

**FOR IMMEDIATE RELEASE:
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GOVERNOR PATERSON ANNOUNCES \$800 MILLION IN ADDITIONAL SPENDING REDUCTIONS TO ENSURE FISCAL INTEGRITY OF THE STATE BUDGET

Proposes Across-the-Board Cuts as Division of Budget Projects Recession

Governor David Paterson today proposed \$800 million in additional spending reductions necessary to protect the state's finances in an increasingly difficult economic and fiscal climate. Recent economic developments, including three consecutive months of private sector job losses totaling 141,000, have led the Division of the Budget to determine that the nation is now in a recession.

This brings total spending reductions proposed since the Executive Budget was released to \$1.2 billion.

In addition to the five percent cut in non-personal services proposed in the Executive Budget, Governor Paterson today proposed an across-the-board two percent reduction in operating spending for all state agencies. He also proposed a two percent reduction for all local assistance spending excluding education as well as entitlement programs in the areas of health, public assistance, and others.

"New York is facing a fiscal challenge that we have not seen since the dark days following September 11, and our state budget must reflect that reality," Governor Paterson said. "Given the rapidly deteriorating economic climate, we must join together in the spirit of cooperation to reduce state spending and produce a balanced budget for the people of New York. Like the thousands of New York families facing difficult financial circumstances, we too must live within our means."

These cuts would decrease the total state operating funds budget to \$80.8 billion from \$81.6 billion and reduce year-to-year spending growth from 4.8 percent to 3.7 percent compared to the Executive Budget.

Under Governor Paterson's proposal, the general fund budget would be \$56.0 billion (spending growth of \$2.4 billion or 4.5 percent) and the all funds budget would be \$123.5 billion (spending growth of \$5.1 billion or 4.4 percent). It would also decrease the state's structural deficit by a total of \$1.6 billion over the next four years.

Governor Paterson's proposed spending reductions come in the wake of state revenue projections that have declined by a total of \$634 million since the release of the Executive Budget. During the 21-day amendment process in mid-February, the Division of the Budget reduced its revenue estimates by almost \$384 million, an unprecedented step in recent state history. Additionally, legislative leaders jointly approved a "Consensus Economic and Revenue Forecast" that lowered projected revenues by another \$250 million on March 1.

There have been further negative economic developments even since the release of the consensus forecast just two weeks ago. The federal government reported that in February retail sales declined 0.6 percent and private sector job losses totaled 101,000. Additionally, the housing and manufacturing sectors have continued to suffer from slowing demand. Most professional forecasters, including the Division of the Budget, the Senate Majority and the Assembly Majority, are now projecting that the economy is in a recession.

Of particular concern is the performance of Wall Street, which accounts for nearly twenty percent of the state's revenues. Layoffs in the financial services sector have increased and are projected to total in the tens of thousands in the coming months. JP Morgan acquired the storied investment firm Bear Stearns Companies Inc. for only \$2 per share – a decline from its closing price of \$57 per share last Thursday and \$148 one year ago. The credit crunch has sent shockwaves throughout the broader economy, leading to slowing growth and decreased corporate profits.

Governor Paterson continued: "Unlike in past years, we have virtually no margin for error, so we have no choice but to be cautious and responsible by limiting our spending to affordable levels. We simply cannot depend on revenues that are unlikely to materialize, borrowing that we cannot afford to repay, or financial gimmicks that will endanger our fiscal future."