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GOVERNOR PATAKI ISSUES BUDGET VETOES
Takes Action to Protect New York Taxpayers and the State's Finances

Governor George E. Pataki – saying that the State Budget that was sent to him "spends too much and reforms too little" – today issued 195 vetoes saving taxpayers $1.8 billion by eliminating additional spending and new borrowing from the State Budget.

"The Budget sent to me simply spends too much and reforms too little," Governor Pataki said. "Allowing this Budget to take effect unchanged would represent a blow to New York's finances, both in the current fiscal year and in future years. In fact, even with these vetoes, we will still face tremendous fiscal challenges in the days ahead because this Budget includes none of the bold reforms we need to hold down spending, protect taxpayers, and provide help to local governments across New York.

"This Budget clearly represents a huge missed opportunity to make the real reforms we need to improve our State finances and provide relief to taxpayers and local governments. The on-time Budget I advanced in January was a prudent, fiscally responsible plan that would have helped New York overcome tremendous fiscal challenges. It also contained sweeping reforms, such as Medicaid cost-containment, which would help rein in rising costs and provide relief to our local governments and property taxpayers. Unfortunately, the Budget that was presented to me completely fails to address the critical issue of Medicaid reform and many other areas where we know new reforms are sorely needed.

"I cannot veto the failure to act, the failure to reform. And the failure to enact these important reforms will clearly have a negative impact on the State's finances – and on the budgets of hundreds of local governments across New York -- this year and in years to come."

Without any action, the Budget that was sent to the Governor would total $101.6 billion and be out of balance in the current 2004-05 fiscal year by $669 million. It would drive an out-year gap of $6.3 billion in 2005-06 -- double that of the Executive Budget.

The Governor noted that the Budget presented to him was structured in a way that significantly limited the ability to make any additional reductions in spending, which would have further protected the State's fiscal outlook.

In total, the Governor's actions will remove approximately $235 million in new spending added this year and more than $700 million during the next three years. His vetoes also eliminate $1.6 billion in new borrowing.

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"Because the Budget that was sent to me spends too much and contains no real reforms, it creates a substantial Budget shortfall in the current year and dramatically increases the out-year deficits projected for the next two fiscal years. While we are taking action today to reduce that negative impact, we will nevertheless face serious fiscal challenges this year and next because of the failure to enact any real fiscal reforms," the Governor said.

The Budget that was sent to the Governor totals $101.6 billion, and includes more than $1.5 billion in additional spending above what Governor Pataki proposed in his Executive Budget, along with $1.6 billion in new borrowing. The adopted Budget would have increased All Funds spending by 4.4 percent, far higher than the 2.5 percent increase proposed in the Executive Budget. The Governor's vetoes bring the All Funds Budget down to a total of $101.3 billion.

The Governor's vetoes will bring the current year budget imbalance down to $434 million and reduce the projected out-year deficits down to $6.1 billion in 2005-06 and $7.7 billion in 2006-07 -- clearly leaving significant fiscal challenges ahead.

"Many of the additions to the Budget are for worthwhile programs that I support, but the absence of any real fiscal reform that would result in a balanced and fiscally-responsible plan means that the funds to support the programs are simply not there," the Governor said.

The Governor's vetoes of additional spending total $235 million in the current fiscal year and include: $16 million in general government/economic development adds; $30 million in SUNY/CUNY adds; $75 million in housing, transportation and environmental adds; $53 million in health/human services adds; $9 million in mental hygiene adds; $24 million in additions that are unnecessary due to Department of Corrections streamlining and other related adds; and $28 million in discretionary educational adds.

The Governor also vetoed a total of $1.6 billion in borrowing. Included in this amount is more than $1.2 billion in debt added beyond the Executive Budget and $350 million in a higher education capital grant program that was originally proposed in the Executive Budget, but substantially altered by the Legislature.

In addition to the $350 million in higher education grants, the nearly $1.2 billion in debt added to the Governor's Executive Budget and vetoed by the Governor includes: $723 million in borrowing for SUNY/CUNY projects; $250 million in borrowing for health care facilities; $137 million in borrowing to support transportation re-appropriations; and $100 million in borrowing for multi-modal transportation projects.

Adopted Budget Fails to Include Important Reforms

In addition to increased spending and borrowing, the adopted budget also rejected a wide array of important reforms, restructuring measures and technical modifications that could have helped bring the Budget into balance in the current fiscal year and future fiscal years.

In most cases, the State Senate was willing to enact these measures, but the Assembly Leadership blocked any of these reforms from being included in the adopted Budget.

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Overall, these measures would have produced more than $1.5 billion in savings over the next two years -- $436 million this year growing to $1.1 billion in 2005-06. When combined with the additional spending, this failure will jeopardize the fiscal stability of the State this year and in the years to come.   These measures include:

- **Preferred Drug List**: This reform would have produced $37 million in savings for taxpayers this year and $119 million in 2005-06.

- **Medicaid Reform**: The Medicaid cost-containment measures advanced by the Governor would have saved State taxpayers $147 million this year and $248 million in 2005-06. The reforms also would have saved local governments $137 million this year and $145 million in 2005-06.

- **VLT Court Fix:** The adopted Budget spends $240 million in anticipated receipts from existing VLT machines, but fails to include legislation to address the recent Court decision ruling on VLTs. This failure to act could jeopardize future VLT revenues.

- **Health Care Conversion Legislation:** The adopted Budget did not include legislation, proposed as part of the Executive Budget, which would have provided $400 million for the Health Care Reform Act (HCRA) and would have helped keep the HCRA fully funded through June 2005.

- **Comprehensive Pension Reform**: The failure to enact the Governor's sensible pension reform plan will cost State taxpayers $177 million in 05-06.

- **Welfare Reform**: The adopted Budget failed to implement modest welfare reform proposals contained in the Executive Budget. These reforms would have built upon the historic changes in State and federal law made in the mid to late 1990's and would have saved New Yorkers $50 million this year and $104 million in 2005-06.

- **TAP restructuring**: While pushing 30 percent of the costs of TAP into the next fiscal year, the adopted Budget does not include reforms that would have provided students with an incentive to graduate and produce fiscal savings. This failure to act will cost State taxpayers $202 million this year and $257 million in 2005-06.

Additional information on the vetoes and a fiscal analysis of the Budget that was sent to the Governor is available on the Division of the Budget's website at www.budget.state.ny.us