

More red ink: Cuomo orders spending halt

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ALBANY — The state faces a whopping \$824 million deficit in its current election-year budget, Gov. Mario M. Cuomo reported last night.

Cuomo immediately imposed a freeze on spending and directed all state agencies to propose cuts in their budgets of up to 7 percent to deal with the projected shortfall. About two-thirds of the cutbacks would require legislative approval.

The bad news — which budget officials admitted will only get worse next year — comes less than a week before Cuomo and the 211-seat state Legislature face re-election.

It also comes about six months

after Cuomo and the Legislature approved \$1.8 billion in taxes to balance a \$50 billion budget. He and legislative leaders assured the public at the time that the budget was balanced.

It is the third consecutive year that Albany's finances were found out of balance only months after adoption of the budget, despite tax increases of nearly \$3 billion over two years.

Cuomo is required by law to issue a mid-year financial report on the state of New York's economy. His budget office initially issued a statement last night reporting a slide in tax receipts of \$574 million. But Cuomo officials later acknowledged the projected deficit was actually \$824 million, a figure that was mentioned nowhere in the 17-page report.

Cuomo Budget Director Dall Forsythe concluded the prognosis is even poorer for next year. He forecasts a national and state recession through most of 1991.

He pinned part of the problem on a deteriorating national economy and wild swings in oil prices on the heels of the Kuwait-Iraq conflict. There's no doubt that New York is in a recession, he added.

Forsythe said it is too soon to predict the projected shortfall in the 1990-91 fiscal year beginning April 1, but tax receipts are virtually down in every category. Financial experts, including state Comptroller Edward V. Regan, guess it could be as high as \$2 to \$3 billion.

Forsythe announced an immediate freeze on hiring, travel, discretionary purchases and con-

tracts with state spenders, as well as accelerating the sale of surplus state property, to save \$250 million.

Another \$574 million in spending reductions require legislative approval, Forsythe said. He has ordered all state agencies to propose cuts in their budgets of 3 percent, 5 percent and 7 percent to plug the rest of the budget gap.

It is likely the governor and Legislature will deal with the deficit shortly after the elections. "Based on agency recommendations," Forsythe said, "the Division of the Budget will recommend to the governor as soon as possible a specific gap-closing plan for submission to the Legislature."

While declining to provide numbers, Forsythe acknowledged Albany faces a "structural deficit" next year. "But even now," he said, "we can be sure that the recession will make a difficult situation worse."

The current gap-closing plan will give Albany a "head start" toward dealing with a substantial revenue shortfall next year, he added.

Forsythe told agency heads not to propose new spending initiatives in the new fiscal year unless they were offset by cuts elsewhere resulting in zero growth.

The gloomy forecast was the last thing lawmakers wanted to hear a week before the elections. "We'd sure like to hear better news," Gerald McLaughlin, a spokesman for Sen. John J. Marchi, R-Ward Hill, said last night. Marchi is a member and former chairman of the Senate Finance Committee.