



CITIZENS BUDGET COMMISSION

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CBC STATEMENT ON THE ANNOUNCEMENT OF A BUDGET DEAL FOR FISCAL YEAR 2007-08

New York, NY – March 28, 2007 – What appears to have emerged from this year’s budget-making process is a set of compromises that sets the stage for New Yorkers to demand more from their elected officials in Albany. While progress has been made in some key areas, the contours of what has been announced so far leave plenty of room for improvement.

Elements of two important reform proposals were left standing in the deal. First, modest reductions to the bloated Medicaid program will go forward. New York’s per beneficiary costs are the highest in the nation and nearly two times the national average. To lower the extraordinary burdens on New Yorkers stemming from this program, initiatives that bring rates down to more competitive levels, without compromising benefits to the poor, should be viewed as a victory. Second, the agreed-upon changes to the school aid formulas will improve the adequacy of school funding in needy districts across the State. The days of avoiding the implications of the Campaign for Fiscal Equity lawsuit have finally come to an end.

Unfortunately, however, the price for achieving these changes was high. The much-championed budget process reforms need more work. Consensus revenue estimates quickly fell apart, returning leaders to the days of one-house dissent. In the end, the time pressures of April 1st proved too much to allow for legitimate debate among conference committees. And if New Yorkers ultimately end up with a budget passed with less than three days’ aging because a message of necessity has been issued, the need to revisit budget process reforms put in place in early January will be eminently clear.

The spending increases for next year are simply too high. The deal will increase state funds spending this year by about 9 percent, more than three times the projected rate of inflation. This rate of growth is unsustainable in a State that already has the highest combined state and local tax burden in the country. At this rate, in just over eighteen months the State will face a gap between what it takes in and what it plans to spend of about \$4.5 billion.

Adding \$1.3 billion for a STAR rebate increase is a mistake. The STAR program suffers from serious flaws; it is not targeted to provide relief where it is needed most. While there is no doubt that local taxpayers in New York State need relief, a poorly crafted expansion of the STAR program is not the answer.

“It is clear that achieving fiscal reform in New York State will be a multi-year effort,” said CBC President Diana Fortuna. “This deal highlights the need to keep up the demand for reform in Albany.”

“Reforms have been achieved this year but much more is needed,” said Elizabeth Lynam, CBC Deputy Research Director. “New Yorkers have a right to expect far more efficient and effective government than they are getting.”

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.

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