



CITIZENS BUDGET COMMISSION

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FOR IMMEDIATE RELEASE

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SENATE BUDGET BILL IS FOUR GIANT STEPS BACKWARD IN A PROCESS THAT HAD BEEN GOING WELL

New York, NY – March 19, 2007 – The Citizens Budget Commission today released the following statement on the impact of the New York State Senate’s budget bill on progress toward an on-time and fiscally responsible State budget.

The New York State Senate budget bill passed last week is fiscally irresponsible and misguided in its priorities. Its excessive spending and unfunded tax cutting would jeopardize the State’s fiscal health, and its policies for health care and education would undermine long-needed reforms.

During the past few months the Citizens Budget Commission (CBC) and many other concerned New Yorkers have had high hopes for the State’s fiscal year 2007-08 budget. The election of a new Governor committed to reform, and the Legislature’s embrace of budget reform through prompt passage in January of legislation establishing procedures including consensus revenue forecasts that help promote timely action created a great sense of optimism.

The Governor’s Executive Budget released at the end of January was another bold step. As the CBC said in a letter to the members of the Legislature dated February 28, the Executive Budget contained proposals that effectively address two of the State’s three most critical fiscal issues. (1) Health Reform - The Governor’s proposals curbed excessive Medicaid spending and shifted funds to expand coverage of children and promote public health. (2) Education Reform – The Governor’s proposals both provide funds needed for a sound basic education and shift funds to target the neediest school districts. We urged Legislative support for these two sets of proposals.

Of course, the Governor’s budget was not perfect. His proposals to address the third major issue, relief from the nations’ highest local tax burden, substantially increased spending on a flawed STAR program. Too much State money would go to the wrong places without tightly curbing local tax burdens. The CBC advised the Legislature to move cautiously and consider more far reaching reforms.

The next step in the forging of a responsible State budget was passage by each legislative body of its own budget bill, in anticipation of Conference Committees. The Assembly's bill, passed March 12, restored too much Medicaid spending, but adhered to the consensus revenue agreement and embraced the desirable education reforms.

In this context, the Senate bill also passed late last Monday takes four giant steps backwards.

1. It adds back more than \$500 million in unnecessary Medicaid spending and reverses proposed progress in directing health funds where they are needed most.
2. It increases education spending by giving more funds to the least needy districts, thereby eroding the improved targeting of the school aid formulas in the Governor's and Assembly's reforms.
3. It significantly increases, but makes even less effective, the program for local tax relief. The rebate program suffers from the same problems as the original STAR program in that the amount of relief flowing to taxpayers bears little relationship to their financial need.
4. It reverses progress toward long-run fiscal stability. Spending would increase by more than 11 percent next year, requiring State reserves to be exhausted to fund expenditures in a year of prosperity when reserves should be growing. This causes giant projected budget gaps in subsequent years – increasing the 2008-09 gap from \$2.3 billion to over \$8 billion.

During this week, as the Legislature's Conference Committees seek to craft a two-house budget bill, the Senate's irresponsible bill should be taken off the table as basis for negotiations. New York needs to be making giant strides forward toward budget reform, not following the Senate's model of giant steps backward.

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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