



NEW YORK

2010-11 Executive Budget

Governor David A. Paterson

January 19, 2010

Overview

- Current Economic and Fiscal Situation
- 2010-11 Executive Budget Overview
- Eliminating the Budget Deficit
- Long-term Reforms

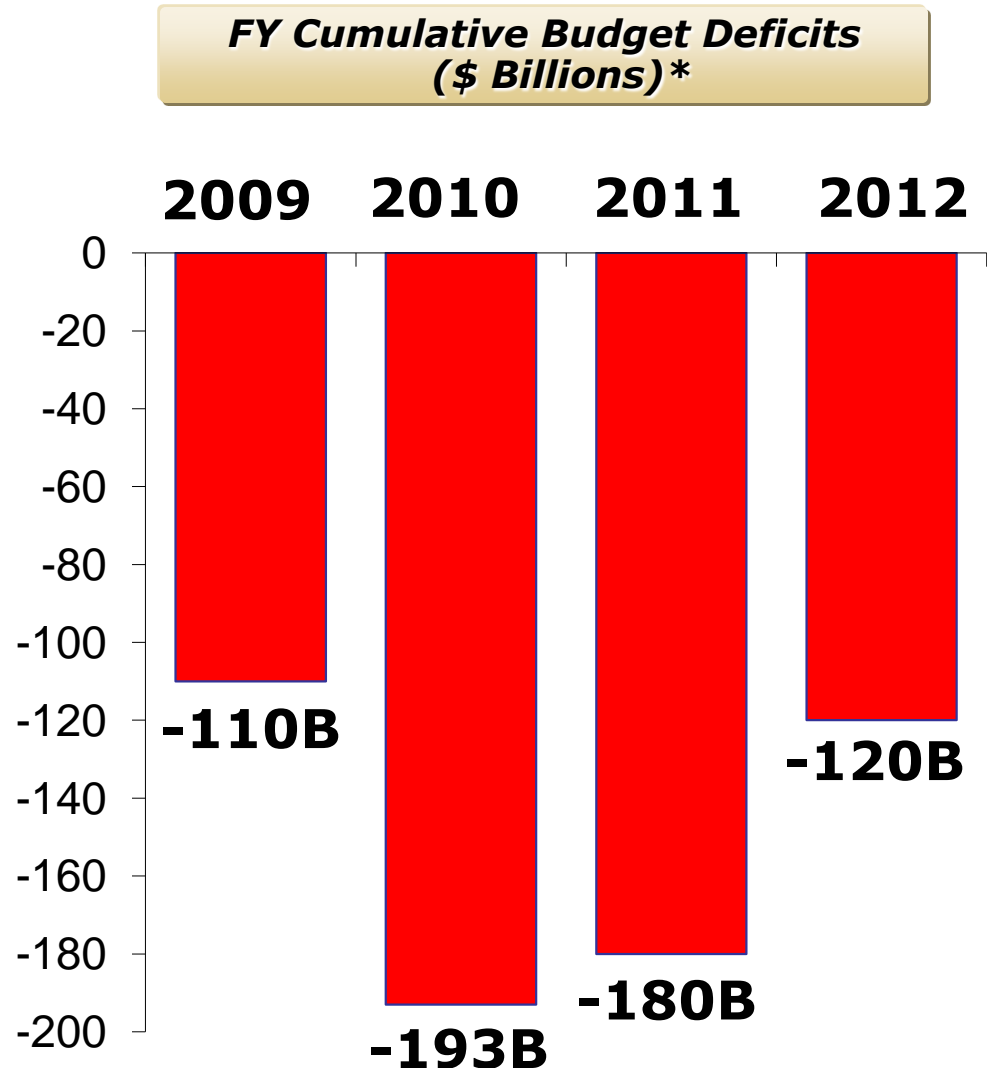


Current Economic and Fiscal Situation



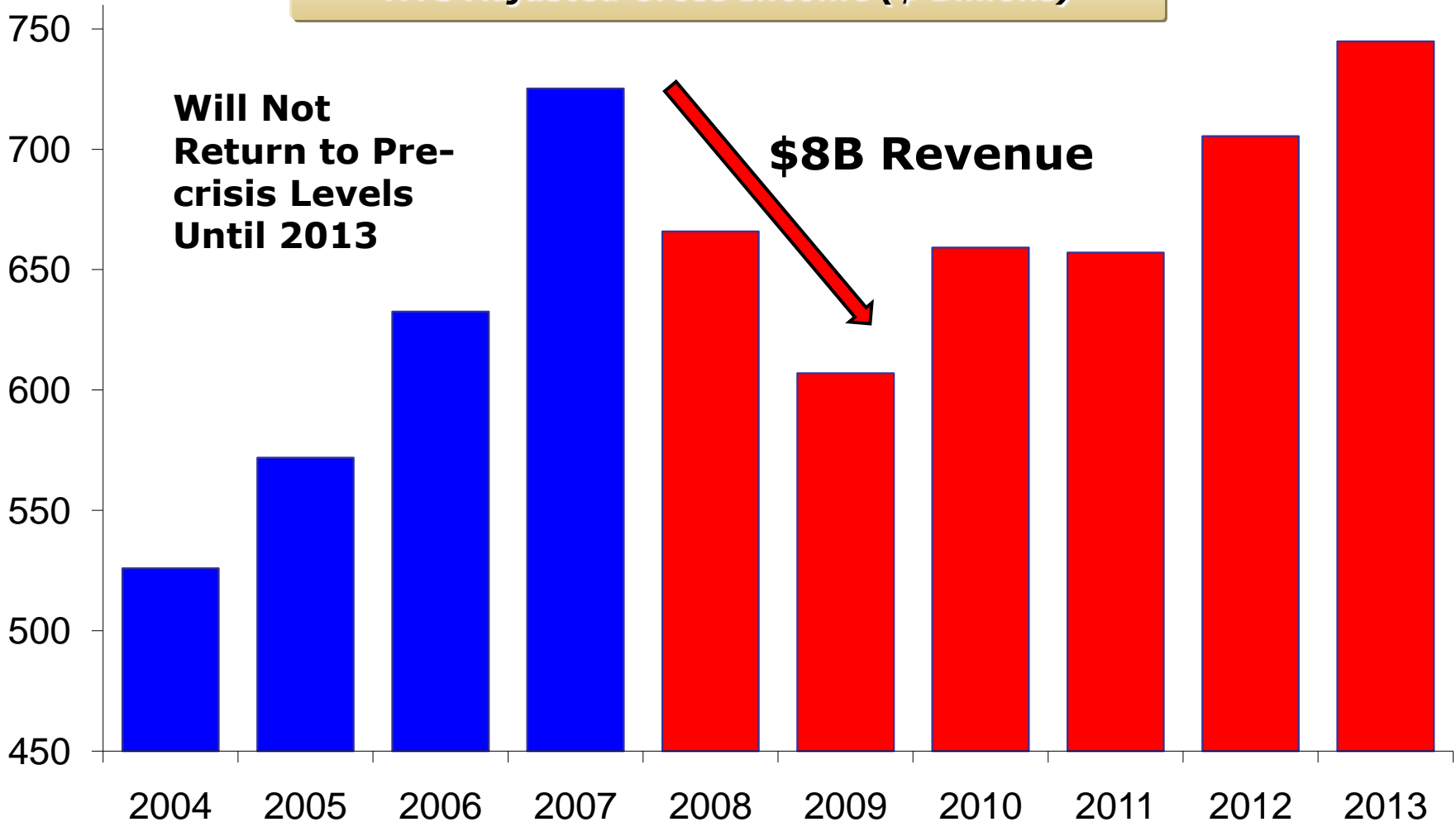
National Context

- At this point, 41 states face FY11 deficits estimated to exceed \$180B
- 2010-11 Executive Budget *does not* assume extension of stimulus funding



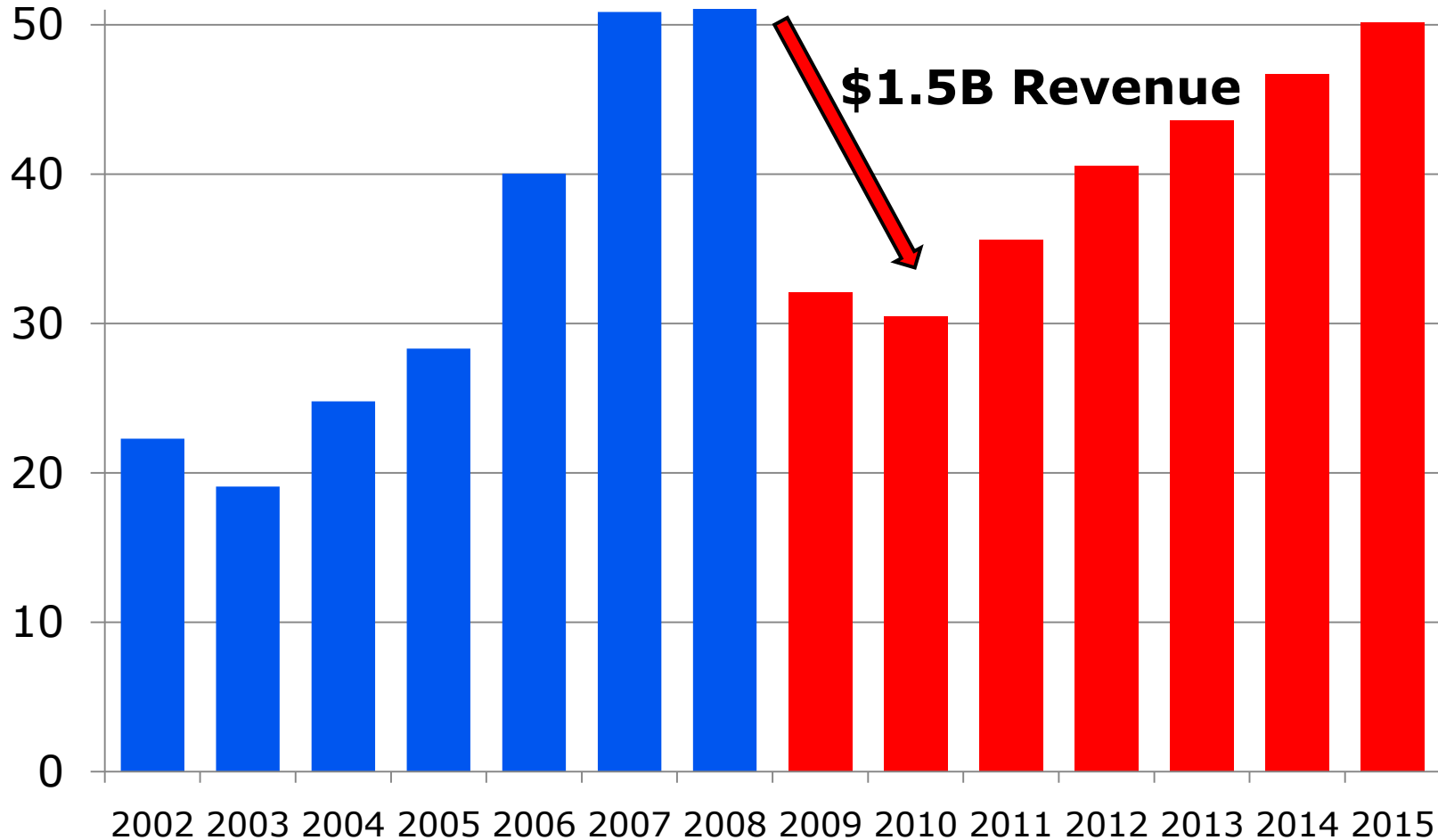
Recovery Will Take Years

NYS Adjusted Gross Income (\$ Billions)



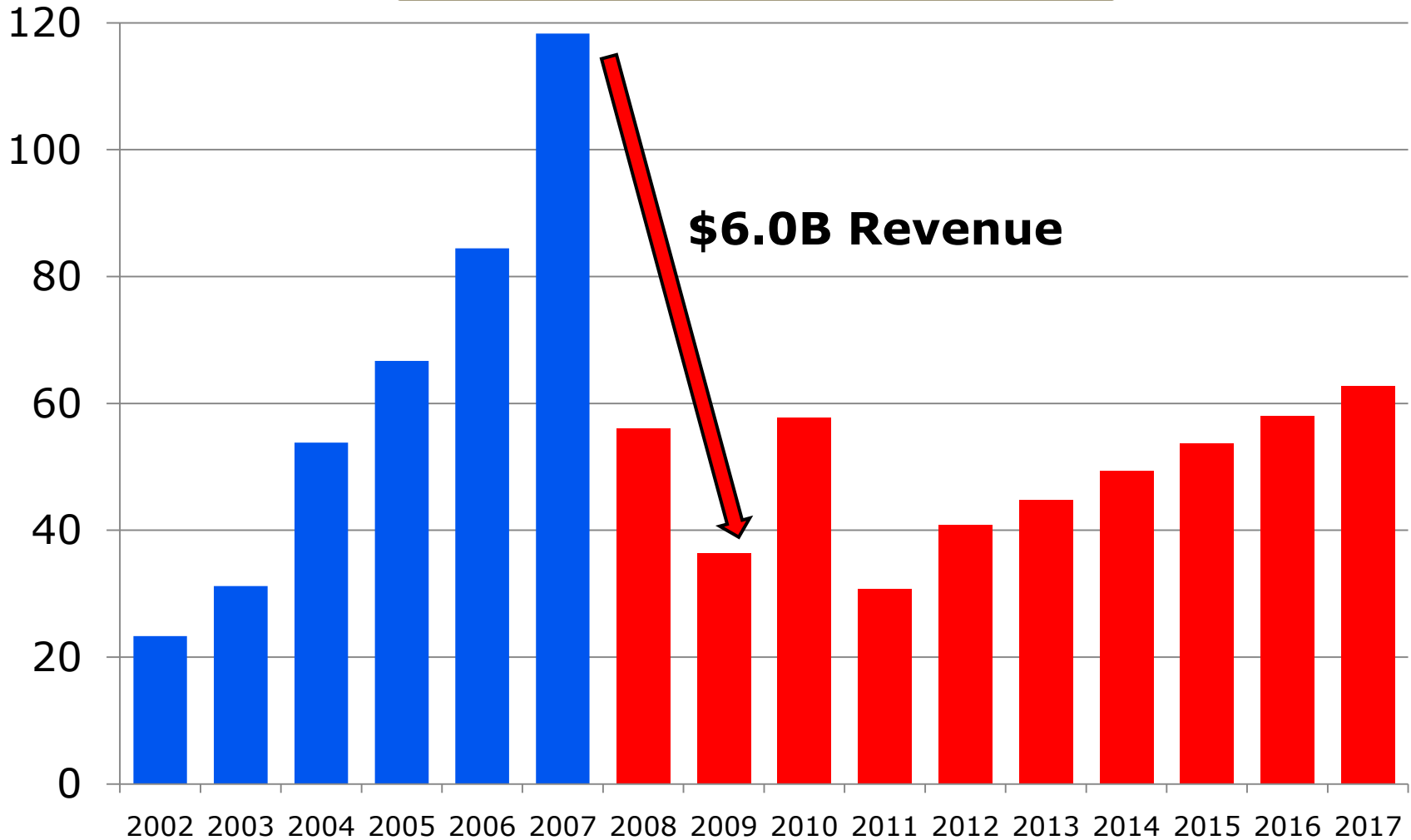
Recovery Will Take Years

Wall Street Bonuses (\$ Billions)



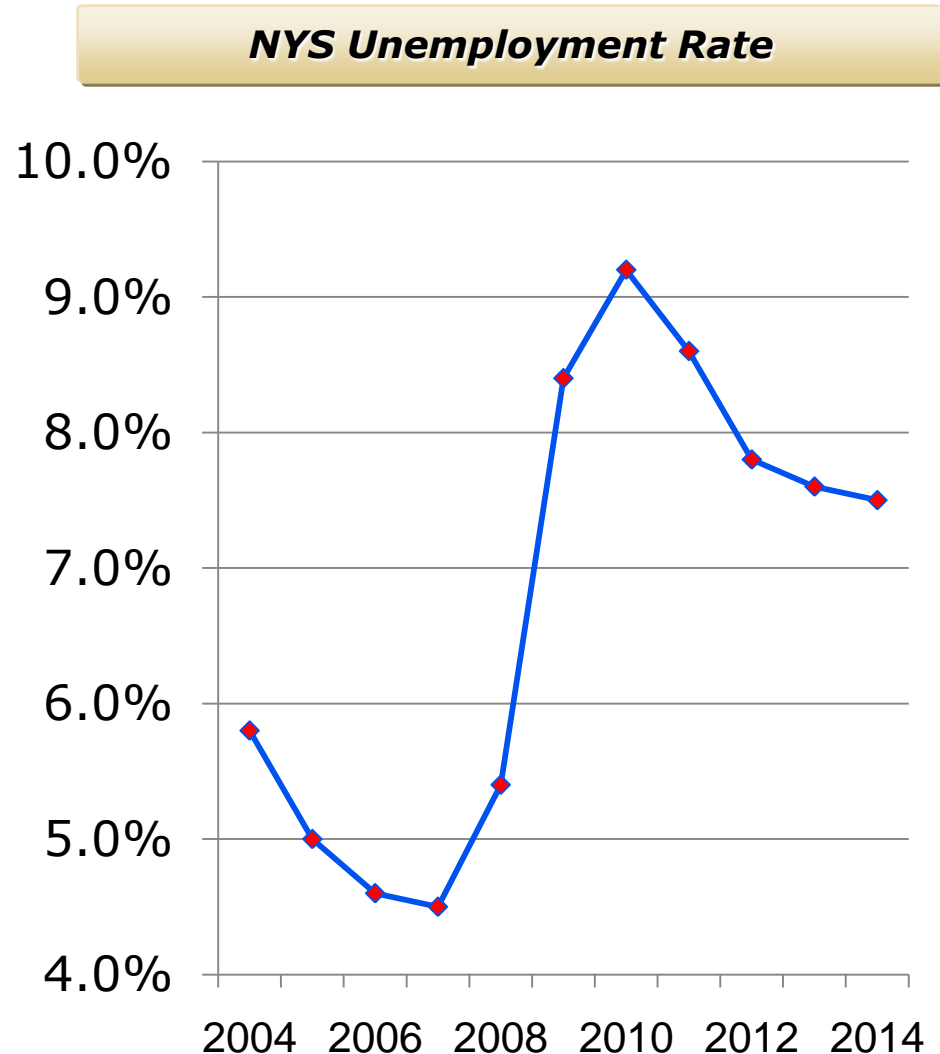
Recovery Will Take Years

Capital Gains Realizations (\$ Billions)



Continued High Unemployment

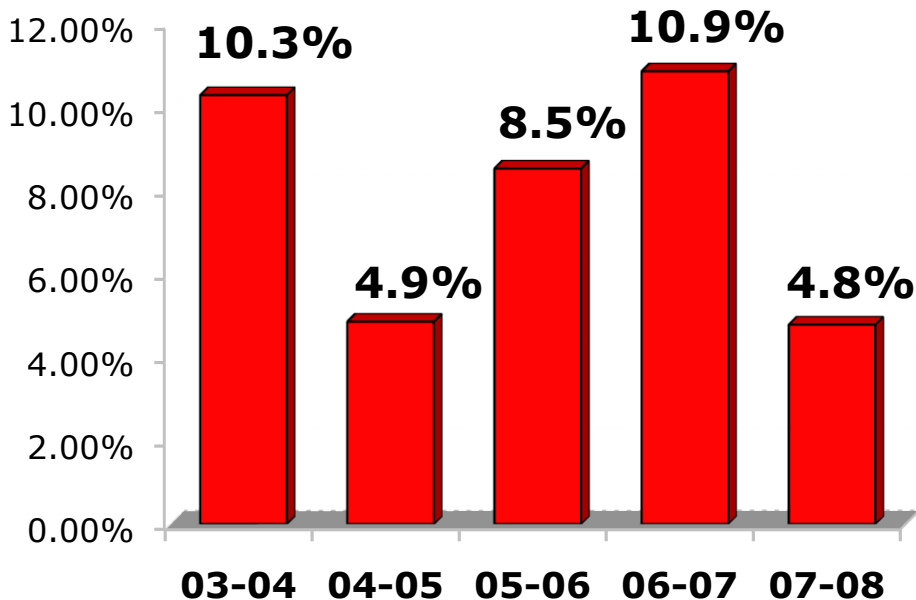
- Unemployment rate above 8% through 2011
- Unemployment rate above 7% through 2014
- New York has lost 229,000 jobs since the start of the downturn. It will take until 2014 to reach prior levels of employment at previous peak



Unsustainable Spending

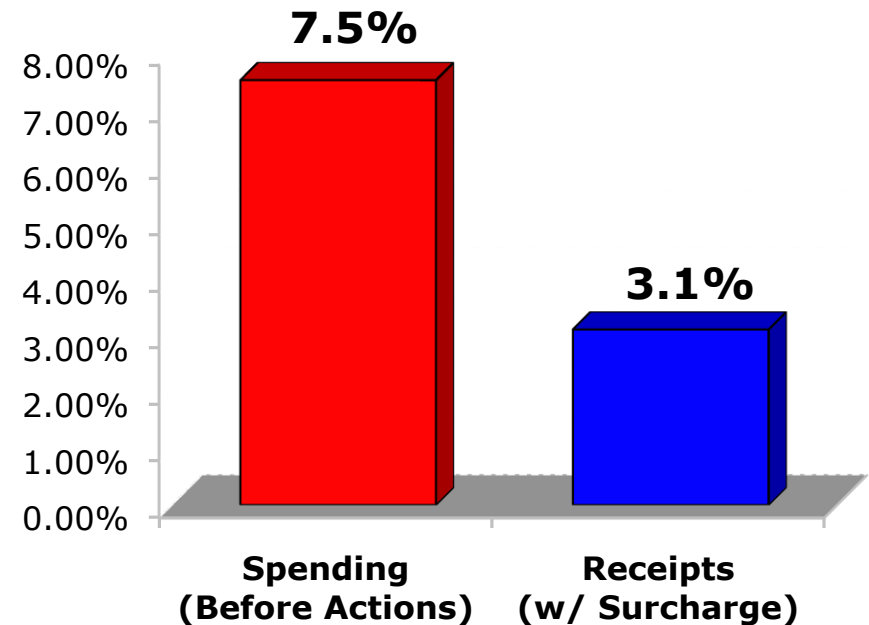
**State Operating Funds Growth
Prior to 2008-09**

**7.9% Average Increase
Prior to Gov. Paterson
Taking Office**



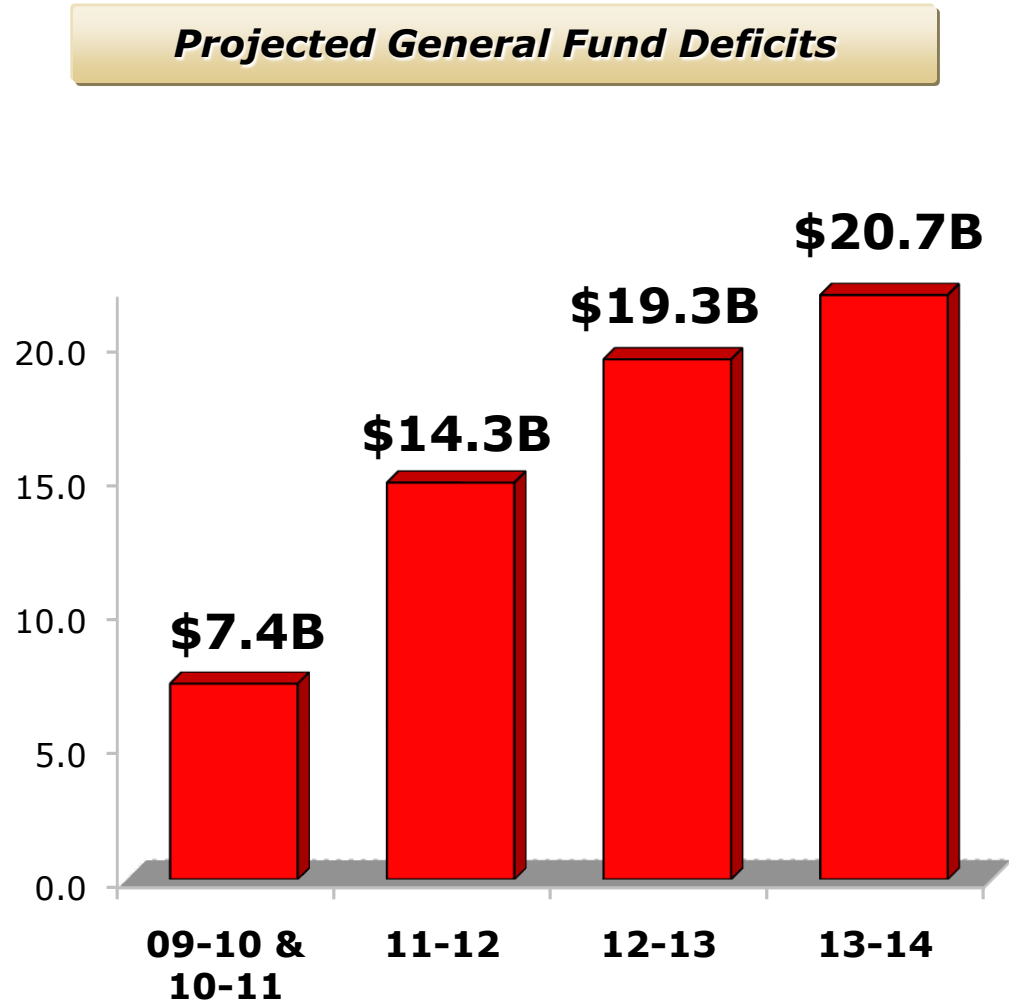
**Projected During Financial Plan Period
(09-10 to 13-14)**

**Next 5 Years, Spending
Projected to Exceed
Revenue by \$61B**



Current Fiscal Situation

- 09-10 DRP left \$500M deficit unsolved
- Combined with \$6.9B 10-11 deficit, imbalance of \$7.4B
- \$7.4B deficit addressed comprehensively in 10-11 fiscal year
- Structural imbalance: \$61B





2010-11 Executive Budget Overview



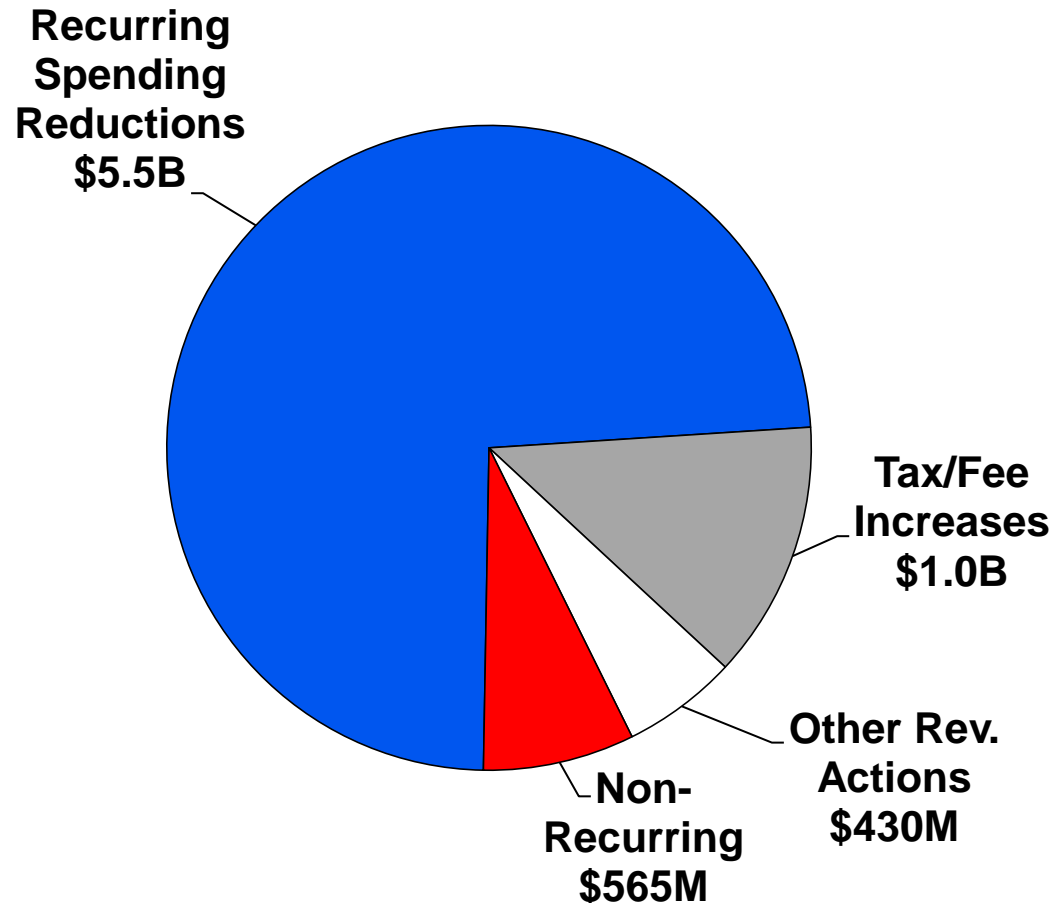
Guiding Principles

- 1. Substantial, recurring spending reductions, every area of the budget, eliminate deficit***
- 2. Critical reforms, build toward long-term economic and fiscal recovery***

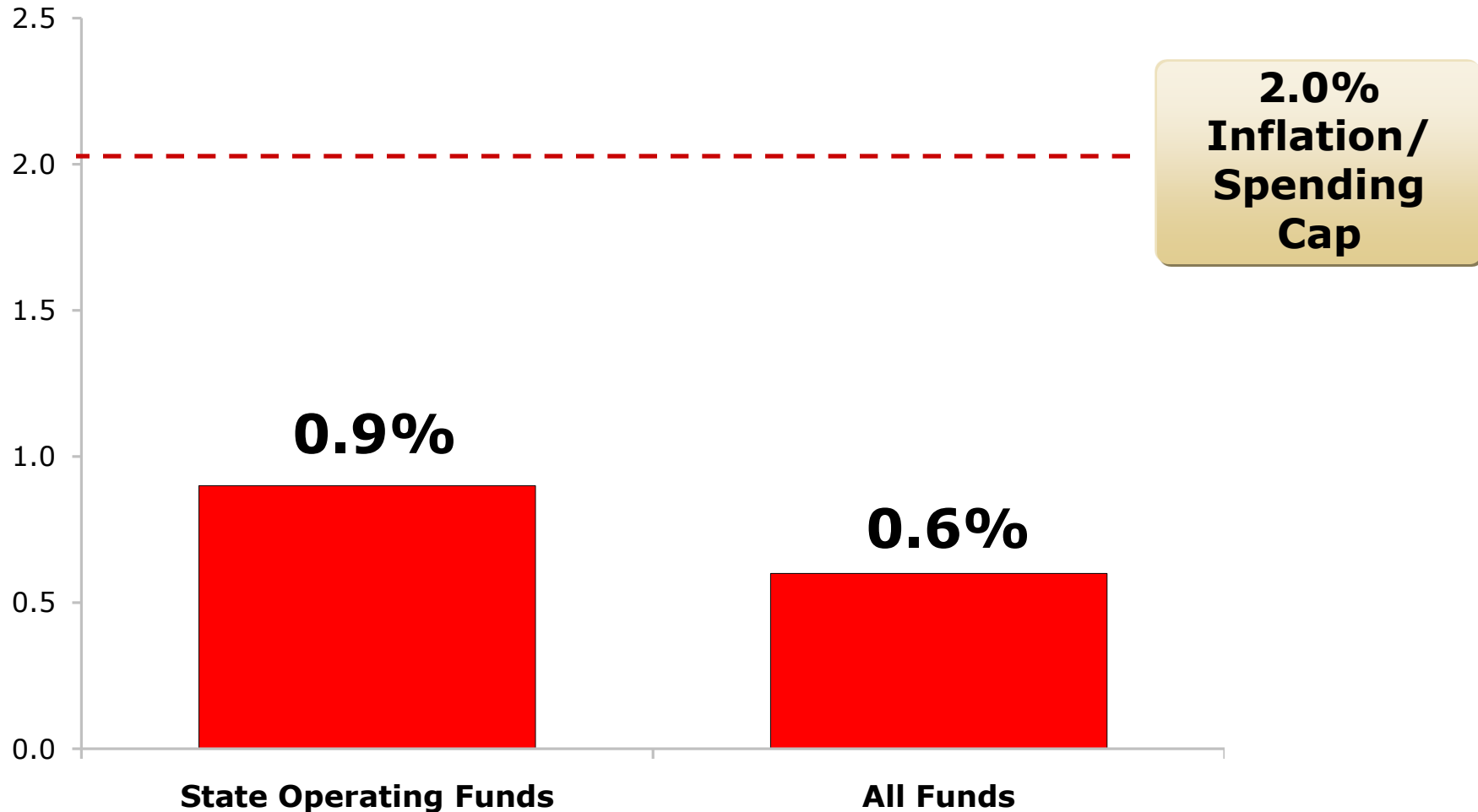
Overview of \$7.4B Gap-closing Plan

- **Recurring Actions:**
92% of plan
- **Recurring Spending Cuts:**
74% of plan
- **Taxes/Fees:**
Less than 14% of the plan. Offset deeper cuts to health care
- Plan cuts structural deficit in half

2010-11 Gap-closing Plan: \$7.4 Billion



Spending Growth Below Inflation/Spending Cap



Extraordinary Growth in Fixed Costs

Past obligations, large increases in fixed costs

- Short-sighted debt restructuring (Dedicated Highway Bridge Trust Fund, 2005)
- Debt for past capital spending
- Fringe benefit includes **33%** incr. in pension costs

Category	Dollar Change	%
<u>State Op. Funds</u>	<u>\$745M</u>	<u>0.9%</u>
<i>Debt Service</i>	<i>\$844M</i>	<i>17.1%</i>
<i>Fringe Benefits</i>	<i>\$437M</i>	<i>9.9%</i>
<i>State Agencies</i>	<i>(\$453M)</i>	<i>(2.8%)</i>
<i>Local Assist.</i>	<i>(\$83M)</i>	<i>(0.2%)</i>

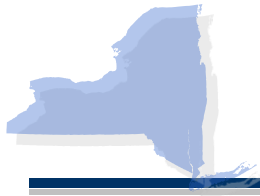
Address Growing Fixed Costs

1. Tier V – Pension Reform

- \$35B in savings over next 30 years

2. Capital/Debt Reduction Plan

- Reduce \$1.8B in planned capital/debt over next five years



Eliminating the Deficit

Cutting the Bureaucracy, Taxpayer Accountability

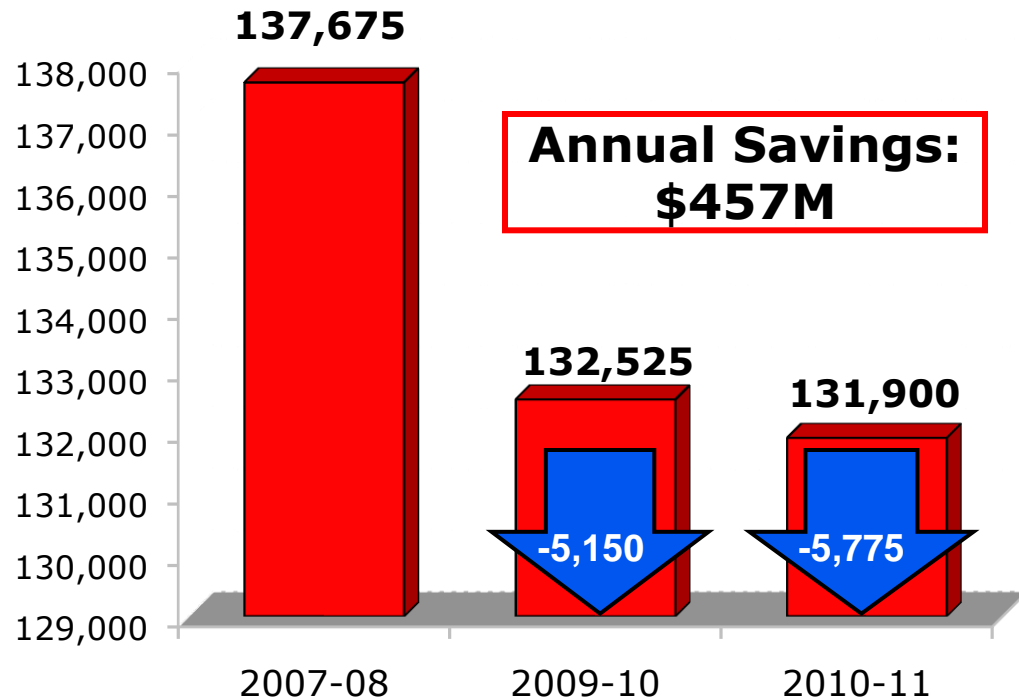
In 2008-09 and 2009-10, total of \$1.5B in State agency cuts

2010-11 Exec. Budget additional \$1B agency savings, brings total to \$2.5B

New actions:

- Further across-the-board cut: \$500M
- Save \$250M from negotiated workforce actions
 - Non-union M/C salary increase (4%) rescinded for 2nd consecutive year
- Smarter, smaller, less costly government, shared services, Office of Taxpayer Accountability
- Right-size underutilized youth facilities and prisons
- Smaller Executive workforce, will be down 5,775 from 2008 to 2011

Workforce Subject to Gubernatorial Management

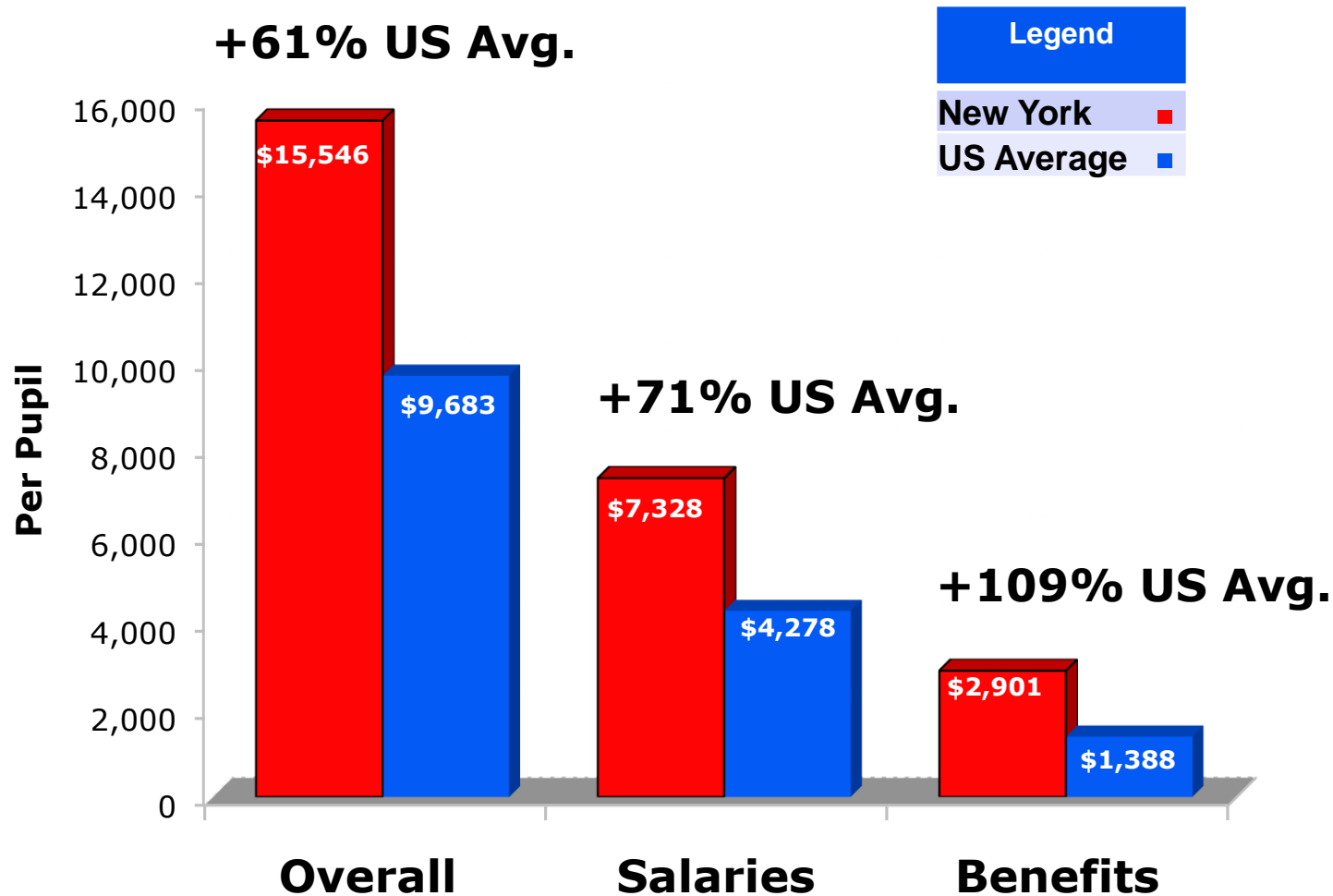




School Aid

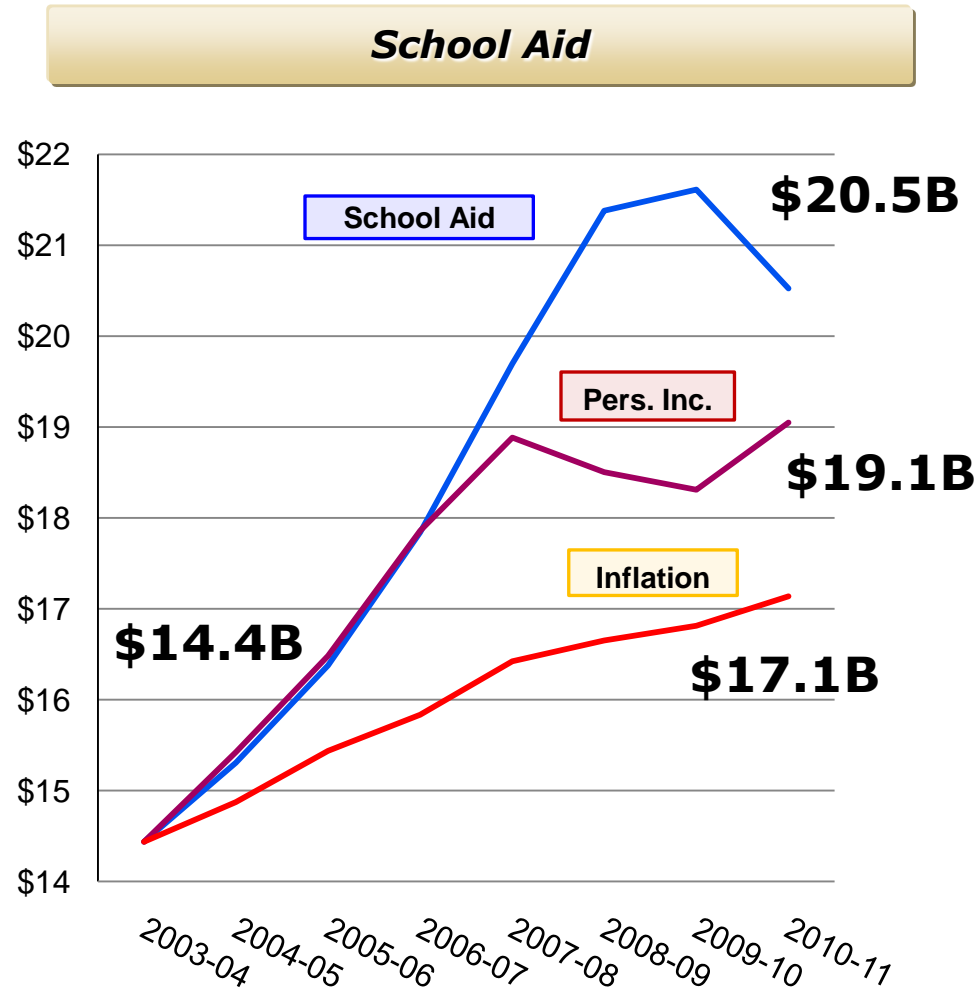


New York School Spending



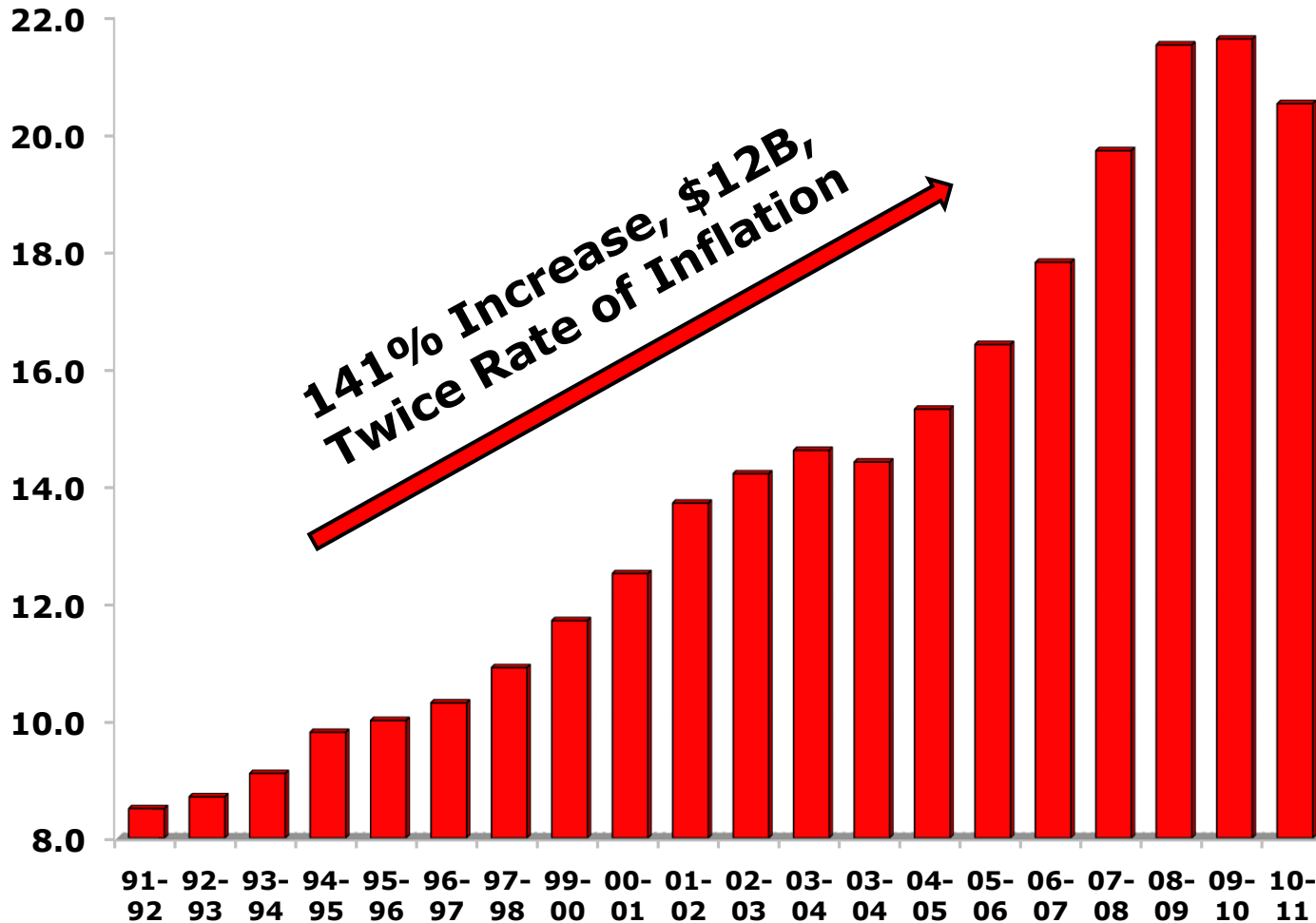
School Aid Savings Plan

- School Aid reduction, \$1.1B (5%) from prior year
- \$20.5B still represents:
 - \$6.1B (42%) incr. from 03-04
 - \$3.4B above inflation from 03-04
- Extend Foundation Aid phase-in from 7 years to 10 years, maintain current-year levels for additional year
 - Maintain commitment, but past rate of increase not sustainable with projected structural deficit



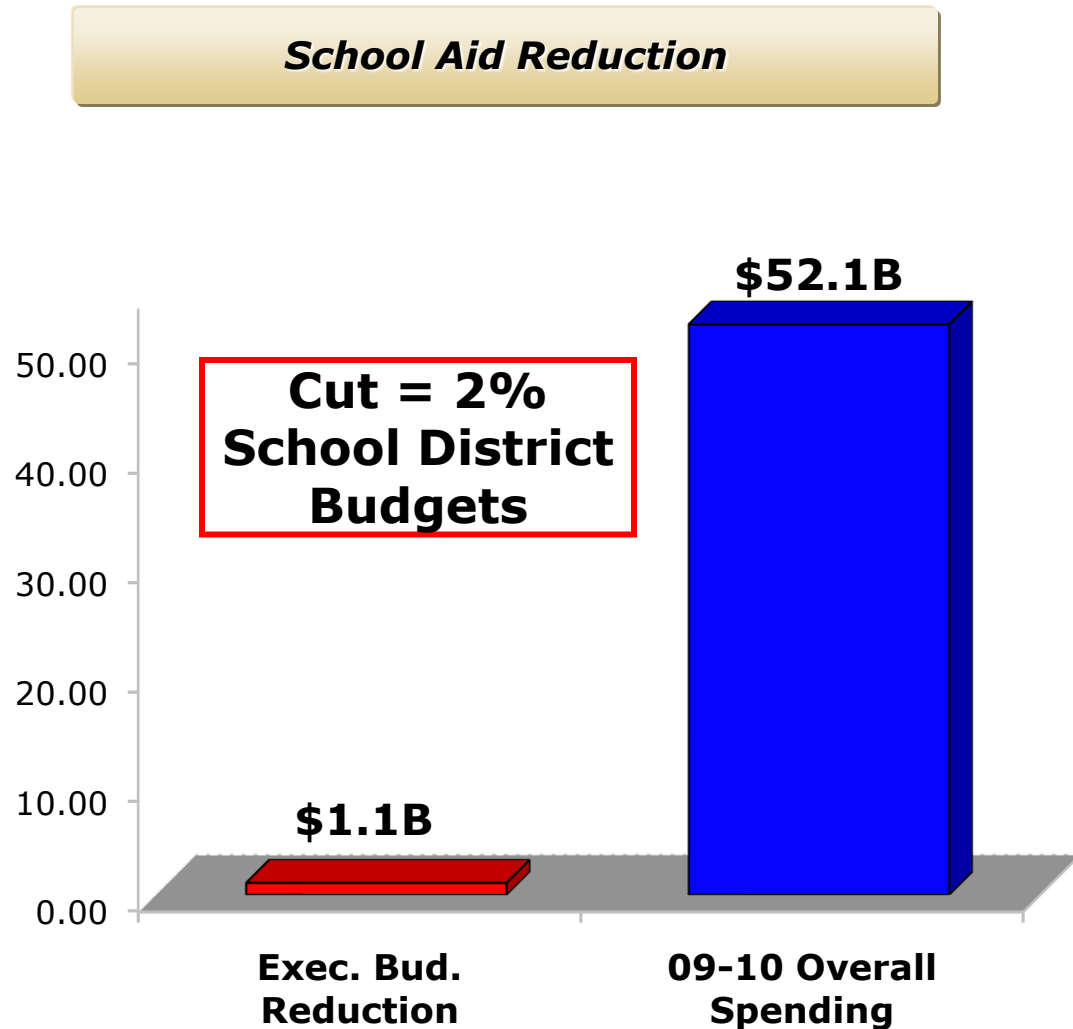
School Aid in Historical Perspective

School Aid (School Year)



School Aid Reduction in Context

- Year-to-year cut represents 2% of statewide school district spending (State + Local)
- School districts have \$1.5B in reported undesignated reserves
- Mandate reform agenda, full Wicks repeal for school districts

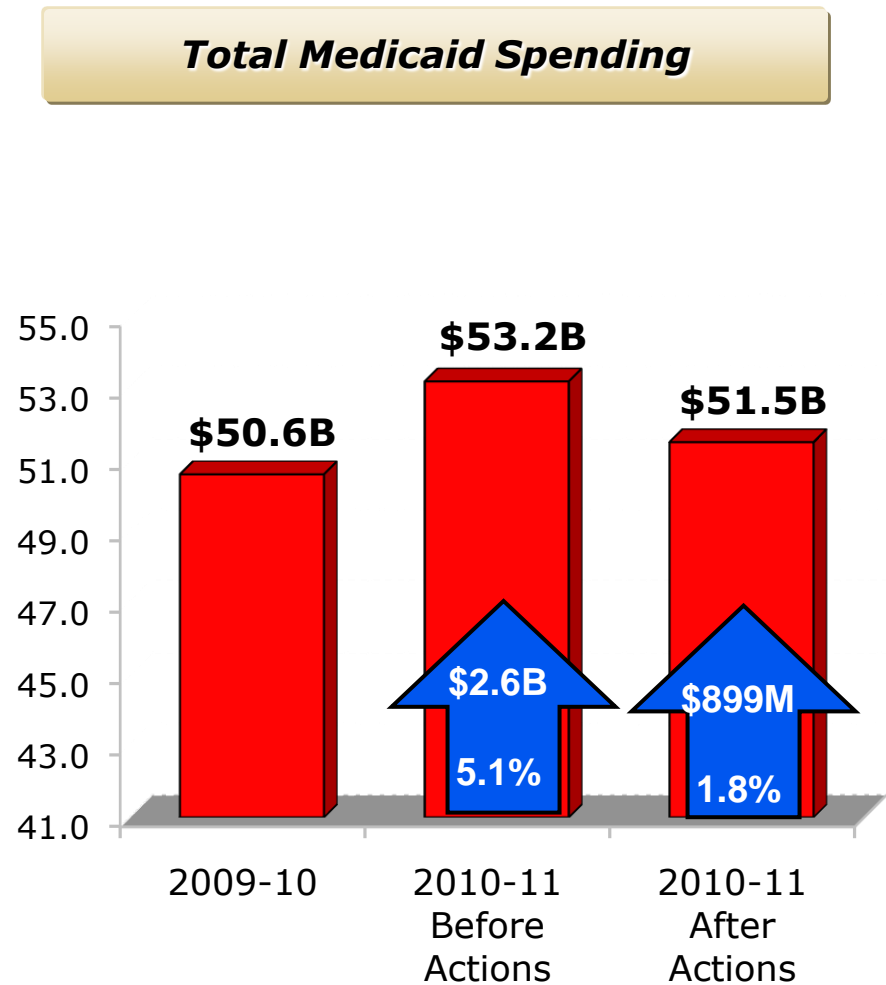




Health Care

Medicaid and Health Care Overview

- \$1.9B Gap-closing Plan
 - \$1.0B in savings
 - \$923M taxes and assessments, revenues prevent deeper cuts to health care
- Reduces growth in Medicaid program
- Caseload projected to increase by over 400,000 (10%) in 10-11

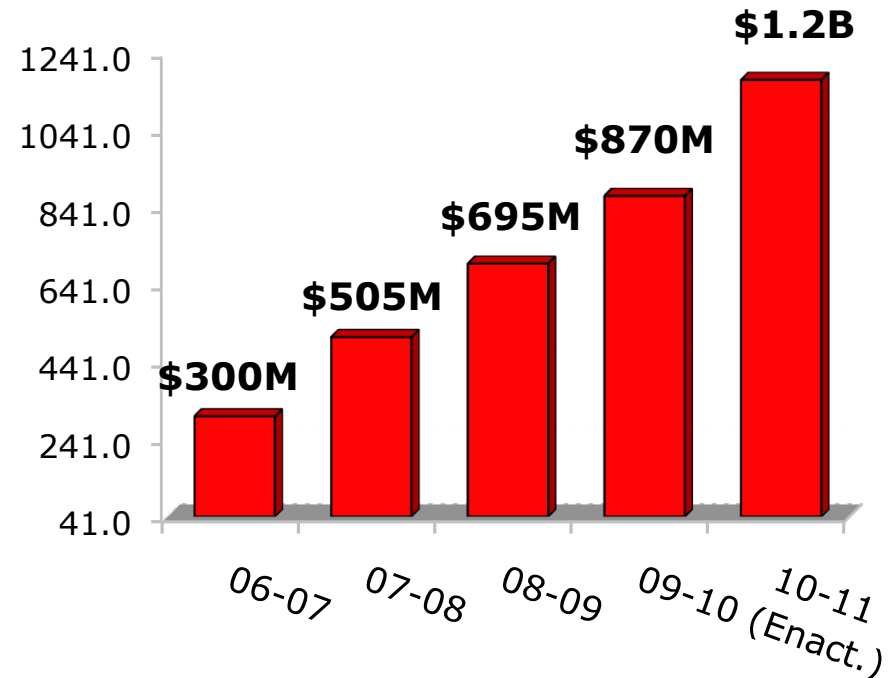


Cracking Down on Medicaid Fraud

- Increase fraud recovery target by \$300M from 2009-10 Enacted Budget levels
 - New civil penalties
 - Increased collaboration with other agencies: Tax Dept, DOL, and others to root out fraud and abuse
- Will reach record levels of \$1.2 billion in 2010-11

Medicaid Fraud Recoveries

Record Medicaid Fraud Recoveries



A Healthier New York

- These taxes will save lives, lower health care costs
- Revenue dedicated to health care. Prevents deeper cuts to health care.
- **Increase Cigarette Tax**
 - Reduce cigarette use by 14 percent
 - Prevent 100,000 kids from smoking, 50,000 adult smokers quit
- **Tax Sugared Beverages**
 - Reduce consumption of unhealthy beverages by 15 percent

	Smoking	Obesity
Deaths Per Year	<i>400,000 (25,000 NYS)</i>	<i>112,000</i>
Annual Cost to NY Health Care	<i>\$8.2 Billion</i>	<i>\$7.6 Billion</i>
Health Risks	<i>Heart Disease, Lung Cancer, Obstructive Lung Disease, Aneurysm, Stroke</i>	<i>Heart Disease, Diabetes, High Blood Pressure, High Cholesterol, Stroke</i>

Preventing Tax Evasion

- Address issue of tax evasion. Ensure that cigarette tax prevents smoking, improves health care
- Department of Taxation and Finance (DTF) will rescind Advisory Opinion of forbearance on sale of unstamped products to Indian reservations
- DTF will promulgate regulations for public comment – will take six months
- Allows State to seek lifting of injunction that prevents enforcement of law prohibiting sale of unstamped cigarettes
- Budget does not rely on these revenues to close gap. Regulations will take six months



Difficult Choices



Difficult Choices

- \$79M cut to the Environmental Protection Fund from 09-10 Enacted Budget, includes moratorium on land acquisition
- Eliminate NYC AIM, targeted AIM reduction to other municipalities
- \$75 cut to each TAP award
- Cut to Community College Base Aid (\$56M)
- Delay implementation of Public Assistance grant increase
- Cuts to homeless programs, supportive housing, other TANF programs (\$69M)

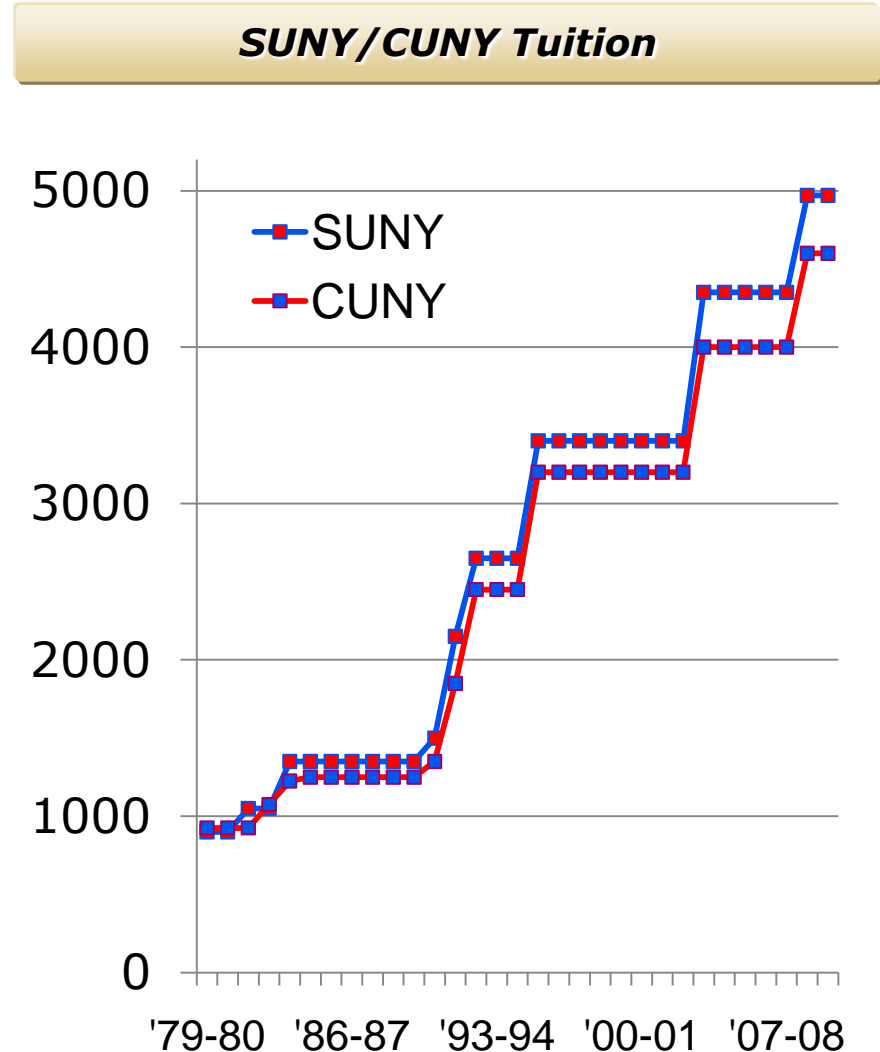


Key Reforms



Current SUNY/CUNY Tuition System

- Tuition tied up in State budget process
- Tuition hiked sporadically, used to help address budget deficits
- ***Attend college during good economic times***
 - No tuition increase
- ***Attend college during a recession***
 - Tuition increase



Higher Education Reforms

■ ***Rational Tuition: Predictable and Fair for Families***

- Move tuition outside budget process
- SUNY/CUNY effectively determine tuition, based on higher ed. inflation
- Differential tuition based on each campus' unique strengths

■ ***Reduce Burdensome and Costly Overregulation***

- Greater freedom related to procurement, land use, construction
- Flexibility for SUNY/CUNY. Adapt and thrive in innovation economy. Better able to capitalize on public private partnerships
- SUNY estimate: Reforms will create more than 2,200 faculty positions, 7,000 staff positions, 43,000 construction jobs

Mandate Reform Agenda

Relief for Property Taxpayers, Local Governments

Prevent New Unfunded Mandates

- **4-year Mandate Moratorium**
- **New Regulatory Review Process, State Ed. Dept., Judiciary**

Reform Existing Mandates

- **Over 100 Mandate Reform Initiatives (\$1B over 3 Years)**
- **Repeal Wicks Law School Districts (\$200M Capital)**

Bold Steps to a New Economy

■ *Excelsior Jobs Program*

- Targeted to strategic industries. Demands accountability. Companies must **Create Jobs**

■ *New Technology Seed Fund* (\$25M)

- Bring cutting-edge research to market, **Create Jobs**

■ *Small Business Revolving Loan Fund* (\$25M)

- Access to credit, small businesses can expand and **Create Jobs**

■ *Innovation Economy Matching Grants* (\$100M over 5 Years)

- Promote research innovations that will **Create Jobs**

Path to Property Tax Relief/Structural Balance

FY	Cuts Req. by Cap	Deficit	Surplus	Avg. Prop. Tax Relief	# Recipients
11-12	\$8.4B	(\$6.3B)	\$2.1B	\$1,000-1,200	More than One Million
12-13	\$12.2B	(\$10.5B)	\$1.7B	\$1,000-1,100	
13-14	\$15.4B	(\$12.2B)	\$3.2B	\$1,000-1,400	

Hold Spending to Inflation Cap



Surplus



Progressive Circuit-breaker

Further Executive Budget Information

■ *E-budget Initiative*

- Eliminate full printed copy of Budget Books. Saves \$75,000 and 5.5 million sheets of paper annually
- Continue to print summary briefing materials for legislators and press

■ *Continued Transparency*

- More information than ever. Thousands of pages available on DOB's website (www.budget.state.ny.us)
- Budget books, legislation, briefing materials, detailed lists of gap-closing actions, additional documents are online



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