

## Forecast warns state can't pay June bills

Options include approval of short-term borrowing, budget director says

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ALBANY -- New York is on track to run out of cash in June, Gov. David Paterson's top budget official said Friday.

The Paterson administration is also pushing lawmakers to complete the 2010-2011 budget, which was due April 1, with plans to offer weekly rather than biweekly stopgap appropriations to keep the government running.

"Our cash flow problems are unprecedented," state Budget Director Robert Megna said during a news briefing in which he laid out plans to deal with the crisis -- including the possibility of short-term borrowing, a practice that was supposed to have been halted in the early 1990s.

Even though the state's revenue projections are holding up, Megna said they will likely come up \$1 billion short in June due to a convergence of bills such as \$4 billion that is supposed to go to local school districts.

Additionally, payments for Medicaid providers, state employee payroll and income tax refunds go out during that period.

Sales and income tax revenues for the most recent time period, however, don't arrive in state coffers until later in June.

Starting this month, Paterson is issuing emergency budget extender bills to keep the state operating. These measures, which must be passed by the Legislature, ensure that the most essential bills are paid.

Governors in past years have done this during late budgets, typically offering two-week bills.

But starting Monday, Paterson will be sending lawmakers one-week extenders -- meaning that Legislators will have to vote on such measures every seven days until a budget is finalized.

"We want to, A: keep the pressure up and, B: we want to keep reminding all of you how important we think this budget is," said Megna. "We're going to do them a week at a time."

Lawmakers and the governor have so far been unable to reach a three-way plan on how to cut an estimated \$9.2 billion deficit. Even though Assembly Speaker Sheldon Silver and Megna both said Friday that they've reached agreement on about \$6 billion, "that still leaves you \$3 billion unsolved," said Megna.

He stressed Paterson, who on Thursday held back the 4 percent raises scheduled for unionized state workers starting April 1, is still looking for more cuts before he talks about borrowing or raising additional revenue.

Even though Lt. Gov. Richard Ravitch has offered a proposal that, along with budget reforms, calls for borrowing \$2 billion this year, Megna said "we would not be interested in a plan right now that would borrow that much money."

This wouldn't mark the first time that school aid payments -- always one of the state's biggest budget items -- are being held back. Paterson delayed \$2.1 billion for the schools last month after first doing so last winter, but ended up paying when the state had enough revenue.

The education lobby, including New York State United Teachers, the state's major teachers union, and state School Boards Association, still have a lawsuit pending from last winter, when Paterson first moved to delay payments.

The suit contends the governor is violating separation of powers rules because the Legislature sets out the dates at which school payments are supposed to be made.

Plaintiffs in the suit have a hearing in state Supreme Court in Albany County on June 3, and they may potentially seek an injunction to make sure the state makes its payments, even if that requires borrowing.

Lawmakers and the governor each have ideas for helping to close the deficit.

Most Senate Democrats are calling for the legalization of medical marijuana, backed in the Assembly in the past, which could potentially generate revenues from license fees or even excise taxes although details are unclear.

And Megna said he was still optimistic that a "soda tax" on sugary drinks would pass despite that idea's apparent rejection in the Legislature, especially the Senate.

"I've been around here ... long enough to know that nothing is ever dead, especially if it's a good idea," Megna said.