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Contact: Ron Deutsch, NYFF 518-469-6769
Karen Schimke, SCAA, 518-463-1895 x25
Billy Easton, AQE, 518-461-9171
Anne Erickson, EJC, 518-462-6831

OVER 200 NON PROFITS, SERVICE PROVIDERS, UNIONS AND FAITH-BASED GROUPS TO GOVERNOR PATERSON: CUTS ALONE WILL DEVASTATE NEW YORK'S FUTURE

Groups Providing Critical State Services Call on Paterson to Stop Exempting Wealthy New Yorkers from Budget Pain and to Use the Tax Stabilization Reserve Fund to Fill the Gap!

(Albany, N.Y.)— On the day Governor Paterson is announcing billions in budget cuts, the Better Choice Budget Campaign and the One New York: Fighting for Fairness joined together to call on the Governor and legislative leaders to abandon a budget policy that calls on working families and vulnerable New Yorkers to bear the burden of the state's fiscal crisis.

Together the two coalitions represent more than 200 non-profit organizations, faith-based groups, service providers and unions that supply front line services to many of New York's most vulnerable citizens. The two coalitions called on Paterson to examine revenue options rather than gutting services to close the state's huge budget gap. Similar events are also occurring today in New York City, Buffalo, Rochester, Utica, Binghamton, and in Central Islip on Long Island.

The groups called on Paterson to use the Tax Stabilization Reserve Fund (a "Rainy Day Fund" that currently has \$1.039 billion) to bridge the mid-year budget gap, to wait for a state fiscal relief package from Washington before making massive cuts in services, and to ask the wealthiest New Yorkers to take part in the "shared sacrifice as we did in 2003."

"Today, more than ever before, the economic crisis has placed a great burden on the average New York family," said **Phillip H. Smith, President of United University Professions**, the union that represents 35,000 State University of New York faculty and professional staff. "Tens of thousands of qualified high school graduates and community college transfer applicants from moderate income families are denied admission to SUNY four-year colleges and universities. These institutions no longer have the funding needed to provide the faculty and professional staff to teach and counsel them. SUNY's budget has already been slashed by \$148 million this year, and any further cuts would be disastrous. We must protect access to higher education for students who cannot afford

private colleges, and SUNY is the only hope many students have to achieve a college education. Reducing state support for SUNY disenfranchises New York's most vulnerable families. It not only to limit their children's opportunity for a productive career, but also limits the state's opportunity to develop an educated workforce, which would speed our economic recovery."

"The Public Employees Federation (PEF) had identified several options to help close the budget gaps that will avoid layoffs and damaging cuts to public services," said **PEF President Ken Brynien**. "In this fiscal crisis it is more important than ever to make sure New York's taxpayers get the best value for their tax dollars. The state could save up to \$750 million a year by reducing the use of private consultants by instituting a freeze on all new consultant contracts, requiring a budget waiver to enter into those contracts and by examining all current consultant contracts to determine which can be terminated and which can be done by state employees at a lower cost."

"The Governor's notion of shared sacrifice seems to leave the wealthiest New Yorkers out of the equation, stated **Ron Deutsch, executive director, New Yorkers for Fiscal Fairness**. "This is very strange since the Governor believed in a balanced approach to closing the budget deficit in 2003, when he voted to raise taxes on the wealthiest New Yorkers rather than slash funding for programs and services to those most in need of state assistance. During that time, then-Senate Minority Leader Paterson helped the Legislature override the Governor's vetoes on tax increases for the wealthy because he understood that the budget could not be balanced on the backs of working families. Now, however, Governor Paterson seems to have flip-flopped, employing the same approach and rhetoric as Governor Pataki in 2003, when the state was faced with an \$11.5 billion deficit."

The tax increases put in place in 2003 did not have the negative impact on the state's economy, or on the number of high-income taxpayers in the state, that Governor Pataki predicted in vetoing the Legislature's budget bills. In fact, the number of high-income returns grew steadily from about 245,000 in 2002 to an estimated 430,000 in 2007, and employment in the state increased each year that the temporary surcharge was in place. The wealthiest New Yorkers (over \$200,000) also saw their incomes increase 108% between 2003-2008 (those below \$200,000 only saw an increase of 15% over the same time period).

"New Yorkers can't afford mid-year cuts to education and health care. We need to follow President-elect Obama's lead, and address the fiscal crisis by asking the wealthiest New Yorkers to pay their fair share," **Karen Scharff, executive director, Citizen Action of NYS**.

"New York is facing hard times. However, poor and low income families are facing even harder times. They are struggling to meet their children's basic needs. Parents are struggling to keep their jobs, a roof over their children's heads, put food on the table, heat their homes and keep gas in the car. New York must be vigilant in protecting children as difficult budget decisions are being made. We join in calling for utilization of the Tax

Stabilization Reserve Fund until federal relief can be realized **stated Karen Schimke, Executive Director, Schuyler Center for Advocacy and Analysis.**

“In difficult economic times, when tough decisions need to be made about how to close deficits, we must always be guided by the principle that the state not balance the budget on the backs of those most in need,” said **Richard E. Barnes, executive director of the Catholic Conference.** “While the Catholic Conference has not taken a position on which revenue streams should be tapped, it is clear that the options being presented must be considered. We are here to stress the importance of keeping in mind that those who have no voice – the very poor and vulnerable – are most in need of the state’s limited resources. Put simply, those who need the most help should be last in line for cuts.”

“We are calling on Governor Paterson and legislative leaders to recognize what a mistake it would be to cut critical programs any further. Programs like civil legal services for the poor are part of our state’s social safety net and have already been cut by over 50% this year. Civil legal services are essential in saving the state money by averting crisis – helping obtain unemployment benefits, avoid homelessness and ensure access to basic needs supports like food stamps. Further cuts would be both financially and socially irresponsible,” said **Anne Erickson, president & CEO of Empire Justice Center.**

"In times of economic calamity, the state must protect vital services like health care, emergency assistance, education and college assistance -- lifelines for so many New Yorkers. Those hardest hit by the current crisis depend on these programs for survival. Deep budget cuts, like those being discussed in Albany, will lead to thousands of layoffs at a time when unemployment is rapidly rising -- exactly what the economy doesn't need," said **New York State United Teachers President Richard C. Iannuzzi.** "While government is indeed obligated to look at cost-savings, there are other alternatives it should pursue first to fix New York's budget mess. We ask lawmakers to take a much harder look at increasing revenues. After all, essential services haven't exceeded their budget; revenues have fallen short."

"New York State has a constitutional obligation to provide the funding needed to educate every child. After years of court orders in the CFE case, the Governor & both houses of the legislature made a promise in law to provide the dollars our school children need. The idea that the Governor would break this promise and cut education funding in order to keep his promise to New York's highest income earners not to raise their taxes is not only unfair, it is unreasonable." **Billy Easton, executive director, Alliance for Quality Education.**

“Medicaid provides a lifeline for low-income New Yorkers and it must be protected. The state should not be attempting to cut its way out of this crisis by putting the health care safety net in jeopardy. We must continue the ‘patient-first’ health care agenda, and more wisely spend our health care dollars. Medicaid is not just about hospitals, it is first and foremost about people,” stated **Lara Kassel, advocacy coordinator, Medicaid Matters NY.**

“Voters throughout New York and the United States made it clear on Election Day that they wanted change. We hope Governor Paterson was listening. They're tired of politicians who bail out Wall Street while the poor and middle class are threatened with the loss of their homes and don't have enough to feed their families. Even Republican voters in NY believe that millionaires deserve a tax hike. When times are bad, you need to stimulate the economy by putting more money, not less, in the hands of those struggling to make ends meet. And with the life savings of so many New Yorkers have been flooded away by the misbehavior of Wall Street financiers, this certainly seems like the time for the state to dip into our rainy day fund," said **Mark Dunlea, executive director of the Hunger Action Network of New York State.**

“The Wall Street Meltdown was not created by working men and women and they must not be forced to bear the burnt of New York State’s Budget Crisis. Destruction of the public workforce, schools, state services and health care would leave our state with a terrible economy, hasten our decline and dramatically impact the ability of small businesses to survive. The state must be more realistic in its solutions to repair the budget shortfalls. Just as the federal government has moved quickly to support the financial sector with almost a trillion dollars, so too must Washington provide the assistance necessary for New York State and other states,” said the statement from **Alan Lubin, executive vice-president of NYSUT and Bruce Ventimiglia, President and Chief Executive Officer of Saratoga Capital Management, LLC : Co- Chairmen : BALCONY : The Business and Labor Coalition of New York.**

Joseph Stiglitz, winner of the 2001 Nobel Prize in Economics (recently appointed chairman of the Governor’s Council of Economic Advisors), explains in his March 2008 letter to Governor Paterson and Legislative leaders that an increase in the tax on the portions of families’ incomes over some relatively high level is the least damaging mechanism for balancing state budgets during recessions. In contrast, cuts in government spending on goods and services that are produced locally (like education and health care) and cuts in transfer payments to lower-income families are most damaging to the economy, as they come closest to taking dollar for dollar out of the local economy.

Is State spending really out of control?

What the Governor and Division of Budget fail to acknowledge is that the State has made some important (and expensive) new commitments in the last several years without any new revenue streams to pay for them:

- Family Health Plus Takeover and Medicaid Cap - \$1 billion this year; \$1.35 next year and \$2.5 billion in 2010-11
- STAR – From \$2.5 billion in 2001-02 to \$6.0 billion in 2010-11
- CFE Settlement - \$5.5 billion in new foundation aid by 2010-11 and Facilities investment in 2005-06 budget.

- \$1.2 billion in cash and tax abatements originally going to AMD – now being awarded to “The Foundry” company owned by the Government of Abu Dhabi (very oil rich country) that will have their headquarters in the Cayman Islands to avoid taxation.

Additionally, according to research from the Fiscal Policy Institute, state spending in areas other than health, education, STAR, and transportation grew by less than 3% a year from 2004 to 2008.

Why Use the Tax Stabilization Reserve Fund

The Governor also lays out reasons why we should not use the state’s reserve funds to close the mid-year budget gap. Of primary concern is the fear of exhausting state reserves, as well as the triggering of a downgrade in the state’s credit rating. Most importantly he states, a large one-shot action, such as the use of reserves, does nothing to address our state’s looming out-year deficits.

We strongly recommend using the Tax Stabilization Reserve Fund (TSRF). It is specifically for unplanned end of year deficits and totals \$1.039 billion. It is an important backstop or cushion for getting through the current fiscal year without making \$2 billion in cuts to vital services, as the Governor has proposed.

Using the TSRF also provides the state the time to have a well-informed debate over expenditures and revenues in the 2009-10 state budget. This would allow the debates to be more deliberative than usual since the Governor will be proposing his Executive Budget on December 16, 2008, which is 5 weeks earlier than required.

The Legislature cannot pass a law transferring money from the Tax Stabilization Reserve Fund to the General Fund, nor can it pass a law requiring the Governor to use the money from this fund. The Governor simply has to borrow the amount needed from it on March 31, 2008, if disbursements exceed receipts and money available to make those disbursements.

The Governor and the Legislature should not make more cuts during the current fiscal year than are necessary, given this \$1 billion cushion. **And, most importantly, the state should not make additional cuts in services until we know the size and scope of a possible federal relief package from Washington.**