



**Transcript of Governor David A. Paterson's
Remarks on the Adoption of Historic Mid-Year Budget Cuts
State Capitol, Albany, New York
August 20, 2008**

I'm not going to minimize the gravity of concern I have over our budget for the rest of this year and for the following three years.

We had a \$5 billion that ballooned to \$6.4 billion in three months—a 28 percent increase. Other states that have had these problems find that, in the end, the budgets fall apart almost immediately. So there must be immediate action to compensate.

This is why, on July 30, I asked, right from this room, New Yorkers to understand that we are going to have fiscal woes and we are going to have to take very strong action. And I asked the Legislature to come back, on Tuesday, August 19, to address these issues.

And so, even though there is a lot more that has to be done, I want to congratulate Speaker Silver and Majority Leader Skelos, along with Minority Leader Tedisco and Minority Leader Smith for coming back to Albany.

This is an election year. It is in the middle of August. Some of the legislators have party primaries. Many of them have a lot of work to do in their district offices. But they came back here and addressed this situation by cutting \$427 million from this year's budget. Combined with my executive cuts for the entire year, we have now cut \$1.5 billion off of this year's budget.

This takes our budget down to the Consumer Price Index rate, which is what many suggested should have been our budget for this year. We hope that this will carry us through to the end of the year.

This is what we've been able to come up with. We cut \$127 million from Medicaid, particularly the trend increases. We have cut them 1.3 percent this year and 1 percent next year, so the \$127 million cuts this year will balloon out to \$374 million next year. We'd like to thank the hospitals, the hospital workers and everyone involved in that negotiation.

We have cut \$182 million from local spending. This is a 6 percent across-the-board cut. It also involves a \$50 million reduction from the executive adds and a \$6 million reduction from the legislative adds.

Finally, we've cut \$118 million from other places, featuring \$50 million from the legislative member items, and \$40 million from the statewide wireless network.

This gives us \$427 million in cuts. That number went up and down a number of times yesterday. We probably have another \$75 million in cuts here or there that we may get to at another time; we just weren't able to reach three-way agreement on it. But for the time being, we're hopeful that this will cover us for the entire year, and then we will have recurring and real deficit reduction for fiscal years 2010-11 and 2011-12. In the end, it may be upwards of about \$2 billion.

There's a lot more to do, but the winds of change have come to Albany.

We have never cut this much off of a budget without taxing in anyone's memory.

We have never gone into the budget and made these types of cuts in an election year.

And we have never gone into the budget in August.

I think it demonstrates that all of the legislative leaders, and all of the legislators—the Senators are voting on these bills right now, the Assembly members have already voted on them—recognize the fiscal impact to the State of revenues from Wall Street basically falling off a cliff.

For the first half of this year, our income taxes, if you don't count the market, were all right. Our sales taxes were about even. Our income taxes were up \$430 million.

So what was the problem? There were two problems. Personal bonuses have been upgraded from a 10 percent reduction on Wall Street to a 20 percent reduction. Capital gains have been upgraded from a 16 percent reduction to a 24 percent reduction.

Meeting with a number of economists a couple of days ago, and even talking to a number of the commentators on CNBC off-camera this morning, they predict that the capital gains may go as high as a 35 percent loss, and the personal bonuses may go anywhere from a 30 to 40 percent loss, which is more than we're forecasting at this point.

What we have done today is we've established a cushion of approximately \$500 million that will tide us over until next year's budget. And we have cut into next year's budget probably by a third with the multiplier effect of the cuts we've made today.

These are very serious times that have very grave consequences. But we have seen initiative on the part of the legislators and the legislative leaders. I can't thank them enough for all that they have been able to accomplish today.

You can assess these cuts in terms of a \$120 billion budget. But 70 percent of that budget is really passed along to local governments. That changes the effect of what has been done today. It's actually rather historic. We now have cut Medicaid under the Consumer Price Index for the first time. And we've brought our budget in line with the Consumer Price Index for the first time in a long time.

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