

CONTINUING STATE SURPLUSES

Every year the State budget is closely balanced, and at the end of every fiscal year the Comptroller announces that the State has a surplus. This is not the fault of the people who estimate revenues and make budgets. The surplus is almost mandated by the system that we use.

A budget is a fiscal plan looking eighteen months into the future. Economic fluctuations over this period can cause considerable shifting in both tax receipts and expenditure patterns. If we consider only the State's General Fund of approximately \$500 million and assume that the revenue estimates are only 5% off, we could still have a fluctuation of \$25 million, plus or minus. This would mean a total shift of up to \$50 million in tax income. Expenditures might vary by a similar amount.

Since the State is legally prohibited from being, and practically cannot afford to be, in a position where it cannot pay its bills, both revenue and expenditure estimates must be conservative. Our current State surplus can be traced to two windfalls in the estate tax, and it is not impossible that a similar windfall might develop in the next fiscal year. However, it would be foolhardy to budget such a contingency.

It is also probable that savings will accrue because of difficulties in the recruitment of State employees, but we must do our utmost to fill these necessary jobs. It would be self-defeating to eliminate vital positions from the budget because it is difficult to fill them. Also, some local governments may not qualify for the total amount of State aid available in all our programs, but we must have that State aid ready to meet our commitments.

Because of all these factors, the present system dictates conservative budget estimates resulting in probable surpluses at the end of each fiscal year, but we cannot count on them. A shortage could be disastrous so we have to insure that any variations from our estimates are all in one direction — in the State's favor.

The need is for a substantial reserve fund to absorb the inevitable fluctuations in both revenues and expenditures, to act as a depository for small surpluses and as a source of money to finance deficits. With such a reserve fund it would be possible to make closer revenue and expenditure estimates without the fear of disaster should a deficit occur. I shall work with the chairmen of the appropriate legislative committees to develop such a system.