

“Every generation of professionals has a different relationship with the politicians who have the power.”

**R**ichard Ravitch served as New York lieutenant governor under David Paterson and is co-chairing the new Task Force on the State Budget Crisis with Paul Volcker, former chairman of the Federal Reserve.

The task force is examining budgets and budget processes in California, Illinois, New York, Texas and Virginia for structural budget gaps and to encourage transparency. Ravitch expects the task force to issue a report in mid-2012.

**SL:** How did you become involved with the task force?

**Ravitch:** I was concerned [as lieutenant governor] about the sustainability of the budget practices many states are engaged in, because they are using the proceeds of borrowings and the proceeds of assets they sell to balance their budgets. That cannot continue infinitely. I learned other states have worse problems than New York, and everybody’s problems differ because constitutional and statutory frameworks are not identical. These are issues that should be more relevant to the discussion in Washington about cutting the federal budget.

**SL:** There have been a number of other studies on state budgets in individual states. What’s the advantage of this new study?

**Ravitch:** We’re focusing on five states, not because we are more interested in those states than other states, but because our focus is to get data that are



not generally available. You don’t see this sort of study come out of the state budget directors’ association. They don’t sharpen the distinction between the use of borrowed money and the use of the proceeds of asset sales. What constitutes

revenue isn’t defined.

**SL:** How can policymakers apply the results of this study?

**Ravitch:** We have two audiences, professional people in state government [and elected officials]. The people at

the budget division in the state of New York, for example, are a terrific group. But every generation of professionals has a different relationship with the politicians who have the power. When the professionals say to the politicians, “I am going to scream like hell if you do something I think is wrong,” that produces different governmental results than when the professional people acquiesce no matter what it is the politicians want to do.

**SL:** So some of your effort is to provide a deeper context for people?

**Ravitch:** I want the next generation of politicians to be able to say—when we have a good year again—“Let’s not cut taxes or increase benefits.” These are very complicated issues that haven’t really been vented.

**SL:** You feel this will help bring that out?

**Ravitch:** It’s not that we are going to say the solution is to double taxes or cut benefits or not repay debt. We’re going to lay out all the options, all the legal issues and I certainly think, informally, there is consensus about greater transparency. The point is that understanding this must penetrate the political system. There has to be an awareness. As the federal government works through all the massive budget cuts it’s going to do, one should be conscious of the impact that will have on state or local budgets.

**SL:** Do you see key structural problems in the state budgets so far? It sounds like you see spending one-time pots of money and borrowing money as problems.

**Ravitch:** I’m not against borrowing unless you use your borrowing capacity to cover operating debts. The terrible consequence of that is you have no resources to maintain your infrastructure. This is one of the great threats looming out there that is very difficult to measure. One reason we are studying only a few states is that we really want to dig into this kind of problem. In the United States, 85 percent of all infrastructure expenditures are made by states or instrumentalities of states.

**SL:** Are you looking at how states are going to prepare for what may be inevitable reductions in their federal discretionary programs?

**Ravitch:** We hope that we’ll affect the thinking as states finalize their budgets next spring.

*Editor’s note: This interview is one in a series of conversations with opinion leaders. It has been edited for length and clarity. The opinions expressed are those of the interviewee and not of NCSL.*

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