

Gov. David Paterson says budget will remain balanced

NICK REISMAN • GANNETT ALBANY BUREAU • AUGUST 6, 2010 DEMOCRAT & CHRONICLE

ALBANY — Mark these words: The newly minted \$136.5 billion state budget won't go out of whack.

That's from Gov. David Paterson, who on Thursday promised the state budget — finally completed on Tuesday after a four-month delay — will remain in balance thanks to a recently created contingency **fund**, a statement that was later clarified by his budget director.

"Even now if the budget slips out of balance, we can use the same contingency formula to cover that hole," the Democratic governor said on a Manhattan radio station.

But Paterson's budget chief, Robert Megna, said the fund created by the Legislature could be used only for a possible shortfall in Medicaid **funding**, which is now expected to be less of a hit than anticipated.

After the funding cleared a hurdle in the U.S. Senate on Thursday, the state could receive about \$730 million in federal Medicaid **money**, compared to \$1 billion that was originally projected.

The remaining shortfall will be plugged by across-the-board cuts, state officials said. "It means we won't have to **deposit** as much in the contingency account," Megna said. "We won't have the money for any new spending; we just won't have to make deeper cuts." While using the contingency fund to plug additional gaps may have been wishful thinking on Paterson's part, it underscored the adopted budget's fragile foundation. The state may soon need an extra pile of cash lying around in order to balance out its ledger, some experts predicted.

In the past two years, the budget has sprung a midyear leak, leaving lawmakers and Paterson to make cuts or find new revenue sources.

E.J. McMahon of the conservative-leaning Empire Center for **New York** State Policy said the budget rests on optimistic revenue projections from new taxes and fees, projected savings from a state-employee reduction program and audits.

"There's considerable reason to believe it will fall out of balance and it's only a question of when," McMahon said.

Assembly Minority Leader Brian Kolb, R-Canandaigua, was also skeptical the budget will remain in balance.

"The revenue projections are, shall we say, overly optimistic," Kolb said. "I just think they're trying to convince everyone that it's balanced just so they don't take the criticism when this starts falling out of balance."

Comptroller Thomas DiNapoli, a Democrat, said the late budget was not worth the wait. The state's fiscal year started April 1. "There are significant risks in this budget, and little has been done to align recurring spending with recurring revenues," he said in a statement.
