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Paterson must veto pocket-picking mandate

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New Yorkers already pay the highest local taxes in the nation by a long shot, and the state is about to make the problem worse. This week, the Legislature passed a bill that will further tie the hands of local officials in dealing with locally funded obligations. Taxpayers should watch out; unless Gov. David Paterson vetoes the legislation, they're about to have their pockets picked.

New York's high local taxes -- 79 percent above the national average statewide -- are driven to a large degree by the state Legislature's common practice of requiring local governments to assume costly obligations without providing the funding needed to meet them.

The practice works beautifully to the Legislature's advantage: It gets credit from politically powerful special interests for adopting the mandates, and it doesn't have to bear any of the costs. The costs are borne by local governments, which have absolutely no say in the matter and are then forced to raise local taxes to pay the bills.

There are scam artists on street corners who would be in awe of the practice, and it's about to be played out again. Unless taxpayers watch carefully, they won't see it happening.

The bill that the Legislature passed -- A9393A/S6457A -- would prevent local officials from achieving savings in the skyrocketing cost of providing health insurance for government retirees and their dependents by prohibiting any reduction in benefits.

The health care costs of government retirees and their dependents contribute to the rapidly rising cost of local government services. Local government leaders need flexibility in negotiating with unions to better manage these escalating expenses. If organized labor can tie the hands of local officials by going to Albany and bypassing local contract negotiations, they win and the taxpayers lose. The game is then rigged, and the taxpayers become the marks.

And there's serious money at stake. The future liabilities for government retiree health insurance are already staggering. The state's liability is estimated at $49.7 billion, and New York City's at $57.8 billion. As a result of new national rules on disclosure, local governments across the state are likely to disclose liabilities of a similar magnitude by the end of the year.

Perhaps predictably, the unfunded mandate in this case was quietly tacked on to an otherwise uncontroversial bill. The bill was originally written to establish a joint labor-management task force to study the affordability of retiree health insurance. Who could object to that?

The retooled bill includes an amendment that would deprive local officials of the flexibility of better managing the public costs associated with the commitment to provide health insurance for retirees and their dependents. The amendment limits the restriction to just one year -- May 1, 2008, through June 30, 2009 -- but experienced Albany-watchers know what that means. In practice, such "annual" bills are renewed every year without fail: Just ask the school boards whose hands have already been tied by similar legislation every year since it first passed.

Nassau County Executive Tom Suozzi is chairing a Commission on Local Property Tax Relief, which has held hearings across the state on the extraordinarily high local tax burden. The hundreds of hours of testimony from over-burdened local officials and other experts and the policy recommendations that stemmed from that input were submitted to legislative leaders in the form of a program bill sponsored by Governor Paterson.

It is perhaps not surprising that no solutions were forthcoming from the Legislature in the final days of session. But what is surprising is that the Legislature would pass this costly and counter-productive legislation while those recommendations -- and the evidence of local residents' outrage -- are fully in view.

The question here is not whether the health benefits of local government retirees should be reduced. It is whether local governments should have a say in the costs that those governments must bear. Should retiree benefits be negotiated between local governments and local unions or should they be decreed by state officials with no direct stake in the outcome?

Taxpayers, watch closely. You have a lot riding on this game. Unless the governor vetoes this unfunded mandate, it will become one of the largest ever imposed on local governments -- and, therefore, on your wallet.

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