

Cuomo's \$168 billion

As deficit looms, pitch scales back schools boost to \$769M, eyes cuts

BY YANCEY ROY

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ALBANY — With New York facing a deficit, Gov. Andrew M. Cuomo scaled back an expected spending boost for elementary and secondary education, proposing on Tuesday a 3 percent hike instead of a previously planned 4 percent jump.

Cuomo, a Democrat now in his eighth year, outlined his ideas for a \$168 billion budget for the 2018-19 fiscal year, reflecting 2.3 percent growth while dealing with a deficit of \$1.8 billion. School aid would increase \$769 million. It previously had been promised to increase \$1.2 billion.

Along with the reduced bump in aid to K-12 schools, Cuomo called for a modest 1 percent increase in higher education spending, a 3 percent increase in health care and 14 percent hike on big-ticket capital projects.

But the governor targets other areas for cuts or freezes and calls for about \$750 million in new taxes and fees as a way to cover the deficit.

Eyed for cuts: Community colleges, transportation, mental hygiene and state agencies. (Cuomo aides said the transportation decrease reflected a transfer of revenue to the Metropolitan Transportation Authority and didn't reflect actual cuts. They added that the community college cut was attributable to an enrollment decline.) Further, he would freeze direct state aid to counties, towns, cities and villages.

To raise revenues, Cuomo proposed requiring extending sales tax collections on online sales, imposing a surcharge on certain health insurers who received a windfall from federal tax cuts, tapping hundreds of millions of dollars in proceeds from lawsuit settlements and raising taxes on "e-cigarettes" and taxing opioids (2 cents per milligram prescribed to go to anti-addiction programs).

And he called for a new "pre-licensing" course for those seeking a driver's license; applicants would fork over \$8.

Notably, Cuomo failed to roll out one of the keynote items he

promised earlier this year: A plan to shift the collection of taxes from an income-tax-based system to a payroll-tax-based system. In theory, employers rather than employees would be taxed under the Cuomo idea, but the state would find a way to keep workers and businesses whole while reducing the amount New Yorkers send to the federal government.

Some called Cuomo's idea a risky end-run on the new federal tax law which restricts one of the most popular deductions for those who itemize returns: the amount paid in state and local taxes.

"This is going to be a challenging year, my friends," Cuomo told state legislators. "We have tremendous federal cuts, especially in health care and then we have pressing needs all across the state. So the budget as a budget is going to be difficult to resolve . . ."

Later, the Democrat contended "Washington has hit a button and launched an economic missile" at New York. That notion irked some Republicans, who said the state should be more focused on cutting spending and taxes.

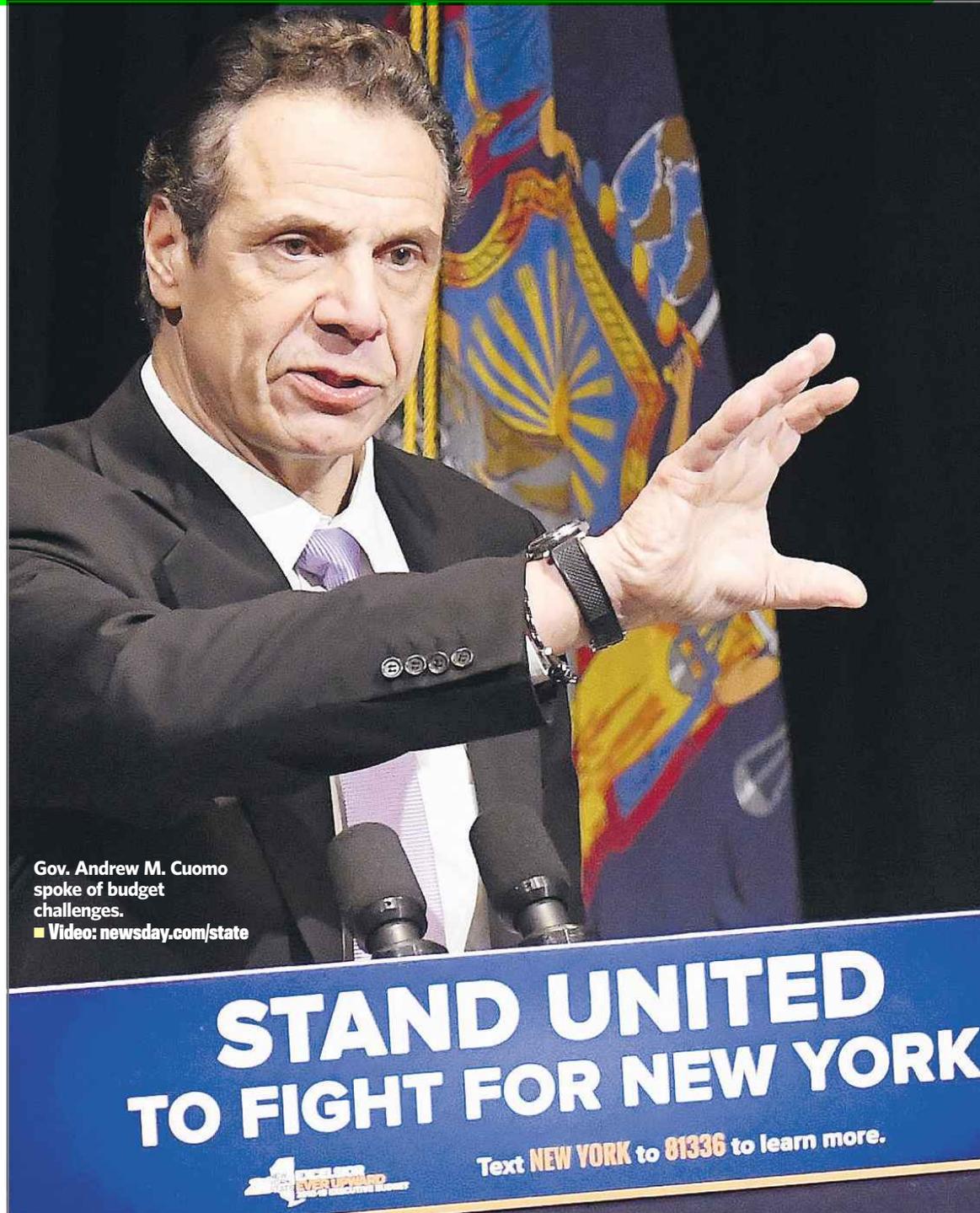
"Stop pointing the finger at Washington," said Assemb. Dean Murray (R-East Patchogue). Noting that overall spending would increase nearly \$4 billion under the Cuomo plan, he added: "You know what words were missing from the speech? Belt-tightening. Cutting. Reducing. We didn't hear any of those words."

In contrast, Senate Majority Leader John Flanagan (R-East Northport) called the governor's plan "realistic" and said a 3 percent school spending jump was "terrific" under the circumstances.

"That's a lot of money," Flanagan said.

Assembly Speaker Carl Heastie (D-Bronx) called the limited growth plan "sobering" and suggesting the Democrat-dominated Assembly might push to add more in school aid — as it traditionally does.

Cuomo said the deficit



Gov. Andrew M. Cuomo spoke of budget challenges.

■ Video: newsday.com/state

would be \$4.4 billion if the state allowed spending levels approved last year to continue into fiscal 2018-19. By keeping state operations spending growth at 2 percent, the budget hole is closer to \$1.8 billion.

As expected, the governor tucked into the budget non-monetary initiatives, such as new sexual harassment poli-

cies, the codification of abortion rights in state law and methods for New York to participate in "early voting," all of which he touted in his Jan. 3 State of the State address.

On ethics, Cuomo proposed requiring state lawmakers to seek an advisory opinion on any outside income and closing an election-law loophole that al-

lows companies to skirt contribution maximums by forming an unlimited number of subsidiaries to channel donations.

He also called for expanding the Central Pine Barrens protected area on Long Island.

Lawmakers are supposed to adopt a budget by April 1, the start of the 2018-19 fiscal year.

With Stefanie Dazio

budget plan

BUDGET HIGHLIGHTS

Some key elements of Gov. Andrew M. Cuomo's proposed budget for the 2018-19 fiscal year:

Overall spending
\$168.1 billion, up about **2.3%** from current fiscal year

School spending
Up \$769 million or 3% — but that is scaled back from a **\$1.2 billion** increase lawmakers promised a year ago.

Aid to municipalities

Aid frozen and nearly **\$1 billion** raised in taxes, fees and other revenue “enhancements,” ranging from imposing big surcharges on certain health insurers to collecting more taxes on cigars.

Payroll taxes

A proposal, yet to be fleshed out, to shift from imposing income taxes on employees to imposing payroll taxes on employers as a way to skirt a new federal limitation on income-tax deductibility.

Opioid sales tax

A new tax on opioid prescription sales to raise revenue for treatment programs.

Marijuana use

A study about the potential impacts of legalizing recreational marijuana.

MORE INSIDE Gov's other proposals **A4-5**

EDITORIAL

Cuomo ready for federal fight **A24**

LI educators weigh in on funding details

BY JOHN HILDEBRAND
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ALBANY — School officials on Long Island are poised to review the nuts and bolts of Gov. Andrew M. Cuomo's funding plan, especially detailed numbers in computerized “school runs” released Tuesday night.

Lars Clemensen, superintendent of Hampton Bays schools and president of the Suffolk County School Superintendents Association, said he had looked over the state's figures as best he could, but was unable to do a full analysis of districts in his county and would continue his review on Wednesday.

The district breakdowns are a key indicator for superintendents to gauge how well their districts did in the annual scrum for state money.

Public schools statewide would get an extra \$769 million in financial aid in 2018-19 under Cuomo's proposed budget — a 3 percent increase.

Clemensen, in an interview after 8 p.m., said he saw apparent discrepancies in some local figures — such as a two-tenths of 1 percent increase in foundation aid for his district, in contrast to 2 percent increases for some systems nearby. Foundation aid is the core of state school support.

“A 3 percent overall increase from the governor's budget means so many different things for so many districts,” the schools chief said. “I think tomorrow school superintendents throughout Suffolk County are really going to sharpen their pencils and take a closer look at this.”

School aid statewide would rise to more than \$26.3 billion under the governor's budget, with additional funding for public prekindergarten classes, school breakfasts and other services. The biggest increase would be \$338 million for foundation aid.

“Seven hundred and sixty-

nine million — that's a lot of money,” said Senate Majority Leader John Flanagan (R-East Northport).

Flanagan said many other state-aided programs that received smaller percentage allotments — for example, transportation — “would all graciously welcome 3 percent.”

Some other state leaders were lukewarm to the plan.

Betty Rosa, chancellor of the state Board of Regents, and MaryEllen Elia, the state's education commissioner, issued a joint statement, commending the governor's support for programs such as prekindergarten, but adding that the \$769 million increase was less than half that recently proposed by the 17-member Regents board.

Charles Dedrick, executive director of the New York State Council of School Superintendents, agreed that the \$769 million proposed hike was too small.

He acknowledged, however, that recent federal actions have created financial uncertainties for the state. Those moves have included restrictions on deductions for state and local taxes that could cost New York State homeowners considerable money.

“The state's fiscal outlook is volatile and uncertain, and we respect the difficulties Governor Cuomo and the legislators will face in constructing state budgets for next year and beyond,” Dedrick said.

Comptroller Thomas DiNapoli reported in November that state tax receipts were lower than projected, threatening some of the biggest deficits in nearly a decade.

Michael Borges, executive director of the New York State Association of School Business Officials, described more recent revenue increases as “dramatic.” He cautioned that the state's full financial picture would not be clear until the end of the fiscal year on March 30.

SCHOOL CAP 2%

State's limit is highest in 5 years, a big increase over current 1.26%

BY JOHN HILDEBRAND
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ALBANY — New York State's baseline cap on growth in local school taxes for 2018-19 will be 2 percent, the state comptroller's office said Tuesday — the highest in five years and up substantially from this year's 1.26 percent.

On Long Island, school tax levies account for about two-thirds of property owners' total bill. School districts use the baseline to calculate tax caps on individual systems, which vary depending upon exceptions allowed under the law such as voter-approved borrowing for school construction and renovation.

This year, recent changes in federal income-tax law governing deductions of state and local taxes have added a formidable quirk to the financial picture, both for school districts and taxpayers. Gov. Andrew M. Cuomo, in his broader budget message Tuesday, outlined a complex plan for restructuring the state's own tax system to ease the impact of the federal changes.

Joseph Dragone, assistant su-

perintendent for business in the Roslyn school district, said Long Island homeowners generally are very aware of the new provision that limits deductions of state and local taxes against federal income taxes to \$10,000 a year.

“Any property tax increase this year will be a much harder sell than in the past, given the federal tax law's treatment of property tax deductions,” Dragone said. “And of course, we've been trying to keep taxes down for years, but the pressure to do so is going to be even more intense.”

For many Long Islanders, that new \$10,000 limit will not cover their property taxes. Before the end of the year, scores of homeowners stood in line at town tax receivers' offices to ask questions and try to pay their 2018 taxes early — even though it wasn't clear if the new law will allow them to deduct 2018 payments from their 2017 federal tax.

The state's tax-cap law, first in effect in the 2012-13 school year, limits tax-levy increases

See TAX on A5

CAPS BY YEAR

The statewide allowable tax-levy increase for school districts is calculated by the state comptroller's office as a baseline cap figure. Under state law, the baseline is 2 percent or tied to the inflation rate, whichever is lower. Each school district has its own tax-cap limit based on the statewide figure, but adjusted for exemptions allowed under the law. Here are statewide caps since New York's law took effect:

2012-13	2%
2013-14	2%
2014-15	1.46%
2015-16	1.62%
2016-17	0.12%
2017-18	1.26%
2018-19	2%