

January 19, 2005

## **The Governor's Three-Pronged Plan to Meet His \$105 Billion Budget**

By MICHAEL COOPER

**A**LBANY, Jan. 18 - Faced with enormous bills coming due for health care, transportation and education, and limited resources even in a \$105.5 billion budget, Gov. George E. Pataki hit on a trio of different strategies in the spending plan he unveiled on Tuesday: service cuts, heavy borrowing and playing for time.

The governor tried to meet the state's rising health care costs head-on, taking the politically risky step of calling for nearly \$1 billion in Medicaid cuts and setting the stage for a battle royal with the state's powerful health care industry. By offering to cap local Medicaid costs, Mr. Pataki hopes to win county governments as allies in the fight.

To shore up the state's mass transit systems and roadways, Mr. Pataki proposed a \$36.6 billion five-year plan that calls for borrowing billions, backed in part by higher fees on drivers and higher mortgage recording taxes. But the plan falls far short of providing the money that the Metropolitan Transportation Authority wants even for routine maintenance, not to mention some costly expansion projects.

And with a politically explosive court order hanging over his head requiring the state to fix New York City's schools, the governor essentially stalled. He released a proposal that mirrored the one he made, and failed to win support for, last year. It calls for increasing aid to city schools by \$280 million, a fraction of the \$1.4 billion increase that a court-appointed panel recommended for each of the next four years.

As lawmakers and lobbyists grasped in vain to read hints about the governor's political future into his spending plan - some thought it sounded like the budget of a man who plans to step down in two years; others said it sounded like the plan of a man running again - several said it could be his last chance to push big changes. Next year, they observed, Mr. Pataki will either be a lame duck or opening a re-election campaign.

The proposed budget came after the State Legislature passed its latest budget in history last year as lawmakers fought over Mr. Pataki's education spending proposal. With the governor's new spending plan budging so little from last year's proposal, and with the Legislature's power to amend the budget sharply curtailed by the courts, some lawmakers grumbled privately that they could break the late budget record this year, too.

As he tried to sell the plan to the Legislature - standing before a backdrop of slide projections with messages like "Ensuring Fiscal Integrity," "Helping Local Governments" and "Advancing Economic Freedom" - Mr. Pataki urged lawmakers to "build on our momentum by sticking to the proven formula of fiscal discipline and tax cuts."

But while the proposal does contain some tax cuts - Mr. Pataki challenged the Legislature to speed the reduction of a \$190 million income tax surcharge on the state's highest earners - it also contains roughly \$700 million in new taxes and fees. The governor wants the Legislature to extend a \$455 million sales tax on clothing, which was supposed to end this May, as well as to raise the tax on wine. And he authorized higher camping fees and higher tuition fees at state and city university systems.

None of the proposals are likely to be adopted without a fight. Minutes after the governor left the theater where he outlined the spending plan, Assembly Speaker Sheldon Silver, a Democrat, was attacking Mr. Pataki, saying he had included too little in his budget for New York City and complaining that the governor's tax proposals and higher fees would favor the wealthy at the expense of the poor and the working class.

Soon afterward, Joseph L. Bruno, the Senate's majority leader and a Republican, was complaining that the governor's education proposal did not raise enough money and sent too much of what it did raise to New York City.

But the rules of engagement this year are unclear. The state's highest court, the Court of Appeals, ruled last month that most of the budget-making power in New York State rests with the governor and that the Legislature is limited in how far it can go in changing his proposals. So lawmakers in both parties were unsure of their next step.

The effect could be felt widely. For years Mr. Pataki's budgets have proposed withholding some financial aid from the state's poorest college students until they graduate, and for years the Legislature has killed the proposal, arguing that it would put another hurdle in front of poor New Yorkers.

But this year, Assembly Democrats said, the proposal was written into the bill that the governor plans to submit establishing the aid program, the Tuition Assistance Program. So lawmakers fear that unless they can negotiate with the governor and persuade him to abandon the proposal, they may be faced with a dilemma when it comes time to vote on the budget: accept his change in the program or cut the program altogether.

Mr. Silver, who unsuccessfully challenged the governor's budget-making powers in court, said Mr. Pataki was flexing his newly affirmed powers by trying to change state policy in budget bills that the Legislature has little leeway to change.

"He uses and abuses it," Mr. Silver said.