



STATE OF NEW YORK  
**EXECUTIVE DEPARTMENT**  
DIVISION OF THE BUDGET  
STATE CAPITOL  
ALBANY, NEW YORK 12224

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**TO: ALL DEPARTMENT AND AGENCY HEADS**

**FROM: Laura L. Anglin** 

**Subject: New York State Program to Eliminate the Gap (PEG)**

Governor Paterson has announced the creation of a new Program to Eliminate the Gap (PEG). This initiative will serve as a permanent tool that the Governor can use to call for agency spending reductions at any time throughout the fiscal year, and monitor their implementation, in order to ensure budget balance or address out-year deficits.

Under the PEG effort, the Governor will issue spending reduction targets for individual state agencies whenever deemed necessary to address either (1) current year deficits that emerge during the course of the fiscal year or (2) projected out-year budget gaps. Once agency targets have been issued, key features of the new PEG process include:

- **Submission of Agency PEG Proposals:** Based on specific guidance that will accompany the targets, agency heads will have 30 days to develop their PEG plans. These plans will be approved by the Governor's Office and the Division of the Budget (DOB) and, in certain cases, agencies may be directed to develop alternative PEG proposals necessary to achieve targeted savings.
- **PEG Reporting/Monitoring Process:** All approved PEGs will be closely monitored by agencies and DOB to ensure savings are achieved. PEGs that have the largest planned savings or face significant implementation risks will be included in a centralized "core" PEG monitoring process managed by DOB that features monthly progress reporting against milestones identified by agencies. The intent of the new core PEG monitoring process is to identify implementation problems at an early stage when corrective actions can be taken or substitute PEGs identified to ensure savings targets are achieved.
- **PEG Oversight Board:** An Oversight Board consisting of the Secretary to the Governor, Director of the Budget, Director of State Operations, and other senior Executive Chamber and DOB staff has been created to monitor agency progress against their PEG savings plans. Commissioners will be directed to meet with the

Board to discuss significant PEG implementation concerns, delays or failures. If necessary, the Oversight Board may recommend corrective actions such as the imposition of a hard hiring freeze or withholding of agency funds.

Next Steps:

With next year's budget gap currently projected at \$5.0 billion, it is possible that Governor Paterson may issue 2009-10 PEG targets in the future. In addition, agency savings actions included in the recently submitted 2008-09 agency financial management plans will be incorporated within the new PEG process. Once these plans are approved, DOB will provide instructions to agencies for reporting progress in achieving 2008-09 savings initiatives. Finally, agency heads should be prepared to meet with the PEG Oversight Board in the event that agreement cannot be reached on their 2008-09 savings actions or if the PEG reporting process identifies significant implementation problems.