



**Statement of The Coalition of Behavioral Health Agencies
On the Governor's Deficit Reduction Plan in Response to New York State's Fiscal Crisis**

“Across-the-board cutting of safety net human services to make up our State deficit is a serious mistake that will have long term human and fiscal cost reverberations,” asserted Phillip Saperia, Executive Director of The Coalition of Behavioral Health Agencies. In the Governor's Deficit Reduction Plan (DRP) proposed on October 15, 2009, \$1.3 billion in local assistance funding would be cut from the State's budget. This plan will severely cut back and even end provision of a variety of human service programs, including behavioral health services, to the neediest sectors of our population and at a time when the demand for human service is increasing as a result of the fallout from economic stress and high unemployment.

On October 30, 2009, Governor Paterson announced that the State's deficit, over two fiscal years, is projected to reach a total of \$10 billion. This deficit has occurred due to decreased revenue collections, mostly from earned income tax receipts during economic recession.

The DRP, as proposed by the Governor, would close \$5 billion of the State's two-year budget deficit. In FY 2009-10, the governor proposes to cut a total of \$1.8 billion, and only raise \$1.2 billion in revenue through one-shot initiatives. The remaining amount (\$2 billion) would reduce the budget deficit in the next fiscal year (FY2010-11).

While the Governor's proposed actions might help balance the State's ledger in this budget year, we believe that cutting the very funding that enables New York State's social safety net to stay intact, is short-sighted and counterproductive to economic recovery. The Fiscal Policy Institute estimates that these cuts would remove about \$2.26 billion in demand from New York State's economy.

The Coalition agrees that tough decisions have to be made to lift New York State out of this fiscal hole. We would strongly urge, however, that all options be considered, including any viable new revenue initiatives to help close the budget gap without cutting social services. We hope that the Legislature will actively engage in proposing its own ideas.

Consider Other Alternatives

Last year the State's deficit was closed through a variety of means, including cuts, taxes and fees, and one-shot economic stimulus money made available through the Federal government in the American Recovery and Reinvestment Act (ARRA). This year, the crisis is steeper, and there will be no new ARRA funding. Therefore, creative ways must be proposed that not only would close the deficit, but also provide for financial recovery.

ARRA also provided aid to states by authorizing a temporary increase to FMAP (the Federal share of Medicaid expenses), which now pays for 62% of the State's Medicaid costs. Within the Governor's proposed cuts are \$287 million in the State share of Medicaid programs. However, the total cut when Federal revenue is factored in, amounts to \$747 million in funding cuts to primary and behavioral health care providers. It seems counterintuitive to remove these federal revenues from the State coffers at a time when we are budget cutting.

There is a healthier way to fix this problem without cutting human services across the board. The budget is in deficit because of revenue problems, and it can be solved through new revenue initiatives like raising taxes on alcoholic beverages. This initiative would also help deter individuals, especially youth, from drinking. The State can also realize savings by allowing the Department of Health to purchase drugs in bulk, giving it power to negotiate directly with drug companies for lower costs. New York also has the Tax Stabilization Reserve Fund (TSRF) and State Rainy Day Fund at its disposal to cover deficits. Obviously these are just a few suggestions for revenue options to make up the deficit. Other ideas have been suggested for the State to increase its revenue stream. These should be considered more carefully and added to the arsenal of tools used to meet the deficit.

Demand for Public Sector Services Increases

Cuts to local assistance programs will be damaging to New York State's economy, by closing programs that are part of local economies. This will produce more unemployment among the staff at these programs and create barriers to essential care that will be extremely harmful to people being supported by the social safety net system. Stories in the media, such as the New York Times, have given a public face to the personal and family impacts of job loss, home loss and continued unemployment. Among the unemployed, we are seeing dramatic increases in serious anxiety, deep depression and anger. Many have been driven to abuse of alcohol and drugs. The community based nonprofit behavioral health services are more than ever needed to offer counseling for depression/anxiety, to support children with difficulties in school, to promote, foster and nurture family resiliency, to provide treatment and support for substance abuse and addictions.

Community-based behavioral health providers also serve people who live with Serious and Persistent Mental Illness (SPMI) as well as children with Serious Emotional Disturbance (SED). They

provide supported housing to enable people with SPMI or other serious mental health or chemical dependency needs to live independently in the community. Agencies provide daily treatment, rehabilitative and employment services, crisis intervention and other community related services for people with mental illness. They provide family, school based and residential services for at-risk children of every age.

These programs are largely funded through public dollars, as well as grants and donations from charitable giving and foundation sources. During our current fiscal downturn, revenues from private sources have drastically diminished, while the need for service increases. Therefore, the effects of cutting public sector funding during these times have even more negative impact. Do we want people, who receive vital supports across the spectrum of behavioral health needs to be left without access to care? Should the anxious parent who lost his job be denied counseling services? Should the person with severe mental illness living in supported housing be on the verge of becoming homeless again? Cutting these services contradicts the methodology behind economic recovery. The not-for-profit behavioral health sector is not only a key provider of human services, but a major employer of New York State residents.

Hidden Costs of Governor's Deficit Reduction Cuts

Consumers of community of behavioral health services are cared for at lower costs than other care alternatives. Community based ambulatory services are cost effective in that they prevent inpatient hospitalizations and emergency room use, which are much more costly. Other consumers of care are deterred from jails and other institutional care that are high in both social and fiscal costs. It would be morally, socially and fiscally counterproductive to slash the community based safety net.

Transformation and Cuts to Service

Public funding for community-based mental health and chemical dependency services is slated to become even tighter next year. Even before the proposal of Governor Paterson's cuts, the system of community behavioral healthcare is in major transformation, from clinic reform to the implementation of Personal Recovery Oriented Services (PRDS). The convergence of fundamental reform initiatives and the slashing of government funding for an already precarious community service system, will create a crisis of care for consumers and families, adults and children. Programs will close; service will be denied to needy consumers and many community based jobs will be lost. This resulting "perfect storm" will end up costing more to the State in the long run.

We urge the Governor and State legislators to develop a sensible budget strategy that is long range in its planning and will seek to avoid the slashing of care to the most needy and vulnerable residents of our State.