



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

DAVID A. PATERSON
GOVERNOR

September 5, 2008

Dear Agency Heads and Commissioners:

Over the last six months, we have taken a series of extraordinary actions to start the process of getting our state's fiscal house in order. As commissioners, you have already begun this difficult work by seeking to identify ways to reduce your agency's operational spending by 3.35 percent in March and an additional 7 percent in July – together producing total current-year savings of \$1.1 billion. And in August, I partnered with the Legislature to pass an unprecedented \$1.0 billion, mid-year spending reduction plan at an emergency special session.

Despite these historic savings actions totaling over \$2 billion, our work is just beginning. We must still implement even stronger measures to confront the difficult task of closing a 2009-10 budget deficit that already totals \$5.4 billion, and could very likely increase if our struggling economy continues to worsen.

In these difficult times, our state simply cannot afford another “business as usual” budget process. Our government has used that approach far too often in the past. Spending, borrowing, and taxes have increased at unsustainable rates, limiting our ability to provide for our citizens and damaging our business climate. Combined with the impact of high property taxes and a declining manufacturing base, the result has been that millions of our former neighbors have left the state in search of the jobs and opportunities they cannot find here at home.

To start charting a new course for New York, we must fundamentally change our state budget process. There are two problems in particular that we must address to help get spending under control.

- First, once a program is added to the state budget, it becomes extremely difficult to remove it, regardless of whether the initiative is effective or essential. Taxpayers are often forced to pay for funding decisions that were approved years or even decades ago. And spending on these same policy priorities has increased year after year, usually beyond the rate of inflation.
- Second, when analyzing the state budget, stakeholders usually imply that *reducing the rate of projected growth* in funding for a program is a “cut.” This thinking has impeded numerous attempts to halt unsustainable spending growth. If a private corporation had used this type of accounting, it would have gone out of business years ago.

Our current fiscal difficulties present an opportunity to break New York's cycle of increasingly unaffordable budgets. I have already requested that you create an inventory of all your programs and rank them in relation to your core mission. Now, I am asking that you put forward a budget request that keeps your agency's spending flat compared to 2008-09 levels.

Given the substantial deficit we are facing, additional reductions may be necessary. But your initial proposals will help begin a serious dialogue about how best to control state spending in next year's budget.

To achieve this zero growth target, you must prepare a budget submission that fundamentally reevaluates whether to continue funding for many lower-priority programs unrelated to your core mission. Unlike in the past, we must focus our efforts on controlling state spending and assess whether certain initiatives should be eliminated or experience real, year-to-year reductions.

Agency spending, of course, represents only one portion of the budget. Separate decisions must be made regarding other major cost-drivers. Moreover, we are constantly evaluating the state of the economy to determine the amount of revenue that will be available. These factors will play an important role in determining the overall level of state spending next year. Imposing the discipline upon our government to do more with less by keeping agency budgets flat, however, is an important step toward closing our \$5.4 billion deficit.

Certainly, some agency expenses – such as for food, fuel, and health care – have rapidly increased compared to last year. Yet, average New York families have had to face these same rising costs at the grocery store, gas station, and doctor's office every day. We cannot continue making excuses for why the state is unwilling to limit its expenses at a time when hard-working taxpayers are forced to do the same thing every day.

Change is never easy. But it is unavoidable if we want to stem the tide of unsustainable spending growth, job losses, and declining population that has plagued New York for decades. And this is a task we must begin immediately. I look forward to working together with you as we seek to restore the principle of fiscal responsibility to our state government.

Sincerely,

A handwritten signature in black ink that reads "David A. Paterson". The signature is written in a cursive, slightly slanted style.

DAVID A. PATERSON