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Governor poised to gain new clout

Paterson can wield more power in next month's 2009-10 budget plan

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ALBANY — With the Legislature on Tuesday opting not to act on Gov. David Paterson's call to cut \$5.2 billion in spending, the focus is shifting to the 2009-2010 budget, which the governor plans to offer on Dec. 16, a month ahead of the usual time.

With the new budget, Paterson will find himself in a far more powerful position than he does now, according to politicians and observers who note that the governor has extraordinary discretion in fiscal matters.

"His budget powers are unparalleled in New York state and he's going to use them," said Elizabeth Lynam deputy research director at the Citizens Budget Commission, a spending watchdog.

First, Paterson can make unilateral moves such as making further cuts to his state agencies, although that could lead to layoffs.

"The easiest thing for the governor institutionally if not politically is to make big cuts in the agencies, including layoffs. He has the power to do that," said Robert Ward, deputy director at the Rockefeller Institute.

So far, Paterson has suggested that he doesn't want layoffs. And while unions are rebuffing his call for state workers to postpone a 3 percent raise next year and to accept a week's "pay lag," Paterson has also offered a sort of early-retirement-plan-in-reverse: Under his proposal, which would need legislative but not union approval, Paterson would increase the co-pay for retiree health insurance — except for those who retire by Dec. 31. It's an effort to cut down on the state work force without paying retirement incentives or resorting to layoffs.

The governor could also "sweep" millions of unspent funds from a variety of accounts and even state authorities. That in some cases would require the agreement of lawmakers; at least one legislative leader, incoming Senate Majority Leader Malcolm Smith, is on board with that concept.

The biggest savings will have to come from state aid to localities for schools and health care spending such as county Medicaid programs. Without taking a bite from the programs, the governor is unlikely to save the approximately \$15 billion he says he'll need between now and the end of the next fiscal year.

Even if next year brings an income tax hike on millionaires, most agree that education and health care spending need to be trimmed.

The most potent weapon the governor has at his disposal: Paterson could propose a 2009-2010 budget that's smaller than this year's \$121 billion spending plan. Lawmakers could then try to add to the budget, but Paterson could veto the additions.

This scenario has played out before. When George Pataki was elected governor in 1995, he cut the budget and reduced the state work force. He did it again in the 2003-2004 budget.

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