

**FOR IMMEDIATE RELEASE:
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GOVERNOR PATERSON CALLS FOR IMMEDIATE ACTION ON BUDGET DEFICIT

Outlines Consequences of Inaction in Open Letter to Legislators

Governor David A. Paterson today sent an open letter to every legislator in New York State calling for immediate action to address the State's budget deficit. The full text of that letter appears below:

November 22, 2009

Dear Legislators:

One month ago, I presented a responsible \$3.2 billion Deficit Reduction Plan that contained reductions across every area of State spending, including health care and School Aid. I proposed this series of difficult choices to help address the State's severe revenue shortfall, which could threaten to delay State aid payments to school districts, health care providers, and local governments.

Since that time, we have worked together to try and craft a final agreement, but have not yet been successful. Unfortunately, this failure to act has put New York at risk for a number of dire fiscal consequences and raised serious questions among independent financial monitors.

On Friday, the Office of the State Comptroller issued a report titled: "New York State's Cash Flow Crunch". In it, Comptroller DiNapoli states: "The State's continuing failure to address its worsening structural budget imbalance have combined to create a severe cash flow crunch." Put simply, the State is running out of money. In my conversations with the Division of the Budget, we have begun to discuss a number of options for this eventuality, including delaying payments to school districts, non-profit providers, and local governments, among others.

On Thursday, Moody's Investor Services also issued an analysis of the State's finances, saying that, "If there is no action taken by the State to close the gap, or if action is taken but is largely one-time in nature (therefore increasing the structural imbalance in the outyears)" our strong credit rating will be in danger of a downgrade. The Comptroller has echoed these concerns, imploring the State Legislature not to resort to "fiscal gimmicks or debt, which would only push the State's budget problems into the future at a higher cost to taxpayers."

Above all, Moody's and Comptroller DiNapoli have indicated that we must focus our efforts on reducing spending. Moody's warned that one of our State's credit weaknesses are "high-recurring expenditure demands" and "spending pressures that contribute to chronic projected structural imbalances." The Comptroller has also indicated that "New Yorkers understand difficult spending choices must be made . . . one-time revenue [does] nothing to address the State's structural imbalance."

It is clear that failure to address our deficit responsibly could have very real and serious potential consequences for taxpayers across New York. Time is running out and the costs of inaction will be felt in every corner of our State.

Payment delays could create a trickledown effect on local governments and service providers in every region of New York as those organizations continue to face similar revenue shortfalls of their own. A credit rating downgrade means it will be more expensive for the State to borrow money. As a result, more of our limited resources will be dedicated to paying back bondholders, rather than providing critical services.

There is only one path to avoid these unacceptable consequences – responsible, recurring spending reductions across every area of the budget.

I believe that any final Deficit Reduction Plan must include actions that are at least 40 percent recurring.

Additionally, any consensus agreement must include reductions to health care and School Aid.

No one wants to cut health care or education. These are priorities for which I have fought my entire career. But given that they make up more than half of the entire budget, we simply have no other choice but to make reductions to health care and education if we want to demonstrate that we are serious about putting New York on the road to fiscal recovery. As other states that are now grappling with unmanageable deficits learned far too late, it is better to cut now, than gut later.

We must put politics aside and put the people of our State first -- not the special interests. We must reach a responsible final agreement that protects our State's finances and embodies the principles I have outlined above. The warnings are clear and those who choose to ignore them do so at their own peril. In the days ahead, I look forward to your cooperation as we make the difficult choices that are necessary to put New York's fiscal house in order.

Sincerely,

David A. Paterson