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TO: ALL DEPARTMENT AND AGENCY HEADS

FROM: Carole E. Stone *CS*

SUBJECT: 2001-02 and 2002-03 Spending Controls

The tragic events of the World Trade Center attacks could reduce State revenues by as much as \$3 billion in the current year and \$6 billion in fiscal year 2002-03. This is over and above the budgetary impact of the decline in the national economy that was already evident before September 11.

While the Governor is aggressively seeking Federal aid to compensate for this lost revenue and to cover other recovery expenses, we must act simultaneously to reduce State spending. As a first step in this effort, you were notified in the 2002-03 Budget "call letter" to develop plans that hold next year's spending at levels authorized for the current year.

More immediately, we are taking the following actions to help maximize savings for the balance of the current year:

- **A strict enforcement of the existing hiring freeze.** All waivers and exemptions to the hiring freeze imposed by Executive Order No. 1, dated January 1995, are hereby revoked. All requests to fill positions must be approved by the Division of the Budget and hiring is to be limited to positions directly related to health, safety, and revenue generation. Agencies are expected to fill positions in these categories, whenever possible, by reassigning existing, qualified employees from less critical assignments.
- **The elimination of all non-essential nonpersonal service spending.** Agencies must restrict spending on all discretionary nonpersonal service items, including travel, conferences, publications, supplies, equipment, and contractual services. Such spending should be limited only to those items or services that are necessary to protect the health, safety and security of employees and citizens, and to ensure the continuation of high priority operations and services. Agencies are not required to submit requests for nonpersonal service spending approvals to the Division of the Budget, however, they are required to notify the Division of the procedures being adopted to ensure compliance with this directive.

Additionally, the Governor will submit legislation to authorize a targeted retirement incentive plan to reduce the State's workforce. All positions vacated by retirement will be abolished. The goal is to use this incentive and the hiring freeze to reduce the workforce by 5,000 positions over the next 18 months. The State will use the Task Force on Workforce Management and Employee Deployment to coordinate its workforce reduction efforts and State employee layoffs will be avoided to the fullest extent possible.

Questions concerning this Bulletin should be directed to your budget examiner.