

## ALBANY

# Fiscal experts: State economy in trouble

By Tom Wanamaker

Johnson News Service

County officials got an economic earful recently, with the bulk of it being negative.

Several fiscal experts addressed the annual convention of the New York Association of Counties at a suburban hotel. Their messages were uniformly bad: The state is in poor shape economically, and the road to fiscal recovery will likely be long and filled with ruts.

The morning's keynote speaker, state Comptroller Thomas P. DiNapoli, urged a long-term approach to New York's budget problems, echoing the "don't waste a crisis" mantra often repeated by advocates for fundamental structural change in how governments conduct business.

"We've got a ways to go before the budget is done," the comptroller said. "I encourage dialogue between the governor and the Legislature."

Among the fiscal actions his office is taking, the comptroller said the state pension fund would seek greater opportunity for in-state investment.

"We want to invest in local projects," DiNapoli said. "I believe there are great investment opportunities in this state - good long-term opportunities."

James Orr, assistant vice president of the Federal Reserve Bank of New York, called upstate New York's economy "sluggish," pointing out that since 1990 the region has had "flat" employment growth, after population growth basically stopped around 1970. He called the region's current economic outlook a "combination of long-term declines and the cycle we're in."

Orr noted that the upstate regional economy has deteriorated less than the national economy, and called the upstate real estate market a "muted boom" since it has weakened much less than the national market. Nonetheless, he said the "unknowns" overwhelm the "knowns."

"We're in uncharted territory," Orr said. "The current situation has a lot of risks for the state."

One county executive said he was not at all economically optimistic, in part because of the high percentage of people employed by various levels of government.

"Sixty-six percent of upstaters get

their paychecks from governments," said Thomas Santulli, Chemung County executive. "Until we fix this, we will continue to have problems."



Santulli said there is no "silver bullet" cure for the economy, but said that fixing the Empire Zones and cutting spending on Medicaid and other programs, would help.

"We have too much government and too much wasteful spending," he said. "Let's do it internally - stop spending."

Frank Mauro, executive director of the Fiscal Policy Institute, called the current situation "a very unusual and deep economic slump." He offered a plan including short-term offense and defense, along with longer-term investments.

"In the short run, reduced spending compounds job loss," he said, detailing his "offensive" strategy. "Extending unemployment insurance and increasing food stamps and social security puts money in peoples' hands."

Defensively, Mauro said the federal government should provide fiscal relief to local governments. Because states must balance their budgets but federal government does not have to, states have little means to stimulate the economy on their own. Thus they cut spending and try to balance their budgets, which only make their problems worse, he said.

For the long-term, Mauro advocated investments to strengthen the nation's infrastructure and information technology capabilities.

"We should run surpluses in good times and deficits in bad times," he said.

Kenneth Pokalsky, senior director of government affairs for the Business Council of New York State spoke last and opened his presentation with a question: "Did you hear anything particularly surprising?" He said the gloomy numbers and somber predictions aired at the convention are not news.

"Year after year we look at the same data in New York state and it's frustrating to see a lack of growth," Pokalsky said. "New York is not economically competitive."

New York, he said, would be better off with lower property taxes, cheaper electric power, and lower healthcare and labor costs. But Pokalsky doesn't think any-

thing is being done to address these problems.

"I don't see any changes on the state horizon that address these challenges," he said. "We argue the number one objective issue for New York state is to position ourselves to be competitive in the national economic recovery."

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