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Paterson takes a \$3B swipe at state's budget

By [Erik Engquist](#)

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Gov. David Paterson laid out a sweeping \$3 billion deficit reduction plan Thursday to pull the state out of the red and said he expects to call the Legislature back into session in two weeks to amend the budget. Most of the gap will be made up by recurring spending cuts, but bookkeeping maneuvers and other one-time actions account for 38% of the plan, according to the Citizens Budget Commission, an independent group.

"We are trying...to change the culture in Albany to one of fiscal responsibility," the governor declared in announcing the cuts.

The largest chunk of cuts under the plan is a \$1.3 billion across-the-board reduction in aid to localities. Those governments could replace the lost revenue by raising property taxes, sales taxes and the like. Yet state budget director Robert Megna claimed, "There is not a lot of cost-shifting in this plan." The proposal also includes \$500 million in state agency cuts announced by the governor last week, which the administration expects to achieve without layoffs.

Beyond that, education, the state's largest expenditure, will take the largest cut—\$480 million between now and the end of the fiscal year on March 31, 2010, an annualized reduction of about 3%. Poorer districts would be cut less and richer districts more under the governor's plan, although the Legislature can be expected to reduce or eliminate that discrepancy.

"We're going to try to adjust the cuts to reflect the ability [of school districts] to sustain the cuts," Mr. Paterson said at an Albany press conference. "Most of the schools have reserves that can absorb this, and if they see fit, they should certainly use them."

But the Alliance for Quality Education and the Campaign for Fiscal Equity released a statement demanding the Legislature "say no to these damaging cuts."

The governor proposed a \$287 million cut in Medicaid spending, which would be felt by hospitals, nursing homes, clinics, home care providers and other medical professionals. On top of that is another \$184 million reduction in healthcare spending. The industry reacted with predictable outrage.

"Today's actions are astonishing in their disregard for New York's healthcare community and the patients they serve," said Kenneth Raske, president of the Greater New York Hospital Association, and George Gresham, president of 1199 SEIU United Healthcare Workers East, in a joint statement. "Without question, they will lead to layoffs, elimination of services and departments, and closures of entire facilities."

Daniel Sisto, president of Hospital Association of New York State, declared himself "alarmed and disappointed" and added, "This is not reform: this is placing our healthcare in jeopardy."

Transportation would be cut by \$125 million, higher education by \$63 million, other education programs by \$45 million, and social services by \$28 million.

The proposal does not include any revenue raising measures, such as tax or fee hikes. Mr. Paterson has repeatedly vowed not to raise taxes to plug the budget gap. He made the same promise last spring, but ultimately agreed to an income tax increase on high earners.

Mr. Paterson also proposed a series of so-called "one-shots" including raiding the state Dormitory Authority for \$26 million and the Regional Greenhouse Gas Initiative and Environmental Protection Fund for a total of \$100 million, leaving environmental groups incensed. That money was supposed to be used for energy efficiency programs, land conservation and the like.

The governor is also asking for \$300 million from the Battery Park City Authority. Other one-time actions include a tax amnesty program projected to bring in \$250 million and \$100 million in debt management savings. Mr. Paterson proposed increasing the amount of Medicaid fraud recovery expected this year by \$150 million, and collecting \$200 million from the winning Aqueduct racino bidder this year rather than next year. One-shots, which total \$1.126 billion, will not help offset the deficit expected for fiscal 2011.

Despite that, the governor's proposal was cheered by groups that have long called for spending reductions. "Now is the time for real and substantial reductions in state spending, and fundamental changes to stop New York's pattern of limping from fiscal crisis to fiscal crisis," said Mike Elmendorf, state director of the National Federation of Independent Business/New York. "The spending cuts proposed by Gov. Paterson...are a positive step."

The governor had hoped to produce a deficit reduction plan jointly with the Legislature, but lawmakers refused, forcing the governor to do it on his own. "Now we know who the governor is," Mr. Paterson said wryly. He said he expects to meet with Assembly and Senate leaders next week to discuss the plan he unveiled Thursday.

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