

# Ugly state budget process has ignored three intractable problems

The state budget process has been high on drama this year. With the legislators refusing to accept the governor's budget documents, threats of a government shutdown and ultimately thousands of vetoes, our elected leaders have made quite a spectacle.

It would be nice if we could attribute the drama to an intense struggle over the tough choices required to balance the budget in a time when state revenues are down. Unfortunately, that's not the case. This year's budget battle was business as usual in Albany, reflecting a political system dominated by New York City.

As I write this, the state still doesn't have a budget. In fact, our legislators went about it all backward, approving their spending plan before they had agreed to how much revenue they could expect.

Still, history gives us a clear idea where this process is headed. It's not a good direction for anyone in New York and especially for the upstate economy.

Why? Because even in the face of steep budget deficits over the last two years, the Senate and Assembly leaders have refused to do the responsible thing and cut spending. Instead, they prefer to borrow money and raise taxes. Last year, our state budget of \$132 billion was already bloated. This year, legislators want to spend 5 percent more (between \$135.6 billion and \$136.2 billion). To close the deficit, the Legislature is proposing more than \$1 billion in new taxes and fees, plus a plan for further borrowing.

Can this be called a balanced budget? Not really. As happened last year, New York probably won't reach some of its revenue projections. So here we go again, starting the next fiscal year already in a hole.

When you read the fine print, the news is even worse for businesses. Business tax credits—essential to attracting and keeping businesses in our high-tax state—have



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been cut in half. The irony is that we need to fund the credits because taxes make it too expensive to do business here.

The borrowing scheme that legislators are considering seems particularly risky. Instead of a very public process, such as issuing bonds at a specified interest rate, they want to borrow against the pension fund that pays current retirees. In effect, this means that state government will be funding operations by taking out an unsecured loan from the private sector.

Sadly, after many promises of more transparency and greater accountability, our leaders again resorted to "three men in a room," haggling over the budget. The results are what we've come to expect: a budget that is more than three months late and fails to

deal with three big issues—the elephants in the room—that continue to make New York uncompetitive in a global economy.

**Out-of-control Medicaid spending:** Our Medicaid program costs state taxpayers \$51 billion per year, more than the total spending of 43 states.

**The size of the state work force and its compensation:** The budget calls for a \$250 million reduction in employee compensation, but there are no provisions to shrink the public work force or reduce pay and benefits.

**High property taxes:** These could be remedied by a cap, in effect forcing schools and municipal governments to tighten their belts. Our legislators refuse to take that step. Instead, they restored education spending while trying to give the appearance of offering property tax relief at the same time: High-needs districts such as Rochester can spend all of the money they get; moderate-needs districts must give part of the money back to taxpayers; and low-needs districts must rebate 100 percent to taxpayers.

Unfortunately, the public has come to expect schemes like this from our state officials. But we have a chance to change

that and to take back our state.

The Rochester Business Alliance is a leader of the Unshackle Upstate coalition, which continues to push for change in Albany. In the coming weeks, Unshackle Upstate will make public its legislative scorecards, showing how all 212 legislators voted on issues that are critical for taxpayers and our economy.

With those scorecards, voters will be able to see which candidates are committed to improving our state's future by getting spending under control and lowering taxes, and which ones settled for the status quo. When they get to the polls on Judgment Day, Nov. 2, voters will be able to choose the legislators who have earned the right to serve—and send home the ones who aren't representing our interests.

To learn more about Judgment Day and to get involved in the work of Unshackle Upstate, go to [www.UnshackleUpstate.com](http://www.UnshackleUpstate.com) or join our legion of fans on Facebook. Together, we can make a dramatic change for the better in Albany.

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