



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

David A. Paterson
Governor

Robert L. Megna
Director of the Budget

September 21, 2009

Dear Agency Commissioners:

Last year, under Governor Paterson's leadership, New York took its first steps toward addressing a new fiscal reality. An unprecedented downturn on Wall Street and within our broader economy necessitated difficult choices across every area of the State budget.

Governor Paterson was among the first officials in the nation to recognize the serious nature of this crisis and, since taking office, has already implemented deficit reduction measures totaling nearly \$30 billion over the last two fiscal years. However, given the continued decline of State tax receipts, significant work still lies ahead.

Current-year Budget Gap

First, we must address a current-year deficit of \$2.1 billion, which will require mid-year cuts in agency spending. As part of this effort, among other savings initiatives, you will be expected to identify opportunities to lower non-personal service spending by aggressively reducing expenditures on contractors, travel, postage, and activities outside your core mission. While agency-by-agency mid-year savings targets will not be delivered until later this month, you should immediately begin the process of implementing these specific measures and developing further cost-reduction ideas for consideration.

Out-year Budget Gaps

In addition to closing our State's \$2.1 billion mid-year deficit, we must also work hard to directly address New York's long-term structural budget challenges. This will require us to continue to change the way our State government does business. While real progress was made toward this goal in the 2009-10 Enacted Budget, a gap of almost \$5 billion remains to be closed in 2010-11.

The root causes of New York's structural imbalance developed over many years, and Governor Paterson has repeatedly said that we will not be able to solve our budget problems overnight. It will take long-term fiscal discipline and a comprehensive approach to reduce spending, which will continue in next year's budget.

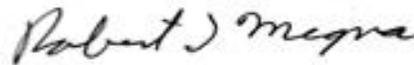
A critical part of that structural solution is enacting Governor Paterson's proposed cap on State spending, which limits increases in expenditures to no greater than the average rate of inflation over the three prior calendar years. Over the long-term, he believes that this legislation will ensure that our State government lives within its means and is more accountable to taxpayers. Accordingly, spending in Governor Paterson's overall 2010-11 Executive Budget will meet the stringent requirements of his proposed spending cap. (For fiscal year 2010-11, based on current estimates, the three-year average rate of inflation under the cap is projected to total 2.0 percent.)

To help achieve Governor Paterson's goal of an Executive Budget that meets the requirements of his spending cap, you must submit a 2010-11 budget request that limits your agency's spending to no greater than the prior year level. This will require that commissioners make further tough choices among many competing priorities. We must find additional innovative solutions to provide essential services at a lower cost, while eliminating non-core functions. Our current financial situation will necessitate that we build on the progress made over the course of the last year and continue to discard outmoded models for operating our State government. This process has already begun through the ongoing work of the Office of Taxpayer Accountability (OTA), which is developing strategies to make agency operations more cost-effective and efficient. The OTA and the Division of the Budget stand ready to provide any support that may be helpful as you move forward with this process.

We ask that you please submit your agency's budget request no later than October 16, 2009. An examiner from the Division of the Budget will contact your staff shortly to provide further instructions. You should also involve your respective Deputy Secretary within the Executive Chamber as soon as possible during the development of your budget request.

In difficult fiscal times, it is especially important that we streamline our operations and make government more accountable to taxpayers. In next year's budget, those principles will continue to be paramount. The Governor is fundamentally committed to restoring New York to fiscal and economic strength. Governor Paterson and I greatly appreciate your continued work toward his goal of a more efficient and fiscally responsible State government.

Sincerely,



Robert L. Megna