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Budget Blues Seen As Unlikely To Affect State Races

Frustration with Albany spending may be too standard to excite voters, advocates fear

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Senate Democrats may have avoided the albatross of the latest budget ever going into the fall elections, but they are still being attacked for this year's piecemeal budget, hostile negotiations and uncertain revenue.

Elizabeth Lynam, deputy research director at the independent, non-partisan Citizens Budget Commission, criticized the budget for doing too little to address rising labor costs, which were left virtually untouched, and failing to tackle Medicaid and school aid, both programs badly in need of reform.

Revenue generators like a soda tax and a tax on income earned by out-of-state hedge fund employees, panned by the beverage lobby and some business interest groups, were left out of the budget in favor of higher sales taxes on cigarettes and elimination of a tax exemption on clothing and shoes costing less than \$110.

The tax increases are "shameful," said Heather Briccetti, vice president of governmental affairs for the Business Council of New York State.

The Council's leadership, which represents over 3,000 employers in the state, was appalled at tax-credit deferrals and tax increases, she said.

"The state is going back on its word to not increase spending," said Briccetti, adding that new measures seemed "blind" to the poor state of the economy and could hurt job growth.

The Business Council has never endorsed candidates in an election before, but Briccetti said members were weighing whether to come out in favor of candidates this year in response to mounting frustrations.

"There are a lot of really negative things in this budget," and the difficult climate for businesses could force an endorsement, she said.

Still, many budget watchdogs say they are unclear what impact, if any, this year's protracted budget process will have on the fall elections. New Yorkers have become to late budgets out of Albany, regardless of party control.



But one issue on which members of both parties seem to agree is legislation creating a property-tax cap.

What kind of cap it should be—whether the 4-percent cap Gov. David Paterson and a bipartisan Senate coalition passed this month, the 2-percent cap supported by gubernatorial candidate Andrew Cuomo, or a cap with a circuit breaker, providing targeted tax relief to homeowners based on their income, supported by Assembly Speaker Sheldon Silver—is still the subject of much debate, particularly in swing suburban districts where the tax rates are highest.

Frank Mauro, executive director of the non-partisan Fiscal Policy Institute, a group that analyzes the state's finances, argued against the Paterson 4-percent plan.

“[The flat cap] is a bad and simplistic idea,” he said. “It just slows down growth and does that in a way that's unfair.”

Paterson has said he will work to convince the Assembly to pass a cap before he leaves office.

More pressing to many left-leaning groups, though, is increasing the tax burden on the state's highest income earners.

Working Families Party executive

director Dan Cantor said that only by raising taxes on the wealthy can the state support its struggling middle class.

“Shared sacrifice needs to be the watchword of our day,” Cantor said. “Working people are doing their share.”

A new administration and new faces in the Legislature could revitalize attempts to reform the state's budget process, Lynam said.

Those changes could bring the political optimism needed to craft major reforms to Medicaid, school aid and employee compensation contracts, due for review this fall.

But new legislators may also have to reckon with the repercussions of this budget, which relies on shaky revenue assumptions, such as \$250 million in workforce savings and an estimated \$220 million in anticipated revenue from tax audits.

“It's going to be a picture of continuing troubles,” she said. □

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With additional reporting by Andrew J. Hawkins



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