

**TESTIMONY OF  
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**BEFORE THE ASSEMBLY WAYS AND MEANS  
COMMITTEE**

**ON GOVERNOR PATERSON'S DEFICIT REDUCTION  
PLAN FOR FISCAL YEAR 2009-10**

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Chairman Farrell and other members of the Assembly Ways and Means Committee: my name is Bob Cohen. I am the Policy Director of Citizen Action of New York, a statewide membership organization that advocates for social, racial, economic and environmental justice with affiliates in seven communities throughout New York State. Thank you for the opportunity to present testimony on Governor Paterson's Deficit Reduction Plan (DRP) for State Fiscal Year (SFY) 2009-10.

Governor Paterson has acknowledged the pain that his proposed \$5 billion DRP, including \$1.3 billion in local assistance cuts for SFY 2009-10, would cause to New Yorkers that are dependent on this funding. The Governor's simple answer - repeated again and again - is that he has no choice to make each of his cuts, including \$480 million in mid-year cuts to schools (\$686 million on a school-year basis), given the severe downturn in the economy in the state and the nation. However, even assuming that some cuts may be inevitable given the state fiscal situation (which we don't), the Governor has proposed cuts of a far greater magnitude than necessary. Further, certain proposed cuts are simply unfair and unwarranted and the Governor has curiously failed to propose obvious alternatives to mitigate the most severe cuts.

### I. Education and After-School Cuts

As a leader of the Alliance for Quality Education (AQE), the main advocacy group for funding for high-need districts in New York State, we are particularly concerned about the proposed \$480 million in cuts in education aid, which if adopted would be the first state mid-year education cuts in years. The proposed mid-year cuts of course would also come on top of decades of underfunding that resulted in a finding in the 2003 Campaign for Fiscal Equity (CFE) decision of a violation of the state constitution, followed by a decision in the SFY 2009-10 budget to forgo the promised foundation aid increases that were made in the 2007 state budget agreement to settle CFE.

We have said this again and again, but it bears repeating: the education increases provided by the Legislature to New York City and other high-need districts were not just necessary to improve educational achievement, but also were as a result of an order of the state's highest court to rectify a constitutional violation. Moreover, the proposed mid-year cuts will simply devastate many already cash-strapped schools,

resulting in program cuts and staff layoffs. Any cuts in state aid would threaten the demonstrable progress many high-need school districts made as a result of the first two years of funding increases provided under the landmark 2007 state budget agreement. Contrary to the Governor's statements that his proposal minimizes the impact on high-need districts, AQE has calculated that 51% of the proposed cuts are to high-need districts throughout the state, including large and small cities, and suburban and rural districts.<sup>1</sup>

Mid-year education cuts would be particularly devastating to at-risk students, as the progress these children have made due to new state resources is derailed by the termination of remedial programs and staff layoffs. Further, given that high-need school districts are more state-aid dependent, it is common sense that they will disproportionately suffer due to the proposed aid cuts. And, as the Fiscal Policy Institute and New Yorkers for Fiscal Fairness have testified to this committee, the Governor's suggestion that the harm to schools will be mitigated because school districts can tap into their reserve funds to make up for the lost state aid is seriously misleading. This is because the "Big 5" school districts (New York City, Buffalo, Rochester, Syracuse, Yonkers) - where a majority of the state's poor and at-risk children attend - are "fiscally-dependent" on their cities and thus do not have "reserve funds" to utilize. Further, many other financially pressed districts have already used a substantial portion of their reserve funds to address past state aid cuts.<sup>2</sup>

The proposed mid-year cuts to after-school are also extremely unwise from the standpoint of raising educational achievement.<sup>3</sup> The Governor proposes \$1.9 million in cuts to the Advantage After-School Program (reducing its funding to \$28.6 million this

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<sup>1</sup> See, Testimony of Marina Marcou-O'Malley, Alliance for Quality Education, Before the Assembly Ways and Means Committee on Governor Paterson's Deficit Reduction Plan for Fiscal Year 2009-10, October 21, 2009 (hereinafter, "AQE Testimony").

<sup>2</sup> See, Testimony of Frank Mauro, Fiscal Policy Institute and Ron Deutsch, New Yorkers for Fiscal Fairness, Before the Assembly Ways and Means Committee on Governor Paterson's Deficit Reduction Plan for Fiscal Year 2009-10, October 21, 2009 (hereinafter, "FPI/New Yorkers for Fiscal Fairness Testimony").

<sup>3</sup> After-school programs have other benefits as well which should not be forgotten, including giving students access to the arts, music and sports, preventing crime and other risky behaviors, and keeping kids safe after the regular school hours. See, Coalition for After-School Funding, *The Value of After-School Programs*, available at [www.casf-nys.org](http://www.casf-nys.org).

year), and a 10% cut (to \$25.1 million) to the Extended Day/School Violence Prevention Program, programs that have a demonstrable impact in reducing the high school drop out rate and in improving student achievement, particularly for at-risk youth.

Despite these benefits, many after-school programs are already in a perilous state. A comprehensive 2009 survey of more than 100 after-school programs found that 40% already are serving fewer youth and families this year. After-school programs - particularly those targeted at low-income children - are heavily dependent on government funding. Less than one-third of New York City agencies charge fees due to the economic burden on parents. Agencies often have limited to non-existent cash reserves and many have lost lines of credit due to past funding shortfalls. Therefore, in many if not most cases, programs hit with mid-year state cuts will have to lay off staff or simply close their doors.<sup>4</sup>

It is clear that after-school programs particularly targeted at at-risk youth and youth from low-income families will be disproportionately affected. The pattern of state and in some cases, city and foundation underfunding has meant that many non-profit providers have been forced to redirect their services to families that can afford to pay fees for services, reducing places for low-income families. Parents - low-income *and* middle-income - will also face the burden of making alternative child-care arrangements mid-year, which in some cases threatens their own employment due to the unavailability of child care for their school-aged children.<sup>5</sup>

In looking at after-school funding, the Legislature also should take into account the \$480 million in proposed K-12 education cuts, roughly half of which will come from "high-need" school districts.<sup>6</sup> Severe cuts both to programs designed to raise achievement during the regular school day (i.e., K-12 education) and to after-school

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<sup>4</sup> See, Testimony of John Alpert, The After-School Corporation, Before the Assembly Ways and Means Committee on Governor Paterson's Deficit Reduction Plan for Fiscal Year 2009-10, October 21, 2009.

<sup>5</sup> See, *id.*

<sup>6</sup> See, AQE Testimony.

programs will have a seriously negative cumulative impact on educational achievement.

We also urge the Legislature to reject the Governor's proposed mid-year cuts of \$2.1 million to Youth Development and Delinquency Prevention (YDDP) and the Special Delinquency Prevention Program (SDDP), programs administered by the Office of Children and Family Services that are targeted respectively at encouraging positive youth development and keeping youth out of the criminal justice system.

## II. Medicaid Cuts<sup>7</sup>

The DRP proposes reducing the remaining state payments - effective November 15 - to hospitals, nursing homes, home care and other providers to achieve a savings of \$287 million in state dollars for SFY 2009-2010. In determining its approach to these cuts, we recommend that the Legislature insist on an assessment by the Executive of the impact of such cuts - which have occurred on a multi-year basis - on New York's most vulnerable populations, including people of color, who are well-documented to have poorer health outcomes than whites.<sup>8</sup> Further, given that under the American Recovery and Reinvestment Act - the stimulus package signed into law by President Obama on February 17, 2009 - the federal government is matching the state's Medicaid dollars at more than 60%, the impact on recipients as well as to providers and to the state economy will be far greater than the \$287 million figure.<sup>9</sup> These factors argue at a minimum for a more targeted approach to any reductions in Medicaid than the Governor's across the board cuts, assuming that any cuts whatsoever are necessary in this budget year.<sup>10</sup>

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<sup>7</sup> For purposes of identification, Citizen Action is a leading member of Health Care for All New York, a statewide coalition dedicated to winning affordable, comprehensive, and high-quality health care for all New York residents through State and federal health care reform. This testimony, however, represents our position alone.

<sup>8</sup> See, Citizen Action of New York, *Race Matters: Impact of the 2009-10 Executive Budget Proposal*, at 21; available at <http://citizenactionny.org/wp-content/uploads/2009/07/20090303RJRaceMatters.pdf>.

<sup>9</sup> FPI/New Yorkers for Fiscal Fairness Testimony.

<sup>10</sup> See, Medicaid Matters, Statement on Governor Paterson's 2009-10 Budget Deficit Reduction Plan, Press Release Dated October 26, 2009 (arguing for a "surgical" approach that protects public insurance

### III. Impact on the Economy and Alternatives to the Governor's Devastating Cuts

Independent of the impact on the recipients of state services due to the Governor's proposed cuts, the Legislature should consider the impact on the state economy as a whole due to the cuts in state aid, coupled with the effects on matching federal dollars the cuts would have. As FPI and New Yorkers for Fiscal Fairness have testified to this committee:

When the federal share of Medicaid costs are taken into consideration, the Governor's plan, if adopted by the Legislature, would reduce aggregate demand in the state economy by approximately two and a quarter billion dollars (\$2.260 billion) between now and March 31, 2010... [T]he Governor should acknowledge that his plan ... would definitely delay the recovery for which he is proposing to "prime" the state. **\$2.26 billion of demand cannot be taken out of the state's economy on such a precipitous basis without disrupting and showing down the recovery from the current recession.** [emphasis in original]<sup>11</sup>

As the FPI/New Yorkers for Fiscal Fairness testimony to this committee argues, the Governor is not in a position to claim that the proposed budget cuts in the DRP would have the least possible economic impact of any budget balancing solution, given that the Executive has not analyzed this impact. However, it is clear simply from the program areas I have mentioned in this testimony alone that there will be significant job impacts, including layoffs in education, after-school, health care and other programmatic areas affected by the DRP. In light of the negative impacts that can be expected to the New York State economy and jobs as a result of the Governor's proposed cuts, all reasonable alternatives should be considered to the cutting of vital state services that vulnerable New Yorkers depend on. I would like to briefly outline several alternatives to making devastating cuts<sup>12</sup> that should be considered; this is by no means an exclusive list.

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programs, and looking to alternatives like dipping into state fiscal reserves before making any Medicaid or other public insurance cuts)

<sup>11</sup> FPI/New Yorkers for Fiscal Fairness Testimony.

<sup>12</sup> See generally, FPI/New Yorkers for Fiscal Fairness Testimony.

- Access the Tax Stabilization Reserve Fund and State Rainy Day Fund:

The Governor has not convincingly explained why he is apparently not willing to access the roughly \$1.5 billion available to balance the state budget in two funds: the Tax Stabilization Reserve Fund ("TSRF"), which has roughly \$1.039 billion, and state "rainy day fund," which has roughly \$400 million. Given that New York State, like the rest of the nation, is now suffering from the greatest economic downturn in a generation, it is hard to imagine a more appropriate time to access these two funds than today. Accessing both funds will also buy time for the Governor and the Legislature to assess the revenue situation of the state in a few months. No legislative action is of course necessary for the Governor to use the TSRF and the rainy day fund.

- Eliminate the Failed Empire Zone Program:

The Empire Zone Program, originally established to assist low-income communities to attract new investments and jobs, has been criticized for years as an expensive subsidy that is not targeted to programs that create jobs and investment, and as being fraught with abuse. FPI and New Yorkers for Fiscal Fairness estimate that this program's elimination will eventually save \$600 million a year. Given the state's fiscal situation, now is the time to act on this recommendation.

- Reduce the Contracting Out of State Services to Private Consultants:

As the FPI/New Yorkers for Fiscal Fairness testimony to this committee explains further, New York State annually spends over \$2 billion on private consultants who charge on average 54% more than state employees who do the same work. They estimate that replacing half of private consultants with state employees will save the state over \$730 million over the next three years. This cost-saving move will save state employee jobs and help balance the state budget. Therefore, it should be aggressively pursued by the Legislature as an alternative to cuts.

- Pass Bulk Purchasing of Pharmaceuticals:

Language inserted in past state budgets and in non-budget bills would allow the state to negotiate directly with drug companies for lower cost drugs. The state could save hundreds of millions of dollars, much of it in the Medicaid program, if the state

marshaled the bulk purchasing power of its millions of residents to negotiate better rates with drug companies.

As just this short list indicates, there are several alternatives that the Legislature should carefully investigate before selecting the harsh alternative proposed by the Governor: making cuts to education, after-school, and health care. Massive cuts are also unwise at this time, given that Congress is considering an extension of the state fiscal relief package passed by Congress. A further extension of state fiscal relief (which the Lieutenant Governor recently indicated the administration plans to fight for in conjunction with other Governors) - combined with accessing the TSRF and rainy day funds and the cost-saving alternatives here and elsewhere - should mitigate the need for cuts that impact on the most vulnerable New Yorkers.

I once again thank you for the opportunity to submit testimony on behalf of Citizen Action on the Deficit Reduction Plan.