



NEW YORK

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# 2009-10 Enacted Budget Report

Governor David A. Paterson

April 28, 2009



# **Closing Largest Budget Gap in History**



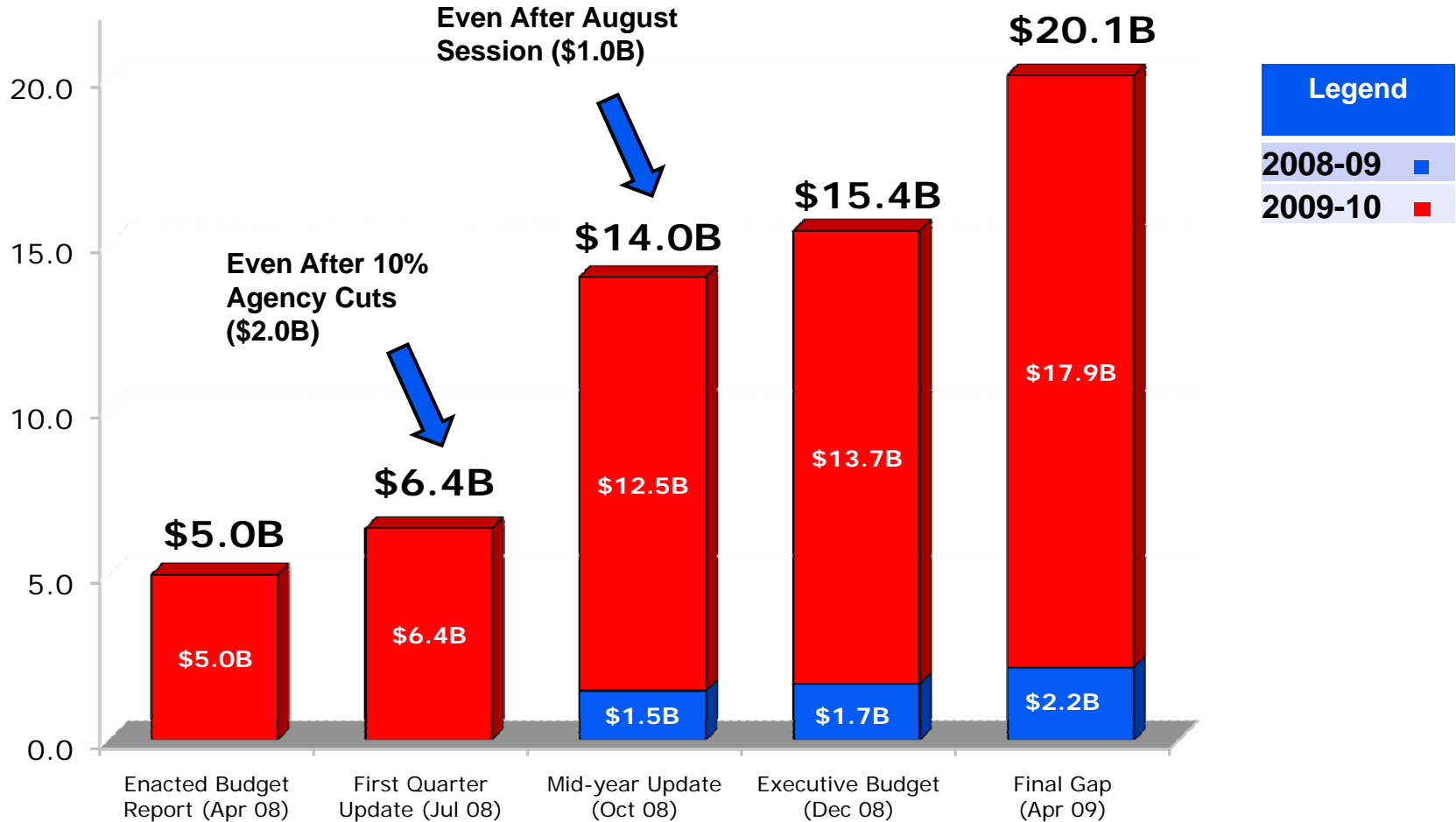
# Fiscal Timeline

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- **March 2008**: Governor Paterson takes office. First official act is to make 3.35 percent cut to state agencies.
- **July 2008**: Live television address. Further 7 percent cut to state agencies. Hard hiring freeze. Calls August Special Session.
- **August 2008**: Special session results in \$1.0 billion savings package over two years.
- **September 2008**: Lehman brothers collapses. Wall Street deterioration.
- **November 2008**: Second special session.
- **December 2008**: Governor Paterson delivers Executive Budget more than one month early.
- **February 2009**: Legislature enacts 2008-09 Deficit Reduction Plan.
- **April 2009**: Legislature enacts final 2009-10 budget to close deficit.

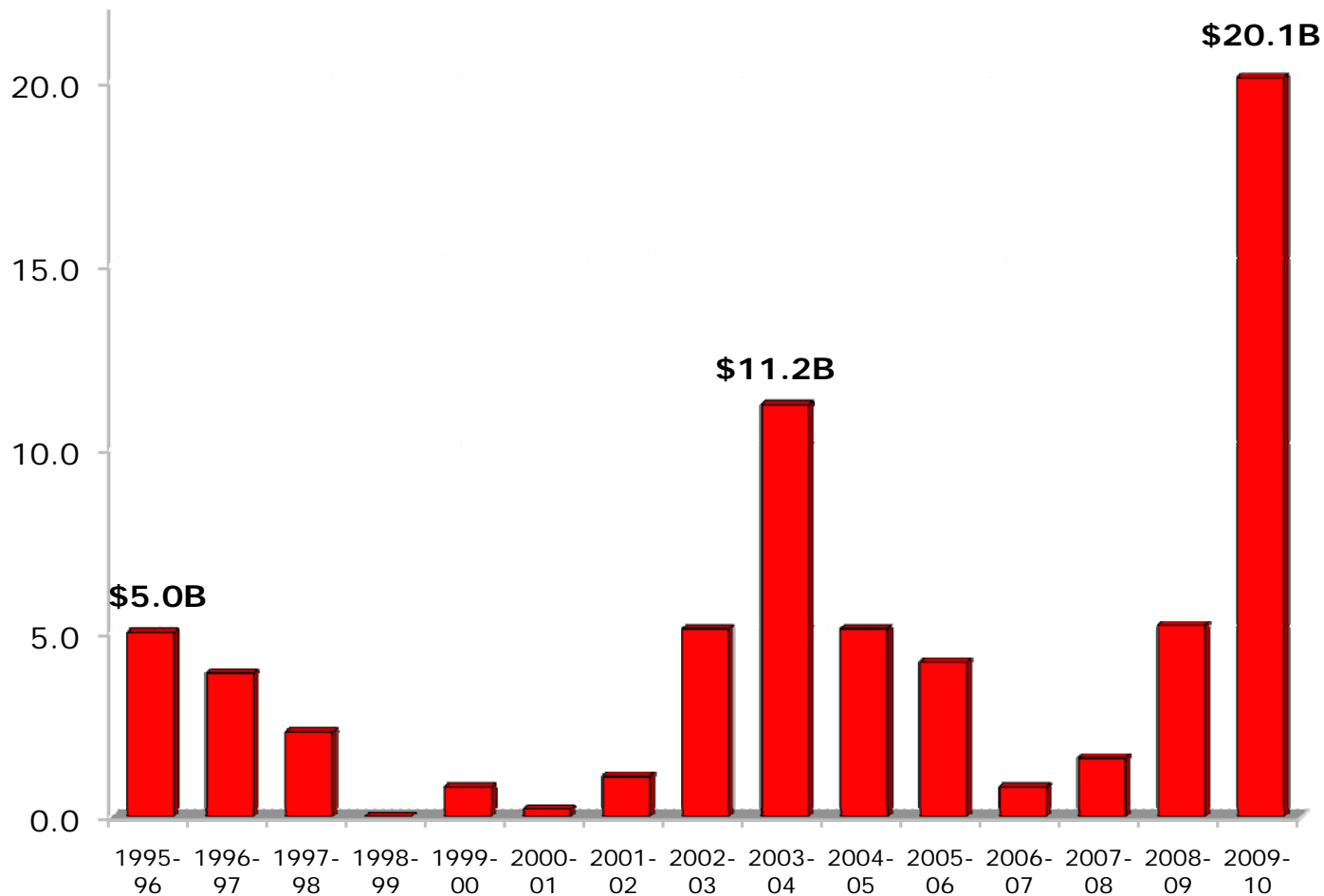
# Deficit Quadrupled Over Course of the Year

*Combined 2008-09 and 2009-10 Deficit*



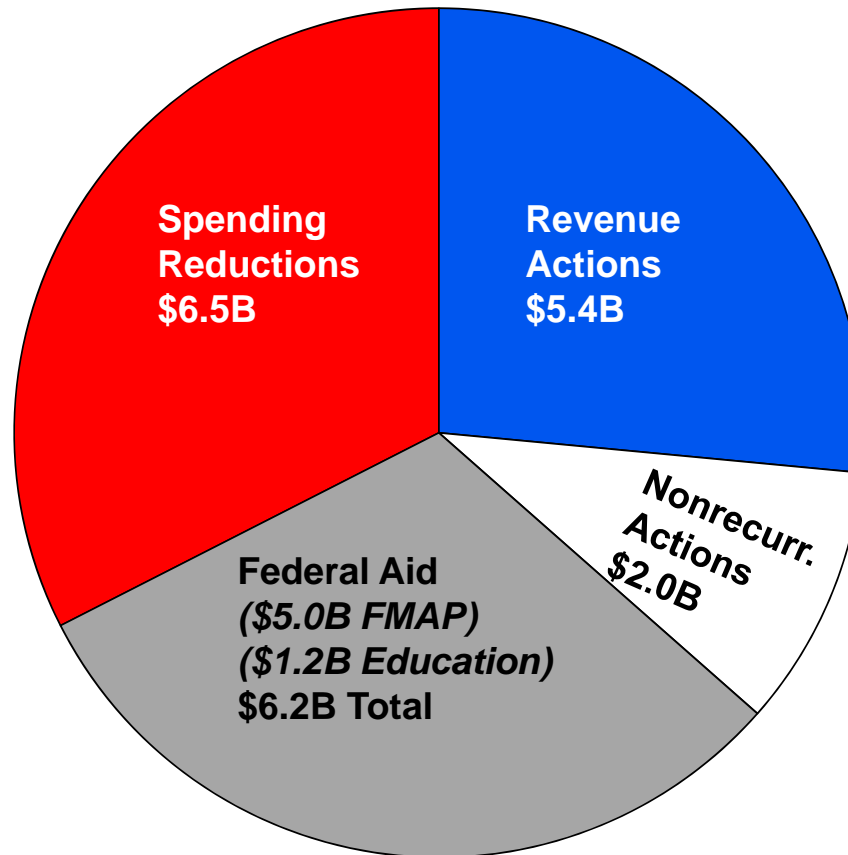
# Budget Gap in Perspective

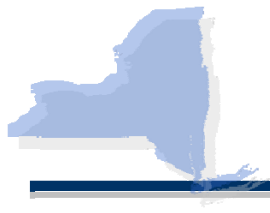
## General Fund Budget Gap



# \$20.1B Gap-closing Plan

*General Fund Gap-closing Plan  
(DRP + Enacted Budget)*





# **All Funds Spending and the Budget**



# All Funds Spending and the Budget

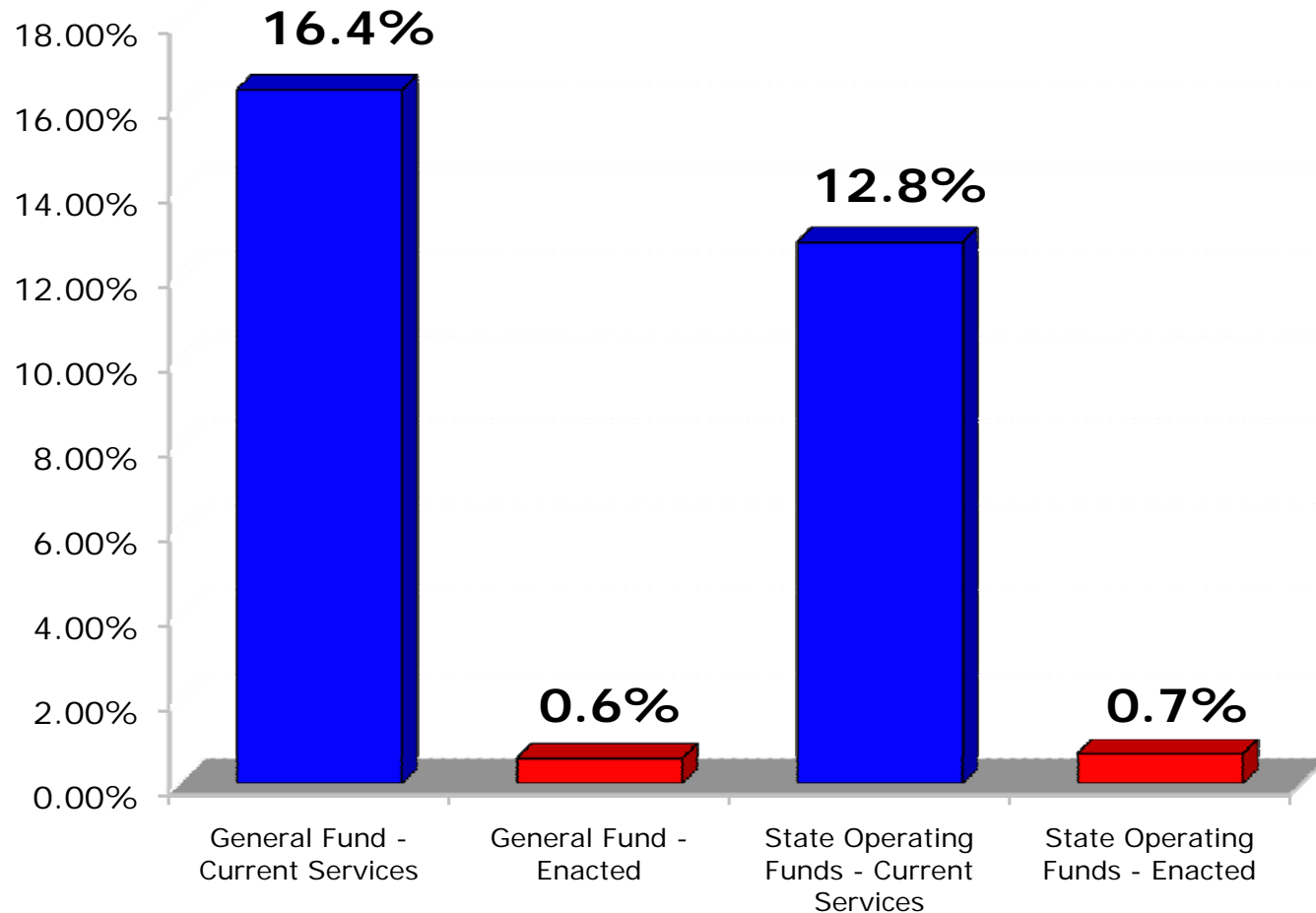
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- All Funds growth has mistakenly obscured virtually every other fact about the budget.
- All Funds is not the right measure of *state* spending growth. Includes federal funds, which the state seeks to maximize to ensure New York gets its fair share.
- State Operating Funds best measure of cost to state taxpayers of operating government in a given year. (Spending financed by state residents through state taxes, fees, and other state revenues.)

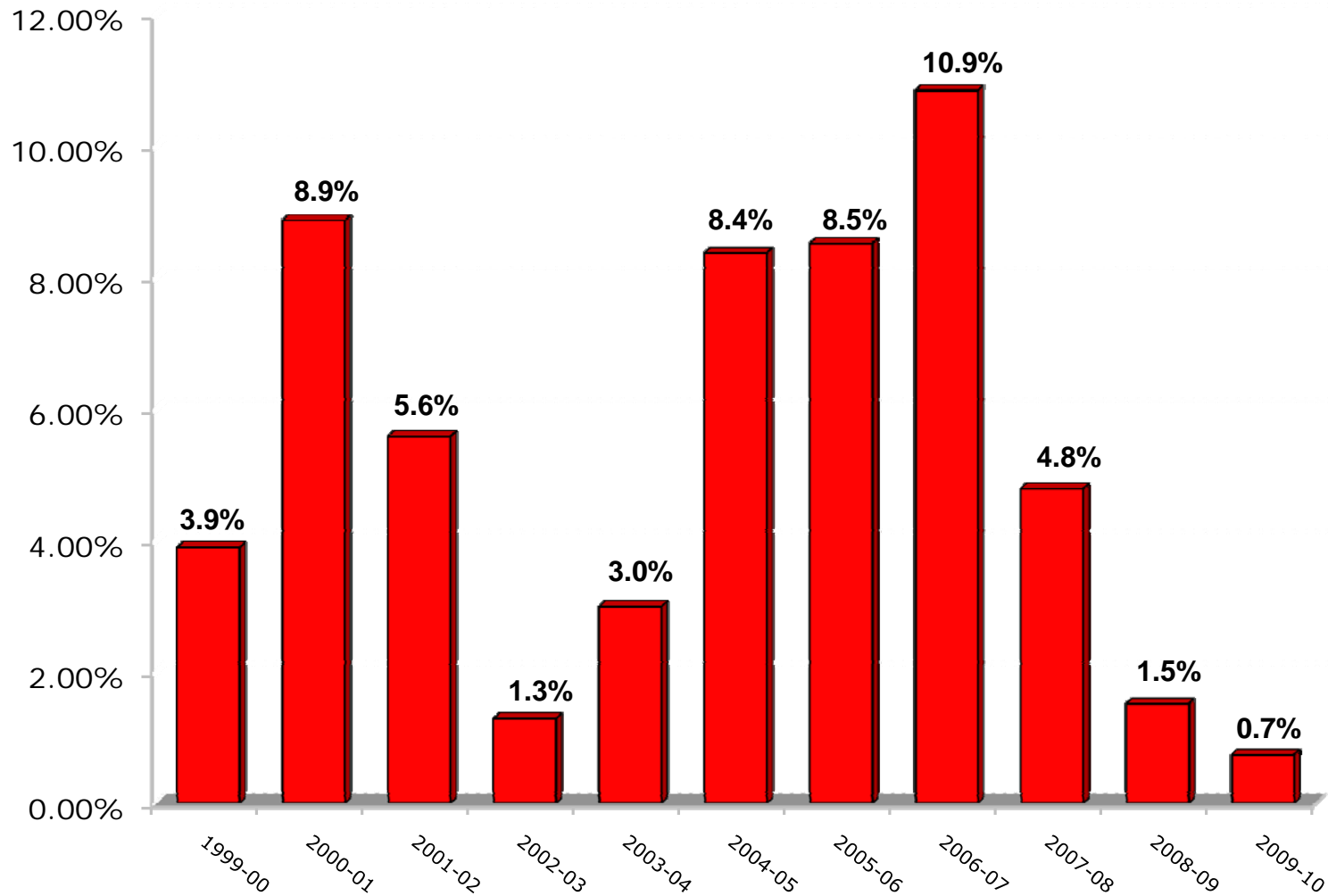


# Spending from State Treasury Nearly Flat

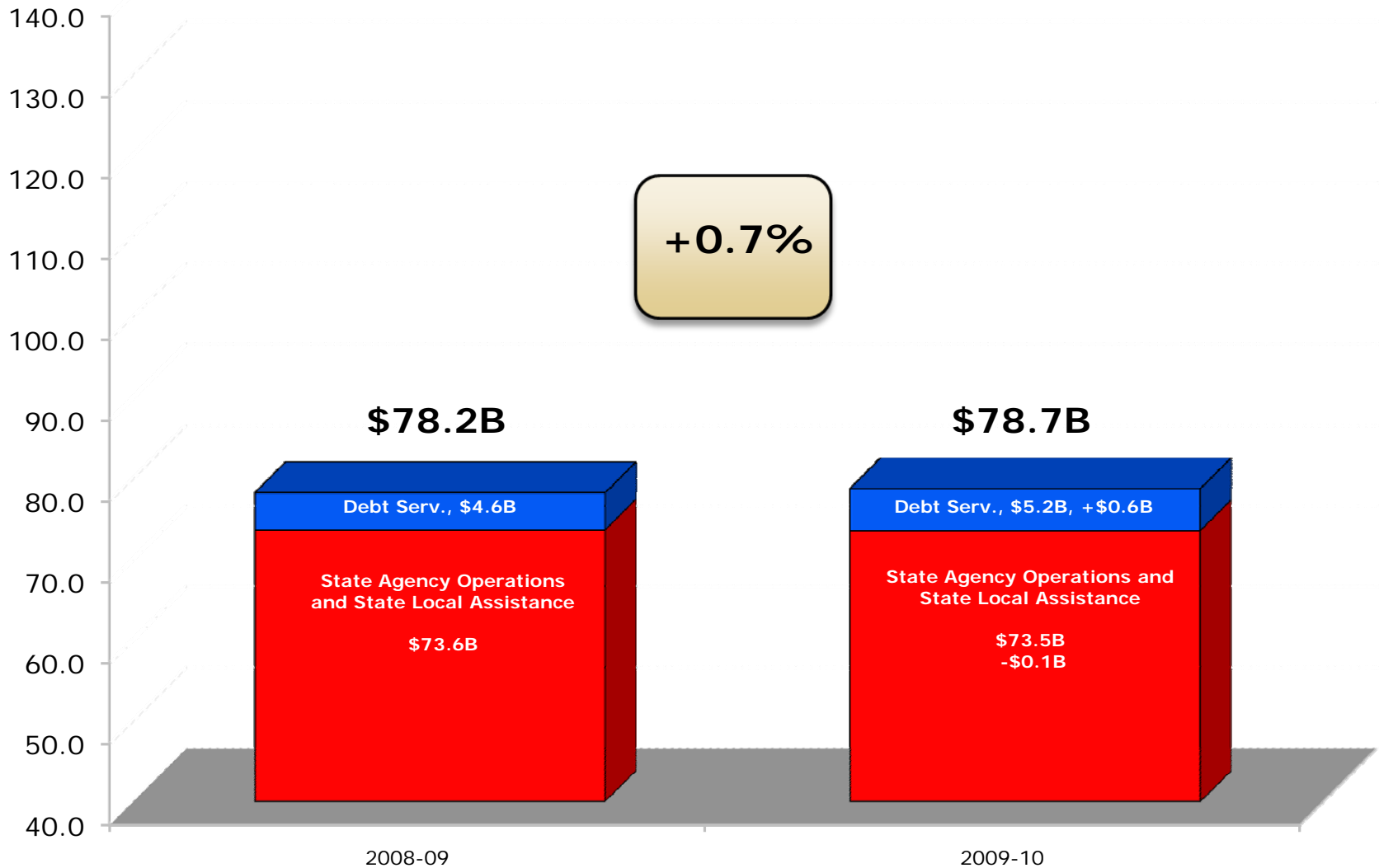
*2009-10 State Budget Spending Growth*



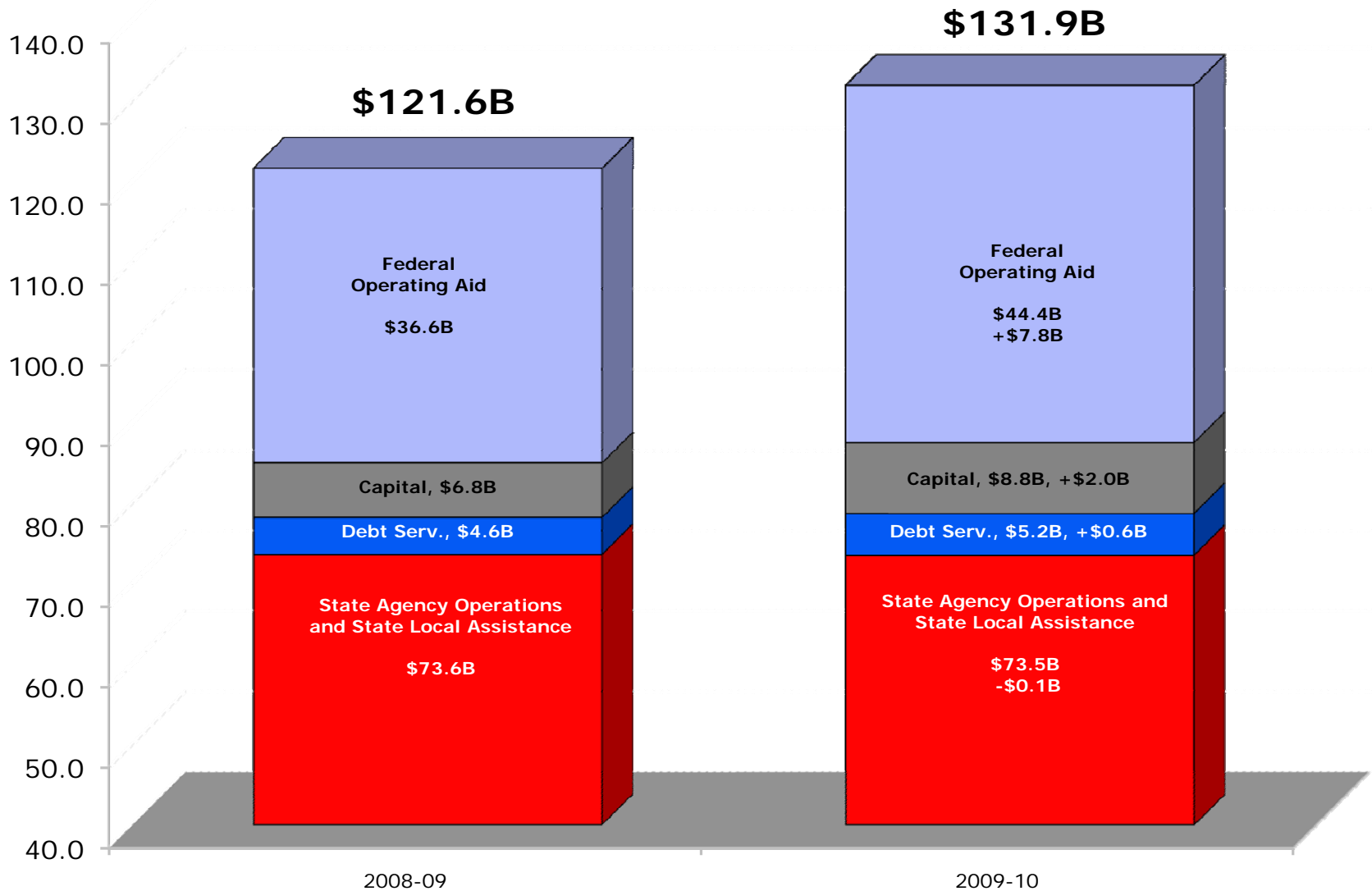
# State Operating Funds Spending over Last Decade



# Components of State Operating Funds Growth



# Components of All Funds Growth





# **Extraordinary Changes Related to Difficult Economy**



# Pressures on State Spending

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- Two unique factors beyond state's control related to economic downturn impacting spending this year:

**Extraordinary  
Stimulus Funding  
Passing Through  
Budget, State Has  
to Spend**

**Rising Demands on  
Entitlement  
Services State Has  
to Provide  
(e.g. Medicaid  
Caseload)**

# Stimulus Funding Must be Spent

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*“So then you get the argument, well, this is not a stimulus bill, this is a spending bill. What do you think a stimulus is? That's the whole point.”*

-President Barack Obama, 2/6/09, AP

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- Must be spent. Meant to stimulate economy and preserve essential services at state level.
- Cannot be put in Rainy Day Reserve.
- Cannot be used to retire debt.

# Governor Paterson Helped Lead Charge for Stimulus

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- **July 2008**: Sent letter to Congress urging passage of stimulus legislation.
- **October 2008**: Testifies before Congress urging passage of stimulus legislation.
- **December 2008**: Joins group of six governors urging incoming Obama administration to swiftly pass stimulus legislation.
- **January 2008**: Joins group of six governors to propose state fiscal stabilization fund for education.
- **February 2008**: Congress enacts stimulus legislation.



# Why Governor Paterson Fought for Stimulus Funding

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## *Stimulus Initiative*

## *Why This Funding is Critical*

Unemployment Benefits



Help for Laid off Workers

Funding for  
County Governments



Hold Line on Property Taxes

Funding for  
School Districts



Educate our Children

Infrastructure Projects



Create Jobs

Drinking Water Projects

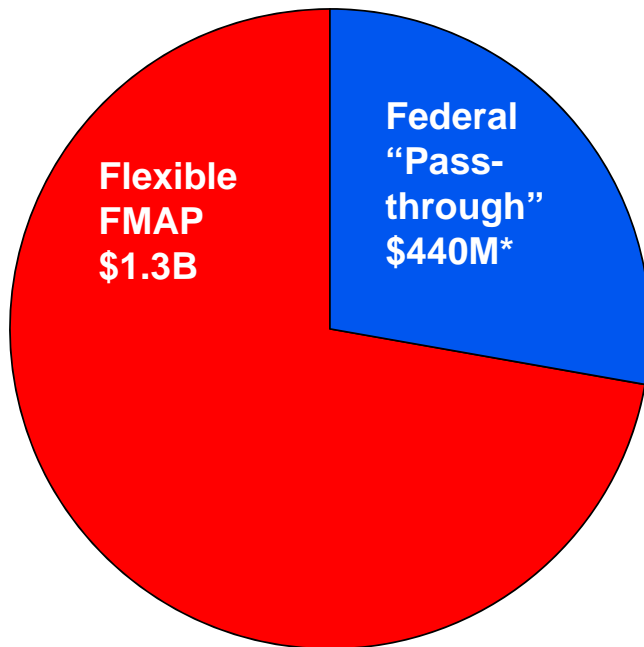


Clean Water for Next Generation

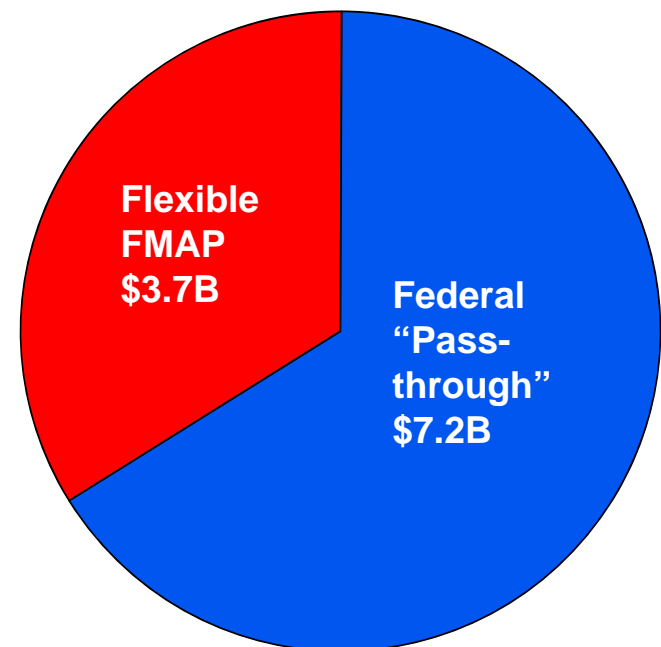
# \$12.6 Billion in Federal Aid Over 2 Years

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*2008-09  
Extraordinary  
Federal Aid  
(\$1.7B)*

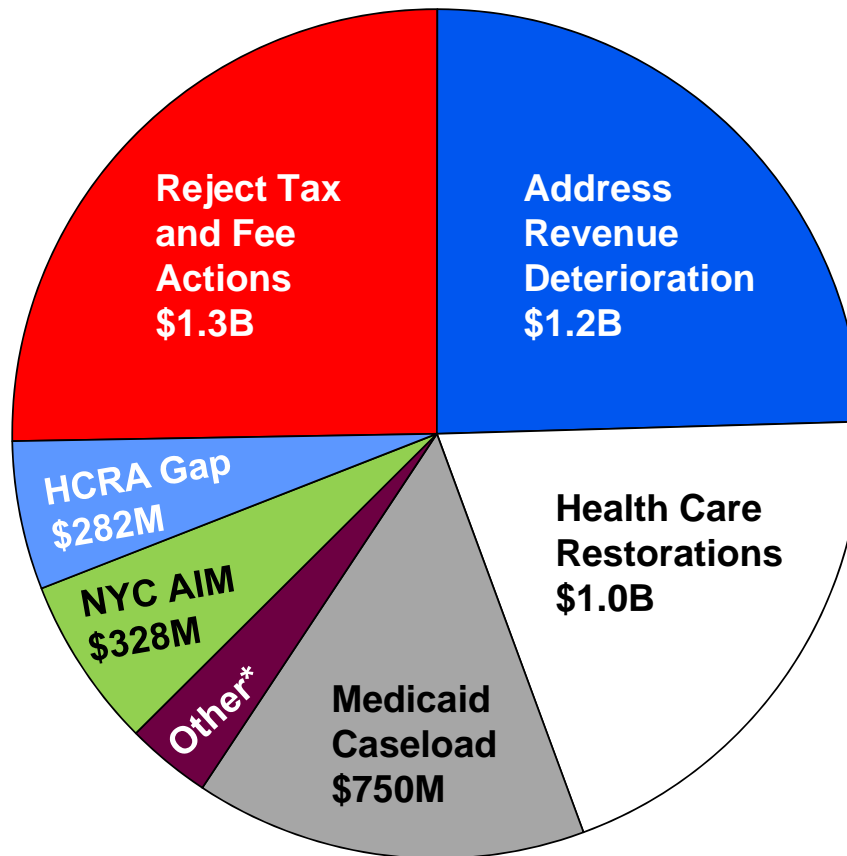


*2009-10  
Extraordinary  
Federal Aid  
(\$10.9B)*



# Allocation of Flexible FMAP Funding

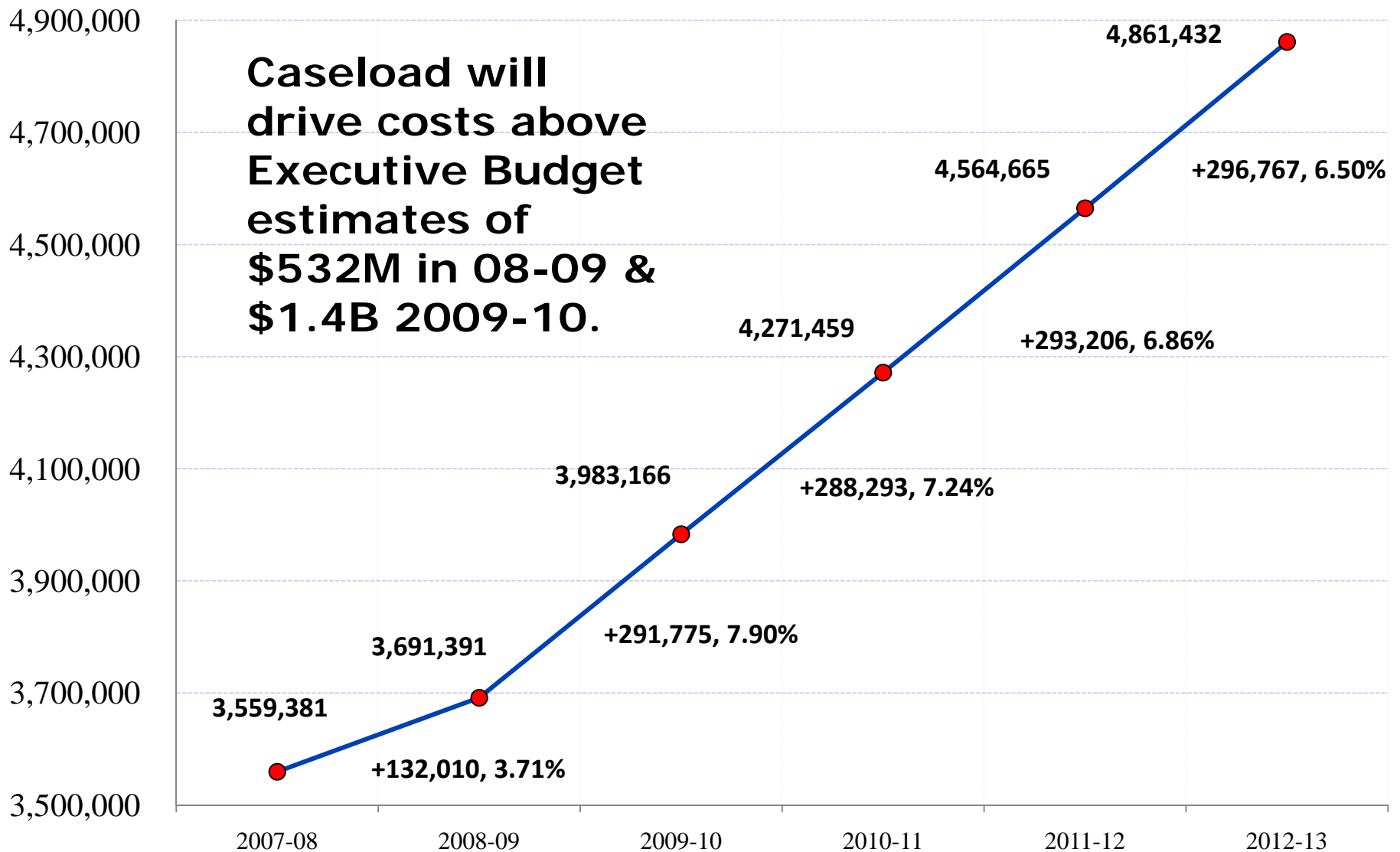
*2008-09 and 2009-10 FMAP Funding (\$5.0 billion)*



# Extraordinary Federal Aid “Pass-through”

	2009-10
County FMAP Funding	\$1.4B
Mandated Education Restorations	\$1.2B
Title I + IDEA (Direct Aid for School Districts)	\$850M
State and Local Highways	\$459M
Clean Water/Drinking Water Projects	\$287M
Labor Programs	\$272M
TANF Funding	\$272M
Weatherization	\$263M
TCAP (Low-income Housing)	\$253M
Hospital DSH Payments	\$192M
School Improvement Grants	\$127M
All Other	\$1.6B
<b>Total</b>	<b>\$7.2B</b>

# Dramatic Spike in Medicaid Caseload Projected in Tough Economy





# Important Steps Taken



# Long-overdue Reforms and Initiatives ✓

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- ✓ Hospital Reimbursement Reform
- ✓ Bottle Bill – (First Proposed 2000)
- ✓ Rockefeller Drug Law Reform (Enacted 1973)
- ✓ Close Underutilized Prisons (First Proposed 2002)
- ✓ Welfare Grant Increase (First Since 1990)
- ✓ Empire Zone Reform
- ✓ \$6.5 Billion in Spending Reductions

# Difficult Choices to Close \$20.1 Billion Deficit

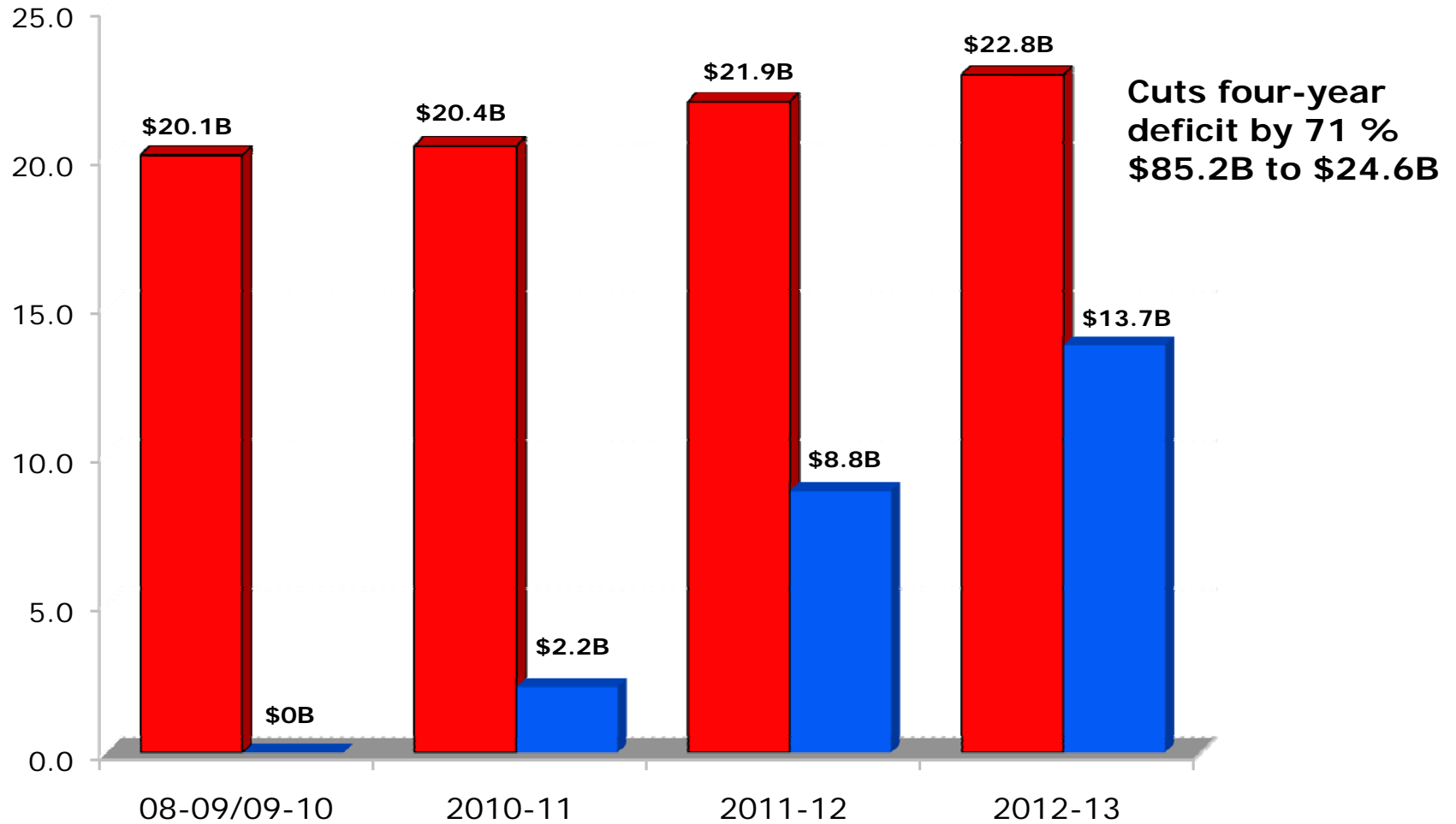
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- \$2.3 billion Health Care Savings Plan (Largest in History)
- Eliminate STAR Rebate Check (Preserves \$3.5 billion Exemption Program)
- Workforce Reduction Plan of 8,700 Employees
- Extend Foundation Aid and UPK Phase-in from Four Years to Seven Years
- Maintain Foundation Aid and UPK at 2008-09 Levels for 2 Years
- Reduce Funding for Library Aid, After School Programs, Public Broadcasting
- Hold AIM payments flat outside NYC
- Close prisons, youth facilities, other state facilities
- Did not rely on new debt to balance the budget



# Significant Strides Toward Addressing Multi-year Deficits

*Projected General Fund Deficits*





**More Work Still Ahead**

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# Difficult Economic Climate

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- Data released or revised since January 2009 indicates that national and state economic conditions deteriorated substantially over the last six months. The Enacted Budget reflects the impact of this deterioration in its updated economic forecast.
- DOB projects the U.S. economy will contract 2.9 percent in 2009, the largest annual decline in the postwar period – double rate of decline projected in Executive Budget.
- New York Adjusted Gross Income (AGI) losses are now projected to total \$52 billion in 2008 and \$53 billion in 2009 – or more than double the last recession. (\$28 billion decline in 2001, \$21 billion in 2002).
- The Budget Division projects a decline in New York wages for 2009 of 4.2 percent, the largest annual decline in history.
- End of national recession projected sometime in the third quarter of 2009, making it the longest recession since the Great Depression.

# More Work Still Ahead

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- Reduced multi-year deficit by over 70 percent from \$85.2B to \$24.6B. But cannot solve entire long-term structural deficit in a single year without massive disruptions to critical services.
- This year's budget made important progress toward reforming government, addressing New York's fiscal difficulties.
  - Addressed immediate issue of closing largest budget gap in history
  - Instituted long over-due reforms that will provide savings for years to come
  - Dramatically reduced multi-year deficits by over 70 percent
- As last year has shown, there are no guarantees in the current climate. But we believe we have positioned ourselves well for the year ahead.
- This budget helped put New York on the road to recovery. But fiscal discipline still needed in the future.