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GOOD KNIGHT RUDY

Former Mayor Rudy Giuliani shows the decoration he received when he was awarded honorary knighthood by Britain's Queen Elizabeth in London yesterday.

SEE PAGE 4

HOLY SMOKE!



New
Bloomberg
budget
means
\$7-a-pack
cigarettes

FULL COVERAGE
BEGINS ON
PAGES 2-3



Mike unveils budget

Hoping Albany & D.C. deliver

By DAVE SALTONSTALL
DAILY NEWS CITY HALL BUREAU CHIEF

Mayor Bloomberg unveiled his budget in City Hall yesterday, but his real audience sat far away — in the corridors of Congress, in Albany's Capitol and on Wall Street.

These are the people that Bloomberg, an accomplished salesman in his former career, must really convince to back his budget.

Without them, his plan is doomed.

To help him close the city's \$4.7 billion budget gap next year, Bloomberg is counting on no less than \$800 million from the state and federal government, a sum that in another era might have been called a bailout.

He has presented Washington and Albany with a diverse menu of options. If

all of them were enacted, it would boost the city's bottom line by \$2.1 billion, even though Bloomberg is using the \$800 million figure in his budget projections.

So he is hoping that roughly one-third of what he requests from federal and state officials will materialize by June 30 — when, coincidentally, Gov. Pataki's reelection campaign should be heating up.

Looking for help

Bloomberg's wish list from the state includes tort-reform legislation, parking fine increases and a \$1.42-per-pack increase in the cigarette tax. From Washington, he is seeking more flexibility in how the city spends welfare and community development money, plus more cash for Medicaid and for protecting foreign dignitaries.

All of them are heavy lifts, observers say.

"How much will he get?" Felix Rohatyn, the financier who helped to balance the city's books during the fiscal crisis of 1975, asked yesterday. "Who knows?"

"But you certainly don't want to give up on that without a good strong argument — especially now," added Rohatyn, who was briefed by Bloomberg on the plan Tuesday night. "This is not a city that is asking for help because it was profligate. This is a city that is asking for

help because it was badly hurt, and that is very different."

That difference ran throughout Bloomberg's budget presentation yesterday, a performance that was alternately somber and humorous and which, to the surprise of many, underscored his apparently commanding knowledge of the city's spending.

The mayor, in office just six weeks, spoke for more than an hour without notes on the intricacies of the city's \$41 billion spending plan. But his message was clear: New York has been attacked, New York is sharing in the pain caused by that attack with \$1.8 billion in cuts, and now it is time for the state and federal governments to step up.

It was a message that Sen. Chuck Schumer (D-N.Y.) heard loud and clear in Washington.

"All too often when the state or city ask the federal government for help, it is all very pie-in-the-sky," said Schumer. "But he has now given us a blueprint that we can work from."

Even the credit raters on Wall Street, who will help to determine how investors view the \$1.5 billion in bonds that Bloomberg plans to use to cover next year's shortfall, seemed mildly impressed.

"If he is unsuccessful in extracting help from Albany and Washington, then he is going to have to make even more painful cuts," said Bob Kurtter, a senior vice president at Moody's Investment Services. "But he has certainly demonstrated his own commitment to balancing the city's budget."

DAILY NEWS ANALYSIS



BETH A. KEISER POOL PHOTO

Smokers would burn through

By JOANNE WASSERMAN
DAILY NEWS CITY HALL BUREAU

Better take a deep breath, smokers: A pack of cigarettes could cost nearly \$7 by the summer.

Mayor Bloomberg proposed raising the city's cigarette tax to \$1.50 a pack from 8 cents yesterday, saying he was trying to get smokers to quit.

"This is not a revenue-enhancing thing — although I'd like to have the revenue," the mayor said. "This is something for the future of our children, and I think it would be very easy to put together a panel of reputable public health officials which would show that we should do this."

The mayor needs approval from Albany to increase the cigarette tax. If approved, it would bring an extra \$249 million to city coffers next year.

Tobacco lobbyists argue the increase would hurt small stores and the city's treasury by forcing smokers out of state and onto the Internet, where they can buy cigarettes without paying a penny in taxes.

"The mayor has promised not to raise taxes," said Michael Pfeil, vice president of communications at Philip Morris. "The same logic that the mayor has used to hold all other taxes steady applies to the proposed cigarette tax increase."

A pack of smokes is already going up in price. Effective April 1, the state tax on ciga-

rettes will rise to \$1.50 from \$1.11 — a 39-cent increase.

Add another \$1.42 in city taxes, and a \$5 pack of cigarettes suddenly costs \$6.81.

"It's preposterous," said James Calvin, president of the New York State Association of Convenience Stores. "Say what you want about whether it's smart for people to smoke, but people who smoke are not stupid about where to find cigarettes that do not include exorbitant taxes."

Bloomberg said he believed he had the support of state Senate Majority Leader Joe Bruno (R-Rensselaer) to hike the tax. A spokesman said Bruno "told the mayor he wants to be helpful, not just on this issue, but other help he may be seeking from Albany."

Assembly Speaker Sheldon Silver (D-Manhattan), whom Bloomberg said he could "probably convince," did not return calls for comment.

The mayor said he didn't believe programs aimed at helping smokers quit worked as well as "just raising taxes. ... You raise it, consumption goes down."

If you think that's enough to make people quit, think again.

"I'm addicted," said Raymond Rios, 33, a food service worker at Pace University. "I tried to quit and I started again a week later. A pack already costs \$5. A little more money isn't going to make me stop."



full of painful cuts

Hikes cig tax, nicks cops

By MICHAEL SAUL
DAILY NEWS CITY HALL BUREAU

Fewer cops. More expensive parking tickets. A dramatically higher tax on cigarettes. The elimination of seven seniors centers. No metal, glass or plastic recycling. Welcome to Mayor Bloomberg's post-Sept. 11 New York City.

Facing a yawning \$4.8 billion budget deficit, Bloomberg declared yesterday that "the challenges have never been greater" as he proposed balancing the books with massive cuts in city services and a behemoth borrowing package.

The mayor's \$41.4 billion spending proposal calls for most city agencies to slash their budgets from 6% to 20%. He proposed no layoffs but pledged to reduce the city workforce by 5,000 to 6,000 through attrition and buyouts.

Bloomberg would raise parking fines and boost the city's cigarette tax to \$1.50 a pack from 8 cents — which would bring the price of a pack of smokes in the city to nearly \$7.

"You raise cigarette taxes, the kids smoke less," he said. "Wouldn't it be wonderful if people stopped smoking?"

Bloomberg recommended selling \$1.5 billion in bonds, a borrowing plan he described as "terrible" but necessary.

"The budget that we're going to show you hurts everybody — we don't think it hurts anybody fatally," he said during a 78-minute presentation at City Hall. "But it is a spread-your-pain, no-sacred-cow kind of a solution to our problem."

Bloomberg, a billionaire media mogul who won a stunning victory in November after convincing voters that the city needed a businessman to fix the economy, painted a sobering financial picture.

"We have to face reality," he said. "Anybody that thinks that gimmickry or a Hail Mary pass is going to bail us out is just being so totally unrealistic."

The city's budget crisis emerged from a confluence of events, including the slowing down of the national economy and a steady growth in city expenses. But the terrorist attacks on the World Trade Center dealt the most devastating blow, causing the loss of nearly

BUDGET SQUEEZE

Mayor Bloomberg's \$41.4 billion spending plan incorporates massive spending cuts and heavy borrowing to close a whopping \$4.8 billion deficit. The highlights:

- **City agencies will see their budgets cut by as much as 20%.** Among the hardest hit would be the Administration for Children's Services (17.7%), libraries (15%), cultural affairs (15%) and sanitation (12.2%).
- **No layoffs.** Workforce shrunk by 5,000 to 6,000 employees through attrition and buyouts.
- **City's cigarette tax increased to \$1.50 per pack from 8 cents.**
- **\$1.5 billion in bonds borrowed to cover operating expenses.**
- **Maximum fine for illegal parking raised to a range of \$80 to \$100 from \$55.**
- **911 monthly surcharge for nonwireless telephones increased to \$1 from 35 cents.** New 30-cent surcharge on wireless telephones.
- **Metal, glass and plastic recycling program suspended to save \$56.6 million.**
- **Day-care expansion postponed to save \$79.8 million.**
- **Seven underutilized senior citizen centers eliminated.**

pension funding schedule, which could save the city \$275 million and have no impact on retirees' benefits. The city is looking at other ways it can save an additional \$225 million in city pensions and employee health benefits.

Health and welfare agencies took big hits: The Administration for Children's Services' budget would be cut by 17.7%, Homeless Services would be cut by 17% and the Department of Aging would be cut by 16%.

Nothing was spared: libraries, parks, cultural attractions, schools, sanitation — all will have less money next year.

Bloomberg also recommended the temporary suspension of the city's metal, glass and plastic recycling program to save \$56.6 million. He'll shutter seven senior citizen centers out of 340 to save \$1.2 million.

The mayor outlined other state and federal initiatives that would increase the city's coffers by \$2.1 billion — of which \$800 million is included in Bloomberg's budget plan.

Fine's up

To raise more money, he recommended raising the maximum fine for illegal parking to a range of \$80 to \$100 from \$55. A fine for failing to sort paper from trash would double to \$50 from \$25.

Bloomberg also proposed increasing the emergency 911 monthly surcharge for nonwireless telephones to \$1 from 35 cents. He wants to collect a 30-cent surcharge on wireless telephones.

"Nobody likes cuts — no question about it," Police Commissioner Raymond Kelly said. "We have to do more with less. But we are totally capable of doing that."

Lee Saunders, administrator for District Council 37, the city's largest municipal union, said the proposed service reductions are too large for New Yorkers to absorb.

"The city's budget must be balanced, but in ways that do not jeopardize the delivery of essential city services, or the jobs and livelihoods of the workers," he said.

Mayor Bloomberg offers \$27 billion city budget, his first, at City Hall yesterday. There are huge slashes, meant to combat city's fiscal woes.

\$7 a pack

HOLY SMOKES!

A \$5 pack of cigarettes soon could cost New Yorkers nearly \$7 if Mayor Bloomberg gets his way. Here's how:

- State tax to be raised to \$1.50 from \$1.11: up 39 cents
- City tax to be raised to \$1.50 from 8 cents: up \$1.42
- \$1.42 plus 39 cents equals \$1.81.
- \$5 pack costs \$6.81.

\$.39	STATE TAX INCREASE
+\$1.42	CITY TAX INCREASE
\$1.81	TOTAL
\$5.00	CURRENT PRICE
+\$1.81	INCREASE
\$6.81	NEW PRICE



94,000 jobs citywide and \$800 million in lost tax revenue from Wall Street alone.

Yet the attacks may be a tool to help Bloomberg push through unpopular moves that other mayors have tried and failed — getting labor unions to provide concessions, for example, or cutting the number of cops or selling bonds for day-to-day expenses.

The budget calls for the Police Department to reduce its uniformed personnel by 1,600 but hire 800 civilians to take over some of the duties being performed by officers.

"We are committed to keeping this city safe, and I will authorize the commissioner to do whatever it takes if crime starts going up," Bloomberg said.

He also called for municipal unions to let the city change the

INSIDE

Mayor eyes police, recycling cuts
PAGES 28-29