

No shutdown, no deal either

Lawmakers' revenue plan ignores governor's call for SUNY tuition reform, Medicaid funding fix

By **RICK KARLIN**, Capitol bureau

First published in print: Monday, June 28, 2010

ALBANY -- The shutdown is called off, although the showdown remains.

A defiant Legislature came to Albany on Sunday evening but ignored every item on the governor's to-do list. Instead, the Senate and Assembly gaveled in and out in "extraordinary" sessions that, added together, totaled less than 10 minutes. Gov. David Paterson had asked them to address plans to revamp SUNY's tuition schedule and set up a contingency fund for a potential \$1 billion federal shortfall in Medicaid funding.

The mix of action and inaction was merely a curtain-raiser to today's drama, as Paterson's loaded emergency extender -- announced Friday and presented to the Legislature on Sunday evening -- competes with the Legislature's spending plan. Because the Legislature's plan is based on Paterson's original budget bills -- albeit with more than \$500 million in added spending -- the governor can't veto the bills entirely, although he can strike out all of the Legislature's changes.

Both sides agreed that the Legislature's tactic of using Paterson's bills for their own plan removed the threat of a broad government shutdown that would have resulted from a rejection of the governor's extender.

Instead, Paterson threatened to hit the lawmakers where it hurts most: their pork.

In a news conference held just after the sessions, Paterson lambasted the Legislature's plan, which he said contained "irrational spending that's not paid for." He noted that while several issues remain to be addressed in the two plans, the paramount concern was coming up with a fallback plan for the imperiled Medicaid money.

"There's no plan, there's absolutely no way that the Legislature addresses this," Paterson said. "It's as if they just stick their heads in the sand and ignore it."

Paterson then said that if legislative leaders continued to skirt the potential loss of Medicaid funds, he would veto all of the additional spending in the Legislature's plan -- plus \$193 million in members items, more commonly known as pork.

The Legislature's joint revenue plan, which tossed out the governor's call for a 4 percent property tax cap as well as a plan to sell wine in grocery stores, was made public on Sunday.

"I'm ready to go on with the two-way (plan), but I'd prefer to negotiate," said Senate Democratic Majority Conference Leader John Sampson, referring to the revenue plan that lawmakers were drawing up in lieu of the governor's proposal.

While making no mention of Paterson's property tax cap -- which is fiercely opposed by county governments as well as the powerful education lobby -- and dropping the soda tax, the Legislature's plan retains a sales tax on clothing and limits of charitable deductions for those whose incomes are above \$10 million a year.

It also limits STAR, or school tax relief, tax breaks on homes valued above \$2 million and increases taxes from income on hedge fund services paid to residents outside the state. The proposal also allows the state and local governments to borrow against the state pension fund, with a 10-year payback period at 5 percent interest.

Sunday evening ended on a suitably contentious note, with the Legislature refusing to accept the governor's extender bills -- a submission that requires the pro forma consent of both houses. That gesture was yet another sign that very little about this year's budget process has gone according to plan.

The plan, at a glance

Here are major elements of the Legislature's budget plan; many of its points overlap with Gov. David Paterson's blueprint:

A temporary return of the 4 percent sales tax on clothing sales less than \$110: \$330 million

Restructure New York City's personal income tax STAR reduction to affect only the first \$500,000 of income: \$120 million

Deferral of certain corporate tax credits to \$2 million for the next three fiscal years: \$100 million

Reduction of the itemized deduction for charitable giving by those with incomes of more than \$10 million: \$100 million

More elements from the plan /A3

The plan, at a glance

Continued from page A1

Reduction of the "dormancy period" for undelivered good and non-bank money orders: \$100 million

Inclusion of non-resident hedge fund income -- that is, the cash made by those money managers -- as if it was New York resident income: \$50 million

Expansion of VLT hours and reduction of the percentage of net winnings that go to VLT operators: \$45 million

Limiting the STAR exemption for a year to homes valued at less than \$2 million (after that, the exemption would be limited to those making \$500,000 or less annually: \$20 million

Source: State Senate