



# BUDGET WATCH '03

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## Some key facts to consider:

- State and local debt in New York is 56 percent higher on a per-capita basis than New Jersey's, and nearly *twice* the level of Michigan, another industrialized, heavily unionized state.
- In the mid-1980s, the state used cash (rather than borrowing) for more than half of non-federal capital financing; in recent years the figure has been around 40 percent, according to the comptroller's office.
- Even after achieving record surpluses and billions in reserves, state government's bond rating is no better than average, largely because of our debt.
- Barely one in nine dollars of state debt was approved by the voters; most is "back-door" borrowing by public authorities.

## LIKE TAXES AND SPENDING, GOVERNMENT DEBT IN NEW YORK STATE IS FAR TOO HIGH

Governor Pataki and the Legislature have three options for closing next year's budget gap.

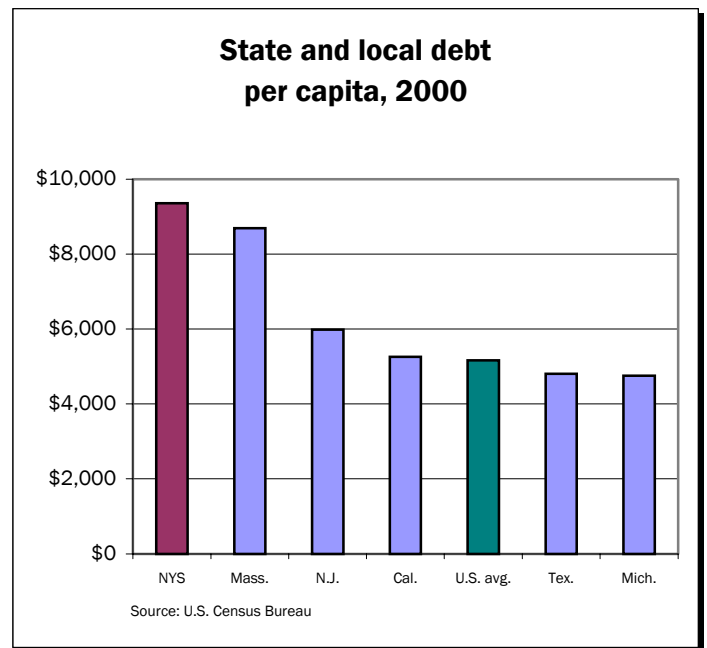
The first and best option, in the view of some: Raise taxes.

But that "solution" would make our tax burden—already the highest in the country—even further out of line. And it would drive jobs away, when we're still struggling to regain our lost economic momentum.

The second, and politically easiest, approach: Borrow still more billions from the taxpayers of tomorrow.

Unfortunately, as with our taxes, public debt in New York is already far too high. State and local elected officials have given taxpayers in the Empire State a debt burden of \$9,357 per capita—second in the nation behind Alaska, and fully 81 percent above the national average. Neighboring and competing states are far below us (and most have much lower taxes, too).

State debt alone has more than doubled since 1990, according to the Office of the State Comptroller. This year, state taxpayers are spending



\$3.6 billion on principal and interest from previous borrowing. Legislation enacted in 2000 caps state-supported debt, but it only applies to new issuances and will not effectively limit borrowing for at least another decade.

Turning long-term revenue from the national tobacco settlement into short-term cash

for operating expenses will only add to the debt burden, unless we also reduce ongoing health-care costs.

So, new taxes will only make our problems worse, and the state is already in too much debt to consider borrowing more. The only real solution for closing the budget gap is to control spending.

## SHORT-TERM SPENDING DRIVES LONG-TERM DEBT

One reason that more borrowing should not be the solution to state or local government budget gaps: New Yorkers are *already* saddled with long-term debt from the spending demands of years ago.

Governor Cuomo and the Legislature created the Local

Government Assistance Corp. in 1991 to eliminate the need for "spring borrowing" that had been made, since the days of Governor Rockefeller, to provide more school aid than the state could afford. More than a decade after its creation, LGAC still represents a \$7.3 billion

debt for taxpayers.

Governor Carey created the Municipal Assistance Corp. in 1975 to help New York City through the fiscal crisis brought about by out-of-control spending. More than a quarter-century later, the city is still paying off MAC's bonds.