



Eliot Spitzer
Governor

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
STATE CAPITOL
ALBANY, NEW YORK 12224

Paul E. Francis
Director of the Budget and
Senior Advisor to the
Governor

2008-09 EXECUTIVE BUDGET CALL LETTER

TO: All State Department and Agency Heads

August 16, 2007

Every budget is a blueprint for action. It reflects hard choices in presenting a plan to implement specific programs and achieve measurable objectives. From that perspective, the 2008-09 Executive Budget must address and balance four primary goals.

First, the upcoming Budget must continue support for the major structural reforms that the Governor and the Legislature set in motion this year. These include the shift of school aid funding to high-needs districts, the reallocation of health care dollars to improve affordability and access, increased property tax relief focused on the middle class, and other important initiatives. Continued support for these programs alone will require substantial resources in 2008-09.

Second, while accommodating the additional spending for these purposes and other base level spending requirements, we must close an estimated \$3.6 billion General Fund gap to achieve a balanced Executive Budget proposal. Governor Spitzer has made clear that this must be achieved without raising taxes. For the last several years, surging tax revenues -- largely driven by strength in the financial services industry -- have helped erase structural deficits. We cannot count on this happening this year. The revenue assumptions presented in the 2007-08 Budget and our July update were honest and transparent, and reflect a true account of the State's economy and available resources. The significant turbulence in the financial markets over the last two weeks is yet another signal that it is unlikely that higher than expected tax revenues will relieve us of the need to make hard budget choices this year. Therefore, closing the projected 2008-09 gap will require identification of ways to achieve program savings. I will discuss briefly later in this letter some of the possible areas for gap-closing measures that should be considered.

Third, in addition to closing the gap for the new budget year, the 2008-09 Budget should take additional steps towards ensuring longer-term fiscal stability. This is an important goal and helps to ensure that in the event of an economic downturn, the State will have adequate resources to meet the needs of vital programs without having to resort to tax increases at the time when taxpayers can least afford it. The Governor has articulated as a long-term goal that the rate of increase in State Operating Funds (i.e., all spending other than Federal aid and capital expenditures) should not exceed the rate of growth in Personal Income. This will allow the State to moderately increase reserves in good economic times, which it can use in the event of economic downturns. This year's Budget deposited \$175 million in a new Rainy Day Fund and maintained \$1.2

billion in fully flexible reserves. Our goal for the 2008-09 Executive Budget will be to continue to make deposits to the Rainy Day Fund, while preserving as much of our existing fully flexible reserves as possible. Accordingly, the Budget must provide a sound multi-year plan to achieve these objectives of Budget balance and increasing reserves, while also continuing to prudently manage the level of State-related debt.

Fourth and finally, the upcoming Budget needs to promote Governor Spitzer's vision and priorities. This means continuing the work you have already done to develop, implement, and drive forward initiatives to advance these key priorities. It also means holding ourselves accountable for measurable progress on clearly defined outcomes. The challenge is to continue to advance the priorities while also living within the constraints just described, in order to ensure both financial stability and a focused, responsive and transparent State government that is achieving progress on clearly defined goals.

To help achieve a balanced Executive Budget in 2008-09 that also meets the other critical goals, we are asking each agency to complete a budget request for 2008-09 that limits State Operating Funds spending to an amount that is no more than the projected baselevel spending or "current services" amount for 2008-09. We ask that within this amount, you articulate the steps you propose to take to more effectively deploy the resources available and realize the initiatives, programmatic enhancements, or savings that you are able to achieve as a result of such redeployment. That is, we are not asking for a "status quo" budget but rather for your best thinking as to how to deploy this amount of resources to achieve the Governor's core priorities. Should you identify initiatives that you believe to be programmaticaly important but that you are unable to support internally through savings or redeployment, please identify them to your budget examiner and Deputy Secretary for further discussion during the process.

At the same time, as noted above, it will be necessary to reduce spending below the current services level in most agencies in order to achieve a balanced budget that still invests in the Governor's core priorities. Therefore, you should begin to develop savings options that, at a minimum, would hold spending to a level no greater than current year spending, at the same time as you are preparing your current services level budget request. We will work with you and your Deputy Secretary to review these and other savings initiatives so that we can identify multiple savings options for consideration as we move through the process of developing the 2008-09 Executive Budget.

When preparing your agency's budget request, you should undertake an evaluation of your agency's core mission and look for efficiencies in areas such as the delivery mode of services, the elimination of duplicative or ineffective service approaches, interagency or internal reorganizations, and greater productivity in the use of staff and other resources, including reduced overtime, energy efficiency savings, reduced waste and other items.

Throughout your budget request, we also encourage you to highlight those measures that illustrate the efficiency of providing services and the effectiveness of increased spending in achieving your goals. We understand that the development of clearly defined goals and performance management measurements is an ongoing effort that will evolve over time, and we appreciate the progress that so many agencies have already made in this area. We look forward to working with you to reflect this progress in your request.

As you know, the Governor plans to initiate public discussions on key Budget proposals in the Fall, well in advance of the constitutional deadline for submitting the 2008-09 Budget. More details on those plans will be forthcoming, but that strategy clearly requires us to accelerate the Budget development process and, consequently, the deadline for submission of agencies' budget requests. Accordingly, **agency requests must be submitted to this Division, for our use and transmittal to the Legislature, no later than September 28, 2007.**

Also, please be advised that your budget examiner will be contacting you shortly to offer assistance as you compile your budget request. You should also involve your Deputy Secretary, who will be an integral part of the budgetmaking process.

Earlier this month, more detailed information on the form and content of agency requests was provided via the transmittal of the Budget Request Manual.

The Governor and I have been gratified and greatly encouraged by our initial experience in working with agencies on the enactment and execution of the 2007-08 Budget. We look forward to an even more productive relationship as we build a 2008-09 Executive Budget that will be a catalyst for continued reform of New York State government.

Sincerely,

A handwritten signature in black ink that reads "Paul Francis". The signature is written in a cursive, slightly stylized font.

Paul E. Francis