

**FOR IMMEDIATE RELEASE:  
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**GOVERNOR PATERSON ANNOUNCES STATE MUST ADDRESS  
ADDITIONAL \$750 MILLION PROJECTED DEFICIT IN 2010-11  
BUDGET**

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Governor Paterson today announced that the State must address an additional \$750 million projected deficit in the 2010-11 budget. This shortfall is driven primarily by the continued effects of the current State-level recession, as well as changes in the timing and structure of financial services sector compensation, which have resulted in lower than expected personal income tax revenues. In addition, the downturn has also caused higher than expected demand for Medicaid services, which will increase legally required State entitlement spending commitments. Overall, the projected deficit that the State must address through the end of 2010-11 now totals \$8.2 billion, up from \$7.4 billion at the time of the Executive Budget.

Governor Paterson will announce his proposal to address the \$750 million additional shortfall as part of his constitutionally required "21-day amendments" to the Executive Budget on February 9.

"Since the beginning of my time in office, I have stressed the vital importance of addressing our State's serious fiscal issues honestly and transparently. Results in the month of January have shown a continuing decline in tax collections, as well as a substantial increase in demand for Medicaid services – even beyond our already conservative projections," Governor Paterson said. "We need to take serious steps to address this shortfall. Unfortunately, the budget news that I have been reading about concerns legislators who are planning to fight for restorations, rather than real reductions in spending. Individual legislators are promising special interest groups that their pet projects won't lose out in the budget process. But the fact is that everyone will lose if the of New York becomes insolvent."

"The money simply isn't there. Financial sector bonuses aren't going to bail us out this time. We are going to have to make real cuts," Governor Paterson said. "I want to start hearing about how we are going to reduce spending, not increase it. We need to be talking about how we are going to close the deficit – not add to it. My partners in the Legislature are going to have to face reality and work with me to make the tough choices to save our State."

***Personal Income Tax Revenues (-\$550 million)***

Personal income tax results in the month of January 2010 were more than \$1 billion below expectations. The Division of the Budget projects that some of this shortfall is related to the timing of payments from financial services sector bonuses and other estimated tax payments, which will ultimately be paid in the coming months. However, much of this shortfall is not expected to be recovered. As a result, the overall net financial impact of these lower than anticipated personal income tax collections is expected to total \$550 million through the end of 2010-11.

***Higher than Anticipated Medicaid Caseload (-\$400 million)***

Medicaid is an entitlement program that provides health care services to vulnerable populations meeting certain income requirements. Economic downturns typically increase the amount of New Yorkers who are eligible for this program. In fact, the current recession has driven Medicaid caseload to record levels of 4.2 million in October 2009 (latest month caseload data is available), which is 474,069 or 13 percent above the previous record of 3.7 million in August 2005. By the end of 2009-10, caseload is forecast to reach 4.3 million, which is approximately 200,000 above original 2009-10 Enacted Budget projections.

As a result of continued recession-driven increases in demand for Medicaid services, State spending on this program in the month of January 2010 was approximately \$100 million above Executive Budget projections. Based on these figures and underlying caseload analysis, the Division of the Budget forecasts that, through the end of 2010-11, increased Medicaid spending will result in a net negative financial plan impact of approximately \$400 million.

***Other Revisions (+\$200 million)***

Other forecast revisions, including lower than anticipated spending in areas outside of Medicaid, are expected to result in a positive impact to the financial plan of approximately \$200 million. A full and comprehensive update to the State financial plan with further details will be published as part of Governor Paterson's 21-day amendments to the Executive Budget.

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