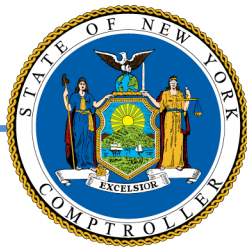

**Report on the
State Fiscal Year 2021-22
Executive Budget
As Amended by the Governor**



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

March 2021

Message from the Comptroller

March 2021

One year after the first case of COVID-19 was confirmed in New York, we continue to suffer incalculable human costs, along with punishing impacts on our economy and the State Budget. Extraordinary federal assistance in response to the pandemic has alleviated pressing fiscal challenges, but further help from Washington is needed.



The Executive Budget Financial Plan for State Fiscal Year 2021-22 projects that federal operating aid spending in the current fiscal year will total \$76.6 billion, an increase of 30 percent over last year. The proposed Budget assumes the State will receive at least \$3 billion in unrestricted federal assistance for each of the next two fiscal years. However, that level of funding would not be enough to avert painful spending cuts to local governments, nonprofits and other service providers, or tax increases.

We all look forward to the time when public health conditions return to some kind of normalcy, which we hope comes as soon as possible. While that could mean stronger growth for both the economy and State tax revenues, it may also bring an end to the additional funding that Washington has been providing to help pay for Medicaid, education and other State costs. This year's budget cycle is an especially important time for policy makers to be mindful of the need for the State to balance ongoing spending with ongoing resources, and lay the groundwork for enhancing its reserves, all to reduce the potential need for unplanned budget cuts or other undesirable actions in the future. The extraordinary federal aid should be considered a bridge to future structural budget balance.

Yet, certain proposals in the Executive Budget may make it more difficult to reach and maintain structural balance for the long term. These include suspension of important provisions of the Debt Reform Act of 2000 – including statutory limits on debt outstanding and debt service – along with a second year of authorization for up to \$11 billion in short-term borrowing. These proposals would omit more than \$19 billion in new debt from the statutory limit over two years.

Some proposals raise critical issues of transparency and accountability. As we enter a period of improved public health, economic and fiscal prospects, it is important that we commit to the highest standards in these areas, to promote public confidence in government and ensure the best possible use of public resources.

As long-awaited steps to control and conquer COVID-19 begin to bear fruit, we are finally starting to see light at the end of the tunnel. While decisions made through budget deliberations will determine the State's priorities in the coming year, they may also have profound impacts on New York's longer-term future. With help from Washington and sound budgetary choices in the coming weeks and months, the State can continue to provide the services New Yorkers rely upon, avoid needless disruptions for local governments and service providers, and assure a strong fiscal foundation for years to come.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

The COVID-19 pandemic has had a severe fiscal impact on New York State, and the Executive Budget for State Fiscal Year (SFY) 2021-22 demonstrates the need for additional federal assistance. While revenue reductions have not been as great as initially feared, the Executive Budget includes spending cuts, revenue actions, use of fund balances, and increased budget flexibility for the Executive. President Biden's proposal to provide \$350 billion in unrestricted aid to states and local governments is a welcome response, and significant efforts are underway in Congress to ensure that New York receives a meaningful share of the funds.

While enhanced federal support is needed, the State must also ensure that it takes actions to emerge from the crisis in a stronger long-term fiscal position and that it avoids the type of short-sighted budgetary choices made in decades past – choices that created long-term problems of accumulated deficits, structural budget gaps, a heavy debt burden, poor transparency, and insufficient reserve levels. Certain proposals in the Executive Budget represent warning flags in this regard.

While approval of unrestricted federal aid to state and local governments is still pending, the State will likely benefit from at least \$9 billion in federal aid from federal pandemic relief packages already enacted. At least \$6 billion in enhanced federal Medicaid funding will offset costs that otherwise would require use of State revenues, although at least \$1.5 billion of this is not yet recognized in the Executive Budget Financial Plan; \$2.5 billion from the federal Coronavirus Relief Fund will be available for budget relief; and more than \$1 billion in pandemic-related federal aid will support State education costs. Other provisions Congress has enacted to date may boost the total figures for the current and coming years higher.

The Budget assumes an additional \$6 billion in unrestricted federal relief and stimulus aid over the next two fiscal years: \$3 billion in each of SFYs 2021-22 and 2022-23. The Budget would be deemed "unbalanced" if less than \$3 billion is received as of August 31, 2021. If that occurs, spending from local assistance appropriations would then be withheld across-the-board by the Budget Director, with exceptions including school aid and public assistance. If implemented, such cuts would compound the challenges facing local governments, not-for-profit service providers and others. Continued support from Washington is essential if the State is to avoid such damaging budgetary actions.

The Executive Budget includes a special emergency appropriation of \$9 billion which may be made available to avert certain spending reductions if the State receives its \$15 billion request in unrestricted federal aid by August 31, 2021. (The appropriation amount reflects the difference between the \$6 billion in unrestricted federal aid expected in the Financial Plan and the requested \$15 billion.) However, the proposed appropriations to restore cuts to school districts, local governments, health and human services could not be accessed if the State receives less than \$15 billion. The Budget is unnecessarily opaque with respect to how the State would use billions of dollars in unrestricted federal aid under that scenario. Also, given the appropriation flexibility and discretion provided elsewhere throughout the Budget, this approach could leave the allocation of such extraordinary funds entirely at Executive discretion.

Past history of emergency federal funding indicates that the State must be prepared for such aid to end at some point. According to the 30-Day Amended Executive Budget Financial Plan, federal aid, better than expected tax receipts, and other actions are expected to produce a \$1.6 billion “surplus” in SFY 2020-21 and \$676 million in SFY 2021-22, which will be used to prepay debt service payments in later financial plan years. After that, the Financial Plan projects budget gaps that grow from \$902 million in SFY 2022-23 to \$6.2 billion in SFY 2024-25 after proposed Executive Budget actions.

The State must be prepared to address budget gaps by acting to balance recurring spending needs with recurring revenues. The Financial Plan includes nearly \$15 billion in SFY 2021-22 resources that the Office of the State Comptroller identifies as temporary or non-recurring, with more than half of that coming from federal aid. Also, the Budget would continue to defer \$1.7 billion in annual Medicaid payments and defer \$110 million in non-public school aid payments to the following State fiscal year for SFY 2020-21 budget relief. Manipulating the timing of payments to fill budget holes is a fiscal maneuver that can worsen the State’s structural budget gap, increase the difficulty of balancing the budget each year, and further contribute to State cash flow pressures in the future.

Several debt proposals in the Executive Budget also raise concern regarding the State’s longer-term financial outlook. These include renewed authorization of \$11 billion in short-term borrowing, as first authorized for the current year; suspension of the State’s statutory limits on outstanding debt and debt service for borrowing during SFY 2021-22 (also suspended for the current year); and a newly proposed suspension of the 30-year maximum term for State-supported debt.

While the factors that drove the need for short-term borrowing in 2020 have not disappeared, the level of concern has diminished due to an improved financial outlook and reduced uncertainty in the municipal bond market. As a result, it is not clear that these authorizations are necessary, especially at the proposed levels. In addition, because the increased level of new debt issuances would exceed the affordability standard reflected in those limits, continuing to circumvent the statutory debt caps could effectively render the State’s debt cap meaningless.

Finally, the 30-Day Amendments to the Executive Budget include the creation of a COVID-19 Extraordinary Relief Fund. Revenues from newly enacted taxes, increased rates of existing taxes, and the elimination of tax credits or deductions in SFY 2021-22 would be deposited in the Fund. A \$3 billion appropriation from the fund is proposed to provide various local assistance grants or loans and would be disbursed under an expenditure plan approved by the Budget Director. This would also place significant State resources solely under the discretion of the Executive.

Other key findings in this report include the following:

- The Budget would reduce State support for school districts by \$607 million, or 2.1 percent, on a school year basis, through two proposed ongoing reductions. The addition of \$3.85 billion in one-time federal aid results in a proposed increase in school funding of \$2.1 billion, or 7.1 percent for the coming school year, but may leave districts facing a “fiscal cliff” afterwards.
- The Budget proposes to eliminate Aid and Incentives for Municipalities (AIM) for towns and villages, leaving cities the only class of local governments funded by the program. Overall AIM funding for cities would be reduced by 5 percent, to \$617 million, with

reductions varying by city within a range of 2.5 percent to 20 percent. This would continue a trend in recent years of flat or declining AIM funding and would further shrink the State's unrestricted funding to municipalities, increasing pressure on local tax bases.

- Total State-Supported debt outstanding would increase by more than \$8 billion or 13.4 percent in the coming year to \$67.7 billion, and by another \$8.8 billion over the next two years, reflecting in large part the State's commitment to support MTA capital spending. State-Supported debt service is expected to approach \$8.8 billion by SFY 2025-26, a 48.4 percent increase from the current fiscal year (excluding debt service for short-term liquidity borrowings and assumed debt service pre-payments to be made in SFY 2020-21 for future years), or average annual growth of 8.2 percent.
- DOB increased its tax receipt projections by \$4.9 billion for the current fiscal year; \$9.8 billion for SFY 2021-22; \$10.3 billion in SFY 2022-23; and \$9.6 billion in SFY 2023-24, relative to its estimates issued in October 2020. The increased projections reflect actual tax receipts through January that were higher than earlier DOB estimates, a better economic outlook and the impact of revenue proposals in the Executive Budget.
- A Personal Income Tax surcharge would be imposed on taxpayers with incomes over \$5 million for the next three years, with top tax rates increasing at varying amounts, up to 10.82 percent for incomes above \$100 million. The Budget also delays the next step of the middle class tax cuts that started in 2018, resulting in a combined projected revenue increase of \$1.9 billion in SFY 2021-22.
- The Budget proposes to allow mobile sports wagering through one of the four currently licensed commercial casinos, with projected revenues of \$49 million in SFY 2021-22 and nearly \$500 million by SFY 2024-25. This authorization would require providers of such wagering platforms to "ensure the necessary safeguards against abuses and addictions are in place," although it is not clear how such assurance would be achieved or enforced.
- The Budget proposes to legalize adult use of marijuana. Receipts of \$20 million are projected in SFY 2021-22, increasing to \$350 million when fully effective in SFY 2025-26, with funds to be set aside annually, starting with \$10 million in SFY 2022-23, for programs in communities adversely affected by the previous criminalization of marijuana.
- The Financial Plan projects the General Fund balance will decline to \$5.7 billion by the end of SFY 2021-22, down by 36 percent since March 2020 and the lowest year-end balance since SFY 2013-14.
- Statutory rainy day reserves of just less than \$2.5 billion will be preserved, but no additional deposits planned.

II. Financial Plan Overview

State Fiscal Year 2020-21

According to the 30-Day Amended Executive Budget Financial Plan, tax collections in All Governmental Funds (All Funds) totaled \$68.0 billion through the first ten months of the 2020-21 fiscal year, a decline of \$2.0 billion or 2.8 percent from the same period of the previous year. Almost all of the variance is related to lower sales tax receipts, directly reflecting the economic slowdown caused by the COVID pandemic. Personal Income Tax (PIT) collections through January were over \$3.5 billion higher than projected in the Mid-Year Financial Plan Update released in late October, and \$3.7 billion higher than the Enacted Budget Financial Plan released in May. When compared to the last Financial Plan reflecting pre-pandemic expectations, tax collections through January were \$5.9 billion below projections.¹

Year-to-date spending has trailed projections. Through January, All Funds spending was nearly \$5.1 billion below Mid-Year projections, with \$3.3 billion of the variance from lower spending for State operations. Spending from the General Fund (including transfers to other funds) was \$10.4 billion or 16.8 percent lower than the same period of the prior year and nearly \$1.1 billion below projections in the Mid-Year Update, primarily related to smaller expenditures for State operations.

The SFY 2020-21 Enacted Budget included considerable new authority for the Executive, through the Director of the Division of the Budget (DOB), to control, withhold or reduce spending under specified circumstances. The SFY 2020-21 Enacted Budget estimated that the total General Fund gap in the current fiscal year would be \$13.3 billion, reflecting reduced projections for receipts as compared to pre-pandemic estimates. This gap was assumed to be closed through a combination of federal support, reductions in State operations and other spending, and \$8.2 billion of unspecified spending reductions to local assistance payments. In the Mid-Year Update to the Financial Plan released in October, DOB increased the estimated General Fund gap to \$14.9 billion. By this point, however, federal resources from various aid packages had started to flow and offset some of the loss, and tax collections were showing signs of improvement.²

Actual tax collections have exceeded projections throughout the year. As a result, in the 30-Day Amended Executive Budget, DOB increased projected current year-end General Fund receipts by \$5.0 billion relative to estimates in the Mid-Year Update. In addition to higher than anticipated tax collections and spending reductions, and additional federal aid in the form of higher Medicaid reimbursement, restricted aid for school districts and aid through the Coronavirus Relief Fund helped to eliminate the \$14.9 billion gap identified in the Mid-Year Financial Plan and replaced it with a \$1.6 billion operating surplus that would be used to reduce outyear costs via debt service prepayments.

See Figure A in the Appendix for a table showing the evolution of the General Fund budget gap in SFY 2020-21.

¹ The last Financial Plan released which did not reflect pandemic-related economic conditions was the FY 2021 Executive Budget Financial Plan – Updated for 30-Day Amendments released on February 25, 2020.

² The Office of the State Comptroller projected SFY 2020-21 tax receipts would exceed DOB projections by \$3.8 billion in the November 2020 “Quick Start” report available at www.osc.state.ny.us/files/reports/budget/pdf/budget-receipts-disbursement-20-23.pdf.

Spending Reductions

The SFY 2020-21 Enacted Budget authorized the Director of the Budget to withhold or reduce local assistance payments if certain thresholds were met at specified points during the year. Through December, DOB withheld approximately \$2.9 billion towards a target of reducing certain local assistance payments by 20 percent. The Executive also reduced agency operations by 10 percent, with exceptions, including facilities and public health and safety.

Based on current estimates for higher tax receipts and additional federal assistance, DOB now expects to reduce local aid by 5 percent for SFY 2020-21 payments. For these withheld payments to become permanent reductions, the Executive would have to send a plan to the Legislature detailing such reductions, and the Legislature would have 10 days to jointly approve an alternative spending reduction plan or the Executive's plan would take effect. Amounts withheld in excess of 5 percent are expected to be repaid in the last quarter of SFY 2020-21.

Federal Assistance Used to Close Gap

By the time the SFY 2020-21 Budget was enacted, the federal government had already passed three aid packages that would end up providing about \$7.9 billion in assistance that could be used to offset State costs, thereby reducing the SFY 2020-21 General Fund gap. Assistance to date has included \$3.5 billion in enhanced Medicaid reimbursements that reduce State-share Medicaid spending.

An additional \$1.1 billion in restricted education aid was made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, some of which is made available for SFY 2021-22 costs. For additional information on federal funding, see the Federal Pandemic Relief section of this report.

General Fund

General Fund spending is projected to total \$74.7 billion in SFY 2020-21, representing a decline of \$2.7 billion or 3.5 percent from the previous year, primarily in State operations costs. Local assistance is projected to increase \$148 million or 0.3 percent. Compared to projections in the Enacted Budget Financial Plan, spending is projected to end the year nearly \$1.6 billion higher than initially anticipated. Previously, Enacted Budget spending estimates for local assistance assumed \$8.2 billion in payment reductions. However, \$2.9 billion has been withheld through December, and the 30-Day Amended Executive Budget now expects that a 5 percent (rather than 20 percent) reduction will be imposed, equating to about a \$2.1 billion cut. Anticipated reductions in State operations, primarily personal service, were funded in part with non-recurring federal resources from the Coronavirus Relief Fund, as were certain General State Charges. See Figure B in the Appendix for a table showing the change in General Fund disbursement projections.

The Enacted Budget initially assumed the State would pay debt service on \$3 billion in short-term PIT Notes and a \$1.5 billion line of credit, which would be repaid by the end of the year. While the line of credit was entered into, no draws have been made. PIT Notes totaling \$4.4 billion were issued to alleviate cash flow concerns instead.³ These are expected to be fully repaid by the end of March.

³ The State received \$4.5 billion in bond proceeds, reflecting the bond premium paid to the State by investors.

General Fund receipts (including transfers from other funds) are currently projected to total just over \$73 billion, representing a decline of \$6.2 billion or 7.8 percent from SFY 2019-20. Compared to the Enacted Budget Financial Plan, receipts are \$2.1 billion higher than initially anticipated, primarily in Personal Income Tax (PIT) and miscellaneous receipts.

State Operating Funds

DOB currently projects State Operating Funds spending in the current year will reach \$103.8 billion, which would be an increase of \$1.6 billion or 1.6 percent from the previous year and \$4.4 billion higher than initially anticipated with the Enacted Budget.

DOB projects SFY 2020-21 receipts in State Operating Funds will total \$101.2 billion, a decline of \$3.0 billion or 2.9 percent from SFY 2019-20, nearly \$4.5 billion higher than initially anticipated.

All Funds

Updated projections show All Funds spending, including spending from federal funds will total \$194.3 billion this year, an increase of \$21.3 billion or 12.3 percent from SFY 2019-20. This includes \$17.7 billion in higher spending from federal funds, and costs associated with repaying \$4.4 billion of short term borrowing undertaken to address cash flow needs. Spending from All Funds is projected to be \$16.8 billion higher than initially anticipated with the Enacted Budget, primarily in local assistance payments.

The 30-Day Amended Financial Plan projects All Funds receipts for SFY 2020-21 to total \$195.1 billion, an increase of \$17.7 billion or 10.0 percent from SFY 2019-20 results. Federal receipts are anticipated to increase \$19 billion (29.2 percent) to \$84.1 billion, primarily reflecting various aid programs, the federally funded Lost Wages Assistance program and growth in Medicaid. Miscellaneous receipts are expected to increase nearly \$2.2 billion (7.6 percent), primarily reflecting reimbursements from short-term note proceeds. Tax collections are projected to total \$79.3 billion, a decline of \$3.5 billion or 4.3 percent.

State Fiscal Year 2021-22

The 30-Day Amended Financial Plan projects All Funds receipts will total \$192.8 billion in SFY 2021-22, a decline of \$2.3 billion or 1.2 percent. This is primarily due to a decline in federal receipts and short-term note proceeds received in SFY 2020-21. DOB projects All Funds tax receipts to total \$85.1 billion, an increase of \$5.8 billion or 7.3 percent from SFY 2020-21. Estimated tax collections include proposed revenue actions totaling nearly \$2 billion in SFY 2021-22.

Miscellaneous receipts are expected to total \$27.6 billion, a decline of \$4.1 billion or 13 percent, due in part to the absence of non-recurring short-term note proceeds and \$600 million in monetary settlements received in SFY 2020-21. Federal receipts, comprising more than 41 percent of revenues in the Budget, are projected to total \$80.1 billion, a decline of just under \$4.0 billion or 4.7 percent.

All Funds spending is expected to total \$196.0 billion, an increase of \$1.7 billion or 0.9 percent, primarily in local assistance grants and General State Charges. These increases are partially offset by lower spending for debt service, which is expected to decline approximately nearly \$5

billion in the coming year, largely reflecting the absence of short-term debt issued to cover emergency cash flow needs in SFY 2020-21, as well as the impact of planned debt service prepayments.

The 30-Day Amended Financial Plan assumes \$6 billion in new unrestricted federal assistance to be evenly divided over SFYs 2021-22 and 2022-23. However, the State is requesting a total of \$15 billion in new unrestricted federal assistance to replace lost receipts and pay for costs resulting from the pandemic. The Budget includes a \$9 billion contingency appropriation that is available if the \$15 billion is realized from the federal government. The Executive has stated that a number of proposed cost-cutting and revenue-raising actions would be unnecessary if this level of additional aid is received.

Proposed General Fund Gap-Closing Plan

The Mid-Year Update projected a General Fund current services deficit or gap of \$18.3 billion in SFY 2021-22, before actions from the SFY 2020-21 Enacted Budget. The anticipated gap became \$8.7 billion after enacted savings actions and year-to-date resource changes. The 30-Day Amended Financial Plan revised the presentation of the gap-closing plan by adding back the \$8 billion of unspecified local assistance reductions previously assumed in SFY 2020-21, as offset by year-to-date resource changes, including federal assistance and higher than anticipated tax collections. As a result, the Executive’s gap-closing plan totals \$9.5 billion for SFY 2021-22. Figure 1 illustrates the various components of the proposed gap closing plan.

Figure 1

SFY 2021-22 Proposed Gap Closing Plan

(in millions of dollars)

	2021-22
Current Services Gap Reported in Mid-Year Update	(8,725)
Receipt Revisions	8,124
Medicaid Enrollment Revisions	(924)
Add Back Local Assistance Reductions	(8,000)
Gap to Be Closed	(9,525)
New Revenue/Re-Estimates	2,347
Taxes	1,928
Personal Income Tax Revision	676
Miscellaneous Receipts and Transfers from Other Funds	(257)
State Operations Reductions	110
Debt Management and Capital	(433)
Local Assistance Reductions	2,108
Federal Assistance	5,945
Medicaid Reimbursement (eFMAP)	995
Education	1,350
Unrestricted Federal Assistance	3,000
FEMA Reimbursement for SFY 2020-21 Costs	600
All Other	124
Subtotal	676
Planned Debt Service Prepayment	(676)
Remaining (Gap)/Surplus in Executive Budget Financial Plan	-

Source: Division of the Budget

The gap-closing plan for SFY 2021-22 includes \$6.0 billion in higher estimated receipts, including proposed revenue actions totaling nearly \$2 billion. These are coupled with \$3.5 billion in spending changes, which include \$1 billion in Enhanced Federal Medicaid Assistance

Percentage (eFMAP) that offsets General Fund costs and another \$1.7 billion in local assistance, agency operations and other actions, including reduced General Fund spending in education, health care, mental hygiene, human services, higher education and local aid to municipalities.

Federal Assistance Used to Close Gap

As shown in Figure 1, the 30-Day Amended Executive Budget plans to utilize an additional \$5.9 billion of federal aid to close the budget gap in SFY 2021-22. This includes: \$3 billion in anticipated unrestricted aid that has not yet been enacted by the federal government (expected to repeat in SFY 2022-23); \$1.35 billion for education from the federal assistance package enacted in December 2020; at least \$995 million in new enhanced Medicaid reimbursement; and \$600 million in FEMA reimbursements for costs previously incurred in SFY 2020-21.

Much of the federal assistance will be used to fund recurring costs. For instance, at some point, the State's Medicaid reimbursement rate will return to 50 percent from the currently-enhanced 56.2 percent. At that point, the increased share of Medicaid costs that are currently being paid from federal funds will revert to the State's General Fund, contributing to out-year gaps. Similarly, \$1.35 billion in federal funding is intended to be used to temporarily support education spending. When that federal funding lapses, the Financial Plan does not anticipate restoration of State support. See the Federal Pandemic Relief section of this report for further discussion.

Structural Imbalance

For decades, the State Budget has often included provisions that caused recurring spending to rise at a faster pace than recurring revenue, creating structural imbalances and recurring budget gaps. Such gaps have generally been closed through the use of short-term solutions, frequently addressing only a single year, a practice which exacerbated the problem of structural imbalance in subsequent years.

While the State has taken steps to restrain spending growth in recent years, certain other budgetary actions have created revenues or spending reductions that are only temporary, such as the proposed new PIT surcharges on high incomes. Although these measures can help to balance annual budgets, they worsen the State's structural imbalance over time. In addition, the State has enacted certain recurring increases in spending programs as well as tax reductions that add to the challenge of achieving structural balance.

For the scope of the Executive Budget Financial Plan period, which reflects estimated gaps from the current year through one additional year (SFY 2024-25), DOB projects a cumulative total gap of \$41.9 billion. The 30-Day Amended Financial Plan indicates that the current year gap of \$3.2 billion will be closed with available resources (leaving a surplus of \$1.6 billion for use in reducing out-year costs). For the upcoming State fiscal year through SFY 2024-25, the projected General Fund gap averages \$9.7 billion annually. After Executive Budget actions, cumulative out-year gaps are projected to total \$10.8 billion, including \$902 million, \$3.6 billion and \$6.2 billion, respectively, in SFYs 2022-23 through SFY 2024-25. These amounts reflect proposed gap-closing actions in the Executive Budget Financial Plan, including unspecified local assistance actions ranging from \$2 billion to \$1.6 billion annually, and revenue actions that decline from \$6.6 billion in SFY 2022-23 to \$2.3 billion in SFY 2024-25.

The 30-Day Amended Executive Budget gap-closing plan requires \$5.9 billion in new federal assistance to offset the General Fund current services gap of \$9.5 billion. However, the non-recurring federal funding will be used in part to pay for recurring spending, as previously noted.

Non-Recurring and Temporary Resources

The 30-Day Amended Executive Budget includes \$14.9 billion in SFY 2021-22 resources that the Office of the State Comptroller identifies as either temporary (more than one year but not permanent) or non-recurring (one year), as shown in Figure 2. While this list may not reflect the entirety of the Budget's reliance on temporary resources, it presents the most significant items. More than half of the total results from temporary federal assistance.

Figure 2

Temporary and Non-Recurring Resources in SFY 2021-22	
(in millions of dollars)	
SFY 2021-22	
Temporary or Non-Recurring Proposed in SFY 2021-22	
New PIT Top Rate Surcharge	1,537
Medicaid Across the Board Reductions	467
STARC Refinancing	170
Molina Healthcare Payment	110
Various Sweeps	71
New York Power Authority Transfer	20
Secured Hospital Refinancing	15
NYSERDA Transfer to EPF	5
<i>Subtotal</i>	<i>2,395</i>
Previously in Law or Outside Budget Process	
PIT Top Rate Extension	3,972
High Income Charitable Deduction Limit	175
Health Care Transformation Fund	138
Housing Finance Agency	66
Mortgage Insurance Fund	63
CUNY Asset Sales	60
New York Power Authority Repayment Adjustment	(43)
<i>Subtotal</i>	<i>4,431</i>
Federal Assistance	
Education Funding	3,464
Unrestricted Federal Assistance	3,000
Medicaid Reimbursement (FMAP)	995
FEMA Reimbursement for SFY 2020-21 Costs	600
<i>Subtotal</i>	<i>8,059</i>
Total State Temporary and Non-Recurring Resources	14,885

Sources: Division of the Budget and Office of the State Comptroller

Notes: Projections for the existing PIT provisions were not updated in the Executive Budget Financial Plan. These projections are based on actual and projected collections relative to Plan.

Reserves

DOB projects that the combined balances in the State's two largest statutory, or restricted, reserve funds – the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund – will total just under \$2.5 billion as of March 31, 2021, representing approximately 3.3 percent of General Fund expenditures. No additional deposits are anticipated at this time.

In addition to the State's restricted reserves, the General Fund also has unrestricted fund balances, which include unspent balances from monetary settlement funds that have already been designated for certain purposes. DOB projects that appropriated settlement funds remaining in the General Fund will total \$2.2 billion at the end of the current fiscal year. Additional settlement resources totaling \$1.5 billion have been set aside within the General Fund for economic uncertainties, including \$600 million collected in SFY 2020-21.

Figure 3 details restricted reserves and unrestricted balances within the General Fund. The figures for SFY 2021-22 through SFY 2024-25 are estimates by the Office of the State Comptroller based on projected use of reserves in the 30-Day Amended Executive Budget.⁴ The Financial Plan does not provide projections of out-year General Fund balances.

Figure 3

**Statutory Reserves and Unrestricted General Fund Balance,
Estimated and Projected Year End**
(in millions of dollars)

	2020-21 Estimate	2021-22 Proposed	2022-23 Projected	2023-24 Projected	2024-25 Projected
Statutory Reserves (Restricted)					
Tax Stabilization Reserve Fund	1,258	1,258	1,258	1,258	1,258
Rainy Day Reserve	1,218	1,218	1,218	1,218	1,218
Contingency Reserve Fund	21	21	21	21	21
Community Projects Fund	15	15	15	15	15
Refund Reserve (Unrestricted)					
Debt Management	500	500	500	500	500
Undesignated Fund Balance	550	2	2	2	2
Economic Uncertainty	1,490	1,490	1,490	1,490	1,490
Monetary Settlement Proceeds	2,185	1,226	479	134	-
Total	7,237	5,730	4,983	4,638	4,504

Sources: Division of the Budget, Office of the State Comptroller

Note: DOB does not provide gap-closing plans for the out-years of the Financial Plan. The projected unrestricted General Fund balance reflects planned use of such funds in the Plan period and assumes that none of the remaining balance is used to address out-year projected gaps. DOB considers these resources reserved for certain purposes.

Total restricted reserves and unrestricted General Fund balance are projected to be \$7.2 billion at the end of the current fiscal year, before declining by approximately \$1.5 billion in the coming year due to expected transfers to the Dedicated Infrastructure Investment Fund (DIIF) and the use of undesignated fund balance.

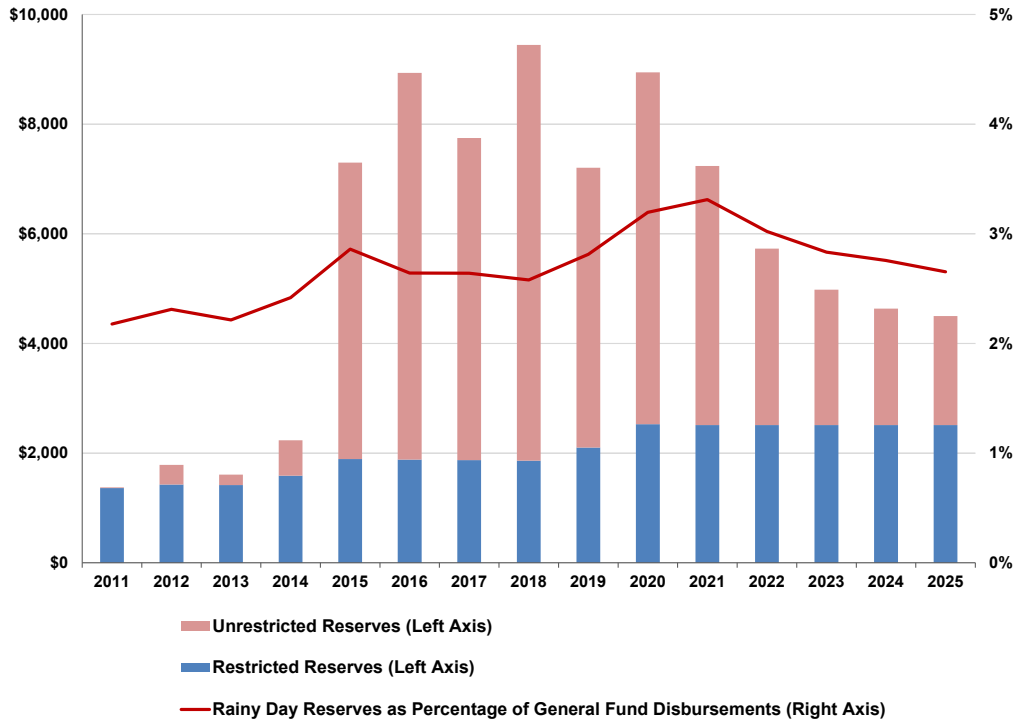
Figure 4 shows historic and projected General Fund reserves from SFYs 2010-11 through 2024-25, including restricted reserves, as well as reserves as a percentage of General Fund spending. At the end of SFY 2019-20, New York's rainy day reserves were equivalent to 3.2 percent of General Fund spending. This percentage is projected to remain relatively constant over the Financial Plan period, gradually dropping to 2.7 percent by SFY 2024-25.

⁴ Amounts for SFY 2020-21 are Financial Plan estimates. For projected use of reserves, see DOB, *FY 2022 Executive Budget Financial Plan*, January 2021, page T-1.

The Office of the State Comptroller has advanced a proposal to strengthen New York State’s statutory rainy day reserves.⁵ The plan, which provides a disciplined, consistent approach to building these reserves, would help to ensure that more robust reserves are built over time to be available during the next economic downturn or catastrophic event.

Figure 4

**Actual and Projected Rainy Day Reserves
and Unrestricted General Fund Balance and Other Reserves**
(in millions of dollars and percentage of General Fund disbursements)



Sources: Division of the Budget, Office of the State Comptroller

As in recent years, the Financial Plan includes a line called “Reserve for Transaction Risks” in its accounting of transfers from other funds.⁶ This is not a formal reserve but a means to provide the Executive with flexibility in managing the General Fund. If spending is higher or receipts are lower than anticipated, this figure can be adjusted to increase projected General Fund receipts. The amounts indicated in the Financial Plan for this purpose are \$250 million in the current year and \$1 billion in the coming year, declining back to \$500 million in SFY 2024-25.

Risks to the Financial Plan

As with any projections, the Financial Plan is subject to various risks and uncertainties. This year’s Executive Budget relies to a great degree on federal assistance that has not yet been enacted. In addition, the contingency actions proposed if the anticipated federal aid does not materialize represent a further source of risk, given the uncertainty regarding the nature of such savings and their timing. Potential actions to achieve savings also create uncertainty for Medicaid beneficiaries, local governments, health care providers, insurers and purchasers of health coverage in New York State.

⁵ For additional information on the State’s rainy day reserves, see the Office of the State Comptroller’s report, *The Case for Building New York State’s Rainy Day Reserves*, Dec. 2019; available at: <https://www.osc.state.ny.us/reports/budget/2019/rainy-day-reserves-2019.pdf>.

⁶ See page T-194 in the FY 2022 Executive Budget Financial Plan.

- **Federal Aid.** Federal aid, projected at \$80.1 billion, represents more than 41 percent revenue expected in SFY 2021-22, providing essential support for health care, education, transportation and other purposes. Based on the new administration's proposed \$1.9 trillion COVID relief plan, which would include \$350 billion for states and municipalities, \$3 billion of new aid is anticipated in each of SFYs 2021-22 and 2022-23. If the amount of federal aid reaches the full \$15 billion requested by New York, the Executive Budget includes a contingency appropriation. At this time, the precise form and amount of federal aid is unknown; however, it appears likely that the final package will provide more than the \$6 billion currently anticipated. If more than \$6 billion is provided, proposed spending reductions and tax increases might be avoided.
- **Economic Risks.** New York relies heavily on revenues, particularly the personal income tax, that are highly sensitive to changing economic conditions. The economy is still recovering from the COVID-related decline of 2020, and is projected to take some time to reach pre-pandemic levels. Unemployment levels remain high, and while they are projected to decline over the life of the Financial Plan, the economy is still in flux and a variety of COVID issues remain. As outlined in the section of this report on Reserves, no additional deposits to rainy day reserves are anticipated and unrestricted reserves are forecast to decline over the Financial Plan period as such resources are used for various already-planned purposes. Such declines would leave the State with increasingly limited flexibility to respond to further economic downturns or catastrophic events. More robust reserves could reduce the need for such measures going forward.
- **Projected Health Care Savings.** The SFY 2020-21 Enacted Budget included Medicaid savings actions totaling \$2.2 billion, including actions to reduce spending for long-term care, care management, pharmaceuticals, and hospitals, among other items. Certain actions did not receive federal approval for implementation in SFY 2020-21. The 30-Day Amended Executive Budget would continue these actions, and proposes new actions totaling more than \$400 million. If these actions do not provide the anticipated savings and/or required federal approvals do not occur as planned, costs could exceed current projections.
- **Public Health Enrollment.** Enrollments for public health programs including Medicaid, the Essential Plan and Child Health Plus are projected to increase by 13.7 percent to over 8.4 million people in SFY 2020-21, largely due to the pandemic economy and the loss of employer-provided health insurance. The Executive Financial Plan projects enrollment will decline by less than 1 percent in SFY 2021-22 to nearly 8.4 million. Although the amended Financial Plan includes increased projected spending in SFYs 2021-22 and 2022-23, if enrollment growth continues beyond current projections, additional costs will follow.
- **Disproportionate Share Hospital (DSH) Payments.** Federal law requires State Medicaid programs to make DSH payments to provide additional reimbursement to certain qualifying hospitals that serve a large number of Medicaid and uninsured individuals based on numbers of low-income patients. Under current federal law, these payments are scheduled to be reduced in federal fiscal years 2024 through 2027. Congress has delayed these cuts several times in recent years. While not a current year risk, estimated implementation of the reductions could cost New York hospitals more than \$5 billion in federal and State funding.
- **Ongoing Legal Challenges to the Affordable Care Act (ACA).** In December 2019, a federal appeals court upheld a lower-court ruling that the individual mandate element of the ACA is no longer constitutional, and returned the case to a lower court for consideration of whether the overall act must be struck down. The Supreme Court heard the case in November 2020; a decision is expected in spring or summer 2021.

Transparency, Accountability and Oversight Issues

Certain elements of the Executive Budget fall short with respect to high standards of transparency, accountability and oversight. Several of these shortcomings could undermine the State's basic responsibility to ensure that its budgets and financial reporting provide accountability, and promote an accurate understanding of how public resources are generated and spent. The subsections that follow outline some of these concerns, as well as certain procurement-related issues in the proposed Budget.

Executive Discretion to Manage and/or Reshape the Budget

The Executive Budget includes language in several appropriations which provides significant flexibility to the Executive after enactment of the Budget. Such flexibility could be used, for example, to increase, decrease or change the use of billions of dollars of spending. While these provisions may provide flexibility in mitigating Financial Plan risk or otherwise managing the Budget, they also leave uncertainty as to how their use might affect important programs and services, State agencies, local governments, nonprofit organizations and individual New Yorkers who rely on State funding.

The 30-Day Amended Executive Budget includes a special emergency appropriation of \$9 billion which may be made available to avert certain spending reductions if the State receives its requested target of \$15 billion in unrestricted federal aid by August 31, 2021. (The appropriation amount reflects the difference between the \$6 billion in unrestricted federal aid expected in the Financial Plan and the requested \$15 billion.) The Financial Plan also references an amount of \$3.7 billion that could be used to avoid tax increases if the \$15 billion is received. While a schedule is provided allocating \$5.25 billion to various purposes, including aid to school districts and local governments, mass transit, and health and human services, the appropriation does not require that federal funds received be used for these purposes.

This emergency appropriation can only be used if the State receives "no less than" \$15 billion. It appears increasingly likely that the new Administration in Washington, working with Congress, will provide the State with a meaningful amount of unrestricted aid. However, this proposed appropriation, intended to restore potentially damaging cuts to school districts, local governments, health and human services, could not be accessed if the State receives an amount less than \$15 billion. The Budget is unnecessarily opaque with respect to how the State would use billions of dollars in unrestricted federal aid under that scenario.

Other provisions provide an additional \$53 billion of new appropriation authority directly related to federal COVID-19 aid (see Federal Pandemic relief section), for a total of \$62 billion. The appropriation flexibility and discretion provided for these appropriations throughout the Budget could leave the allocation of such extraordinary funds entirely at Executive discretion.

The 30-Day Amended Executive Budget includes the creation of a COVID-19 Extraordinary Relief Fund. Revenues from newly enacted taxes, increased rate of existing taxes, and the elimination of tax credits or deductions in SFY 2021-22 would be deposited in the Fund. A \$3 billion appropriation from the Fund is proposed to provide various local assistance grants or loans and would be disbursed under an expenditure plan approved by the Budget Director. This would also place significant State resources solely under the discretion of the Executive.

New Aid to Localities language would subject certain local assistance payments to an undetermined level of reductions. The Budget would be deemed “unbalanced” if less than \$3 billion in unrestricted federal aid is received as of August 31, 2021. If that occurs, spending from local assistance appropriations would then be withheld across-the-board by the Director of the Budget, with exceptions for school aid, public assistance, debt-related costs and certain other obligations. If implemented, these cuts would compound the challenges facing local governments, not-for-profit service providers and others.

In addition, the Budget would authorize the Director of the Budget to withhold funding from local government entities that have a police agency and fail to file certification of compliance with Executive Order 203, regarding reform of local police departments, by April 1, 2021.

The Budget also includes State Operations language, first enacted in SFY 2020-21, that provides the Executive significant flexibility to shift resources among departments, agencies or public authorities after Budget enactment.⁷ Transfers of funds from State agencies to public authorities could reduce oversight and control of such resources.

To address the challenges and uncertainty arising from the pandemic, the SFY 2020-21 Enacted State Budget granted the Executive extraordinary powers and discretion to reshape the Budget, creating tremendous uncertainty for local governments, schools, service providers and other not-for-profit organizations. Given the improved financial outlook for the State, it is unclear whether continuing such extraordinary powers is warranted.

Debt Accountability

The Executive Budget proposes to once again suspend important provisions of the Debt Reform Act of 2000, including the State’s statutory caps on debt outstanding and debt service, as well as the requirement that debt be issued only for capital purposes, for new debt issued in the coming fiscal year, and adds a new proposal to suspend the 30-year maximum term limitation for State-supported debt.

The Debt Reform Act was enacted to promote the responsible and sustainable use of debt. Along with short-term note issuances for cash flow needs and \$1.8 billion for the proposed refinancing of certain New York City bonds, this proposal would omit a total of approximately \$19.5 billion in new money debt issuances from the State’s cap on debt outstanding during the two years that the provisions would be suspended, SFYs 2020-21 and 2021-22. This would equal more than 44 percent of the estimated total debt included in the cap for SFY 2021-22.

The State’s statutory debt caps have provided useful guardrails for the affordability of State debt levels for over 20 years. The exclusion of new debt issuances from the State’s debt limits for a second year in a row raises troubling questions about the sustainability of New York’s State-supported debt issuance levels, and eliminating the 30 year maturity limit also merits concern. If the \$19.5 billion in new money debt issuances were not excluded, the State would exceed the debt outstanding cap in SFY 2021-22. Continuing to circumvent the statutory debt caps, because the increased level of new debt issuances exceeds what the debt limits are intended to allow, would render the State’s debt cap functionally meaningless.

⁷ See the SFY 2020-21 State Operations budget bill (S.7500-C/A.9500-C) Section 1, subdivision e, available at https://www.assembly.ny.gov/leg/?default_fld=&leg_video=&bn=S07500&term=2019&Summary=Y&Text=Y#jump_to_Text.

In addition, the Budget provides for \$11 billion in proposed extended short-term borrowing authorizations. While all the factors that drove the need for short-term borrowing during SFY 2020-21 have not disappeared, the level of concern has diminished due to reduced uncertainty and the improved economic outlook. It is now questionable whether these proposals are necessary, especially at the proposed levels. These authorizations would also permit such short-term borrowings to be rolled over into future years, and to be refunded into long-term deficit financing bonds. Although not expected at this time, the use of long-term State-supported debt to finance current operating expenses is a troubling option that should only be considered as a last resort, after other more responsible alternatives have been explored.

Financial Management Transparency

The pandemic has created a tremendous fiscal challenge for the State, and some of the resulting financial management actions have been necessary. However, other actions represent cause for concern. Projected disbursements for SFY 2020-21 reflect timing adjustments used for budget relief, including deferring Medicaid payments across fiscal years and delaying the employer's share of Social Security taxes for State employees (the latter as authorized under the federal pandemic relief legislation).

In the Executive Budget, similar timing shifts are contemplated for Medicaid and certain education payments. The proposal includes deferring certain non-public school aid payments to the fourth quarter of the school year, and thus into the first quarter of the upcoming State fiscal year, for a one-time savings of \$110 million in SFY 2020-21.

Manipulating the timing of payments to fill budget holes is a fiscal maneuver that can worsen the State's structural budget gap between recurring revenues and spending, increase the difficulty of balancing the budget each year, and further contribute to cash flow pressures for the State and other entities, such as local governments, schools, and service providers. Such practices are troubling reminders of certain historical practices that resulted in large accumulated State deficits and, ultimately, required fiscal reforms tied to the borrowing of billions of dollars to address.

Ongoing Shifts in Definition and Use of the Medicaid Global Cap

Since enactment of the SFY 2011-12 Budget, the State has statutorily limited certain Department of Health (DOH) spending, primarily in Medicaid. Starting April 1, 2012, such spending has been limited to a percentage based on the medical component of the Consumer Price Index, a limitation known as the indexed portion of the Medicaid Global Cap. Enacted Budgets and administrative actions since then have moved certain elements of the multifaceted Medicaid program into or out of the Cap – and at times have reversed such shifts with regard to similar expenses. Such ongoing changes increase the challenge of analyzing trends in Medicaid spending.

The Financial Plan indicates that a \$3.1 billion imbalance in the Medicaid Global Cap in SFY 2020-21 will be addressed by \$2.2 billion in savings actions and increased General Fund support, and assumes the continued deferral of all or part of \$1.7 billion in State share Medicaid payments from March to April 2021, following significant deferrals in each of the past two years. This deferral is expected to be continued in whole or in part through at least SFY 2024-25, to keep Medicaid spending nominally under the Global Cap.

Savings proposed in the Executive Budget, combined with previous year savings actions and the continued deferral of payments, are expected to keep Medicaid Global Cap spending growth within statutorily allowable levels for the year, according to DOB. The Budget proposes to extend the Global Cap, as well as the Health Commissioner's authority to develop and implement a plan to reduce Medicaid spending if it is projected to exceed the Cap, for an additional year through March 2023.

The Financial Plan reflects the continuation of the Global Cap, and forecasts allowable Medicaid growth that assumes the extension of the Cap, in subsequent years. Given repeated actions to move certain elements of Medicaid and other programs into or out of the Global Cap, policy makers should consider whether the Cap contributes meaningfully to effective management of the program, which is projected to spend \$86.2 billion in the coming year and \$88.3 billion by SFY 2024-25, inclusive of federal, State, and local funding.

Accounting Standards

Many appropriations in the Budget Bills include "refund of appropriation" language which has been interpreted by the Executive to allow certain revenues to be used to refund amounts spent on an existing appropriation. In certain instances, a credit to the original appropriation is proper -- for example, if there has been a refund of a legitimate overpayment within a given program. However, the widely expanded use of this language has the potential to artificially reduce the appearance of true liabilities and reported receipts and disbursements of the State.

In addition, the proposed Budget includes language, first enacted in SFY 2020-21, expressly directing the Office of the State Comptroller to credit the original appropriation and "reduce expenditures in the year in which such credit is received regardless of the timing of the initial expenditure." These provisions, which do not include any dollar limitation, could result in actual spending beyond amounts set forth in the appropriation in a given fiscal year, and may further cloud the picture of true spending growth.⁸

Independent Oversight and Procurement Integrity Provisions

The Executive Budget includes provisions that would bypass existing statutory requirements that are intended to ensure procurement integrity. In certain instances, the Budget proposes to eliminate the competitive bidding process, notice provisions and the Office of the State Comptroller's contract review authority.

Under Section 112 of the State Finance Law, the Office of the State Comptroller conducts an independent review of most State agency contracts. Under Section 2879-a of the Public Authorities Law, the Comptroller also has the authority to review certain public authority contracts. This independent review of contracts protects taxpayers, agencies, not-for-profit organizations and other vendors contracting with the State by validating that a contract's costs are reasonable, that its terms are favorable to the State, and that a level playing field existed for bidders. Such an independent review serves as an important deterrent to waste, fraud and abuse, and further ensures that the State is contracting with responsible vendors.

The Budget would extend for an additional five years, until 2026, current law that allows SUNY and CUNY colleges, SUNY hospitals and SUNY and CUNY Construction Funds to enter into

⁸ For further discussion of this issue, see the Office of the State Comptroller's SFY 2020-21 Report on the Executive Budget, February 2020.

certain contracts without the prior approval of the Comptroller. Removal of the Comptroller's prior review of these contracts reduces important oversight of these procuring State agencies that is designed to prevent fraud, waste and abuse before it occurs, while also weakening transparency and accountability. In 2019, a Memorandum of Understanding (MOU) among the Governor, the Comptroller, SUNY, CUNY, and the SUNY and CUNY Construction Funds restored the Comptroller's oversight of certain SUNY and CUNY contracts previously exempted from review. While the MOU represents a step toward ensuring important taxpayer protections, in the long term, contract oversight provisions such as these should be embodied in law, and these exemptions should not be extended.

The Executive is also proposing language to allow SUNY to purchase services and technology by consortium, which is currently not allowed under statute. Consortium agreements can provide low pricing based on the purchase of volumes of like items, such as certain commodities. However, when purchasing services and technology, the State Finance Law requires a best value approach which considers both technical and cost factors; therefore, purchases from a consortium may not be optimally structured for an agency's unique requirements. In addition, authorizing the use of a consortium for service and technology purchases could limit competition, and potentially take opportunities away from Minority- and Women-Owned Business Enterprises (MWBEs), Service-Disabled Veteran-Owned Businesses (SDVOBs) and small businesses in New York.

Several appropriations and reappropriations in the Executive Budget would eliminate the Comptroller's oversight and/or waive competitive bidding procedures for certain contracts. One example authorizes \$2 billion to fund "emergency and unanticipated expenditures of the State" pursuant to purposes set forth in Section 53 of the State Finance Law. A similar appropriation was included in the SFY 2020-21 Enacted Budget. However, the amount has doubled this year and the proposed appropriation contains new language exempting such spending from the Comptroller's contract pre-review and competitive bidding procedures.

Another \$6 billion would be authorized to be transferred by the Executive to cover services and expenses for a broad variety of purposes including additional personnel, equipment and supplies, travel costs and training, as well as responding to the direct and indirect economic, financial, or social effects of COVID-19. This \$6 billion would be expressly exempt from the Comptroller's contract pre-review and competitive bidding procedures.

The Budget contains several other examples of proposed spending that would bypass competitive bidding and the State Comptroller's contract review authority, including appropriation language within a federally funded education program and over \$5 million in new spending authority and reappropriations for emergency assistance grants distributed by the Commissioner of Health. The Budget would also eliminate competitive bidding requirements for over \$860 million in DOH capital projects reappropriations.

Language in the Aid to Localities and Capital Projects budget bills would permit DOH, the Division of Housing and Community Renewal and the Department of Mental Hygiene to renew contracts with certain service providers, subject to approval by the Budget Director, that were executed on or before March 31, 2021, without any competitive bidding.

The Budget proposes authorization of a new procurement methodology for the Office of Information Technology Services (ITS). This would permit the use of a design-build method in

procuring comprehensive technology service contracts, allowing for one bidder to obtain a contract for both the design and implementation of the designated IT system. The proposal outlines a new method for ITS but also dispenses with current requirements in the awarding of such contracts that assist in providing a fair and competitive process among all bidders.

The Executive Budget also includes:

- Permission for NYSERDA to create “single purpose project holding entities” to contract with bidder-developers under the Clean Energy Resources Development and Incentives “build-ready program.” This could potentially remove important oversight and transparency otherwise applicable to State authority contracts.
- An increase from \$15,000 to \$50,000 in the threshold at which the Thruway Authority’s contracts are subject to certain procurement requirements, exempting goods and services contracts under that level from being subject to Board procurement guidelines and impacting annual reporting requirements.
- Changes to the MTA and New York City Transit Authority’s bidding processes, including the elimination of sealed bidding requirements, reduced publication and notice requirements, expanded permission to “piggyback” off contracts awarded by the federal government or states other than New York, and extension of alternative and discretionary procurements.

This overview of lapses from the highest standards of transparency and accountability in the proposed Executive Budget ranges widely – from the suspension of key Debt Reform Act provisions to the shifting definitions of the Medicaid Global Cap, from the erosion of mechanisms that ensure procurement integrity to the persistence of extraordinary Executive budget powers past the period of the most extraordinary challenges. These varied examples serve as reminders that transparency and accountability are not discretionary luxuries, but are essential elements for sound, democratic governance.

III. Federal Pandemic Relief

Federal Relief Received by New York

In response to the COVID-19 pandemic, the federal government has enacted five major laws that provide relief and stimulus funding to state governments, localities and other municipal entities, as well as individuals, businesses and non-profit organizations. Certain funding has been targeted to institutions of higher education and health care providers. Presidential action in August 2020 also provided Disaster Relief Fund grants for states to provide additional Unemployment Insurance benefits through the Lost Wages Assistance (LWA) program. Estimates by DOB indicate the State will receive \$27.1 billion in funding through these actions, as shown in Figure 5. Most of this aid flows through the State Budget.

Figure 5

Federal Pandemic Relief to New York (Multiple State Fiscal Years)
(in millions of dollars)

Education Stabilization Fund	7,125
CARES	1,781
CRRSA	5,344
Enhanced Federal Medicaid Assistance Percentage (eFMAP)	5,564
Coronavirus Relief Fund (CARES)	5,136
Labor	4,265
Epidemiology	1,478
Housing	862
CARES	61
CRRSA (Emergency Rental Assistance Program)	801
Food	362
Transportation	476
CARES	47
CRRSA	429
Community Development	214
Healthcare	9
Other	1,640
TOTAL	27,131

Source: Division of the Budget

The largest category of pandemic-related assistance to the State is \$7.1 billion for education. Within this, the SFY 2020-21 Enacted Budget included \$1.2 billion in funding from the Coronavirus Aid, Relief and Economic Security Act (CARES) enacted in March 2020. These funds were largely used to offset reductions in State-sourced funding for K-12 school aid. \$4.3 billion is projected to flow to the State as a result of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), enacted in December 2020 (the CRRSA also included nearly \$1 billion for SUNY and CUNY institutions). This will also be used to respond to COVID needs, including the use of funds to address learning loss and to upgrade school facilities, particularly related to air quality improvements, among other allowable uses.

Enhanced Federal Medicaid Assistance Percentage (eFMAP) funding increases the rate at which the federal government reimburses New York's Medicaid expenditures from 50 percent to 56.2 percent. eFMAP funding is available during the period of public health emergency, which began January 1, 2020 and currently runs through April 21, 2021. The SFY 2021-22 Executive Budget assumes the State will continue to have access to this increased rate through June 2021, and will receive a total of \$5.4 billion in eFMAP savings. This consists of \$4.5 billion for the State share of Medicaid expenditures and \$969 million for the local share (counties and New York City), along with \$120 million for Child Health Plus to date. However, since the release of the Executive Budget, the federal Department of Health and Human Services informed states that the public health emergency "will likely remain in place for the entirety of 2021."⁹ That would result in additional funding for the State of at least \$1.5 billion, providing budget relief of that amount beyond the level anticipated in the Financial Plan.

The Executive Budget Financial Plan assumes using \$2.5 billion from the \$5.1 billion Coronavirus Relief Fund (CRF) established by the CARES Act to offset State costs associated with the pandemic. However, more of these funds may be available to offset State costs, as detailed later in this section.

While most of the \$27.1 billion in federal funding detailed above flows through the State Budget, certain resources do not. For example, \$1.5 billion was directly provided to institutions of higher education in the State, which have received allocations for coronavirus-related student and instructional aid and additional operating expenses.

Other Financial Plan impacts from available pandemic relief include:

- Spending from federal operating aid, estimated at \$76.6 billion, has increased by 30.2 percent in the current year, in large part due to funding received through CARES.
- Federal education spending for SFY 2021-22 increases by an estimated \$2.6 billion from funding provided in CRRSA.

Federal Relief Anticipated by New York

The Financial Plan assumes the State will be provided an additional \$6 billion in new unrestricted federal pandemic relief— \$3 billion during each of SFYs 2021-22 and 2022-23. (As noted in the Financial Plan section of this report, if \$3 billion in such aid is not received by August 31, 2021, spending reductions would be triggered.) A federal relief plan proposed by President Biden and currently under consideration in Congress would provide \$350 billion to state and local governments, and significant efforts are underway to ensure that New York receives a meaningful share of the funds.

If the State receives "no less than" \$15 billion in unrestricted federal aid by August 31, 2021, a special emergency appropriation of \$9 billion (reflecting the net difference from the \$6 billion in aid assumed in the Financial Plan) may be made available to avert certain spending reductions, as shown in Figure 6. In addition, the Financial Plan identifies \$3.7 billion in tax increases that could be avoided with the receipt of \$15 billion. The Budget is unclear how unrestricted federal aid in an amount more than \$6 billion but less than \$15 billion would be used.

⁹ Letter from United States Health and Human Services Secretary Norris W. Cochran IV to Governors, January 22, 2021.

Figure 6

Potential Uses of Federal Contingency Appropriation
(in millions of dollars)

<u>Special Emergency Appropriation Schedule</u>	<u>Amount</u>
School Districts	1,652
State Education Department	1,600
Human Services	700
Operating Expenses including Personal Services	600
DOH, Municipalities, and Public Health Orgs	400
Mass Transit	200
Local Governments	100
Unscheduled	3,748
Total	9,000

Source: Division of the Budget

New York State's Use of Federal Relief: Budget Appropriations and Estimated Spending

Appropriations provided in the SFY 2020-21 Enacted Budget and proposed in the SFY 2021-22 Executive Budget authorize spending for some of the relief funding provided through federal legislation. These include appropriations of federal Education Stabilization Funds, as provided through the CARES and CRRSA Acts, and transit aid as provided through the CARES Act “or similar COVID-19 emergency response act.”

Special Emergency Appropriations

Prior State Budgets often included special emergency federal appropriations of \$2 billion to allow for emergencies and other special needs. The SFY 2020-21 Enacted Budget included \$30 billion in such appropriations, including a special federal emergency appropriation of \$25 billion, which was used in part to provide UI benefits through the Lost Wages Assistance program.

In addition to the \$9 billion federal emergency appropriation previously outlined, the Executive Budget includes a new \$35 billion appropriation, increased to \$45 billion by the 30-Day Amendments, to spend federal aid to meet unanticipated or emergency expenditures, and to recover from the public health emergency. The 30-Day Amendments specify purposes for this funding such as payments for education; testing and vaccination; rental, heating and energy assistance; and local governments among other purposes.

It also includes a \$6 billion federal Public Health Emergency appropriation, and a \$2 billion Special Emergency appropriation, for a total of \$62 billion of new appropriation authority directly related to Federal COVID-19 aid.

Figure 7 outlines major pandemic relief spending identified in the Financial Plan.

Figure 7

Estimated Disbursements from Federal Relief Funds

(in millions)

	State Fiscal Year	
	2020-21	2021-22
Coronavirus Relief Fund	\$3,947	\$1,193
Enhanced FMAP, State Share	\$3,481	\$995
Enhanced FMAP, Local Share	\$755	\$215
Education: CARES	\$842	\$360
Education: CRRSA	\$0	\$3,104
Emergency Rental Assistance Program	\$0	\$801
Lost Wages Assistance (FEMA)	\$4,200	
TOTAL	\$13,225	\$6,668

Source: Division of the Budget

Coronavirus Relief Fund

The CARES Act established the Coronavirus Relief Fund (CRF) to provide funding to states and local governments to respond to the COVID-19 pandemic. New York State received over \$5.1 billion of CRF funding. New York City and six other local governments also received a total of \$2.4 billion. The most recent federal relief legislation extended the period through which CRF funds can be used until December 31, 2021.

Federal Emergency Management Administration (FEMA) Funds

The Financial Plan anticipates the State will incur approximately \$1 billion of direct pandemic response expenses during SFY 2020-21 that will be eligible for reimbursement from FEMA, and that the Federal share of such costs will be increased from its normal level of 75 percent to 100 percent. The Financial Plan assumes that \$600 million of such FEMA reimbursements will occur in SFY 2021-22, and \$200 million in each of the two years thereafter.

IV. Economy and Revenue

Economic Outlook

In February 2020, the longest economic expansion in recorded U.S. history ended and the national economy went into recession.¹⁰ The economic decline in the second quarter of the year due to the global pandemic was the steepest since the U.S. Bureau of Economic Analysis (BEA) began recording quarterly Gross Domestic Product (GDP) in 1947. On an annual basis, real GDP declined by 3.5 percent in 2020, according to the advance estimate by the BEA released at the end of January.

Nationally, employment declined by 5.8 percent, more than 8.7 million jobs, in 2020.¹¹ With hopes for the pandemic to be brought under control, DOB projects national employment growth to return, and increase 2.7 percent in 2021. While wages were relatively flat in 2020, increasing by 0.6 percent, DOB forecasts much stronger growth of 6.4 percent in 2021. IHS Markit (IHS), in its February 2021 report, anticipated national employment to grow at a slightly slower rate in 2021 than DOB at 1.9 percent, but estimated wages would increase at a more robust rate of 6.7 percent.¹²

As one of the first states hit by the pandemic, New York's economy was more adversely affected than the nation as a whole. IHS estimates that the State's GDP decreased by 5.7 percent in 2020. Preliminary data from the State Department of Labor shows that employment in New York declined by 9.9 percent, nearly 970,000 jobs less than in 2019, with most of those losses in the private sector. Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor Statistics show total New York wages paid in the first half of 2020 were 1.3 percent lower than those for the same period in 2019. On an annual basis, DOB estimates wages declined by this same rate.

DOB expects both employment and wages in New York to exhibit robust growth in the next fiscal year, increasing by 8.7 percent and 5.2 percent, respectively. The strong growth in total personal income, 6.0 percent, estimated by DOB in SFY 2020-21 is primarily the impact of the federal pandemic relief bills which provided stimulus checks and enhanced unemployment benefits to individuals. DOB projects a deceleration in personal income growth in SFY 2021-22 due to the absence of this federal relief. Figure 8 compares DOB's forecast to that of IHS.¹³

Figure 8

New York State Economic Indicators: Two Perspectives

(percentage change)

	2020 Estimated		2021 Projected	
	DOB	IHS	DOB	IHS
Employment	(12.2)	(9.9)	8.7	2.1
Wages	(2.5)	(1.5)	5.2	7.2
Personal Income	6.0	5.2	(1.0)	3.4

Sources: Division of the Budget, IHS Markit February 2021 Regional Forecast

Note: DOB figures are on a State fiscal year basis.

¹⁰ The National Bureau of Economic Research reports business cycle expansions and contractions from December 1854 to present.

¹¹ U.S. Bureau of Labor Statistics, preliminary data.

¹² IHS Markit is a data and information services firm that produces economic forecasts.

¹³ IHS includes the passage of additional federal relief legislation in their projections while DOB does not.

Revenue

All Funds Revenues

DOB estimates All Funds revenues in the current fiscal year (including federal receipts) will total \$195.1 billion, an increase of 10 percent or \$17.7 billion from SFY 2019-20. This increase is primarily attributable to a 29.2 percent increase in federal receipts, inclusive of various federal relief packages. Total tax collections are estimated at \$79.3 billion, down \$3.5 billion or 4.3 percent.

For SFY 2021-22, All Funds revenues are projected by DOB to total \$192.8 billion, a decrease of 1.2 percent or \$2.3 billion. Total tax collections are projected to increase to \$85.1 billion, reflecting growth of \$5.8 billion (7.3 percent), driven by the return of economic growth as well as proposals to increase revenues, such as the proposed surcharge on high income taxpayers.

More than offsetting the stronger tax collections within All Funds revenues are projected declines in Miscellaneous Receipts and federal receipts of 13 percent and 4.7 percent, respectively. The decrease in Miscellaneous Receipts includes the absence of one-time monetary settlements and proceeds from short-term borrowings in SFY 2020-21. The decline in federal receipts primarily reflects the one-year effect of certain federal fiscal relief packages.

Proposed Revenue Actions

The Executive Budget's proposed revenue actions include measures that are projected to produce net increases in All Funds revenues of \$1.9 billion in SFY 2021-22 and \$1.8 billion in SFY 2022-23. Figure 9 shows the estimated fiscal impact of the proposed changes.

Figure 9

Proposed Revenue Actions (in millions of dollars)

	SFY 2021-22	SFY 2022-23	SFY 2023-24	SFY 2024-25
Personal Income Tax	1,895	1,727	1,524	679
Temporary High Income Surcharge	1,537	1,404	1,195	367
Delay Middle Class Tax Cut by One Year	394	403	445	464
Shift of Certain STAR Recipients to STAR Credit	(36)	(80)	(116)	(152)
Consumption/Use Taxes	28	134	178	268
Licensing and Taxation of Adult-Use Cannabis	20	118	162	252
Sales and Use Tax on Vacation Rental Marketplace Providers	10	18	18	18
Extension of Alternative Fuels Credit	(2)	(2)	(2)	(2)
Business Taxes	(35)	(98)	(21)	(33)
Tax Credits under the Pandemic Recovery and Restart Program	(35)	(90)	-	(4)
Extension of Low Income Housing Credits	-	(8)	(16)	(24)
Tax Credits for Employer Provided Child Care	-	-	(5)	(5)
Tax Enforcement	17	17	17	17
Update Tax Preparer Regulation and Enforcement	15	15	15	15
Increase Wage and Withholding Filing Penalty	2	2	2	2
All Other Revenue Actions	5	19	6	5
TOTAL ALL FUNDS IMPACT OF REVENUE ACTIONS	1,910	1,799	1,704	936

Source: Division of the Budget

Personal Income Tax

For the current fiscal year, PIT collections are estimated at \$53.0 billion, a decrease of \$618 million, or 1.2 percent from the previous year. The primary driver for the decrease is the economic consequences of the pandemic. Offsetting a portion of the decline is a reduction in refunds due to the expiration of the Property Tax Relief Credit and a reduction in the administrative cap on refunds to be paid in the fourth quarter of the fiscal year.

Total PIT collections in SFY 2021-22 are projected to increase by \$4.5 billion or 8.4 percent to \$57.5 billion. Factors in this increase include projected growth in employment and wages, as well as the proposed temporary surcharge on high income taxpayers and the pause in the phase-in of the middle class tax cuts that were enacted in 2016. These proposals would increase PIT collections by \$1.9 billion in SFY 2021-22 and by \$1.8 billion in SFY 2022-23.

Taxpayers with incomes over \$5 million would be subject to a surcharge ranging from 0.5 percent to 2 percent of their taxable incomes for tax years 2021, 2022, and 2023. In tax year 2021, taxpayers may prepay their estimated surcharge for tax years 2022 and 2023 and receive a deduction for a portion of the prepayments in tax years 2024 and 2025. Figure 10 shows the combined PIT rate and the approximate number of taxpayers at the affected income levels.

Figure 10
Proposed Surcharge Rates and Estimated Numbers of Affected Taxpayers

Adjusted Gross Income	Surcharge	Combined Tax Rate	Taxpayers
\$5 million to \$10 million	0.50%	9.32%	11,149
\$10 million to \$25 million	1.00%	9.82%	7,252
\$25 million to \$50 million	1.50%	10.32%	
\$50 million to \$100 million	1.75%	10.57%	300
Over \$100 million	2.00%	10.82%	

Source: New York State Department of Taxation and Finance, 2018 PIT Study File

Note: Due to disclosure rules, the estimated number of taxpayers cannot be shown for each income level.

Proposed amendments to increase the amount of the STAR (School Tax Relief) tax credits (see STAR section of this report) and proposals relating to enforcement are projected to reduce PIT revenues by a net \$19 million in SFY 2021-22, and by a net \$63 million in SFY 2022-23.

Consumption and Use Taxes

For SFY 2020-21, All Funds collections from the sales and use tax, and other consumption and use taxes, are estimated at \$16 billion, a decrease of \$2 billion or 11.2 percent. Slightly offsetting the large decline in receipts from the adverse economic consequences of the pandemic were the full year impacts of the taxes on internet marketplace sales, opioids, and vapor products that were enacted in SFY 2019-20.

In SFY 2021-22, consumption and use tax collections are projected to increase to \$17.1 billion, up by \$1.1 billion or 6.8 percent. Sales and use tax receipts, the largest component of this category, are projected to increase by 7.2 percent.

Executive proposals affecting consumption and use taxes are projected to increase State revenues by a net \$27 million in SFY 2021-22, increasing to a net \$134 million in SFY 2022-

23. These include the taxation of adult-use cannabis and the collection of State and local sales taxes by vacation rental providers (such as Airbnb and VRBO).

The proposed authorization of adult-use cannabis differs from that introduced last year, as the tax would be imposed on the THC content of the cannabis as opposed to the weight. The taxes and fees would be as follows: 0.7 cents per milligram of THC for cannabis flowers, 1 cent per milligram of THC for concentrated cannabis, and 4 cents per milligram of THC for edibles; 10.25 percent on retail sales, as well as State and local sales taxes; and a biennial registration fee of \$600 to be paid by wholesalers.

These taxes and fees would be deposited to a new State fund, the Cannabis Revenue Fund. A portion of these revenues would be allocated to a Cannabis Social Equity Fund as follows: \$10 million in SFY 2022-23, \$20 million in SFY 2023-24, \$30 million in SFY 2024-25, \$40 million in SFY 2025-26, and \$50 million annually thereafter. DOB projects State receipts of \$20 million in SFY 2021-22, rising to \$252 million three years later.

Business Taxes

All Funds business tax collections are estimated at \$8.2 billion in SFY 2020-21, down \$818 million or 9.1 percent. Besides the decline in corporate receipts due to the pandemic, other factors contributing to the decline are lower gasoline prices, the final phase of the elimination of the capital base tax under the corporate franchise tax, and decreased audit collections. Mitigating a portion of this decrease are audit collections relating to the repealed bank tax.

For SFY 2021-22, All Funds business tax collections are projected at \$8.4 billion, rising \$260 million or 3.2 percent. While collections from petroleum business taxes would be affected by the decline in gas prices that occurred in 2020 and are reflected in the 2021 tax rates, the impact would be offset through the projected increase in economic activity. Revenues from other taxes in the category (corporate franchise, corporate utilities, and insurance taxes) are also projected to grow as a result of the expected economic rebound.

Pass-Through Entity Tax

The Executive Budget includes a proposal to create the Pass-Through Entity tax. On November 9, 2020 the Internal Revenue Service issued Notice 2020-75 regarding proposed regulations addressing the full deductibility for federal income tax purposes of state and local income taxes (SALT) paid by pass-through entities, such as partnerships or S-corporations. The proposed regulations clarify that entity level taxes paid upon the net income of a partnership or S-corporation on or after November 9, 2020 are not subject to the \$10,000 SALT limit.

Partnerships and S-corporations in New York would have the option of paying an entity level tax equal to 6.85 percent of the entity's income. The shareholders or members of these entities would then be able to claim a credit against their personal income taxes for their portion of the pass-through entity tax paid. Any partnership or S-corporation opting to pay the entity level tax would have to make such election annually by December first (or by the last month of the fiscal year for fiscal year filers). DOB estimates that this proposal would be revenue neutral for the State, as the tax credits would offset the entity level taxes paid.

Pandemic Recovery and Restart Program

The Budget proposes the creation of the Pandemic Recovery and Restart Program to provide three different tax credits for the rehiring of employees by small businesses impacted by the

pandemic: the Small Business Return to Work Tax Credit; the Restaurant Return to Work Tax Credit; and the New York City Musical and Theatrical Production Tax Credit. Both the small business and restaurant credits would be equal to \$5,000 per rehired employee, with a maximum credit of \$50,000 per business. The total amount of credits would be capped at \$50 million each, and only businesses with less than 100 employees would be eligible. The small business credit would only apply to businesses in the accommodations or arts, entertainment, and recreation industries.

The Musical and Theatrical Production Tax Credit would be equal to 25 percent of production costs, capped at \$500,000 per production company. Each company would be required to have \$1 million in production costs to be eligible, and the credit could apply to either current or new productions. The total amount of credits to be given would be capped at \$25 million.

All three tax credits would only be available for the 2021 tax year; the restaurant tax credit could be advance refunded. DOB estimates the credits would reduce revenues by \$35 million in SFY 2021-22 and by \$90 million in SFY 2022-23

Other Proposals

All other Executive Budget proposals affecting business taxes are expected to have little to no fiscal impact in SFY 2021-22. These include a proposal to allow businesses in the Excelsior Jobs Program to receive a tax credit equal to 5 percent of the costs of providing child care services, as well as extensions of the low income housing tax credits and alternative fuels exemption for five years.

Other Taxes

Other taxes include the estate tax, the real estate transfer tax, pari-mutuel taxes, the boxing and racing exhibitions tax, and the employer compensation expense tax (ECET). For SFY 2020-21, collections from other taxes are projected to decrease by \$87 million or 3.9 percent, largely reflecting the impact of the pandemic on these taxes. Offsetting some of the decline is an estimated \$143 million (13.4 percent) increase in estate tax collections related to two additional super-large estates compared to SFY 2019-20.

For SFY 2021-22, All Funds collections from other taxes are projected to be \$2.1 billion, a decline of \$52 million, or 2.4 percent. A reduction in the number of super-large estates as well as the conversion of the racing admissions tax to the sales and use tax are the primary factors accounting for the lower revenues.

Collections from the ECET are projected to be \$5.9 million, primarily reflecting an increase in the tax rate from 3 percent to 5 percent. For the 2021 tax year, 328 businesses have chosen to pay this tax, an additional 29 businesses from 2020.

Miscellaneous Receipts

Miscellaneous receipts are projected to decrease by \$4.1 billion, or 13 percent, in SFY 2021-22. This decrease is primarily the result of the factors described earlier in this section, including the absence of one-time monetary settlements and other one-time revenues.

V. Debt and Capital

The Executive Budget SFY 2021-22 Five-Year Capital Program and Financing Plan (Capital Plan or Plan) projects total capital spending of \$73.2 billion through SFY 2025-26.¹⁴ This total includes \$71.1 billion that is reflected in the State's Financial Plan and an additional \$2.1 billion in "off-budget" spending directly from State-Supported public authority bond proceeds.

While capital spending is expected to increase by \$3.4 billion (23.5 percent) in the coming year to \$17.6 billion, that figure is projected to decline in each of the succeeding years, falling to \$12.7 billion in SFY 2025-26. In part, this downward trend reflects the ongoing use of monetary settlement resources that were allocated to capital purposes. The Plan estimates that \$1.4 billion of these resources will be used for capital purposes by the close of the current fiscal year, with the remaining \$2.2 billion expected to be gradually spent down over the next four years.¹⁵ The \$73.2 billion, five-year figure in the newly issued Plan is \$4.9 billion or 7.1 percent larger than the five-year total capital spending projected in the SFY 2020-21 Enacted Budget Capital Plan.

State-Supported debt outstanding is expected to increase by 38.3 percent or \$22.9 billion over the Capital Plan period, and annual debt service is expected to increase by 48.3 percent or \$2.9 billion, excluding short-term debt issued for cash flow needs in SFY 2020-21 and prepayments assumed with the 30-Day Amendments. Both increases reflect the suspension of the Debt Reform Act of 2000 for debt issued during SFYs 2020-21 and 2021-22.

The Budget proposes increasing current bonding authorization for State-Supported debt by nearly \$20.5 billion or 12.6 percent over existing authorizations, including \$10.3 billion for the Metropolitan Transportation Authority (MTA). (This excludes an additional \$11 billion in short-term borrowing authorizations.) However, the Budget also would authorize new State-Supported PIT or Sales Tax bonds to refinance bonds previously issued by the New York City Sales Tax Asset Receivable Corporation (NYC STARC) and to refinance DASNY contingent contractual obligation debt for certain hospitals in the Secured Hospital program, for which the State is paying the total cost of debt service.

Since 2005, the Office of the State Comptroller has reported the level of State-Funded debt, which represents a more comprehensive accounting of the State's debt burden. This measure includes State-Supported debt as defined in the Debt Reform Act of 2000, along with certain other obligations.¹⁶

This section of the report will provide analysis of State-Supported debt and debt service, based on the projections in the State Capital Program and Financing Plan. Figure 11 provides an

¹⁴ The FY 2022 Executive Budget Financial Plan – Updated for Governor's Amendments and Forecast Revisions includes changes to annual debt service projections that were included in the FY 2022 Executive Budget Capital Program and Financing Plan, due to additional funding available in SFYs 2020-21 and 2021-22. However, the Capital Program and Financing Plan was not amended so other related projections have not changed.

¹⁵ An additional \$600 million from monetary settlement resources is informally set aside in the General Fund for "Economic Uncertainties." The \$1.4 billion in spending is offset by the reimbursement of \$1 billion in bond proceeds in relation to the Javits Center Expansion, which was previously advanced from settlement funds.

¹⁶ Both STARC debt and the portion of Secured Hospital debt that is proposed to be refinanced with State-Supported debt have historically been reported in cash basis reports as State-Funded debt by the Office of the State Comptroller. For further discussion of State-Funded debt, see *Debt Impact Study: An Analysis of New York State's Debt Burden*, December 2017, available at <http://osc.state.ny.us/reports/debt/debt-impact-study-2017.pdf>.

illustration of the differences between State-Funded debt and State-Supported debt under projections for SFY 2020-21 and SFY 2025-26.

Figure 11

State-Supported and State-Funded Debt Outstanding
SFY 2020-21 and SFY 2025-26
(in millions of dollars)

	2020-21 Estimated	2025-26 Projected	Average Annual Growth
General Obligation	2,215	3,961	12.3%
State-Supported Public Authority	57,465	78,593	6.5%
Total State-Supported	59,680	82,554	6.7%
State-Funded Secured Hospitals	104	-	-100.0%
New SUNY Dormitories	1,852	1,888	0.4%
TFA Building Aid Revenue Bonds	8,400	7,964	-1.1%
Sales Tax Asset Receivable Corporation	1,542	-	-100.0%
Municipal Bond Bank Agency	68	-	-100.0%
Total Other State-Funded	11,965	9,852	-3.8%
Total State-Funded	71,645	92,406	5.2%

Sources: Office of the State Comptroller; Division of the Budget; New York City Office of Management and Budget; DASNY.

Note: Issuance and retirement figures for NYC Transitional Finance Authority (TFA) Building Aid Revenue Bonds and SUNY Dormitories are only available through SFY 2024-25, and, as a result, growth figures are likely understated in SFY 2025-26.

Debt Outstanding and Debt Service

DOB projects that \$44.1 billion in new State-Supported debt will be issued over the five-year life of the Capital Plan, compared to \$21.3 billion in retirements over the same period. The result would be a projected increase in State-Supported debt of approximately \$22.9 billion or 38.3 percent over expected SFY 2020-21 levels (an average annual increase of 6.7 percent). More than 38 percent of this growth is associated with debt issued for transportation, including the MTA. Another 27.6 percent is for economic development and housing. Over 6 percent of the increase reflects the refinancing of NYC STARC bonds with State-Supported debt.

The average annual issuance of State-Supported debt is \$8.8 billion over the life of the proposed Capital Plan, approximately 21.8 percent higher than the current Capital Plan (as updated) as detailed below.¹⁷ Total State-Supported debt outstanding would increase from \$59.7 billion to \$82.6 billion by the end of the Capital Plan period, as illustrated in Figure 12.

As of March 31, 2021, more than 96 percent of projected State-Supported debt outstanding will have been issued by public authorities and, therefore, not been subject to voter approval. Over the proposed Capital Plan, public authorities are projected to issue \$41.4 billion in State-

¹⁷ Issuance amount for SFY 2020-21 excludes \$4.4 billion issued for short-term cash flow needs, expected to be retired within the same fiscal year.

Supported debt, or 93.7 percent of total issuances. Voter-approved General Obligation (GO) bond issuances of \$2.8 billion represent 6.3 percent of the projected total.

Figure 12

Projected State-Supported Debt Outstanding
(in millions of dollars)

	SFY 2021-22	SFY 2022-23	SFY 2023-24	SFY 2024-25	SFY 2025-26	Increase Over Capital Plan Period
State-Supported Debt at Beginning of Period	59,680	67,698	72,287	76,545	79,843	N/A
New Issuances	11,579	8,525	8,487	7,909	7,649	44,150
New Retirements	(3,561)	(3,931)	(4,228)	(4,612)	(4,938)	(21,270)
State-Supported Debt at End of Period	67,698	72,287	76,545	79,843	82,554	22,874

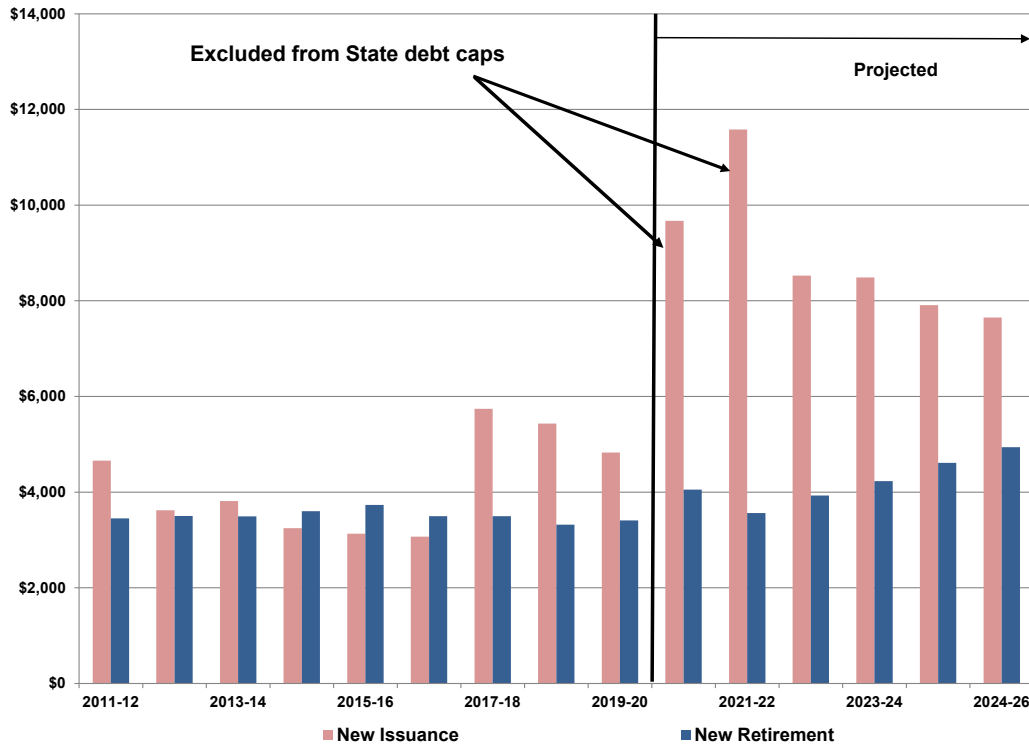
Source: Division of the Budget

Note: Totals may not add due to rounding. The amounts for New Issuances and New Retirements in the column entitled "Increase Over Capital Plan Period" reflect projected total issuances and projected total retirements over the period presented.

As shown in Figure 13, the annual gap between new borrowing and debt retirement is expected to widen in SFYs 2020-21 and 2021-22, then narrow in the years thereafter. However, over the next five years, total State-Supported debt issuances are projected to be more than double the level of retirements. This is well above the estimated debt issuance to debt retirement ratio over the ten years ending with SFY 2019-20, when State-Supported debt issuances are estimated to have exceeded retirements by 29 percent.

Figure 13

Issuance and Retirement Trends of State-Supported Debt
(in millions of dollars)



Source: Division of the Budget

Note: Amounts for SFY 2020-21 are estimated and do not include short-term borrowing for cash flow needs. Amounts prior to that year reflect actual results.

State-Supported debt service is expected to approach \$8.8 billion by SFY 2025-26, which is a 48.4 percent increase from the current fiscal year (excluding debt service paid for short-term liquidity borrowings and prepayments assumed with the 30-Day Amendments), reflecting growth of 8.2 percent on an average annual basis.

Debt Limits Under the Debt Reform Act of 2000

The Debt Reform Act of 2000 established a statutory cap on State-Supported debt outstanding. Under the cap, the State is prohibited from issuing new debt if outstanding debt issued after April 1, 2000 exceeds 4 percent of total personal income in New York State. Since the cap on State-Supported debt is based on personal income, available capacity can be volatile, especially when coupled with the somewhat variable nature of capital spending. DOB manages statutory debt capacity through a variety of actions, including the timing of capital spending and debt issuances, implementation of a Statewide Capital Efficiency Plan, and prior actions to move certain debt outside of the statutory cap.

The Budget proposes to exclude debt issued during SFY 2021-22 from the debt cap limitations and to suspend the requirement that debt be issued for capital purposes only, as was first done for SFY 2020-21 in the Enacted Budget. The proposed Budget further expands this practice of operating outside the framework of the Debt Reform Act by also suspending the limit of 30-year maximum maturities for State-Supported debt.

Along with short-term debt issued for cash flow needs and \$1.8 billion of new debt issuances expected to be used to refinance existing NYC STARC debt, \$19.5 billion of new money debt issuances would be omitted from the State's debt limits. The STARC bonds (funded by the City's assignment of State local assistance payments) were used to refinance New York City Municipal Assistance Corporation (MAC) bonds issued in response to the City's 1970s fiscal crisis, and are currently expected to mature in 2034. See the Transparency and Accountability section of the report for discussion of the proposal to suspend the State's compliance with the Debt Reform Act requirements.

The Budget indicates that available debt capacity will decline from \$15.4 billion in SFY 2021-22 to \$5.8 billion in SFY 2025-26. DOB now projects personal income will increase over this period by an annual average of 4 percent, up from the annual average projected growth over the life of the Plan of just 2.8 percent released in November 2020.

Capital Program and Financing Plan

The Five-Year Capital Program and Financing Plan projects a total of \$73.2 billion in projected capital spending, including about \$6.1 billion for the MTA. Certain program area trends are significantly different from those outlined in the SFY 2020-21 Enacted Capital Plan, as shown in Figure 14.

For instance, projected spending for transportation would be \$6.8 billion higher (23.2 percent) than in the Enacted Capital Plan, offset by lower spending for economic development and government oversight. Other significant revisions include those for higher education, and parks and environment. Capital spending is projected to average approximately \$14.6 billion annually as compared to \$13.7 billion in the current plan.

Figure 14

Capital Program and Financing Plan by Functional Area
SFY 2020-21 through SFY 2024-25 Compared to SFY 2021-22 through SFY 2025-26
 (in millions of dollars)

Functional Area	SFY 2020-21	SFY 2021-22	Dollar Change	Percentage Change
	Through	Through		
	SFY 2024-25 Enacted	SFY 2025-26 Proposed		
Transportation	29,090	35,850	6,760	23.2%
Education	2,148	1,743	(405)	-18.8%
Higher Education	8,055	8,029	(26)	-0.3%
Economic Development/Government Oversight	8,785	7,426	(1,359)	-15.5%
Mental Hygiene	2,899	2,941	42	1.4%
Parks and Environment	7,723	7,297	(425)	-5.5%
Health	3,747	3,258	(489)	-13.0%
Social Welfare	3,421	3,902	481	14.1%
Public Protection	2,558	2,460	(98)	-3.8%
General Government	1,754	1,549	(205)	-11.7%
Other (primarily timing adjustments)	(1,859)	(1,285)	574	-30.9%
Total	68,320	73,171	4,851	7.1%

Source: Division of the Budget

Financing Sources

Figure 15 illustrates the proposed financing sources for the Capital Plan over the next five years, as compared to the SFY 2020-21 Enacted Capital Plan. Capital spending is projected to be \$17.6 billion in the coming year, its highest level of the Plan period. Capital spending is anticipated to decline each year thereafter, with anticipated spending in the final year of the Plan projected to be \$12.7 billion.

Over the life of the Plan, DOB projects that pay-as-you-go (PAYGO) financing will average approximately 26.9 percent of State capital financing, compared to an estimated 31 percent in the current plan. The use of State-supported debt issued by public authorities is expected to increase significantly compared to the prior plan, up by 18.7 percent over the next 5 years. All other financing categories are expected to decline.

Figure 15

Capital Program and Financing Plan Financing Sources
SFY 2020-21 through SFY 2024-25 Compared to SFY 2021-22 through SFY 2025-26
 (in millions of dollars)

Financing Source	SFY 2020-21	SFY 2021-22	Dollar Change	Percentage Change
	Through	Through		
	SFY 2024-25 Enacted	SFY 2025-26 Proposed		
State Pay-As-You-Go (PAYGO)	17,788	16,682	(1,106)	-6.2%
Federal PAYGO	11,007	10,994	(13)	-0.1%
General Obligation Bonds	2,659	1,742	(916)	-34.5%
Authority Bonds	36,866	43,753	6,887	18.7%
Total Capital Funding	68,320	73,171	4,851	7.1%
Less Federal Funding	(11,007)	(10,994)	13	-0.1%
State Capital Funding	57,313	62,177	4,865	8.5%

Sources: Division of the Budget and Office of the State Comptroller

New State-Supported Debt Authorizations

The Executive Budget proposes Article VII language to increase bond authorizations (or caps) on programs financed with State-Supported debt by nearly \$20.5 billion, or 12.6 percent, over existing authorizations. Over half the total proposed increase, \$10.3 billion, is intended to finance the State's contribution to MTA capital plans. Another \$4 billion is for various other transportation initiatives, including \$1.65 billion for local highways. Other proposed increases include: \$1.1 billion for SUNY, CUNY and other educational facilities; \$806 million for environmental purpose spending; and \$2.2 billion for economic development, including \$1.3 billion for the proposed Empire State Complex in New York City (the Penn Station expansion).

The above-mentioned bond authorizations omit a combined \$11 billion in proposed extended short-term borrowing authorizations, including \$8 billion in short-term notes and \$3 billion in lines of credit. Also omitted are the authorizations to use State-supported debt to refund NYC STARC and DASNY Secured Hospital debt.

Debt Management and Potential Savings

The General Fund gap-closing plan for SFY 2021-22 includes savings from changes related to various other debt management actions, including debt refundings and competitive sales. In addition to the proposed continued suspension of the State's debt caps, debt management proposals include the following:

- **Debt Service Prepayments** – As a result of increased PIT tax revenues projected with the 30-Day Amendments, debt service prepayments of \$1.6 billion in SFY 2020-21 and \$676 million in SFY 2021-22 are assumed to reduce debt service costs by roughly \$760 million in each of SFYs 2022-23 through 2024-25.
- **NYC STARC and DASNY Secured Hospital Refinancings** – The Executive proposes to refinance NYC STARC bonds with State-Supported debt for savings of \$170 million in SFY 2021-22. The Budget also proposes to refinance DASNY Secured Hospital program bonds with State-supported debt.
- **Debt Service Transfer Revisions** – Instead of transferring debt service reimbursements from health care, mental hygiene funds and the Dedicated Highway and Bridge Trust Fund to the Revenue Bond Tax Fund, the Budget proposes that these funds be transferred to the General Fund.
- **Debt Reduction Reserve Fund (DRRF)** – An authorization is provided to transfer up to \$500 million to the DRRF. This authorization has been included in Enacted Budgets for the last several years, but has not been used. As in the past several years, there is also \$500 million reserved in the General Fund's unrestricted cash balance for debt management purposes.

VI. Program Area Highlights

These Program Area Highlights reflect the Executive Budget as submitted on January 19, 2021. Please see Section VII below for information regarding 30-Day Amendments that were submitted on February 18, 2021.

Education

The Executive Budget presents a \$2.1 billion (7.1 percent) statewide increase in school funding for school year (SY) 2021-22, reflecting a non-recurring infusion of \$3.85 billion in federal Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act funding. Partially offsetting this funding are two large reductions in State support that would recur annually. As a result, the proposed Budget may create a school aid "fiscal cliff" in SY 2022-23, as one-time federal funding is not expected to take the place of deep reductions in State support.

Federal CRRSA Act funding, which can be used for general operating as well as pandemic-related costs and includes a requirement that the State maintain its own funding effort, is presented in the Budget as follows:

- The total amount awarded to New York includes \$4 billion through the Elementary and Secondary School Emergency Relief (ESSER) Fund and \$323 million through the Governor's Emergency Education Relief (GEER) Fund. Nonpublic schools are allocated \$249 million and charter schools would receive \$216 million.
- The CRRSA Act requires most of the funds to be allocated to districts based on the same proportion as received under federal Title I funding, which is targeted to high-need districts. The Budget proposes distributing the remainder to schools of lower wealth with a minimum per-student allocation.
- The detailed projections by the State Education Department (SED) for specific school districts ("school aid runs") show the allocations as SY 2021-22 funding, but this funding can be used by districts through September 2023. If districts use the federal funding over multiple years, this would reduce the effective school funding increase in SY 2021-22.

The Budget would maintain Foundation Aid at SY 2020-21 funding levels (which were unchanged from SY 2019-20 levels) for all districts, totaling \$18.4 billion in SY 2021-22, and maintain the \$250 million set-aside from Foundation Aid for Community School programs. The Budget keeps competitive grant programs at the SY 2020-21 amount of \$230 million. The proposal would also restore State aid that had been reduced in SY 2020-21 by a \$1.13 billion "Pandemic Adjustment," an amount which had been fully offset by federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in that year.

The Budget proposes reductions to several other types of State support, including:

- Merging eleven expense-driven aid categories into a new \$3.3 billion block grant called "Services Aid," and distributing this aid based on a formula that takes into account expected funding in SY 2021-22 and then applying a reduction to that amount. The block grant funding amount represents a decrease of \$692.5 million in SY 2021-22 as compared to the expected cost of funding these aid categories separately in SY 2021-22 under existing formulas, or \$392.5 million less than SY 2020-21 levels. The Financial Plan assumes that this block grant would not grow in future years.

- Establishing a Local District Funding Adjustment (LDFA) reduction of \$1.35 billion. This is presented as a reduction to School Tax Relief (STAR) reimbursement payments, although where the STAR reimbursement is larger than the anticipated CRRSA Act funding, only the lower amount is retained.¹⁸
- Eliminating two instructor support programs, Teachers of Tomorrow and Teacher-Mentor Intern programs, for a reduction of \$27 million.
- Eliminating the Fiscal Stabilization Grant to New York City, for a reduction of \$26.4 million.

The Executive Budget proposes the following changes to charter schools, which include spending reductions which would be offset by \$216 million in direct CRRSA Act funding:

- Authorizing the reissuance of school charters previously surrendered, revoked or terminated after July 1, 2015, such that they would not count towards the statewide or New York City charter school caps;
- Reducing charter school tuition rates paid by host districts for SY 2021-22 only, and capturing about half (\$35 million) of the resulting tuition savings in the form of lowered supplemental tuition payments to those districts; and
- Eliminating charter school facilities aid to New York City, which supports charter school rental assistance, with the stated goal of encouraging the use of co-located space within public facilities, for a projected savings of \$45.6 million in SY 2022.

The Budget proposes the following changes to non-public school aid, all of which would likely reduce or delay expenditures by the State:

- Deferring aid payment for SY 2021-22 and beyond to the fourth quarter of each school year (the start of the next State fiscal year), for a one-time savings of \$110 million in SFY 2020-21;
- Setting a strict deadline for filing for funding, after which funds would not be available; and
- Prorating payments to individual schools in any given year, such that the total spent on all non-public schools is limited to a capped amount.

The Budget proposes to expunge a large number of prior year funding claims by school districts (in the “Prior Year Adjustment Queue”), for a savings of \$18.7 million. The Budget describes these as “primarily a result of school districts’ failure to adhere to normal claiming deadlines,” and notes that most of them are for relatively small amounts (\$100,000 or less).

The Budget proposes Transportation Aid Meal Delivery Reimbursement, to retroactively make costs related to the delivery of meals, instructional materials and internet services during the spring of 2020 eligible for Transportation Aid. Nearly three quarters of districts indicated they incurred costs in the delivery of these services, consistent with the Governor’s Executive Orders for school districts to develop plans to provide student support during the pandemic.

The Budget would exempt school aid appropriations from the language directing across-the-board withholding of payments from Aid to Localities appropriations if the State does not receive \$3 billion in additional federal aid as of August 31, 2021. In addition, DOB has indicated that certain funding withheld from school districts during the current fiscal year (20 percent from some aid payments) would be restored in SFY 2020-21.

¹⁸ STAR is being transitioned from a property tax reduction, which is reimbursed by the State to school districts, to an exemption provided as a personal income tax credit, at the discretion of the taxpayer. Thus, this reimbursement portion has been shrinking over time.

STAR

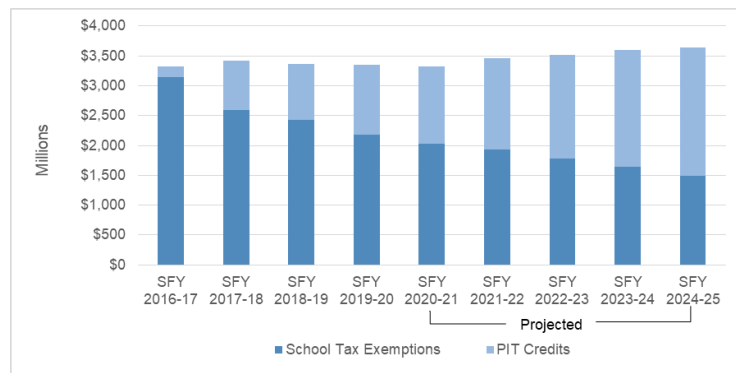
Overall School Tax Relief (STAR) program costs, including both disbursements for the exemption benefit and the fiscal impact of the tax credits, are projected at \$3.5 billion in SFY 2021-22, an increase of \$139 million from SFY 2020-21. The Budget includes \$1.9 billion in estimated disbursements for the STAR exemption, a decrease of \$91 million, or 4.5 percent, from SFY 2020-21, primarily reflecting the continued impact of the conversion of certain STAR exemptions to PIT credits. STAR PIT credits are projected to total \$1.5 billion in SFY 2021-22, an increase of \$230 million, or 17.8 percent, from SFY 2020-21.

The Budget proposes to close the enhanced benefit exemption to recipients who currently receive the basic STAR exemption but would become eligible for the enhanced exemption due to their age. A homeowner could choose to either convert to the enhanced STAR PIT credit or to continue in the basic STAR exemption program. DOB estimates this proposal would impact approximately 25,000 homeowners per year, and reduce spending by \$35 million in SFY 2021-22, with a commensurate reduction in PIT receipts, as affected taxpayers are expected to convert to the STAR tax credit.

Another proposal would change the administration of the STAR program for owners of mobile homes. Currently, the owner of the mobile home park is the beneficiary of the STAR exemption, who then allocates the benefit to the individual homeowners through a reduction in lot rent. In order to ensure benefits are being allocated, the STAR benefit would be converted to a PIT credit for the individual mobile homeowners as opposed to the park owner. This proposal would result in an estimated spending reduction of \$7 million in SFY 2021-22, with a commensurate reduction in PIT receipts.

The continued shifting of STAR costs from disbursements to PIT credits is reflected in the level of overall State spending. DOB estimates that STAR program costs paid through State Operating Funds will decline from almost two-thirds of program costs in the current fiscal year to just over 40 percent of the overall cost of the program as of SFY 2024-25 (Figure 16).

Figure 16
Distribution of STAR Costs by Benefit, SFY 2016-17 through SFY 2024-25



Source: Division of the Budget

Besides the shifting of STAR costs from spending on the exemption to PIT credits, the Budget also shifts a portion of the STAR costs from State Operating Funds spending to federal funds. The Local District Funding Adjustment would use funds provided under the federal CRRSA to fund a portion of the STAR exemption benefits (see the Education section of this report).

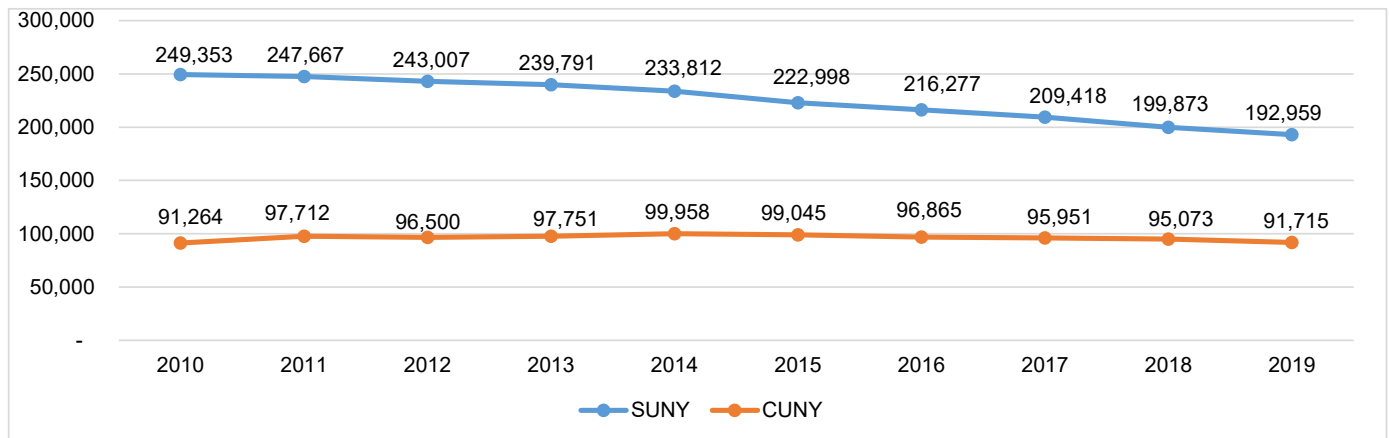
Higher Education

The Executive Budget projects All Funds spending of \$8.7 billion for the State University of New York (SUNY), \$1.6 billion for the City University of New York (CUNY), \$0.8 billion for the Higher Education Services Corporation (HESC), and \$13 million for other higher education purposes, an overall decrease of 5.4 percent from estimated spending in SFY 2020-21. This includes a reduction of 5 percent in operating support to senior colleges: \$46.4 million for SUNY and \$26.2 million for CUNY.

Base aid operating support for community colleges is projected to decrease by \$33 million or 7.7 percent for SUNY and by \$10 million or 4.4 percent for CUNY, reflecting declines in student enrollment. The Budget would provide such aid at \$2,947 per full-time equivalent (FTE) student, the same level as in the current year. Since Fall 2014, community college enrollments have fallen by 17.5 percent at SUNY and 8.2 percent at CUNY, as shown in Figure 17.

Figure 17

Community College Enrollment by System, 2010-2019



Sources: SUNY and CUNY

HESC support for the Tuition Assistance Program (TAP), Excelsior Free Tuition, Enhanced Tuition Assistance and other awards in SFY 2021-22 is projected to decrease by more than \$20 million, or almost 2 percent, compared to the current year. This change is due to anticipated decreases in enrollment for student financial aid programs in the upcoming academic year due to pandemic-related reasons. DOB estimates that student enrollment and use of financial aid will increase in Academic Year (AY) 2022-23 compared to the current and upcoming academic years, and reflects this in the Financial Plan.

The Budget retains the current year delay to planned increases in household income eligibility for the Excelsior Scholarship and Enhanced Tuition Programs, and maintains the Excelsior Scholarship rate of reimbursement for SUNY and CUNY from the State at AY 2016-17 levels for an additional two years with an annual reset thereafter.

The Budget proposes to eliminate support for private colleges in the current and upcoming State fiscal years (Bundy Aid, \$16.8 million in SFY 2020-21 and \$35 million in SFY 2021-22) and cut \$2.5 million in funding for the Accelerated Study in Associates Programs at CUNY. It authorizes SUNY and CUNY to raise resident tuition up to \$200 annually through AY 2024-25, provide flexible tuition rates for graduate and research programs at SUNY university centers

and other SUNY and CUNY doctoral degree granting institutions, and allow a lower “high demand certificate program rate” for identified certification programs.

The Budget also extends financial aid eligibility for certain students impacted by the pandemic, and amends education law related to State Education Department approval of certain new curricula and programs of study offered by public and nonprofit colleges or universities.

The proposed Budget includes:

- \$20 million to establish an Offshore Wind Training Institute based at SUNY Stony Brook and Farmingdale State College;
- \$5 million for apprenticeship programs, including \$3 million for SUNY and \$2 million for CUNY, unchanged from the current year;
- \$1.8 million for child care centers at SUNY and CUNY community colleges, reflecting a reduction of \$2 million from current year funding for these programs;
- priority admission for nurses to SUNY and CUNY programs for completing required credentials;
- scholarships to low-income individuals to complete non-degree credentialed programs; and,
- expansion of SUNY’s free Online Center by adding new health care certification programs.

The Budget proposes a shift in the receipt and expenditure of CUNY fees out of the State’s Governmental Funds structure, moving them from Fiduciary Funds and Special Revenue Funds to Enterprise Funds. This shift will lower reported State Operating Funds and All Governmental Funds receipts and spending by an average monthly amount of \$7 million to \$10 million in SFY 2021-22 (in SFY 2019-20, this shift totaled \$100.4 million). To implement this transition, the Budget provides additional Enterprise Funds appropriations of \$50 million and \$137 million for the upcoming academic year. See the proposed changes in CUNY State Operations in Figure 18 below.

Figure 18

All Government Funds Spending for Higher Education
(in millions of dollars)

	SFY 2020-21	SFY 2021-22	Change	Percentage Change
SUNY Subtotal	8,557	8,733	176	2.1%
<i>Local Assistance Grants</i>	437	426	(11)	-2.6%
<i>State Operations</i>	7,199	7,185	(14)	-0.2%
<i>Capital Projects</i>	921	1,122	201	21.8%
CUNY Subtotal	2,449	1,596	(852)	-34.8%
<i>Local Assistance Grants</i>	2,274	1,554	(719)	-31.6%
<i>State Operations</i>	140	8	(133)	-94.6%
<i>Capital Projects</i>	35	35	(0)	-0.5%
HESC Subtotal	800	827	28	3.5%
<i>Local Assistance Grants</i>	756	783	28	3.7%
<i>State Operations</i>	44	44	0	0.0%
Other Purposes	6	13	7	103.2%
Higher Education Total	11,812	11,170	(642)	-5.4%

Source: Division of the Budget

Note: State Operations includes General State Charges. Other Purposes is made up of Higher Education – Miscellaneous and the Higher Education Facilities Capital Matching Grants Program.

Health/Medicaid

The Executive Budget projects overall federal, State and local Medicaid spending in New York to increase by \$3.7 billion or 4.7 percent to nearly \$83 billion in SFY 2021-22, as shown in Figure 19.

Figure 19

Total Medicaid Disbursement Estimates (in millions of dollars)

	2020-21	2021-22	2022-23	2023-24	2024-25
Department of Health	19,574	23,170	25,225	26,225	27,048
Other State Agency Medicaid Spending	2,800	4,154	4,152	4,701	4,921
Use of MSA Payments	362	362	362	362	362
State Share Total	22,736	27,686	29,739	31,288	32,331
Federal Share	49,212	48,086	46,799	47,700	47,860
Local Share	7,331	7,207	7,378	7,292	7,034
Total Medicaid Spending	79,279	82,979	83,916	86,280	87,225

Source: Division of the Budget

Note: Amounts for the Department of Health include certain Medicaid-related Mental Hygiene program costs under the Global Cap. The State Share total includes amounts ranging from \$62 million to \$67 million annually for Essential Plan administrative costs. MSA Payments represent proceeds from the Master Settlement Agreement (MSA) with tobacco manufacturers. The MSA Payments and the Local Share are not included in the State's All Governmental Funds disbursement totals.

The increase in overall Medicaid spending is driven by a projected increase of nearly \$5 billion, or 21.8 percent, in State expenditures, partially offset by declines of \$1.1 billion, or 2.3 percent, in federal spending; and \$124 million, or 1.7 percent, in local government expenditures.

The increase in State spending largely reflects the Financial Plan's assumption that enhanced federal Medicaid matching funding, which the State has been receiving since January 2020 due to federal stimulus/relief legislation, will continue through at least June 2021. The Plan assumes a total of \$5.4 billion in additional federal funds that will reduce State costs by nearly \$4.5 billion (\$3.5 billion in SFY 2020-21 and \$995 million in SFY 2021-22) and local government costs by about \$900 million. However, the State will likely receive at least an additional \$1.5 billion in enhanced federal Medicaid funding, beyond the amount projected in the Financial Plan, for a total of \$6 billion or more. In a letter to governors dated January 22, the U.S. Department of Health and Human Services informed states that the federally declared COVID-19 public health emergency, which drives continuation of the enhanced federal aid, "will likely remain in place for the entirety of 2021." Beyond the additional \$1.5 billion in aid for the State, at least \$300 million for New York City and counties beyond the amounts previously expected now appears likely.

Medicaid enrollment has grown by nearly 12 percent since February 2020 to about 6.8 million people (as of November 2020), putting mounting spending pressure on the program as the pandemic continues. The Budget proposes a \$2 billion Special Emergency Appropriation for use by the Governor to meet unanticipated emergencies, including public health emergencies in SFY 2021-22. The appropriation would bypass the Office of the State Comptroller's contract review authority and competitive bidding requirements.

The Financial Plan assumes average monthly Medicaid enrollment will peak at 7.1 million in SFY 2020-21 and decrease by nearly 600,000, or 8.2 percent, to about 6.5 million New Yorkers in SFY 2021-22. Despite the projected enrollment decrease, the Executive advances a series of statutory and administrative savings actions to address ongoing Medicaid spending

pressures. These include provider reimbursements for the cost of the increase in the minimum wage, the phase-out of enhanced federal funding, and payments to financially distressed hospitals. These savings actions, totaling \$807 million in State or local government spending reductions in SFY 2021-22, consist of:

- \$213 million in “Base Actions” that include the use of a \$110 million payment to the State by for-profit insurer Molina Healthcare (which recently acquired not-for-profit insurer Affinity Health Plan) to offset certain State-only Medicaid costs, \$53 million in COVID-related rate reductions for managed care and long-term care, and \$50 million from lower utilization of personal care services funded through minimum wage hikes in the Managed Long Term Care program.
- \$181 million in hospital actions, including \$99 million by reducing payments for certain financial safety net hospitals experiencing financial distress, \$65 million by discontinuing State-funded indigent care payments to public hospitals, and \$8.5 million by reducing the rate paid for capital-related inpatient expenses.
- \$117 million in long-term care actions that include \$52 million by discontinuing managed long-term care quality pool payments, \$23 million by reducing workforce recruitment and retention funding, and \$22 million by recouping payments from managed long term care plans that do not meet minimum health care spending levels.
- \$64 million in mainstream managed care actions, including \$60 million by discontinuing quality pool payments.
- \$15 million in pharmacy actions by reducing coverage of over-the-counter drugs and eliminating “prescriber prevails protections”, which give doctors and patients the final say in disputes with Medicaid about covering prescription medications.
- \$217 million in various other savings actions, including: \$94 million by authorizing an additional 1 percent across-the-board (ATB) payment reduction on Medicaid providers, increasing overall ATB payment reductions to 2.5 percent in SFY 2021-22; \$75 million by returning non-distressed providers not currently subject to the two-week Medicaid payment lag back onto the lag; \$40 million by expanding access to telehealth services; and \$7 million by reducing rate payments for certain mental hygiene-related Medicaid services by 1 percent.

The Executive expects these reductions, combined with previous year savings actions, to keep Medicaid Global Cap spending growth within statutorily allowable levels (equal to the 10-year rolling average of the medical component of the Consumer Price Index) in SFY 2021-22. The Budget proposes to extend the global cap, as well as the State Health Commissioner’s authority to develop and implement a plan to reduce Medicaid spending if it is projected to exceed the cap, for an additional year through March 2023. The Financial Plan reflects the continuation of the global cap, and forecasts allowable Medicaid growth that assumes the extension of the cap, in subsequent years.

According to DOB, the Financial Plan also assumes the continued deferral, from SFY 2020-21 through SFY 2024-25, of all or part of \$1.7 billion in annual State share Medicaid payments first deferred from March 2019 to April 2019 to keep Medicaid spending under the global cap from exceeding the statutory rate of increase in SFY 2018-19. In March 2020, the State deferred \$1 billion in Medicaid payments to April 2020.

Funding for the Essential Plan, which provides health coverage for over 870,000 lower-income adults who do not qualify for Medicaid, is projected to increase by nearly \$1.1 billion, or 24.3

percent, to over \$5.4 billion in SFY 2021-22. The Executive attributes this growth to increases in premium payments the State, subject to federal approval, intends to make to health plans participating in the program. According to DOB, the rates will be higher than those Medicaid pays to participating health plans, but not as high as commercial health insurance rates.

The higher rates will drive additional federal funding equal to 95 percent of the amounts that would have been provided to Essential Plan enrollees had they enrolled in certain coverage through the State's health insurance exchange. The State intends to use the additional funding, together with existing resources in the Essential Plan Trust Fund, to eliminate \$20 monthly premiums for over 400,000 enrollees earning between \$39,300 and \$52,400 for a family of four, to establish a \$200 million pool of funding intended to strengthen provider networks and incentivize providers based on performance, and to increase premiums for participating plans. Budget documents indicate that the Executive expects the plans to use the increased premiums to enhance provider reimbursement, increasing access to services as a result.

The Executive expects Essential Plan enrollment to increase by nearly 92,000, or 10.5 percent, to 962,915 enrollees in SFY 2021-22, largely due to the elimination of the \$20 monthly premiums. The Budget provides \$442 million to operate the State's health insurance exchange, NY State of Health, in SFY 2021-22, an increase of \$35 million or 8.6 percent over current year projections in order to accommodate rising enrollment.

The Budget would decrease State funding of local public health programs by \$118.6 million, or 6.9 percent, to \$1.6 billion in SFY 2021-22, including reductions of:

- \$51 million for supplemental insurance coverage for physicians practicing in high-risk specialties;
- \$20 million by lowering the reimbursement rate for non-emergency public health expenditures to New York City from 20 to 10 percent;
- \$15.7 million by discontinuing various public health programs such as various Alzheimer's programs, quality enhancements for adult homes and enriched housing programs, rabies prevention and infertility treatments;
- \$11.9 million by limiting the availability of certain services and reducing the rate for teletherapy in the Early Intervention program; and
- \$10 million by making a one-time reduction to the Health Facility Restructuring Pool transfer to the Dormitory Authority of the State of New York (DASNY).

The Health Care Reform Act (HCRA), established in 1996 and currently authorized through March 2023, plays a significant role in financing State health care services. Both receipts and disbursements for programs identified in the Budget's HCRA Financial Plan are projected to total \$6.2 billion in SFY 2021-22, increasing by \$324 million, or 5.5 percent, and by \$308 million, or 5.2 percent, respectively. Support for State share Medicaid funding from HCRA resources is projected to increase by \$384 million, or 9.7 percent, to over \$4.3 billion in SFY 2021-22. The Budget also projects HCRA support for the Child Health Plus program to increase by \$155 million, or 26.3 percent, to \$744 million in SFY 2021-22, largely due to the expiration of enhanced federal resources provided through the Affordable Care Act. HCRA funding for hospital indigent care is projected to decrease by \$131 million, or 18.3 percent, to \$586 million in SFY 2021-22, reflecting a proposal to discontinue certain indigent care payments to public hospitals. Among HCRA receipts, the Budget expects surcharges on hospital revenues to

increase by \$308 million or 8.7 percent to \$3.8 billion and cigarette tax receipts to decrease by \$35 million or 5 percent to \$670 million in SFY 2021-22.

The DOH workforce is projected to increase by 339 net FTEs, or 6.7 percent, to 5,418 by March 2022. This increase reflects 378 new FTEs related to the phased takeover of local district administration of the Medicaid program, offset by the transfer of 33 FTEs from DOH to the proposed new Office of Cannabis Management within the Division of Alcoholic Beverage Control and the elimination of six FTEs in the Family Planning program.

The Budget recommends \$46.6 million in All Funds spending for the Office of the Medicaid Inspector General (OMIG) in SFY 2021-22, a decrease of \$1.4 million or 3 percent from current year projections, largely reflecting the removal of funding for an extra pay period in SFY 2020-21. The Budget also authorizes the agency to increase its workforce by a net 70 FTEs, or 15.7 percent, to 515 in SFY 2021-22; according to Budget documents, funding for the additional FTEs is financed through increased audit recoveries and cost avoidance, projected to total \$1.1 billion State-share savings in SFY 2021-22.

The Budget includes Article VII legislation to legalize adult-use cannabis, as well as to create the Office of Cannabis Management, which would be given regulatory authority to establish cultivation and processing standards, license all businesses in the production and distribution chain, and inspect and enforce program standards. The Budget references a new Cannabis Social Equity Fund. (See the Revenue section of this report for further discussion of this proposal.)

All Funds spending for the State Office for the Aging would decrease by \$259,000, or 0.1 percent, to \$245.4 million in SFY 2021-22. The Budget also eliminates \$3.1 million in initiatives added to the SFY 2020-21 Enacted Budget and defers for one year a 1 percent, statutory cost-of-living adjustment for local aid programs to achieve SFY 2021-22 savings of \$2 million.

Other Article VII proposals include initiatives to:

- Regulate the registration and licensure of pharmacy benefit managers in New York.
- Expand the role of pharmacists to include ordering and performing lab tests, acting as a referring healthcare provider for diabetes self-management and asthma self-management training, and administering immunizations recommended by the federal Centers for Disease Control and Prevention to adults.
- Eliminate ePrescribing exemptions for veterinarians and practitioners who have received waivers from ePrescribing. Remaining exceptions include temporary technological or electrical failure, emergency situations as determined by the Commissioner of Health, in cases where it risks the health and safety of the patient, and for ordering prescriptions at pharmacies out of state.
- Modify the DOH Office of Professional Medical Conduct (OPMC) program by, for example, eliminating the indefinite licensure of physicians, requiring fingerprint and criminal history record checks prior to licensure, and requiring physicians to provide information on their hours of operation and availability to take new patients as mandatory elements of physician profiles on the OPMC website.

Mental Hygiene

All Funds spending for Mental Hygiene agencies is estimated to increase by nearly \$1.3 billion, or 22.8 percent, to \$6.9 billion in SFY 2021-22. The increase largely reflects a proposed reduction in the amount of State funds Medicaid-related spending for the Office for People with Developmental Disabilities (OPWDD) and the Office for Mental Health (OMH) that is paid for with Medicaid Global Cap resources. This reduction under the Cap of about \$1.2 billion -- from \$2.2 billion in the current year to \$972 million in SFY 2021-22 -- would have the effect of increasing State spending for Mental Hygiene agencies outside of the Cap. According to the Executive, this proposal reflects the SFY 2020-21 Medicaid gap closing plan and will not affect service delivery or operations of State mental hygiene programs.

The SFY 2020-21 Enacted Budget also included a shift of certain State funds Mental Hygiene spending to DOH. The SFY 2020-21 Mid-Year Update to the Financial Plan anticipated that about \$1.1 billion of such OPWDD and OMH spending would be paid in the current year from DOH appropriations with available resources under the DOH Medicaid Global Cap. However, the Budget increases the amount financed by DOH Global Cap resources in the current year by nearly \$1.1 billion to about \$2.2 billion.

The Executive Budget estimates \$6.9 billion in All Funds Mental Hygiene spending for SFY 2021-22, reflecting adjustments for certain OPWDD and OMH expenditures to be paid for with DOH resources. The \$6.9 billion would support five State agencies, as follows:

- OMH spending would increase by \$169.7 million, or 5.6 percent, to \$3.2 billion.
- OPWDD spending would increase by \$1.1 billion, or 56.9 percent, to over \$3 billion.
- Spending for the Office of Addiction Services and Supports (OASAS -- formerly known as the Office of Alcoholism and Substance Abuse Services), would increase by \$25.3 million, or 4.1 percent, to \$644.8 million.
- Spending for the Justice Center for the Protection of People with Special Needs would decrease by \$1.4 million, or 3 percent, to \$44.7 million.
- Developmental Disabilities Planning Council spending would be held flat at \$4.2 million.

Overall Mental Hygiene spending from both Mental Hygiene and DOH appropriations would increase by \$101.3 million, or 1.3 percent, to over \$7.9 billion in SFY 2021-22.

The SFY 2021-22 spending for OMH and OPWDD referenced in the remainder of this section reflects both Mental Hygiene and DOH appropriations. The Budget provides \$38.5 million in new State funding to support minimum wage increases for staff at not-for-profit agencies licensed, certified or authorized by OPWDD (\$31.6 million), OMH (\$5.1 million) and OASAS (\$1.8 million). The Budget also proposes a total of \$44.5 million in State funding to support payroll costs charged to the federal Coronavirus Relief Fund in SFY 2020-21 by OMH (\$29.8 million), OPWDD (\$12.3 million), OASAS (\$1.5 million) and the Justice Center (\$857,000).

The Budget would provide an additional \$106.2 million in capital funding for projects planned for the current year but delayed by the pandemic to SFY 2021-22, including projects at facilities operated and/or licensed by OMH (\$42.8 million for a total of \$380.8 million in overall capital projects funding), OASAS (\$40.9 million for a total of \$88.3 million in overall capital projects funding) and OPWDD (\$22.5 million for a total of \$132.8 million in overall capital projects funding).

The Budget includes additional funding for OPWDD of: \$53.4 million for new services for people entering the OPWDD system for the first time and individuals already receiving services whose needs have changed; \$33 million for day programs and services that were underutilized and underspent at the start of the pandemic; and \$25.3 million for Care Coordination Organizations (CCOs) that manage all the services people receive for their intellectual disabilities, as well as their health and mental health services. The CCO increase is due to the expiration of enhanced federal Medicaid matching funds for the program in July 2020.

State savings actions within OPWDD include proposed reductions of: \$20.8 million by lowering rates to CCOs in order to align their payments with actual costs; \$14.9 million by managing access to residential programs using, for example, State-run residential facilities to accommodate high-need young adults who have aged out of residential schools; \$12 million by reducing local aid payments by 5 percent in SFY 2021-22; and \$10.5 million by cutting the Medicaid rate for services such as day habilitation and prevocational activities. The Budget also proposes savings of \$6.9 million by eliminating rate payments for renovation costs within certified residential programs and \$1.1 million by combining OPWDD's Institute for Basic Research in Developmental Disabilities with OMH's State Psychiatric Institute. The Budget would increase the OPWDD workforce by a net 12 FTEs to 18,602 as part of the savings action to eliminate certain residential rate payments.

Within OMH, the Executive Budget also proposes additional funding of: \$24.8 million for 950 new community residential beds expected to become available in SFY 2021-22; \$10 million for maintenance of OMH's billing system; \$7 million for growth in forensic capacity; \$2 million to expand community services for adults and children; and \$1 million for suicide prevention services originally scheduled to come on line in the current year. State savings actions within OMH include reductions of: \$22 million by closing 200 vacant State-operated inpatient beds; \$17.2 million by reducing local aid payments by 5 percent in SFY 2021-22; \$8 million by converting the State-run Rockland Children's Psychiatric Center to a center operated by a not-for-profit provider and intended to provide brief, intensive community-based care, including residential treatment, for children and youth; \$4 million by eliminating 100 State-operated community residential beds; and \$3 million by reducing the costs of outside medical care provided to patients in State psychiatric centers. OMH intends to reduce these costs by increasing the rate paid to private physicians providing treatment on site, instead of transporting patients to them.

The Budget projects a decrease to the OMH workforce by a net 446 FTEs or 3.3 percent to 13,246 FTEs by the end of March 2022. These decreases include 280 by closing vacant State-operated inpatient beds, 75 by converting the Rockland Children's Psychiatric Center to a not-for-profit run facility, 50 by eliminating State-operated residential beds, and 41 through personal service "efficiencies."

The Budget proposes statutory changes to suspend for one year the one-year notification requirements for significant State service reductions, authorizing OMH to close, consolidate, reduce or redesign its psychiatric centers and other facilities in SFY 2021-22. The Budget also proposes to suspend for one year statutory requirements to reinvest all savings from closure of State psychiatric centers or beds into community-based services.

The Budget proposes to create the Office of Addiction and Mental Health Services by merging OMH and OASAS starting January 1, 2022. The Budget proposes separate appropriations for both agencies and anticipates no savings from the integration in SFY 2021-22.

For OASAS, the Budget also proposes additional State funding of: \$4.5 million for local aid audit recoveries and performance reviews; \$3.3 million for re-estimates of State personal service costs; \$3.2 million from the use of a portion of federal block grant funding for State administration activities; and \$2.8 million for 160 new community residential beds expected to become available in SFY 2021-22. State savings actions within OASAS include reductions of: \$3.5 million for prevention funding in New York City schools; \$3.2 million by eliminating HIV early intervention services; \$1.9 million for jail-based treatment; \$1.2 million to address alcohol use among college students; \$903,000 by eliminating regional addiction resource centers; \$826,000 for day habilitation services; and \$500,000 for a public awareness campaign. The Budget provides no net change in the OASAS workforce of 700 FTEs in SFY 2021-22.

According to DOB, the State funding cut for the Justice Center largely reflects \$1.2 million in payroll and fringe benefit re-estimates and adjustments, as well as \$230,000 by eliminating its adult home advocacy program.

Human Services

The Executive Budget proposes \$8.8 billion in All Funds spending for programs operated by the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) in SFY 2021-22, an increase of \$383.9 million, or 4.6 percent, from SFY 2020-21 spending projections. All Funds spending for OCFS would decrease by \$344.2 million, or 10.8 percent, to \$2.8 billion. Specific proposals include decreases of:

- \$28 million by making permanent current year actions to shift State share payments for residential placements made by school districts outside of New York City, as well as for certain placements made by school districts to State schools for the blind or deaf, to the school districts themselves. The Budget proposes statutory changes to make these current year actions permanent.
- \$19.5 million by limiting reimbursements to providers for the cost of maintaining residential beds under the Raise the Age (RTA) law to actual placements. Since the RTA program started in 2018, providers have been reimbursed for the cost of maintaining a bed, regardless of its usage, to ensure sufficient capacity in the juvenile justice system under the law, which raised the age of criminal responsibility to 18 years of age. The Executive expects out-year savings to decrease as residential beds fill up and vacancy rates drop.
- \$10.9 million by closing four State-operated youth facilities with a total capacity of 142 beds in Columbia, Dutchess, Orange and Suffolk counties by October 2021. The Executive also proposes statutory changes to bypass one-year closure notice requirements and provide six months' notice instead. Children in non-secure facilities (in Dutchess and Suffolk counties) would transition out of placement by the time the facilities close, while children in secure facilities (in Columbia and Orange counties) would receive new placements in other State facilities. The closures would result in a reduction of 260 FTEs. Budget documents indicate the closures would avoid \$14 million in capital costs.
- \$2.7 million by consolidating and reducing funding for the Community Optional Preventive Services and the Supervision and Treatment Services for Juveniles programs which serve at-risk youth.

- \$1.8 million by consolidating ten Community Multi-Service Offices (CMSO) providing supervision and support services, as well as four satellite offices, into eight CMSOs and 1 satellite office. The proposal would consolidate offices in New York City and Central New York and result in a reduction of 25 FTEs.

In addition, the Budget proposes to reallocate \$40 million in prior year federal Child Care Block Grant funding to limit co-pays for low-income families receiving child care subsidies and to provide \$6 million for start-up grants to create programs in child care deserts and wage subsidies for programs in existing child care deserts.

The Budget also increases OCFS's federal Child Care Block Grant appropriation by \$500 million to support additional public health emergency funding the State expects to receive under federal COVID relief legislation passed last December to assist families and child care providers during the pandemic. The Executive indicates OCFS has not received official notification of any additional funding, but is developing a plan for federal approval. The Budget would decrease the OCFS workforce by a net 285 FTEs, or 10.2 percent, to 2,514 FTEs by the end of March 2022.

Capital spending for OCFS would decrease by \$2.2 million, or 8.5 percent, to \$23.3 million, largely reflecting the projected completion of certain projects associated with Raise the Age.

All Funds spending for OTDA would increase by \$728.1 million or 13.9 percent to nearly \$6 billion in SFY 2021-22, largely reflecting additional funding for projected public assistance caseload increases due to the pandemic and federal funding for the Emergency Rental Assistance program. The total number of public assistance recipients is expected to increase by 22,205 or 4.1 percent to 558,000 in SFY 2021-22, primarily reflecting a 16,420, or 8.5 percent, increase in the projected number of Family Assistance recipients. Total gross public assistance spending (included federal, State and local shares) is projected to increase by \$141 million, or 4.3 percent, to \$3.4 billion in SFY 2021-22.

State-funded spending for Safety Net Assistance is projected to increase by about \$3.8 million or 0.6 percent to approximately \$599.8 million in SFY 2021-22. By law, the State reimburses local governments for 29 percent of Safety Net Assistance costs, which receive no federal funding. In SFY 2021-22, federal Temporary Assistance for Needy Families (TANF) block grant funding for Family Assistance benefits is projected to total nearly \$1.4 billion, up \$128 million or 10.4 percent from SFY 2020-21.

Major proposed OTDA budget actions include:

- \$800 million in new federal funding for emergency rental assistance provided by the COVID relief legislation enacted into law in December 2020. Eligible households include individuals who have experienced financial hardship, are at risk of homelessness or housing instability, and earn up to 80 percent of area median income, as determined by the U.S. Department of Housing and Urban Development (HUD). The program prioritizes assistance for those who are unemployed for at least 90 days and those earning up to 50 percent of area median income. The assistance supports the payment of up to twelve months of rental arrears and up to three months of prospective rent. Funds may also be used to support a hardship fund for undocumented workers.

- \$4.4 million (or 5 percent) reduction in funding for various local aid programs, including adult homeless shelters, the HIV/AIDS welfare-to-work program, and a prisoner re-entry pilot program for households receiving public assistance with a member released from prison.
- Statutory changes to streamline the process by which unclaimed child support funds are transferred to the Office of the State Comptroller. The Budget indicates the proposal would make it easier for parents to claim otherwise unidentifiable child support payments or overpayments due by utilizing the public claims process available on the Comptroller's website. The current process requires a court order prior to turning over the funds to counties, where they are held for five years before they are transferred to the State Comptroller. The proposal is similar to legislation OTDA advanced in 2018 in response to an Office of the State Comptroller audit of its oversight of undistributed child support funds ([Report 2017-S-17](#), issued in February 2018).

OTDA capital spending would increase by \$45.9 million or 72 percent to \$109.6 million in SFY 2021-22, reflecting additional support for the Homeless Housing and Assistance Program, which provides grants to not-for-profit organizations and municipalities to improve the supply of permanent, transitional and emergency housing for people experiencing homelessness.

Labor

The Budget proposes State Operating Funds spending of \$121.6 million for the Department of Labor (DOL) in SFY 2021-22, an increase of \$54.3 million or 80.8 percent over SFY 2020-21, due primarily to a new \$50 million COVID-19 Recovery Workforce Initiative, funded by a sweep of three DOL penalty and public work enforcement accounts. The new initiative is intended to provide training in high-growth industries, employer-driven training for low-income workers, and funding for small businesses to re-train and hire furloughed, laid-off, or new employees. The Budget also proposes \$9.1 million in additional funding for DOL's labor contact center to address the influx of unemployment insurance (UI) claims in the State.

The Legislature passed a deficiency appropriation of \$11 billion for SFY 2020-21 to cover payment of UI benefits owed to claimants through March 2021, increasing the current year appropriation authority for payment of UI benefits from \$60 billion to \$71 billion. Budget documents indicate that the State expects to pay out a total of \$71 billion in benefits from the UI Trust Fund by the end of March 2021.

The Budget proposes a \$130 million appropriation for payment of interest costs due on over \$9.6 billion the State has borrowed from the federal government to help make UI benefit payments to eligible New Yorkers. Federal legislation has deferred the accrual of interest on state advances until March 14, 2021. Employer contributions will repay the loans based on the benefits their workers received, as well as any interest due on the loans.

The Lost Wages Assistance (LWA) program provided \$300 in additional weekly unemployment benefits through the Federal Emergency Management Agency (FEMA), after the \$600 weekly supplement provided by the Federal Pandemic Unemployment Compensation program expired last July. Benefits from the LWA program are paid through a special federal revenue fund from a FEMA allocation.

From March 1, 2020 through February 26, 2021, the Office of the State Comptroller, working with the Department of Labor, processed regular and federal pandemic unemployment insurance benefit payments, including LWA, totaling more than \$70.1 billion.

Transportation

All Funds spending for the Department of Transportation (DOT), the Department of Motor Vehicles (DMV) and the Metropolitan Transportation Authority (MTA) would total \$11.6 billion in SFY 2021-22 under the proposed Executive Budget, a decrease of \$1.16 billion or 11.1 percent from the current year.

The Executive Budget Capital Plan includes \$7.6 billion in capital spending for all transportation purposes from federal and State funds in SFY 2021-22. This is \$1.4 billion or almost 23 percent higher than estimated for the current year, and includes an increase of \$1.4 billion or 45.6 percent in use of bond proceeds. This total provides \$5.7 billion for DOT and \$1.5 billion for the MTA reflecting increases of 24.8 and 20.8 percent, respectively.

The Budget would provide DOT with \$6.6 billion in Capital Projects appropriations, the second year of DOT's two-year \$11.9 billion Capital Plan. This is \$651.7 million lower than the current year and reflects a \$480 million decrease to the appropriation for DOT's capital plan to \$1.55 billion as well as no new appropriations related to the second round of Upstate Airport Economic Development and Revitalization (\$100 million reappropriated) or the Extreme Winter Recovery Program allocated to localities (\$65 million). Use of Dedicated Highway and Bridge Trust Fund resources for DOT's capital spending in SFY 2021-22 is estimated to be similar to the current fiscal year.

A total of \$477.8 million would be provided for local highway and bridge projects through the Consolidated Highway Improvement Program (CHIPS, \$438.1 million) and the Marchiselli program (\$39.7 million), the same level as since SFY 2013-14. Executive Budget documents also indicate funding of \$100 million each for the BRIDGE NY and PAVE NY initiatives to be made available to localities, although there are no appropriations or Article VII language in the Budget proposal specifically associated with these programs.

The Budget provides \$20 million to non-MTA transit systems as the second year of a five-year \$100 million program to purchase electric buses. Capital Projects appropriations for the four major upstate regional transportation authorities (Capital District, Central New York, Rochester, and the Buffalo-Niagara area) are unchanged compared to the SFY 2020-21 Enacted Budget.

Statewide Mass Transit Operating Aid

The Financial Plan indicates that on-budget operating aid to transit systems would total \$3.5 billion, a 4 percent decrease from spending in the current year. This does not reflect \$2.2 billion that the Financial Plan indicates is available from the direct remittance of certain revenues to the MTA. The MTA would receive about \$3 billion, downstate non-MTA systems would get \$330 million, and upstate systems, \$214 million. The latter includes appropriations support for the four regional transportation authorities specified above of \$171.6 million, a decrease of \$17.7 million, or 9.4 percent, from \$189.3 million in the current year.

Overall, Budget documents indicate the expectation for pandemic-related reductions in revenues that support statewide transit systems and the receipt of federal relief funding for transit purposes in the State. It also proposes new transfers from transit aid accounts to the General Fund totaling over \$160 million, including \$112.1 million from the Mass Transportation Operating Assistance Fund, \$28.9 million from the Dedicated Mass Transportation Trust Fund and \$19.1 million from other MTA-specific trust accounts.

The Budget includes other transportation-related proposals which would:

- Extend the State’s autonomous vehicle statute requiring submission of a report on demonstrations and tests of such vehicles (also known as “self-driving” vehicles) by five years; remove the requirement for at least one hand on the wheel when operating a motor vehicle while certain automatic driving systems are engaged; and replace direct supervision of tests by the New York State Police and other statutory language with a provision that directs the Commissioner of DMV to issue related rules and regulations.
- Make evading tolls on any highway, bridge, tunnel or tolled central business district a theft-of-services crime. In addition, drivers would be prohibited from obscuring license plates while using any tolled highway, bridge, tunnel or central business district, and fines for violations would be established.
- Increase penalties for operating certain commercial vehicles on parkways and for operating vehicles that exceed rules and regulations related to the height of such vehicles, including posted clearance heights, and prohibit the use of non-commercial global positioning systems (GPS) by commercial motor carriers and require such vehicles to be equipped with commercial GPS.
- Establish penalties for certain violations of law that involve harming or endangering the safety of highway workers, motor vehicle inspectors, motor carrier investigators, pedestrians and bicyclists; modify laws related to clearance of debris following accidents; and promote education on the need for safety in highway work zones.
- Establish a \$1 DMV nonrefundable technology fee on license and registration transactions for deposit to the DHBTF.

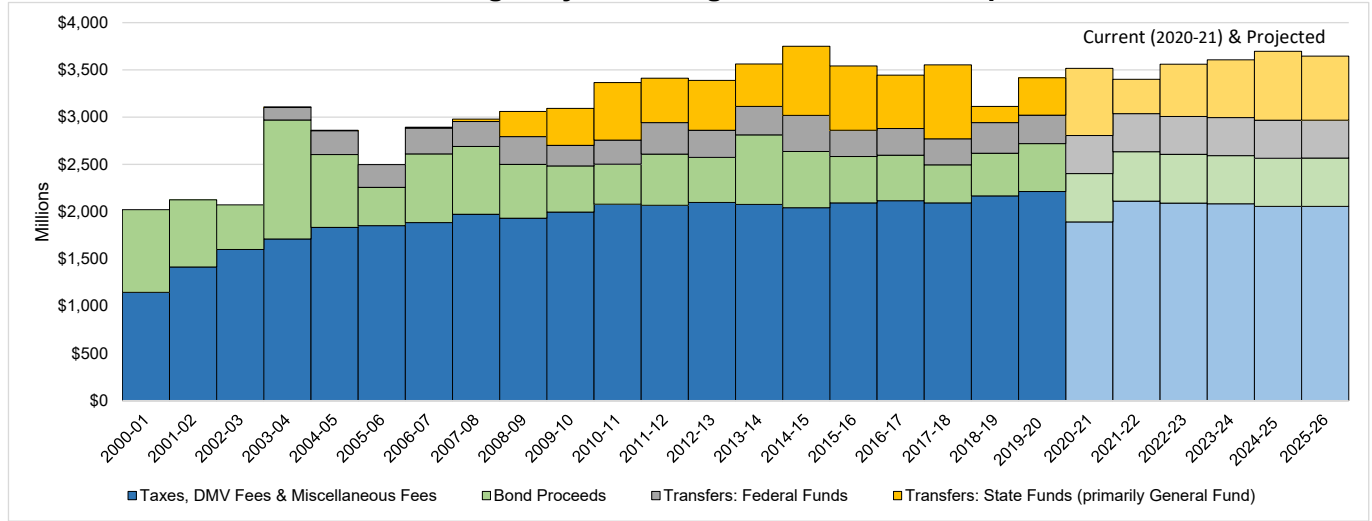
Dedicated Highway and Bridge Trust Fund

The DHBTF provides funding for the construction and rehabilitation of State-owned roads and bridges, using revenues from highway taxes, motor vehicle taxes and fees, petroleum business taxes and a number of smaller resources to support capital purposes, debt service and State operating costs. When first created in 1991, the Fund was expected to rely primarily on pay-as-you-go financing to support its capital programs and purposes. Despite this intention, a portion of DHBTF resources – in recent years, a majority of those funds – has been used to pay for debt service and State operating costs. In SFY 2021-22, less than a quarter of the Fund is projected to be spent directly on capital purposes, while more than three-quarters will be used for debt service and State operating costs.

The DHBTF continues to rely on transfers from the General Fund and from the Federal Capital Projects Fund. The General Fund subsidy for the DHBTF in SFY 2021-22 is projected to total \$363.3 million, 49 percent lower than the \$711.8 million provided for this purpose in the current year, although a higher amount, \$727.5 million, would be authorized (Figure 20). The General Fund subsidy is expected to increase to an average of \$643 million in SFYs 2022-23 through 2025-26.

Figure 20

Dedicated Highway and Bridge Trust Fund Receipts



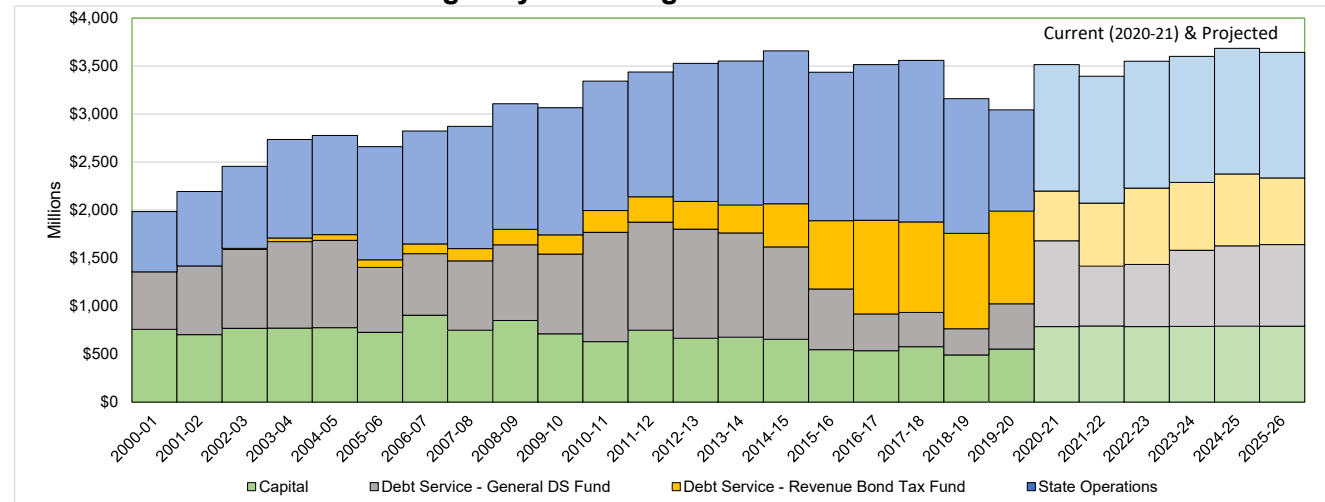
Source: Office of the State Comptroller (2000-01 through 2019-20) and Division of the Budget (2020-21 through 2025-26).

Total projected disbursements and transfers to other funds from the DHBTF in SFY 2021-22 are \$3.4 billion, 3.4 percent lower than the current year. Capital disbursements are projected to total \$793 million in SFY 2021-22, up 0.8 percent from the estimated current year figure. Capital spending is estimated at 23.4 percent of total disbursements (Figure 21).

Debt service requirements from the DHBTF are projected to total \$1.3 billion in SFY 2021-22, lower than in the current year by 9.3 percent. As a proportion of all spending from the fund, debt service is expected to decrease from 40.2 percent in SFY 2020-21 to 37.7 percent in the upcoming year. State Operations spending is expected to total \$1.3 billion in SFY 2021-22, or almost 39 percent of DHBTF disbursements. DOB projections through SFY 2025-26 indicate that the proportion spent on debt service will increase to more than 42 percent, while the share devoted to State Operations will decrease to almost 36 percent.

Figure 21

Dedicated Highway and Bridge Trust Fund Disbursements



Source: Office of the New York State Comptroller (2000-01 through 2019-20) and Division of the Budget (2020-21 through 2025-26).

Environment and Parks

The Executive Budget projects Department of Environmental Conservation (DEC) All Funds spending to increase by \$160.7 million, or 11.5 percent, to \$1.6 billion in SFY 2021-22 compared to the current year. The proposed Capital Plan projects \$1.2 billion in DEC capital spending in SFY 2021-22.

The Budget proposes an appropriation of \$300 million for the Environmental Protection Fund (EPF) in SFY 2021-22. Unlike in SFY 2020-21, the Executive Budget does not authorize the payment of personal service costs associated with EPF implementation from the EPF appropriation. The Budget projects an increase of \$4.5 million, or 1.7 percent, to \$265 million in EPF spending in SFY 2021-22. The Budget includes a transfer of \$28 million from the General Fund to the EPF Transfer Account in SFY 2021-22. In addition, the Budget directs the New York State Energy Research and Development Authority (NYSERDA) to transfer \$5 million in Regional Greenhouse Gas Initiative (RGGI) revenues to the EPF.

The Budget includes an additional Capital Projects appropriation of \$500 million for clean water infrastructure projects. The Financial Plan indicates the planned use of extraordinary monetary settlements to fund \$50 million in clean water grants in SFY 2021-22 and an additional \$175 million for this purpose in SFY 2022-23. The DEC Capital Projects Budget includes an appropriation of \$75.3 million in New York Works capital for purposes that include air monitoring, open space preservation, and plugging “orphan” oil and gas wells, as well as up to \$20 million for work at the Conklingville Dam.

A Budget proposal would expand the eligibility of children, aged 12 and 13, to hunt big game in the State, if they are accompanied by an adult, and expand other hunting privileges for children aged 12 through 16. The proposal also would allow cross bows to be used to hunt all State game species. These changes are estimated to increase license sales by at least \$1.5 million. In addition, the proposal expands the list of eligible securities in which the resources of the Fish and Game Trust may be invested.

The Budget directs the DEC Commissioner to adopt regulations exempting development proposals that increase housing density within one-half mile of a train station from stringent review under the State Environmental Quality Review Act. The Commissioner is also directed to determine a formula by which to calculate the amount of money that, if paid to a local agency, must be considered to mitigate any environmental impacts resulting from the proposal.

Other environmental-related proposals include:

- New criteria by which reusable bags may qualify as exempt from the State’s plastic bag ban, including minimum strength, durability, fiber content and weight. In addition, the proposal clarifies the responsibilities of stores and manufacturers with respect to the recycling of film plastic bags.
- Revised property descriptions for temporary and permanent easements across certain parklands required for the construction of the Bay Park conveyance project in Nassau County. The legislation would require Nassau County and the villages of East Rockaway and Rockville Centre to dedicate an amount equal to the value of the lands under easement for the acquisition of new parklands, or for improvements to existing park and recreational facilities.

- Amendments to the State Brownfields law to extend, by an additional two years, the time between when certificates of completion for certain brownfield sites are issued by the DEC and the date by which tangible property tax credits for the sites must be claimed.
- Authorization for the DEC to sell easements to certain wind turbine developers across portions of the Farmersville, Lost Nation and Swift Hill State Forests for the installation of underground electric cables. Revenues from this sale are to be deposited in the EPF and used for open space purposes in DEC Region 9.
- A two-year extension, to 2023, of the authority of New York City, Suffolk County and Nassau County to enforce provisions of the State bottle bill and retain 25 percent of resulting fines.

The Budget projects All Funds spending for the Office of Parks, Recreation and Historic Preservation of \$340.1 million in SFY 2021-22, a decline of \$20.2 million or 5.6 percent from the current year. More than half of this spending, or \$172.2 million is projected to be for capital projects. The Parks Local Assistance budget includes appropriations of \$2.1 million for grants for recreation services and \$6.1 million for snowmobile law enforcement, trail development and maintenance. In addition, \$1.1 million is appropriated for historic properties.

The Parks Capital Budget includes a \$112.5 million appropriation for infrastructure projects at State Parks, \$2.5 million of which is earmarked for Olympic Regional Development Authority (ORDA) facilities. Personal service costs are authorized from this appropriation as well as liabilities incurred prior to April 1, 2021.

Agriculture

The Executive Budget projects All Funds spending for the Department of Agriculture and Markets (Ag and Markets) of \$99.1 million in SFY 2021-22, an increase of \$3.8 million, or 4 percent from SFY 2020-21 projections. The Budget includes a Capital Projects appropriation of \$9.4 million for Ag and Markets, including \$8.7 million for rehabilitation of facilities and land acquisition at the State Fairgrounds. The Budget provides \$47.4 million in Aid to Localities appropriations to support of a variety of programs, including:

- Farm to school initiatives;
- The New York Federation of Growers Agribusiness Child Development Program;
- Programs to promote agricultural economic development;
- The Farm Viability Institute;
- Farmland preservation;
- Agricultural non-point source pollution control; and
- Cornell University veterinary and agricultural support programs.

The Budget includes an appropriation of \$10 million in local assistance funding to provide a subsidy of not more than 25 cents per meal for school nutrition programs that purchase at least 30 percent of total food products from New York State farmers, growers, producers, or processors.

In addition, the Budget proposes to permanently extend the authority (due to expire on July 31, 2021) of the Empire State Development Corporation to administer agricultural and dairy marketing orders, and to extend the Farm Workforce Retention Credit for three years, through December 31, 2024.

Energy

The Budget projects All Funds spending of \$84.3 million for the Department of Public Service a decrease of \$5.7 million or 6.4 percent from SFY 2020-21 projected levels.

The Budget proposes to extend to certain small business customers the existing COVID-related prohibition on electric, water and telephone service shut-offs for residential utility customers. In addition, this protection would be extended to residential and small business service customers of cable television and broadband companies. This proposal would expand the application of the prohibition from the COVID-19 related emergency to any disaster declaration and provides criteria that customers must meet to be covered by the prohibition.

The Budget would increase Urban Development Corporation (UDC) funding available for mitigating lost municipal revenues resulting from the closure of an electric generation facility from \$69 million to \$140 million.

The Budget includes new capital appropriations of \$20.5 million for NYSERDA to pay for the State share of cleanup costs at the Western New York Nuclear Service Center in West Valley, a hamlet in Cattaraugus County. In addition to the EPF transfer discussed above, the Budget directs NYSERDA to transfer \$23 million in RGGI proceeds and \$913,000 in other funds to the General Fund.

The Budget would authorize NYSERDA to reimburse up to \$22.7 million of expenses for certain programs from an assessment on electric and gas utilities. The total amount assessed will be allocated to utilities in proportion to their 2019 electric and gas revenues. Of this funding, NYSERDA is directed to transfer: up to \$4 million to the General Fund for DEC climate change expenses; \$150,000 to the General Fund for the Department of Agriculture and Markets; and \$825,000 to the University of Rochester Laboratory for Laser Energetics.

The Budget proposes several amendments to the State's Accelerated Renewable Growth and Community Benefit Act, enacted in the SFY 2020-21 Budget. Amendments and other proposals to promote the siting of renewable energy include:

- Exempting permit applications reviewed under Section 94-C of the Executive Law (the Major Renewable Energy Development Program) from review under the State Environmental Quality Review Act.
- Authorizing NYSERDA to use single purpose project holding companies to acquire, sell and transfer development rights and other interests in build-ready sites to renewable energy facility developers. These provisions are repealed in 2030.
- Lowering the capacity threshold for certain electric generation technologies to be exempt from municipal regulation from 80 megawatts to 25 megawatts.
- Requiring that local assessors use a schedule and discount rate established by the Department of Taxation and Finance in assessing solar and wind projects with a capacity of one megawatt or higher. This provision would also establish that municipalities must notify clean energy project developers within 60 days if a payment in lieu of taxes schedule will be required.
- Mandating that prevailing wage be paid on certain renewable energy projects where at least 30 percent of the aggregated construction costs are paid for with public funds; payments on contracts to sell renewable energy credits to the State count toward the total percentage. Projects covered by a project labor agreement negotiated by a building and construction trade union would not be subject to this requirement. In addition to prevailing wage requirements, the projects would be subject to provisions in the State labor law that

establish daily and weekly work hours and overtime requirements, and to those authorizing the Comptroller to withhold portions of State payments for the benefit of workers when wages or other benefits are not paid.

In addition, the Budget proposes to allow owners of buildings that purchase certain renewable energy credits established by the State's Clean Energy Standard to deduct these credits from greenhouse gas emission limits established in New York City's Administrative Code.

The Budget would provide the Power Authority of the State of New York (NYPA) with an appropriation of \$86 million to be made available pursuant to a repayment agreement submitted by NYPA and approved by the Director of the Budget, or when NYPA certifies that the moneys are needed to pay expenses incurred for the transfer and disposal of spent nuclear fuel. The Budget directs NYPA to transfer \$20 million to the General Fund for energy-related activities. It also proposes to expand the amount of subsidized electric capacity that NYPA may supply to small businesses and non-profits under the Recharge New York program from 100 to 150 megawatts and authorizes NYPA to form a captive insurance company.

Housing

The Budget proposes All Funds spending for the Division of Housing and Community Renewal (DHCR) totaling \$933.2 million in SFY 2021-22, an increase of \$96.8 million or 11.6 percent from the current year. The Budget would increase Capital Projects appropriations by \$316 million to \$418 million, including \$186 million to support the creation of 20,000 units of supportive housing, and \$130 million for the Governor's Office of Storm Recovery to support recovery and rebuilding efforts in areas impacted by natural disasters.

The Budget proposes \$21.6 million in funding for the Rural Rental Assistance Program for sponsors of housing for low-income individuals. Current year funding was provided off-budget through the State of New York Mortgage Agency Mortgage Insurance Fund (SONYMA MIF).

Proposed Article VII language would authorize the transfer of \$65.6 million in Housing Finance Agency resources to the Homeless Housing and Assistance Program (HHAP) for reimbursing New York City expenditures for adult shelters. Article VII language also would authorize the transfer of \$63.4 million from SONYMA MIF that is considered to be in "excess" of projected needs, to be used off-budget for the following programs:

- \$12.8 million for the Neighborhood Preservation Program;
- \$5.4 million for the Rural Preservation Program; and
- \$45.2 million for HHAP, up \$2.5 million or 6 percent from the current year.

The Executive Budget includes Article VII legislation to prohibit residential landlords from charging late fees from tenants impacted by COVID-19 from March 2020 until May 1, 2021. Also, tenants or licensees would be permitted to use their security deposits to pay any future rent or rent that is in arrears. The Budget also includes legislation intended to reduce vacant commercial space in specific areas in New York City.

The Budget also includes legislation intended to reduce vacant commercial space in specific areas in New York City. It would allow flexibility to rezone underutilized commercial structures and hotel facilities to address the need for affordable and supportive housing. The authority to rezone such properties would expire effective December 31st, 2026 in recognition of the anticipated recovery from the economic impacts of COVID-19.

Public Protection/Criminal Justice

The Executive Budget proposes increasing State Operating Funds spending for Public Protection and Criminal Justice agencies by nearly \$1.8 billion, or 75.0 percent, to about \$4.1 billion in SFY 2021-22. This increase is largely due to replacing one-time federal CRF resources used for certain current year payroll costs of the Department of Corrections and Community Supervision (DOCCS) and State Police, which resulted in lower State Operating Funds spending in SFY 2020-21. All Funds spending would decrease by \$1.5 billion, or 19.9 percent, to nearly \$6.0 billion in SFY 2021-22, largely because CRF resources used for certain DOCCS and State Police payroll costs in SFY 2020-21 are gone.

As reflected in the Financial Plan, All Funds spending for DOCCS, which represents about half of overall spending in this grouping, would decrease by \$905 million, or 23.5 percent, to nearly \$3 billion. Changes include an \$831.8 million decrease in fringe benefit spending related to shifting certain DOCCS payroll costs to the CRF in SFY 2020-21, as well as a \$67.7 million decrease in State Operations spending. This decrease includes savings actions of \$30 million to be achieved by closing between 1,300 and 1,800 prison beds in SFY 2021-22 and \$12 million by shifting certain State support workers to the DOCCS capital projects program.

The Budget proposes statutory changes to authorize the closure of State prisons on ninety days' notice through March 2023, bypassing Correction Law provisions requiring 12 months' notice of any such closures. The current year's Budget bypassed the same provisions to allow the closure of three prisons on ninety days' notice by the end of March 2021. The SFY 2021-22 bed closures would account for a net decrease of 800 FTEs or 2.9 percent in the DOCCS workforce, to 26,847 by the end of March 2022.

All Funds spending for the Division of Homeland Security and Emergency Services (DHSES) would decline by \$438.3 million or 26.1 percent to \$1.2 billion in SFY 2021-22. This is primarily driven by a \$411.3 million, or 26.6 percent, decline in Local Assistance spending to \$1.1 billion, and a \$26.9 million or 23.6 percent decrease in State Operations and fringe benefit spending. The Budget increases appropriation authority for payment of the federal share of local COVID-19 claims submitted to FEMA by \$3.4 billion to \$4 billion in SFY 2021-22.

The Budget proposes to decrease All Funds spending for the Division of State Police by \$217.2 million or 19.5 percent to \$897.5 million in SFY 2021-22. This decrease reflects a \$215.7 million or 20.3 percent decline in State Operations and fringe benefit spending largely related to shifting certain State Police payroll costs to the CRF in SFY 2020-21. The decrease is partially offset by \$8 million in new spending for body cameras all State Police officers are required to wear while on patrol under legislation signed into law in June 2020. The \$8 million represents the first year of a five-year \$40 million contract for the cameras.

All Funds spending for the Division of Criminal Justice Services (DCJS) is projected to increase by \$20.5 million or 8 percent to \$276.8 million in SFY 2021-22. The Executive attributes the increase to a return to prior funding levels after temporary reductions in current year spending due to delays in contract execution, as well as \$1.1 million related to a statutory initiative to require accreditation of local police departments, partially offset by a \$1 million reduction in capital grant funding for nonprofit organizations at risk of hate crimes or attacks. The Budget increases the DCJS workforce by a net 7 FTEs or 1.8 percent to 403 FTEs, due to the law enforcement accreditation initiative.

All Funds spending for the Division of Military and Naval Affairs (DMNA) would increase by \$36.6 million or 19 percent to \$229.8 million in SFY 2021-22. This increase primarily reflects additional capital spending of \$39.4 million or 33.5 percent to \$157.1 million, due to an increase in federal capital support for renovation of the Jamaica Armory in Queens, offset in part by a \$3.1 million decrease in DMNA payroll costs shifted to the CRF in SFY 2020-21.

All Funds spending for the Office of Indigent Legal Services (OILS) would increase by \$13 million or 6.1 percent to \$226.5 million, largely reflecting fourth-year costs associated with the implementation of the five-year, statewide initiative to improve New York's system of public defense services. The Budget proposes to increase All Funds spending for the Office of Victim Services (OVS) by \$798,000, or 0.6 percent, to \$132.5 million.

Other proposals in the Executive Budget include legislation to:

- permit virtual arraignments statewide within the Office of Court Administration and law enforcement agencies;
- require all law enforcement agencies to become accredited;
- require the Attorney General to appoint a monitor to oversee municipal police agencies (at their expense) that fail to comply with certain requirements regarding police operations; and
- prohibit individuals with an outstanding arrest warrant from purchasing, possessing, or disposing of firearms.

Economic Development

The Executive Budget proposes decreasing All Funds appropriations for the Department of Economic Development (DED) and UDC by \$20.4 million, or 3.4 percent, to \$580 million in SFY 2021-22. Half of this decrease is attributable to the elimination of new funding provided for the 2020 Census.

All Funds appropriations for DED would decrease by nearly \$7 million, or 7.7 percent, primarily due to reduced appropriations for the High Technology Program, which includes the Centers of Excellence (CoEs) and the Centers for Advanced Technology (CATs). Article VII language in the Budget would convert the CoEs into CATs. The fourteen current CoEs would be considered temporary CATs for two years, and then have to apply for official CAT designation, which would be effective for ten years (similar to current CAT designations). DOB does not anticipate any current CoE being denied designation. Funding for the CoEs would be provided in a lump sum appropriation as opposed to being separately identified in the Budget for the individual centers as in previous years. DOB indicates that it expects to provide the funding equally across most of the centers.¹⁹

Capital projects appropriations of \$380.4 million within UDC reflect continued funding at SFY 2020-21 levels for certain existing economic development programs and projects, including: \$220 million for the New York Works Economic Development Fund; \$150 million for the Regional Council Capital Fund; \$8 million for Market NY; and \$2.4 million for the retention of professional football in Western New York.

¹⁹ The Center of Excellence for Digital Gaming is located in three different institutions – New York University, Rensselaer Polytechnic Institute, and the Rochester Institute of Technology. Funding for this center would be split among the three institutions.

The Budget would require the provision of affordable high speed broadband services to low-income New Yorkers. The services would be offered at the rate of \$15 per month, inclusive of any taxes, fees, and charges for equipment rental, to households that are either: eligible for free or reduced price lunch through the National School Lunch program or at or below 185 percent of the federal poverty guidelines. Service providers would be able to increase the cost of this service once every five years, and only by the lesser of 2 percent or the change in the Consumer Price Index.

Other proposals include the extension of the Economic Transformation Program for five years and the Pandemic Recovery and Restart Program (which is discussed in the Economy and Revenue section of this report). The Economic Transformation Program was enacted to provide tax credits to businesses that locate in and around communities affected by prison and youth facility closures. The proposal would open the program to communities experiencing closures between April 1, 2011 and March 31, 2026.

Lottery and Gambling

The Executive Budget projects lottery and gaming revenues in SFY 2021-22 to increase by \$319 million, from \$3.2 billion to \$3.5 billion. While overall gaming revenues are estimated to decline by \$473 million in the current fiscal year, primarily as a result of the pandemic which closed facilities through August and has constrained capacity through the rest of the fiscal year, the decrease is partially offset by an expected resumption of the payments from the Seneca Nation under the Tribal State Compact program in March.

Receipts from traditional Lottery games are projected to increase by 9.6 percent, to \$2.5 billion, in SFY 2021-22, nearly the same as the pre-pandemic levels of SFY 2019-20. As noted above, closures and reduced capacities decreased receipts from commercial casinos and video lottery terminal (VLT) facilities in the current fiscal year. As a result, gaming collections from these facilities are projected to more than double in SFY 2021-22. Commercial casino receipts, which include those from in-person sports betting, are expected to increase by 130 percent, to \$161 million, while those from VLTs are projected to increase by \$373 million or 100 percent.

The Budget recommends a net decrease in All Funds appropriations for the Gaming Commission of \$8.2 million, or 1.9 percent. This decrease reflects a reduction in State Operations spending, as well as the proposed shift of \$474,000 in spending for the Gaming Inspector General from the Gaming Commission to the Office of the State Inspector General.

In 2018, an arbitration panel was formed to determine whether the Seneca Nation was required to make payments to the State on revenues received from the Nation's gaming operations. On January 7, 2019, the panel ruled that the Nation was liable for these payments. The Nation has appealed this ruling and, in October 2020, the ruling was before the Court of Appeals. A panel of three of the Court's judges have heard the appeal but, as of January 2021, a decision had yet to be made. The Budget assumes the collection of these revenues, approximately \$400 million, in the current fiscal year.

While appropriations in the current fiscal year under the Tribal-State Compact program reflect the distribution of the local portion of the outstanding payments due from the Seneca Nation, as well as the regular payments under compacts with the State's other tribes, the Executive Budget would maintain the Aid to Localities appropriation in SFY 2021-22 at the same level in the event the payments due from the Seneca Nation are delayed into the next fiscal year.

The Budget authorizes online sports betting through one of the four existing commercial casinos. The Gaming Commission would select one or more online platform providers through a competitive process and would negotiate the percentage of sports betting revenues to be retained by the platform provider. The proposal would require the winning provider(s) to “use the technology necessary to ensure all bettors are physically within approved locations within the state and ensure the necessary safeguards against abuses and addictions are in place,” but does not specify what such safeguards must be nor how they would be enforced. DOB projects revenues to the State, which would be deposited to the State Lottery Fund, of \$49 million in SFY 2021-22, increasing to nearly \$500 million by SFY 2024-25.

In conjunction with online sports betting, the Budget would allow the four commercial casinos to petition the Gaming Commission to reduce the tax rates on their slot machine revenues to no lower than 25 percent. Currently, the tax rates range from a high of 45 percent on slots at the Rivers Casino to a low of 37 percent at the Tioga Downs and Del Lago casinos. The reduced tax rate would only be in effect for one year and only when online sports betting goes into effect. The revenue impact of this proposal would partially offset the increased revenues from online sports betting; for the full year the reduced rates are in effect, DOB projects a revenue loss of \$50 million.

The Budget also proposes to:

- Eliminate all restrictions for Quick Draw, generating additional State revenue of \$15 million in SFY 2021-22 and \$30 million when fully effective.
- Allow lottery games, such as Take 5 and Pick 10, to be offered more than once per day, resulting in \$7 million in SFY 2021-22 and \$9 million annually thereafter.
- Authorize the Gaming Commission to issue a request for information (RFI) to determine interest in the three downstate gaming facility licenses.

Local Governments

The SFY 2020-21 Enacted Budget gave the Budget Director discretion to withhold or reduce local assistance spending, with notification to the Legislature. As of December 2020, \$2.9 billion had been withheld. Based on higher than expected revenues, the availability of Coronavirus Relief Fund resources, and the extension of the higher federal matching rate on Medicaid expenditures, DOB now expects to reduce most local aid payments by a total of 5 percent from the Enacted Budget estimate, rather than the 20 percent anticipated in the Mid-Year Update and executed to date.

The Executive Budget authorizes automatic spending reductions if the Budget is deemed “unbalanced” in the event the State receives less than \$3 billion in additional federal aid by August 31, 2021. In that case, certain local assistance payments would be withheld across-the-board by the Budget Director, with exceptions for school aid, public assistance, debt service and related obligations, as well as contractual and other obligations.

The Budget would also authorize the Director of the Budget to withhold funding to any local government entity with a police agency that fails to file certification of compliance with Executive Order 203, regarding reform of local police departments, by April 1, 2021. In addition to any withholding, if a local entity fails to file, a monitor may be requested to oversee operations of the police agency at the expense of the police agency or responsible local government until the certification is submitted.

The Aid and Incentives for Municipalities (AIM) program has been the largest appropriation of unrestricted aid to local governments since the elimination of the State's Revenue Sharing program. In SFY 2005-06, AIM included \$849 million in funding for all cities, towns and villages and by SFY 2009-10, total AIM funding reached \$1.1 billion. However, AIM payments to New York City were completely eliminated in SFY 2010-11. Total AIM funding for cities outside New York City reached \$647 million in SFY 2011-12 and remained flat through SFY 2019-20.

In SFY 2020-21, AIM for cities was again funded at \$647 million. Over the course of the year, DOB withheld 20 percent from all AIM payments through December 2020, of which all but 5 percent is expected to be repaid, as previously noted. The Budget would reduce AIM to cities in SFY 2021-22 to \$617 million, down \$30 million, or 5 percent, from the current year. AIM payments to each city would be reduced by between 2.5 percent and 20 percent, based on their reliance on AIM as a percentage of their general fund expenditures in local fiscal years ending in 2019.

Towns and villages received \$67.6 million in AIM each year from SFY 2011-12 through SFY 2018-19.²⁰ However, the SFY 2019-20 Enacted Budget eliminated over 90 percent of towns and villages from the AIM program, and instead authorized "AIM-Related payments" funded through a withholding of county sales tax collections.²¹

The Executive Budget proposes eliminating AIM payments to the remaining 137 towns and villages and replacing them with AIM-Related payments, eliminating State funding for these municipalities and using county sales tax revenue as an offset. Cities other than New York City would be the only municipalities eligible to receive AIM. Additionally, all AIM-Related payments would be reduced by 20 percent, or \$13.5 million to \$54.1 million, in aggregate. These reductions would be effective July 1, 2021.

For various other programs that provide State Aid to local governments, the Budget proposes to either reduce the appropriations by 5 percent or to eliminate them completely. Aid to Municipalities with Video Lottery Gaming Facilities (VLT Aid) for 15 municipalities that host VLT facilities would be eliminated, a \$9.3 million cut. The City of Yonkers would continue to receive VLT Aid of \$18.6 million, a 5 percent reduction from the current year. Madison County, which hosts a gaming facility, would receive \$3.6 million in gaming facility aid, a reduction of 5 percent.

Specific appropriations for aid to Essex, Franklin and Hamilton counties would be reduced by 5 percent. The Financial Plan identifies \$1 million in municipal aid for the City of Jamestown, but the Budget has no specific appropriation or Article VII language for this aid. No additional aid is proposed for the City of Albany, which received \$12 million in special assistance from the State of New York Mortgage Agency in the SFY 2020-21 Enacted Budget.

Various competitive grant programs would be continued, including:

- Reappropriation of \$75.8 million to fund municipal grants and loans for the Financial Restructuring Board for Local Governments (FRB). However, recipients of this funding would only be entitled to 95 percent of any amounts awarded.

²⁰ The Villages of Sagaponack, South Blooming Grove and Woodbury were formed after the creation of the AIM program and therefore were not entitled to AIM payments and did not receive AIM-Related payments. Instead, these villages have received Miscellaneous Financial Assistance (MFA) payments. There is no appropriation for MFA payments to these villages in the Executive Budget.

²¹ For more information on AIM and AIM-Related payments, please see OSC's website at: www.osc.state.ny.us/local-government/data/aid-and-incentives-municipalities-aim-and-aim-related-payments.

- \$33.3 million to fund the Citizens' Re-Organization Empowerment Grants and Citizen Empowerment Tax Credits, and \$3.8 million for the Local Government Efficiency Grant Program, both reflecting a 5 percent reduction from SFY 2020-21.
- A new capital projects appropriation of \$100 million for the sixth round of the Downtown Revitalization Initiative.
- Reappropriation of \$100 million from the SFY 2020-21 Enacted Budget for a second round of funding for the Upstate Airport Economic Development and Revitalization initiative. This initiative provides funding for airport development projects as well as improvement of facilities and access.

Funding for the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program would be held flat, at \$438.1 million and \$39.7 million, respectively. In addition, \$56.1 million is reappropriated to compensate local governments for severe winter weather damage, but no new funding is proposed. Budget documents indicate that \$100 million each is available to continue the BRIDGE NY and PAVE NY programs. However, the Budget does not include appropriations or Article VII language specifically associated with these programs.

The Budget proposes reappropriations of \$2.2 billion of the \$2.5 billion originally appropriated for Clean Water Infrastructure Act projects in the SFY 2017-18 Enacted Budget, and includes an additional \$500 million capital appropriation for drinking and wastewater infrastructure and water quality protection. The Budget increases the cap for the Electric Generation Facility Cessation Mitigation Fund, used to help stabilize tax revenue lost by local governments or school districts due to the closure of an electric generating facility, from \$69 million to \$140 million.

The Budget includes a \$250 million appropriation and reappropriations totaling \$393.4 million for costs relating to raising the age of juvenile jurisdiction. The Budget includes a reappropriation of \$214 million to fund the State's match of net savings realized from approved county-wide shared service initiative (CWSSI) plans, limited to 95 percent of any amounts awarded. These funds could be used for shared service projects that had been included in previous plans but implemented later. CWSSI, due to expire in 2021, would be made permanent, allowing for county-led panels to continue to meet and submit shared service plans.

The Budget includes several other proposals that could affect local governments. It would:

- Grant permanent authority to all 57 counties outside of New York City, and the five cities that currently have additional sales tax rates, to impose a local sales tax at the greater of an additional 1 percent or their currently, authorized additional rate. This would eliminate the periodic need for the Legislature to approve extension of these rates.
- Amend the requirement that each county maintain a separate jail by permitting contiguous counties to jointly maintain a jail through a shared service agreement.
- Extend until July 31, 2023 the ability for local governments to "piggyback" on competitively bid contracts from the federal government, any state or any other local government.
- Allow counties to pursue investments in additional types of financial products, similar to the investment options currently available to New York City. Currently, counties are authorized to hold certain investments in special time deposit accounts, certificate of deposits, or obligations of the United States (or guaranteed by agencies of the United States) or New York State.

New York City

The Executive Budget would benefit the City by an estimated \$378 million in City Fiscal Year (CFY) 2022, compared with the City's own preliminary CFY 2022 budget forecast, but would have an adverse impact each subsequent fiscal year over the balance of the Financial Plan period. The largest portion of proposed aid is \$10.7 billion in State-funded school aid to the City in SFY 2021-22, which is \$1.4 billion less than the City had anticipated in its forecast for CFY 2022. The proposed funding total includes reimbursement payments from the STAR program, and the proposed reduction to these STAR payments effectively reduces the City's revenues by at least \$144 million annually starting in CFY 2022. However, the State will also distribute to the City additional federal supplemental funding of \$2.15 billion in the same year, for a total of \$12.9 billion in local support for the City's schools, \$567 million higher than the City projected for CFY 2022. There will be continued risk in the out-years as the federal aid is not expected to recur.

All local school districts, including New York City, are subject to a new single block grant for school "Services Aid," combining 11 existing expense-based aids including transportation aid. This unified grant would be subject to a statewide reduction in the 2021-22 school year, which falls disproportionately on New York City, reducing Services Aid to the City by \$620 million in CFY 2022. The proposed Budget would hold Foundation Aid flat in CFY 2022, yielding no offsetting State aid increase.

The Budget includes a number of actions which DOB estimates could increase the City's costs by a net of \$79 million in CFY 2021 and \$128 million in CFY 2022. The largest initiatives are identified below:

- Eliminating funding for charter school facilities and fiscal stabilization grants exclusively for New York City, which would cost the City \$64 million in CFY 2021 and \$73 million beginning in CFY 2022.
- Reducing State reimbursements for certain public health programs from 20 percent to 10 percent, which would increase the City's costs by \$5 million in CFY 2021, rising to \$25 million annually beginning in CFY 2022.
- Reducing State funding for a number of local assistance programs by 5 percent, mostly for social services, which would increase the City's costs by \$9 million in CFY 2021 and by \$38 million in CFY 2022.

The Budget proposes to eliminate State-funded indigent care pool payments to public hospitals, which would reduce support for the New York City Health and Hospitals Corporation (H+H) by \$15 million in CFY 2021 and \$61 million in CFY 2022. It is expected that the City would pick up the cost of the State share, permitting H+H to continue to draw down matching Medicaid federal funds, which would provide H&H with \$122 million in matching funds.

As previously noted, the Budget includes a provision that would trigger automatic across-the-board withholding of payments from local assistance appropriations in SFY 2021-22 if unrestricted federal aid is not received by August 31, 2021, and the amount received is less than \$3 billion. Most State aid to the City, including school aid and public assistance payments, would be exempt from withholding under this proposal. The Budget also proposes that all or some local assistance funding be withheld from any local government with a police force that does not implement a police reform plan by April 1, 2021. As of February 2021, the City had

not yet completed action on its police reform plan, but has indicated that it intends to do so before the deadline.

The Executive Budget also includes proposals to: establish tax credits to support restaurant hiring and theatrical and musical productions in New York City (as discussed further in the Revenue section of this report); allow the State Liquor Authority to provide restaurants and bars with temporary permits in the City; and expand the City's \$1.50 hotel unit fee to apply to all vacation rental market providers. The Budget proposal to increase PIT rates on high-income earners, as discussed in the Revenue section of this report, would likely fall disproportionately on New York City residents, who make up more than 60 percent of all State resident tax filers whose taxable income is greater than \$5 million.

Metropolitan Transportation Authority

The Executive Budget appropriates nearly \$3 billion for the MTA's operating budget in SFY 2021-22, \$618 million more than forecasted in the MTA's November Plan. (In 2021, the MTA will also benefit from \$429 million appropriated in the SFY 2020-21 budget that was delayed from 2020). The MTA will also benefit from \$2.2 billion in tax revenue that flows to it without appropriation, mainly from the direct flow of the payroll mobility tax to the Authority. The combined \$5.2 billion in aid is essentially unchanged from the current year.

The Budget diverts the following MTA dedicated taxes to the General Fund which, if appropriated to the MTA, could have brought another \$143 million to the Authority:

- \$116 million from the downstate Metropolitan Mass Transportation Operating Assistance fund. The MTA usually receives about 84 percent of the downstate allocation, so it could have benefited by \$97 million if not diverted.
- \$26.5 million from the MTA transit and commuter accounts of the Dedicated Mass Transportation Trust Fund, which is mostly funded with a portion of statewide petroleum business taxes.
- \$12.6 million held back from the MTA's anticipated \$244 million appropriation to compensate the MTA for payroll mobility tax exemptions that were given to certain businesses.
- \$6.5 million from the Central Business District tolling capital lockbox fund, which is funded with a sales tax set-aside of internet marketplace sales tax revenue. These funds are earmarked for the MTA's capital program, but the MTA is allowed to use the funds for operating purposes through calendar year 2021.

The State has an outstanding commitment to fund \$7.3 billion of the MTA's 2015-2019 capital plan and had committed \$3 billion to the Authority's 2020-2024 capital program. The Budget now assumes that the State will fund both of these contributions with its own bonding instead of reimbursing the MTA for the debt service on its bonds. The Budget includes provisions to further protect MTA subway, bus and commuter railroad workers from harassment and violence, and increases penalties for those who avoid or seek to avoid the payment of tolls.

The Budget also includes several procurement and capital project implementation proposals that could eliminate or modify certain requirements with regard to MTA and New York City Transit Authority (NYCTA) procurement. Most of these proposals are intended to have the effect of reducing the cost of capital project work by the Authority. They include provisions to:

- Allow NYCTA and the MTA to use electronic bidding and eliminate the requirement of soliciting bids in the newspaper;
- Permit the NYCTA and MTA to use existing contracts awarded by states, municipalities, and the Federal government;
- Allow the NYCTA and MTA to review their qualified products list (QPL) once per year, rather than twice;
- Make permanent certain procurement provisions currently subject to sunset in April 2021, and eliminate the dormant provisions that would replace them;
- Allow MTA construction projects to move forward on schedule by requiring that public utility companies, as well as the City, relocate their pipes, mains, conduits and other infrastructure within time frames set by the MTA after consultation with the utility or the City, with any work done by the City paid for by the MTA; and
- Clarify that the powers the MTA and NYCTA have to occupy City streets to perform work needed for transportation facilities also extend to the construction of a subway entrance or elevator by a private developer.

State Workforce

The Financial Plan indicates that the overall size of the State workforce (excluding the Legislature and the Judiciary) is projected to be 176,977 full-time equivalent (FTEs) employees at the end of SFY 2021-22, a decrease of 830 from the estimated total of 177,807 at the end of the current year. This decrease is the net result of an estimated 11,204 attritions and 10,374 new hires. The State workforce subject to Executive control at the end of SFY 2021-22 is estimated to have declined by 6,023 FTEs or 5.1 percent compared to March 31, 2020, reflecting, in part, an unspecified reduction of 2,551 from "Hiring Freeze Savings." Major changes, on an All Funds basis, include:

- DOCCS, a net decrease of 800 FTEs largely from the planned reduction in prison capacity;
- OMH, a net decrease of 446 FTEs primarily related to facility restructuring and the closure of vacant inpatient beds;
- DOH, a net increase of 339 FTEs mainly due to the takeover of county Medicaid administrative functions;
- OCFS, a net decrease of 285 FTEs mostly from closure of four State-operated youth facilities;
- Division of Alcoholic Beverage Control, a net increase of 208 FTEs largely associated with the proposed new Office of Cannabis Management; and
- Office of Medicaid Inspector General, a net increase of 70 FTEs primarily to support program initiatives related to Medicaid fraud.

The Executive Budget includes a proposal to change current funding for 13,476 CUNY FTEs – 357 supported by a Special Revenue Fund and 13,119 by an Agency Trust Fund (a fiduciary fund) -- to an Enterprise Fund to coincide with the proposed reclassification of certain CUNY-related fees and spending. For the Special Revenue Fund shift, this proposal would lower the overall reported size of the State workforce within All Governmental Funds, as Enterprise Funds are not included within this framework.

The Financial Plan indicates that certain contractual salary increases for State employees in SFY 2021-22 are "TBD" – to be determined. It further notes that if \$15 billion in additional unrestricted federal pandemic aid were received by the State, \$9 billion more than what is currently anticipated, \$600 million in delayed contractual salary increases could be restored to

State employees. This is a two-year amount. All Governmental Funds spending for personal services in SFY 2021-22 would decrease by 3.1 percent to \$14.6 billion, according to the Financial Plan.

General State Charges

The State's costs associated with employee fringe benefits and certain other expenses are known collectively as General State Charges (GSC). The Financial Plan projects State Operating Funds spending for GSC will total \$9.8 billion in SFY 2021-22, an increase of 36.7 percent from SFY 2020-21. The increase is partly due to certain fringe benefit costs in the current year being paid for with resources from the federal Coronavirus Relief Fund, which is outside State Operating Funds. For a detailed presentation of estimated General State Charges, see Figure C in the Appendix of this report.

Overall, spending for employee fringe benefits is projected at \$9.3 billion in the coming year, an increase of 38.3 percent. This is partly due to the State's deferral of \$674 million in Social Security tax payments for employees in Executive agencies and the Judiciary from April through December 2020 as permitted under the federal CARES Act. The federal legislation allows repayment of these taxes in December 2021 and December 2022.

Pension costs are projected to increase 12.4 percent as a result of growth in the State's employer contribution rates due to updated actuarial demographic assumptions and assessment of relevant market conditions. This includes DOB's plan to pay the State's SFY 2021-22 pension bill in June 2021 (ahead of its due date of March 1, 2022) in order to provide an estimated \$51 million in interest cost savings. The Financial Plan indicates that the State's unemployment compensation costs almost tripled in the current year, to nearly \$30 million, from \$11 million in SFY 2019-20, and are anticipated to decrease slightly in SFY 2021-22.

All Funds spending for GSC, including costs for federally funded State employees, is projected at \$10.1 billion for SFY 2021-22 in the Financial Plan.

The Budget proposes changes to health coverage costs for State retirees through:

- Limiting reimbursement of Medicare Part B premiums for retirees and their dependents to \$148.50 per month effective April 1, 2021, resulting in a projected savings of \$1.8 million in the coming year, rising to \$30.5 million by SFY 2024-25 if future reimbursement levels are not increased. DOB projects that this change would reduce the State's unfunded other post-employment benefits (OPEB) liabilities by approximately 11 percent.
- Eliminating reimbursement of certain Medicare costs for higher-income State retirees starting January 1, 2021, for estimated State savings of \$4 million in the coming year and rising to an estimated \$25.2 million in SFY 2024-25.

Effective for civilian non-disability employees hired on or after October 1, 2021, the Budget would create a sliding scale for retiree health insurance coverage based on years of service, comparable to the calculation for pension benefits. This action would result in shifting some costs to employees and is anticipated by DOB to reduce OPEB liability by about 4 percent in the future, once the majority of employees and retirees are under the new schedule.

Public Authorities

Borrowing Authorizations

The Executive Budget increases statutory bond caps (total authorizations to borrow) for 22 existing programs financed through State-Supported debt issued by public authorities. As shown in Figure 22, such bonding authorizations would be increased by \$20.5 billion or 14.3 percent over current limits. More than half of the increase is attributed to MTA Transportation Facilities, with an increase of \$10.3 billion. Other transportation capital programs are increased \$4 billion or 19.7 percent. A new \$1.3 billion authorization is added in support of the Executive's proposed Empire Station Complex, contributing to a 13.6 percent increase in economic development and housing authorizations. In addition, the authorization for Private Special Education would be modified to permit the funding of State Education Department project costs.

Figure 22

SFY 2021-22 State-Supported Bond Caps and Authorizations

(in millions of dollars)

Program	Current Cap ¹	SFY 2021-22 Proposed Cap ²	Proposed Change: Dollars	Proposed Change: Percentage
MTA Transportation Facilities	2,179.9	12,515.9	10,336.0	474.2%
Transportation Initiatives	6,942.5	8,840.0	1,897.5	27.3%
Dedicated Highway & Bridge Trust	16,500.0	18,150.0	1,650.0	10.0%
Empire Station Complex	-	1,300.0	1,300.0	N/A
Economic Development Initiatives	10,334.9	11,254.2	919.4	8.9%
Environmental Infrastructure Projects	6,374.0	7,130.0	756.0	11.9%
SUNY Educational Facilities	14,741.9	15,455.9	714.0	4.8%
Housing Capital Programs	6,531.5	7,086.6	555.1	8.5%
Mental Health Facilities	9,927.3	10,476.8	549.5	5.5%
Consolidated Highway Improvement Program (CHIPs)	11,349.9	11,837.2	487.4	4.3%
CUNY Educational Facilities	9,222.7	9,548.8	326.1	3.5%
Prison Facilities	8,817.3	9,139.6	322.3	3.7%
State Office Buildings and Other Facilities	1,115.8	1,278.8	163.0	14.6%
Information Technology	830.1	949.3	119.2	14.4%
Statewide Equipment	193.0	293.0	100.0	51.8%
Division of State Police	323.1	374.6	51.5	15.9%
Water Pollution Control (State Revolving Fund)	980.0	1,030.0	50.0	5.1%
Private Special Education	155.0	196.0	41.0	26.5%
Youth Facilities	840.3	876.0	35.7	4.2%
Homeland Security and Training Facilities	314.0	347.5	33.5	10.7%
Division of Military & Naval Affairs	157.0	172.0	15.0	9.6%
SUNY Upstate Community Colleges	1,051.6	1,066.3	14.6	1.4%
Library Facilities	265.0	279.0	14.0	5.3%
Total Public Authority Bond Caps with Changes	109,146.7	129,597.4	20,450.7	18.7%
All Other Public Authority Bond Caps	34,156.6	34,156.6	-	-
Total Public Authority Bond Caps	143,303.3	163,754.0	20,450.7	14.3%
General Obligation Bond Act Authorizations³	18,935.0	18,935.0	-	-
Total State-Supported Bond Caps/Authorizations⁴	162,238.3	182,689.0	20,450.7	12.6%

Sources: Division of the Budget, Office of the State Comptroller

Note: Totals may not add due to rounding.

1. The current cap reflects the amount previously authorized, some or all of which may already have been issued.

2. The proposed cap reflects the amount authorized in the Executive Budget Article VII language.

3. This table reflects General Obligation Bond Acts for which there is a remaining authorized but unissued amount and/or remaining debt outstanding balance.

4. The SFY 2020-21 Enacted Budget authorized temporary financing of up to \$11 billion through PIT bonds or bond anticipation notes (\$8 billion) and line of credit facilities (\$3 billion). The Executive Budget would extend this authorization for one year and these amounts are not subject to the limitations of the Debt Reform Act.

Transfers and Other Budget Support

As shown in Figure 23, the Budget proposes a total of \$204 million in transfers and other uses of funds from public authorities. Of this, \$70.1 million is intended to provide State General Fund support. The Budget also includes the transfer of \$63.4 million in “excess” reserves of the State of New York Mortgage Agency (SONYMA) Mortgage Insurance Fund (MIF) to the Housing Trust Fund Corporation (HTFC) and the Homeless Housing Assistance Corporation (HHAC) to pay for certain housing programs off-budget. In addition, a transfer of \$65.6 million from the New York State Housing Finance Agency (HFA) is included to reimburse New York City expenditures for adult shelters.

Figure 23
SFY 2021-22 Transfers and Miscellaneous Receipts from Public Authorities
(in millions of dollars)

Public Authority	Amount
Transfers and Receipts to the General Fund:	
Dormitory Authority of the State of New York	22.0
Power Authority of the State of New York	20.0
New York State Energy Research and Development Authority*	28.1
Total to General Fund	70.1
Transfers for Various Purposes:	
State of New York Mortgage Agency	63.4
New York Housing Finance Agency	65.6
Total for Various Purposes	128.9
Transfers to the Environmental Protection Fund:	
New York State Energy Research and Development Authority	5.0
Total from Public Authorities	204.0

Sources: Division of the Budget, Office of the State Comptroller

* The NYSERDA transfer to the General Fund includes \$23 million from the proceeds of auctions of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (RGGI), and up to \$913,000 to help offset debt service requirements related to the remediation of the Western New York Nuclear Service Center. In addition, up to \$4 million for DEC for climate change related services, and \$150,000 for the Department of Agriculture and Markets is authorized to be transferred to the General Fund, while \$825,000 is authorized to be transferred directly to the University of Rochester for the Laboratory for Laser Energetics.

The Budget proposes to authorize the Utility Debt Securitization Authority (UDSA) to issue additional restructuring bonds and/or refunding bonds to fund the cost of improvements to the Long Island Power Authority (LIPA) transmission and distribution system. The proposal would: expand the definition of “approved restructuring costs” to include restructuring bonds previously issued by UDSA and system resiliency costs; amend the definition of restructuring bonds so that bonds issued by UDSA would have a maturity date no later than 30 years from the date of issuance, rather than a final maturity no later than that of the LIPA bonds refinanced; and amend the \$4.5 billion cap to apply to the amount of UDSA bonds outstanding, rather than the total amount issued. Amendments to the original 2013 legislation enacted in the SFY 2015-16 Enacted Budget prohibited the issuance of restructuring bonds to refund previously issued restructuring bonds, capped the aggregate principal amount issued at \$4.5 billion and specified that the final maturity date could be no longer than the final maturity of the bonds being refinanced.

The Budget proposes authorization for NYSERDA to use single purpose project holding companies established by or on behalf of NYSERDA to acquire, sell and transfer rights in build-ready sites, and development rights to developers of renewable energy facilities. This would

modify the Clean Energy Resources Development and Incentives Program enacted as part of the State's Accelerated Renewable Energy Growth and Community Benefit Act in 2020. The proposal, as drafted, ensures that these holding companies would not be considered NYSERDA subsidiaries, thus bypassing an important level of transparency provided through Public Authorities Law reporting requirements. In addition, while the Program statute requires public reporting commencing on April 1, 2021, it also bypasses certain Public Authorities Law property disposition and competitive procurement requirements, hindering transparency, accountability and oversight of the Program.

The Budget also includes a proposal to authorize the Dormitory Authority of the State of New York (DASNY) to provide loans and design and construction services to school districts and not-for-profit corporations for capital projects of \$5 million or more, and to provide loans to fund working capital needs of school districts and not-for-profit corporations during the COVID-19 state of emergency.

The Budget proposes capital funding of \$106 million for the Olympic Regional Development Authority. This includes \$92.5 million for an upgrade and modernization plan to support improvements to the Olympic, ski and other facilities, and \$10 million for maintenance and energy efficiency projects. Also included is \$2.5 million appropriated from the Office of Parks, Recreation and Historic Preservation, with \$500,000 of this amount for Belleayre Mountain Ski Center, and \$1 million from DEC for Belleayre projects.

Other provisions in the Executive Budget include:

- Authorization for the New York Power Authority to establish a subsidiary corporation for the purposes of forming a pure captive insurance company, an entity which insures only the risks of the parent organization and/or its subsidiaries.
- Provisions amending the definition of "procurement contract" for the Thruway Authority to increase the threshold from \$15,000 to \$50,000 for the purposes of Public Authorities Law Section 2879. This change would eliminate the requirement for board approval and reporting of contracts below the threshold, thus reducing transparency and oversight of such procurements.
- Provisions extending the authorization for DASNY to enter into design and construction management agreements with DEC and Parks for three years to April 1, 2024.
- Authorization for the New York Convention Center Operating Corporation to act as a construction-permitting agency for the Javits Convention Center.

Other Issues

Election Law Changes

The Executive Budget proposes extending the voter registration privacy protections that victims of domestic violence currently receive to judges, retired judges, and the immediate families of judges. Registration records would be kept private and not be publicly available except by elections officials. In addition, the proposal would allow home addresses of the above-referenced individuals to be omitted from public display where it is otherwise required by the Election Law.

The Budget proposes expanded hours of poll operation during the early voting period, requiring polls to be open for at least eight hours between 7 a.m. and 9 p.m., with one polling place required to be open until 9 p.m. on at least three week days. The proposal would also require polls to be open during the weekend for at least ten hours, doubling the current requirement of at least five hours.

The Budget proposes changes to absentee voting provisions which would:

- Expand the period within which voters may request an absentee ballot from 30 days to 45 days prior to the election;
- Require that absentee ballot requests are processed within four business days from the time the application is received, provided that if the application is received closer to the election – between ten and seven days before the election – the request must be processed within twenty-four hours; and
- Set forth new procedures for the counting of absentee ballots.

The Budget proposes legislation that sets forth a timeframe for mandatory recounts in the event of close elections, including a provision that such recounts would be triggered based on the results of the canvass conducted three days after the deadline for receipt of absentee ballots.

The Budget includes a \$7.3 million General Fund appropriation and an increase in workforce of 15 full time employees to support the Board of Election's Public Campaign Finance Board (PCFB). The PCFB is responsible for the administration of public campaign financing for candidates running for statewide and State legislative office.

Equal Rights and Gender Equality

The Executive Budget includes a proposed constitutional amendment related to the prohibition of discrimination. Currently, the State Constitution prohibits discrimination based on race, color, creed or religion. The proposed amendment would also prohibit discrimination on the basis of sex, sexual orientation, gender identity, ethnicity, national origin, age and disability. As an amendment to the State Constitution, the proposal would require passage of concurrent resolutions by the Legislature over two successive legislative sessions, and approval by the voters at a general election.

The Budget proposes amendments to the Human Rights Law that would extend its anti-discrimination protections to include students of for-profit educational institutions. Currently, the law applies to public schools and non-profit educational institutions. The Budget also proposes a statutory change that would protect against discrimination on the basis of citizenship and immigration status.

The Budget proposes a new framework under the Civil Rights Law wherein a change of sex or gender designation shall be granted without the need for medical evidence of a transition. This proposal would also eliminate the publication requirement for name changes and would allow name change records to be sealed.

The Budget proposes to prohibit courts from considering the sex, sexual orientation, gender identity, or gender expression of the parties when determining the best interests of the child in a child custody proceeding. The Court would also be unable to prohibit a party from undergoing gender reassignment.

Consumer Protection

The Executive Budget proposes an amendment to the Personal Privacy Protection Law that would loosen restrictions to permit State agencies to share data sets of information voluntarily provided by citizens.

The Budget proposes the New York Data Accountability and Transparency Act to require certain companies that control or process large volumes of personal information from consumers to disclose the purposes of such data collection and would prohibit the use of such information for any purposes other than those disclosed. The proposal is aimed at digital online privacy for consumers of internet companies, and designates the Department of State (DOS) as the enforcement entity. The proposal also directs DOS, in consultation with the Department of Financial Services, to create a privacy bill of rights for consumers in relation to data collection and would create the Consumer Data Privacy Board to provide guidance and recommendations on consumer data privacy matters.

The Budget proposes to require manufacturers and sellers of connected devices such as computers, smart TVs, gaming consoles or toys with voice recognition features to provide a disclosure to consumers of the device's recording capabilities and functions.

Procurement

The Executive Budget includes several proposals that could further weaken existing requirements with respect to procurement, several of which are outlined in the Transparency, Accountability and Oversight Issues section of this report. Other Budget proposals affecting State, local government and public authority procurement include:

- A proposed New York Medical Supplies Act that would require State agencies to purchase personal protective equipment (PPE) and medical supplies made only in the United States if the contract is valued over \$50,000. This requirement could be waived by the procuring agency under certain circumstances relating to cost, public interest, availability and timeliness.
- An amendment to the Thruway Authority's existing authorization to solicit and accept sealed bids from the lowest responsible bidder to add that the Thruway can also solicit and accept bids by electronically secure submission.
- Extension of local governments' authority to "piggyback" on competitively bid contracts from the federal government, or any state or local government for another two years to 2023.
- A requirement that State agencies publish online a list of individuals authorized to sign State contracts on behalf of each department.
- Legislation that would render certain terms in State contracts void, such as indemnification clauses wherein the State agrees to indemnify another person, binding arbitration agreements and terms or conditions allowing the State to limit liability of another person for bodily injury, death, or damage. Vendors would also be prohibited from unilaterally changing terms and conditions without the State's consent.
- The application of prevailing wage and other Labor Law requirements to workers on certain renewable energy projects.

VII. 30-Day Amendments

On February 18, 2021 the Division of the Budget released 30-Day Amendments to the Executive Budget. This section summarizes some of the major changes.

Revenue

- Amendments would establish the COVID-19 Extraordinary Relief Fund. Revenues collected in SFY 2021-22 or beyond from any new tax, tax increase, or reduction to tax credits or deductions enacted during SFY 2021-22 (the proposal does not limit these to State-level provisions) would be deposited to the new fund. A proposed \$3 billion appropriation from the Fund would provide loans or grants to school districts, local governments, public benefit corporations and for profit and nonprofit entities to respond to COVID-19-related hardships. Expenditures would be pursuant to a plan approved by the Director of the Budget. In an economic downturn, as defined by certain proposed indicators, funds could also be transferred to the General Fund. The Fund is established in the joint custody of the Comptroller and Commissioner of Taxation and Finance.
- Amendments would allow a portion of revenues from the tax on adult use cannabis to be deposited into the Cannabis Social Equity Fund to provide grants to community-based nonprofits to reinvest in communities adversely affected by State and federal drug policies. The grants could be used for purposes that include: job placement and job skills services, mental health and substance abuse treatments, as well as other community supportive services. While the proposal would authorize the Urban Development Corporation to administer this fund and the Department of State to allocate any revenues collaboratively with the Office of Children and Family Services, Department of Health, Department of Labor, and Division of Housing and Community Renewal, there is no statutory proposal to create the Cannabis Social Equity Fund.

Federal Funds

- Amendments would increase from \$35 billion to \$45 billion the authorization to spend from the State Operations federal emergency appropriation and specify but not limit the appropriation to: “lower and higher education, testing and tracing, vaccination, rental assistance, child care support and stabilization funding, heating and energy assistance, FEMA public or direct assistance payments and other federal funding to local governments passed through the state.”

Education

- Amendments would modify the "maintenance of effort" requirement for the 2021-22 school year for the "Big Four" cities (Buffalo, Rochester, Syracuse, and Yonkers) so that the local district funding adjustment (LDFA) impacts their respective school districts instead of the local governments themselves. The proposal would also replace the Big Four LDFA for the 2022-23 school year and thereafter with a reduction to the districts' services aid in the same amount as the 2021-22 LDFA.

Health

- Amendments advance new proposals to implement nursing home and other health care provider provisions that:
 - Increase fines for violations of health laws or regulations. Proceeds from fines over \$10,000 but less than \$15,000 would accrue to DOH's patient safety center.
 - Allow DOH to bypass competitive bidding and the State Comptroller's contract review authority when using revenue from fines of \$15,000 or more for violations by hospital, nursing home, home care and hospice providers for initiatives "likely to improve the quality of care or quality of life of patients or residents of these providers."
 - Require nursing homes applying for State approval to file staffing information with DOH.
 - Require nursing homes issued statements of deficiencies for infection control violations in two consecutive inspections to hire and pay for a quality improvement organization or independent quality monitor to assess and resolve their deficiencies.
 - Require regulations directing nursing homes to spend a minimum of 70 percent of revenue on direct resident care. Nursing homes failing to spend this minimum or those whose revenue exceeds expenses by more than 5 percent of expenses would be required to spend excess amounts in a manner determined by regulation or pay the excess revenue to the State.
 - Prohibit nursing home executive or managerial salaries not involving direct resident care from exceeding \$250,000 per year. The amendments would also prohibit nursing homes from spending more than 15 percent of expenses on executive or managerial salaries.
 - Require nursing homes to post maximum rates charged for facilities and services, by source of payment, on a publicly accessible website and to update the postings annually. Postings must also list all nursing home owners and landlords, and summarize all contracts for goods and services paid for with Medicaid or Medicare funding.
 - Allow DOH to appoint an emergency receiver on 24 hours' notice to a nursing home operator at nursing homes where public health or safety is in imminent danger.
- Amendments increase the two-year Local Assistance appropriation for the Medicaid program by \$2.1 billion to \$172.8 billion to account for additional enrollment due to COVID-19. This increase reflects a net \$2.5 million decrease in State share appropriations to \$45.9 billion, offset by a \$2.1 billion increase in federal share appropriations for managed care payments to \$69.3 billion. The State share is net of a \$1.5 billion increase in the appropriation for managed care payments and decreases of \$1.3 billion in OPWDD and OMH spending paid for with General Fund resources and \$205 million in payments for long-term care services.

- Amendments add care provided in nursing homes to the definition of qualifying health care costs covered by the Medical Indemnity Fund, which provides funding for future health care costs of plaintiffs in medical malpractice actions who have suffered birth-related neurological injuries as the result of medical malpractice during a delivery.
- Amendments follow the recommendation of the Centers for Disease Control and Prevention to expand pharmacists' scope of practice in administering immunizations to include immunizations for patients 18 years of age or older.

Human Services

- Amendments increase the federal Local Assistance appropriation for the Office of Children and Family Services (OCFS) child care program by \$700 million to \$1.7 billion to accommodate additional stimulus funds.
- Amendments increase the federal Local Assistance appropriation for the Office of Temporary and Disability Assistance (OTDA) emergency rental assistance program by \$1.1 billion to \$2.35 billion.

Housing

- The Executive Budget proposal related to underutilized commercial structures and hotel facilities is modified to limit rezoning to properties that have already been permitted for residential use, and to shorten the application expiration date by 2 years to December 31, 2024. The amendment also removes language related to the use of space for the purpose of generating as-of-right supportive housing, and expands the affordable housing requirement to 25 percent of units or to an amount of affordable or supportive housing to be agreed upon with the NYS Department of Homes and Community Renewal.

Mental Hygiene

- Amendments decrease two-year appropriations for OPWDD and OMH Medicaid spending paid for with DOH General Fund Medicaid resources by \$1.3 billion to \$849.9 million.
- Amendments decrease federal Local Assistance appropriations for the substance abuse prevention and treatment (SAPT) block grant within the Office of Addiction Services and Supports (OASAS) community treatment services program by a total of \$71.3 million to \$82.2 million, and add a \$71.3 million federal Local Assistance appropriation for services and expenses associated with federal block grant awards yet to be allocated by the federal department of Health and Human Services (HHS). The Executive indicates this amendment is intended to create flexibility for potential supplemental SAPT block grant funding. The amendment also authorizes OASAS, subject to DOB approval, to bypass competitive bidding and the Comptroller's contract review authority.
- Amendments decrease federal Local Assistance appropriations for SAPT block grant within the OASAS prevention and program support program by \$28.8 million to \$33.0 million and add a \$28.8 million federal Local Assistance appropriation for services and expenses associated with federal block grant awards yet to be allocated by HHS. The Executive indicates these amendments are intended to create flexibility for potential supplemental

SAPT block grant funding. The amendments also authorize OASAS, subject to DOB approval, to bypass competitive bidding and the Comptroller's contract review authority.

- Amendments delete language within a \$65.7 million General Fund Local Assistance appropriation for the OASAS prevention and program support program that makes \$14.9 million available to the New York City Department of Education for school-operated prevention programs.
- Amendments modify the composition of the Developmental Disabilities Planning Council (DDPC), including increasing members appointed by the Governor who are developmentally disabled, their parents or guardians or immediate relatives from 50 to 60 percent.

Public Protection

- Amendments are made in the Article VII legislation in relation to the withholding of appropriated federal funds – in addition to appropriated State funds – from local governments that fail to conduct the mandatory review required by Executive Order 203, the “New York State Police Reform and Reinvention Collaborative.”

Energy, Environment, Parks and Agriculture

- Amendments clarify that the prohibition of certain utility shut-offs during a disaster declaration does not apply to short-term weather-related disasters.
- Amendments relieve municipalities of a requirement to provide funding to replace parkland alienated for the construction of the Bay Park Conveyance Project on Long Island.
- Amendments authorize the Department of Agriculture and Markets, the Department of State, the Office of Parks Recreation and Historic Preservation, the Department of State and the Department of Environmental Conservation to consider certain expenditures, including expenditures that occurred in the prior fiscal year, related to participation in public utility regulation activities, or State energy policy proceedings as expenditures of the Department of Public Service. In addition, the proposal would authorize the Department of Health to consider certain public health education expenditures as expenses of the Department of Public Service. This proposal allows for the shifting of costs from the General Fund to funds raised through an assessment on State utilities. Similar provisions were included in the Enacted Budget for SFY 2020-21, but DOB does not provide an estimate of the total amount of expenditures subject to this proposal.
- Proposed amendments related to Broadband Access for Low-Income New Yorkers include:
 - Stipulating which companies can provide broadband services under this program to be wireline (e.g. Spectrum, Verizon FIOS), fixed wireless (e.g. AT&T, Verizon Wireless), and satellite internet service providers, and
 - Authorizing the PSC to provide an exemption to the minimum broadband speed requirement of 25Mbps if that download speed is not “reasonably practicable.”

Unemployment Insurance

- Amendments are made to Chapter 21 of the Laws of 2021, which excludes unemployment insurance (UI) claims arising from the closure of an employer due to COVID-19 in determining the employer's UI tax rate, by excluding claims made after March 9, 2020 instead of March 12, 2020 and by deleting the December 31, 2021 expiration date.
- Amendments increase the Enterprise Funds Local Assistance reappropriation for the Department of Labor Unemployment Insurance Benefit Program by \$11 billion to \$71 billion, reflecting changes made to the original appropriation through a deficiency appropriation bill by a Chapter of the Laws of 2021.

Workforce

- Amendments merge the College Retirement Equities Fund (CREF) into the Teachers Insurance and Annuity Association of America (TIAA) and that CREF ceases to be a corporate entity; also repeals Chapter 124 of the laws of 1952 related to the CREF charter.
- Amendments authorize the President of the Civil Service Commission to establish a 60-day amnesty period during SFY 2021-22 for New York State Health Insurance Program (NYSHIP) enrollees to identify dependents who are ineligible for health benefits; such dependents may be removed from coverage during this period without related penalties for enrollees among other provisions related to premiums and claims paid.

Local Government

- Amendments establish the Emergency Rental Assistance Local Government Allocation Fund, which would consist of allocations received in trust from local governments that were allocated federal government funding for emergency rental assistance. Distributions from this fund would be made, without appropriation, to provide rental assistance for residents of the respective local governments from which monies were received, in accordance with federal law and a plan approved by the Director of the Budget.

Procurement

- Amendments extend the Procurement Stewardship Act that sets forth current competitive bidding requirements for services and commodities for five years until 2026. In addition, the Procurement Lobbying Law would be extended for ten years until 2031 while increasing the applicable dollar threshold for contracts from \$15,000 to \$50,000.

Public Authorities

- Amendments include the New York State Canal System Revitalization Act (Act) for the purposes of mitigating flooding and other destructive impacts, protecting aquatic habitat, leveraging the canal system for economic development and expanding recreational opportunities along the canal. The Act establishes the New York State Canal System Revitalization Trust (Trust), a State public authority, and repeals the language authorizing the Canal Recreationway Commission. Among other things, the Trust would be empowered to:

- Utilize public-private partnerships;
- Accept gifts, devises and bequests, including interests in real and personal property, and acquire rights and interests in real and personal property;
- Transfer rights in real or personal property to the Canal Corporation or certain other entities; and,
- Make grants of money, property or other things of value to corporations, associations, non-profit organizations, academic institutions, local governments or any other persons under programs created by the Trust for purposes consistent with revitalization.

The proposal authorizes the temporary assignment and transfer of employees from the Canal Corporation, NYPA or any State public authority, and with approval from the Director of the Budget, assignment or transfer of employees from any board, commission, agency or department of the State.

While there is no clear source of funding, the Trust would have the authorization to accept gifts and transfers, and to sell property. In addition, NYPA's statute would be amended to authorize the assessment of fees, rents and charges for the use of canal facilities, and to authorize the provision of grants or other forms of financial support promoting the purposes of the Act.

NYPA would also be permitted to issue debt for the purposes of revitalization of the canal system, removing the more limiting language "to finance certain projects." Amendments to the Canal Corporation's enabling statute would permit the setting of tolls for locks and lift bridges, not only via regulation, but also by formal board action, without public hearings.

VIII. Appendix

Figure A

Evolution of General Fund Gap in SFY 2020-21	
(in millions of dollars)	
	2020-21
Current Services Gap Reported in Executive Budget (After Actions)	-
Revenue Shortfall Reported in Enacted Budget Since February	(13,257)
Additional Revenue Shortfall Reported in 1st Quarter Update	(1,259)
Additional Revenue Shortfall Reported in Mid-Year Update	(406)
Mid-Year Gap To Be Closed	(14,922)
New Costs	(1,056)
Health Care Enrollment - 1st Quarter Update	(671)
Health Care Enrollment - Mid-Year Update	(314)
Other	(71)
Enacted Budget Changes (Including Federal Education Aid)	782
Budget Control Actions	10,165
Local Assistance (details to be determined)	8,180
Agency Operations	1,654
Other	331
Resource Changes	5,031
Enhanced Federal Medicaid Reimbursement (eFMAP)	2,984
Coronavirus Relief Fund (CRF) - 1st Quarter Update	869
Other Resources	1,178
Subtotal Before Executive Proposal	-
Executive Budget Gap Closing Plan	
Add Back Local Assistance Reductions	(8,180)
Updated and New Revenue Projections	5,025
General Fund Taxes	4,948
Other Receipts	77
New Spending Actions	2,782
Local Assistance	2,221
Agency Operations	44
All Other	517
New Federal Resources	1,973
Enhanced FMAP - Executive Proposal - 3rd Q Update	497
CRF - Executive Proposal - 3rd Q Update	2,476
FEMA (to be reimbursed between SFY 2021-22 through 2023-24)	(1,000)
Subtotal	1,600
Planned Debt Service Prepayment	(1,600)
Remaining (Gap)/Surplus	-

Source: Division of the Budget

Figure B

**SFY 2020-21 General Fund Disbursements –
Enacted Budget Projections and Current (3rd Quarter Update) Projections**
(in millions of dollars)

	Enacted Budget	3rd Quarter Update	Dollar Difference
Local Assistance	46,400	52,011	5,611
Personal Service	9,058	7,372	(1,686)
Non-Personal Service	2,597	3,243	646
General State Charges	7,249	6,084	(1,165)
Transfers to other funds			
Debt Service	1,810	309	(1,501)
Capital	3,512	2,983	(529)
Other	2,543	2,745	202
Total	73,169	74,747	1,578

Source: Division of the Budget

Figure C

General State Charges
(in millions of dollars)

	SFY 2019-20	SFY 2020-21	Change: 2019-20 to 2020-21		SFY 2021-22	Change: 2020-21 to 2021-22	
			Dollars	Percentage		Dollars	Percentage
Fringe Benefits Total	8,063	6,735	(1,328)	-16%	9,314	2,579	38%
State Operating Funds Subtotal	8,063	8,488	425	5%	8,977	489	6%
Health Insurance	4,303	4,443	140	3%	4,708	265	6%
Pensions	2,456	2,521	65	3%	2,833	312	12%
Social Security	1,070	1,179	109	10%	1,114	(65)	-6%
Workers' Compensation	452	479	27	6%	520	41	9%
Employee Benefits	103	106	3	3%	111	5	5%
Dental Insurance	55	57	2	4%	65	8	14%
Unemployment Insurance	11	30	19	173%	25	(5)	-17%
All Other/Non-State Escrow	(387)	(327)	60	16%	(399)	(72)	-22%
Coronavirus Relief Funds (CRF) Subtotal		(1,753)	(1,753)		337	2,090	119%
Social Security		(674)	(674)		337	1,011	150%
All Other/Non-State Escrow		(1,079)	(1,079)		0	1,079	100%
Fixed Costs Total	360	411	51	14%	455	44	11%
Public Land Taxes/PILOTS	262	275	13	5%	289	14	5%
Litigation	98	136	38	39%	166	30	22%
General State Charges Total	8,423	7,146	(1,277)	-15%	9,769	2,623	37%

Source: Division of the Budget

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