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More bang for NY's buck

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As Gov. Cuomo prepares his executive budget — and looks to close a \$1.7 billion gap that's left *after* this month's tax hike on high earners — he'll need to focus on ways to control spending growth and reduce Albany's reliance on gimmicky.

State outlays, after all, have *grown* throughout the recession, even though the tax base has shrunk. Total spending this year, including federally financed programs, is fully \$15 billion, or 13 percent, higher than in fiscal year 2008 — even though New York's tax base is 7 percent smaller.

New Yorkers should demand more reforms that get us better mileage.

They should seek structural changes that slow down the state's most potent cost-drivers (pensions, school aid and Medicaid), halt additional economic-development spending and steer clear of budget tricks:

* *Enact a new pension tier.* The fastest-growing area of the state budget has been required contributions to its pension funds. In the past decade state pension contributions and other fringe benefits have risen on average about 8 percent each year.

Cuomo has proposed a new pension tier for new hires that raises the retirement age and vesting period and reduces pension spiking from overtime — a change that would save \$120 billion over 30 years.

* *Rejigger school-aid programs to run more efficiently.* New York spends hundreds of millions in school aid to wealthy districts that could finance their spending *without* state assistance. The basic formulas by which school aid is distributed should be reopened to address better the great disparities in local districts' wealth and capacities to fund their schools. With the local property-tax cap in place, these formulas have even greater importance.

* *Continue curbing growth in Medicaid spending.* The Medicaid Redesign Team's oversight and deliberation has proved effective and must be continued with even greater force next year if spending is to be contained.

New York's inequitable local financing scheme for Medicaid also should be phased out. The state has taken on a growing portion of Medicaid financing but still requires poorer counties with greater Medicaid populations to shoulder an unfairly large share of the program's costs.

* *Resist the temptation for more economic-development spending.* Cuomo awarded economic-development grants totaling \$785 million this month and has indicated that he intends to propose another \$200 million in his forthcoming executive budget. While the grants have jump-started many fruitful partnerships, he should halt their growth.

Instead, the state should ensure that the new and "old" money, some \$6 billion, is used well, with transparency and accountability on any public subsidies for private-sector projects.

* *Reduce reliance on fiscal gimmicks.* Cuomo and the Legislature plan to renew two gimmicks enacted in prior years: the deferral of \$970 million in business-tax credits and the amortization of a \$782 million payment to the pension system.

These gimmicks mask the state's structural deficit and come with long-term costs: with the former, lost confidence in state promises to businesses; with the latter, long-term interest costs. Both should end.

* *Forgo one-shot revenues.* Every year, Albany relies on "one-shots" to close part of its budget gap — that is, one-time cash injections that disappear in future years, even though the spending they pay for continues.

Even last year, when the state sought to minimize one-shots, they added up to more than \$800 million.

The \$1.5 billion in new revenue Cuomo hopes to get from his tax hike won't balance New York's budget next year. But his executive budget can chart a path toward more sustainable spending and a more sensible division of state and local responsibilities.

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