

N.Y. budget crisis destroying Cuomo

by Steve Parsons

New York Gov. Mario Cuomo might be trying a tactic from Franklin Roosevelt's campaign 60 years ago, by trying to blame his state's economic and budget problems on the incumbent Republican President. But the gaping deficit in New York State's budget and his ham-handed austerity responses, which are only aggravating the state's economic woes, are instead making him look about as competent as the Democratic Party's 1988 standard-bearer, Michael Dukakis, the chief executive of the "Massachusetts miracle."

In fashioning this year's budget last spring, Cuomo instituted meat-axe cuts and tax hikes. Both Cuomo and his Wall Street mentors, hoped that these drastic measures would preclude having to make further deep cuts and tax hikes during the 1992 election year, and that the usual budget wrangling could be minimized.

The depression has dashed any such hopes. Two months ago, Cuomo reported that the combination of revenue shortfalls and increased social services expenditures had created a \$689 million deficit in this year's budget plus a projected \$1.8 billion deficit in the 1992-93 budget. Then, on Nov. 19, Cuomo's budget office said that next's year gap had *doubled* to \$3.6 billion.

Less than one week later, Cuomo announced that the deficit had widened further for both years. For this fiscal year, which ends on March 31, 1992, the new deficit projection is \$875 million, while next year's is now pegged at \$4 billion. And there is little doubt that these numbers are going to keep rising, and likely will double again over the coming months.

Gutting state aid and services

Scrambling to avoid the kind of drawn-out budget fight that took all last spring to settle, Cuomo proposed that the legislature enact a 15- to 18-month budget in December that would spread over that period the nearly \$1 billion in cuts that otherwise would have to be made over the next few months. So far, as is typical in New York, the legislature can't agree to do anything except delay.

So, Cuomo is now proposing even more vicious cutbacks to make up the deficit, which virtually guarantees ugly internecine legislative warfare through the critical late winter-

early spring primaries, and which will make Cuomo look about as much a champion of the "little guy" as George Bush.

Cuomo has particularly targeted reductions in state subsidies to localities and life-and-death social services for the January-March quarter remaining in this fiscal year. These include:

- Slashing state aid to schools by 3%, on top of a 7%-plus cut already made this year—that is, a \$915 million cut in what had been a \$9 billion state school aid budget.
- Cutting state and New York City university aid by \$57 million, and mental health grants by \$43 million.
- Chopping \$214 million from Medicaid and other social services programs.
- Extorting more "savings" by gutting Medicaid even further. Cuomo wants to require Medicaid patients—most of whom are broke—to pay for a portion of their treatment; this means that many hospitals and doctors would refuse to treat them. He also wants to limit the number of hours that these people can seek treatment, eliminate dental services for adults on Medicaid, and delay increases in reimbursement rates for nursing homes and hospitals.
- Reducing the state subsidy on Blue Cross/Blue Shield payments to hospitals. This will mean that hospitals will receive less payment for medical services from the state's largest insurer, meaning that they will have to raise rates for both non-insured patients and for patients covered by other insurance companies. This will undoubtedly fuel even greater premium increases in health insurance, which already have state residents screaming in protest.
- Eliminating 1,500 jobs by April, including 500 layoffs, in addition to terminating another 6,000 jobs over the next fiscal year.

As popular as Jimmy Carter?

Yet even these cuts can't make up the budget gap. So, Cuomo proposes to do even more of what nearly drove New York City into bankruptcy in the 1970s: borrow money against next year's revenues, only to make even more cuts in the next round.

To top all this off, the zooming deficit is shaking the municipal bond market nationally, not just for the state. Not only is the state's credit rating very shaky, but several debt issues, ranging from those of such "rock-solid" entities as the New Jersey Turnpike Authority to battered governments like New York City, had to be postponed and later marketed at higher interest rates.

Cuomo's popularity in New York State is now plunging in lock-step with Bush's. Over the last year, New York has lost more than 200,000 jobs, and the media have begun firing salvos at his vacillation over whether to declare his presidential candidacy, as well as at his mealy-mouthed prevarication on issues ranging from the economy to foreign policy. He's already beginning to look like a cross between Dukakis and a despised former President named Jimmy Carter.