

Deficit alert increases to \$3.2B

Two-year shortfall rises to \$6.8B, governor warns

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ALBANY -- New York's budget deficit is growing again.

The current fiscal year, which ends March 31, is expected to run a \$3.2 billion deficit -- up from the \$3 billion previously predicted, Gov. David Paterson said Thursday.

And the two-year deficit, previously identified at \$5 billion, has risen to an estimated \$6.8 billion.

The Budget Division confirmed the governor's numbers, which will be officially released today.

Paterson's remarks came during a New York City meeting with legislative leaders in advance of the budget-cutting session the governor has called for Tuesday, Nov. 10.

"They'll come back, and we'll stay there until we get it done," Paterson said of the upcoming session.

If the tenor of Thursday's meeting was any indication, they may be there a long time. As in a similar meeting in Albany last week, there were signs that lawmakers won't go along with cuts to health care and education spending that Paterson says are needed to balance the budget.

Once again, Paterson and Senate Democratic Majority Leader John Sampson crossed swords when the Brooklyn lawmaker said his conference continues to call for the refinancing of state tobacco bonds, which he said could raise \$500 million.

As he did last week, Paterson curtly dismissed the idea in the guise of refusing to criticize it: "I will not shoot down your tobacco bond proposals again, senator," he told Sampson, "because they are already dead."

Sampson later said, "We're not cutting services to children to seniors, education."

Assembly Speaker Sheldon Silver, D-Manhattan, raised his own doubts about the often-repeated claim -- from Paterson and others -- that New York's high taxes are driving people out of the state.

"Do we have evidence that anybody has moved out of the state other than one individual?" Silver asked, in an apparent reference to Rochester billionaire Tom Golisano; the former gubernatorial candidate moved his residence to Florida earlier this year, citing high taxes and government dysfunction. Paterson mentioned the exit of radio host Rush Limbaugh, who last spring said he was abandoning the state in the wake of an income tax hike.

Earlier in the week, the Empire Center for New York State Policy released a survey showing that 1.5 million people left the state between 2000 and 2008, making for the nation's largest loss of residents to other states. The fiscally conservative Center pointed to taxes as a major reason for the exodus.

Immigrants, mostly coming to New York City, prevented a decline in the state's population.

Just before Thursday's meeting, Paterson released a plan to cap state government spending, including a "circuit breaker" that would give homeowners a school property tax discount in good economic times -- if spending is held in check.

The plan calls for an income-based property tax discount in years when there is a budget surplus and if lawmakers and the governor keep state spending growth below the inflation rate.

Paterson plans to offer the idea, which critics on both the left and right described as complicated, as part of the deficit reduction plan.

The proposal would put pressure on lawmakers to contain state spending since the property tax breaks would depend on fiscal restraint.

It also assumes surpluses in future years of \$100 million to \$3 billion that would grant tax credits to an estimated 868,000 to 2.1 million homeowners; the credits would range from \$589 to \$1,405.

Budget Division spokesman Matt Anderson said the last time New York had a surplus was at the end of the 2006-07 budget year, when it was left with \$1.5 billion.