

NY's Budget Mess: Cap Spending First

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LET'S admit it: New York is grappling with a fiscal crisis largely of its own making. The national recession and Wall Street meltdown magnify the problem, but New York has a \$15 billion budget deficit not because we don't collect enough taxes, but because we spend too much.

To avoid being in this terrible situation again, we have to leverage this current crisis to achieve long-term reforms in government spending and fiscal policy.

Our No. 1 priority should be a cap on state spending — an annual limit on the increase in state spending that would, in turn, drive many other badly needed reforms.

State and local spending in New York is now the second highest in the nation — 47 percent above the national average. A spending cap would help bring this excess under control.

It's clear where much of this overspending is centered — and that it doesn't actually buy us better government services.

For example, we have the highest per-pupil education spending in this country — nearly \$19,000 per student, 63 percent above the national average. Yet we're 33rd in the nation in eighth-grade math scores and not much better on other pupil-performance measures.

And New York's per-capita Medicaid spending is more than double the national average, according to Kaiser State Health Facts. Yet, despite this off-the-charts spending, our key health-care indicators are worse than the national averages.

On the other side of the ledger, our personal-income and real-estate taxes are the highest in the country. Business taxes are the second highest. The result is the worst tax climate in America, and an economy that was already tanking before the downturn.

In terms of personal-income growth from 1995 to 2005, New York ranked 42nd among the 50 states. Even with what seemed to be a booming city economy, our state was among the nine worst-performing economies in the entire country.

All this has been driving people away. Since 2000, New York has led the nation in the number of residents moving to other states, according to the Census. Each year we suffer a net loss

of more than 200,000 New Yorkers — that is, we basically lose another Syracuse every 12 months.

In recent years, Wall Street pumped out 20 percent of state revenues — masking the fundamental problems in our fiscal policy. Now that narcotic is gone — and the "halo effect" of New York City's prosperity hiding the decline of the rest of the state is over. The ATM just spit back the debit card and told us we're \$15 billion overdrawn.

New York's leaders must make significant cuts in government programs and services. The state should relieve local governments and school districts of antiquated regulations and mandates so they can cut their costs. Simply shifting the burden from state taxes to local property tax does no good.

Which brings us back to the spending cap. Since the '70s, 30 other states have adopted such caps — some constitutional, some statutory.

Such measures can limit the rise in outlays to the growth of population and personal incomes in the state, and/or to inflation. The key is to peg the growth of state spending to a level that the state's economy and its taxpayers can sustain.

A spending cap for New York's state government would lead to other essential reforms — including a property-tax cap, modernization of public-employee pensions, consolidation of local governments and services and reform of public authorities.

Families across New York are making prudent choices to live within their means. Our state and local governments must now do the same.

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