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Rudy Tries to Close $3.9B Budget Gap

Hevesi warns of escalating capital debt

By Dan Janison
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The city budget stands to fall as much as $3.9 billion out of balance in the next three fiscal years, Mayor Rudolph Giuliani said yesterday.

Some gap estimates have been larger, stemming from an expected recession compounded by fallout from the World Trade Center attacks.

Giuliani gave his projections amid a new warning from the city comptroller's office about the city's escalating capital debt.

The mayor broadly outlined spending reductions in his agencies. These midyear modifications would need approval from a City Council about to undergo a big transition because of term limits.

The warning from departing Comptroller Alan Hevesi echoed past ones. Because no "down payment" was made during past years of record budget surpluses, the city's growing capital debt threatens to strap vital services to pay for debt-service costs, he said.

For their part, Giuliani and Deputy Mayor Joseph Lhota argued that the budget they hand off to Mayor-elect Michael Bloomberg is stronger in major ways than those left behind by two prior mayors.

Both stressed that cushioning from a general reserve of $200 million and a budget stabilization account of $345 million signal an immediate cash surplus at the close of the fiscal year June 30.

The mayor's office is scheduled to deliver specifics to the council in briefings today. If the proposed modifications are not approved by the outgoing council, they may be put before the incoming members of the 51-seat house.

An ongoing budget-trimming effort in city agencies last month put the gap-closing measures at $1.3 billion for the current, 2002 fiscal year, Giuliani said.

There should be no service reductions stemming from the 15 percent across-the-board trims for most agencies and 2.5 percent for uniformed services and the Board of Education, he said. Libraries should be able to maintain a six-day schedule and no "major impact" was expected on cultural institutions, he said.

The biggest agency cut involves putting off the expansion of day-care services, and other nixing of improvements, rather than layoffs or cuts in the status quo, he said.

"If the economy continues to slow down, gaps will be higher," Giuliani said. "If the economy makes improvements the gaps will disappear . . . This is pretty much the most stable budget the city has had in eight years."

Revenues improved substantially in some areas, such as police and fire, because of the payment of federal aid, Giuliani's figures showed. But Giuliani said, "No one can accuse us of wanting Washington and Albany to solve the problem for us."

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