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Budget director: Higher ed. key to upstate economy
By Kyle Miller

New York state Division of the Budget Director Paul Francis says that some trimming is in order for this year's budget process.

"It's going to be a difficult year, so consolidating our gains from the 2007-2008 budget will probably be our top priority," he said, speaking in a public policy forum at the Rockefeller Institute last Thursday. "We will need to do more with less, we're going to lower the rate of growth of spending from what it was last year."

Francis spoke on several areas of gain made during the last fiscal year. He said the growth rate for health care spending was reduced from 8 percent a year to about 1 percent, all while a number of policy objectives, such as the governor's plan to expand the State Children's Health Insurance Program, were enacted. Funding for education was expanded by \$1.7 billion on a fiscal year basis and put in the context of what Francis called the "foundation formula."

"It essentially looks at the funding capacity of a locality, the educational needs of the school district, and, from that, determines the amount of state aid that should be provided," he explained.

This was the second presentation Francis has delivered on the new budget process at the Rockefeller Institute. During last month's speech, he warned that economic trends could increase next year's budget gap. At last Thursday's presentation, he confirmed that his department will forecast a larger budget gap than was originally predicted.

"We believe expenses will be on track, but we know that revenues will be challenging," he explained.

The downturn in revenues is a result of several factors. For one, he said, the general economy has

softened, with more than 2 million home foreclosures predicted for the state next year. New York state also gets 20 percent of its revenue from Wall Street, and Francis said several firms there have experienced major losses in the last few months.

"When Wall Street gets a cold, New York State can get pneumonia," Francis said.

The budget director said he hopes that some new programs in education and economic development can be created despite reined-in spending.

"If I were to pick one thing that I believe would be the safest bet for economic development upstate, it is building our institutions for higher education," he said.

Francis maintained that Spitzer is sticking by his position not to increase taxes, although he would attempt to close tax loopholes that he said allow huge corporations to pay less, while reducing broad-based taxes for average-sized companies. He said the governor has also articulated that the state should maintain spending within the rate of New York's personal income growth, which was 5.3 percent this year.

"It will allow us to build up reserves during good times with higher personal income growth, and during bad times, we'll be able to use those reserves to cushion spending cuts," he explained.

As part of the governor's plan to get the budget process rolling earlier, state agencies will be holding public meetings on Wednesday and Thursday to discuss their major budget issues for the year. In the beginning of November, each house of the Legislature, the comptroller and the Division of the Budget will issue a report detailing revenue and disbursements of major spending categories.