

N.Y. officials brace for cuts in Paterson's spending plan

Schools, hospitals may face biggest reductions since '70s

By Jay Gallagher
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ALBANY — Gov. David A. Paterson on Tuesday is set to deliver to the Legislature a budget that is expected to bring plenty of bad news for schools, hospitals, state workers and others.

"We expect to see numbers we haven't seen for decades in terms of cuts to health care," said William Van Slyke, a spokesman for the state Health Care Association. The proposed reductions could be the most severe since the state's last big fiscal crisis in the 1970s, he said.

The prognosis is equally grim for schools, which on average rely on Albany for about 43 percent of their revenues.

"We have been telling our members we were anticipating a flat line for next year," said Barbara Bradley of the state School Boards Association. But she said the association now fears that Paterson could propose an actual reduction — just as he did last month when the Legislature rejected his plan to cut aid in the middle of this school year.

"We continue to tell our members to tighten their belts," Bradley said. "It's not looking good."

If Paterson delivers bad news, at least he'll do it early — about a month ahead of the usual schedule — to give lawmakers more time to ponder how to close what the governor has said is close to a \$15 billion gap. The overall slumping economy, as well as the state's traditional reliance on Wall Street for 20 percent of its revenues and the state's big fiscal responsibilities guaranteed when times were better are the major culprits. The Legislature has until the end of March to adopt

a spending plan.

Education and health care are expected to bear the biggest hits, because that's where about See BUDGET Page 6A

two-thirds of state tax revenue is spent. Much of the rest is spent on workers' salaries.

"The basic elements have to be cuts to school aid and Medicaid cuts," said E.J. McMahon of the Empire Center, a conservative think tank. He added that Paterson should also present some ideas to lower labor costs — for both state and local governments.

Current law calls for the amount of taxpayer dollars spent on Medicaid, the health program for poor and disabled people, to go up \$1.848 billion next year, an increase of 21 percent. Besides a growth in costs and the number of people served, that figure is driven by the state's decision to cap how much local governments have to pay for the program, as well as the unfortunate circumstance of having 53 payment dates to vendors next year, instead of the normal 52.

Education aid was supposed to jump next year by almost \$2.2 billion, or 12 percent, next year. But almost nobody expects

Paterson to try to honor that. Instead, what is unclear is whether he will propose holding spending steady or actually suggest cutting aid — something last done in 1995.

Even without planned spending hikes, the state would be in some trouble — revenues are expected to tumble by almost \$6 billion next year, due mostly to the Wall Street meltdown and other economic reverses.

But Paterson has said one thing he will not do is raise taxes to cover the shortfall. But lawmakers and others have said he should consider the idea.

Friday, a labor-backed think tank released a letter from more than 100 economists urging Paterson to raise taxes on the wealthy to close a portion of the gap. They said spending the extra revenue would help pull the

state out the recession.

Paterson has said that such an increase might cause the wealthy to flee the state. But that concern is "overblown, to say the least," said Frank Mauro, executive director of the Albany-based think tank, the Fiscal Policy Institute.



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