

CITIZENS BUDGET COMMISSION

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CBC CALLS ON THE NEW YORK STATE SENATE TO DEFEAT A PENDING RESOLUTION (S. 1), WHICH WOULD MAKE THE STATE'S BUDGET PROCESS WORSE, NOT BETTER

New York, NY – April 20, 2005 – The Citizens Budget Commission (CBC) today called on the New York State Senate to defeat a pending resolution, S. 1, which would amend the budget process set out in the New York State Constitution. If approved by the Senate, the measure would appear on the ballot for public consideration in the fall.

“This bill would only make the State’s notoriously dysfunctional budget process worse,” said CBC President Diana Fortuna. “The voters should be presented with real reform, not proposals that will worsen the situation.”

A copy of CBC’s memorandum opposing S.1, which was faxed to each member of the Senate, is attached. A fuller discussion of CBC’s position on budget reform is available at www.cbcny.org in the publication, *The Palisades Principles: Fixing New York State’s Fiscal Practices*.

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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MEMORANDUM IN OPPOSITION

S.1

S.1 would amend the budget process set out in the New York State Constitution. This constitutional amendment, upon second passage by the Senate, would appear on the ballot this fall since it has already been passed by the Assembly. S.2, a companion implementing statute for the amendment, has already passed both houses this year, in a form identical to that vetoed by the Governor last year.

The Citizens Budget Commission urges that S.1 be disapproved. It should not reach the voters, who understandably want real and reliable reform and may mistakenly believe this measure would help.

The centerpiece of the package is a contingency budget mechanism which would make what is already a broken system worse. The amendment gives the Legislature an opportunity to supplement the contingency budget; thus, the consequence of missing the fiscal year deadline is enhanced authority for the Legislature. As a result, the measure intended to encourage an on-time budget will practically guarantee late budget agreements. To be a more effective stimulus to timely action, the concept of the contingency budget should be revised to constrain spending more tightly and to keep pressure on the Governor and the members of the legislature to take timely action.

Other provisions of the amendment are also problematic. The fiscal reserve stabilization fund is an inferior and convoluted way to assure that funds are available for school aid payments. The increase in the rainy day fund limit is much less than is needed. And by way of the implementing statute, the amendment would trigger certain changes to State Finance Law that are misguided, such as beginning the fiscal year on May 1.

Moreover, critical reforms are omitted. Prior to the contingency period, when one would hope that serious negotiations are underway, there is no binding revenue forecast. There is no proposal that the adopted budget be balanced in any meaningful way; the amendment should include a requirement that the budget be balanced in accord with Generally Accepted Accounting Principles. Finally, the amendment contains no provision that will constrain the State's enormous appetite for debt; the right budget reform amendment would limit State debt based on realistic measures of affordability.

The amendment that appears before the voters should be the right amendment. The CBC urges that you vote against this resolution.

On Senate Calendar.