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## State Comptroller Warns Albany to Cut Deficit

By [DANNY HAKIM](#)

ALBANY — Deteriorating economic factors have propelled New York State’s projected budget deficit to \$4.1 billion, according to the [state’s comptroller](#), who warned on Wednesday that state leaders needed to do more to address an increasingly dire situation.

“Most New Yorkers understand they cannot spend more than they make,” the comptroller, [Thomas P. DiNapoli](#), told reporters. “The state needs to adopt that same kind of common sense. If we stay on the current path, New York will run out of cash.”

Mr. DiNapoli’s bleak assessment came a day before Gov. [David A. Paterson](#), after months of delay, planned to release proposals for budget cuts to close the deficit for the current fiscal year, which ends in March.

The governor will propose cuts in education, health care and other programs to close a deficit that his budget division projects to be around \$3 billion, officials said. Asked to describe the plan at an appearance on Wednesday, the governor responded with one word: “pain.”

But it is far from certain that the Legislature will approve the plan or that it would be sufficient to bridge the widening deficit.

Mr. Paterson has been reluctant to propose specific cuts, saying he feared a repeat of the criticism he faced last year from special interest groups. Whatever the details of his plan, it will inevitably lead to protracted haggling with lawmakers. But Mr. DiNapoli said state leaders needed to act with a sense of urgency.

“I said back in April that this was a buy-time budget, and now time is up,” the comptroller said in his report. “This budget simply has not held together.”

New York is facing a combination of ills, including the troubles on Wall Street — its main revenue engine — rising unemployment and shrinking tax collections. And the problem is likely to worsen soon, when federal stimulus spending and the state’s increased taxes on the wealthy both expire and state spending is projected to soar.

There have been signs of a recovery at some big banks, including JPMorgan Chase, which reported surprisingly strong profits on Wednesday. There have also been some positive signs in Wall Street bonuses, which are a critical source of state tax revenue.

At the same time, with the Lehman Brothers bankruptcy and Bank of America’s purchase of [Merrill Lynch](#), Wall Street’s landscape has permanently changed.

“Wall Street has shed thousands of jobs in the course of this [recession](#), so the employment base is down from what it was,” Mr. DiNapoli said.

Despite the financial gloom, Albany has shown little inclination to reduce spending. The budget passed in April increased spending by more than 9 percent, as lawmakers used the federal stimulus aid to bolster spending on social programs.

“Despite billions in federal stimulus aid, we now find ourselves in a deficit situation that is largely the result of spending money we don’t have,” said Senator [Dean G. Skelos](#) of Long Island, who leads the Senate’s Republican caucus.

Elizabeth Lynam, deputy research director at the [Citizens Budget Commission](#), a nonprofit organization, said of lawmakers, “They seem to be looking on the federal stimulus money and the personal income tax surcharge as all that needs to happen here, and that’s completely an error.”

“They’ve been sticking their heads in the sand as revenues continue to drop, which makes the problem worse,” she added. “They’ll have to go into it in crisis mode.”

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