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A DECENT START

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THE speed is astonishing: In just over two weeks, Gov. Spitzer and the Legislature's leaders agreed on legislation to address numerous fiscal issues that have obstructed state government for more than 20 years.

The reforms are meant to enhance the timeliness and transparency of the state budget. Early agreement on revenue estimates, brokered by the comptroller if necessary, will help avoid the late budgets for which New York is notorious. Member items, long a source of secretive spending on politicians' pet projects, will be presented in greater detail. The Legislature will be required to pass a balanced budget and to explain its fiscal impacts more clearly.

Cynics may argue that these are the *easy* reforms. They don't require any constitutional amendments; the courts have already ordered some member-item disclosures - and the standard for a "balanced budget" is relatively lax.

Plus, veteran Albany-watchers know the fine print is important, and that as we watch these reforms take hold in the coming months, they may need more work.

Nevertheless, these reforms - and the optimism and momentum that they build for *further* reform - are significant. The speed with which they came was impressive - although allowing some time for public reaction before the vote would have moved Albany further along the path toward open government.

Underlying this achievement is an informal truce over a balance-of-power issue that tore apart state government under Gov. George Pataki.

Pataki claimed broad powers to use the budget to make policy changes, thereby significantly reducing the Legislature's influence. The dispute led to years of court battles, which ultimately supported the governor's position but also caused the Legislature to begin the lengthy process of amending the state Constitution to limit the governor's power.

A key element in the truce is Spitzer's public statement that he won't exercise this power - and will separate policy changes from the budget - in the interest of a smoother-running government. (It remains to be seen if the Legislature will drop its efforts to amend the Constitution.)

The taxpayers now have good reason to believe that these reforms are just first steps toward more significant fiscal responsibility. Two crucial issues to be addressed are the state's enormous debt burden and projected deficits.

This fiscal year, state debt exceeded \$50 billion - more than double what it was 14 years ago; it's expected to hit \$60 billion in the next two years. Fully \$11 billion of the outstanding debt was taken on to support operating expenses rather than capital investments, a cardinal sin in the world of sound financial management.

By any reasonable standard, New York state's debt burden is out of line - both in relation to other states and in terms of the taxpayers' ability to pay.

Debt reform should be the next item on the state's fiscal-reform agenda. The only enduring solution is an amendment to the state Constitution, limiting the amount of debt based on criteria for affordability and restricting its uses to long-term capital improvements. *This* is the amendment that legislators should be pursuing, with a higher priority than the one increasing their budgetary powers.

Recurring deficits are another urgent problem. The state has incurred deficits in seven of the last 20 years; projected gaps grow from \$4.2 billion in fiscal year 2008 to \$5.1 billion in fiscal year 2009.

Spitzer and the Legislature should agree on a budget for the coming year that closes these gaps. Given the governor's campaign pledge not to raise taxes, this will require trimming expenditures.

The recent rapid growth in spending makes for some ripe opportunities. Notably, the state's Medicaid program is by far the most expensive in the nation. It can be cut without reducing services to poor New Yorkers by limiting support for long-term care of wealthier residents (who benefit from eligibility loopholes that need to be tightened), and by curbing generous payments to nursing homes and hospitals that are among the most expensive in the nation.

The governor and legislative leaders have begun the year by setting a rapid pace for reform. Quick and open passage of a debt-reform amendment and early adoption of a budget balanced with fiscal discipline would sustain the pace in a race that taxpayers can't afford to lose.

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