

**FOR IMMEDIATE RELEASE:
August 19, 2008**

GOVERNOR PATERSON ANNOUNCES AGREEMENT WITH LEGISLATURE TO ENACT AN OVER \$1 BILLION, TWO-YEAR SAVINGS PLAN AT SPECIAL ECONOMIC SESSION

Over \$400 million in Current Year Savings Will Guard Against Further Declines in Revenue;

Combined with over \$600 million in 2009-10 Savings, Actions Will Substantially Reduce Next Year's Deficit

Governor David A. Paterson today announced an agreement with the Legislature to enact an over \$1 billion, two-year savings plan that does not include any tax or fee increases and reduces spending in the current year so that growth is held to the rate of inflation. These actions will achieve savings of over \$400 million in 2008-09 and over \$600 million in 2009-10, guard against further declines in revenue during the current fiscal year, and reduce next year's state budget deficit from \$6.4 billion to \$5.4 billion.

"Too often in the past, our State's failure to respond quickly to fiscal crises has only made our budget problems worse and the solutions we've had to implement more painful," said Governor Paterson. "Today, we are taking a different approach. Rather than simply hoping that our struggling economy improves, all sides worked together in the spirit of cooperation and took action to reduce spending. I want to thank my partners in the Legislature for working productively with me during this special session."

On July 30, Governor Paterson called for a special emergency economic session of the Legislature and asked the Assembly and the Senate to make additional spending reductions in the 2008-09 fiscal year. At the same time, he also administratively imposed a hard hiring freeze and cut current-year state agency spending by \$630 million – on top of the \$500 million (3.35 percent) agency spending reduction that he proposed in his first days as governor and implemented in the Enacted Budget. In total, since taking office, Governor Paterson has worked with the legislature to achieve 2008-09 savings of \$1.5 billion (over \$400 million in legislative actions, \$1.1 billion in administrative reductions to state agencies).

Governor Paterson continued: "While today's agreement represents a positive step forward for fiscal responsibility in state government, the looming deficit we face next year will demand even more difficult choices. And given the significant, continued uncertainty within the economy, there are no guarantees that we can avoid additional current-year spending reductions if revenues plummet even further. I will continue to monitor our state's finances carefully and will seek additional action if necessary."

Senate Majority Leader Dean G. Skelos said: "The extraordinary session of the State Legislature – called by the Governor to address the fiscal challenges facing New York – has been a success because we have worked together to achieve significant savings in this year's budget without raising taxes or negatively impacting vital services that New Yorkers rely on. I applaud the Governor for his leadership in focusing New Yorkers on this issue, and thank the Assembly for their partnership."

Assembly Speaker Sheldon Silver said: "In this important emergency legislative session, the Assembly collaborated with Governor Paterson and the Senate to take strong action to address New York's current economic downturn. The Assembly's priority was to make necessary cuts and diminish future deficits, while still preserving the quality of health care in New York. We look forward to partnering with Governor Paterson and the Senate to provide property tax relief for New Yorkers while meeting our education commitments and providing home heating assistance for those in most need this coming winter."

After today's agreement, 2008-09 All Funds spending will now total \$120.9 billion, an increase of 4.2 percent, which is equal to the projected inflation rate for that fiscal year. On July 30, when the Division of the Budget issued its last state financial plan update, 2008-09 All Funds spending was expected to total \$121.3 billion.

Major highlights of the savings plan include the following:

Reducing Local Assistance Spending (*Savings: \$97 million in 2008-09, \$160 million in 2009-10*):

A six percent reduction will be taken against all unspent local assistance funding except for school aid, welfare, Medicaid, child welfare, youth detention, the Aid and Incentives to Municipalities (AIM) program, aid to community colleges, aid to local governments for mandated programs, appropriations of under \$500,000, and special education.

Reducing New and Enhanced 2008-09 Executive Programs by 50 Percent, and New and Enhanced Legislative Programs by Six Percent (*Savings: \$34 million in 2008-09, \$21 million in 2009-10*):

This reduction will apply to new and enhanced programs or initiatives in the 2008-09 Enacted Budget proposed by either the Executive Branch (50 percent) or the Legislature (six percent). The six percent reduction in legislative initiatives is equal to those included as a part of the local assistance savings actions. Executive programs exempted from the 50 percent reduction include Medicaid coverage for foster children, housing and family support services, AIM, veterans tuition assistance, and 21st Century Community Learning Centers (CLCs).

General Fund Transfers (*Savings: \$50 million in 2008-09, \$20 million in 2009-10*):

The agreement contains additional General Fund transfers of over \$50 million, including \$40 million from the Statewide Wireless Network project related to slower than anticipated spending on that initiative. This action does not reflect any decision regarding the future of the Statewide Wireless Network project, which will be made at a later date.

Reducing Executive and Legislative Member Item Funding by \$50 million (*Savings: \$50 million in 2008-09*):

Today's agreement reduces member item funding by \$50 million.

Reducing Support to the City University of New York (CUNY) to Achieve Parity with SUNY Reduction
(*Savings: \$51 million in 2008-09, \$51 million in 2009-10*):

Under Governor Paterson's July 30 administrative savings proposal, the State University of New York (SUNY) must implement a seven percent General Fund spending reduction. Because CUNY is funded through local assistance rather than state operations, it was not impacted by the Governor's proposal. Today's agreement will reduce state support to CUNY by \$26 million. Additionally, CUNY will transfer \$25 million in reserves to the state. Together, the impact of these actions totals \$51 million, which is equal to seven percent of state support for CUNY, therefore achieving parity with SUNY. Neither institution will face a reduction from its tuition or other non-General Fund revenues.

Medicaid/Health Savings (*Savings: \$127 million in 2008-09, \$374 million in 2009-10*):

Today's agreement implements over \$500 million in Medicaid and health care savings over a two year period. The specific actions enacted today, along with their savings value in 2008-09, are listed below. They include:

- Revising Medicaid trend factor methodologies for calendar years 2008 and 2009 (\$18.0 million);
- Taking advantage of discounts on diabetic supplies (\$1.9 million);
- Reducing the Medicaid Managed Care and Family Health Plus state premiums paid to insurers by 1.45 percent. Additionally, managed long-term care premiums paid to insurers will be reduced by 1.0 percent (\$41 million);
- Eliminating the cost-of-living-adjustment for early intervention providers who deliver non-Medicaid services (\$16.7 million);
- Eliminating supplemental grants to public nursing homes that are no longer necessary because of increased federal and state reimbursements from alternative funding sources (\$25.0 million);
- Increasing the state's Medicaid fraud recovery and cost-avoidance projection by three percent from \$675 million to \$695 million in 2008-09 (\$20.0 million);
- Achieving savings associated with a three month delay in the implementation of the Medicaid enrollment center (\$4.0 million).