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## Cuomo to Cut New York State Spending by \$8.86 Billion, Fire 9,800 Workers

By Michael Quint - Feb 1, 2011

New York Governor [Andrew Cuomo](#) proposed cutting local school aid by 7.3 percent and reducing Medicaid spending by almost \$3 billion in a budget that closes a \$10 billion deficit.

As many as 9,800 workers may be fired under the \$132.9 billion spending plan, according to documents released by Cuomo today. Aid to 700 school districts, the largest expense for the third most-populous U.S. state, would be cut by \$1.5 billion to \$19.4 billion in the fiscal year beginning April 1, [according](#) to the governor.

Cuomo, a 53-year old Democrat elected in November, said his [budget](#) “stops the cycle of relentless and unaffordable spending growth,” as required by laws approved in past years. Looking directly at lawmakers during a speech in Albany, the capital, he urged them to pass his plan “even though the lobbyists are beating you up.”

New York state, he told them, is “functionally bankrupt.”

The state’s outlays for Medicaid would be reduced by \$2.85 billion by implementing some of the more than 1,000 suggestions already collected by a task force, Cuomo said. Future growth in the health-care program for the poor would be tied to the medical-care-costs portion of the [Consumer Price Index](#), now about 4 percent, replacing existing rules and formulas that would have raised spending 13 percent this year, Cuomo said.

### Medicaid Spending

Total Medicaid spending, including the federal money that covers about half the program, would fall \$982 million from this year, or about 2 percent, Cuomo said. He cited home health services, where administrative expenses absorb 52 cents of every dollar, as an example of how the system could become more efficient.

The reduction in school aid is a reversal of the 13 percent increase called for by existing law. Including

local taxes, funding for school districts would fall only 2.9 percent, the governor said.

Schools could cover loss of funds by using reserves, freezing wages of teachers and administrators, or even reducing salaries and benefits of the 279 superintendents who receive more than \$200,000 per year, he said, echoing comments by New Jersey Governor [Chris Christie](#), a Republican.

[New York](#) City Mayor [Michael Bloomberg](#) said Cuomo's plan would result in "thousands of layoffs in our schools and across city agencies," according to a statement.

Apart from the budget, Cuomo has proposed to impose discipline on schools and local governments with a state law capping their annual spending growth at the lower of 2 percent or the rate of inflation. The Senate approved that plan yesterday.

### Operating Funds

To create incentives for better performance at schools, Cuomo proposed \$250 million of grants to schools that improve classroom results, and \$250 million for those with administrative improvements.

State operating funds, which exclude federal aid and [capital spending](#), would grow 1 percent to \$88.1 billion, according to budget documents. The overall [budget](#) shrinks to \$132.9 billion because of a \$5.37 billion decline in federal aid. The 2.7 percent drop is the first reduction in at least 17 years.

The financial plan may reduce New York's workforce by 11,423 positions, including firing 9,800 workers if unions don't cooperate in reducing costs. Cuomo isn't seeking new taxes or borrowing to close the deficit.

## Fiscal Woes

New York's budget gap is part of the \$125 billion faced by U.S. states in fiscal 2012, as their [tax revenue](#) isn't growing fast enough to make up for the loss of \$53 billion of federal aid, according to a report by the [Center on Budget & Policy Priorities](#).

To reduce costs, Cuomo proposed to slash spending at state agencies by 10 percent and merge 11 entities into four new ones. He proposed creating a [task force](#) to identify which prisons to close to match a decline in inmates. His plan would raise \$455 million of additional revenue, mostly from better tax enforcement and additional funds from the state [lottery](#), whose profit provided \$2.67 billion to education last year.

Before Cuomo's proposed changes to state spending laws, New York's tax revenue was expected to grow

6.6 percent next year, while state spending for operations would increase 17 percent, according to budget [documents](#). In Cuomo's [plan](#), tax revenue grows 6.6 percent while state spending rises only 1 percent.

In the past 10 years, state spending grew by an average of 5.7 percent annually, more than twice the 2.4 percent inflation rate and faster than the 3.8 percent growth in taxes, Cuomo said.

## Income Taxes

Lawmakers including Assembly Speaker Sheldon Silver, a Democrat from [Manhattan](#), have questioned cutting state spending while allowing higher income-tax rates to expire Dec. 31, as scheduled. The state temporarily increased its top [tax rate](#) to 8.97 percent from 6.85 in 2009, to help close a record deficit that eventually grew to \$20 billion.

“We have to see what cuts are being provided as a result of that tax relief for the wealthy and whether we could afford to provide that tax relief,” Silver said before the budget was announced.

Cutting state jobs and the services they provide isn't fair in a budget that seeks “to maintain tax breaks for millionaires,” said Danny Donohue, president of the [Civil Service Employees Association](#), the largest union for state workers. About 127,000 of New York's 196,000 workers are under the governor's direct control.

### Skelos Approval

Senate President [Dean Skelos](#), a Republican from [Rockville Centre](#), said he approved of proposals for spending cuts and is opposed to any tax increases. He will continue to seek tax reductions, he said after the speech.

The state's [capital plan](#) calls for selling \$5.52 billion of bonds next year, down 7.8 percent, and ending the year with \$58.1 billion of debt. New York is the third-largest borrower in the municipal [bond market](#), after [California](#) and [New York City](#).

While Cuomo's budget doesn't propose selling bonds to narrow the deficit, it does [call](#) for the state to issue IOUs paying 5 percent interest to its \$132.8 billion pension fund, rather than making contributions in cash. The state will save \$635 million next year by reducing the cash payments to \$1.67 billion.

New York City isn't treated “equitably” and loses all of the more than \$300 million of state aid it

expected, while other communities are cut 2 percent under Cuomo's budget, Bloomberg said. Nor does the governor's plan provide relief from spending mandated by the state for pensions, buying practices or education, he said.

The mayor is the founder and majority owner of Bloomberg LP, the parent company of Bloomberg News.

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