

# THE WALL STREET JOURNAL

## New York Is Almost Out of Cash

**The Remedy is to cut government spending.  
Opportunities are plentiful.**

**BY BETSY MCCAUGHEY**

May 27, 2010

Guess how long it is before the state of New York runs out of cash? Less than a week, according to the state's comptroller.

On June 1, New York is due to send \$3.8 billion in aid to local school districts, including \$2.1 billion that was supposed to be paid in March but not sent for lack of funds. Yet New York is still \$1 billion short. This could affect school operations, the solvency of any business that sells goods or services to the state, the paychecks of state workers, and ultimately home values.

At the state capitol in Albany, you wouldn't sense there's a crisis. The state senate still meets only half a work-week, Monday evening through Wednesday. Meanwhile, Democratic legislators (in the majority) are shuttling back and forth between Albany and the Democratic Party's state nominating convention at the Rye Town Hilton in Westchester County, 150 miles away.

The crowded meeting rooms and festooned ballrooms are where you'll find the action. Legislators are securing their nominations for another two-year term. Never mind that legislative malpractice is to blame for the cash running out.

Legislators were supposed to vote on a state budget by April 15. Because of the economic downturn, tax collections fell so far short of predictions that the state government ended last year \$8.5 billion in the red, a shortfall that will grow to \$9.2 billion by year's end. Gov. David Paterson has proposed ways to close the gap, especially cuts in school aid of \$1.1 billion, but the legislature refused to act on them.

Lawmakers don't want teachers unions, state employee unions, and hospital workers picketing outside their offices, showing up at the state party convention, and putting their re-election prospects in peril. And so, every Monday the legislature in Albany votes to extend last year's unaffordable



spending levels another week, instead of agreeing on a budget that cuts spending. Party now and make all of us pay later-that's the game plan of politicians here and in other states, not to mention Washington, D.C.

New York state Assembly Speaker Sheldon Silver is floating a proposal to increase income taxes on the rich. That isn't a realistic solution to the state's escalating financial woes.

As Kathryn Wylde of the Partnership for New York City observes, with the expiration of the Bush tax cuts at the end of the year, high-income earners in New York City will pay more than 52% of their earnings to federal, state and local government. "Does anyone really believe that high income individuals will stick around New York," she asks.

The remedy is to cut government spending. Opportunities are plentiful.

Between 2001 and 2009, public school enrollment declined 4.6%, according State Education Department data. Yet more staff were hired, and the fastest growing category was non-teachers, up a staggering 26%. There's room to trim without hurting children.

According to the Reason Foundation's annual report on state highway systems, New York ranks in the bottom five of all 50 states in the condition of its roads and bridges-despite spending \$407,122 per mile on repair and maintenance, compared with the national average of \$134,535. Reason called New York's highway maintenance "extremely inefficient," noting that work rules put too many employees at the same work site or on the same shovel. Those rules need to be changed.

The average state employee earns a whopping \$92,332 total compensation for an average workweek of 37.5 hours, according to the Empire Center for New York State Policy (based on figures from the state comptroller's office). New York's governor has control over two-thirds of the state work force, and he can reduce its size or negotiate contracts more favorable to the public.

Attorney General Andrew Cuomo, who will be nominated as the Democratic candidate for governor this week, proposes a special commission to solve the state's fiscal challenges. Like the bipartisan Commission on Fiscal Responsibility created by President Obama, Mr. Cuomo's commission is a ploy to avoid unpopular actions until after the fall election. But the crisis is now, and state lawmakers are duty-bound to solve it.

*Ms. McCaughey is the Chairman of the Committee to Reduce Infection Deaths and former Lt. Governor of New York.*