



**Transcript of Governor David A. Paterson's Executive Budget Address
Albany, New York
December 16, 2008**

In his inaugural address on March 4, 1933, the former Governor of New York who was ascending to the Presidency, Franklin Delano Roosevelt, admonished us that we have to tell the truth, the whole truth, frankly and boldly.

My colleagues in government, this is the truth: this is the worst fiscal downturn in our economy since the Great Depression.

Financial services are dwindling. Century-old firms are crumbling. Wall Street has laid off 60,000 people alone.

Our economy is shrinking. Our gross domestic product is down now for four consecutive quarters. That has not happened since World War II.

If our housing values do not start to improve until the fourth quarter of 2009—which is the least period of time the experts depict—then housing prices will have declined for 15 consecutive quarters. That is the first time that has happened in American history.

People are suffering. Just last month, 533,000 Americans have lost their jobs. 425,000 Americans who are unemployed have stopped looking for work. In New York, our comptroller predicts that we might lose 225,000 jobs and \$6.5 billion off of our economy.

In 2009, this state's unemployment rate will reach 7.1 percent.

This is a national economic collapse, and its boundaries have yet to be defined, as it continues to get worse.

This issue has hit all corners of our country. It dictates and pervades the action of commercial business and government to such an extent that 43 of the 50 states are now in deficit for an amount totaling over \$100 billion.

Most interestingly, just five months ago, only half the states, 25 states, had \$48 billion in deficit. New York is not alone. But if the United States is the epicenter of a global financial meltdown, New York is certainly the focus of fiscal woe.

Today our budget deficit amounts to \$15.4 billion: \$1.7 billion that is a gaping gash in our 2008-09 budget, and a \$13.7 billion deficit that awaits us in our 2009-10 budget projections.

This deficit amounts to more than 25 percent of our General Fund. This is the highest percentage that any state yields in this country. It is also the largest budget deficit New York State has ever faced.

Ladies and gentlemen, the world has changed. Unfortunately, we have been living beyond our means. The five years prior to my ascending to the Executive Branch demonstrated a budget increase of 7.8 percent annually, which is three times the inflation rate.

We have to recognize that we have made too many promises and asked for too few sacrifices. We are going to have to change our culture as we know it.

If we are going to be totally honest, we have to recognize that this Legislature, which completed its work earlier in June, left Albany with a \$5 billion deficit. When a \$630 million deficit appeared within this fiscal year itself, I was able to close it by raising our agency cuts from 3.35 percent to 10.02 percent. This legislature then came back to Albany in an election year, in the middle of August, from work in the district offices, to add \$427 million to that amount, establishing a cushion that we hoped would last the rest of the year.

It did not. Our economic downturn went through the \$427 million and turned it into a \$1.7 billion deficit that we face right now—a \$2.1 billion turnaround that happened in only four months.

And so, to be fair, I can tell all of you that \$10.4 billion in deficit beyond what we had forecast is nobody's fault. But it is all of our responsibility.

We are going to have to take actions to ameliorate this entire situation by cutting nearly \$15.4 billion in 16 months, which is a completely prohibitive situation.

The speed of the economic downturn and the size of the collapse certainly make it unreasonable for anyone to have forecast this before it happened. But we did.

On July 29, we informed all New Yorkers that we would have the worst fiscal crisis since the Great Depression.

We went to Washington, DC and spoke before the National Press Club on that issue, and also met with the Secretary of the Treasury, Henry Paulson, and also Ben Bernanke, the Chairman of the Federal Reserve.

In September, we advised the Secretary of the Treasury that to let a major insurance company fail at this time would create all kinds of calamities because of the presence of credit-default swaps that were immeasurable in their value and in their potential damage.

So New York, which led the country in identifying the crisis, now can come together to help our neighbors learn how to address it.

We in New York State government have an immense opportunity if we look at what is in front of us, what we can accomplish, and what we want to restore.

This budget is by no means perfect. We welcome your critiques and your adjustments. However, we would like to point out that endless ridicule of a budget that is imperfect, yet purposeful, is not helping this administration.

If there is a desire—because it is viewed that some of our actions need redress—to correct them, then please tell us how to do so and what would be real and recurring benefits to our New York State budget.

I want us to be optimistic. I think we can come back to Albany, we can take responsibility, we can take control of this budget, and we can take over Saturday Night Live. [Laughter]

We have used two principles to organize our plan for fiscal year 2009-10. The first is that the world has changed, and we have to adjust to it. The second is that we can no longer spend more, so we have to spend more effectively.

We are going to have to streamline our government at this time. We have a shared mission, and we are going to have to engage in shared sacrifices.

I have raised the aforementioned cuts to the agencies to 10 percent. Now we have to take the next step.

This year's budget will suggest a merger or integration of seven of our major state agencies with other existing agencies.

We are going to have to close state agencies that are underutilized.

Unfortunately, we are going to have to reduce our workforce. And we are going to have to limit or eliminate many benefits for new workers.

We absolutely have to engage in activities that do not further burden local governments with state mandates. We must restore the original mission and the original focus of the STAR program. We will eliminate the STAR rebate checks. But we will maintain the mission of STAR through STAR exemptions, which shield homeowners from taxation.

We are going to have to take a serious look at agencies, operations and programs for their effectiveness, and when they are not effective, we are going to have to eliminate them.

Leaders from both sides of the aisle have asked us to reform the Empire Zone program, and we will. From now on, companies that receive benefits that are public are going to have to be accountable for the creation of jobs. [Applause]

We do not have, in this budget, any broad-based tax increases. We do not have income tax increases. However, we do see a rise in fees. We are going to close tax loopholes. And we are going to get rid of some tax breaks that have been ineffective and inoperable.

We did not plan on engaging in any of those activities when we first drew up our budget plan after the leaders met on October 3. But, at that time, our Comptroller was estimating our state budget deficit at \$8 billion. This is the only way we saw that we could ameliorate a problem that has grown 89 percent in two months, to \$15.4 billion.

And as we look to our future, we're going to have to recognize that we're going to have to continue on with some of the cuts we have described. We're going to have to take a real look at how to streamline our government effectively. In an economy that is falling as greatly as it has in nearly 80 years, we are going to have to take some extreme measures.

I'm recommending a \$3.5 billion health care savings package for this state. I'm further recommending that we cut \$698 million from school aid, or a 3.3 percent cut. If we do this, we have to be aware that we must stay true to our education funding plan from 2007-08. We are going to make that plan work, but we are going to have to delay it from four years to eight years.

Taking all of that into consideration, there are two points we must consider.

Number one, education and health care comprise 52 percent of New York State's budget spending. And even though they are favored priorities because of the need for a healthy workforce and an educated society, we are placed in this position because of the disaster of our economic woes.

And yet—even after we complete these cuts, assuming they are still a part of our budget process—we will still have an increase in Medicaid by 51 percent and an increase in school aid by 53 percent over the last 10 years, which is the highest in the country and the most generous compared to the other states.

This is a most difficult endeavor, but we may have to make it in order to bring in a balanced budget as we are required under the law.

And so, as we look to our next priorities, we have to make sure we do not balance this budget on the backs of the poor and the impoverished.

Therefore, we are recommending that we increase the basic welfare grant, which has not been increased for the past 18 years. Obviously, at the time, in 1990, there may have been a feeling that the welfare grant was superfluous, but the rising cost of living and the unavailability of other services put us in the position of feeling that it is the only way that is fair.

In the area of higher education, the one that touches my conscience more than any other because we have cut it so much, we want to create a Higher Education Loan Program so that students can mitigate the damage of tuition increases by having fair and low student loan costs so that we can enable our workforce of the future.

I will submit this budget today, which is five weeks before the Constitutional deadline. I'm submitting it in the hope that we can cut the \$1.7 billion that we owe this year by February 1 and that we can bring our budget in by March 1.

This may sound very optimistic. But we should understand that if we pass our budget by March 1, we will save \$1.3 billion. If not, if it's April 1, we're going to have to find another \$1.3 billion in savings.

I have been told that this can't be accomplished—that we can't pass the budget on time or a month earlier. Yes we can. The reality is that the residents of our state are looking to us for leadership. And, in many respects, so is our country.

I want us to remember this moment as a moment of decision, when we took back the future of New York.

This should be the moment that we take control of our budget and restore New York to its mission—its mission of creating jobs; of assisting businesses; of finding new industries such as clean and renewable energy sources and intellectual property; of fostering our colleges and universities, so that our next workforce will not only be skilled but will be educated.

That is the New York that maintains hope. That is the New York that invites prosperity. That is the New York we all want to live in. That is the New York I want to rebuild.

Thank you very much. [Applause]

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