

Available on the iPad

Bloomberg

Paterson's Vetoes Still Leave New York in Deficit, Analysts Say

July 08, 2010, 6:42 AM EDT

By Michael Quint

July 8 (Bloomberg) -- New York Governor David Paterson delivered 6,709 vetoes -- a stack of paper 31 inches high -- to absent lawmakers, trimming \$805.3 million of spending that still doesn't close the state's \$9.2 billion deficit.

With its Senate adjourned, the nation's third-biggest state by population has a spending plan without enough revenue to pay for it. The Senate didn't act on a \$1 billion revenue bill passed by the Assembly, and neither chamber planned for the chance that about \$1 billion of federal Medicaid assistance wouldn't arrive. The U.S. Senate blocked the money.

Even if the revenue bill passes, the budget contains dubious spending and revenue assumptions that open the door to a mid-year deficit, according to analysts at the Empire Center and Citizens Budget Commission, two independent watchdog groups.

"The state's 2010-2011 budget, like its deficit-ridden predecessor, shapes up as a flimsy house of cards that could begin to collapse before the year is out," E.J. McMahon, director of the Albany, New York-based Empire Center, said yesterday in a review of the financial plan.

Questionable savings include \$250 million from state workers whose unions won their lawsuit to block a furlough plan, and \$300 million from a still-to-be named developer for a slot-machine parlor at the Aqueduct Racetrack, McMahon said. Other doubtful savings or revenue gains total \$440 million, he said.

Still Short

Lawmakers have fallen \$465 million short of closing the budget deficit, according to Elizabeth Lynam, deputy research director at the Citizens Budget Commission in New York City. The spending plan also includes \$2.4 billion in revenue, spending and savings assumptions that may miss their targets.

"The spending cuts are of decent amounts and recurring," Lynam said in a telephone interview. Given the risks to their plan, lawmakers "should keep their overnight bags packed for a return to Albany before election day," she said in a report.

The spending plan will be in balance if the Senate passes the revenue bill, the Legislature doesn't override Paterson's vetoes and the extra Medicaid money arrives, said Erik Kriss, a Budget Division spokesman.

The budget proposed by Paterson and the budget office in January included many of the savings and new revenue measures that outside groups say are questionable. The state's financial plan and monthly cash-flow projections will be updated later this month to add the three months through June 30, Kriss said.

\$2 Billion Rollover

Last year, the state never eliminated \$2 billion of a \$20 billion deficit, when it shifted some school aid to the current period. As a result, this year's gap widened by about \$2 billion, Budget Director Robert Megna said.

"The governor has to propose a balanced budget, but there's no such requirement for the Legislature," said Robert Ward, deputy director at the Albany-based Rockefeller Institute of Government. If the Legislature's spending plan isn't balanced, "you just cross your fingers and hope there's no problem," he said.

Lawmakers have estimated that their bills balanced the \$135.7 billion budget, which rose 2 percent from a year earlier, only the fourth time in the past 30 years that spending grew more slowly than inflation, said Austin Shafran, a spokesman for Senate Democratic leader John Sampson of Brooklyn.

Assuming the revenue bill passes the Senate, the \$9.2 billion gap will be closed, Shafran said. Among deficit-reduction measures are \$5.2 billion in new spending cuts and \$700 million imposed last year and continued this year, he said.

Revenue Raisers

Revenue increases from new taxes and fees, including extending the sales tax to clothing purchases of less than \$110, will reach \$1 billion, Shafran said. Additional revenue of \$525 million is projected, including \$275 million from increased tax collections, and one-time items will reach \$1.8 billion, including the extra federal Medicaid payments, Shafran said.

After the budget was passed piecemeal, through a series of emergency spending bills, lawmakers and Paterson's estimates of outlays differed. The Budget Division project \$134.4 billion in outlays this year, up 2.4 percent from last year, said Kriss. Both the budget office estimate and the Legislature's higher figure reflect the \$2 billion shift in school-aid payments from last year.

Empire's McMahon faulted the incomplete plan for relying on \$5.7 billion of federal aid that was part of the U.S. economic-stimulus package, a set of temporary measures that helped to push spending up 8.4 percent from three years earlier. New York's outlays "must be permanently cut or funded with tax increases in order to balance the budget after the stimulus expires," McMahon said.

For the next fiscal year, which starts April 1, the Budget Division estimates a \$7 billion deficit, which could grow by \$1.06 billion if the federal government doesn't provide increased Medicaid funds, Kriss said. In the beginning of 2012, temporary income-tax rate increases that raised about \$3.5 billion last year

are scheduled to expire.

--Editors: Ted Bunker, Pete Young.

To contact the reporter on this story: Michael Quint in Albany, New York, at mquint@bloomberg.net.

To contact the editor responsible for this story: Mark Tannenbaum at mtannen@bloomberg.net.



[About](#) | [Advertising](#) | [EDGE Programs](#) | [Reprints](#) | [Terms of Use](#) | [Disclaimer](#) | [Privacy Notice](#) | [Ethics Code](#) | [Contact Us](#) | [Site Map](#)
©2010 BLOOMBERG L.P. ALL RIGHTS RESERVED.