

State of the State Address

Governor David Paterson

“A Time to Rebuild”

An Era of Reform & Recommitment

Remarks As Delivered

Before we begin I would like to thank Speaker Sheldon Silver and all of his staff members, who arranged these wonderful accommodations for us, and the cooperation of the staff of Senator John Sampson and Leader Sampson’s cooperation as well.

It has become customary on occasions of this significance to recognize each and every public official in the room with congratulatory pronouncements and self-reflected praise.

But, my colleagues, the times are measured. And I would ask, with your understanding, that we dispense with the flourishes and formalities and I would like to address all of you today just as fellow citizens of our great State – all equal under the eyes of God, all responsible to the people of the State of New York, whether our service be short-lived or long-remembered.

This is a winter of reckoning. And I come before you today not just to talk of the state of the State, but also of the state of our self-governance – a fragile instrument of popular will that has become the will to be popular. Where it is easier to deny reality and to demand that which we cannot afford than to accept that years of living on the margins of our means have had to end.

Look at history. Cultures of addiction to spending, power, and approval have ruined empires and now they threaten the Empire State.

But I come here today not to replay old grievances or in any way to reclaim lost ground. We come here to build. To build New York’s economy to a national model of ingenuity and strength. To build our people’s trust in the fiscal stability of our State. To build our manufacturing to meet the energy standards of this enlightened era. And most importantly, to build the trust that the people of New York once had in their State government.

The last two budget battles have left its toll on all of us in this Chamber, and there are more deficits up ahead that will require an even greater sacrifice. But if acceptance really is the prelude to recovery, then we have to accept that the old way of doing budgets is unsustainable.

And so do the special interests, who intimidate, who badger, and who push when they don’t get their way – even when they are aware that the cupboard is bare.

The time for that type of politics has to end. We have to take firm and decisive steps to rebuild New York.

We need fiscal reform. We need ethics reform. And we need an economic plan that will put New Yorkers back to work.

And so today, I am not just speaking of the state of the State as it is. We are talking about what the state of the State *will be*.

The plan I have placed before you turns this crisis into an invitation for leadership. And the decision foremost in my mind every time I make one answers the question: are we doing what's right for the people of the State of New York?

So, in times of greater prosperity, the reforms we are proposing were ignored. Prosperity hides all manners of sin. But no longer.

We have to rise to the highest expectation of our people and bring them the lasting change they have long, *long* fought for and desired.

There is no hierarchy in these reforms. They are all vital.

Our fiscal reforms will bring real and lasting change, by cutting our bureaucracy; by merging agencies that replicate services; public tracking of agency performance; and a long-term strategy for fiscal discipline and management.

I have asked our new Lieutenant Governor Richard Ravitch to take the lead in a four-year plan for fiscal recovery. It is the most reasonable way that we can actually bring State spending into line and government into the right size. It is also the only way to eliminate unnecessary, unfair, and unexpected mandates on local governments, hospitals, school districts, and mass transit.

No longer are we going to run New York like a payday loan operation.

And yes, I'm renewing my call for a spending cap. Now, I know that this will be met with a lot of resistance. But I fought 25 years to eradicate the Rockefeller Drug Laws, and I will put the same effort into seeing this become a law – even if it has to be passed by constitutional amendment.

Whether it is this Administration or the next or the one after that, we have got to find a procedure that cures the spending structure that has infected our budget process for the last 20 years.

And the sooner we do that, the *more* control we will have over spending, not less. For as you may have observed in the past few weeks, the Governor will exercise authority to prevent this State from going into default. You have left me and other Governors no choice. So whether it be by vetoes or delayed spending, I will not write bad checks and we will not mortgage our children's future.

But the Legislature is the body of the people. And the Legislature should have an equal voice in deciding to hold spending in line with the times.

After we have uncovered the sins of finance, we must address the chronic abuse of power.

Chronic and continuing experiences of outside influence and inside decay have bred cynicism and scorn of the people we represent.

That is why today, I'm introducing comprehensive ethics reform – not driven by the illegal acts of any one person, but instead by what is legal and rampant in our entire system of government.

The Reform Albany Act will have as its centerpiece an independent ethics commission that will have jurisdiction over State government.

This commission will have the power to enforce campaign finance and end pay-to-play and bring jurisdiction and oversight to so-called good government groups, who hide their donors behind walls of sanctimony.

The Reform Albany agenda will significantly drive down campaign contributions; require openness of outside income; will strip public officials of their pensions who commit felonies; phase in gradually public campaign finance; and will impose term limits on State officeholders by constitutional amendment.

Now, I recognize that there will be significant pushback to this legislation. However, when I step back and just think about our role in government – my colleagues, how much more foresighted would it have been if we had instituted the right procedures to address unethical conduct and bad acts that have embarrassed us all?

What has now happened is that the public wants bolder and more decisive initiatives in order to win back their trust.

The inevitable goal of this legislation is to bring fairness and openness to government, which has very little of either. The moneyed interests, many of them here today as guests, have got to understand that their days of influence in this capitol are numbered.

They have routinely demanded special treatment without any regard for others. Well, no one person or group is above any others or more deserving of any hardship and pain. The reality is that there is no moral high ground on trampling others to get there. And there is nothing lower than engaging in the currency of influence to the detriment of other New Yorkers that don't have the same representation.

Now, the third protocol in our desire to rebuild New York is that we bring our economy back to the greatness that it once held, with a focus on jobs for the New Economy; for manufacturing meeting the energy standards that we will need; for the whole idea of putting people back to work; and a commitment to helping New Yorkers raise themselves up.

The fiscal and ethical reforms that I have just outlined are integral to New York's economic comeback.

We can attract businesses only if they believe in the integrity of State government.

We can initiate job creation as long as our credit rating is strong.

We can be competitive on property taxes if and only if we can keep spending down.

And we can restore money to school districts by alleviating the budget bubble that caused our economic problems in the first place.

So, to pull this all together, we are going to need an economic plan that actually suits the issues of our times and provides the jobs that New Yorkers seek. No longer can we say all roads lead to New York. For, in the end, we are going to need the innovations, the ideas, and ingenuity to be there as well.

Unfortunately, our Empire Zone program is no longer working. So, as I said last year, we are going to put it where it belongs – in the past.

We are no longer going to provide tax credits for businesses that do not provide the jobs that we were promised.

Instead, we will replace it with the Excelsior Program.

This will be a New Economy jobs program that will focus on the clean energy and high-tech growth jobs of tomorrow. This program will be sustainable. It will be one that we will all be proud of because it will be open and it will be transparent.

To develop this program, we went all around the State, seeking out business leaders that would give us advice in all communities.

We have come back with three aggressive initiatives targeted for growth industries, such as clean energy, broadband, information systems, and bio-technology.

This, combined with our “45 by 15” energy plan and a \$25 million investment in a new technological fund for entrepreneurs, will create the kind of encouragement for capital investment, will spur innovation, and create tens of thousands of jobs to go along with the 50,000 jobs that will be realized from our great “45 by 15” energy plan, which converts electric use to clean and renewable energy sources.

We could not have gotten there, unless a previous Governor had already converted us to 20 percent – three times the national average. And he joins us today, and it is Governor George Pataki.

So, the Excelsior Jobs Program will be the centerpiece of the most aggressive jobs-creation agenda in our State’s history. But is it only one piece.

We are emerging in New York and all around the globe toward an economy – one based on knowledge, technology, and innovation.

We are posed to lead this economy, and we shall lead.

We will create and we will support the environments of investment, which is why our Administration is working on a plan to bring first-stage capital to first-stage technological development.

The five largest patent-holding companies that exist right here in New York, average about \$11 billion worldwide in research and development. The Research and Development tax credits will incentivize them to put more resources into New York and have a better relationship with our universities, both public and private.

There is one challenge which right now is holding us back from leadership in the New Economy, but we feel that we have an immediate solution. Simply put, it is the transfer and sharing of information from research and development institutions, along with the sources of investment.

But for very little part of the public's money – very little taxpayer investment – we will be able to harness our government to marshal our command over technology, data, and our relationship with the university community, to create a free and open exchange of ideas that will bring these ideas to market. There are many cutting edge concepts on the table just waiting to be developed into the engine of our economic future.

We will also go back to the historic manufacturing industry and make it whole again – with tax credits and also with retrofits for small businesses; with a reformed Power for Jobs Program; and a cutting-edge and groundbreaking concept of buying up, retrofitting, and reselling abandoned manufacturing sites.

In addition, we will not forget the hundreds of thousands of trades and manufacturing and construction job-holders, who will be vital to our revitalizing this process.

Now, we also have to address the decades in which Upstate New York has suffered in recession – long before the rest of New York and the country got there.

We will do it by extending the Erie Canal Research and Development Corridor.

Also, we want to make Upstate the back office for corporate America – particularly the franchises that are located downstate.

This region is clearly one that has demonstrated that they have what the rest of the country doesn't have, which is available housing stock, with close-by schools, natural beauty, and the untouched small towns that families would cherish. We have to go back to promoting it that way.

Also, the effort we are making for sustainable communities, with thousands of housing stock laying dormant in cities like Buffalo, Rochester, and Syracuse. We will develop that housing stock into affordable housing – starting with Buffalo, which right now has 23,000 vacant units.

Earlier today, Assemblyman Wright and I attended the funeral of former Assemblyman, Borough President, entrepreneur, media mogul, civil rights lawyer, and World War II fighter pilot Percy Sutton.

He was a friend and mentor to me, but one who was held in high esteem all around this State and this country. But nearly a half century ago, when no one else was talking about it, he was a lone voice that advocated for the power of economic opportunity as the key to advancement.

New York State's economic development program has to make sure that it covers all corners of our boundaries. And it is known historically that women- and minority-owned businesses have not had the opportunities or the resources from the State to flourish.

But I was wondering if you knew how bad it actually was. When I was a candidate for statewide office in 2006, I read a Department of Economic Development report that noted that at that time, women and minority businesses in the areas of State procurement were receiving only five percent in total of the contracts.

To be specific, women – who are 51 percent of the population and were 29.2 percent of the firms that were approved in advance – got 2.64 percent of the contracts.

But it gets worse. Hispanic Americans – 8.5 percent of the threshold vendors, meaning that they had capital, they had been certified, they passed all the tests – received .74 percent, three-quarters of one percent, of the contracts.

African-Americans – .66 percent, two thirds of one percent, of deals. African-American women – .13. I don't even know what percentage that fraction is of one percent, but I knew to start a Task Force on Minority and Women Business in June 2008.

Here are the results.

We have quadrupled the MWBE participation. The minority firms that are investment banking and involve the issuance of debt went from 4.2 percent MWB in 2007 to where they stand now – 23.9 percent.

Since I have taken office, minority and women firms have yielded \$162 million of profit over where they were at that particular time.

And we do not want them to miss out on the new opportunities involving stimulus money and also our New Economy programs, which is why we will synchronize MWBE into any action the State takes.

Now, I was visiting some business leaders in Long Island in 2007, and they were white business leaders, and they said to me: how can we get into the MWBE program because the State ignores most of us as well? The reality is that businesses run by people of all colors have not been flourishing under New York State's government.

So, in July of 2009, we initiated the Small Business Task Force. They put their findings on my desk December 1 of last year, and we are already starting to implement them.

The biggest obstacles to small business are start-up costs, so we will try a tried and true remedy. We will inevitably create a revolving loan program, so that these engines of our economy – vital as they are – will have the capital they need to thrive.

Finally, there are a number of incentives – both large and small – that I have put in front of you, including the People First incentive, the one that will allow vulnerable new citizens that come to New York the opportunity to be able to locate services for which they otherwise would not have been aware.

And, one of our Administration's boldest ideas, which would be to rebuild the New York Insurance Exchange.

By bringing together the buyers and sellers of complex commercial insurance, the Exchange will reaffirm our status as the focal point of international trade and finance. It will also curtail the types of transactions that were unregulated that decimated the global economy.

New York being at the epicenter of so much that went terribly wrong in 2008, we as New Yorkers have to take responsibility for America and around the world, to take the lead in rebuilding and reform of these vital global markets.

So this is the state of the State as it will be.

We will come full circle from the chaos of our own State budget to rebuilding our State and our country pursuant to the chaos of a national meltdown.

The plan that I have put before you is a plan that will make us stronger. It will grow our economy and put New Yorkers back to work.

Who would ever imagine on that cold day in January in 2007 that we would be faced with so many challenges trying to rebuild and restore faith? But here we are with the scars to prove it.

Some say that we will not succeed. The story has already been written and the ending is ordained.

But storylines change. And people change.

When I spoke on television to New Yorkers in July of 2008, I warned that a withering economy would drive costs up and revenues down – that the faster we addressed this, the stronger and sooner we would recover from this crisis.

There are those who said that there was not a crisis. And when it hit, there were others who still refused to act.

But I say to all of you today – there is still time to rebuild the Empire State.

I say to the elected members of the Legislature – work with me, follow me, so that New York can turn the corner.

I know a lot about adversity. And mistakes can be made. But if you stand true to your principles and honestly accept reality for what it is, you can get to a better place. Because there is always an opportunity to remake ourselves and our State.

That is the promise of New York.

New Yorkers have arisen from economic perils before. New Yorkers have rebuilt after disasters, natural and man-made.

But every time the capacity of our hope has been questioned, every time our faith has been challenged, every time we have come to a hill that seemed to steep, we have demonstrated an undeniable ability to achieve and a desire and a determination to endure.

And so, once again, we have to rebuild.

But we *will* reignite the engine of our economy. We *will* be able to win back the public trust of the people who we represent. And we *will* rebuild New York. But we have to work together.

And in these times of struggle, I remember the enduring faith of a child who grew up in a world of darkness, who chooses to believe in something bigger than himself or herself. And in spite of the adversity and doubts of others, they can find strength and humility and perseverance.

And so can all of us.

Thank you so much for attending. Thank you for listening. God bless all of you and God bless the people of New York.