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Governor and Legislature Close Deal on Deficit Reduction Plan

After weeks of wrangling among the Governor, the Assembly and the Senate, the three bodies finally came to an agreement on a plan to address the state's \$3.2 billion shortfall in the current fiscal year.

The latest state fiscal crisis arose because of declining revenue from a weakening economy, and projections that were made by state budget analysts earlier in the year on the State's revenue for the 2009-2010 fiscal year turned out to be several billion dollars less than expected. As a result, the Governor needed to come up with a plan to close the budget gap, which also required the approval of the legislature.

Initially, the Governor proposed a massive 10 percent, across-the-board cut in Medicaid reimbursements for the period November 15, 2009, through March 31, 2010. That would have then been extended on an annual basis as a 3.7 percent reduction in reimbursement starting on April 1, 2010. He also proposed a 10 percent reduction in state aid for local assistance programs, which included numerous health programs, in addition to significant cuts to state aid for education.

The ability to get the legislature, especially the State Senate, to agree to the Governor's Deficit Reduction Plan proved extremely challenging. Senate Democrats did not wish to go along with substantial cuts to health care or education, which are the largest items in the state budget. With only a razor thin two seat majority in the Senate, Democratic leadership also faced concerns about their ability to maintain a majority after next November's elections. Senate Democrats also appeared emboldened to oppose the Governor's plan perhaps because of his extremely low approval ratings. Whatever the reason, the recipe added up to a very messy and complicated budget negotiation process.

In conversations with state legislators, it quickly became clear that the real battleground over changes in the Governor's proposed Deficit Reduction Plan would take place in the Senate. Assembly members did not appear to be ready to buck their leadership or the Governor and were united in supporting whatever Speaker Silver would choose to do. But in numerous community forums and private meetings with state Senate offices, it quickly became clear that the Senate would definitely hold out for a different budget compromise. Many Senators publicly voiced their opposition to the proposed cuts to health care and education. The silence on the Assembly side was stark in contrast. In the state capitol, the Senate side was abuzz with lobbyists, advocates and protestors, all hoping to influence the budget process, while the Assembly chamber was eerily silent.

After several weeks of negotiations that appeared to go nowhere, the Governor declared an Extraordinary Session and ordered the legislature back to Albany. However, this action appeared to do little to move the



Village Care of New York is a non-profit organization that offers comprehensive care for persons living with HIV/AIDS and for older adults with chronic and continuing care needs.

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process along. The legislature merely met, called the session to order, then promptly adjourned, meeting the statutory requirement but little else.

In the last few days things appeared to finally come together and a budget deal was negotiated. While the Governor requested \$3.2 billion in cuts, the final agreement is for reductions of \$2.8 billion. The state Comptroller has issued statements that he believes the actual budget deficit for this year is \$3.9 billion. How the difference will be made up is anyone's guess.

The final package of the Deficit Reduction Plan includes the following:

- No cuts in Medicaid reimbursement.
- 12.5 percent across the board reductions state local assistance, including many HIV programs and NY/NY III supportive housing funding.
- 5.4 percent cut to the Office of Mental Retardation and Developmental Disabilities.
- Remaining HEAL NY funds will be delayed until April 1, 2010.
- Elimination of the 2010 Medicaid trend factor for all providers for the period January-March 2010.
- No delay in nursing home rebasing.
- The state portion of the SSI grants will not be cut.
- \$485 million in state agencies cuts.
- Acceleration of federal stimulus funds for education allotted for next year.
- A tax amnesty program.
- No mid-year school aid cuts, including private schools.
- 5 percent cuts to operating aid for SUNY, CUNY and community colleges.
- A slew of one shots including: \$200 million from the Battery Park City Authority, \$90 million from the Regional Greenhouse Gas Initiative, \$10 million from the Environmental Protection Fund and \$26 million from the Dormitory Authority.

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