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Paterson and Top 2 Legislators Fail to Agree on Cuts

By [JEREMY W. PETERS](#)

Gov. [David A. Paterson](#) and legislative leaders failed to reach a resolution on the state's deepening [financial crisis](#) on Sunday, throwing into doubt the chances that an agreement could be reached before an emergency legislative session scheduled for Tuesday.

Mr. Paterson met with the Senate majority leader, [Dean G. Skelos](#), and the Assembly speaker, [Sheldon Silver](#), in his Midtown Manhattan office on Sunday afternoon. But by the time the meeting ended, after about an hour, it was not clear that the Legislature would even vote on Mr. Paterson's plan to close the state's budget deficit.

In a statement issued after the meeting, Mr. Paterson laid the blame for the impasse on Mr. Skelos, a Long Island Republican who has said that the governor's [plan](#), which includes cuts in financing for schools and hospitals, was a nonstarter.

"It was clear from the meeting that Majority Leader Skelos has not changed his position," Mr. Paterson said, adding that he was still optimistic a compromise could be struck. "I hope that by Tuesday we will have a constructive package of spending reductions for this year."

But Senate Republicans strongly objected to Mr. Paterson's characterization that they were standing in the way of a deal, saying that the governor had yet to present them with legislation that would result in the \$5.2 billion in savings — through cutting spending and raising revenue — that he is seeking over the next 16 months. Without legislation, they said, they cannot act.

"We are being called to Albany by the governor to act on specific bills, which he has yet to send us," said John McArdle, a spokesman for Mr. Skelos. "We know the broad parameters of his press release, but we have yet to get a bill. They've given us nothing." While the governor has not presented them with a final bill, he has given them draft legislation.

It is even unclear how Assembly Democrats view the governor's plan, and that casts more uncertainty over the fate of the special session. They are scheduled to meet on Monday evening to discuss Mr. Paterson's deficit reduction package, but there is no indication yet that the Democrats have consensus within their conference. And some members are likely to resist the governor's calls for such deep cuts.

"I think there's a concern about not putting the entire burden on the backs of people who use public schools and public hospitals," said an Assembly Democrat who asked to remain anonymous because the speaker and the conference had not yet discussed the issue together. "And from what we've seen so far, that's one of the issues that the governor's proposals raise."

A spokesman for Mr. Silver, Dan Weiller, said the speaker had no comment on the meeting with Mr. Paterson and Mr. Skelos. Mr. Silver, a Manhattan Democrat, has not said publicly whether he would support the governor's proposals. But unlike Mr. Skelos, Mr. Silver has not criticized Mr. Paterson's plan as unworkable, leaving open the possibility that Assembly Democrats could be amenable to cutting back some state programs and services.

Mr. Paterson laid out a budget reduction proposal last week that would save \$2 billion between now and the end of the state's fiscal year on March 30. He would mostly cut spending but would also create new revenue by increasing tuition at state universities and raising some fees that the state assesses. He has called for reducing financing for public schools, cutting hospital reimbursements for [Medicaid](#) costs and asking state workers to forgo the 3 percent raise they are scheduled to receive next year.

The near collapse of the financial services industry threatens to leave the state's treasury depleted. About a quarter of the tax revenue that New York collects each year comes from Wall Street. And in the fourth quarter of the state's fiscal year, from January through March, nearly a third of the state's revenue has come from Wall Street because of the taxes it collects on bonuses.

With companies expected to sharply curtail the bonuses they award this year, the state's treasury is likely to see a significant drop in tax collections in the fourth quarter.

Mr. Paterson has said that the state needs to move quickly to address the deficit before it gets any worse. And last month he announced that he would call legislators back to Albany for a special session to cut the budget.

That strategy has worked for Mr. Paterson before. In August, he persuaded lawmakers to trim some \$420 million from this year's budget. But it is far less certain that this special session will give the governor that same kind of political victory.

Officials in Albany said on Sunday night that it was possible the Legislature might hold off on approving any cuts until next month, after Mr. Paterson presents them with his budget for the 2009 fiscal year.

Waiting could have negative implications for Mr. Paterson and legislators. If the governor cannot persuade lawmakers to act this week, it could appear as if he had lost a big political gamble by presenting them with a plan they rejected.

On the other hand, if legislators do not act, they open themselves up for criticism that they did not take the crisis seriously enough and ignored Mr. Paterson's pleas for financial responsibility.

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