

CAPITAL REGION

Officials await word on aid cuts Local governments unsure of impact

BY JUSTIN MASON *Gazette Reporter*

Municipal governments and school districts around the Capital Region are nervously awaiting the details of Gov. David Paterson's \$750 million payment reduction plan.

Paterson on Sunday released a rough outline of a plan to address a severe funding shortage and keep the state budget balanced by reducing state aid payments due this month. But with only sparse information coming from the state Division of Budget, few local officials or superintendents have a clear idea of what the withholding of state funds will ultimately mean.

The plan also includes a 10-percent reduction in state aid payments to school districts and municipalities and a 19-percent reduction in STAR payments as well to school districts.

Schalmont Central School District Superintendent Valerie Kelsey said she's received no information about the impact of the governor's plan, making it difficult to prepare for the resulting budget gap.

"We've gotten no clarification, so it's hard to tell," she said Monday.

Shenendehowa Central School District Superintendent L. Oliver Robinson was equally flummoxed by the plan, which he only learned about through media reports last weekend. He said the plan appears to be a "kneejerk" reaction to the state's budget deficit that has far-reaching implications, but was apparently made without consulting the schools and governments that will be affected the most.

"We have been trying to do as much as we can . . . but the state has been so consistently inconsistent," he said. "It puts schools in a very precarious position and erodes the trust that the school districts have been building with the public for years."

'ON THE EDGE'

Superintendent Eric Ely said most of the Schenectady City School District's state aid comes in the spring. But he said the delay of a \$1.2 million STAR payment this month potentially could affect cash flow this winter.

"We're right on the edge of having enough cash to make payments," he said.

Earlier this month the Schenectady Board of Education authorized the district to borrow up to \$20 million in revenue anticipation notes if it became necessary. Borrowing the money, however, will ultimately cost the district.

"We don't want to do that because you have to pay interest on that," Ely said.

Paterson's announcement left Thomas Perillo, the superintendent of the Greater Amsterdam School District, searching for answers. He fears the delay in state aid may be a precursor to deep cuts in next year's budget.

"We're waiting to hear," he said. "We really don't know right now."

An official with the Division of Budget said additional details about how the plan will affect school districts and counties could be released as early as today.

On Monday, the state released a list of the \$45 million being withheld from the state Aid and Incentives to Municipalities program for cities, including millions in payments due to Albany, Schenectady and Troy.

The city of Schenectady will have to contend with \$1.09 million less this month. Sharon Jordon, Mayor Brian Stratton's chief of staff, said the December shortfall won't have an immediate impact on the city but will certainly be felt next year.

"It's not going to affect us in December, but it will affect our 2010 budget," she said.

Albany Mayor Gerald Jennings said the city will avoid a pinch from an anticipated \$1.25 million withheld by borrowing the money needed to make a \$9.4 million payment to the state pension plan. He's hoping the withholding remains a lag in the funding payment rather than a permanent cut.

"If it becomes a cut later down the road, it will impact personnel, there's no doubt," he said.

Saratoga Springs will need to absorb a withholding of about \$165,000 in December, less than a month after city officials passed a 2010 budget that hikes local property taxes and lays off dozens of municipal workers. City Finance Commissioner Ken Ivins Jr. said the delay in state aid is another blow to the city, which was forced to close a \$6.2 million budget gap this year created in part because of the governor's elimination of its Video Lottery Terminal aid.

"Why don't they just kick us while we're down?" he said. "We understand the state has issues, but they're not solving those issues. They're just passing those issues down to the local taxpayers."

Peter Baynes, the executive director of the New York Conference of Mayors and Municipal Officers, chastised the governor's plan. He said Paterson's plan will place undue financial hardship on the local levels of government at a time when they are all struggling to make ends meet.

"Cities will now have to incur the costs of borrowing funds to pay their bills, including an extremely large pension payment due [today]," he said in a statement. "Rather than solving the state's deficit, this is a shifting of the problem onto another level of government with even less fiscal capacity."