

December 9, 2008

## Plenty of ideas on how to cut spending

*By Jay Gallagher  
Albany Bureau Chief*

ALBANY -- A week before Gov. David Paterson is due to deliver what promises to be a hard-times budget proposal, fiscal watchdogs said today that cutting compensation to government workers and holding down the costs of health care are vital if the state and local governments are to remain solvent.

"I don't see any way out of this fiscal mess without rethinking employee compensation," Joseph Stefko of the Rochester-based Center for Governmental Research said at a conference here.

For example, he pointed out that while the average worker in the country gets 38 paid days off a year (including sick leave, holidays and vacations), employees of the City of Buffalo and the Buffalo City School District get 61.

And while the average American worker with health insurance pays 30 percent of the cost of the coverage, the figure for school districts in Monroe County is 8 cents.

He said if Monroe County districts paid the average, taxpayers would save \$27.4 million, or about \$232 per student.

How to save money has become the key question in Albany because the recession in general and the Wall Street collapse in particular have put the state in a financial bind. Paterson estimates that the state budget for this fiscal year, which ends on March 31, has a \$1.75 billion hole in it. For next year, that figure is \$13.3 billion. He has vowed not to raise taxes -- already the highest in the country -- to plug the hole.

He'll present a plan to try to balance the budget next today, more than a month ahead of the normal schedule. He said he's doing that to give lawmakers a head start on making needed cuts.

Paterson proposed last month to the Legislature that state workers forego a 3 percent raise due on April 1 and also work for a week with pay deferred until they left state employment. But the Legislature didn't act on that plan.

The numbers cited by Stefko show that private-sector workers need better benefits - not that public employees' fringes should be reduced, said Stephen Madarasz of the largest state public-employee union, the Civil Service Employees Association.

"We're not going to apologize for getting a good deal for our members," he said. "This a good example of why more private-sector workers need unions."

But the current spending trends are not sustainable, argued Elizabeth Lynam of the Citizens Budget Commission.

She pointed out that New York is one of only six states that pays Part B Medicare premiums for its retired workers -- and it picks up 90 percent of the cost. And she said New York is again the

exception in allowing overtime pay to be figured into the pension benefits of retirees -- 94 percent of public retirement systems don't allow that, she said.

Lynam also proposed that the state quit "padding programs" by, for example, sending a special category of school aid to wealthy districts.

Stefko said the culprit in workers getting what he sees as benefits that are out of line are two state laws: the Taylor Law that sets the rules for collective bargaining between governments and their workers and the Triborough Amendment, which leaves contract provisions in place after contracts have expired.

He said the laws have the effect of setting a "floor" under employee benefits, and remove incentives for unions to negotiate on such issues.

"This really acts as a brake on reform," he said.

But Assemblyman James Bacalles, R-Corning, Steuben County, who was at the conference, pointed out that the Taylor Law also bans strikes by public employees.

"Who knows if they would be getting even more money if they could strike?" he asked.

All five panelists who spoke on what they see as the need for overhauls to rein in state spending said they didn't expect the Legislature to make significant changes this year, instead trying to find temporary solutions while hoping the economy makes a quick recovery.

"We're going to need years of misery before they deal with this," said E.J. McMahon of the Empire Center, a conservative think tank.

And the economy is unlikely to bounce back quickly because Wall Street won't return to its former profitability any time soon, said Kathryn Wylde, head of the Partnership for New York City, the city's leading business group.

"In a matter of months, a global industry has fundamentally changed and will never look like what it did just one year ago," she said.

At another forum today, Health Commissioner Dr. Richard Daines said the state will recommend a new Medicaid reimbursement system. For the past few years, the executive branch and the state Health Department have focused on shifting money away from expensive hospital stays and onto outpatient services and preventive care.

If hospitals lose money under the new system, that means they were being overpaid, Daines said.

He and others did not provide details today, but he said New York's hospital industry is strong enough to handle changes.

"It isn't an industry on the ropes," he said.

But data through September of this year show an overall bottom-line loss for hospitals of 1 percent, according to William Van Slyke, a spokesman for the Healthcare Association of New York State. Hospitals can't weather large cuts, he said, and "if those cuts come, a great many hospitals will have to cut services, cut staff or both."

Other cost-cutting ideas presented at the conferences:

- \* Eliminate some economic-development programs like Empire Zones

- \* Trim the budgets of the courts and the Legislature
  - \* Eliminate "non-essential" agencies like the Consumer Protection Board
  - \* Restructure special-education programs, which serve only 12 percent of students but consume 25 percent of resources.
  - \* Simplify bidding rules on public-works projects to attract more bidders to spur competition.
  - \* Eliminate "member items" - local projects sponsored by individual lawmakers.
-