



NYS Division of Budget

David A. Paterson, Governor
Robert L. Megna, Budget Director

**STATE OF NEW YORK
DIVISION OF THE BUDGET
DAVID A. PATERSON, GOVERNOR**

**FOR IMMEDIATE RELEASE:
October 15, 2009**

CONTACT: Matt Anderson
Matt.Anderson@budget.state.ny.us
518.473.3885

GOVERNOR PATERSON PROPOSES TWO-YEAR, \$5.0 BILLION DEFICIT REDUCTION PLAN TO ADDRESS CURRENT-YEAR BUDGET GAP, IMPROVE NEW YORK'S LONG-TERM FISCAL STABILITY

Aggressive, Across-the-board Spending Reductions Represent Tough Choices Necessary to Confront State's Historic Budget Difficulties; Major Structural Reforms — Tier V and Spending Cap — Would Dramatically Lower Future Taxpayer Costs

Governor David A. Paterson today outlined a two-year, \$5.0 billion Deficit Reduction Plan that would eliminate the state's current-year budget gap without raising taxes, as well as institute major structural reforms — such as Tier V pension reform and a state spending cap — in order to improve New York's long-term fiscal health.

"The \$500 million in agency spending reductions I announced earlier this month represented an important first step, but I cannot eliminate this substantial deficit without the cooperation of my colleagues in the Legislature," said Governor Paterson. "During a time of uncommon difficulty, we need to work together for the common good and enact a consensus plan that helps us avoid the severe consequences faced by other states that failed to swiftly address their budget problems. This will mean hard and painful choices, but that is exactly the type of leadership New Yorkers deserve from their public officials."

Governor Paterson's two-year \$5.0 billion Deficit Reduction Plan (DRP) would have a current-year impact of \$3.0 billion in 2009-10 and a recurring impact of \$2.0 billion in 2010-11. Over the state's five-year financial plan period, it would produce cumulative savings of \$9.3 billion to help continue addressing the state's long-term structural deficit.

Major components of the plan include the following:

Across-the-board Spending Reductions (2009-10 Savings: \$1.8 billion; 2010-11 Savings: \$2.0 billion)

The largest component of the proposed DRP is \$1.8 billion in current-year, across-the-board spending reductions. These include the \$500 million in across-the-board administrative agency spending reductions Governor Paterson announced on October 6, as well as \$1.3 billion in additional across-the-board current

fiscal year reductions to local assistance spending.

The local assistance reduction of \$1.3 billion would represent a 10 percent cut to all remaining, undisbursed local assistance spending in the current fiscal year — with three main exceptions. First, reflecting the fact that education is a priority for the governor, the reduction to School Aid would be limited to 4.5 percent of remaining, undisbursed payments for the current fiscal year (an annualized impact of 3 percent based on projected Enacted Budget 2009-10 full school year spending). Second, reductions to the STAR property tax relief program would be excluded. Third, cuts that represent direct mandated cost shifts to local governments would also be excluded.

Specific 2009-10 programmatic impacts as part of this \$1.3 billion across-the-board local assistance reduction include the following: a \$480 million state fiscal year cut to school districts (\$686 million on a 2009-10 school-year basis); a \$287 million cut to Medicaid; a \$184 million cut to other health and mental hygiene programs; a \$28 million cut to social service programs; a \$67 million cut to Aid and Incentives to Municipalities; a \$125 million cut to transportation programs; a \$62 million cut to higher education programs; as well as other reductions.

The School Aid reduction would be structured progressively based on local fiscal capacity, student need, and residential tax effort. Prior to proposed mid-year actions, enacted 2009-10 school year School Aid was projected to total \$21.9 billion, an increase of \$415 million or 1.9 percent from 2008-09. After enactment of the DRP, overall 2009-10 school year School Aid would total \$21.2 billion, a decrease of \$271 million or 1.3 percent from 2008-09. When federal stimulus aid through the Title I and IDEA programs is included, however, support for school districts in the 2009-10 school year would total approximately \$22 billion, a \$546 million or 2.5 percent increase compared to the prior year.

In recent years, School Aid has increased dramatically. Even after implementation of the DRP, 2009-10 school year School Aid spending of \$21.2 billion would still represent a \$6.8 billion or 47 percent increase compared to 2003-04. Moreover, based on census data, New York spends more total per pupil than any other state and 63 percent above the national average.

Tax Penalty Forgiveness Program (2009-10 Savings: \$250 million; 2010-11 Savings: \$100 million)

The Tax Department would partially forgive accrued penalty and interest on long-outstanding state tax liabilities in order to encourage individuals to resolve unpaid claims. For assessments between 3 years and 6 years overdue, penalties would be reduced by 50 percent. For assessments overdue more than 6 years, penalties would be reduced by 80 percent. This initiative would provide much-needed revenue to the state, while helping taxpayers repair their credit histories and avoid costly legal action. It is expected that the limited forgiveness period would take place from January 15 to March 15, 2010. Local governments would receive a fiscal benefit of approximately \$84 million from their share of these previously uncollected taxes. Recurring savings would accrue due to expanded voluntary compliance efforts in the out-years.

Additional Administrative Savings (2009-10 Savings: \$295 million; 2010-11 Savings: \$0 million)

The plan includes \$295 million in further administrative actions, such as more aggressive Medicaid Fraud targets (\$150 million), further debt management to lower state interest costs (\$100 million), and an upward reestimate of the amount of revenue that will be collected from the increased 18-A utility assessment enacted in the 2009-10 budget (\$45 million).

Battery Park City Authority/Dormitory Authority Transfers (2009-10 Savings: \$326 million; 2010-11 Savings: \$0 million)

Under this proposal, the state would receive \$300 million in excess revenues from the Battery Park City Authority (BPCA) and \$26 million from the Dormitory Authority from a transfer to the General Fund.

Regional Greenhouse Gas Initiative (RGGI)/EPF Transfers (2009-10 Savings: \$100 million; 2010-11 Savings: \$0 million)

This proposal would transfer \$90 million in RGGI proceeds and \$10 million from the Environmental Protection Fund (EPF) to the General Fund. It is currently expected that RGGI proceeds through the end of 2009-10 will total \$220 million, allowing the state to meet its \$112 million commitment to the recently passed Green Jobs legislation, as well as this \$90 million General Fund transfer. Additionally, it is fully expected that after implementation of the DRP the state would still be able to meet its original 2009-10 EPF cash spending plan of \$180 million, which is equal to record 2008-09 levels.

VL T Franchise Payment (2009-10 Savings: \$200 million; 2010-11 Impact: -\$145 million)

The DRP assumes that the winning Aqueduct Video Lottery Terminal bidder will make a franchise payment of at least \$200 million in the 2009-10 fiscal year. The previous financial plan assumed that this payment will be made in 2010-11.

Long-term Structural Reforms

In addition to the savings actions necessary to address the immediate issue of closing the state's mid-year deficit, the DRP would also include several long-term structural reforms to help lower taxpayer costs

Tier V pension reform, which would produce savings of nearly \$50 billion over the next thirty years for state and local governments, is a key component of Governor Paterson's agreements with CSEA and PEF to avoid state employee layoffs. As such, pension reform will be a key component of the DRP.

Additionally, the DRP includes Governor Paterson's proposed cap on state spending to help address New York's long-term structural deficit. This initiative would limit state operating funds *spending* increases to the average inflation rate over the previous three years.

###

[Budget Home Page](#) | [Press Releases](#)