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Filling in Cuomo's budget blanks

By Carol Kellermann

Gov. Andrew Cuomo's executive budget released last Tuesday was a welcome change. Breaking with past practice in Albany, he proposed closing the state's budget gap with \$9 billion worth of serious belt-tightening.

In many areas—notably, school aid cuts totaling \$2.9 billion—it is clear how the reductions are to be achieved. For other large savings measures—in particular, \$2.9 billion in Medicaid reductions and about \$1.4 billion in cuts to state agency operations—there are no specific details. The proposals for these areas, as well as for mandate relief for local governments, are assigned to commissions and working groups that will make their reports in coming months.

This approach brings those who will be affected into the process and neutralizes critics, for now. But the stakeholder groups might not get it right. Following are the problems and solutions that they should focus on.

The proposed reductions for state agencies are backed up by the threat of nearly 10,000 layoffs. Clearly, some jobs should be eliminated: For example, the prison population has been declining for years, and facilities and the corrections work force should be consolidated. However, across-the-board layoffs would damage some services and should be avoided.

Instead, the public employee unions should agree to reduce compensation costs so that many of them do not have to lose their jobs. Alternatives to layoffs include having employees pay a higher percentage of health insurance costs, switching to less expensive health insurance plans, and lowering wages through furloughs or other mechanisms.

The Medicaid Redesign Team's target is ambitious: Save \$2.9 billion. By any measure, New York's Medicaid program is one of the nation's most expensive, and the high costs are concentrated on a limited population; fully 72% of Medicaid expenses go toward services for the 24% of enrollees who are elderly or disabled. New York's costs per enrollee for these populations are nearly twice the U.S. average. Many elderly and disabled individuals receive expensive long-term care services; the average cost per year for those in nursing homes, for example, exceeds \$50,000.

Rationalizing care for high-cost populations should be the primary source of Medicaid savings. It is relatively inexpensive to serve healthy mothers and their children, and cuts to their eligibility and benefits should be avoided.

Mandate relief for local governments is popular, and it could help localities and school districts better deal with cuts in state aid and the governor's proposed property tax cap. Small changes, like streamlining and computerizing reports, will not solve the problem.

In any local budget, 70% of the expenses are for labor. Like the state government, localities need to make changes in pensions and compensation. Mayor Michael Bloomberg has proposed a proactive agenda for the city in this area; the governor should get behind it.

Bringing stakeholders into the budget process is a bold move, and all New Yorkers should pitch

in to promote its success. Eventually, however, Mr. Cuomo needs to be prepared to translate his targets for budget savings into concrete plans that put New York on the path to a sustainable future.

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