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House Speaker Nancy Pelosi of Calif. walks to her office on Capitol Hill in Washington, Thursday, Feb. 12, 2009, following a news conference.

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## Stimulus saves N.Y. from cut in school aid

By Jerry Zremski and Tom Precious  
NEWS STAFF REPORTERS

The federal economic-stimulus bill would bring New York State \$2.7 billion in relief for schools over 27 months,

more than making up for a projected \$700 million cut this year in state education aid, early projections from Sen. Charles E. Schumer, D-N. Y., revealed Thursday.

The compromise bill includes 35 percent more “fiscal stabilization fund” money for New York than an earlier Senate version of the bill did. The money is intended to help schools balance their budgets and avoid tax increase and layoffs.

That was just part of the boost that New York received from final negotiations over the \$790 billion package, which also dramatically increases the aid that the state and its counties had been expecting to cover their soaring Medicaid costs.

Both Schumer and Gov. David A. Paterson said they were pleased.

The bill, which the House and the Senate are expected to approve with-

in the next two days, goes a long way toward relieving the fiscal burden that the deepening recession has placed on New York and other states.

School district officials had complained that earlier versions of the bill did not do enough to make up for the expected cuts in state aid and their other budget shortfalls, but Schumer said the final version was a dramatic improvement.

“This should cover most, if not all, of the state funding gap this year,” Schumer said.

The two-year sum coming to New York for school aid is not only more than three times the size of the proposed cuts in state education funding, but also \$700 million more than what would have gone to the state under the Senate’s version of the bill.

The stabilization money first must be used to make up for lost state aid to the schools. Any excess still has to go to the school districts, based on the state’s existing formula for school aid, Schumer said.

That is just part of the assistance that New York’s schools will receive under the bill. In addition, they will get \$1.3 billion in aid for special education and underperforming schools.

The state can expect a big cash boost, as well, because of the bill’s move to dramatically increase the federal share of costs for Medicaid, the federal health program for the poor, from 50 percent to nearly 60 percent.

That will mean \$8.6 billion for New York State over 27 months and an additional \$4 billion for its counties, which share the cost for the state’s Medicaid program. That is a 26 percent increase over earlier versions of the bill.

Erie County Executive Chris Collins previously said a change in the Medicaid formula could relieve the fiscal pressures facing the county, and the final bill shows why. Schumer said the final bill will mean \$113.96 million in savings to Erie County over 27 months, along with \$24.76 million for Niagara County.

“This is going to certainly alleviate many of the pressures the counties and the state have, although it is not going to eliminate them,” Schumer said.

Paterson warned state legislators against seeing the temporary federal windfall as an excuse to avoid the tough cuts he has proposed in his 2009-10 budget, which he said are necessary to return the state to long-term fiscal stability.

“It is our responsibility in New York to clean up our own debt,” Paterson said.

State Comptroller Thomas

P. DiNapoli also urged his former colleagues in the State Legislature not to use the stimulus as an excuse to push

the state's fiscal problems off on the taxpayers of tomorrow.

While providing fiscal relief to the state and its counties, the bill also provides \$1.3 billion to the state for mass transit, \$1 billion for highways and hundreds of millions for sewer and water projects, Schumer said, citing an analysis of the bill by the Government Accountability Office.

At the same time, the final version of the bill includes two major disappointments for the state.

It has no money for higher education construction, even though the state had included \$242 million in projects at the University at Buffalo on its original list of "shovel-ready" stimulus projects.

While a House version of the bill had included \$1.3 billion for school construction in the state, the final bill includes no such funds. Instead, it sets aside \$8.8 billion nationwide, and an undetermined amount in New York, for renovations of public facilities, including schools.

The breakdown of the state's benefits came as federal lawmakers continued to dicker over the bill's final details — and as Democrats and Republicans continued their war of words over the proposal. The House is expected to vote on the bill today, with Senate action likely Saturday.

President Obama continued his campaign for the legislation Thursday, telling a crowd at a Caterpillar plant in East Peoria, Ill., that with the stimulus bill, companies "may be able to start growing again. Rather than cutting jobs, they may be able to create them again."

But shortly after Obama spoke, Caterpillar Chairman and Chief Executive Officer Jim Owens said his company probably will have to lay off more employees before it starts thinking about rehiring. Owens said that even if a stimulus plan passes immediately, it won't have an effect on the economy until late this year or early 2010.

Owens seemed to back away from Obama's assertion that the Caterpillar executive had promised to rehire some of the laid-off workers if Congress approved the sweeping stimulus bill.

Republicans contended that the bill is far too heavy on government spending and far too light on tax cuts, even though the latter account for about 35 percent of the package.

"This is not the smart approach," said Senate Minority Leader Mitch McConnell, R-Ky. "The taxpayers of today and tomorrow will be left to clean up the mess."

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