

NEW YORK POST

NY Budget: Better Luck Next Year

By Diana Fortuna

April 19, 2007 -- Yes, the budget included some modest reforms - a more equitable formula to divide up substantially greater funding for public schools; partial containment of the state's Medicaid costs, which are the highest in the nation, without reducing services to the poor; some relief for homeowners from high local taxes.

But Albany's ingrained political culture remains highly dysfunctional; the budget process is still too secretive and convoluted, and the state's fiscal practices are still far out of line with those of other states - leaving New Yorkers the nation's most heavily taxed people.

It takes time and effort to change Albany's decades-old practices and culture; we need to establish public expectations as early as possible.

Top priorities for elected officials in Albany should include:

Fix the broken budget process: This year's budget negotiations were a throwback to earlier days of Albany's old-fashioned behind-closed-doors decision-making.

The newly established process for reaching agreement on revenue levels quickly broke down. Functioning conference committees - a recent reform that had allowed participation by rank-and-file legislators - were marginalized to the point of insignificance. Secret talks continued to the last minute, giving legislators less than two hours to review a \$121 billion budget - less than a minute for every billion dollars approved.

To correct this, the state should close the loopholes in this year's new budget-reform law - after all, it failed to prevent a breakdown in the budget process. Improvements should ensure 1) an active role for conference committees, 2) sufficient time for lawmakers to review the budget before voting on it and 3) *timely* public release of a document that summarizes the fiscal impacts of the multiple, complex appropriation bills.

The state should also move the start of its fiscal year from April 1 to July 1. This would allow more accurate estimates of revenue, since the April 15 tax-filing deadline would have passed, and it would provide more time for budget negotiations and review.

Reduce spending growth to a sustainable rate: This year's budget inflated spending by an alarming 9 percent - more than three times the rate of inflation. As a result, the state now has to close a budget gap of about \$5 billion in just 18 months.

To curb spending, the state should reduce the size of its workforce through productivity gains. Contracts with the state's major labor unions expired on March 31. Negotiations that

result in a smaller, better-paid workforce will best serve the public interest - not least by allowing for an easier time closing the coming multibillion-dollar budget gaps.

It's also past time to fix the state's broken debt limit. New York's debt load will soon exceed \$60 billion - about \$10 billion more than is affordable under reasonable standards. The excess borrowing drives up annual debt-service costs and is a significant cause of those yawning budget woes.

Bring Medicaid costs under control: New York's spending per beneficiary is the highest in the nation, and nearly twice the national average. One of the biggest problems is the extension of long-term-care benefits to middle- and upper-middle-class New Yorkers - when the program's true purpose is to assist the poor. Reimbursement rates for hospitals and nursing homes are also too high - well above the national average, even when adjusted for the cost of living and patient need.

To control these costs, the state should tighten the eligibility rules for long-term care and take measures to stimulate the market for private long-term-care insurance among the middle class. It should reduce hospital and nursing-home rates more than it did this year, to more competitive levels.

New Yorkers should be prepared next year for another blizzard of TV ads sponsored by special interests fighting to retain their excessive subsidies. We should remember that the taxpayers pay the bill for those excesses. Curtailing these costs would provide opportunities to expand primary-care coverage for more uninsured New Yorkers, building on this year's gains.

Continue education-funding reform: To achieve this year's changes in the school-funding formula, state leaders allocated too much money to wealthy school districts that don't need it. Also watered down were the accountability improvements sought by Gov. Spitzer. Next year, the new funding formula should operate *only* on the basis of need, not be distorted by last-minute political deal-making that disproportionately benefits narrow and wealthy constituencies.

To maximize the impact of every dollar, New York needs tighter accountability standards. The law must hold school officials responsible for student performance - and remove officials who fail consistently.

Review the effectiveness of STAR: This program, enacted in 1997, was supposed to reduce local school taxes. It has proven to be fundamentally flawed and shouldn't have been expanded this year. It sends the most relief to the wealthiest homeowners, rather than to the neediest, and leaves out renters and business owners. It should be restructured to deliver property-tax relief where it's needed most.

Next year's budget will be crucial. New Yorkers should start now to let their elected officials know that they want their state government to be more efficient and effective, not just more expensive.

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