

## PatakiCare

Governor Pataki's mom must be so proud. Just as the campaign for the GOP Presidential nomination was heating up, New York's chief executive made headlines with a huge new health care program financed by a huge new tobacco tax. How compassionately conservative.

While most of us were distracted by the holidays, the New York State Assembly pulled an all-nighter to pass the Health Care Reform Act 2000. The bill will raise the state tax on cigarettes to \$1.11 per pack—the highest in the country. The tax's presumed revenue is to pour into the Governor's \$9 billion health bill. The centerpiece of PatakiCare is a plan to extend taxpayer-subsidized health care to an additional one million New Yorkers. A new Family Health Plus program enlarges Medicaid. Hillary Clinton must be so proud, too.

There was a good reason for enacting this new agenda when no one was looking. If we've learned anything about subsidized health care, it's that spending always outstrips the starting estimates. Of course the sums realized from the cigarette tax are almost certainly going to be far less than anticipated. In New Jersey, Connecticut and Pennsylvania, the price per carton will be lower than in New York when the tax goes into effect. Watch for a brisk sales pickup along the Jersey Turnpike.

And if a state line isn't convenient, New Yorkers can always duck into the nearest Indian reservation for a quick pack or 50 cartons. The state's many upstate reservations are tax-free. Larry Ballagh, a member of the Seneca nation, told the New York Times the new law is going to be huge boon to his business. "God bless them," he said. "Every time they do it, more people come."



George Pataki  
Hillary's helper

Nor will it be necessary even to leave the house. Internet sales of cigarettes are already up bigtime this year. By some estimates, 20% of all sales will be online in five years—with New Yorkers doubtlessly leading the way. Sites are up and running with names like "Honor Our Treaties Smoke Shop" and "Chief Tobacco." On one of the sites, BigIndian.com, a carton of Marlboros retails for \$24, compared with roughly \$40 in New York State.

All told, we'd guess the vast new incentives for legal and illegal tax avoidance probably means the state's cigarette revenues will fall rather than rise.

Such considerations point up the unwisdom of legislating expensive new entitlements under the influence of eggnog when voters are distracted. Ordinary taxpayers, as usual, will inherit the hangover. Once the state has locked in its expanded health insurance plan, it will have to finance the cigarette-tax shortfall by raising taxes somewhere else. Probably that's part of the deal. Here's GOP leader Joseph Bruno publicly yawning at cost concerns: "If the municipalities need relief as we go forward, we'll address that and do what we can to provide that relief" in future state budgets.

For his efforts, Mr. Pataki has made a new friend in Dennis Rivera, head of the hospital workers and the most powerful labor voice in New York. His Local 1199, aided by a hospital association, hit the legislature with an advertising and lobbying effort whose cost the AP reported at \$14 million. Where'd that come from?

When he isn't hobnobbing at the White House's millennium New Year's Eve party or funneling contributions to Hillary's Senate run, Mr. Rivera's fondest wish is more spending on health care—i.e., jobs for his union members. If Governor Pataki can't wangle his way onto the Bush ticket as a Republican Liberal, maybe he's hoping Mr. Rivera will sponsor him for membership in the Democratic Party.