



NEW YORK STATE SENATOR

Malcolm Smith

## Achieving Hugh Carey's "True Economy"

MALCOLM A. SMITH August 15, 2008

*Fiscal crises, three decades apart, affirm opportunity for budget reform*

By Malcolm A. Smith

In 1975, Governor Hugh Carey made the call that New York was facing an economic downturn and that immediate steps needed to be taken to keep our economy on track. More than three decades later, New York has been put on notice again after Governor David Paterson brought attention to a similar crisis earlier in the month.

The players are different, but not all that much has changed. Just as they did in 1975, skeptics are questioning the severity of what we face. But they aren't the ones who may lose their jobs, homes or ability to support their families when the economy sputters. Whether history will show this to have been a crisis or not, we now have an opportunity to enact real budget reforms that will better serve our state in both good times and bad.

Both houses of the Legislature will return to Albany Tuesday to reduce spending, but it is vitally important that cuts not be the only fix to a systemic problem. Necessary as it may be, cutting a budget is not a program.

As part of any plan for fiscal responsibility, we have to recognize that budget cuts are temporarily fixes that don't solve the long-term problems we face. And while putting spending in line with revenues and stopping waste is a good first step, there are fundamental principles the Legislature must learn to follow.

We must ensure a broad-based revenue stream. In most years, Wall Street bonuses account for about 20 percent of the revenue our state collects, so when Wall Street is suffering, the state budget suffers. We need to diversify our revenue so that the state isn't so reliant on Wall Street to fill its coffers. Investments

in new technologies and industries will allow us to move forward even when Wall Street struggles.

We need to re-examine the tax code. Much of the current tax code is regressive, placing a particular burden on middle-income families. Fixing these unfair disparities will provide immediate relief to those who need it. We need to grow the economy and provide incentives and eliminate red tape for business to stay in New York.

In good economic times we need to increase the "store room," so that in lean years people and services are protected. Responsible budgeting allows for a rainy day fund that is simply not a possibility when operating over-budget.

We didn't get here overnight. The hurdle we face today has been decades in the making. The Republican-led Senate controlled by special interests has left us with a bloated budget and the highest taxes in the nation. At the core of their fiscal theory is overspending, irresponsible quick fixes and refusing to accept fiscal realities.

Because of poor spending habits, New York has been left with over \$50 billion in state-funded debt and more than \$80 billion in debt from public authorities due to poor budgeting and mismanagement. Anyone who ran their household expenses like that would soon be out on the street. We can do more with less.

Every dollar that the state spends must be accounted for, and taxpayers should have the peace of mind knowing their money is being spent to benefit and improve their lives.

We hear story after story of pension fraud, Medicaid overpayment and other failures of accountability. Comptroller Tom DiNapoli has been doing a great service by skillfully exposing this waste, but the task is enormous when done only after the budget is approved - the job has to start with those crafting the budget.

Economic crisis or not, millions of New Yorkers are living in crisis mode, having to choose between healthcare, food, and housing costs. We must continue to work and grow the economy by eliminating red tape and restrictions that slow business and job creation. We must provide meaningful incentives that attract and keep businesses and their jobs in New York.

In his 1975 State of State, Carey said: "All we say and all we do is shaped by two harsh facts. One is that the nation is in deep economic difficulty. The second is that New York State suffers more than its full share of the nation's travail." Carey tried then for a "true economy"—one that practices wise and careful spending. Yet, today the root problems remain unfixed, ignoring the reality that economies work in cycles, and responsible advance planning eases the burden of economic downturns.

I am hopeful that my Senate colleagues will recognize the reality on the ground; every aspect of the State Budget should be re-examined and we need to start taking the necessary steps to protect our economy now and into the future. We all know that this will not be the last economic downturn we will face as a state.

My members see this as an opportunity to change the way the budget is done for the better. I urge my colleagues to join us in not letting this opportunity pass us by.