

## This insane fiscal cycle has to end

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*Last Updated:* 8:37 AM, March 11, 2010

*Posted:* 2:44 AM, March 11, 2010

After years of flagrant over spending, fiscal conjuring, ever-increasing taxes, fees and reliance on one-shot revenues, it appears Albany's fiscal day of reckoning is at hand.

With the 2010-2011 budget deficit at \$9 billion and recurring deficits projected for as far as the eye can see, if the governor and Legislature do not curtail their spendthrift ways and do not implement far-reaching internal reforms to control spending, pension obligations and perks, the economic recovery could be stalled. The state's bond rating also could fall below investment grade, thus closing doors to additional tax-exempt financing due to the loss of investor confidence.

To avoid fiscal catastrophe, Lt. Gov. Richard Ravitch has developed a rescue plan which calls for borrowing long-term money to pay operating expenses by issuing Personal Income Tax, or PIT bonds through an off-balance-sheet state agency.

This mega-one-shot approach, which sticks taxpayers with 30 years of interest payments for current expenses, was best described by Brooklyn Eagle columnist William Heffernan during the La Guardia years as "the final stage of a municipal rake's progress . . . the gimme philosophy raised to the ninth degree, the legacy of a government that has spent without discretion and taxed without care."

Issuing debt to fund the state's operating deficit is not new. In the 1960s, '70s and '80s, in order to cover up the state's accumulated deficit and to pretend the state complied with the constitution's ballot budget provision, short-term debt known as "spring borrowing" was issued.

The Citizens Budget Commission, appalled by this practice, insisted that it violated "the fundamental principle that budgets should be balanced to maintain the social contract between a government and its citizens; second, it adds substantially to taxpayer costs since interest must be paid on the short-term borrowing; and third, it places the state at the mercy of market conditions. If the state were to lose market access, it would be unable to pay its bills."

In 1990, with the deficit at \$6.3 billion -- a staggering 17.4 percent of the \$36.2 billion State Funds Budget -- the Legislature, in an attempt to portray itself as the guardian of the taxpayer's patrimony, created the Local Government Assistance Corporation, or LGAC.

Although hailed as "the most sweeping fiscal reform in a generation" LGAC was just another fiscal gimmick.

LGAC is a non-self-supporting corporate governmental agency dependent on annual appropriations of state sales-tax revenue.

It was authorized to bond out \$4.7 billion of New York state's accumulated deficit. Furthermore, this "reform" legislation did not eliminate Albany's budgetary abuses.

The governor and the Legislature could pile up new deficits, since the budget doesn't have to be balanced according to generally accepted accounting principles. Also, they could finance cash shortfalls by issuing "deficit" notes.

LGAC merely permitted the state to clean the slate of accumulated deficits so it could start the process all over again.

Here we are 20 years later and there's a call for another LGAC-type bailout to fund the deficit. This time, however, New Yorkers are being told, it will be different: the PIT bond covenants will contain language that guarantees the executive and legislative branches will walk hand in hand down the path of fiscal righteousness.

What nonsense.

Because New York is a sovereign state, a state-created agency issuing PIT bonds cannot force it to mend its ways. The idea of the state being bound by airtight covenants against future imprudence is laughable.

Here's an idea. If Albany pols conclude bonded debt is the best answer to solve our fiscal woes, let them put it before the voters.

The funding of deficit spending could be structured as general obligation debt, which under the state constitution cannot be contracted unless it is first approved by voters at a general election. Just because voters have rejected 12 bond proposals since 1959 should not stop them.

If legislators have the courage of their convictions, they should be proud to campaign on this issue and welcome the opportunity to explain to voters why their children and grandchildren should pay for their fiscal follies.

Giving New Yorkers a ballot-box outlet to express their frustrations may be the best way to get across the message that they are sick and tired of late and unbalanced budgets, unaccountable spending sprees, growing debt and countless tax hikes.

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