts, the only Federal aid we receive for unrestricted purposes, will increase in 1975-76 by less than one percent.

In addition to the fact that this \$501 million increase in current revenue will not buy nearly as much as it would have a year ago, more than three-quarters of it is automatically offset by the non-recurrence of the \$406 million in windfall revenue that was wholly applied to help minimize the deficit in the 1974-75 Budget.

The remaining \$95 million in revenue growth is obviously far

less than will be required to finance the rising costs of essential needs, even after the vigorous pruning of agency budget requests that I have detailed. It is, in fact, only one-third of the amount we need to finance the \$287 million in increased State aid to local schools that we are required to provide in 1975-76.

Thus, simply honoring this single new commitment not only consumes all available new revenue, but forces the State's fiscal plan into deficit. Financing this added outlay and meeting other compelling demands will require additional income of more than \$650 million in 1975-76. To raise this additional revenue, I am submitting legislation with this Budget to enact the tax program I have already described.

This program will add \$806 million to State revenues. After sharing \$150 million in new gasoline tax revenues with local governments, \$656 million will be available to meet other State aid commitments.

With these additional funds, current revenue will increase to \$10,298 million in 1975-76. Total State income will aggregate \$10,692 million, including \$241 million in Federal revenue sharing receipts and bond use of \$153 million.

HIGHLIGHTS OF THE 1975-76 BUDGET

GOVERNMENTAL AFFAIRS

I have spoken to you of my determination to cut back the overhead costs of State government as far as possible. To that end, I am recommending several changes in agency structure and staffing patterns to be implemented during 1975-76. Under my proposals:

- The Office of Planning Services and the Office for Local Government will be abolished and their essential functions transferred to a Division of Community Affairs in the Department of State and a new Division of State Planning, the new offices to operate on a greatly reduced scale;
- The Office of Prosecutorial Services will be abolished;
- The Council on Architecture will be abolished;
- The Council of Environmental Advisers will be abolished;
- The Science and Technology Foundation will be abolished;

- The New York State Sports Authority will be abolished;
- The Commission on Public Employee Pension and Retirement Systems will be abolished;
- The Commission on Legislative and Judicial Salaries will be abolished;
- The St. Lawrence—Eastern Ontario Commission will be abolished and its functions transferred to the Department of Environmental Conservation;
- The Hudson River Valley Commission in the Office of Parks and Recreation will be abolished and its functions transferred to the Department of Environmental Conservation;
- The advisory commissions to the State Racing and Wagering Board will be abolished—the Racing, Harness Racing, Quarterhorse Racing, Lottery, and Pari-mutuel Off-track Betting commissions;
- The Bingo Control Commission will be abolished and its functions transferred to the State Racing and Wagering Board;
- The Athletic Commission will be abolished and its regulatory functions transferred to the Department of State;
- The Environmental Facilities Corporation will be streamlined and merged with the Department of Environmental Conservation;
- The Office of the Welfare Inspector General will be reduced in size and transferred to the Department of Social Services as a semi-autonomous body.

Filled exempt positions to be affected include:

- Elimination of the five-member Drug Abuse Control Commission;
- Reduction of the Crime Victims Compensation Board from five to three members;
- Redesignation of three members of the Human Rights Appeal Board from full-time to part-time, at compensation not to exceed \$10,000 annually;
- Redesignation of four members of the Commission on Cable Television from full-time to part-time, at compensation not to exceed \$10,000 annually;

- Redesignation of four members of the State Liquor Authority from full-time to part-time, at compensation not to exceed \$10,000 annually.

Further savings will be realized from such program reductions as:

- The transfer to the Federal government of responsibility for the inspection of meat and poultry;
- A reduction in judicial parts, from 55 to 33, for the Emergency Dangerous Drug Program;
- A reduction in the budget of the Commission on Cable Television to equate first instance appropriations with expected reimbursements.

State Office Buildings

Appropriations totaling \$70.7 million are recommended for the Office of General Services in 1975–76, an increase of \$4.4 million over 1974–75. Virtually all of this increase is a direct reflection of the scheduled occupancy of newly constructed State office buildings in Albany's Empire State Plaza, which should be continuous throughout the year. It also includes increases for sharply higher fuel and utility costs.

During the forthcoming year the Office will initiate a coordinated State energy conservation program, designed to achieve a net saving of \$20 million over the next five years.

EDUCATION

Elementary and Secondary Education

Funds amounting to \$2,860 million—my largest single recommendation for 1975–76—are contained in this Budget to meet the full-year requirements of the State's new formula for distributing aid to our public schools. This represents an increase of \$298 million over 1974–75, which is designed to ease the burden borne by the local property taxpayer, who provides the primary support for the State's school systems.

The new formula represents the recommendations of a task force charged with finding ways to ensure that State aid for public schools will be as equitable as it is generous. However, to the extent that long-range application of the 1974 aid revisions exceeds our fiscal abilities, I shall not hesitate to call for further changes.

The State also provides aid to its nonpublic schools to the extent permitted by the Constitution. Legislation enacted in 1974 permits qualifying nonpublic schools to be reimbursed for their actual expenses in reporting basic educational data and complying with the administrative rules for State testing and evaluation programs. An appropriation of \$8 million is recommended for 1975-76 to meet the first full-year requirements of this program.

Increased funds are also sought for the School Lunch and Breakfast Program to take full advantage of the enriched Federal subsidy.

Programs for the Handicapped

I ask your support of increases in appropriations for the Education Department's Office of Vocational Rehabilitation, which helps handicapped persons of all ages attain their maximum potential for self-reliance. Of particular importance are funds for the Long-term Sheltered Employment Program, newly broadened to serve not only the mentally retarded but also the mentally ill and severely physically handicapped, and the Sheltered Workshop Support Program under which State aid is given to private, non-profit sheltered workshops on an approved-project basis.

Tuition Assistance

Under the State's new Tuition Assistance Program, maximum awards to full-time undergraduate students have been raised from \$600 to \$1,500 and are computed according to a sliding scale based on family net taxable income. A total appropriation of \$98.1 million, an increase of \$9.5 million over 1974-75, is recommended to fund the second year of the four-year implementation of this program.

State University and Community Colleges

The increase of \$37.2 million I ask for the State University in 1975-76 will meet only such fixed costs as mandated salaries and higher prices for supplies and materials. Carefully planned reductions will enable the University to offset completely the added expense of larger enrollments and such other workload increases as those occasioned by the opening of new buildings and expanded services to patients in University hospitals.

Particularly worthy of your consideration is the recommended increase of \$1.3 million for Empire State College, the University's celebrated "college without a campus" which gives its students high academic quality at a low unit cost. Its enrollments continue to grow, and it is a measure of its signal success that it was recently awarded full accreditation by the Middle States Association—the first experimental institution of higher education to be so honored.

The University is also placing a high priority on increasing the faculty at its medical schools, which face severe problems in teaching modern medicine to expanded enrollments.

State aid for community colleges will increase during 1975–76 to fully implement the formula changes made last year. The additional aid will support a small expected enrollment increase, meet higher costs of facility rentals, and provide additional teaching programs for disadvantaged students, particularly in New York City community colleges.

City University

State aid to the City University of New York in 1975–76 will increase in accordance with the University's budget as certified by the Mayor. That budget reflects higher expenditures to meet increases in fixed costs since the funded enrollment is not expected to change.

SOCIAL DEVELOPMENT

As in the area of general State government, I look to a number of organizational changes within State agencies to effect significant economies in the delivery of essential citizen services during the years to come. I therefore urge your earnest consideration of proposals to make shifts in State resources and manpower, such as the transfer of the Office of Welfare Inspector General to the Department of Social Services as well as internal changes within the Department itself.

Income Maintenance

As a direct result of such internal organizational changes, the State has been able to tighten its control over income maintenance programs that were once among its costliest undertakings. This budget contains funds to continue administrative actions to remove

ineligibles from the welfare rolls, eliminate overpayments, and obtain support payments from deserting fathers, thereby ensuring that only the truly needy receive assistance. In light of the State's success to date, I am assuming that for 1975-76 all local social services districts will be able to meet the Federal government's target error rate levels. Accordingly, I shall submit for your approval legislation designed to hold the State harmless for local failure to meet these levels.

Notwithstanding the continued reduction of caseloads in the Aid to Dependent Children (ADC) program, recommended appropriations for income maintenance over the forthcoming year reflect increases over 1974-75 that are largely attributable to:

- Higher average monthly ADC and Home Relief payments to cover the increased cost of shelter and fuel;
- A rise in Home Relief caseloads, due to increasing unemployment and continued removal of ineligible from the ADC rolls;
- The full impact of the new welfare program for patients released from Mental Hygiene facilities;
- Expansion of the federally supported Food on the Table program.

Total appropriations for income maintenance in 1975-76 amount to \$732.4 million. These include funds to maintain State supplementation of Federal benefits under the Supplemental Security Income (SSI) program, while we continue to seek a more equitable application to New York State of the Federal statutes which govern SSI.

Medical Assistance

I have no alternative but to recommend appropriations totaling \$766.5 million for the State share of the Medical Assistance program (Medicaid) in 1975-76, even though this is an increase of \$163.1 million, or 27 percent, over the current year. Since wage-price controls on health care costs were lifted last April, the cost of medical care has been rising 50 percent faster than the rest of the Consumer Price Index. Higher clinic charges in particular are affecting Medicaid costs in the New York City area, where many doctors refuse to participate in the program, notwithstanding the across-the-board increase in physician fees authorized by the State last year. As an offset to rising hospital rates, however, the State is

developing an automated hospital utilization review system designed to control the use of this most expensive component of health care; the system will be in full use during 1975-76. A new Placement Exchange Service is also enabling local social services districts to relocate, from general hospitals, patients whose needs can be adequately served by long-term care facilities at considerably lower public cost.

Supportive Services

The Federal government continues to impose a strict \$220.5 million ceiling on reimbursements for such services as day care, foster care, housekeeping services, and casework counseling—a ceiling that will drop to \$217 million in July 1975 as a result of the State's decreasing population. Although the State is therefore forced to limit its own participation in these important programs, funds are contained in this Budget to take maximum advantage of available Federal moneys and prepare for the new Title XX of the Social Security Act Amendments of 1974, which will give the State far greater flexibility in the management of supportive services.

Aging

I urge your continued support of State efforts to implement Federal guidelines for a comprehensive network of area agencies on the aging to coordinate services for the elderly, including daily hot meals as specified in the Older Americans Act. Already the State's Office for the Aging has supervised the establishment of such centers in 35 counties and New York City, offering services to some 92 percent of the State's senior population.

Youth

Appropriations totaling \$59.8 million are recommended for the Division for Youth in 1975-76, a significant reduction from 1974-75. The Division has had considerable success with its expanded program of Urban Home placements for troubled youths who need a stable family environment to develop the self-confidence that underlies successful social relationships. Legislation will be submitted later this year to further expand this program and, under the chargeback provision of the Executive Law, simultaneously require local social services districts to share equally in the future cost of Urban Home care.

Veterans

I urge your support of appropriations recommended for the Division of Veterans' Affairs and the Education Department that will enable these agencies to provide greatly expanded educational opportunities to the State's veterans during 1975-76 and take maximum advantage of the new Federal benefits that became available in January 1975. The State's stronger central role in programs for veterans will make it no longer necessary to provide support for the present fragmented system of local agencies; accordingly, no appropriation of Local Assistance funds is recommended for the forthcoming year.

Human Rights

Funds in the amount of \$4.3 million are recommended for the Division of Human Rights in 1975-76. The Division expects a considerable increase in workload as a result of 1974 legislation extending the State's antidiscrimination laws to include the disabled in matters of employment, occupational training, public accommodation, housing, and publicly supported education. Together with the Banking Department, the Division is also responsible for ensuring the right of women to be granted financial credit without regard to marital status.

HEALTH**Mental Hygiene**

I am asking this year for a thorough review of all programs for the mentally ill and retarded, convinced that the State must improve the management of its enormous investment here, and I await the recommendations of the new Commissioner of Mental Hygiene in this regard. Meanwhile, I shall seek new ways to strengthen the links between the State and its communities for the provision of continuous treatment systems that do not equate release from an institution with abandonment by those who care. Total appropriations of \$989.1 million are recommended for the Department of Mental Hygiene in 1975-76. This amount represents an increase over 1974-75 that is largely due to higher costs. It will also enable the Department to meet the potential cost of pending litigation involving the Willowbrook Developmental Center and related facilities.

Public Health

Appropriations totaling \$164.9 million are recommended for the activities of the Department of Health in 1975-76. This amount includes a \$450,000 lump sum to provide additional health facility auditors: recent improprieties alleged in connection with several nursing homes in the State make it imperative for the Department to tighten its control over all health facility practices involving, as they do, extensive use of public funds.

New York State has achieved national renown for its programs of health research, notably in the areas of cancer, kidney disease, rehabilitation, and birth defects. I urge your support of 1975-76 appropriations that will permit the opening of two new facilities at the Roswell Park Memorial Institute and the installation of a million-volt electron microscope in the Department's new Albany research laboratories.

Drug Abuse

I have already directed the former Drug Abuse Control Commission [DACC] to tighten its central operations; henceforth, it will be headed by a single commissioner and renamed the Office of Drug Abuse Services [ODAS].

Appropriations totaling \$140.8 million will enable the new Office to continue programs aimed at preventing and treating all varieties of drug addiction, nonnarcotic as well as narcotic, and maintain State support of local programs. A further appropriation of \$31.6 million will fund the judicial aspects of the Emergency Dangerous Drug Control Program during 1975-76.

TRANSPORTATION

Public Transportation

Voter approval of the \$250 million Rail Preservation Bond Act of 1974 allows us to honor the State's commitment to improve essential commuter and intercity rail mass transportation and rail freight services and take maximum advantage of the Federal Regional Rail Reorganization Act of 1973. A program to carry out the intent of the bond act will be submitted later in this Legislative Session and will set forth specific rail preservation projects for 1975-76.

Meanwhile, I urge your support of an appropriation of \$6.7 million for 26 new bus projects throughout the State. These State funds will be augmented by \$35.6 million in Federal funds and \$2.2 million in local funds. The total \$44.5 million program will permit the acquisition of 533 new buses to increase fleets and replace deteriorated vehicles, the expansion of several bus routes, and the construction of new maintenance facilities. Experience over the past year has shown that bus ridership is increasing significantly throughout the State, a trend that is bound to continue and that we should encourage as energy shortages worsen and costs increase.

Highway Construction

I urge your support of appropriations totaling \$137.4 million to enable the State to qualify for \$403.5 million in Federal funds for highway construction during 1975-76. This program will include projects involving interstate highways, rural roads, and urban streets. It will also create employment for a significant sector of the otherwise depressed construction industry.

Highway Maintenance

Funds are included in this Budget to continue the State's important long-range program for the reconditioning and preservation of existing highways. This applies not only to paved surfaces but also to highway shoulders, ditches, signs, and adjacent rights-of-way, and provides valuable protection for the State's investment in highway construction. Unfortunately, these maintenance projects are not eligible for Federal funds, even though most are undertaken on the federally aided highway system. During the coming year I shall continue to press for the removal of such arbitrary restrictions on the use of Federal Highway Trust Fund moneys.

PUBLIC SAFETY

State Police

In the State's fight against lawlessness, the State Police provides an effective and flexible force against criminal activity, particularly in rural and suburban areas where crime rates are unfortunately rising. During the coming year, responsibility for regulating service stations licensed under the Motor Vehicle Inspection Pro-

gram will be transferred to the Department of Motor Vehicles, thereby allowing State Police staff to concentrate exclusively on their primary mission of crime prevention and detection. Funds totaling \$70.4 million are recommended for these important activities in 1975–76.

A major concern throughout the State has been the inequitable distribution of police protection, particularly in nonmetropolitan areas. A joint State Police–Division of the Budget task force has now developed an improved system for the deployment of uniform manpower. Implementation of the new system, which takes into account both population and local police resources, is expected to begin in the forthcoming year.

Crime Victims Compensation

To reduce overhead costs, I am proposing that the membership of the Crime Victims Compensation Board be reduced from five to three in 1975–76. Experience with the larger Board suggests that this change will have little if any effect on the prompt and equitable payment of claims to eligible individuals.

Correctional Services

I ask your support of appropriations totaling \$187.3 million for the Department of Correctional Services during 1975–76, \$9.1 million more than was provided in 1974–75. In part, this increase reflects the State's larger inmate population. More importantly, it will allow the Department to expand its program to establish residential treatment facilities in urban areas, thereby permitting selected inmates to live close to their homes while they are in work–release status or being trained in marketable job skills. In areas in or adjacent to Buffalo, Rochester, Syracuse and New York City, six such facilities should be in operation by the end of the current fiscal year, with another to be established in 1975–76.

Also included in the recommended appropriations are funds to permit the quarterly adjustment of inmates' wages, to maintain their purchasing power as the prices of goods available to them in facility commissaries increase.

A substantial reduction of \$2.6 million in the cost of raw materials purchased for correctional industry operations will result from the phasing-out of large industries such as clothing and textile

manufacturing, which do not provide inmates with marketable skills. These will be replaced by smaller industrial modules, which studies have indicated will provide inmates with better chances for employment upon release.

HOUSING AND COMMUNITY DEVELOPMENT

For the 1975-76 activities of the Division of Housing and Community Renewal, I am recommending appropriations totaling \$78.5 million, a significant decrease from 1974-75. You are aware, however, that the Federal Housing and Community Development Act of 1974 provides new programs for housing and community development, with a variety of local options. When final operating regulations are released by the Federal government, I will encourage New York's localities to take advantage of these new programs, which will work to provide State residents with safe housing in neighborhoods free from blight.

I urge your particular support of the Division's efforts to conserve energy in New York State housing. The State's Building Code Council and the Division have prepared a draft energy efficiency construction code for all types of buildings, including mobile and factory-manufactured homes. When implemented, the new code should produce savings of 30 to 50 percent in both energy consumption and building operating costs.

RECREATION AND CULTURAL ENRICHMENT

Historic Preservation

The forthcoming fiscal year will bring us to the eve of the nation's bicentennial. In order that New York may do its part in commemorating this important occasion, I urge continuation of the program initiated last year to restore ten of the State's historic sites as permanent Preservation Centers for the care and restoration of its many valuable buildings and artifacts. Funds totaling \$2.2 million are therefore included in this Budget to continue renovations at such sites as Olana, Hyde Hall, Fort Crailo, and Sackets Harbor Battlefield and develop a central conservation care facility at Peebles Island in Saratoga County.

Park Recreation

I ask your support of appropriations amounting to \$62.5 mil-

lion which will enable the State to maintain its extensive park system during 1975–76. With more than 140 individual parks, our major concerns are to continue to adhere to public health and safety requirements and to complete work already begun at the new Oquaga State Park in the Southern Tier area, and in New York City, where the State is developing the new “all-weather” Roberto Clemente State Park, the former Harlem River Bronx State Park.

Aid to the Arts

I recommend no diminution of the State’s program of grants-in-aid for local music, theater, film and dance groups, museums and galleries. The \$34.1 million I seek for 1975–76 will not only maintain our assistance to individual cultural organizations, it will also enable us to continue to provide each county with arts services grants computed on a per capita basis. I ask your approval of a reduction in the distribution formula for these grants, from 75 cents to 55 cents per county resident, to reflect the inability of a number of counties to absorb their full entitlements. Funds made available through this reduction will be used to offset the effects of inflation on the budgets of State-aided arts groups. I am also recommending that the Council engage professional auditors from private consulting firms to make periodic field audits of major arts organization aided by the State.

ENVIRONMENTAL CONSERVATION

Appropriations are contained in this Budget to allow the State to take maximum advantage of Federal funds available for the construction of additional sewage treatment facilities. To the extent that Federal reimbursements permit, I promise no abatement in the State’s Pure Waters Program and its sister programs for clean air and proper land use.

I am also recommending that during 1975–76 the Coastal Zone Management Program currently assigned to the Office of Planning Services be transferred to the Department of Environmental Conservation.

CONSUMER PROTECTION AND ECONOMIC DEVELOPMENT

During this difficult period of combined inflation-recession, I urge the necessity of continued support for State programs encouraging businesses, jobs, and tourism in New York. Thus far, we

have maintained our position as a leader in commerce, finance, manufacturing and agriculture. We must continue to do so. Funds are therefore contained in this Budget to allow the Department of Commerce to maintain programs to promote New York's economic well-being.

The 1975-76 appropriation I am recommending for the Department of Agriculture and Markets represents a reduction of \$400,000 from last year's appropriation. This is due mainly to the proposed transfer of State meat and poultry inspection programs to the Federal government, effective October 1, 1975. This transfer will in no way reduce the effectiveness of the protection from adulterated foodstuffs in our State; rather, it will lower State costs at a time of fiscal austerity and permit all establishments currently inspected by the State to ship interstate. I have also directed the Department to transfer to the Department of Health responsibility for the sanitary inspection of milk, once it has left the farm.

MANAGEMENT IMPROVEMENT

Producing a sound fiscal plan cannot be fully achieved without parallel steps to improve the State's management practices. Accordingly, reassessment of government programs, organization and operations is, and will continue to be, a key part of this Administration's effort to hold down the cost of State government.

Some of the more important parts of this management program have already begun and are reflected throughout this Budget. Wasteful and unnecessary programs have been eliminated and others have been cut back or consolidated.

In addition, a more thorough overhaul is now underway as task forces, consisting of leading experts in critical areas of public policy—energy conservation, housing, transportation, the environment, health and mental health, mental retardation, and the use of public authorities—will provide valuable guidance on problems currently facing the State and point the way toward new solutions.

Finally, management improvement also demands continuous attention and commitment. Recommendations must be acted upon and progress measured. To assure that this takes place, I plan to:

- Realign the policy development and decision-making structure within the executive branch to assure that it anticipates problems, systematically explores the variety of

options for dealing with them, and takes early and effective corrective steps;

- Simplify the management of State revenue programs and make them more equitable;
- Intensify our efforts to secure the State's fair share of support from the Federal government;
- Augment initial reviews of agency organization and operations with a continuous evaluation of management personnel and practices as a means of improving performance and achieving greater productivity.

Together with careful budgetary review, these actions will form the basis for our continuing management improvement program and a cost-conscious, businesslike approach to the operation of State government.

CONCLUSION

These, then, are my recommendations for setting the State on a sound financial course during the remaining months of the current fiscal year and the fiscal year to come. They call on the State and its citizens for discipline as well as patience. It is true that they entail both sacrifice and hardship. But I believe they also bring us to a turning point in the course of government. Now, for the first time in many years, we have the opportunity, and the duty, to fully examine the ways in which we tax and spend the people's money. If we seize that opportunity and fulfill that duty, if we make economy and responsibility in government a fact instead of a slogan, then the ultimate benefits will have been well worth the political pain of this budget year.

Respectfully submitted,
(Signed) HUGH L. CAREY

¹ Additional funds for new court parts, prosecutors and defense attorneys will be provided when a program for their use is submitted later in the Legislative Session; also, a program for mass transit aid will be developed upon receipt of the report of the Commissioner of Transportation due on February 1 under existing law.

² The expenditure estimates for both 1974-75 and 1975-76 include net outgo from the Capital Construction Fund, which is the difference between the amount of first instance expenditures from the Fund and the amount of repayments of such expenditures. Net outgo is included for two reasons:

a. The inclusion of net outgo provides a more comprehensive and accurate picture of State financial transactions than was presented in prior Budget estimates, and has been recommended by the State Comptroller and other fiscal experts;

b. Net outgo has become, in actuality, a charge against current income. In prior years, net outgo was financed by using the accumulated surpluses in the State's Capital Construction Fund, surpluses initially built up three decades ago, when it was called the Postwar Reconstruction Fund. However, preceding Administrations have totally exhausted these resources, leaving only current income as a source for financing net outgo.

Editor's note: The Governor's *Budget Message* included the three appendices noted below:

SUBJECT	PAGES
I. Explanation of Revenue Estimates	A2—A49
II. Financial Terminology	A50—A53
III. Appendix Tables	A54—A70

These appendices are not reproduced in this volume in view of their length and the ready availability, at depository libraries throughout the State, of the published documents in which they appear. See the *Annual Budget Message, 1975-1976, of Governor Hugh L. Carey*, which is also contained in the much longer document entitled *Executive Budget, State of New York, For the Fiscal Year April 1, 1975 to March 31, 1976*.

Proposing the Creation of a Division of Consumer Affairs

STATE OF NEW YORK—EXECUTIVE CHAMBER

March 17, 1975

To the Legislature:

In my Annual Message to Your Honorable Bodies, I made it a priority of this Administration to take steps to assure justice in the marketplace.

We have long passed the day when *caveat emptor* is an acceptable standard for business dealings. Particularly in the last decade, the concept of public affairs has so changed that government is popularly, and properly, regarded as having some legitimate protective role over individuals as consumers, savers, investors and so on. Faith in the individual's ability to protect himself against many of the risks of life, including the risks of the marketplace, has weakened as products have become more complex, the likelihood of hidden hazards and defects [has] increased, and relationships and services in the marketplace have become more impersonal and bureaucratized.

Additionally, there has been a growing feeling, often not without justification, that consumers are being victimized by the actions of governmental agencies which are charged with the duty of protecting them. It is widely believed that governmental regulatory agencies are unduly influenced by the views of the industries they regulate.

It is essential, therefore, that the voice of the consumer be heard in the councils of government by those whose actions could affect their interests. And, to keep pace with the changing tide of practices in the marketplace, government must seek new ways to ensure that its citizens, in their role as consumers, enjoy a free and fair choice in the marketplace, that they obtain safe products of high quality at a reasonable cost, that they do not incur unnecessary expenditures imposed by price-fixing or other anti-competitive practices, that they are not victimized by deceptive or unconscionable trade practices and that they have an adequate and efficient means of redress when their rights in these respects are violated.

The need for such protection has become far more urgent in the present economic climate when no citizen can afford to waste even a small amount of money on goods and services which have not been selected by a genuinely free and informed choice or which do not live up to the promised standard.

Unfortunately, despite diligent efforts of law enforcement officials, New York's law and legal machinery are not yet fully responsive to the needs of the public. Therefore, I am submitting to you today legislation that I consider essential for the protection of the people of our State. I urge you to give these proposals your most careful consideration.

The legislation I am submitting for your consideration would:

- Replace the present cumbersome legal structure of the Consumer Protection Board with a streamlined Division of Consumer Affairs in the Executive Department;
- Provide the legal machinery necessary for convenient, effective, efficient enforcement of consumers' rights;
- Improve the protection of consumers in their role as debtors; and
- Enhance the ability of consumers to make informed and intelligent choices in the purchase of certain commodities.

Division of Consumer Affairs

I am sending you today legislation that would create a Division of Consumer Affairs with broad powers to assist in restructuring the laws of this State to achieve a balance in the relationship of consumers and merchants which would encourage fair and equitable dealings in the marketplace. It would be charged with the responsibility for representing the interests of the consumer in the proceedings and deliberations of other organs of Federal, State and local government.

The Division would be empowered to promulgate rules and regulations having the force of law, after providing interested parties an opportunity to be heard, enumerating practices which are deceptive, unconscionable or otherwise in violation of the law.

It would be responsible for studying, investigating, researching and analyzing matters affecting the consumers' interests and for developing programs for consumer education. It would have the power to hold public hearings on matters affecting consumers and to subpoena witnesses and evidence in connection with such hearings.

It would provide technical assistance to local governments and nonprofit groups in the development of local consumer agencies and other consumer activities.

It would have the power to intervene in class actions where the public interest is involved.

The Attorney-General would be authorized to enforce the provisions of this law and the rules and regulations promulgated pursuant to it. In addition, any local consumer agency authorized by local law would be able to enforce this law.

A significant and powerful enforcement and deterrent device in this proposed legislation is the creation of a private remedy for any consumer aggrieved by a violation of any of its provisions. It is the intent of this legislation to create an effective and easily enforceable remedy for every violation of its provisions. Creating a private remedy in effect creates a whole corps of "private attorneys general" capable of enforcing the law at no cost to the State.

I believe this legislation, creating a Division of Consumer Affairs at a limited cost to the consumer, will provide the people of our State with a strong and effective deterrent to the continuation of deceptive and unconscionable trade practices by a small band of unscrupulous merchants whose actions cast aspersions upon the

integrity of businessmen everywhere. Vigorous enforcement of this law will enable honest merchants to deal with consumers in an atmosphere of trust and mutual self-interest. The interests of business are served best when the consumer is served best for in the long run business survives and prospers in direct proportion to the goodwill of its customers.

Provide Legal Machinery for Convenient, Effective and Efficient Enforcement of Consumer's Rights

To provide an easily accessible forum to hear and determine most consumer complaints without the necessity of representation by an attorney and the concomitant costs, I favor legislation increasing the jurisdiction of small claims courts from \$500 to \$1,000. This increase is necessary to reflect the diminished value of the dollar in these days of spiraling double-digit inflation. Additionally, the Consumer Protection Board has reported that many consumer claims which are marginally above the present \$500 limit on the small claims court jurisdiction are being abandoned because of the costs entailed in enforcement of such claims in other courts.

And, to enable consumers with claims that are small in amount in comparison to the normal cost of litigation, but nevertheless important to them, to band together and pool their resources in seeking redress of their grievances, I once again urge Your Honorable Bodies to pass a strong class-action bill.

Improve Protection of Consumers in their Role as Debtors

Consumers need protection not only in their role as purchasers or lessors but also in their role as debtors. In all too many instances, in cases involving consumer debts, default judgments are presently obtained against the consumer because work schedules and the inconvenient location of the court, particularly in rural areas, serve as obstacles to the consumer in obtaining his day in court. Therefore, I offer for your consideration legislation providing for a tear-off answer in actions involving consumer debts under \$10,000. Returning the tear-off portion of the summons within the period provided by law for an answer would constitute an appearance in the action and would thus tend to reduce the number of default judgments presently obtained in such cases and to insure consumers their day in court.

A more far-reaching proposal to provide consumers relief is legislation I am submitting to permit consumers in credit card

transactions to raise defenses they have against the merchant or vendor against the issuer of the credit card seeking to collect the debt, after attempts to obtain satisfaction from the merchant or vendor have failed. The issuer of the credit card is an essential party to such transactions and profits from it; yet, under present law, the issuer does not carry its share of the responsibility in this relationship. With the issuer's absolute right to payment, the consumer is often left with no recourse in obtaining satisfaction but the unsatisfactory and expensive one of litigation against the merchant or vendor. This legislation will improve the consumer's bargaining position in resolving such disputes as well as insure that the issuer of the credit card bears its just share of responsibility in this three-way transaction.

Enhance Ability of Consumers To Make Informed and Intelligent Decisions

In order to assist consumers to make informed and intelligent choices in the purchase of commodities, I am submitting for your consideration two proposals which would improve present procedures for providing information to the consumer.

- A bill which would permit the use, in unit-pricing, of the largest unit of measure in which a product is available in order to more readily reflect the cost differential in various sizes and brands.
- A bill, urged by the Department of Agriculture and Markets, which would require apples shipped from out-of-state in packaged form for sale in New York to be graded in accordance with New York or U.S. standards. This would outlaw the present practice of out-of-state growers of labeling apples in accordance with the grades used in their state which, while sounding like New York or U.S. grades, have lower standards and thus provide these growers with an unfair competitive advantage over New York farmers.

I also call to your attention two bills already pending before you.

- Assembly Bill No. 1069 (Burstein, Bellamy) /Assembly Bill No. 1011 (Kremer), providing for open-dating of certain commodities to notify consumers of the last date on which food items can be sold without a significant risk of spoilage, loss of value or palatability in normal use or storage, and

—Assembly Bill No. 3239 (Lasher) providing for information on the drained weight of fruit and vegetable products sold in containers.

To restore full competition to the marketplace and to insure that consumers are not victimized by price-fixing schemes, I once again urge Your Honorable Bodies to act swiftly on the legislation I proposed earlier to repeal the anachronistic fair-trade laws.

These are trying times for the people of our State who face difficult problems, not of their own making, with limited resources. Any relief that we can make available to ameliorate our common predicament will be most welcome. My Task Force on Consumer Affairs has worked diligently and tirelessly on several of these proposals to improve consumer protection in New York and on behalf of all citizens of this State, I acknowledge a debt of gratitude to it.

I believe these proposals will significantly improve the lot of consumers in New York. Only your prompt action can translate these proposals into law. Let us not lose that opportunity.

(Signed) HUGH L. CAREY

Special Message on Transportation

STATE OF NEW YORK—EXECUTIVE CHAMBER

March 25, 1975

To the Legislature:

Introduction

Transportation services have helped shape our society. By enabling increased mobility for people, they have helped to define the boundaries and forms of the places where we live. By increasing the speed and efficiency with which we move our goods and products, they have helped to transform our economic and social lives.

In New York State, we have experienced transportation changes similar to those of other highly industrialized and urbanized areas. The emergence of public transportation systems

enabled crowded urban dwellers to break out of their narrow confines and accelerated urban industrialization by permitting larger concentrations of workers to live within traveling distance of their jobs. More recently, widespread private automobile ownership, and the construction of new high speed public highway systems helped spur the move to the suburbs which has continued since the end of World War II.

The latter development has also encouraged a societal dependence on the use of the private automobile, a dependence which is now seriously threatened by the energy crisis. The dispersion of population has placed severe strains upon the ability of mass transportation systems to respond to the transportation needs of the people. Central city transit systems have suffered reduced patronage related to the population decline along their established routes, and the suburban population presents an elusive and far flung market for potential new mass transportation systems.

As we face the issues in transportation for the remainder of this decade, and indeed for the remainder of the century, we must recognize the need for basic policy changes. We have created a socio-economic structure which depends upon the private automobile and the truck to the neglect of mass transportation and rail services. This imbalanced transportation system, created in response to the transportation needs as we saw them in the 50's and 60's, must now be adjusted to the new realities of the 70's. We must plan to meet our future transportation needs taking into account both the scarcity of gasoline and the present fiscal vulnerability of our mass transportation systems.

A coordinated transportation program centrally monitored, with close and continued legislative scrutiny, is essential if we are to address effectively the related energy, employment and environmental concerns of all New Yorkers. Policy recommendations I am making to Your Honorable Bodies can help maximize the benefits of New York's transportation resources and organize them to help solve some of the most pressing problems afflicting our State.

Public Transportation and Energy Conservation

The last year in which the United States could be said to have had surplus domestic crude oil production was 1971. Oil import trends, if unchecked, indicate an increased dependence on foreign sources, from about 23 percent in 1973 to 60 percent in the 1980's. It is uncertain whether sufficient foreign oil will be available to

meet our extravagant consumption demands, even if we are willing to pay the substantial price in both monetary and nonmonetary terms.

Fuel shortages threaten the survival of many manufacturing firms. In New York State, 38,000 jobs are directly related to auto production and sales, while 662,000 jobs are indirectly involved with this industry. With petroleum and natural gas essential ingredients in products ranging from plastics to fertilizers, the entire gamut of [the] nation's economic activity is vulnerable to supply shortages and price increases with consequent uncertainties and contractions in production and employment.

Transportation uses about one-quarter of all the energy consumed in the United States, equal to about 100 billion gallons of petroleum per year. Urban transportation by autos, trucks and mass transit account for about 40 percent of total transportation fuel consumption nationally, with private automobiles consuming close to 90 percent of that amount, some 36 billion gallons of petroleum annually.

There is potential for fuel saving through diverting auto drivers and users to public transportation. The urban bus, for example, produces more than four times as many passenger miles of travel per gallon of fuel as does the automobile. Too much fuel is consumed for short auto trips which, in urban areas, might be better served by public transportation services.

We must work to achieve reductions in fuel consumption in transportation. Since the abrupt fuel crisis of last winter, there has been a steady decline in voluntary fuel saving measures by motorists. We must conserve fuel now if we are to avoid a repeat of the economic dislocations and inconveniences of last winter. There are a number of measures which can be taken which will aid in this effort; many of these are noted below under my policy suggestions for the area of transportation. One such measure to encourage reduced gasoline consumption is the enactment of a higher tax on gasoline.

In my Executive Budget, I proposed such a tax to Your Honorable Bodies. As you are well aware, this proposal has not generated strong public support. On the other hand, no one has denied that such a tax, if properly administered, would help us to rationalize our energy consumption patterns and place New York at the forefront of an inevitable movement to alter America's transportation habits.

No program to conserve gasoline consumption in the State can be fully effective, however, unless there is a complementary effort to preserve and enhance vital public transportation services. We must insure that this alternative is available to auto users if they are successfully to be encouraged to change their travel habits and rely on more efficient forms of transportation.

I propose, therefore, a permanent annual State subsidy for the support of public transportation operations in the State. Last year, the Legislature enacted, as Chapter 118 of the Laws of 1974, a pioneering program of State-local subsidies for their operations, but this program was temporary and will expire at the end of April, 1975. However, the fiscal problems of public transportation systems are not temporary in nature.

The threat to these systems posed by inadequate financing will continue. In the current calendar year, for example, the financial deficit faced by public transportation systems throughout the State is expected to reach \$570 million.

I am presenting to Your Honorable Bodies a detailed plan to implement my recommendations for an operating subsidy. Statewide it will provide annual transit operating funds of \$200 million per year, from both State and local sources. This new program will be an important step in helping to meet transit fiscal crises on a continuing basis.

I recognize that some members among Your Honorable Bodies believe that the State should go beyond this recommended level of support for mass transit operations. I would caution these lawmakers, however, to weigh carefully the advantages which such aid would present against the harsh realities of the State's current fiscal plight. No further increases in mass transit aid can be considered unless those making such recommendations also assume responsibility to provide the additional new State revenues necessary to support such expenditures.

Mass transit is the major element in our strategy to cope with the hardships brought about by gasoline scarcities. Such transportation is the best hope of extending reasonably priced mobility to all citizens in the more densely developed suburbs and urban centers of our State. Mass transit is also the soundest way to move the largest number of passengers with minimum adverse environmental impact. In recognition of these facts, the Department of Transportation will be assuming a more active role in the

development and coordination of transportation in New York State.

Since the State is fiscal coordinator in resolving the issues raised above, I am asking the Department of Transportation to prepare in cooperation with my staff a comprehensive five-year Public Transportation Action Program to direct the stream of public funding more precisely toward those regions, modes, and specific projects most likely to help meet our transportation needs. Budgetary pressures and standards for effective project management have made such long-range, overall planning indispensable.

I am also proposing the development within the State Department of Transportation of one overall transportation evaluation and monitoring system which will encompass the various transportation authorities, parkway and bridge authorities, and port and airport authorities. The Department of Transportation will have responsibility for coordinating program development and overseeing the development of major projects in addition to its existing responsibility for balanced transportation policy and planning. Under this proposal, all public authorities or commissions having any transportation function will be required to submit their proposed capital and operating budgets to the Governor, the Director of the Budget, and the Commissioner of Transportation on or before November first of each year for the next fiscal or calendar year. In addition, such commissions and authorities will not be eligible for State aid without the approval of the Commissioner of Transportation and unless the aid is recommended by the Governor in a budget bill and approved by the Legislature.

Finally, safety is an essential element in our public transportation program. The Department of Transportation already has responsibility for inspecting both privately-owned buses and school buses. It also has railroad safety inspection duties. For publicly-owned and operated facilities, however, safety rests with those public bodies. This uncoordinated approach has resulted in public concern as to the effectiveness and consistency of transportation safety programs. So that our safety record may be improved, I am forwarding to you legislative proposals which will place responsibility for coordination of public transportation safety in the Department of Transportation.

The Need for Action at the Federal Level

The National Mass Transportation Assistance Act of 1974 is

landmark legislation, recognizing for the first time the Federal responsibility in meeting transit operating costs. I commend the Congress and the President for taking this important first step. At the same time, I urge that they consider the necessary further steps which will allow us together to solve our critical transportation problems.

The available funds for transit operations are inadequate for New York's needs. The new Federal Act provides only \$83.8 million in operating subsidies for transit operations in this State during Federal fiscal year 1976, rising to \$150.9 million in 1980, the last year of the program. These are very small amounts, when compared to the 1975 transit deficits in New York State estimated at \$570 million.

During my career in the Congress I fought hard for a fair share of Federal revenues to support vital public transportation services. As Governor, I will continue to fight for this cause until a victory can be won on behalf of all of our State's citizens.

I will continue to urge both the Congress and the President to use part of the enormous reserves now accumulating in the Highway Trust Fund for transit purposes here in New York and the country. These Trust Fund monies are building up at a rapid rate while the pace of interstate highway construction begins to slacken. In the face of continuing fuel shortages and the near completion of the interstate highway system, it is necessary to authorize these funds for vital transportation needs.

Federal operating assistance could also be expanded by setting aside a portion of all Federal tax receipts collected from petroleum import duties for funding mass transportation.

In all cases, Federal operating assistance should be expanded and funded from a single, earmarked fund to avoid having any portion of these monies drained off in the traditional contest for appropriations.

Environmental Protection

In meeting these transportation, energy and economic challenges we will be aiding our environmental protection programs which are beginning to produce the needed benefits. We will insure an appropriate balance among all concerns, including the environment. In better meeting air quality standards, however, we are imposing costs in automobile fuel efficiency. Similarly, envi-

ronmental constraints on low-cost production of energy resources can cause problems and will require economic and social adjustments. We must insure that the costs of additional environmental improvement are fully balanced by the benefits to be attained, and that such added costs are held to a minimum.

New York State will not sacrifice its environment for the transient relief of today's energy and economic difficulties. In fact the overall impact of my proposals in the transportation and energy areas should reduce pollution of our environment. On the other hand, we cannot afford to burden the public unreasonably with economic and energy difficulties in the name of environmental improvement. All these issues must be addressed as part of a balanced program.

Public Transportation in the New York City Metropolitan Area

Nowhere else is there a transit system so vital to the economy of a region as that which exists in the New York City metropolitan area. Yet, nowhere else is a public transportation system so threatened by the sheer magnitude of its financial problems as in this region.

There can be no question that the economic health of the New York City area—in terms of employment, income and retail and wholesale trade—is in part the result of a well-developed system of public transportation. Transit patronage in New York City, with just under 4 percent of the nation's population, represents almost 40 percent of the country's total. While in the nation as a whole only 8.5 percent of the trips to the work place involve use of a mass transit facility, in the New York City area this figure is over 60 percent.

In noting that the New York public transit system is vital to the continued economic viability of the region, it must also be recognized that the continuance and improvement of that system cannot be easily accomplished. To continue the transit system will require significantly increased levels of support, either from the fare box or subsidies, or a combination of both.

In the current calendar year, operating deficits for the New York Metropolitan Transit Authority systems will reach \$560 million. Deficits for the New York City Transit Authority bus and subway operations alone will total some \$475 million. By 1980, NYCTA deficits, given the current thirty-five cent fare, will total

nearly \$1 billion. There is no flat fare level which, by itself, could produce the revenues necessary to offset these deficits.

One possible source is provided by Section 3(h) of the Urban Mass Transportation Act which permits one-half of the Federal share of the costs of transit capital projects to be transferred to offset transit system operating costs. Such a transfer is permitted subject to the condition that work on the projects proceed with State and local funds "paying back" the projects for the Federal funds transferred. The inadequacy of Federal operating assistance and the fiscal reality we now face force us to utilize this option this year even at the cost of some curtailment in our overall transit capital program.

We must always recognize that the policy steps taken this year will influence future transportation patterns. Transportation patterns—how many trips are taken and by what modes—are intimately related to the location patterns of where people live, work, shop, and go for recreation. These patterns have taken many years to develop and will take several years to change in the face of new realities. Accordingly, we must avoid myopia in thinking that transportation policy decisions can be made for this year alone, and must consider a multi-year policy taking full account of the dynamic evolution of new transportation patterns.

The transit deficit problem is not only one of insufficient revenues, but also one of excessive expenditures. I believe that substantially greater efficiencies in our transit system are achievable. Preliminary investigations by my Task Force on Transportation have revealed major shortcomings in current maintenance practices. The State Comptroller has also reported defects in the system, pointing to the possibility of great cost reductions through increased labor and management productivity. Other reports reveal uneconomical scheduling of some subway services in New York City.

It is the working people of New York who rely upon public transit who are the least satisfied and the most militant about the inadequate quality of public transportation. I will do everything within my power to redress their justifiable grievances in this area. Clearly, the deficit problems cannot be solved solely on the cost side, but cost-saving measures must be a part of any strategy that uses tax dollars efficiently. I have asked my staff to carefully review all possible cost-saving measures in order to recommend a specific program of economies in the provision of transit services.

Over the years there has been much public discussion about the possibility of replacing the current flat fare structure on the New York City bus and subway system with a fare structure that would attack its financial problems and relate the fare to the services received.

The Metropolitan Transportation Authority is to be congratulated for its innovative experimentation with differentiated fares, including half fare on Sundays and the various special bus loop arrangements. It is time to assess more seriously the potential of a differentiated fare structure. We should certainly not tamper lightly with the flat structure which has been familiar to the transit patron for so long. But, we should undertake the research necessary to assess the probable consequences of reforming the fare structure. Federal government programs provide substantial funding for such studies. I have directed my staff to explore with appropriate State Department of Transportation and Federal officials the steps necessary to get such research underway in the near future. Our objective is to assess the potential of what hopefully will be another flexible policy instrument for meeting the transit problems of the future.

Finally, in reviewing the decisions affecting New York Metropolitan transit services, we must carefully consider any decision to expand the transit system at the expense of scarce resources needed for other purposes. Therefore, I have asked the Commissioner of Transportation to reexamine the State's transit capital construction program in order to assure its consistency with our primary objective of continuing and improving existing systems.

Mass Transportation in Other Parts of the State

While the thrust of our transportation policy throughout the State will be toward the development of the more energy efficient mass transit system, policy options open to us should be categorized in terms of specific regional needs as well as the specific modes of transportation involved. Policy on State subsidies, transit fare structures, and mass transit improvements and developments will be specifically geared to meet the requirements of the differing regional systems. In a time of increasing demands and lean resources, greater operating efficiencies must be achieved and additional outside funds, Federal and local, must be committed. In designing a State subsidy program to finance transit systems, the State must limit its assistance to its fiscal capacity.

In addition to restoring existing transit systems to efficient use, our transit networks should be expanded to provide fuel-efficient and environmentally compatible transportation alternatives. There can be no question concerning the desirability of better suburban transit services. The problem is to achieve this without overburdening the State and local taxpayers. We will explore the options vigorously. One option which looks promising at this time involves the use of school buses in transit service during their off-peak hours. The Department of Transportation is already investigating this idea.

Basic to the entire public transportation program is reliance on privately-owned carriers, because in this as in many other government programs, private enterprise is one of the resources we should employ. Even when operations are publicly controlled, we urge administrators to rely upon and contract with privately owned firms.

In strengthening mass transportation services, it would seem desirable that maximum reliance be placed on the more flexible alternatives. One important lesson learned from the shifts of population from urban to suburban areas since the end of World War II is that we must design public transportation systems which are readily adaptable. We must develop public transportation systems flexible enough to follow the population's movements.

Inter-City Railroads

In recent decades the inter-city railroad systems in the nation, the Northeast region, and our State have fallen on increasingly hard times. In response to this at the national level a new railroad system is emerging through the Regional Rail Reorganization Act. At the State level, last year's \$30 million Emergency Rail Appropriation has already permitted us to reinstitute rail passenger service in two important corridors—New York City, Albany and Montreal and New York City, Buffalo and Detroit, and soon to Niagara Falls. Track improvements have been initiated which enhance safety, will reduce transportation costs and which soon will cut running time for passenger and freight trains in those same two corridors. Major equipment refurbishing is almost complete for the Adirondack trains and is underway for commuter lines in Dutchess, Putnam, Westchester, Nassau and Suffolk counties.

In the November general elections, the voters entrusted us, as

their public officials, to carry out an effective program of inter-city rail preservation through the passage of the \$250 million Rail Preservation Bond Act of 1974. We will move quickly to undertake projects with these funds, particularly since they will provide an important immediate stimulus to the State's economy. Yet, care must be taken to make the best possible use of these bond funds and of the possibilities which the Regional Rail Reorganization Act may present.

The State Department of Transportation, working cooperatively with Executive and budgetary staff, will be responsible for equitably and efficiently administering proceeds from the bond issue. Each proposed project will be subjected to a thorough cost-benefit analysis dealing with factors that affect the project and its impact on the community and the economy. We intend to keep all of our essential rail lines and will fully explore the possibilities for rezoning, industrial development, residential construction, and the impact of improved service of these essential lines. Each project will be justified on its merits within the context of the whole railroad system.

Our rail program will provide significant improvements to passenger service in terms of reduced travel time, better stations and improved, faster and safer equipment and facilities. This will encourage increased use of energy-efficient, environmentally sound travel. In terms of freight improvements, the first year's program will insure continuation of vital rail freight services and prevent further decline and even cessation of operations in areas where facilities have deteriorated to an unsafe level.

A \$244 million program will be proposed for inter-city and commuter rail projects, freight service improvements, right-of-way preservation, and railroad safety. Among other things, these proposed projects will include improving track, acquiring passenger equipment, upgrading track and signal systems, acquiring new commuter locomotives and cars, and modernizing existing equipment. The total amount includes \$145 million in State funds, with the remainder to be provided by the Federal government and from other sources. I urge prompt and favorable action on this rail program.

Any State undertaking in the rail preservation and improvement field will be carefully coordinated with Federal plans now emerging under the Regional Rail Reorganization Act. This will help insure maximum Federal participation in all projects and avoid

unnecessary commitments by the State. In addition, we are deeply engaged in an effort to make our views and needs known to the Federal reorganization planners so that whatever emerges from the Regional Rail Reorganization Act is equitable to our State. Our goal is that when the Federal and State programs in the rail area are completed we will have achieved an integrated, unified inter-city rail network at the least cost and the greatest benefit to New York.

Highway

Despite the national energy crisis and the reemergence of mass transit and the railroads, the highway system will remain a major mover of people and goods for the foreseeable future. Recognizing this, my budget requests include many continuing projects where the investment of limited State dollars will permit us to reap the economic and social benefits of improvement in the highway system. There are also new highway projects which are worthwhile even in a time of decreasing emphasis on highways as a whole. An example of this is the proposed Millersport Highway which will be a major access route to the Amherst campus of the State University of New York at Buffalo and permit improved traffic movement around it.

We must assure the preservation of our present highways, whose replacement cost is incalculable. There are approximately 14,500 miles of highway and 7,700 bridges on that State system. Most roads and bridges are over 40 years old. In order to protect the safety of the traveling public and to preserve our investment, a certain portion of these must be rehabilitated or replaced each year. Therefore, we will continue with an annual program of reconditioning and preserving our State highways.

There are 8,600 bridges in the State under local jurisdiction which should be inspected to determine their safety and condition. Yet, many local governments do not possess the necessary staff to carry out these needed inspections. I therefore am proposing legislation to assist localities in meeting their responsibilities in this safety area by making State professional personnel available where necessary to carry out a coordinated statewide bridge inventory and inspection program. Under my plan, a system of charge-backs to localities will be instituted to pay for these professional services by the State.

No matter how ingeniously we design routes or how quickly we expedite construction programs, our roadways will be of dubi-

ous benefit if they are unsafe. In 1974, 12,500 people died and 290,000 were injured as a result of highway accidents in New York State. Our efforts to promote highway safety must be multiplied. We must continue to provide spot improvements, such as signage, traffic lights and improved guiderail systems at high accident locations, as well as eliminate at-grade railroad crossings and roadside obstacles and create special protected paths for pedestrians and for cyclists whenever appropriate.

In light of new realities, we must encourage greater efficiency in the use of highway facilities. We must study the feasibility and potential benefits of such efficiency-improving policies as additional peripheral parking lots linked to downtown employment centers by express buses, the further development of express bus lanes, and the inducement of car pooling on toll facilities and the elimination of commuter discounts on these facilities.

If we are to achieve significant reductions in fuel consumption in transportation, serious measures must be undertaken. As an additional immediate step, I am directing strict enforcement of the 55 mile-per-hour speed limit by all police agencies in the State. This will demonstrate that this Administration is serious in its interest in this regard.

New York State's highway program is facing a major threat as the result of a recent decision of the U.S. Court of Appeals for the Second Circuit which has brought to a halt the \$1.27 billion program of federally-assisted highway projects in the State. These projects have been processed in accordance with the rules and regulations of the Council on Environmental Quality and the Federal Highway Administration so as to be in compliance with the National Environmental Protection Act. Five United States Circuit Courts have approved these procedures. However, the recent decision in the Second Circuit, which only affects New York, Vermont and Connecticut, differs from the rest of the nation. As a result, New York State after several years work and millions of dollars of investment is now being held up while the rest of the country proceeds unaffected.

The inequitable situation this decision creates for New York cannot be allowed to stand, particularly with unemployment in the State approaching 10 percent. We have taken, and we will continue to take, every step necessary to protect our environment and to comply fully with Federal standards. But if this decision is allowed to take effect, New York will be unable to convert its portion of the

recently released \$2 billion of highway funds into an improved highway system and new employment opportunities for the people of our State. Therefore, I have strongly urged the Congress to enact legislation to clarify the procedures to be followed under the National Environmental Policy Act so that New York, like the other states, can prepare or cause to have prepared the required Environmental Impact Statements, subject to Federal review and approval.

Finally, I am announcing today in regards to the proposed Sunrise Highway extension that I am requesting the return of the final environmental impact statement from the Federal Department of Transportation and withdrawing any New York State application for the project's location approval. This action is consistent with a pledge made during my gubernatorial campaign. However, the east end of Long Island is one of our State's recreational treasures and public access to these public resources must be assured. Consequently, I am directing the Commissioner of Transportation to undertake a study that can aid us in developing an improved access system to this area's beaches and parklands. We will only accept an access plan that preserves the east end's environmental integrity.

Economic Development and the Transportation Program

At a time when severe unemployment plagues so many places in our State, transportation programs can be a major means of regional economic recovery efforts. In planning new transportation programs and facilities, I intend to make use of a Public Employment Program that can take the best advantage of the new Federal Public Works Employment Act. Accordingly, I have directed the Commissioner of Transportation to work with the Industrial Commissioner and the Department of Labor in developing such a program. Essential functions funded by this measure might include maintenance of State-owned highways and canals, landscaping of rights-of-way, protection of scenic vistas, rehabilitation of railroad stations and safety inspections of transportation equipment.

Conclusion

Hard times call for hard choices. I have already outlined some of the choices and directions which seem dictated to us by the times in which we live. The alternatives are clear: either we reduce our dependence on the private automobile while enhancing other modes of transportation, or we endure a possible collapse of our

public transportation system at the very time that the growing gasoline shortage makes these transit services even more vital to the needs of the people.

A more enlightened awareness of our environment and a drastic shift in the availability of energy resources have introduced a new way of life to America. Our transportation policies mirror an irreversibly changing world where there is no retreat from the future. We must develop policies which help revitalize our economy, protect our environment and conserve fuel.

I am firmly convinced that, acting in concert, we can solve the puzzle of transportation policy choices before us. In attempting to do so, however, we must take care to avoid the use of expedient policy choices which merely shift the responsibility for making a decision today to an even more uncertain tomorrow. We will not solve the critical problems which now face us, or meet the real service needs of the people, unless we are willing to think ahead, plan ahead and have the courage and faith in the people to confront them with the hard choices which lie ahead.

The people of this State and of the nation have too often been well in front of their political leadership in recognizing the need for action. Let it never be said of us that we were too timid, or too lacking in faith in the basic understanding of our citizenry, not to tell them the truth. I am confident that collectively we can devise a flexible transportation policy adaptable to the needs of the future, and I urge Your Honorable Bodies to join with me in this important effort.

(Signed) HUGH L. CAREY

**Recommending Proposals Concerning
Environmental Conservation**

STATE OF NEW YORK—EXECUTIVE CHAMBER

April 17, 1975

To the Legislature:

In my Annual Message to Your Honorable Bodies, I stated that, notwithstanding the economic difficulties of today, we will do what we must to preserve the natural environment for tomorrow

and will take our responsibilities to future generations with the same high consideration we give our own. I am sending you today a legislative program, prepared in cooperation with Ogden Reid, Commissioner of the Department of Environmental Conservation and my Task Force on the Environment, chaired by Peter A. A. Berle, which will make a significant contribution to the protection and enhancement of our environment and natural resources.

This legislation will assist in the abatement and prevention of air, water and other forms of pollution and will provide legal tools for the protection of nonrenewable natural resources.

Protection of the environment is not a luxury which can be put off until a happier time in our economy. In the long run, a harmonious balance between commercial and industrial development and the maintenance of a quality environment is consistent with jobs and an expanding economy. In some cases, environmental measures will provide additional jobs. For example, \$1 billion of newly available Federal aid will permit an accelerated sewage treatment construction program providing many thousands of jobs throughout the State.

The legislation I am submitting for your consideration would:

- authorize citizens to bring suit to prevent damage to the environment;
- establish a State NEPA program requiring State and local agencies to prepare an environmental impact statement in regard to any activity which may have a significant effect on the environment;
- provide important protection for freshwater wetlands, one of the State's most valuable natural resources;
- provide protection for critical resource areas throughout the State which have regional or statewide significance;
- authorize voluntary restrictions on the use of real property for the purpose of preserving natural beauty;
- clarify the authority of the Commissioner of Environmental Conservation to base environmental determinations in regard to proposed activities on the cumulative impact such activities will have on all aspects of the environment;
- provide the authorization to implement certain aspects of the Transportation Control Plan which was promulgated pursuant to the Federal Clean Air Act.

Upon receipt of the recommendations of the Adirondack Park Agency, I will also submit for your consideration legislation to increase substantially the protection afforded wild, scenic and recreational rivers in the Adirondack Park region.

Citizen Suits

A decent, healthful and pleasing environment is the heritage and right of every citizen of this State, and damage to the environment affects each citizen as an individual. Protection of our natural resources, therefore, cannot and should not be the task of government alone. Legislation I propose today will grant each individual in this State the right to bring an action to prevent unreasonable pollution, damage, destruction or impairment of environmental resources, without having to show that he is specially aggrieved or has a property right which has been violated. To make certain that this legislation is not abused, adequate safeguards are provided to discourage the bringing of frivolous lawsuits, including a limitation on relief to injunctions and declarations of rights, rather than money damages. Similar legislation has been enacted and successfully used in at least 12 other states.

Environmental Impact Statements

The maintenance of a quality environment requires that government agencies give careful consideration to environmental factors when undertaking or approving projects. I propose, therefore, legislation modeled after the National Environmental Policy Act (NEPA) to require the preparation of an environmental impact statement by State or local agencies or authorities prior to undertaking or approving any action which might have a significant effect on the environment. This legislation is carefully drafted to avoid duplication of effort in projects already covered by Federal NEPA, and to avoid unnecessary interference with projects which were already begun or approved at the time the legislation becomes effective. Impact statements would not be required for actions of the State or local governments which are nondiscretionary in nature.

Protection of Freshwater Wetlands

The freshwater wetlands of this State are an extremely valuable resource for a multitude of reasons, including flood protection,

wildlife habitat, open space and water resources. Large areas of freshwater wetlands have already been lost through unregulated development. The legislation I proposed today will authorize regulation of development of freshwater wetland[s] 6.2 acres and larger, to prevent the continued uncontrolled destruction of this extremely valuable natural resource. My proposal specifically provides, however, that such regulation must be consistent with the legitimate interests of farmers and other landowners to graze and water livestock, make reasonable uses of water resources, harvest natural products of wetlands, selectively cut timber and to make similar use of their land.

Protection of Critical Resource Areas

This legislation will authorize the Commissioner of the Department of Environmental Conservation to identify, and the Governor to designate, critical resource areas throughout the State. These are areas of regional or statewide significance where uncontrolled or incompatible development could result in damage to important natural resources, life or property, or the long-term public interest. Critical resource areas will include fragile lands, natural hazard lands and renewable resource lands which require immediate attention if they are to be preserved. Once a critical resource area has been designated, local governments would be authorized to protect such critical resource areas through the issuance of appropriate rules and regulations. The Commissioner, in close consultation with local governments, will issue general guidelines for such rules and regulations.

Federal Clean Air Act Legislation

The Transportation Control Plan for the New York City Metropolitan Area was developed pursuant to the Federal Clean Air Act. The Plan is designed to reduce carbon monoxide and hydrocarbon emissions to levels which have been determined by the United States Environmental Protection Agency to be necessary to protect public health. It is the responsibility of the State to insure compliance with the Plan. The State is now the subject of a suit brought in Federal Court, and [of] enforcement proceedings by the United States Environmental Protection Agency, in regard to parts of the Plan which have not yet been implemented.

Legislation I propose today will permit compliance with cer-

tain aspects of the Plan by requiring all gasoline-powered trucks in excess of 6,000 pounds registered or operated in the Metropolitan New York City area to be retrofitted with emission control devices, and by authorizing emissions inspections to be undertaken in the Metropolitan area and by permitting, if it is desirable to do so, the establishment of State-operated or franchised emissions inspection stations for the inspection of automobiles and gasoline-powered trucks.

In line with court decisions under the Clean Air Act, I am also proposing legislation to insure that certain air emission data is made available for public examination, and to provide that the State cannot defer compliance with the applicable implementation plan without the approval of the United States Environmental Protection Agency.

Conservation Restrictions

In order to preserve the open space and natural beauty of the land which they own, landowners are often willing to transfer development rights to government or nonprofit organizations. Under present law, however, the creation of such conservation restrictions may not be enforceable. Legislation I propose today will give full legal recognition to conservation restrictions and thereby encourage preservation of the scenic beauty of our natural landscape.

Authority of the Department of Environmental Conservation to Consider Cumulative Impact

I am also submitting for your consideration legislation to make clear the authority of the Department of Environmental Conservation to base determinations as to proposed activities on the cumulative impact of such activities on fish, wildlife, water, land and air resources of the State. Such authority is essential if the Department is to be effective in protecting all aspects of the environment from inappropriate or destructive development.

Fish and Wildlife Management

The Department of Environmental Conservation has already caused a number of proposals to be introduced to authorize the Department to continue existing programs of management of fish and wildlife and to develop sorely needed new programs. Of par-

ticular interest and concern is an authorization to better manage the Great Lakes fishery, both sport and commercial. This will insure the success of the salmonid stocking program, providing a solid contribution to the economy of areas bordering upon Lakes Erie and Ontario. Legislation has also been introduced at the Department's request to designate the American beaver as the official State animal and the brook or speckled trout as the official State fish.

In sending you my environmental program, I note the substantial efforts which have already been made in regard to several aspects of this program under the able leadership of the Chairman of the Senate Committee on Conservation and Recreation, Bernard C. Smith, and the Chairman of the Assembly Committee on Environmental Conservation, Herbert A. Posner. I look forward to cooperating fully with Your Honorable Bodies in a joint effort to enact the proposals I make today, which are essential to the protection of the environment and the health and welfare of the People of this State.

(Signed) HUGH L. CAREY

**Concerning the Financial Condition of
the State of New York**

STATE OF NEW YORK—EXECUTIVE CHAMBER

April 22, 1975

To the Legislature:

I would like to draw the attention of Your Honorable Bodies once again to the financial condition of our State. I have spoken about our budgetary problems before, and I fully intend to keep speaking about this matter until I am assured that the public is clear about the conditions we face.

One need not look about the country to find the impact of our nation's recession upon state and local government finances. Throughout our State many cities are caught in the almost unbear-

able squeeze of rising expenditures, level or falling revenues, and heavy—if not total—reliance upon debt. Such conditions facing local governments are not only painful to elected officials, they are a danger to our system of government, as decision-making slowly shifts from the voters to the board rooms of creditors.

We must be sensitive to the plight of the cities but, while we will do what we can when faced with these local problems, the one thing I will not do at the State level is emulate them. I see our own financial crunch coming and I will not accept it without blunt talk, and even stronger actions.

The budget of the State of New York is not in balance. That is a fact. And while arguments may be held on revenue estimates or expenditure estimates to find the precise dollar level of the gap, the fact remains the budget of our State is not in balance.

After looking at the latest revenue figures, after looking at the latest expenditure figures—especially in the area of increasing welfare costs and special items such as the UDC and MTA problems—and after taking into account the patchwork of additions and deletions the Legislature made before March 31, I can tell you that a gap of one-half a billion dollars exists at this moment.

I am told we should not be concerned about that because the national economy will turn around and our revenues will grow. That is nonsense, for no prudent executive budgets on a promise or hope, and even if we had an economic upturn, the extent to which we would feel it in New York is total conjecture. But the fact that the argument is made, proves that the gap exists.

I am told that we can resort to the good old-fashioned gimmicks—like backdoor borrowing. It is just such gimmickry of the past that has caused today's problems. I will not do it—but the fact that it is suggested proves again that the gap exists.

If the budget shortfall is there, and it is, and if sufficient revenues have not been provided, and they have not, then a public executive in this day and age must say so, and announce for good or ill what he is to do about it.

I am ready to take that stand, for I will not borrow on the hopes of tomorrow and I will not play the shell game of switching things around to hide the facts.

Facing a \$500 million deficit, with no indication from the

leadership of the Senate that this fact will even be recognized, much less acted upon, I am serving notice today that I shall not sign any enrichment legislation that may be passed in the weeks ahead. As long as the gap exists in the current budget, any attempt to add on new money for education, for general assistance to localities or other programs not already in the fiscal plan, will be vetoed. Even if specific revenue measures are passed to provide for such enrichments, they shall be vetoed, for I will not pretend to move into a brighter future dragging a half billion dollar deficit with me.

I recognize full well that this approach will not be welcomed by many of my friends in the Legislature or throughout the State. But I also recognize the harsh fact that to continue passing spending programs without sufficient revenues is a path to disaster. In the short run it is pleasing to some, in the long run it is costly to all.

Within the State agencies of government I plan to take new steps. The Division of the Budget sent out in the last few days tight expenditure ceilings to each agency—ceilings that reflect legislative budget actions to date as well as what we expect from the freeze on employment. These ceilings shall remain in force without presuming for a moment on what may occur when the supplemental budget is passed. Again, we will not attempt to financially run this government on hope or promises.

But in addition, I am ordering the Director of the Division of the Budget to find ways to cut activities even further. I shall begin by discussing this procedure in detail at a meeting of agency heads tomorrow. There are areas of government where I hope I shall not be forced to take these steps—Mental Hygiene, Health, Corrections—to name but a few where our responsibility to individual human beings is both high and a matter of life and death. But if need be, the cuts will be found there too.

In essence, the decisions that I have arrived at concerning New York State's budget are unhappy ones. I need not impress upon anyone my commitment to excellence in health care, to the education of our children, nor the deep concern I feel for our cities. My record in public life is secure on these issues.

I would only be pleased if the debate of the hour was over which new programs should be passed, rather than what should be cut. Perhaps one day we will have the opportunity of that debate again. But this is not the day for that—this is the time for the maintenance of integrity in government in the truest sense—

through plain talk about the facts that face us and the burdens that all must share.

(Signed) HUGH L. CAREY

**Submitting, Pursuant to Section 209 of
the Civil Service Law, the Fact-Finders' Report
Arising out of an Impasse in Collective Negotiations
between the Executive Branch of State Government
and the Civil Service Employees Association**

STATE OF NEW YORK—EXECUTIVE CHAMBER

April 29, 1975

To the Legislature:

Pursuant to Section 209 of the Civil Service Law, I am submitting to Your Honorable Bodies the Fact-Finders' Report arising out of an impasse generated by collective negotiations under the Public Employees Fair Employment Act of 1967 (the Taylor Law), between the executive branch of the State of New York and the Civil Service Employees Association, Inc., representing State employees in the Administrative Services Unit, the Operational Services Unit, the Institutional Services Unit, and the Professional, Scientific and Technical Services Unit. The Public Employment Relations Board established the fact-finding panel on March 31, 1975, and this panel's report was delivered to the State and to CSEA on April 25, 1975.

The Taylor Law requires me to submit to Your Honorable Bodies the findings of fact and recommendations of the fact-finding panel, together with my recommendations for settling the dispute.

The opinion and recommendations of the fact-finding panel are attached as Appendix A.¹

The recommendations of the fact-finding panel and my recommendations are juxtaposed and attached as Appendix B.²

After careful and full consideration of the recommendations, I have reached the following conclusions:

A. Those recommendations dealing with the disciplinary procedure, the agency shop, and health insurance are acceptable with one exception. The exception concerns the agency shop, in respect

to which I feel constrained, in order to protect the State against potential liability exposure, to insist that CSEA either provide the State with an indemnity bond or exempt present employees from the agency-shop fee requirement.

B. On the matter of salaries, I note the following conclusions reached by the fact-finders:

1. "In our opinion . . . State salaries are as good or better than those earned in other comparable employments. No wage adjustment is necessary because of failure of the State to match the salaries of comparable business employers, or of private employers in New York State."
2. "We find that there is no reason to adjust State salaries in the CSEA units to compensate for past erosion of earnings due to inflation."
3. ". . . nonsalary components for compensation are as good as or better than in competing employments for members of the CSEA units . . ."
4. ". . . we find no basis to provide cost-of-living or catch-up increases to match wages paid last year."

Notwithstanding these conclusions, the recommendation of the fact-finding panel calls for a 6 percent across-the-board increase.

This is unacceptable. I am compelled to stand on the position taken by the State in the negotiations with CSEA: we shall maintain minimum salary provisions providing \$6,000 and \$6,500 for an additional year, effective April 1, 1975; we shall pay presently scheduled incremental increases, effective on the payday next succeeding July 1, 1975; we shall make a \$250 nonrecurring payment to each employee in the bargaining units, effective when this dispute is terminated. The cost of this salary package is \$51.4 million. It will result in an average percentage increase in employee income of 3.5 percent. The cost of the salary package recommended by the fact-finders is \$102.3 million.

As I pointed out in my statement of April 22, 1975, there is presently a \$500 million gap between budget expenditures and projected revenues. Faced with this deficit, I cannot and will not accept a salary increase which will increase that gap by another \$51 million. These are austere times. As Governor of the State of New York, I feel constrained to follow a policy of fiscal self-discipline, which will reduce the risk of reduction of State services and the

layoff of personnel and set the tone for other governmental entities which are State-dependent. I cannot recommend salary increases which will result in the loss of jobs for State employees.

My representatives will be pleased to explain these recommendations to Your Honorable Bodies or such committee as you may authorize to hear this matter pursuant to Section 209 of the Taylor [Civil Service] Law.

(Signed) HUGH L. CAREY

¹ Editor's Note: Appendix A is not reproduced due to its length. It is available at the State Library in Albany.

² Editor's Note: This document appears as "Appendix A" of this volume.

Recommending Proposals Concerning Nursing Homes

STATE OF NEW YORK—EXECUTIVE CHAMBER

May 22, 1975

To the Legislature:

On taking office, I was confronted with a health care crisis of immense proportions, involving the most defenseless of our citizens, the aged and infirm. It was my hope that this crisis could be met by solutions which would insure a higher level of care and treatment in facilities caring for these groups and a restoration of public confidence in the government's ability to supervise the private use of public funds.

On January 10, pursuant to my authority under Section Six of the Executive Law, I appointed Morris B. Abram to conduct an investigation into the State's regulation of nursing homes and other residential care facilities which receive State, local or Federal funds. Mr. Abram immediately assembled a talented and hard-working staff, and in the five months following his appointment, has initiated an extensive exploration of the mechanisms of State regulation and State and Federal funding, particularly the Medicaid system, as they related to the quality and efficiency of care provided in such facilities.

The 11 bills which I am transmitting to you today are legislative proposals representing an interim work product of the More-

land Commission. As such, they are designed to deal directly with the most serious immediate problems which have been uncovered with respect to the nursing home industry, and particularly to insure the deterrence of poor care and fraud and the strengthening of governmental controls. I specifically call your attention to the first proposal, creating a powerful new remedy for nursing home patients in the form of a class action, and to the fourth proposal, which deals with potential conflicts of interest involving members of the Legislature and the regulatory bodies which oversee the nursing home industry.

Mr. Abram, his fellow commissioners and their staff are to be commended for the serious work they have undertaken and the sense of purpose with which they have moved toward meeting their mandate. I not only urge that Your Honorable Bodies give these proposals the careful consideration they deserve, but I would suggest that the public demands that these measures be promptly enacted in their totality.

(Signed) HUGH L. CAREY

**Recommending Changes in the State's
Correctional System**

STATE OF NEW YORK—EXECUTIVE CHAMBER

June 11, 1975

To the Legislature:

New York State has had a tradition of progressive government. One aspect of our government which has been out of step with this tradition is our correctional system, which is an anachronism in many ways.

Few will dispute that it does not correct. It does not reduce crime. Often it does not treat prisoners, parolees or ex-offenders either humanely or rationally. It discriminates against women and many believe it is sadly lacking in imaginative, innovative and progressive programs to deal with institutional problems that have existed since shortly after the Pilgrims landed at Plymouth Rock several centuries ago.

The time has come for a change. In my Annual Message to

Your Honorable Bodies, I promised constant and rigorous monitoring of corrections and its performance. I promised that standards would be set and that the system of corrections, probation and parole would be overhauled. Today I offer for your consideration the first step of a program to achieve sweeping changes in our correctional system, with the primary goals of reducing tensions in prison, ameliorating restrictive and unnecessary conditions of confinement, and removing injustices where they exist in the correctional system.

Monitoring Corrections

In 1974 the State Commission of Correction was removed from the Department of Correctional Services and placed in the Executive Department in order to provide it with the independence necessary to monitor the performance of corrections in New York. The Commission was given broad powers to oversee correctional programs and institutions and to take action to insure that correctional programs met standards which were to be set by the Commission. Despite its broad powers, the Commission has failed to live up to its expectations and has failed to provide the leadership necessary to bring correctional programs and policies in New York to the forefront of the national drive for correctional reform. In fairness to the Commission, however, it must be noted that, although it was given broad responsibilities, the tools with which to carry out those responsibilities were withheld from it. It was inadequately staffed and depended for direction upon part-time members with other pressing concerns. Failure was thus built into the design of the Commission and failure is what we have received.

In a large state like New York with over 400 State and local correctional facilities to be inspected and monitored, a wholly part-time Commission with a small staff is simply insufficient to do an adequate job of fulfilling the functions, powers and duties that have been entrusted to it. The Commission needs strong leadership on a regular and full-time basis in order to assist in the formulation of enlightened correctional policies to improve what is and has been a far-from-perfect correctional system. Legislation I am submitting for your careful consideration will restructure the present Commission to provide for a full-time chairman and two additional full-time commissioners and for an expanded staff to perform the many and varied functions that will be entrusted to the Commission.

The concept of citizens' input into the formulation of correctional policies has not been abandoned, however. The proposed legislation, which has been formulated in consultation with Senator Marino and Assemblyman Fink, creates a seven-member, part-time Citizens' Policy and Complaint Review Council. The Council will be entrusted with the duty of advising and assisting the Commission in the formulation of programs and policies to improve the performance of the correctional system and of promoting research and study in areas of correctional policy and program development.

The Commission's ability to deal with dangerous conditions in local jails is enhanced considerably by giving it the power to place monitors in facilities which present an imminent danger to the health, safety or security of the inmates, employees or the public. Its power to close dangerous facilities is strengthened by shortening the time limitations for court proceedings involving such closings.

This legislation will enable the Commission to be a vigorous and effective watchdog of the correctional system.

Reducing Tensions

Correctional experts generally agree that the lack of nonviolent procedures for the resolution of accumulated grievances is a major factor contributing to inmate tension which occasionally results in violent eruptions such as Attica. Yet, three and a half years after that tragic episode in our correctional history, no significant reform addressed to this problem has been forthcoming. Because of a lack of adequate procedures for the resolution of grievances in our correctional facilities, State and Federal courts are deluged with inmate complaints seeking resolution of disputes involving policies, programs and administration of correctional facilities. Resort to the courts in the first instance in such cases is neither a workable nor a desirable solution, because the department or institution ought to have an opportunity to correct any error for which it is responsible, because the courts are already overburdened with other serious matters and because the courts' jurisdiction in reviewing complaints arising from day-to-day living in institutions is quite limited.

There must be an alternative to burdening the courts with matters which can and should be resolved administratively. There must also be a means of resolving grievances fairly, simply and expeditiously in a procedure that is, and is perceived to be, impar-

tial. I am therefore submitting for your consideration legislation that will achieve these purposes both on a State and a local level.

With respect to local correctional facilities, the Citizens' Policy and Complaint Review Council to be created within the Commission of Correction will have the power to investigate written complaints or grievances. The Council will include an attorney and a former inmate in its membership and will be authorized to take any action necessary to resolve such complaints and grievances and will have all of the powers necessary for it to carry out its duties. One of the full-time members of the Commission will be designated as chairman of this Council.

The need for such an independent body with the sole function of investigating complaints and grievances in the local correctional system has been apparent for a long time. The existence and efficient operation of such a body could go a long way towards reducing tensions in our local correctional facilities and could point the way towards reforms that eliminate the sources of such complaints and grievances, where appropriate.

With respect to State correctional facilities, in a major reform designed to provide a nonviolent and meaningful outlet for prison tensions, Commissioner Ward has taken the initiative and embarked upon a program of establishing grievance resolution committees in designated correctional institutions. Legislation that I offer you will mandate the creation of such grievance resolution committees in each State correctional institution. Such committees will be composed of inmates and correctional officers and will be charged with the primary responsibility of resolving grievances that arise within the institution.

Under Commissioner Ward's direction, inmates and correctional personnel will have a voice in the formulation of procedures that guide the resolution of disputes. If any party to the grievance resolution procedure is dissatisfied with the committee's decision, the Commissioner or his deputy will attempt to resolve the dispute to the satisfaction of all parties. If this attempt fails, the matter will be referred to the State Commission of Correction for review and recommendations. If the recommendation of this impartial and independent body is rejected by the Commissioner wholly or in part, he would be required to provide a written reason for such rejection. The Commission's recommendation and the Commissioner's statement will be made public. This procedure will provide for an expeditious, simple and impartial resolution of grievances

without needlessly burdening courts with matters they are not equipped to handle in the first instance. Such a program is particularly important in view of the constantly increasing prison population which is presently approaching the program capacity of the Department of Correctional Services.

With the implementation of such procedures, New York would be embarking upon a far-reaching reform to prevent future Atticas.

Ameliorate Conditions of Confinement

Few things are more important to an inmate than his contacts with the outside world. In the past there have been numerous restrictions placed upon an inmate's ability to send and receive mail and to be visited by persons of his choice. These restrictions serve no valid penological purpose and ought to be eliminated. I have therefore instructed Commissioner Ward to undertake a review of departmental procedures and to promulgate regulations restricting routine inspection and censorship of inmate mail unless some abuse related to legitimate security concerns of the institution is apparent or reasonably suspected. Such regulations could permit the opening and inspection of incoming mail in the presence of the inmate to insure that contraband is not introduced into the facility. Similarly, inmates should be permitted to visit with persons of their choice, subject only to reasonable restrictions imposed by the availability of space and security.

I have also directed Commissioner Ward to review departmental rules and regulations permitting routine strip searching of certain inmates. Such searches are not only offensive and degrading to inmates but are unnecessary in most cases. Strip searches should be permitted only when there is reasonable cause to believe that contraband will be found as a result of such searches. This change in practice would remove one of the serious causes of inmate resentment and of friction between correctional officers and inmates without impairing the legitimate security concerns of the institution.

All of these proposals are the fruits of the labors of dedicated men and women who served on my Task Force on Law Enforcement and its Subcommittee on Corrections and I publicly acknowledge a debt of gratitude to each and every one of them. In addition to the proposals to which I urge you to devote your earnest attention, the Task Force has recommended several long-range plans for the complete overhaul of our correctional and criminal justice sys-

tems. A supplemental Task Force report on the special problems of women offenders is to be submitted to me shortly. Each of these proposals will receive careful consideration and such further legislation as appears necessary will be submitted to Your Honorable Bodies for action.

I am gratified to note that my concern for correctional reform is shared by the Assembly Codes Committee, under the able chairmanship of Assemblyman Stanley Fink, which has devoted its attention to a programmatic approach to correctional legislation. Without addressing the merits of specific items of legislation in the Codes Committee, I applaud the concepts underlying that program. Similar laudable legislative efforts have been under way in the Senate Committee on Crime and Correction and the People of this State can expect significant correctional reform this year with broad bipartisan support in both houses of the Legislature.

In the past there has been too much rhetoric and not enough action in reforming correctional practices. When we see recidivism rates approaching 75 percent, we can appreciate the magnitude of our failure to rehabilitate. The proposals I advance for your consideration are not cosmetic or catchy. They are a modest, reasonable response to and an anticipation of serious problems that have plagued correctional systems here and elsewhere. In a quiet way, these proposals can change the correctional world as we have known it and can improve the efficacy of the entire criminal justice system.

(Signed) HUGH L. CAREY

**Recommending Legislation to Strengthen
New York State's Racing Program**

STATE OF NEW YORK—EXECUTIVE CHAMBER

June 26, 1975

To the Legislature:

In the last ten years, thoroughbred racing has produced over three-quarters of a billion dollars in revenues for the State of New York. In order to continue at this level in the face of the strong competition that is likely to come from the New Jersey Meadowlands Track, steps must be taken to insure that New York's racing

program will continue to operate as a progressive and up-to-date system, second to none in this country. The key to maintaining and strengthening this position is to provide for year-round racing in New York, beginning in 1976.

To this end, the bill that is submitted to Your Honorable Bodies would extend for a three-year period three existing provisions in the pari-mutuel revenue law designed to provide assistance and stimulation to racing throughout the year. Specifically, it would continue the minimum franchise fee of \$1,000 per racing day, maintain present purse level of 3 percent of regular bets and 4 percent of exotic bets, and continue the basic pari-mutuel tax at its present level.

In addition to continuing these existing provisions, the bill also would provide the necessary financial assistance to the New York Racing Association to enable it to undertake the capital improvements required at Aqueduct so that racing can be held there each year during the winter period from January first through the last Saturday in February. These improvements are both for the comfort and convenience of the spectators and for the safety of the horses. In order to finance the necessary capital costs, the bill would provide that for the first three years of winter racing, the added tax revenues that would otherwise go entirely to the State will instead be split half and half with the New York Racing Association, with its share to be used in the implementation of the necessary capital projects. Thereafter, the regular statutory rate will go into effect for the winter period and all of the tax revenues will go to the State. Despite this sharing, however, additional revenues of approximately \$6.5 million should be realized by the State in fiscal 1975-76.

This legislation should insure that New York's traditional position of preeminence in racing will be maintained. I urge you to give this proposal your most careful consideration.

(Signed) HUGH L. CAREY

B.

**MESSAGES TO THE LEGISLATURE
EXTRAORDINARY SESSION**

**On September 4, 1975 the Legislature convened in
Extraordinary Session, pursuant to the call of Governor Carey**

**Message Requesting Counsel and Support for
Prompt Action To Deal with
New York City's Financial Crisis**

STATE OF NEW YORK—EXECUTIVE CHAMBER

September 5, 1975

To the Legislature (In Extraordinary Session):

I have convened Your Honorable Bodies in Extraordinary Session to share with you, and to seek your counsel and support for prompt action to deal with a dire financial emergency. The City of New York is on the brink of financial collapse; an unparalleled disaster looms over it.

New York City is unable to raise the funds it needs to pay debts as they become due and to insure that essential municipal services continue uninterrupted. The doors to the capital markets have been closed to it directly, and now also indirectly. New York City's financial failure threatens to paralyze vital governmental functions, endangering the health, safety and welfare of the more than 12 million people in the City and region. If not quickly and decisively contained and resolved, this crisis portends a severe financial risk for New York State and perhaps for the nation as well.

In June of this year, faced with similar conditions in New York City, I presented to Your Honorable Bodies emergency legislation to create a Municipal Assistance Corporation for the City of New York. That legislation represented our best efforts then, having attempted but not succeeded in gaining Federal assistance, to avert the catastrophic results threatened by a New York City default. With your support, we formed the Municipal Assistance Corporation (MAC) and empowered it to raise up to \$3 billion in the public capital market. With the advice and consent of the Senate, I appointed as members of the Board distinguished New Yorkers of outstanding reputation in public and private finance.

During two months of relentless work, MAC was able to raise nearly \$2 billion—twice keeping the City from imminent financial collapse. On August 25th and again on September 1st, however, the Corporation informed me that it was unable to finance any more of New York City's debt.

In the hope that further drastic reforms of the City's internal

financing and management structure would restore the financial community's and the public's confidence in the City, far-reaching steps were taken or agreed to by the City, in close consultation with the State and MAC, to improve its condition, including:

- the formation of a Management Advisory Committee to assist in streamlining the City's management;
- a ceiling on the size of the City's budget;
- a moratorium on additional taxes;
- dismissals of thousands of municipal workers, elimination of thousands of positions from the City's budget and a freeze on new hiring;
- a suspension of wage increases of City employees;
- an increase in the public transit fare;
- a further reduction in the budget of the City University and an increase in student fees that endangers its long-standing free tuition policy;
- a significant reduction of the Capital Budget;
- appointment of a special mayoral deputy for finance.

It was our hope that these steps, coupled with MAC's financing efforts, would enable the City to market its own securities by this October. But this hope has not been realized, thus making the prospect of default more imminent and the need for immediate State intervention inevitable and crucial if we are to stave off the dire consequences certain to follow a default.

I had indications that closer and more direct participation by the State in monitoring the City's finances during this crisis might improve its chances to regain entry to the capital market. MAC's Board of Directors so advised, as did other representatives of diverse interests. To this end, I asked MAC to recommend specific forms of State involvement that might cause a change in the attitude and outlook of the financial community and the investing public across the country. MAC has now reported to me, and its proposals form the basis for the recommendations I am presenting to you for your consideration.

I must in candor alert you, as MAC has alerted me, that these measures contain certain risks to the State. If all elements of MAC's proposed plan were enacted, they would produce financing to New York City for the next three months. We have no assur-

ances that at the end of this period capital markets will be open again to New York City, or to MAC. Should that be the case, the continuing inability of the City and MAC to obtain financing for New York City's debt and municipal services would impair the soundness of the financial plan and, in consequence, at a measurable level, the credit of the State. There are no commitments or understandings for private financing of the order required for a long-term solution. New York's commercial banks have indicated that they are prepared to participate in financing portions of the plan but in very limited amounts.

Under these circumstances, our most prudent course would be to secure sound, reliable financial commitments for the balance of New York City's fiscal year. But resources of the magnitude required for such financing are not available or known to us at this time, other than from the Federal Government.

I have been in close contact with Federal officials in efforts to enlist Federal support for the City's emergency. This week I met once again with President Ford to apprise him personally of our desperate situation, of the alarming economic disorder that the financial fall of New York City would cause throughout the nation, and of the need for Federal cooperation in the State's efforts to avoid such a disaster. The President and other Federal officials were understanding and sympathetic but offered no commitments.

We confront, therefore, a formidable dilemma. There are major risks in any choice we make. Our most prudent course is to weigh the risks and follow the path that minimizes them.

I have outlined above the risks presented by the proposed plan. They are real and substantial. But in some respects they are measurable and finite. The limit of the State's immediate financial exposure is determinate. Adopting the plan offers a chance in the next three or four months to lessen its risks. During this period the plan may prove workable; and we may convince the public, the financial community, and the Federal government that we acted responsibly and in good faith, committing major State resources in efforts to assist the City.

In contrast, a choice of default holds the prospect of inestimable harm for an indefinite time, not only to New York City but to the State and the nation as well. There is no way to quantify the risks of a default of the magnitude we face. That its consequences would be injurious for years to come is beyond question. This opinion is shared by numerous eminent authorities of unqualified

and respected judgment in national and international finance whom I have consulted, including several former U.S. Secretaries of the Treasury and former officers of the Federal Reserve System, all of whom unequivocally advised me that default must be avoided. Inexplicably, officials in the Federal Administration do not seem to share that view. I have received little indication that they as yet truly appreciate the gravity of the City's situation, or its profound implications for our State and nation.

The experts I consulted warned that default would indefinitely close the capital market to New York City and to MAC. If the City cannot borrow, the State will be called upon to meet the full or a greater share of the costs of insuring the continuity of the City's municipal functions—both for services for which the State contributes part of the costs as well as for those fully funded with City revenues. The State would be faced with the shutdown of construction projects, worth over \$1 billion and affecting thousands of workers, financed by its authorities and public benefit corporations. Projects now under construction could not be completed, and the holders of outstanding securities issued for such projects would call upon the State to fulfill its moral obligation pursuant to law. The faith and credit of the State would be adversely affected by these uncertainties, disruptions and dislocations, raising the costs of borrowing for State purposes.

The ability of other cities, counties and districts throughout the State to borrow would similarly be impaired, again raising the probability of calls upon the State to make available its credit and resources for assistance. Other states and municipalities throughout the nation will not escape the shocks and waves emanating from a New York City financial collapse. This picture is not mere speculation. The failure earlier this year of the New York State Urban Development Corporation to pay a bond anticipation note on the date of maturity caused immediate and substantial increases in the interest rates paid by several other public authorities and corporations. Other municipalities, school and sewer districts throughout the State have faced greater difficulty borrowing and are paying higher interest as well.

These likely results of a default are unthinkable and unacceptable. Instead I choose to follow a route of more limited risks presented in the program before you. My conscience and my sense of prudence and public responsibility lead me to a judgment in which I ask you to join me, to exert the limit of our energies and powers to avert the catastrophe of a default.

Faced with these choices, it was my obligation to reach a decision that I believed to be in the best interest not only of New York City, but of all the people of the State. I did not make the decision lightly. But on balance I am confident the choice I have made is morally right.

Accordingly, pursuant to the powers vested in me under Article IV, Section 3 of the New York State Constitution, I hereby recommend to you for consideration at the Extraordinary Session I have convened at twelve o'clock noon on the fourth day of September in the year one thousand nine hundred and seventy-five, at the State Capitol, in the City of Albany, the legislation I submit herewith respecting the financial emergency in the City of New York. I commend it to you with confidence that it merits your full support.

(Signed) HUGH L. CAREY

Editor's Note: See MAC Report of September 1, entitled *Financial Plan and Legislative Program*, which appears as "Appendix D".

**Recommending a Moratorium on
New York City Notes**

STATE OF NEW YORK—EXECUTIVE CHAMBER

November 13, 1975

To the Legislature (In Extraordinary Session):

Pursuant to the powers vested in me by Article IV, Section 3 of the Constitution, I hereby recommend to you for consideration the bill I submit herewith, which would suspend for up to three years the ability of holders of outstanding New York City notes to commence any action or to enforce any judgment, on condition that such holders (1) shall have been offered the opportunity to exchange such notes for obligations of the Municipal Assistance Corporation of the City of New York and (2) will receive original interest until the date of maturity and thereafter will continue to receive interest on such notes at a rate of not less than 6 percent until they are redeemed.

(Signed) HUGH L. CAREY

**Recommending Measures Designed To Aid the
New York State Housing Finance Agency and the
New York State Environmental Facilities Corporation
To Regain Access to the Municipal Market**

STATE OF NEW YORK—EXECUTIVE CHAMBER

November 13, 1975

To the Legislature (In Extraordinary Session):

Pursuant to the powers vested in me by Article IV, Section 3 of the Constitution, I hereby recommend to you for consideration the seven bills I submit herewith, which will enhance the ability of the New York State Housing Finance Agency and the New York State Environmental Facilities Corporation to regain access to the municipal market, and to enable them to continue their activities. These bills would:

- Appropriate, in the first instance, \$10 million to the Housing Finance Agency to restore the Agency Debt Service Reserve Fund, established for nonprofit projects, to its statutory level.
- Appropriate \$80 million, in the first instance, to the Housing Finance Agency to insure the Agency's ability to refund certain bond anticipation notes sold to the State on November 14, 1975, which will mature on February 16, 1976.
- Appropriate \$40 million to the Housing Finance Agency for the repayment of outstanding bond anticipation notes issued in connection with the Equity Loan Program, the Community Mental Health Services and Mental Retardation Services Program, the Youth Facilities Program, and the Community Senior Citizens Centers Program.
- Amend the Private Housing Finance Law to modify the maximum interest rate payable by a limited-profit housing company.
- Amend the Private Housing Finance Law to establish a bond reserve insurance fund to further secure payment of debt service on bonds of the Housing Finance Agency, and appropriate \$30 million to the fund.

- Amend the Medical Care Facilities Finance Agency Act, to establish a bond reserve insurance fund to further secure payment of debt service on bonds of that Agency, and appropriate \$600,000 to the fund.
- Appropriate \$20 million to the New York State Environmental Facilities Corporation for the payment of outstanding notes, to complete construction of projects, and for other project planning costs; and require the agency to submit a plan for the expenditure of those funds to the Director of the Budget.

(Signed) HUGH L. CAREY

**Concerning the Financial Emergency Facing the
City of New York, City of Yonkers
and Certain State Agencies**

STATE OF NEW YORK—EXECUTIVE CHAMBER

November 14, 1975

To the Legislature (In Extraordinary Session):

On September 4, 1975, I convened Your Honorable Bodies in Extraordinary Session to address a financial emergency in the City of New York. I informed you then that the City was unable to raise sufficient funds to pay debts as they became due and to insure that municipal services continued uninterrupted. And I recommended for your consideration legislation to provide financial assistance as well as to reform the City's finances expeditiously. Your Honorable Bodies responded promptly and decisively. With due concern for the gravity of the situation, you enacted the New York State Financial Emergency Act for the City of New York. You found and declared that indeed an unprecedented crisis confronted the City which menaced the health, safety and welfare of the City of New York and imperiled also the State and nation.

In commending to you proposals to deal with the City's emergency, I cautioned that my recommendations represented my best judgment of the lesser of two grave risks, and that they rested in the hope and faith that the time we gained by them would offer

us the reprieve we needed to test our assumptions, to restore calm to the municipal credit market, to renew confidence in New York City obligations, or, failing that, to give us additional time to work toward our last resort—Federal assistance.

For two months, City, State and bank and union officials have labored diligently and cooperatively to implement the provisions of the Financial Emergency Act. All the milestones called for in the Act to restore order to the City's finances were met on schedule, beginning with the formation of the Emergency Financial Control Board on September 11. In furtherance of its mission, the Board:

- delivered three-year revenue estimates for the City and its agencies;
- adopted a three-year Financial Plan for the City calling for further reductions in this fiscal year's Expense and Capital Budgets, continuation of a wage freeze, nominal growth in spending over the three years and ultimately a balanced budget by the fiscal year beginning July 1, 1977;
- endorsed a freeze on all new City capital construction;
- approved guidelines for review of all City contracts and obligations.

Pursuant to the Financial Plan, painful new economies are now under way in the City.

Despite these efforts, the crisis in the City continues—the capital markets remain closed to obligations of the City of New York and to the Municipal Assistance Corporation for the City of New York. Several reasons may explain this development. A decision of the State Court of Appeals upset a significant portion of the financing authorized in the Financial Emergency Act. Considerable doubt and confusion ensued, endangering the entire financial assistance plan. The State found the credit market closed to it for the borrowing required to make available to the City the special appropriations authorized in the Financial Emergency Act. The capital market feared continuing threats of defaults by the City and certain State agencies and other municipalities. On October 17, 1975, the City came perilously close to default, averting it by mere hours. And in addition, we know now through hindsight that it will require much longer than we originally estimated to restore public confidence in the City's financing.

These events created more of the very uncertainties that we

sought to eliminate. The continuing emergency, and the growing confusion that it generated, aggravated the City's crisis, darkening even more the financial atmosphere in the municipal credit market and endangering the credit of the State. In September, an investment rating service lowered the credit rating of the State and City and some of their agencies. The rating was suspended altogether for certain State offerings. The State's Housing Finance Agency and other State agencies found the credit market closed to them, too. The City of Yonkers also was affected by the spreading fear and now faces default on outstanding obligations.

Faced with a deepening emergency, rapidly growing beyond our control, we turned full attention to attracting Federal assistance. Joined by thousands of concerned New Yorkers representing every interest and conviction, we have campaigned to raise national awareness of the City's plight and its dangers to the entire country. Many Congressional leaders quickly grasped the potential national repercussions of a default and bankruptcy by New York City and promptly initiated action to avert such a default. Hearings were held in both houses of Congress and legislation was introduced to provide Federal loan guarantees to the City.

Unfortunately, until recently, the Federal Administration has remained unyieldingly opposed to any form of assistance to the City to avert a default. In fact, the President himself, in a national address on October 29, 1975, warned that he would veto any bill enacted by Congress designed to avert a default by New York City. He offered instead to assist the City to achieve an orderly bankruptcy. The President, his staff and members of the Federal Administration repeated this message consistently, continuing their steadfast opposition and insisting that the City and State have the resources, without Federal help, to stave off default. Meanwhile, New York City, Yonkers and several State agencies moved inexorably toward certain financial collapse. Buffalo encountered considerable difficulty securing financing. Other cities across the State and nation paid more to borrow.

The events of the past weeks, and the great national and international public debate that has ensued, confirmed many of our fears, and, I believe, have fully vindicated the steps we took in September in aid of the City. Leading authorities have overwhelmingly supported Federal assistance for the City, reaffirming the ominous consequences which impelled us to take the risks we assumed in rescuing the City from imminent financial collapse.

Mayors and financial officers from cities across the nation testified before Congress that their citizens were paying higher interest rates, and traced this to turmoil in the capital markets caused by the New York City emergency. Bankers and financial institutions warned of the possible effects on the banking system threatened by forced write-downs and discounts of devalued municipal securities and withdrawal of deposits. Leading economists and financial analysts alerted us to the impact on the gross national product and unemployment which would retard economic recovery. Lawyers pointed to the incalculable chaos that would follow years of endless litigation by the City's creditors, combined with lasting denial to the City of access to the credit market. Other studies indicated the heavy blow that would be suffered by hundreds of thousands of individual investors whose life-savings were placed in the faith of New York City securities; the hundreds of smaller business firms that also would be financially destroyed if the City went into bankruptcy; and the large suppliers that would add to the grievous calamity of a default by withholding vital services.

As the picture emerged of this untolled injury to City, State and nation, opinion began to turn in our favor, in support of Federal action to prevent a default. The Banking Committees of both houses of Congress agreed, and voted to recommend Federal aid legislation. Congress' Joint Economic Committee and its Budget Office also concurred in many of these findings and ramifications.

In efforts to address the objections of the Federal Administration, officials of the Municipal Assistance Corporation, with the cooperation of the City, municipal unions and banks, developed a proposal involving participation by these parties in a new financial package that would supply approximately half of the City's borrowing needs for the next three years, with the Federal government assisting with the remainder through loan guarantees. Included in the proposal was our agreement to seek to reform and improve the credit of the State's agencies, to close the State's budget gap and to further reduce the City's deficits with additional State tax revenues.

This week, for the first time, we received an indication that Federal Administration officials were prepared to reappraise their position if the State, City, unions and banks firmly committed their participation in this proposal.

Once again we find ourselves confronting very trying choices. Either we again commit substantial resources of the State and undertake additional sacrifices on the faith that by doing so we will obtain the Federal support that constitutes our last resort to avoid default, or we choose squarely to surrender to default once and for all.

Fortunately, our choice at this time is clearer, our public responsibility more compelling. Many of the untested arguments with which we struggled earlier to support the course we followed could have been regarded merely as self-serving fears, conjecture and speculation. Now they are supported by facts, ample evidence and impartial authorities. Whereas in September we dealt exclusively with the financial emergency in New York City, we now face similar dangers in the City of Yonkers, the State agencies, and more clearly the State itself. It is now also more apparent that the national interest, too, is at stake.

Accordingly, pursuant to the power vested in me under Article IV, Section 3 of the New York State Constitution, I have recommended to you for consideration in Extraordinary Session the legislation I have submitted respecting the financial emergency facing the City of New York, the City of Yonkers, and various State agencies.

(Signed) HUGH L. CAREY

Editor's Note: See Appendix "E" for President Ford's address to the National Press Club on October 29, 1975.

**Recommending Repeal of the Authorization for
New York City To Impose a Tax on the Sale of Bonds**

STATE OF NEW YORK—EXECUTIVE CHAMBER

November 18, 1975

To the Legislature (In Extraordinary Session):

Pursuant to the powers vested in me by Article IV, Section 5 and Article IV, Section 3 of the Constitution, I hereby recommend to you for consideration the bill I submit herewith, which repeals

Chapter 398 of the Laws of 1975, which authorized the imposition by the City of New York of a tax on the sale of bonds.

(Signed) MARY ANNE KRUPSAK

Editor's Note: Lieutenant-Governor and Acting Governor Mary Anne Krupsak sent the above message at Governor Carey's behest, when he remained in Washington, D.C. to continue negotiations with Federal officials.

**Requesting the Legislature To Act on Measures
Designed To Save the City of
New York from Bankruptcy**

STATE OF NEW YORK—EXECUTIVE CHAMBER

November 24, 1975

To the Legislature (In Extraordinary Session):

In less than two weeks, the City of New York will not have sufficient funds to meet the cost of its payroll and vital services. This grim fact caused me to convene Your Honorable Bodies in Extraordinary Session to enact emergency legislation twice in the past two months. Absent Federal assistance, the situation augurs dreadful chaos for the City and its people, and for the State and the nation as well. In two previous messages to you I attempted to portray the ominous events that threaten us all if the City remains paralyzed by the financial crisis in which it has been gripped for several months.

I come to you once again to restate and to impress upon you the grave urgency that we face, the intolerable consequences that we must avert at all reasonable costs. I address you again because in recent days the solemn context in which you were convened appears to have been lost, its focus blurred in the heat of debate. The bipartisan spirit which has brought us so far in the eyes of the nation has weakened. Party against party, group against group has no place in this enormous effort. For chaos to be avoided, for history to record us kindly, we must re-establish that unity of purpose that has allowed us to confound our critics and save our constituents from economic misery at the same time. As in all times of social crisis, the center must hold. This can only be accomplished when men of good will stand ready to sacrifice their

most extreme positions without prejudice to arrive at the common good.

Ladies and gentlemen, the life of our greatest City, indeed the fiscal life of the Empire State, is in the balance. New York is being severely crippled by lasting financial uncertainty. In our hands rests a fateful mission. If we do not succeed in abating the crisis that besets New York City, grievous injuries will be inflicted upon it from which it may never recover.

Let us not lose sight of what is truly at stake. Let us remember our momentous task. When history's verdict is cast, let it be that we acted honorably and responsibly, that our hearts and minds were strong enough to bear the crushing public responsibility placed upon us.

I am well-aware of the grave concern that some of you feel over the effects of municipal service reductions on your constituents. I sympathize with your sincere attempt to mitigate further erosion of vital City functions. I appreciate, too, other members' fear of political retaliation for voting to impose higher taxes upon citizens already shouldering the heaviest tax burden in the nation. As one who has spent a good portion of life in public service, I am sensitive to such concerns. I would only remind you that painful political acts are often found to be both enduring and rewarding in the final analysis.

But I must return to the paramount choice before you: you must either act on the measures you are debating, or face bankruptcy for the City of New York and the frightful aftermath that will attend it.

At another time, in another place, I might pledge to you that I would reckon fully with your fears and concerns before asking you to cast your votes for painful propositions. I regret that I cannot say that to you now. Time has practically run out on New York City. And I must add that the future of our greatest City, the lives of its eight million citizens, the financial stability of our State and our nation are too vital to be held hostage, to be used to force us to the bargaining table to negotiate about the closing of any particular precinct, firehouse or community program.

To those of you who wish to diminish the effects or restore specific municipal service cuts, I say that these reductions are being felt by all New Yorkers. Inequities are bound to occur in this extraordinary emergency. I have heard most of your concerns.

Many of them have merit, and well-deserve our attention. But time does not allow us to cure all the wrongs in the brief span left to us. Nor is the Legislature now the proper place in which to redress all the injuries. There is time ahead for you, working with City officials who are eager to cooperate, to make adjustments within available resources to insure that inequities are cured and that the burdens are spread and shared fairly.

To those who fear raising taxes, I say that I am prepared to accept the full responsibility for urging this action upon you. In a letter of November 14, 1975 to Secretary of the Treasury William Simon, I pledged that I would ask for legislation to raise an additional \$200 million in tax revenues for the City. This undertaking was one of several which I made pursuant to my understanding of what further steps were required of us to secure Federal assistance for the City. It has been clearly communicated to me and members of my staff and to officials of the Municipal Assistance Corporation for the City of New York that further reduction of the City's budget deficit by tax revenues was an essential consideration for Federal support. Such a condition was included in the New York City loan-guarantee bills introduced in both houses of Congress. On November 19, 1975 the President said that the City and State must do more to help themselves, that we must meet our constitutional obligations before he considered recommending Federal assistance. It is not unreasonable for other Americans debating whether to support Federal aid for New York City to condition their backing on our doing more to narrow the City's budget deficit. Under these circumstances it is my duty as Governor and Chief Executive of the State to bring these measures to you, however unpopular, and to prompt you to consider them.

As I perceive the distasteful choice we face, it is whether we are blamed for higher taxes or for the doom of New York City, for having missed the chance to act in the most responsible way during New York State's most dire crisis. If the crisis we confront offers any comfort, modest as it may be, it is the rare chance to rise to the challenge and to brave the test. Our only proper choice must be to do what is right for all our people. I ask that you continue to join me in this course with the same fervor and dedication which you have shown during these very trying months.

We have come a long way together. With your support, both the City and the State have been kept from financial collapse long enough for us to achieve what many have termed a miracle: reversing the trend of national public opinion, in favor of Federal assistance for New York City. We are closer than ever to our

desired end. The odds may now be barely in our favor. It would be a tragic twist of irony and fate if our efforts were to collapse now because we were unable to respond to a reasonable sacrifice. There are those who may wish to see our struggle disintegrate right here in Albany in order to defend Federal inaction and fault our own inadequacies for the consequences that may follow. We must not give them either excuse or satisfaction.

I close with a reminder of the anguish so many New Yorkers too-long endured. Stalwart as they are, there must be a limit to their endurance. It is unfair to allow the strains and uncertainties which our fellow-citizens have calmly tolerated to continue much longer. We fail in our public duties if we temporize while so many of our people's lives remain on the balance.

As a New Yorker to New Yorkers, I call upon you now to act—and to act no later than today. To further temporize, to further delay serves no purpose other than those attributed to people unsympathetic to us as a City and State.

(Signed) HUGH L. CAREY

**Recommending Legislation which Would Establish Certain
Residency Requirements for Municipal Employees**

STATE OF NEW YORK—EXECUTIVE CHAMBER

December 4, 1975

To the Legislature (In Extraordinary Session):

During this Extraordinary Session various members of the Legislature have recommended that the subject of establishing certain residency requirements for municipal employees be submitted for your consideration. In support of such legislation, it has been suggested that residency requirements would benefit the municipal economy through increased expenditures made by municipal employees within the municipality and increased tax collections.

Accordingly, pursuant to the powers vested in me by Article IV, Section 3 of the Constitution, I intend to recommend for your consideration legislation which will establish certain residency requirements for municipal employees.

(Signed) HUGH L. CAREY

**Recommending Proposals Designed To Introduce Stability
in the State and Local Financial Situation**

STATE OF NEW YORK—EXECUTIVE CHAMBER

December 9, 1975

To the Legislature (In Extraordinary Session):

Previously, during the course of this year, I have asked Your Honorable Bodies to consider and deal with crises affecting our State and local governments. Your record in responding to my requests has been one of responsibility; you have fashioned a record of bipartisan legislative action on behalf of the people of the State which deserves the highest acclaim.

But our task is not yet done; our responsibilities not yet fulfilled. Today, we must renew our efforts to protect the people from the onset of grave financial damage to their State government.

When you took the actions necessary to avert the financial collapse of the Urban Development Corporation, to avoid default by the State's largest city and its fourth-largest city and to forestall the bankruptcy of the State moral obligation agencies, you addressed the manifestations of the fundamental problems of State and local finance which now require our attention.

We are, in a very real sense, at a turning point in the social and economic history of New York State. The closing of the credit markets to New York State and its localities, as well as the budget gaps that face the State government and local governments throughout the State, witness this fact.

We must recognize that New York is no longer in the favorable financial position it occupied in the past; we must understand that there are limits to what this government can do on behalf of its citizens. Above all, we must be mindful that we cannot spend what we do not have. The State has tried and was catapulted into the crisis that now confronts us.

Today, I am presenting to Your Honorable Bodies a series of legislative proposals which recognize the stark reality of our grave financial condition, proposals which, when enacted, will introduce stability into our State and local financial situations.

These proposals will provide for an orderly and controlled buildout of the \$2.5 billion worth of construction programs financed by the State's moral-obligation agencies; they will resolve the State's \$721 million budget deficit in the current fiscal year, the projected \$803 million gap in the 1976-77 fiscal year, and put the State on a sound, balanced budget as required by the State Constitution; and they will provide the State and its local governments with the flexibility necessary to provide for gradual downward adjustments in their expenditures.

We are on the edge of the abyss; we no longer can delay and divert, or duck and dodge; there no longer is any other course but the painful approach I urge you to undertake.

Let me emphasize that the situation we face today is unlike those which have been addressed in previous years. We cannot resolve our current problems with marginal changes in expenditures and marginal changes in revenues which relate to levels of growth. It is not a simple matter of revenue and expenditure adjustments and then "business-as-usual".

Above all, we must recognize one fundamental fact: the crisis which imperils the State is symbiotically related to the problems of the State public authorities and local governments. While it would be difficult enough to deal with any one of these problems, we are forced, both by the nature of events and the public awareness of this crisis, to deal with all these matters in a consistent and related manner.

Piecemeal solutions no longer will suffice. The resolution of our agency problems, for example, will not assist the school districts across the State which are finding it impossible to borrow funds because of a pervasive concern for the State's ability to finance its education aid payments. We cannot continue to deal with these problems on a patchwork basis. Unless we act to close the State's budget gap, school districts—like Mt. Sinai in Suffolk County and Liverpool in Onondaga County—will find default probably inescapable.

Unless we act to improve the State's financial position, we will face the prospect of losing millions of dollars of Federal Medicaid assistance because we cannot afford to finance required improvements at our psychiatric centers like Pilgrim and Creedmoor.

Cities like Buffalo and Yonkers, towns like Ramapo, and such counties as Erie and Nassau all are experiencing the difficulties which result from our interrelated problems.

This period of adjustment in front of us will not be painless; it will require great sacrifice from all who support and receive the benefits of State and local governments. I can only ask that this sacrifice be shared fairly, that no one group be unfairly disadvantaged relative to others.

Thus, I will seek cutbacks in State agencies, I will ask for reductions in financial assistance to local governments, and I will ask for freezes in the wages and benefits provided to public employees. Those in the private sector—in hospitals, in universities and in industry—who receive governmental funds will be asked to do their share. And I will ask that the taxpayers of the State shoulder their share of the responsibility in halting the decline into insolvency and in putting the State government back on the solid ground of an honestly balanced budget. I repeat: we no longer can avoid this difficult decision by the use of fiscal sleight-of-hand gimmicks.

I do not intend that our actions at the State level will increase the burdens at the local government level. The crisis we face affects both State and local governments and I will ask, therefore, that local governments be assisted in the implementation of these reductions, or, at their discretion, be granted greater ability to self-finance.

The program I recommend for the State budget has the following elements. It will:

- a. Reduce expenditures by \$597 million over the next 15 months;
- b. Increase continuing revenues by \$555 million on an annual basis;
- c. Require other emergency actions, totaling \$475 million, including acceleration of sales tax collections, emergency surcharge, and re-establishment of a fail-safe lottery system;
- d. Freeze wages of all State employees for one year.

The program I recommend to enable a controlled buildout of the State agencies will:

- a. Create a Capital Control Agency to review and schedule authority borrowings and place a moratorium on new construction by public authorities;

- b. Strengthen the State authority programs by eliminating weaker programs from bond financing;
- c. Create a new reserve to strengthen Housing Finance Agency programs and restore the HFA debt service reserve fund;
- d. Establish the financing measures to authorize the investment of funds in the State agencies buildout programs.

To assist local governments, the program I recommend will:

- a. Authorize local governments to levy an additional one percent sales tax, which will relieve the burden on the property tax;
- b. Allow local governments to invest funds in the short-term obligations of other municipalities;
- c. Permit school districts to carry forward, for one year, surplus revenues accrued during the 1975–76 school year;
- d. Authorize the State to levy a local option real property tax for cities and city school districts which face revenue losses as a result of the *Hurd*¹ decision;
- e. Establish a State debt-insurance fund to issue debt insurance for local governments.

I know that the actions I am asking of you will not be easily taken. But, the days of easy decisions are gone.

I know that I am asking you to share with me responsibility for resolving problems rooted in social and economic forces far beyond our control. But, they are there and we cannot escape them.

I also know that each of you has sought your office to do what is necessary and right, on behalf of the people who have entrusted their State's governance to you. And, I am confident that you will assume your responsibility.

You and I will face many difficult decisions in the days ahead. I do not claim to have the only answers to our problems, and I will welcome and weigh your ideas and your advice.

The people of this State expect us to face up, together, to the crises confronting us, honestly and honorably. To do less would be to default on our responsibility to the people who sent us here to do what is best for their well-being. While there may be specific

actions over which we differ, the worst default in responsibility would be to take no action at all. Our course is clear, and the time is now.

Accordingly, pursuant to the powers vested in me by Article IV, Section 3 of the Constitution, I have recommended, and will recommend, to you for consideration, bills to accomplish the purposes I have set forth in this message.

(Signed) HUGH L. CAREY

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**The Following Bills Will Implement the Program
Set Forth in the Attached Message:**

Bills which the Governor recommended for consideration on November 13, 1975, and which have been introduced in both houses of the Legislature:

To appropriate, in the first instance, \$10 million to the Housing Finance Agency to restore the Agency Debt Service Reserve Fund, established for nonprofit projects, to its statutory level (Senate/Assembly Bill No. 6).

To appropriate \$40 million to the Housing Finance Agency for the repayment of outstanding bond anticipation notes issued in connection with the Equity Loan Program, the Community Mental Health Services and Mental Retardation Services Program, the Youth Facilities Program, and the Community Senior Citizens Centers Program (Senate/Assembly Bill No.9).

To amend the Private Housing Finance Law to modify the maximum interest rate payable by a limited-profit housing company (Senate/Assembly Bill No. 10).

To amend the Private Housing Finance Law to establish a bond reserve insurance fund to further secure payment of debt service on bonds of the Housing Finance Agency, and appropriate \$30 million to the fund (Senate/Assembly Bill No. 11).

To amend the Medical Care Facilities Finance Agency Act, to establish a bond reserve insurance fund to further secure payment of debt service on bonds of that Agency, and appropriate \$600,000 to the fund (Senate/Assembly Bill No. 12).

To appropriate \$20 million to the New York State Envi-

ronmental Facilities Corporation for the payment of outstanding notes, to complete construction of projects, and for other project planning costs; and [to] require the agency to submit a plan for the expenditure of those funds to the Director of the Budget (Senate/Assembly Bill No. 8).

Bills which the Governor will recommend for consideration today, December 9, 1975, and quantities of which will be provided to the legislative leaders:

To expand the activities and services covered by the State sales tax.

To accelerate the collection of the State sales tax.

To limit the coverage of Medicaid and home-relief programs in certain areas.

To freeze the wages of all State employees for one year.

To reconstitute the Lottery as an independent agency, in order to assure efficient operation in which the people of the State will have confidence.

To reduce local revenue sharing by one percent, and to place a "cap" on the level.

To increase State revenues, in connection with:

- the alcoholic beverage tax
- the cigarette tax
- the gasoline tax
- the bank and corporate income taxes
- motor vehicle fees
- the personal income tax surcharge.

To establish an employment incentive credit in connection with the corporate income tax.

Bills which the Governor will recommend for consideration, quantities of which will be provided to the legislative leaders:

- Allow local governments to invest funds in the short-term obligations of other municipalities.
- Permit school districts to carry forward, for one year, surplus revenues accrued during the 1976–77 school year.

- Authorize the State to levy a local-option real property tax for cities and city school districts which face revenue losses as a result of the *Hurd* decision.
- Establish a State debt insurance fund to issue debt insurance for local governments.
- Create a Capital Control Agency to review and schedule authority borrowings and place a moratorium on new construction by the moral obligation authorities.
- Establish the financing measures to authorize the investment of funds in the State agencies buildout program.

(Signed) HUGH L. CAREY

¹ Editor's Note: *Bradley J. Hurd et al., Respondents v. City of Buffalo, Appellant*, 34NYR, 2nd, 628/ N.Y.S. Court of Appeals, March 27, 1974.

**Recommending the Proposal To Authorize and Direct
the State Insurance Fund To Purchase
Obligations of Certain Specified
New York State Public Benefit Corporations**

STATE OF NEW YORK—EXECUTIVE CHAMBER

December 15, 1975

To the Legislature (In Extraordinary Session):

Today, obligations of the New York State Housing Finance Agency and the Dormitory Authority totaling approximately \$184 million mature. For the second time in as many months, refunding of the moral obligation agency issues in the private credit market has not been possible; the capital markets are closed to these New York State agencies. Once again we are called upon to take immediate action to avert a default on the obligations of these State agencies.

In a similar dilemma one month ago, I pledged to take steps to insure that the State honored its moral obligation with respect to the Housing Finance Agency. Your Honorable Bodies agreed, and enacted a first instance appropriation of \$80 million and authorized use of State treasury funds to provide for repayment of obligations of the Housing Finance Agency then maturing.

The reasons justifying our action one month ago, as well as earlier this year when we committed State resources to honor the obligations of the State's Urban Development Corporation, are equally valid and compelling today.

For better or for worse, experience in recent months has demonstrated clearly that investors in the capital markets do not distinguish between the credit of the State of New York and that of its "moral obligation" agencies.

The fine legal distinction drawn in our statutes does not veil reality. We must squarely confront the inevitable. The continuing financial instability of these agencies will continue to adversely affect the State's credit.

Consideration also must be given to the vital construction projects—hospitals, colleges, housing—which would be halted if funding for these agencies ceased. The resulting unemployment would deal a heavy blow to thousands of workers and to the economy of the State as well at a time of severe economic distress.

It is proper to take account, too, of fairness to the investors who relied upon the moral obligation of the State of New York in advancing funds for these vital State facilities.

Unlike the situations with respect to Urban Development Corporation and New York City, the borrowing problems of the HFA and the other State agencies result not simply from concerns over the quality of their investments or the quality of their financial management. They result, instead, from the legitimate concerns of the investing public for the State's resolve to take the difficult steps to put its finances in sound condition.

While our choice to honor the State's commitment to these agencies is economically supportable and morally proper, it can be regarded as prudent and responsible only in the context of a long-term solution for the fiscal difficulties of the agencies and only if the State's own financial condition is sound. For this reason, I recommended to you, on November 13, several measures designed to provide a comprehensive solution to the moral obligation agencies' fiscal emergency. On December 9, I announced that I would recommend additional legislation to further secure a long-term solution. In this connection, I have already recommended several bills for your consideration. Other pertinent legislation is being prepared. I will recommend it to you shortly for your consideration.

As to the State's financial condition, I am relying on Your

Honorable Bodies to bring the budget of New York State into balance, and to do so in the timely fashion necessary. Otherwise I would not recommend the legislation before you today. Without a truly balanced budget, using funds from the State Insurance Fund to keep the moral obligation agencies from default for another short period of time could be called an imprudent act. Hence, the responsibility on this matter rests to a great extent upon my faith in your intentions, and your commitment to a sound fiscal policy for our State. In effect, any member of the Legislature supporting this legislation today is making a commitment to take the actions consistent with a balanced budget for the State of New York without undue delay.

Accordingly, pursuant to the powers vested in me by Article IV, Section 3 of the Constitution, and in accordance with my message to you of December 9, 1975, I hereby recommend to you for consideration the bill I submit herewith, which authorizes and directs the State Insurance Fund to purchase obligations of certain specified New York State public benefit corporations.

(Signed) HUGH L. CAREY
