



NEW YORK

Deficit Reduction Plan

GOVERNOR David A. Paterson

October 15, 2009

Overview of Deficit Reduction Plan (DRP)

- Two-year, \$5.0 billion savings plan. (\$3.0 billion in current-year savings.)
- Over five-year financial plan period, cumulative savings of \$9.3 billion to help address state's structural deficit.
- In addition to immediate savings, includes key, long-term fiscal reforms that Governor Paterson has championed: Spending Cap, Tier V.

Major Components of Plan

Current-year Gap Closing Plan

	<u>2009-10</u>	<u>% of Plan</u>
Across-the-board Local Assistance Cuts	\$1.3B	44%
Across-the-board State Agency Cuts	\$500M	17%
Tax Amnesty	\$250M	8%
Battery Park City Authority Fund Transfer	\$300M	10%
Aqueduct VLT Payment	\$200M	7%
Medicaid Fraud	\$150M	5%
Additional Admin. Savings	\$145M	5%
RGGI (\$90M)/EPF (\$10M) Transfer	\$100M	3%
DASNY Transfer	\$26M	1%
<u>Total</u>	<u>\$3.0B</u>	

Local Assistance Reduction (\$1.3B)

- 10% across-the-board cut to all remaining fiscal year local assistance spending with three main exceptions:
 - School Aid cut limited to 4.5% of remaining fiscal year spending.
 - STAR property tax relief excluded from reductions.
 - Cuts that would have represented mandated cost-shifts to local governments (Counties, NYC) were excluded.

Major Components of Plan

Local Assistance Reduction, Impact by Area

	<u>FY2009-10</u>
School Aid	\$480M
Medicaid	\$287M
Other Health Care and Mental Hygiene	\$184M
Social Services	\$28M
Aid and Incentives to Municipalities	\$67M
Higher Education	\$62M
Transportation	\$125M
Other Education	\$45M
Other	\$9M
<u>Total</u>	<u>\$1.3B</u>

School Aid/Medicaid Reduction

- ***School Aid Reduction (FY \$480M)*** Targeted progressively based on local fiscal capacity, student need, and residential tax effort.
- ***Medicaid (FY \$287M)*** Reduces remaining payments, effective November 15, for major service categories, including hospitals, nursing homes, home care, and others.

Other Major Actions

- ***Tax Penalty Forgiveness Program (\$250M)*** – Reduces penalties on outstanding tax liabilities in exchange for prompt settlement of outstanding claims. Eligibility window Jan 15 to March 15.
- ***RGGI (\$90M) and EPF (\$10M) Transfer*** – Even after action, sufficient resources expected to be available to fund Green Jobs legislation (\$112M) and record current-year cash EPF funding commitments.
- ***VLT Franchise Payment (\$200M)*** – Assumes payment of \$200M in the current fiscal year for Aqueduct VLT franchise.
- ***Battery Park City Authority (\$300M)*** – Transfer \$300M in excess funds from BPCA to the state General Fund.