

### 2009-2010 Outlook

Emphasizing the seriousness of the budget outlook, Governor Paterson presented his first Executive Budget on December 16, a month earlier than normally. New York State's dire financial condition, brought on by the crisis on Wall Street and years of, as the Governor noted, "living beyond our means" has brought on a deficit of \$15.4B in the remaining months of 08-09 and fiscal year 09-10. The four-year deficit is now projected to be \$51B. Under law, the state must have a balanced budget, so decisive action is necessary. The governor called for shared sacrifice from all, and reminded the Legislature that the people of the state, and even the entire nation, are looking to them for real leadership.

### Deficit Reduction

Governor Paterson noted that the budget will include such money-saving actions as eliminating some benefits for new state workers; mandate relief; eliminating STAR rebate checks; and institute new fees, but no new income taxes. He had been warning legislators and the public of the severe cuts that would have to be made to balance the budget, but until he outlined the specifics today, the enormity of these cuts was not readily understood.

Indeed, the bad news was spread across all sectors. The areas of education and health took the biggest hits because those areas make up about 2/3 of the state budget. Gov. Paterson proposed a \$3.5B health care savings plan, and a 3.3% cut in school aid (\$698M).

To balance the budget the Governor relied mostly on cuts, but he also proposed "revenue enhancers" (that is, taxes and fees). For example: a tuition increase of \$600.00 for SUNY, higher taxes on health insurers, and fee increases for the Dept. of Motor Vehicles and State Parks. In addition, he has proposed instituting an "obesity tax" on sodas, and collecting tax on sales to non-Indians who purchase cigarettes on reservations.

### Higher Education

In higher education, Syracuse University's programs were not spared. The areas we were hit hardest in were CSTEP, which sustained a 50% decrease; aid to public libraries (18% decrease), aid to public radio and TV (50% decrease), Centers for Advanced Technology/CASE Center (31% decrease); SAID technology (eliminated). In addition, Liberty Partnership Programs, Bundy Aid, and HEOP all sustained smaller cuts.

On the bright side, the COE operating funds and COE reappropriation remain in the budget. In addition, the TAP program was strengthened to make up for the increase in SUNY/CUNY tuition. However, certain elements of eligibility for TAP have been modified, such as changing full-time eligibility from 12 to 15 credits.

### Economic Development

Gov. Paterson proposed reforming the Empire Zone program. Furthermore, to stop duplication of efforts, Gov. Paterson proposed to eliminate the Dept. of Economic Development and fold it into the Empire State Development Corporation (ESDC), an entity with which SU has a good working relationship. The plan also shuts down the New York State Foundation for Science, Technology and Innovation (NYSTAR) and folds that into ESDC as well, saving taxpayers \$11M. ESDC would then administer former NYSTAR programs such as CATs and TDOs.

The state will also create a new program, with \$50 million, called NY Gains, to finance specific industries, including biotech, financial services, and manufacturing. Another \$20 million will go to a research and tax credit program.

Good news in this area is that the Connective Corridor (\$20M) and the Higher Education Capital Matching Program/HECAP (\$150M) were both fully reappropriated in the 09-10 budget.

#### New Programs

Governor Paterson also proposed some new programs, such as a low-cost student loan program that will help about 45,000 students secure credit in a tightened market. The Governor supports this \$50M program even in the light of enormous deficits because it will now make New York State competitive with most other states in the race to attract the best and brightest young people. Most other states have already had such a program in place for years.

#### Next Steps

It is now up to the Legislature to begin to review the Governor's proposed budget and negotiate a final budget. He wants the Legislature to approve \$1.7B in cuts as part of the 08-09 deficit reduction plan by February 1, 2009. Then, he called upon the Legislature to pass the 09-10 budget by March 1, 2009—a full month ahead of what the statute requires. He reminded us that, “Yes, we can!”

#### Conclusion

This is going to be an extremely difficult budget year. As you can imagine, every interest group, including Syracuse University, will be fighting to have their cut program restored. We will keep you informed as the budget process continues. As always, please do not hesitate to contact us if you have any questions.