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**TO:** Government Affairs Council Members

**FROM:** Kenneth J. Pokalsky

**SUBJECT:** Legislative Deficit Reduction Plan

**DATE:** 12/2/09

The state legislature has adopted a four-bill “deficit reduction plan” (DRP), which is expected to close \$2.7 billion of current year deficit. The impact of the DRP is less than the Administrations current deficit projections of \$3.1 billion. Governor Paterson has said he will take additional administrative actions to reduce spending in order to bring the current year budget into balance. By our calculation, at least one-third of the \$2.7 billion package are non-recurring measures, which limits the impact of this DRP on future year budget gaps.

Our summary of the key provisions of the DRP is provided below. [The Division of Budget's analysis of the legislative DRP is available here.](#)

#### A.40022/S.60022

- Imposes a 12.5% cut on remaining, undistributed appropriations for several state agencies and a wide range of local assistance programs.
- Cuts general state school aid from \$16.905 billion to \$16.525 billion, but offsets that cut with the acceleration of federal ARRA education funding from next fiscal year to this (this federal funding for the current fiscal year is increased from \$1.235 billion to \$1.626 billion.)
- State funding to offset the cost of small business' compliance with Timothy's Law is reduced from \$99.2 to \$79.7 million.
- State aid for mass transit is reduced from \$1.743 billion to \$1.620 billion.

#### A.40023/S.60023

- Increases Battery Park City Authority's “contribution” to the General Fund from \$20 million to \$200 million.
- Increases the state's general authority to sweep surpluses from various state accounts into the General Fund from \$200 million to \$575 million.
- Sweeps \$90 million in RGGI funds from NYSERDA to the General Fund.

#### A.40026/S.60026 –

- Reinstates the 3% pension contribution requirement for state employees, up to a maximum of 27 years (lower for correction officers or members of certain special plans).
- Increases vesting period to 10 years; does not allow overtime to be calculated in the final average salary beyond 15% of the employee's base annual salary.
- Similar to Tier IV in allowing retirement at age 55 if one has a minimum of 30 years in; but the target retirement age is 62.
- No carve outs for (or carve in) for specific unions.

- Applies to new hires post 1/1/10.

A.40021/S.60021

- Establishes a tax amnesty program, initially proposed by the Administration.
- Applies to state tax liability of both individuals and businesses.
- Reduces interest and penalty payments by 50% for final determinations set in 2005 and 2006; by 20% for pre-2005 judgments, if the outstanding tax and reduced interest and penalties are paid in full.