

Listed below are options PEF has identified that are available to close the budget gaps over the next several fiscal years.

As PEF has stated previously and the governor has agreed, the state workforce to date has borne the brunt of the state's budget cuts. The burden of the state's fiscal crisis must be shared. The state must make every effort to avoid layoffs. Layoffs and other serious cuts in state services are counterproductive in a recession and according to the governor's own economic advisor Joseph Stiglitz, are more harmful to the state economy than a temporary income tax increase on wealthier New Yorkers. At the very least the state must close its budget gap with an equal share of revenue raisers and budget cuts.

- ⇒ 1. **Increase the income tax on wealthier New Yorkers; ranging from the millionaire tax approved by the Assembly to the temporary surcharge enacted in 2003. This option will generate between \$2 billion and \$7 billion in revenue depending on the income levels and rates.**
- ⇒ 2. **Reduce consultant costs 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 as to which can be terminated and which can be done by state employees at a lower cost. Savings: up to \$750 million a year.**

During the last hiring freeze state agencies found it easier to hire consultants to get work done than to hire state employees, even if it was less expensive to hire state employees. We have anecdotal evidence from our members that this is once again occurring, that the hiring freeze is creating a perverse incentive to hire contractors and consultants due to the freeze, especially as a means to expend federal funds. The Division of Budget needs to institute new restrictions on new consultant contracts and more aggressively review current consultant contracts for potential savings.

- ⇒ 3. **Enact the bigger better bottle bill which will generate \$200 million in additional revenue in a full fiscal year.**
- ⇒ 4. **Collect taxes that are due – especially cigarette taxes on reservation purchases by non-Indians – yield estimates range from \$400 million to \$1.6 billion a year.**
- ⇒ 5. **Reform economic development programs to level the playing field among businesses in NYS:**
 - **Improve the effectiveness and accountability of Industrial Development Agencies,**
 - **Apply Brownfield Clean Up Program reforms to “grandfathered” projects, and**
 - **Reform the Empire Zones program (Savings begin at \$50 million/yr, rising to \$500 million after 10 years)**
- ⇒ 6. **Improve the way Limited Liability Company's annual fees are calculated and close other corporate tax loopholes (DOB calculated \$75 million/year in savings in 2007).**
- ⇒ 7. **Use the state's tremendous purchasing power to see reduced prices from drug manufacturers for prescription drugs for Medicaid, state employees, and other state programs. This would generate approximately \$100 million a year.**
- ⇒ 8. **Use the Tax Stabilization Reserve Fund/Rainy Day Reserve Fund which has \$1 billion and are intended to be used in fiscal emergencies.**

- ⇒ 9. **Eliminate or severely restrict overtime by hiring full-time employees to handle the overtime hours. In SFY 2007-08 the state spent \$485.7 million on overtime costs that are not contractually obligated and has spent \$196.1 million on such costs in the first five months of SFY 2008-09. This appears to be about the same rate of spending on overtime as the last fiscal year. If employees are hired to work this overtime the state would save up to \$160 million a year.**

These proposals have the potential of reducing the budget deficit by as much as \$10 billion without severe cuts to programs and services. Legislative leaders should consider these options as they deliberate and develop plans for the 2009-2010 Executive Budget proposal.