



# BUDGET WATCH '03

## COMING:

<i>Medicaid</i>	Nov. 12
<i>School aid</i>	Nov. 15
<i>State taxes</i>	Nov. 19
<i>Payroll</i>	Nov. 22
<i>Fiscal update</i>	Nov. 26
<i>Local taxes</i>	Dec. 3
<i>Higher ed</i>	Dec. 10

## Some key facts to consider:

- Nationwide, state spending increases this year averaged 1.6 percent, according to the National Conference of State Legislatures. Fifteen states reported that they reduced spending.
- New York ranked 6th among states for total state spending per capita in fiscal 2000, at \$5,108, according to the Census Bureau.
- That per-capita figure was 32 percent above the average for all states.
- State government spent an average of \$1,574 on health programs for every state resident in 2002. Another \$1,341 for every New Yorker went into education spending.
- Because spending in New York is so high, the state ranks at or near the top of all states for both tax burden and public debt.

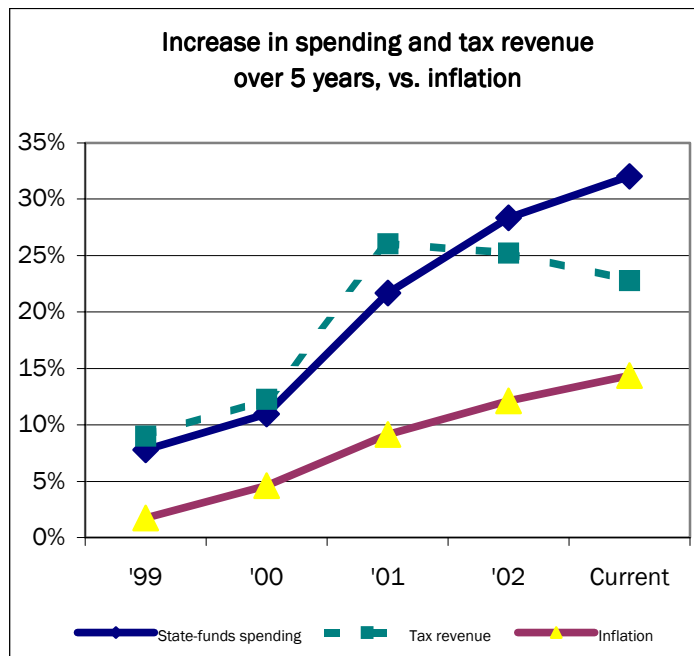
## NEW YORK STATE'S FISCAL PROBLEM IN A WORD: SPENDING

It's the spending. New York State government faces a major budget gap next year, perhaps as much as \$8 billion. Already, there are calls for closing the gap by going back to New York's old way of doing business—raising taxes.

But that won't solve the real problem: **Albany is spending more than taxpayers can afford.**

In just the past five years, state-funds expenditures (total spending minus federal funds) have risen from a bit less than \$45 billion to \$59.4 billion, according to the Office of the State Comptroller. That's an increase of 32 percent, more than twice the rate of inflation for state and local government services. State tax revenues are also up sharply over the period, of course.

If state-funds spending had simply kept pace with inflation since 1998, this year's total would be \$7.9 billion lower. Almost certainly, that would be enough to eliminate next year's projected gap.



Governor Pataki and the Legislature solved a \$5 billion budget problem in 1995 by restraining and cutting spending. At the same time, they cut taxes to make New York more competitive.

The result: Hundreds of thousands of new jobs, and

higher tax collections than ever.

Spending restraint has proven a sound response to budget problems in the past. It will work again.

## NEXT YEAR'S 'GAP' ASSUMES ANOTHER SPENDING INCREASE

Projections of a 2003-04 budget gap are based largely on yet another big spending increase.

The state Budget Division projected in early 2002 that General Fund spending would jump by \$2.3 billion, or 5.8 percent, in the fiscal year starting April 1, 2003. It estimated the

Consumer Price Index for New York State would increase 2.5 percent.

General Fund spending on Medicaid would rise by \$734 million, on welfare by \$585 million, and on aid to schools by \$600 million on a school-year basis. Increased pension and health-benefits costs for

state employees and other "general state charges" would add another \$313 million.

The estimates, contained in last year's Executive Budget, do not reflect spending additions included in the enacted 2002-03 fiscal plan. (Nor do they reflect spending cutbacks by the Budget Division.)