



BUDGET WATCH '03

A GUIDE TO THE KEY BUDGET ISSUES CONFRONTING NEW YORK STATE IN THE YEAR AHEAD

In 2002 New York State adopted a budget that increased spending at more than twice the rate of inflation, even in the face of a national recession and of the extraordinary damage done to New York's economy by the atrocity of 9-11. As the year drew to a close, New Yorkers began to hear repeated and insistent warnings that their state government's budget was approaching a crisis stage.

On November 7, the Public Policy Institute began publishing a regular series of one-page fact sheets on different aspects of the state's fiscal situation—from debt to local aid.

Those fact sheets, 11 in all, have now been updated with the latest numbers from the Census Bureau and other sources. They are collected in this booklet to serve as a resource guide for citizens who are following the budget debate in Albany. Here's a quick summary of the contents:

Issue #1: Spending

Much of the public discussion of the budget focuses on the state's "revenue problem." But the root of the shortfall is that Albany is spending more than its taxpayers can afford. In fact, if state-funds spending had simply risen no faster than inflation since 1998, the state would have saved \$7.9 billion in the current fiscal year alone.

Issue #2: Medicaid

New York spends about 2.5 times the national average per-capita on this program—and the cost of Medicaid is up by 21 percent, or a staggering \$6 billion, in just the last two years.

Issue #3: Education

One of the perennial myths in Albany is that we're starving education. The fact is, state aid to schools has grown by \$3.7 billion in just the last five years. We need to make sure that money is spent more effectively and efficiently—and we need to put the state's effort where the money is needed the most.

Issue #4: State taxes

Pro-spending groups would like to fix Albany's budget problems by simply raising taxes. But despite commendable progress in cutting taxes over the last eight years, New York's tax burden remains well out of line with the competition. New tax cuts being phased in this year would benefit, among others, college students and the working poor.

Issue #5: Government employment

The number of state and local government jobs is about 14 percent above what it would be if we matched the national average per capita—and they cost taxpayers an extra \$14 billion a year.

Issue #6: Spending restraint works

The current budget crisis would be far worse, had not Governor Pataki insisted on building up reserves in the past few years.

Issue #7: State aid doesn't cut local taxes

Local taxes, especially property taxes, are by far New York's biggest competitive disadvantage. But increasing state taxes and spending won't cut local taxes—in fact, in the past local taxes have risen fastest just when state taxes were also increasing.

Issue #8: Debt is far too high

State and local debt in New York now totals \$9,357 per capita—second highest in the nation behind Alaska, and fully 81 percent above the national average.

Issue #9: Higher education

Higher education is a bargain for taxpayers in New York. Partly because of our large and healthy independent sector, taxpayer spending on higher education is actually next-to-last among the states. But that doesn't mean we can take higher ed for granted. And yes, it looks like it's time to increase SUNY tuition.

Issue #10: Health care, on and off budget

Not only is spending on Medicaid growing rapidly—the state is using other devices to pump more money into the health-care sector. And a lot of this money is even off-budget.

Issue #11: The tax gap

Here is some good news: New York's tax "gap" in comparison with the rest of the country, while still large, has started to shrink in recent years.

Appendix

A guide to sources of information used in this series—and places that interested citizens can look to learn still more about the budget situation.