

State's ink a deeper shade of red

New York to enter negative cash flow; first time in recent memory

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ALBANY -- Gov. David Paterson's call for the Legislature to return for a special budget-cutting session on Nov. 10 may be well-timed: It will likely come as the state enters what finance experts call a month-to-month "negative cash flow" situation for the first time in recent memory.

That means the state's general fund will hit a \$1.4 billion shortfall by next month, necessitating a loan from a special fund that historically has been paid back within weeks.

In years past, the state's general fund could borrow from a pot of money known as the Short Term Investment Pool, but only on an intramonth basis -- meaning the money had to be paid back by the end of the month.

But because of the size of the shortfall, and thanks to legislation that was tucked in this year's budget allowing for a longer payback, next month's STIP loan won't have to be paid back for four months, or until the end of the fiscal year on March 31, 2010.

"The issue in November is that we'd actually end the month with a negative cash balance," said Matt Anderson, spokesman for the governor's Budget Division.

STIP borrowing doesn't necessarily carry an additional cost since the state doesn't have to pay interest, said Robert Whalen, a spokesman for Comptroller Tom DiNapoli, whose office oversees the STIP, which consists of vehicles such as treasury bills. But it's symptomatic of the kind of imbalance that now exists in state finances.

"Spending is outpacing revenue," said Whalen.

Indeed, while previously disclosing the STIP loan, Paterson has noted that in December the state is scheduled to pay more than \$4 billion in education funding and aid to localities; that money is unlikely to be available.

It wasn't clear Monday if Paterson would speak about the negative cash flow Nov. 9, when he wants to address a special joint session of the Assembly and Senate to impress upon them the seriousness of the state's budget situation.

On Nov. 10, Paterson wants lawmakers to start attacking a \$5 billion, two-year deficit, including \$3 billion for this fiscal year.

Lawmakers in both the Senate and Assembly are continuing with hearings on the proposed cuts. So far, the sessions have provided lawmakers plenty of stated reasons to try to avoid deep cuts.

On Monday, Paterson fired back, issuing the first of what he said will be a series of "Did You Know" announcements about various aspects of his deficit reduction plan.

Monday's notice centered on cuts Paterson wants to make in local school aid -- something that lawmakers are loath to do, especially in an election year in which they risk being blamed for potential school property tax increases.

Expanding on statements he made earlier in the month, Paterson pointed out that 95 percent of the state's school districts could tap their reserve funds to make up for state aid shortfalls this year.

Paterson's budget office also pointed to a Web link to <http://emsc.nysed.gov/mgtserv/propertytax/> that allows people to view the size of their local districts' reserve funds.

That prompted criticism from the state School Boards Association and others. School Boards spokesman David Albert noted that if schools tap those funds this year, they'll be in even more trouble next year when federal stimulus payments are scheduled to end.

He and others also called on Paterson to tap the state's own reserve fund -- a move the governor said would hurt the state's credit rating.

"We're all heading for the same cliff, the state and schools," said Robert Lowry, associate director of the state Council of School Superintendents. "The governor would rather have the schools go off the cliff sooner."