

Paterson: 'New York Has Run Out Of Cash'

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ALBANY, N.Y. — Gov. David Paterson said Wednesday that New York has run out of cash and he's directing budget officials to reduce state aid payments to schools, local governments and nonprofit service providers until things improve.

Speaking at the Museum of American Finance in Manhattan, Paterson said he'll probably get sued, but he won't let the state run out of money on his watch.

"I am directing the Division of the Budget to limit payments so that we will have the cash to pay our debts at the end of December," Paterson said. "I will continue to withhold payments until this economy is leveled off."

"Now New York has run out of cash," he said. "You can't spend money that you don't have."

Budget Director Robert Megna said the state faces a shortfall of more than \$1 billion in the general fund at the end of December, which would be a first for New York.

Other state funds can be tapped to help close that gap, Megna said, but even using all \$1.2 billion of rainy day reserves and delaying a pension fund payment will leave the margin "razor thin."

Rather than risking some setback that would force hasty cuts, Megna said the administration is cutting spending in an orderly fashion. The Budget Division plans to detail temporary cuts this week, he said.

In his executive budget proposal next year, Paterson could propose making them permanent.

"We've had a revenue collapse over the last 24 to 36 month period," Megna said. "The state's cash position is at its weakest point in recent history."

Last week, after lawmakers agreed to cuts of about \$2.8 billion, Paterson said it wouldn't be enough. He warned then of reduced and delayed payments, targeting school aid and funding to hospitals.

Timothy Kremer, executive director of the New York State School Boards Association, said they've asked their roughly 700 members to assess the impact if approximately \$300 million in school aid is delayed or permanently cut, which Paterson had proposed in November. Lawmakers rejected the cut, which would be a roughly 1.5 percent reduction across the board.

"We think it's inappropriate and likely illegal for him to unilaterally act in that way," Kremer said. Several organizations, including his association, may seek a court order to block it, he said.

Stephen Acquario, executive director of the New York State Association of Counties, said their reimbursements for providing state-mandated services like public health, mental hygiene and other programs are already lagging by months and in some cases a year or more. "Many counties don't have the available fund balance to cover the state's bills," he said.

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