

## **2008-09 Deficit Reduction Plan**

In conjunction with the Executive proposal for the 2009-10 State Fiscal Year (SFY), the Governor has recommended a 2008-09 Deficit Reduction Plan (DRP) to address the estimated \$1.7 billion General Fund budget gap for SFY 2008-09.

The Governor's DRP contains many proposals that are similar to the plan presented to the Legislature in November 2008. More than \$1.0 billion of the previously recommended proposals have been withdrawn because they are no longer achievable before the end of SFY 2008-09. The removed proposals have been replaced with \$771 million in new actions. The proposals Governor Paterson has put forward rely more heavily on non-recurring actions than the previous plan.

The DRP would also produce almost \$2.0 billion in SFY 2009-10 actions to help address that year's \$13.7 billion budget deficit. Furthermore, the Executive proposal for SFY 2009-10 incorporates actions that would result from the enactment of the 2008-09 DRP (see Table 3).

### *Closing the SFY 2009-10 Budget Gap*

The Executive Proposal includes recommendations that are intended to close an estimated \$13.7 billion General Fund budget gap in SFY 2009-10. The Executive has indicated that these actions are comprised of the following: \$9.1 billion in spending reductions; roughly \$3 billion in revenue actions; and the use of \$1.1 billion in non-recurring resources (see Table 4).

Table 3

<b>2008-09 Deficit Reduction Plan</b>		
<b>(\$ in Millions)</b>		
	<b>2008-09</b>	<b>2009-10</b>
<b>Medicaid/HCRA/Insurance (Includes Deferrals*)</b>	<b>500</b>	<b>1,240</b>
<b>Higher Education</b>	<b>68</b>	<b>162</b>
Increase SUNY Tuition \$620 per SUNY Board	62	122
TAP Award Increases	(9)	(25)
Reduce SUNY/CUNY Community College Base Aid	15	65
<b>Other Education</b>	<b>7</b>	<b>7</b>
Reduce Arts Grants	7	7
<b>Local Governments</b>	<b>93</b>	<b>20</b>
Change Timing of NYC STAR Payment	93	20
<b>Human Services</b>	<b>15</b>	<b>49</b>
Reduce Human Service COLA by 1% effective January 1, 2009	5	23
Delay Foster Care Bridges to Health Implementation to 2011-12	1	15
Reduce Prevention Funding	3	3
Eliminate Unified Services Enriched Funding	1	3
Eliminate NYCHA Operating Subsidy	3	3
Reduce Neighborhood and Rural Preservation	2	2
<b>Other Actions</b>	<b>244</b>	<b>226</b>
Reduce New 2008-09 Legislative Additions 50 Percent	30	5
EPF Reduction	50	89
Expand Bottle Bill and Sweep EPF	25	118
Housing Bond Financing (SONYMA/MIF)	25	0
Reduce Economic Development Programs	8	9
Other General Fund Transfers	106	5
<b>Workforce</b>	<b>5</b>	<b>0</b>
Rescind Vacation Exchange Program	5	0
<b>New Actions</b>	<b>771</b>	<b>214</b>
NYPA Payments	306	170
Department of Law Litigation Settlements	91	5
Manhattan District Attorney Settlements	75	25
WCB Recalculation	50	0
Existing Fund Balances/Debt Reduction	100	0
No Member Item Transfer	45	0
Reduce Local Incentive Grant Programs	2	14
Transfer Accumulated Balance Volunteer Recruitment Scholarship	2	0
Statewide Spending Controls	100	0
<b>Total Savings Measures:</b>	<b>1,703</b>	<b>1,918</b>

\* Medicaid/HCRA/Insurance savings figures incorporate the delay of \$429 million in payments from SFY 2008-09 to SFY 2009-10 associated with the delay of reimbursement of the City of New York for costs related the Operations of the City University of New York (CUNY).

Table 4

<b>Combined General Fund and HCRA Gap Closing Plan</b>	
<b>(\$ in Millions)</b>	
	<b>SFY 2009-10</b>
<b>REVISED CURRENT SERVICE GAP ESTIMATES</b>	<b>(13,678)</b>
<b>TOTAL EXECUTIVE BUDGET GAP-CLOSING ACTIONS</b>	<b>13,678</b>
<b>Spending Reductions</b>	<b>9,150</b>
Medicaid/HCRA	2,626
School Aid/Lottery Aid	1,872
School Tax Relief Program	1,668
Local Government Aid	432
Mental Hygiene	423
Human Services/Labor/Housing	385
Higher Education	338
State Workforce Wages	281
General State Charges (Fringe Benefits)	85
Other Education Aid	246
Public Safety	191
Transportation	177
Economic Development/Gaming/Regulatory	112
Health/Aging	106
Convert Capital to PAYGO	-
Repeal Planned Member Item Deposits	196
All Other	12
<b>Revenue Actions</b>	<b>3,076</b>
Increase 18-A Utility Assessment	652
Eliminate Sales Tax Exemption on Clothing Under	462
Reform Empire Zones Program (net of successor program)	247
Enhanced "Bottle Bill"/EPF Financing	207
Limit Itemized Deductions for High Income Taxpayers	140
Impose Cable/Satellite Television Sales Tax	136
Limit Capital Improvement Exemption	120
Permit Sale of Wine in Grocery Stores	105
Repeal Motor Fuel Sales Tax Cap	90
Enhance Revenue Audit/Compliance Activities	85
Impose Personal Care Service Tax	78
Increase Beer/Wine Tax	63
Restructure Insurance Rates	62
Impose Tax on Hedge Fund Management Fees	60
Impose Sales Tax on Entertainment-related Activities	53
Install Work-Zone Cameras for Auto. Speed Enforcement	50
Impose Fee on Non-LLC Partnerships	50
Impose Sales Tax on Transportation-related Activities	45
All Other Revenue Actions	371
<b>Non-Recurring Resources</b>	<b>1,137</b>
Delay extra MA Cycle (two years)	400
Increase Business Tax Prepayment to 40 Percent	333
Battery Park City Authority Resources (State Share)	270
NYPA Payments	170
Equipment Financing	104
Belmont Franchise Payment	-
Finance CUNY Payments w/ MA Savings (Jan-Mar )	(429)
All Other	289
<b>Net Health Care Savings Retained by HCRA</b>	<b>315</b>
<b>EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE</b>	<b>-</b>