



NEW YORK STATE SENATOR

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From the Desk of Senator Jack M. Martins

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Simple solution for a not-so-simple problem

I was actually just putting the finishing touches on this week's column when a friend e-mailed me a newspaper editorial regarding public pensions. As soon as I read it, I knew I had to lay my column aside and seize the opportunity to share what I've long considered a game-changing idea.

You may recall that working with Governor Cuomo this past year, we did quite a bit to reform New York's public pension system for future employees. We had to. The funds' investments plummeted during the recession, forcing local governments to pony up much more money to make up for the shortfall. In fact, since 2001, pension contributions by state, local governments and schools shot up from \$368 million to \$6.6 billion! It's the number one concern of local officials who must meet these enormous obligations while also complying with our new tax cap. It's the way the system is set up – requiring ever increasing contributions precisely when the economy is at its worst and municipalities are least able to pay. Anyone who tells you that taxpayers can sustain these rates is simply lying.

The State has let communities amortize their contributions, so the “hit” would be smoothed out over a longer period of time, making it more manageable. It’s a double edged sword that is being utilized more and more, but my question has always been, what are we doing to make sure this situation doesn’t repeat itself down the road?

As a former Mayor who dealt with this firsthand, the answer is, not enough. The reality is that state pension contributions have always been a roller coaster ride of sorts. As a stock-market based system, it stands to reason that in flush years, communities pay very little into it as investments climb, only to be hammered when the economy is weak. Just when those communities are suffering from smaller tax rolls and are least able to handle new costs, they’re being forced to contribute even more. That’s really the crux of the problem. Local leaders and officials need stability in budgeting and the double digit increases year-to-year in pension costs have forced austerity on every level of government – village, town, county and even our schools. I’ve spent many hours debating how to smooth out that roller coaster effect and do away with the uncertainty.

The solution is a simple one, really. Through budget hearings, mandate relief hearings, and various meetings with stakeholders from across New York, I have advocated creating legislation that allows municipal employers to pay a consistent, flat contribution rate year after year. The rate would be determined actuarially based not on a year to year adjustment, but rather over the long term and would remain the same, in good years and bad. Thus, when the market return on investments is high, the overage would be banked and earning interest for the communities to cover costs when investments weaken.

Also, I believe it is a far more equitable way of funding pensions. Our municipalities and schools must have the flexibility to fund services without distinction as to pension contribution rates. A child attending school during good and during difficult economic times should have the same services and opportunities. The reality, however, is that the child

attending school during more difficult times will not have the same services as the school makes adjustments and cuts in an effort to keep up with escalating pension costs. We must take a longer view.

This is not a novel idea. People do it in their everyday lives. You save for a rainy day, so when things get a little tight, the money has already been set aside. It's a forced discipline, but our taxpayers deserve nothing less from us. In the coming weeks I will introduce legislation to provide relief to our struggling municipalities and, more importantly, taxpayers and provide stability to our local budgets.

I hope you'll agree that a little discipline now will go a long way toward better tomorrows.