

Governor Releases Budget Proposal

Governor David Paterson released his proposed budget on December 16th – a full month ahead of the usual release of the Executive Budget. The Governor released the budget in order to give the Legislature additional time to review his proposal and pass a final budget before the state's fiscal crisis worsens.

In October, the Division of the Budget projected budget deficits of \$1.5 billion in 2008-09, \$12.5 billion in 2009-10, \$15.8 billion in 2010-11, and \$17.2 billion in 2011-12 – a cumulative total of \$47.0 billion. Based on greater than anticipated declines in projected revenues, this budget deficit has increased to \$1.7 billion in 2008-09, \$13.7 billion in 2009-10, \$17.1 billion in 2010-11, and \$18.6 billion in 2011-12 – a total of \$51.1 billion.

According to the Division of the Budget, after implementing the actions contained within the Executive Budget, which will produce \$45.2 billion in savings over the next four years, the state's out-year budget deficits would total \$1.8 billion in 2010-11 and \$4.0 billion in 2011-12 – a cumulative total of \$5.8 billion.

“For years, record revenues from Wall Street allowed State spending to increase at an unsustainable rate,” said Governor Paterson. “With the financial services industry in the midst of an unprecedented crisis, we must fundamentally reevaluate what our State can afford to spend. Change is unavoidable, and the proposals I have put forward today begin the difficult process of adapting to a new fiscal reality. Just like thousands of families across New York, our State government needs to tighten its belt and limit spending to what we can afford.”

Governor Paterson's Executive Budget contains two main components. The first component is a 2008-09 Deficit Reduction Plan. This stand-alone legislation includes a series of actions that are necessary to close the State's current-year \$1.7 billion shortfall. The State financial plan assumes enactment of these actions by February 1. This proposal includes \$1.0 billion in proposals that were originally put forward for consideration by the Legislature at a November special session as part of an overall \$2.0 billion package. Major prior recommendations that will be put forward again include \$500 million in health care savings; a \$50 million reduction in Environmental Protection Fund (EPF) spending and a \$25 million sweep of uncommitted EPF funding; an expansion of the 5-cent bottle deposit to non-carbonated beverages (\$118 million in 2009-10); a \$620 increase in SUNY annual undergraduate tuition from \$4,350 to \$4,970, which has been approved by the SUNY Board of Trustees (\$62 million); a 10 percent reduction in Community College Base Aid (\$15 million); and others.

The second component is Governor Paterson's complete 2009-10 Executive Budget proposal, to close the 2009-10 fiscal year \$13.7 billion deficit. The Governor requested that the Legislature enact a budget by March 1, 2009, one month prior to the April 1 start of the fiscal year in order to achieve additional savings.

Under the proposal, 2009-10 General Fund spending would remain flat compared to 2008-09 levels at \$55.4 billion. State Operating Funds spending would total \$79.8 billion, an increase of \$400 million or 0.5 percent.

All Funds spending would total \$121.1 billion, an increase of \$1.3 billion or 1.1 percent – which would represent the lowest level of growth since 1996-97 when the All Funds budget declined by 0.4 percent.

Governor Paterson's \$13.7 billion Executive Budget General Fund savings proposal includes \$9.5 billion in recurring spending reductions, which represent 70 percent of total actions. It also contains \$3.1 billion in recurring revenue actions, and non-recurring actions of \$1.1 billion.

The Executive Budget reduces School Aid in 2009-10 by \$698 million or 3.3 percent from 2008-09. Funding increases in Foundation Aid and Universal Prekindergarten that were scheduled to be phased-in over a four-year period will now be phased-in over an eight year period to reflect the need to adapt to the difficult fiscal environment. The Executive Budget also proposes mandate relief measures to help school districts control costs.

The Executive Budget takes action to limit State Funds Medicaid spending to \$16.0 billion, an increase of 3.8 percent from 2008-09. The recommendation focus on reforming hospital, nursing home and home care reimbursement systems to direct spending to more appropriate primary and community based settings. Even after these actions, total federal, state and local Medicaid spending would still increase by \$432 million or 1.0 percent.

In a positive development for children and families, the Executive Budget would increase the basic welfare grant for the first time in 18 years. The grant would increase by 10 percent, from \$291 to \$320 in January 2010; by another 10 percent to \$352 in January 2011; and by a final 10 percent to \$387 in January 2012.

A new, additional 18 percent sales tax on non-diet soft drinks to combat obesity and related diseases, with revenues directed to health care.