

A Bloodless Budget

By E.J. McMahon

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Shortly before Gov. Paterson unveiled his 2009-10 Executive Budget, one of his aides reportedly warned of "aggressive . . . cuts" that would leave "blood in the streets."

However - despite what he calls "staggering" deficits this year and next - the governor is not eviscerating Albany's bloated budget. In fact, state spending would grow slightly under his proposal.

The bellwether State Funds portion of the budget - including all operations and capital spending, but excluding federal grants - would rise by 1.7 percent, to \$86 billion, compared to a projected inflation rate of 1.2 percent. The core General Fund, where the budget gap is centered, would be held flat.

This is a welcome improvement over the budgets proposed by former Gov. Eliot Spitzer, which called for State Funds spending hikes of 8 percent and 6.2 percent - more than double the then-prevailing inflation rate.

But Paterson's plan falls short of the fiscal-restraint benchmark set by then-Gov. George Pataki's proposals after he first took office in the mid-'90s.

As shown in the nearby chart, Pataki called for actual reductions in both State Funds and General Fund spending in each of his first two budgets. Inflation was averaging closer to 3 percent at the time, so Pataki's proposed cuts were even larger in real terms than they appear in nominal terms.

The governor's opening budget bid is vitally important: It sets a floor for negotiations with a Legislature that is inevitably bent on spending more.

In Pataki's case, low-balling the initial proposal led to two consecutive years of no growth at all. Paterson, by comparison, has inherited a much more severe crisis and thus needs to do more.

But, disappointingly, this governor's "spending restraint" consists mainly of avoided spending increases. This takes care of only half of the budget gap.

If New Yorkers are now experiencing "the greatest economic and fiscal challenge of our lifetimes," as Paterson's budget presentation appropriately called it, it's hard to justify such items as:

* \$45 million for the state Council on the Arts (twice the per-capita average for such agencies in other states).

* \$78 million for the chronically troubled Statewide Wireless Network.

* \$58 million for added park and open-space land acquisition.

* \$46 million for stem-cell research (already heavily funded by private firms and the federal government).

* \$65 million in tax credits for (mostly wealthy) film producers.

* \$8 million for a scenic pedestrian walkway over the Hudson River.

Paterson's budget message is marred by missed opportunities and odd omissions. For example, the proposal to eliminate state-financed school-property-tax (STAR) rebates highlighted the need for a statewide school-property-tax cap - but Paterson didn't seize the chance to link the STAR cut to passage of a cap, though he's been the cap's chief booster.

Similarly, the governor proposed (inevitable) cuts in school aid, yet failed to call for giving school districts the added leverage they need to negotiate givebacks from teacher unions.

Paterson has taken an important step in the right direction by proposing a new, less expensive pension tier and asking state workers for wage and benefit concessions. But in repeatedly disavowing the possibility of mass layoffs, he's been unwilling to play hardball with union leaders who otherwise have no reason to deal with him. Oddly enough, the budget also includes \$424 million to finance salary hikes for unions that haven't settled their contracts yet.

Executive branch agencies - the only ones Paterson can directly control - shouldn't be alone in the spending-cut spotlight. The Legislature's proposed budget of nearly \$221 million (more than \$1 million per member) is also ripe for reduction, especially now that control of the state Senate is up for grabs.

Then there's the \$2.4 billion state Judiciary budget, which has more than doubled during the 15-year tenure of now-retiring Chief Judge Judith Kaye. Paterson should appoint a successor who is willing to trade a long-overdue judicial pay raise for an equally overdue effort to economize in the court bureaucracy.

The headlines on the budget have been dominated by Paterson's enormous package of proposed taxes and fees - some so petty that they conjure an image of budget analysts competing to come up with the idea most likely to win mention by Jay Leno. But there's nothing funny about the biggest items on the governor's revenue wish list: expanded "assessments" on health-care services and energy, both of which are already far too costly in New York.

While the Wall Street crisis was the tipping point for New York state's fiscal miseries, Paterson has shown a refreshing willingness to finger Albany's own excessive spending as the root of the problem. Unfortunately, on balance, his first budget is not the best solution.