

# CITIZENS BUDGET COMMISSION

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## **CBC CALLS ON NEW YORK STATE TO ADOPT FOUR BUDGET RECOMMENDATIONS**

New York, NY – March 21, 2005 – The Citizens Budget Commission (CBC) today called on the Governor and legislative leaders to implement four recommendations, with regard to the State budget for fiscal year 2005-06, as they seek to adopt a budget on time for the first time in more than 20 years. In a letter to the elected officials dated today, the Commission made the following recommendations:

- 1. Significantly reduce spending on Medicaid and on ineffective programs.*** Approximately \$2.9 billion can be saved with Medicaid cuts that would not reduce services to those in need and cuts in other areas such as “member items” and excessive staffing that are wasteful. Some of these measures have been proposed by the Governor, and others should be a part of the Legislature’s initiatives.
- 2. Make meaningful progress in a long-run realignment of State and local fiscal responsibilities for Medicaid and school financing.*** The two most important structural changes needed in the current statewide system of public finance are (a) eliminating the mandated local share of Medicaid costs, and (b) increasing State aid for school districts that have students with the greatest needs. These improvements will require several years to be implemented fully and effectively, but key actions should be taken this year. With respect to Medicaid, the Governor’s proposal for a cap on local costs is a constructive first step. With respect to school aid, the Legislature should design a multi-year program that applies the judicially established standards for New York City schools on a statewide basis and that funds the needs entirely from statewide revenues.
- 3. Balance the budget with recurring revenues.*** In recent years, the State’s budget has not been balanced soundly and prudently; instead, a variety of one-time resources and fiscal gimmicks have been relied upon to meet cash needs. The Governor’s proposals for the coming year reduce, but do not eliminate, such practices. The Executive Budget contains over \$1.0 billion in objectionable “one-shots” and borrowing. Fortunately, since release of the Executive Budget in January, revisions to the tax revenue forecasts indicate that significant additional revenues—some recurring and some not recurring—are likely to be available. The recurring revenues should be used to help replace the objectionable measures.

Existing and additional non-recurring revenue should be used to reduce debt rather than to increase recurring expenditure commitments.

- 4. Enact the budget on time and in full sunlight.** New York State has not had an on-time budget in 20 years. The timetable agreed to by the Governor and the legislative leaders for this year is on track to produce an on-time budget and should be followed. The budget should be adopted without a message of necessity, thereby allowing members and the public time to understand it before a vote is taken. The adopted budget should also be published in a summary form that makes its contents clear to the public and should be accompanied by a four-year financial plan that indicates the consequences of this year's decisions for future years' budget gaps.

“The Governor and legislative leaders have made progress this year in creating a more open and timely budget process,” said CBC President Diana Fortuna, “but much more is needed. These recommendations would represent a major improvement in the content of next year's budget and would add real substance to the purely procedural changes that have taken place so far.”

“The legislature should control spending and avoid one-shots,” said Elizabeth Lynam, CBC's Deputy Research Director. “Implementing these recommendations would lay the groundwork for long term fiscal health.”

The text of the entire letter and an accompanying memorandum detailing the recommendations further are available at [www.cbcny.org](http://www.cbcny.org).

More is needed to reform New York State's fiscal practices. Measures that relate to more than just this year's budget are essential, including constitutional amendments to limit debt and permit a larger rainy day fund as well as new guidelines for the State's numerous public authorities. The CBC's fuller recommendations on State budget reform, including *The Palisades Principles*, are also available at [www.cbcny.org](http://www.cbcny.org).

*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.*