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Paterson's plan set for release today has "reductions across virtually every area of state spending"

By Casey Seiler and James M. Odatto

Gov. David Paterson will unveil \$2 billion in budget cuts this morning, less than a week before the Legislature returns for a special session to address the state's ballooning deficit.

The proposal will include "reductions across virtually every area of state spending," said Risa Heller, the governor's communications director, in a statement.

"Given the magnitude of this crisis, the only way we are going to be able to get New York's fiscal house in order is through shared sacrifice," the statement continued. "Just as families across the state must adjust to changing financial circumstances, so must our government and those who rely upon state funding."

The cuts will be discussed in detail at a news conference scheduled for 11 a.m. at the governor's New York City offices.

Some details of the proposals emerged on Tuesday. Sources familiar with Paterson's plans for reducing health care expenses said across-the-board cuts are planned, with hospitals, nursing homes and home care programs being hit to different degrees. Cuts to the funds provided to hospitals and nursing homes could reach 8 percent, while home care may escape with a 2 percent reduction in aid.

In education, Paterson has been proposing almost \$100 million in cuts to public colleges. He also wants university professors and other public employees to increase their participation in health insurance costs, said Alan Lubin, executive vice president of the New York State United Teachers.

Insurers will also suffer some additional costs: The governor is expected to ask for another \$120 million in fees called "covered lives assessments" on health insurance policies, bringing the total revenue derived from the fees to well over \$1 billion. The assessments tend to drive up the costs of policies.

Former Gov. Eliot Spitzer sought \$190 million in additional covered lives assessment fees. After legislative push back,

Spitzer won just \$70 million for this year's budget, leaving the remaining \$120 million for another budget fight — apparently the one Paterson is now waging.

“They're going back to the well on everything that's been rejected by the Legislature in recent years,” a top legislative aide said.

The cost controls Paterson will propose today will likely approach \$500 million in Medicaid savings.

Tuesday afternoon, Paterson was in Syracuse discussing the fiscal crisis at a town hall meeting — his second in two weeks.

While he would not discuss details, the governor described the cuts as both painful and necessary.

“We'll be operating a big knife, but trying to operate it like a scalpel,” he told the audience.

In Tuesday's appearances and interviews, Paterson apparently for the first time broached two ideas for future consideration: a repeal of the gasoline tax cap, which is currently set at \$2 per gallon, and the possibility of targeting education cuts so that wealthy districts sustain the most reductions — a measure that would have direct negative effects on Long Island, where state Senate Majority Leader Dean Skelos has won significant additional funds for schools in his power base.

Following the hour-long town hall session — hosted by Susan Arbetter of WMHT — Paterson spoke to reporters

on the likely reaction to his plan from unions, advocates and municipal leaders.

“I completely sympathize with the pain that they may have to ask of some of the members of their unions,

some of the employees of companies, some of the operations of local governments that may be hindered,” he said.

“This is why I'm trying to make it clear how serious the situation is.

And as long as I think I'm just dealing with those who haven't fully understood the crisis yet, then I don't mind doing it.

But the kind of (criticism about) who's winning and who's losing, who got cut and who didn't get cut — this is not a reality TV show;

this is not a game. This is a very serious situation that involves the survival of the people of New York and the quality of their lives.”

Paterson had previously issued a call for leaders of the state Assembly and Senate to provide their ideas for cuts to his office,

with a deadline of last Friday. None were offered.

“I think Republicans and Democrats have got to recognize how much the public is watching, how much citizens know how bad the budget deficit is,” Paterson said in his news conference. “So I think that whether you're a lame duck, whether you're a growing duck or whatever it is, that you don't duck your responsibilities.”

“... This is not campaign time,” Paterson added. “During the campaigns, when I heard they weren’t going to cut this and they weren’t going to do that, I dismissed it — because nobody campaigns by telling you what they’re going to cut. But now it’s time for governance. And what leads to unsuccessful campaigns is a lack of good governance.”

Capitol insiders suggest that Paterson’s plan will be just the beginning of an elaborate back-and-forth with public-policy stakeholders — including the Legislature as well as labor unions and special-interest groups — that could continue well beyond the mid-December release of Paterson’s proposed budget and the installation of the new Assembly and Senate in January. The state budget has a March 31 deadline, although it has been exceeded numerous times in recent decades.

Next week’s special session will take place amid a thick fog of post-election politics. The Republican majority in the state Senate appears to be on its way out after last week’s losses, although the chamber’s Democrats have spent the last week dealing with a quasi-revolt by the so-called “Gang of Four,” an independent caucus that has threatened to withhold support from current Minority Leader Malcolm Smith.

One of the four, Senator-elect Hiram Monserrate, broke away from the group by announcing his support for Smith’s leadership over the weekend. The remaining three — Sens. Carl Kruger and Ruben Diaz Sr. and Senator-elect Pedro Espada Jr. — met Tuesday to discuss their plans; according to The New York Times, the three will not make their leadership pick until January.

Talking to reporters Tuesday, Paterson said any leadership dispute should be focused on the question of “who can govern better.”

“But I’m not hearing that in these conversations,” he said. “I’m hearing who’s going to get a better deal, who’s going to get a better committee assignment. One of [the four] said they want to be the majority leader. ... And I would say that this is the sort of superfluous type of selfishness that’s gotten us into this mess in the first place. Right now, we need serious people who are ready to address this budget deficit.”

The Senate Republican conference is planning to meet at the Capitol today.

On Thursday, the Assembly’s Ways and Means Committee will hold its second hearings on the impact of the economic crisis. The committee will also review the governor’s proposals.

Casey Seiler can be reached at 454-5619 or by e-mail at cseiler@timesunion.com.

The knife

Likely elements of Gov. Paterson’s budget-cutting package:

Cuts to public colleges and universities of \$100 million

Increased health care insurance contributions by state workers

An 8 percent reduction in aid to hospitals and nursing homes

A 2 percent reduction in home health care aid

For final detail of the governor's plan, visit timesunion.com and the Capitol Confidential blog (<http://blogs.timesunion.com/capitol>) throughout the day.

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Gov. David Paterson