



BUDGET WATCH '03

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Some key facts to consider:

- The state has managed to reduce Medicaid spending in just two years in the last decade—fiscal years 1995-96 and 1996-97. Accordingly, in those years the state was able to *increase* the percentage of the state-funds budget going to education, from 34 percent to 36.4 percent.
- But subsequently Medicaid spending resumed its rapid growth, forcing a reduction in education's share.
- The Citizens Budget Commission has estimated that 80 percent of long-term funding for HCRA 2002 is unlikely to materialize, or is non-recurring in nature.
- Simply holding overall state-funds spending to the rate of inflation over the last five years could have saved the state \$7.9 billion this year.

HEALTH CARE LOOMS EVER LARGER IN THE STATE BUDGET—AND THE BUDGET GAP

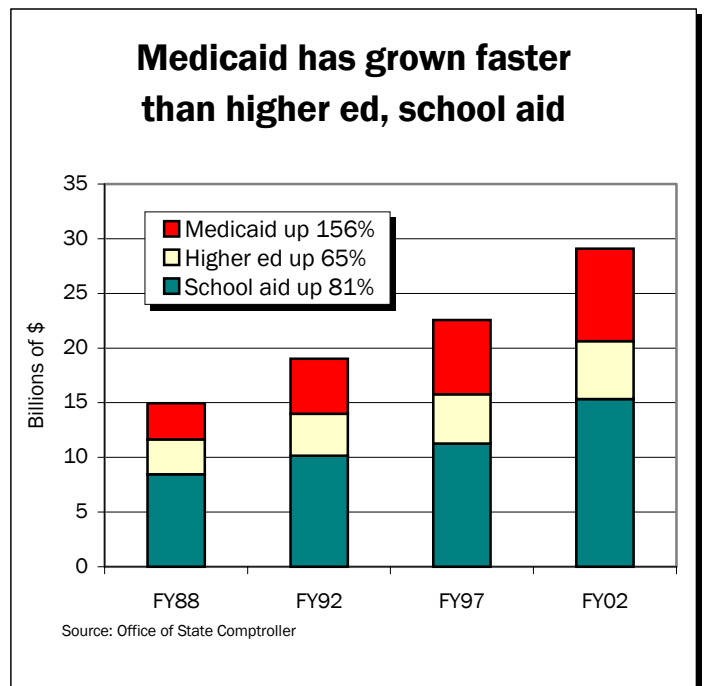
"Because the people of New York demand superior schools, colleges and libraries, education programs account for the largest share of the State's budget," Governor Rockefeller declared in his 1965-66 budget message.

Just a year later, he and the Legislature created New York's Medicaid program. The state's ability to pay for education and other needs hasn't been the same since.

In the last 10 years, spending on Medicaid has risen from 12.8 percent of the state-funds budget to 14.7 percent. Meanwhile the percentage spent on education (including elementary, secondary and higher education) is down a bit, from 36 percent to 35.8 percent.

Since fiscal 1987-88 (the earliest year for which apples-to-apples comparisons are available), Medicaid has grown almost twice as fast as state aid to schools, as shown in the graph to the right. Growth in higher-education spending is even further behind.

These figures understate the growth in state spending on health care, because the



Health Care Reform Acts of 2000 and 2002 added billions of off-budget dollars.

The financing of HCRA looks increasingly shaky. Anticipated increases in federal aid have not materialized; taxable cigarette sales are down; and now the state is considering divert-

ing its tobacco settlement monies to a one-time borrowing.

Fortunately, HCRA expires in June 2003. This will afford Governor Pataki and the Legislature an opportunity to reshape the state's priorities by reforming our health-care programs.

HCRA 2002: 'FOLLOW THE MONEY' — BUT HOW?

The state's official budget documents actually understate the growing cost of health care.

That's because an estimated \$1.2 billion or more of spending funded through Health Care Reform Act programs is controlled and accounted for entirely outside the state's financial plan. Not just

outside the General Fund, but literally off-budget.

A full accounting of HCRA's revenues and expenditures has not been made public by the Budget Division or the Health Department. A private-sector group, the Citizens Budget Commission, obtained enough information to publish a few

financial projections last year. But as CBC pointed out, much of the financing for HCRA was dubious, and the state has provided no updates on cash flows in the program this year.

CBC said HCRA is part of a "disturbing trend" in which off-budget accounts are used to pay for state programs.