



State budget estimates often end up short, widen deficit

Joseph Spector • Gannett Albany bureau • July 27, 2010

ALBANY — Last year, the state predicted \$250 million in revenue from a tax amnesty program to help close a \$2.7 billion midyear budget gap.

The program brought in only \$56 million.

Two years ago, state officials estimated \$66 million a year from new enhanced licenses that would allow for travel between the U.S. and Canada, Mexico and the Caribbean. It's bringing in about \$3 million annually.

Again and again, projected revenue in state budgets has come in well below expectations.

As the state grapples with a weak economy, a decline in tax revenue and massive deficits, some rosy projections have compounded New York's fiscal woes and have fueled delays in aid for schools, local governments and nonprofit groups. Moreover, the poor estimates have played a role in causing midyear budget gaps, like a \$2.7 billion hole last fiscal year.

Last week, Comptroller Thomas DiNapoli reported that the state is essentially broke, ending the first quarter of the fiscal year \$87 million in the red. It was only the second time in modern history that the state ended a quarter in arrears.

The first? Just seven months ago in December.

Some experts have warned that the revenue projections may continue to get more risky as budget gaps widen and as lawmakers have so far rejected deep spending cuts.

"The size of the assumptions does correlate with the size of the budget gaps," said Elizabeth Lynam, deputy research director at the Citizens Budget Commission. "They tend to be a little more aggressive with some of those targets when they have a really big hole to plug."

State budget officials, for example, annually put in roughly \$200 million to \$300 million in revenue for the sale of gaming rights at Aqueduct Race Track in Queens. In nine years, the rights have yet to be sold.

The state, meanwhile, expected \$115 million in the 2009-10 fiscal year, which ended March 31, by expanding the bottle-deposit law to containers of water. The 5-cent deposit, which had been delayed for several months last year, brought in \$48 million, according to the Department of Taxation and Finance.

In another example, the state last year estimated \$575 million would come from so-called "sweeps" — unused money from state agencies that is swept back into the general fund — to close a roughly \$18 billion deficit. Only \$257 million was realized.

DiNapoli raised the issue of risky revenue projections in a report earlier this month. He claimed that perhaps as much as \$4.8 billion proposed to close this year's \$9 billion budget gap may not materialize.

"What we needed from Albany was leadership and reform," DiNapoli said. "What we ended up with was a late budget with no real answers to New York's chronic budget problems."

He cited the Aqueduct franchise fee, \$500 million in new Medicaid fraud recoveries and uncertainty over whether the state will get \$1 billion in federal Medicaid aid as among the revenue raisers that were put in the budget but may be difficult to obtain.

Gov. David Paterson has fought with lawmakers to include a contingency plan if the \$1 billion in Medicaid funding isn't received from Washington.

Budget spokesman Erik Kriss said the governor is confident the budget would be balanced if the federal Medicaid money is accounted for.

Paterson and lawmakers have yet to finalize the budget for the 2010-11 fiscal year, which was due April 1 and is now 16 weeks late. The Democratic governor called legislators back to Albany on Wednesday to try to reach a deal.

The governor vetoed more than \$500 million from the budget earlier this month, including aid for schools and lawmakers' hometown projects. The Assembly has passed spending and revenue bills to close the gap; the Senate has not.

Assembly Minority Leader Brian Kolb, R-Canandaigua, charged that Democratic lawmakers in the majority will put together a piecemeal final budget that will undoubtedly spring leaks after Election Day, when all 212 legislative seats will be on the ballot.

"Then it's going to be: Surprise, surprise. Oops, the revenue numbers aren't coming in as projected, we have a shortfall and now we have to make some tough decisions," Kolb said.

"But guess what, magically, the election year has passed and nobody is 'at risk' with their favorite constituency group."