

CITIZENS BUDGET COMMISSION

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CBC ANNOUNCES OPPOSITION TO TRANSPORTATION BOND ACT

RELEASES REPORT SHOWING THAT NEW YORK STATE ALREADY HAS A DANGEROUSLY HIGH LEVEL OF DEBT

New York, NY – September 22, 2005 – The Citizens Budget Commission today announced its opposition to the proposed Transportation Bond Act of 2005, which will be on the ballot in November. The Bond Act would authorize just \$2.9 billion of an additional \$13.2 billion in new State debt—the remainder of the borrowing will be “backdoor” borrowing by public authorities. Thus, the vote on the Act is the only opportunity that the public will have to oppose increasing the State’s already high debt burden.

In explaining its opposition, the Commission released a new report, *New York’s Endangered Future: Debt Beyond Our Means*, which provides an assessment of how much debt New York State can afford. To be affordable, the repayment of debt should (a) not require tax increases or service cutbacks that make a place less attractive than its competitors and should (b) be gauged according to the level of resources available to repay it. Using six steps to judge affordability, the report concludes that New York’s current level of outstanding debt, which totals \$46.7 billion, is nearly \$10 billion over affordable levels and, therefore, places the State well into the danger zone. Adding as much as \$13.2 billion will make a bad situation even worse. Among the nation’s 50 states, only seven others are in the danger zone. Only two, Massachusetts and Hawaii, are in a riskier position than New York.

“New York State has serious infrastructure needs, but it already has too much debt,” said CBC President Diana Fortuna. “The State must learn to finance needed infrastructure without placing an unreasonable debt burden on the taxpayers, both present and future.”

The report lays the blame for New York’s excessive borrowing on the fact that New York has no effective limits on the amount of debt that it can assume. Constitutional provisions intended to limit debt are outdated and are circumvented regularly. Statutory limits – passed in 2000 – are also being circumvented. As a result, it has become too easy for State leaders to borrow. In addition, they have misused debt, which should be restricted to paying for long-term capital projects, by financing annual operating expenses.

The report recommends two solutions:

First, voters should reject the Transportation Bond Act, so that the already dangerous debt situation is not immediately made that much worse.

Second, the State needs constitutional debt reform and modern constitutional limits that would:

- Establish a new debt limit based on the concept of affordability as determined by an independent Debt Policy Committee;
- Apply the limit to all forms of state-backed debt, including such bonds issued by authorities;
- Eliminate the need for voter approval within that limit;
- Restrict the use of borrowed funds to true capital investments.

“With the vote on the Transportation Bond Act, New Yorkers should send a message to the State,” said Charles Brecher, CBC Research Director. “Voters should make clear that, as taxpayers, they don’t want to take on debt that the State, and therefore the public, cannot afford.”

A copy of the full report is available on the CBC web site, 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.