

**Testimony before the Assembly Standing Committee
on Ways and Means
Hearing on the Impact of the Economic Crisis
on the State Budget
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**Presented by
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We, like you, are deeply aware of the very difficult fiscal environment. The gravity of this situation cannot be overstated. There is no doubt that our economy is undergoing a downturn unlike any we have seen before, and the huge budget gap that has opened up may turn out to be structural, not cyclical. If so, the state would have to make structural changes in the budget, rather than patching it up with one-shots until Wall Street recovers.

With that in mind, I would urge you to keep these points in mind:

Collaborate for the sake of the people of this state. If there was ever a time for collaboration and cooperation among all policy makers and among all sectors of our society, it is now. Next week and in the coming weeks and months, it will be essential that policy discussions take place in as neutral and non-politicized environment as possible. As Lyndon Johnson used to say, “Come, let us reason together.”

Support strong cases, not strong advocates. That is the guiding principle of good managers everywhere. Every program in state government has its advocate, and some wield tremendous political clout. But New Yorkers are watching Albany with great concern right now, and they want to see decisions made on the basis of merit, not influence.

Take an “all of the above” approach to closing the budget gap. Your approach to the budget in 2008 and 2009 should mirror your approach in the budget crisis of 2003, in which the state applied a balanced mix of budget cuts and revenue enhancements. In addition, the state should apply the Economic Stabilization Fund to our budget gap. If this is not the rainy day for which that fund was created, what is? And we must make sure that the upcoming federal stimulus bill helps New York State in its hour of need.

Use this crisis as an opportunity to stimulate new thinking about state programs. Crises generate much energy, and if we are able to positively harness that energy, we could see some good come of this very difficult situation. For example, closing juvenile justice facilities with no or few kids is an opportunity to do the right thing and save money for the state. We are cognizant of the impact on the staff and urge you all to think creatively about how other assignments in state government, as close to home as possible, can be made available to them. Passing the Bigger Better Bottle Bill is another opportunity we should seize.

New York's leaders should begin by determining the core priorities of the state. Those priorities should be defended, with the understanding that cuts will fall harder on the rest. We believe that the state should have three key priorities in the coming budget debate:

- Protect programs that serve vulnerable New Yorkers.
- Protect investments essential to our future.
- Among the programs that serve vulnerable New Yorkers and invest in the future, give special consideration to programs with a proven track record of success.

At this point, I would traditionally talk about the key programs for children and youth that the state should protect. But I'm going to set an example for the Committee by changing my standard procedure. Instead, I'm going to do something advocates almost never do: I am going to propose new budget cuts to programs that I believe do not meet the three priorities described above.

- The Empire Zone program should be eliminated and a plan developed for an alternative that provides meaningful economic development with a well-integrated workforce development effort.
- Shift financing of Bundy Aid to a tax on private college endowments of more than \$40,000 per student.
- Restructure the New York State Pension system, establishing a new pension tier.
- Restructure and reduce the Middle-Class STAR Rebate Program.

Within the next two weeks SCAA will be releasing a longer list of ideas for your consideration and we will be sure to get that to you expeditiously.

Now a word about programs that the state's leaders should protect at all costs. While we can safely postpone or delay funding in some areas, services and supports for children do not fall in that category. Children's window for learning and growing is relatively short and we cannot lose any opportunity to assure their success in the future. As much as we support the closing of juvenile justice facilities, we are uneasy about the postponement of the Bridges to Health Medicaid waiver. This program provides intensive services to avert entry into higher levels of care. It currently serves about 200 children and youth. Although we understand it would serve about 250, many children in desperate need of such services would be asked to wait for two or three years. Clearly they can't wait and any delay likely will result in the need for more expensive higher-level services. We urge you to carefully review this proposal and perhaps substitute some other idea in order to achieve the savings.

Another key area impacting children that deserves your full attention is child care. You probably know that 46,000 child care slots were lost over the last five years. Because of reductions in federal money and the increases in market rate, another 10,000 slots are expected to be lost. At a desperate time like now, the need for child care is greater than ever and cannot be ignored, as it really has been over the last several years. If families are going to be able to remain employed and avoid public assistance, child care is essential.

We keep hearing that the “special interests” are descending on the capitol – well, we admit it, children are a special interest. The services the state provides are for the most vulnerable children and families. Child care is one example in a long list. We hope you will keep in mind as you weigh the cuts you will need to make that while children are 25% of our population, they are 100% of our future.