

A new volley on the deficit

Citing a lack of progress on the budget, the governor outlines unilateral reductions

By **RICK KARLIN**, Capitol bureau

First published in print: Monday, November 30, 2009

Editor's Note: *Share your thoughts on this story at [Read and React](#).*

ALBANY -- Lawmakers will be back in session today, but little progress appears to have been made over the Thanksgiving holiday weekend in efforts to eliminate the state's \$3.2 billion deficit.

With negotiations stalled, Gov. David Paterson is enacting \$1.6 billion in savings that he can do unilaterally, including \$500 million in cuts to state agencies and more aggressive enforcement of Medicaid fraud.

Plans for those cuts were announced earlier this year.

"There are discussions. There have not been any new proposals that have been placed on the table," Gov. David Paterson said Sunday afternoon in a telephone news conference.

Paterson has been at odds with the state Senate, whose members, heading into an election year, have been resisting his call to cut education aid.

Paterson has insisted that cuts in spending on education and health care are needed to balance the budget.

The Democratic governor, sounding frustrated by the stalled negotiations, said he might reach out to conservative Republican and one-time gubernatorial candidate John Faso for advice.

"I'll probably give him a ring and ask for more detail," Paterson said when asked about a column that Faso penned for Sunday's Times Union in which he suggested that Paterson seek legislative approval to declare a "fiscal emergency."

Such a move could include freezes on pay for public employees, including school workers, and on school aid.

Faso noted that New York City enacted such a freeze in the 1970s, as did the city of Buffalo earlier this decade.

Lawmakers, though, sounded unenthusiastic about declaring an emergency, which could grant the governor extraordinary powers.

"Our conference opposes any proposal that denies the people's representatives their constitutional authority," said Senate Democratic spokesman Austin Shafran.

Senators last week quickly rejected Paterson's call to cede him more budget-cutting authority if lawmakers are unable to do so.

Shafran added that members of his conference agree Paterson should take whatever "administrative measures" he can in order to decrease the state deficit.

Most of the immediate action involves shifting money from state agencies to the general fund. Under law, that money must be returned within four months.

In December, some of the state's biggest bills are due, including billions in aid to public schools. But in January, the state begins to take in more than it spends as early tax returns are due, said Frank Mauro, a fiscal analyst for the union-backed Fiscal Policy Institute.

He said that provides the state with more options, including delaying school aid rather than cutting it and risking a further "drag on the economy."

"There are obvious arguments for what the governor is proposing," Mauro said in an interview last week. "That doesn't mean he shouldn't have to take into consideration the economic impact of what he is proposing."

Paterson also said he will temporarily use some cash from previously scheduled borrowing for capital projects.

Two major pieces are less certain. He plans to get \$200 million from the group yet to be chosen to put video lottery terminals at Aqueduct racetrack in Queens, a process that's been delayed for years. The governor also seeks \$250 million from the Battery Park City Authority, but that requires approval from other sources.

As to the declaration of fiscal emergency, Faso said it could entail holding off public employee raises until the economy improves. He said that might be preferable to layoffs in the state and local governments such as schools that could result from a cash shortage.

"The private sector is cratering," Faso said. "How can we justify paying raises?"