
Report on the State Fiscal Year 2016-17 Enacted Budget



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

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Message from the Comptroller

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The State Fiscal Year (SFY) 2016-17 Enacted Budget includes a significant increase in school aid as well as a multibillion dollar reduction in personal income taxes to be phased in over nearly a decade. The Budget provides funding or commitments for new capital investments for the Metropolitan Transportation Authority and transportation projects throughout the State, as well as new funding for much-needed local water and sewer projects.



Action on the Budget also incorporated decisions on major policy issues. These included the creation of a paid family leave program and increases in the State minimum wage. These measures recognize that, while our economy has been expanding in recent years, we are better off if the benefits of that growth are shared widely among families and individuals across the State.

Ideally, a governmental budget is created with full public transparency. But nine of the ten bills that make up this year's Budget were passed by the Legislature soon after final amendments were added and bills were printed, using gubernatorial "messages of necessity" that bypass the three-day waiting period normally required by the State Constitution. The Legislature's budget conference committee process was incomplete again this year. In many ways, transparency was sorely lacking.

A budget should provide full and clear information about how the public's dollars will be allocated and used, and an explanation of the benefits that are expected to result. The Enacted Budget could have done more to meet these goals. It includes program restructurings and significant shifts of spending off-budget that mask spending growth, and continues the use of discretionary lump-sum appropriations. A variety of spending authorizations, including a majority of the more than \$2 billion in economic development funding and the \$1.5 billion State and Municipal Facilities Program, have broadly drafted purposes and opaque decision-making processes governing the allocation of funds. In addition, questions remain as to how and when billions of dollars in settlement resources will be put to use.

Unfortunately, the Budget did not include ethics reforms. This represents a missed opportunity to strengthen the public's confidence in its State government.

This report provides an overview of the Enacted Budget and examines its provisions in the areas described above, as well as those related to debt, public authorities, and funding for health care, local governments and other programs. When the Division of the Budget releases the revised Financial Plan within the next few weeks, the Enacted Budget's impact on projected spending and revenues, as well as planned capital investment and borrowing, is expected to be available. My office will scrutinize those details to provide further analysis of the Enacted Budget's implications for this and subsequent years.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

The State Fiscal Year (SFY) 2016-17 Enacted Budget includes actions related to the allocation of State resources as well as the enactment of major policy changes. Key fiscal provisions include a \$1.4 billion increase in K-12 education assistance for the coming school year and phased-in Personal Income Tax (PIT) reductions for most taxpayers. The creation of a paid family leave program and increases in the State minimum wage are intended to distribute the benefits of a growing economy more broadly among New Yorkers.

The 6.1 percent increase in K-12 education funding includes an end to the Gap Elimination Adjustment, a provision that reduced aid to schools from other formula-driven levels as part of the State's response to fiscal challenges in the wake of the Great Recession. The overall increase also reflects a \$627 million boost in Foundation Aid, which is intended to address inequities among school districts based on students' needs and in the districts' ability to generate local resources.

The enacted PIT reductions will benefit a large number of taxpayers starting in 2018. Preliminary Executive estimates indicate that the benefits to taxpayers will reduce revenues by \$4.2 billion annually when they become fully effective in 2025.

While the Executive has described the Enacted Budget as limiting annual growth in State Operating Funds spending to 2 percent, that figure appears to reflect, in part, actions that move spending off-budget or to funds that are not accounted for within State Operating Funds spending. This clouds the picture of year-over-year changes. Other actions, such as program restructurings, also have this effect. For example, the Budget provides a conversion of the School Tax Relief (STAR) program from an expenditure to a tax credit, and a change in the structure of the STAR benefit for New York City residents, which together will move an estimated \$185 million out of State Operating Funds disbursements this fiscal year.

Based on preliminary estimates, the SFY 2016-17 Enacted Budget relies on approximately \$5.2 billion in temporary or non-recurring resources, excluding federal disaster assistance. Such resources include revenues from higher PIT rates on upper-income earners that will expire at the end of 2017, prepayments of debt service, use of certain State sales tax receipts that otherwise would benefit New York City, and use of off-budget workers' compensation reserves to pay certain State employee costs. Budget actions such as these uses of sales tax receipts and workers' compensation reserves, and debt service prepayments, are also among the factors that could affect the reported level of State Operating Funds spending growth and, in certain cases, debt service growth.

The State ended the 2015-16 fiscal year with a General Fund balance of just over \$8.9 billion, one of the largest in years. This primarily reflects the receipt of an additional \$1.6 billion in monetary settlement resources that were not initially anticipated and \$3.7 billion in lower transfers from the General Fund to the Dedicated Infrastructure Investment Fund than had been planned. No deposits to statutory reserves were made at the end of the fiscal year.

While the State is facing limited statutory debt capacity in coming years, the Enacted Budget provides more than \$8.7 billion in new State-Supported debt authorizations, an increase of 7.1 percent from previously authorized levels. All of this increase is in the form of backdoor

borrowing that public authorities undertake on behalf of the State. Newly authorized borrowing includes approximately \$2.8 billion for purposes described as economic development and for the Jacob K. Javits Convention Center expansion, more than \$1.5 billion for housing, and other increases for transportation, environment, education and higher education, health and mental hygiene and State facilities.

The bonding authorization for the Metropolitan Transportation Authority has been increased by \$13.6 billion, an increase of nearly one-third over the current authorized level. Authorization is also provided for the MTA to issue notes or other obligations in the event the MTA exhausts currently available sources of funding, secured solely by the commitment of \$7.3 billion in State resources for the MTA's 2015-2019 Capital Program. The Budget also includes a new appropriation of \$2.9 billion if the State elects to provide capital grants, but includes no specific funding plan. Without such a plan or details as to how the State will honor all of its funding commitment for the MTA's Capital Program, it is difficult to assess the impact on the State's future debt burden or expenditures. Specific details regarding all of the financing sources for \$25 billion in funding committed to the Department of Transportation's capital plan are also not yet available.

The Budget includes a number of provisions that raise concerns regarding transparency, accountability and oversight. Bills addressing major areas of public interest were passed with only minimal information on their content disclosed. The rushed passage of these important bills denied the public the opportunity to gain a full understanding of the contents and the financial, programmatic and other impacts such agreements could have before their enactment. While fiscal estimates for certain changes from the Executive Budget were made public, the Budget was adopted with minimal disclosure as to its overall fiscal impact. The Legislature's Joint Budget Conference Committee process was started, and the Legislature reported that \$277 million was to be allocated by subcommittees for various programmatic areas, but no information as to specific outcomes of the conference committee process was made available.

The Budget expands on actions in recent years that have blurred both fiscal and operational distinctions among State agencies and public authorities. As one new example of authorities being assigned important governmental functions, the Budget creates a Design and Construction Corporation (DCC) with a three-member board appointed by the Governor that has broad powers to oversee certain public works projects undertaken by other authorities and State agencies. The Budget also authorizes the transfer of the Canal Corporation from the Thruway Authority to the Power Authority of the State of New York. Other provisions involving authorities include nearly \$262 million in transfers or other actions that directly or indirectly use resources from various authorities.

In addition, billions of dollars in settlement and other resources for various purposes are authorized to flow through public authorities. For example, authorities play a key role in the continuing, extensive use of lump-sum appropriations for Executive and Legislative initiatives through programs such as the State and Municipal Facilities Program. This year's Budget adds \$385 million in appropriation and borrowing authority for the program, the same amount that has been added in each of the last three years, for a total of \$1.54 billion. Lump-sum appropriations reduce transparency and accountability for public resources, especially when they take the form of "backdoor spending" by authorities on behalf of the State.

Detailed figures on the Enacted Budget's impact on expected disbursements, receipts and other key measures will be made available when the Division of the Budget (DOB) issues its

updated Financial Plan. This report provides an overview of appropriations and other major provisions in the Budget, including further discussion of the issues outlined above. Key points include:

- Preliminary spending estimates from the Legislature indicate that All Funds disbursements this year will total between \$155.6 billion and \$156.1 billion, a projected increase that ranges from 0.6 to 1.0 percent over Executive Budget estimates.
- The Legislature and the Executive agreed in March 2016 that an additional \$225 million in projected revenues above the Executive estimates would be available for the remainder of SFY 2015-16 and all of SFY 2016-17. The Enacted Budget includes what the Executive describes as \$1.4 billion in added or restored spending. It is not clear how much of this additional spending may have been reallocated from Executive proposals or made available from other resources.
- The Enacted Budget excludes Executive proposals to shift a larger share of costs for Medicaid and the senior colleges of the City University of New York to the City of New York. However, the Budget includes a proposal by the Executive that will cost the City \$600 million over the next three years by redirecting certain City sales tax revenues. In addition, the Budget does not include \$240 million in proposed funding for retroactive salary increases at CUNY senior colleges, related to CUNY employees who have been working without a contract for more than five years.
- The Budget holds funding for Aid and Incentives for Municipalities (AIM), the largest unrestricted aid program for local governments, level at \$715 million. Provisions that may benefit certain localities include \$200 million in additional funding for wastewater and drinking water infrastructure, and a \$25 million Empire State Poverty Reduction Initiative.
- The Enacted Budget provides a net increase of more than \$411 million in State funding above the Executive proposal for the State Department of Health, including \$200 million in capital projects. Among other Medicaid-related provisions, the Budget extends the global Medicaid spending cap for an additional year and increases projected spending under the cap to adjust for the impact of statewide minimum wage increases and the New York City Medicaid restoration.
- The Budget raises the State minimum wage for New York City employers with at least 11 employees to \$11 at the end of 2016, \$13 a year later and \$15 at the end of 2018. Increases in the minimum wage will take effect over longer periods for smaller employers in New York City, and for employers elsewhere in the State.
- The paid family leave program, funded by employee payroll deductions, will start in January 2018. It will be fully implemented in 2021, when workers will receive a maximum 12 weeks of leave and benefits capped at 67 percent of the statewide average weekly wage.
- The Budget increases the Environmental Protection Fund to \$300 million and creates authorization for projects that identify climate change impacts and/or mitigate or adapt to those impacts, as well as projects that reduce greenhouse gas emissions.

- The Enacted Budget includes the allocation, through the Dedicated Infrastructure Investment Fund (DIIF), of \$6.4 billion associated with extraordinary settlement funds received over the past two fiscal years. The appropriations and reappropriations for such funds are broadly drafted and do not appear to limit the use of the funds to one-time purposes. The breadth of authorized purposes, along with the language allowing the transfer of moneys in the DIIF back to the General Fund in the event of certain circumstances, suggests that moneys in the DIIF are being treated as an additional undesignated reserve for the State. The Budget adds a new DIIF appropriation of \$1 billion for the Javits Center expansion project, and a corresponding \$1 billion increase in bonding authority.

The Enacted Budget omits a variety of Executive Budget proposals. These include provisions that would have created a system of voluntary public campaign financing for all State-level candidates, reduced limits on campaign contributions, expanded the Freedom of Information Law and made other changes as part of a “Good Government and Ethics Reform” proposal. Other proposals omitted from the Enacted Budget included provisions to make undocumented immigrants eligible for State tuition assistance under a New York DREAM Act.

Note: The Financial Plan figures in this report are taken from the estimates provided by DOB in the Financial Plan Update that accompanied the SFY 2016-17 Executive Budget proposal, or, where information is available, from the SFY 2015-16 Enacted Budget, or from estimates provided by the New York State Senate and the New York State Assembly. References to monetary settlements in this report reflect settlements announced through March 31, 2016.

II. Financial Plan Overview

The proposed State Fiscal Year (SFY) 2016-17 Executive Budget, as amended, included All Funds expenditures of \$154.6 billion, according to Division of the Budget (DOB) projections. State Operating Funds spending was projected by DOB to increase by 1.7 percent, before adjustments for timing-related actions. This figure was in line with other proposed budgets of recent years that have presented State Operating Funds spending as growing by less than 2 percent, before any adjustments for cash management maneuvers and other actions.

For the SFY 2016-17 Enacted Budget, the Executive has indicated a preliminary All Funds spending estimate of \$147 billion. This estimate likely excludes certain major areas of spending, such as federal aid under the Affordable Care Act, certain disaster-related spending, and capital spending from settlement money. The Legislature has indicated All Funds spending projections ranging from \$155.6 billion to \$156.1 billion, an increase of between 0.6 and 1.0 percent over Executive Budget estimates.

Specific estimates of the Enacted Budget’s overall expenditures and revenues for the current fiscal year, and projections for the ensuing three fiscal years, will be contained in the upcoming SFY 2016-17 Enacted Budget Financial Plan and the Five-Year Capital Program and Financing Plan to be issued by DOB.

SFY 2015-16 – Preliminary Year-End Results

DOB increased revenue projections for the last fiscal year by more than \$2 billion from the time the Budget was enacted in April 2015 through the course of the fiscal year. Revenues ended the year \$4.2 billion over the prior year and \$1.9 billion over initial projections. This was primarily due to higher than initially anticipated monetary settlement receipts, but improved tax collections also played a significant role. Increases in spending from SFY 2015-16 Enacted Budget estimates primarily reflected prepayments added to the plan throughout the year and made at the end of the year. Figure 1 shows how projections for SFY 2015-16 changed over the course of the fiscal year.

Figure 1

Overall Projections for Receipts and Disbursements – SFY 2015-16
(in millions of dollars)

	SFY 2014-15 Actual	SFY 2015-16 Enacted April	SFY 2015-16 1st Quarter Update August	SFY 2015-16 Mid-Year Update November	SFY 2015-16 3rd Quarter Update February	SFY 2015-16 Actual (unaudited)
General Fund						
Receipts	67,921	68,285	68,756	69,615	70,294	69,676
Disbursements	62,865	72,090	72,121	72,330	72,583	68,042
State Operating Funds						
Receipts	95,037	93,301	93,613	94,417	95,336	96,607
Disbursements	92,426	94,250	94,243	94,265	94,289	94,289
All Funds						
Receipts	149,108	151,368	152,687	153,053	153,744	153,265
Disbursements	143,891	152,150	152,984	152,499	152,078	150,708

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

Unaudited General Fund spending totaled \$68 billion in SFY 2015-16, an increase over the prior year of \$5.2 billion or 8.2 percent. Spending was \$4.5 billion under the latest projections and \$4 billion under initial projections, primarily reflecting lower than anticipated transfers to the Dedicated Infrastructure Investment Fund (DIIF). Unaudited State Operating Funds expenditures were \$94.3 billion, an increase of just below 2 percent. All Funds tax collections totaled \$74.7 billion, which was \$3.6 billion or 5.1 percent over final collections for SFY 2014-15, \$409.9 million below the latest projections and \$111.1 million over initial projections.

SFY 2015-16 – Closing Balance and Reserves

The SFY 2015-16 Enacted Budget Financial Plan projected an operating deficit of \$3.8 billion in the General Fund for SFY 2015-16, with the projected General Fund balance decreasing from \$7.3 billion in SFY 2014-15 to just under \$3.5 billion. This significant decline was due to projections of a reduction of \$2.9 billion in revenue from monetary settlements as compared to the previous year, and of a \$4.55 billion transfer of settlement resources from the General Fund to the newly created DIIF. No deposits to restricted reserves were planned.

While most of the State’s formal reserve funds are restricted in how they can be used, the “refund reserve” – dollars in the General Fund that DOB informally sets aside for debt management and certain other purposes – has no restrictions. Although DOB often identifies an intended use, these uses are not statutorily mandated and the identified use of the informal reserve is not reported in the State’s financial reports. The SFY 2015-16 Enacted Budget Financial Plan projected a net decrease of \$3.8 billion in such unrestricted reserves, of which \$3.6 billion was due to the decline and transfer of monetary settlement dollars, while \$10 million was added to support costs associated with labor contract agreements and \$190 million was planned for other undesignated needs.

Figure 2

General Fund Reserves – SFY 2015-16 Plan and Actual Year-End Results (in millions of dollars)

	2014-15 Actual	2015-16 Enacted Projection	2015-16 February Projection	2015-16 Actual (unaudited)
Statutory Reserves	1,892	1,893	1,879	1,881
Tax Stabilization Reserve Fund	1,258	1,258	1,258	1,258
Rainy Day Reserve	540	540	540	540
Contingency Reserve Fund	21	21	21	21
Community Projects Fund	74	74	60	63
Refund Reserve (Unrestricted)	5,407	1,602	3,132	7,053
Prior Year Labor	50	60	15	
Debt Management	500	500	500	
Other	190	-	-	N/A
Settlement Proceeds	4,667	1,042	2,617	
Total	7,299	3,495	5,011	8,934

Sources: Division of the Budget, Office of the State Comptroller. Figures may not add due to rounding.

New York ended SFY 2015-16 with a General Fund balance of just over \$8.9 billion, approximately \$5.4 billion more than projected when the fiscal year began and \$3.9 billion more than anticipated in the last Financial Plan Update, as shown in Figure 2. More than \$7 billion was in the unrestricted refund reserve.

The increase in the closing balance is due primarily to an additional \$3.6 billion in monetary settlements received throughout the year. In addition, DOB planned to transfer \$4.55 billion in settlement resources to the DIIF from the General Fund in SFY 2015-16, but only moved \$857 million. All but \$230 million of the \$3.9 billion final General Fund variance was due to settlement resources. No deposits were made to the State’s statutory reserve funds.

SFY 2016-17 – Preliminary Analysis of the Enacted Budget

On March 1, 2016, as part of the revenue consensus process, the Legislature and the Executive agreed that an additional \$225 million in resources would be available for the remainder of SFY 2015-16 and all of SFY 2016-17.¹ The Joint Budget Conference subcommittee process was started later that month and \$277 million was allocated as “table targets” to the substantive subcommittees for various programmatic areas.

Subsequent to the announced table targets and towards the end of the budget process, DOB indicated that the Legislature had added or restored \$1.4 billion in spending to the Executive Budget.² This amount includes areas of spending which exceeded the subcommittee table targets, such as education, higher education, and health care. It is unclear how accurately the reported overall disbursement projections reflect these additions because the conference committee process was not finished and the subcommittee reports were not released publicly.

As shown in Figure 3, preliminary spending estimates from the Senate and the Assembly for All Funds disbursements for SFY 2016-17 ranged from \$155.6 billion to \$156.1 billion, reflecting a projected increase that ranges from 0.6 to 1.0 percent over the Executive Budget.

Figure 3

SFY 2016-17 Enacted Budget Preliminary Projected Disbursements Compared to Executive Budget Projected Disbursements

(in millions of dollars)

	SFY 2016-17 Executive	SFY 2016-17 Enacted	Dollar Change	Percentage Change
State Operating Funds Disbursements				
Assembly	95.9	96.2	0.3	0.3%
Senate	95.9	96.2	0.3	0.3%
All Governmental Funds Disbursements				
Assembly	154.6	156.1	1.5	1.0%
Senate	154.6	155.6	1.0	0.6%

Sources: Division of the Budget, New York State Assembly, New York State Senate

Note: SFY 2015-16 Estimate is from SFY 2016-17 Executive Budget Financial Plan updated for 30-Day Amendments.

¹ State Finance Law requires the Executive and the Legislature to agree on projected All Funds tax receipts, General Fund miscellaneous receipts and Lottery receipts by March 1 of each year.

² See the remarks made by the Director of the Division of the Budget, available at <http://www.governor.ny.gov/news/governor-cuomo-and-legislative-leaders-announce-agreement-2016-2017-state-budget>.

Updated DOB projections, which will be used to monitor revenue and spending results throughout the year, will be included in the upcoming SFY 2016-17 Enacted Budget Financial Plan. State Finance Law requires the Financial Plan to be released no later than 30 days after the Legislature has completed action on the budget bills submitted by the Executive and the period for the Executive's review has elapsed.

All Funds Disbursements

The SFY 2016-17 Executive Budget Financial Plan projected All Funds spending would increase \$2.5 billion, or 1.6 percent, to \$154.6 billion, from estimated SFY 2015-16 totals. This total included federally funded spending related to Superstorm Sandy and increased funds associated with the federal Affordable Care Act (ACA), as well as new capital spending from monetary settlement funds. The Executive had omitted these expenditures from the Executive Budget All Funds spending projection of \$145.4 billion.

The Senate and the Assembly project that SFY 2016-17 Enacted Budget All Funds spending will total \$155.6 billion and \$156.1 billion, respectively.

State Operating Funds Disbursements

Disbursements were projected to increase 1.7 percent, or \$1.6 billion, in the Executive Budget proposal, with the majority of the increase occurring in school aid and State-funded Medicaid.

Based on the Enacted Budget, Senate and Assembly estimates indicate that State Operating Funds spending will total \$96.2 billion in SFY 2016-17.

General Fund Disbursements

The Executive Budget projected that General Fund disbursements (including transfers to other funds) would decline 2.7 percent, or \$1.9 billion, from SFY 2015-16 estimates. The majority of the decline was anticipated in transfers to other funds, reflecting the transfer of monetary settlement revenue to a newly created capital fund. However, the majority of the transfer from the General Fund to the DIIF that was anticipated in SFY 2015-16 did not occur, so growth figures reflecting the Enacted Budget will be significantly different from DOB's previous projections.

Based on the Enacted Budget, the Assembly estimates that General Fund spending will total \$74.9 billion in SFY 2016-17.

Monetary Settlements

During SFYs 2014-15 and 2015-16, the State received over \$8.5 billion from more than 25 monetary settlements or decisions arising from allegations of misconduct by major financial and other institutions. After adjusting for planned spending and other planned uses for settlement revenues, approximately \$555 million remains unallocated and in the General Fund, as shown in Figure 4. However, this total could change in the Enacted Budget Financial Plan, depending on how DOB uses these resources.

Figure 4

Sources and Uses of Monetary Settlement Funds – SFY 2014-15 and SFY 2015-16
(in millions of dollars)

Sources	
SFY 2014-15	4,942
SFY 2015-16	3,605
Total SFY 2014-15 and SFY 2015-16	8,547
Uses	
SFY 2014-15 Budget Support	(275)
SFY 2015-16 Budget Support	(250)
SFY 2016-17 Budget Support	(102)
Chemical Dependence Program	(5)
Audit Disallowance - Federal Settlement	(850)
Planned Deposits to Dedicated Infrastructure Investment Fund	(4,550)
Additional Deposits to DIF	(1,840)
Environmental Protection Fund	(120)
Total SFY 2014-15 and SFY 2015-16	(7,992)
Remaining (undesignated)	555.0

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

Non-Recurring and Temporary Resources

The SFY 2016-17 Executive Budget included approximately \$6.3 billion in non-recurring (“one-shot”) or temporary resources. These resources include \$1 billion in new proposed actions, just under \$3.1 billion in actions carried forward from previous budgets (primarily temporary personal income tax provisions), and \$1.1 billion in resources associated with Superstorm Sandy.

Based on preliminary estimates, the SFY 2016-17 Enacted Budget appears to rely on a similar amount of temporary or non-recurring resources, including the impact of additional prepayments made at DOB’s discretion. The components of these include:

- \$3.1 billion in existing temporary resources, offset by existing temporary costs totaling \$983 million;
- \$1.1 billion in federal disaster assistance;
- \$1.1 billion in SFY 2015-16 prepayments of SFY 2016-17 costs (partially offset by an anticipated prepayment of \$60 million in SFY 2017-18 costs this year);
- At least \$1 billion in new temporary and non-recurring resources included in the Enacted Budget (largely reflecting Executive proposals, with certain modifications).

Excluding extraordinary federal aid related to Superstorm Sandy, preliminary analysis indicates that non-recurring and temporary resources in the Enacted Budget total approximately \$5.2 billion. These figures will likely be revised when more information is available upon release of the SFY 2016-17 Enacted Budget Financial Plan.

III. Debt and Capital

SFY 2016-17 Debt and Capital Overview

The SFY 2016-17 Enacted Budget includes approximately \$19.1 billion in new Capital Projects appropriations (excluding contingency appropriations), representing an increase of \$6 billion or 46 percent over the Executive proposal and \$3.4 billion or 21.4 percent over the SFY 2015-16 Enacted Budget. The Budget includes approximately \$10 billion in new appropriations for debt service (excluding contingency appropriations), representing no change from the Executive proposal and a \$150 million, or 1.5 percent, increase over the SFY 2015-16 Enacted Budget.

The Budget includes more than \$8.7 billion in new bonding authorizations for State-Supported debt, an increase of \$3.2 billion, or 57.6 percent, over the Executive proposal and an increase of 7.1 percent over previously authorized amounts. Increases from the Executive Budget are as follows:

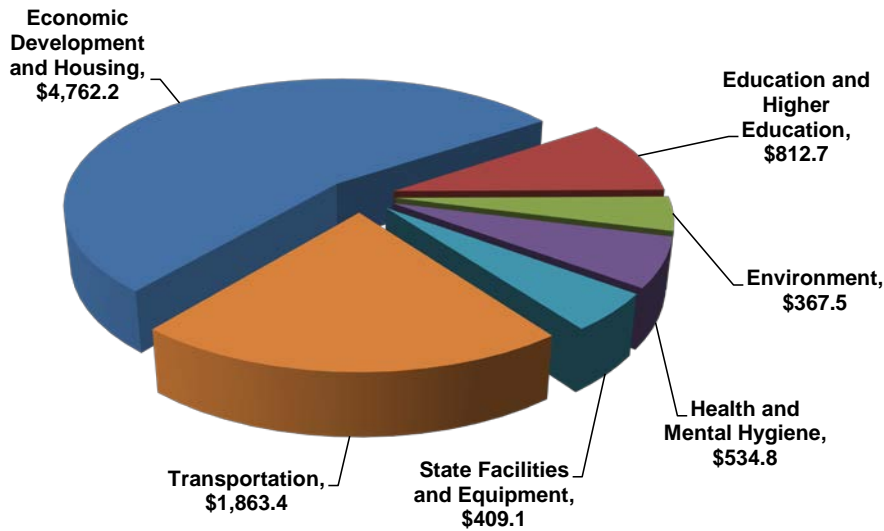
- \$1 billion for economic development;
- \$1 billion for the Jacob K. Javits Convention Center;
- \$385 million for the State and Municipal Facilities Program;
- \$340 million for various transportation projects;
- \$200 million for the Health Care Facility Transformation Program;
- \$100 million for environmental infrastructure;
- \$60 million for SUNY educational facilities;
- \$40 million for CUNY senior colleges and community colleges;
- \$50 million for the Nonprofit Infrastructure Capital Investment Program; and,
- \$5 million for library facilities.

Certain bond caps have also been amended to broaden the authorized purposes. Figure 5 shows the new bonding authorizations in the Enacted Budget by programmatic area. The Public Authorities section of this report has a table detailing the changes in State-Supported public authority bond caps and a discussion of other changes to the authorizations.

The bonding authorization for the Metropolitan Transportation Authority has been increased by \$13.6 billion, unchanged from the Executive proposal, and representing a 32.5 percent increase over the currently authorized level. Figure 5 does not include the additional bonding authority granted to the MTA, because under the current structure it is not considered State-Supported debt. However, there is currently no specific funding plan for how the State will honor its commitment to provide the MTA an additional \$7.3 billion in capital funds for its 2015-2019 capital program. Some of the authorized increase in borrowing by the MTA could also be used to meet the State's commitment to the MTA's 2015-2019 capital program. Without specific details of the funding plan, it is difficult to know whether these bonds could or should be considered State-Funded debt. Specific details regarding all of the financing sources for the \$25 billion in funding committed to the Department of Transportation's capital plan also have not yet been made available.

Figure 5

New Debt Authorizations – SFY 2016-17
(in millions of dollars)



Source: Office of the State Comptroller

The Enacted Budget includes a new appropriation and bond cap increase of \$385 million for the State and Municipal Facilities Program. The Executive Budget did not propose an increase for this program, which was first enacted in SFY 2013-14 with an appropriation of \$385 million. The SFY 2014-15 and SFY 2015-16 Enacted Budgets each added \$385 million in appropriations and bonding authority. Together with previous expansions, this new appropriation quadruples the size of the original program, bringing the total authorization to \$1.54 billion. These appropriations were not made to any single agency or authority but rather made as Miscellaneous - - All State Departments and Agencies appropriations, meaning the funds can flow to any State agency or public authority at the discretion of the Executive. As with previous appropriations, it is unclear how these funds will be allocated. The Enacted Budget does not include specific language that provides for the distribution of these moneys among the various purposes or among the various entities authorized to receive funding. See the Transparency, Accountability and Oversight Issues section of this report for further discussion.

To assist New York City in 2003, the State effectively assumed financial responsibility for debt issued during the 1970s fiscal crisis by the Municipal Assistance Corporation (MAC). The State authorized annual payments of \$170 million from a portion of the State sales tax in the Local Government Assistance Tax Fund (a State fund), which were assigned by the City to the Sales Tax Asset Receivable Corporation (STARC). STARC securitized the State funds to pay all principal and interest on outstanding MAC bonds. In October 2014, STARC refinanced outstanding STARC bonds, resulting in savings which benefitted the City.

The Executive believed the savings should have accrued to the State since the State funds the debt service on the bonds. The Enacted Budget includes the Executive's proposal to intercept from New York City sales tax collections up to \$200 million annually over three years (beginning in SFY 2016-17) to recoup the savings realized by the City when the STARC bonds were refunded. The language provides that at the written direction of the Director of the Budget, the

State Comptroller shall intercept \$16.67 million monthly (up to \$200 million annually) and either send funds directly to issuers of State-related debt to pay debt service or related expenses (off-budget and outside of the State Treasury) or to a governmental fund within the State Treasury (on-budget).

The Executive's proposed Financial Plan included revenue from this proposal as a miscellaneous receipt, to be deposited in the General Fund. Until the Enacted Budget Financial Plan is released, it is unknown whether the funds will be deposited in a governmental fund or used for debt service or related costs off-budget and outside of the State Treasury. The latter approach could have the effect of reducing spending from State Operating Funds by moving spending that was on-budget to an off-budget status. This could not only obscure annual spending growth in State Operating Funds, but also affect the reported level of annual growth in debt service, which is already complicated by prepayments and the removal of SUNY dormitory debt service costs. See the Transparency, Accountability and Oversight Issues section of this report for further discussion.

The Enacted Budget includes an authorization to transfer up to \$500 million from the General Fund into the Debt Reduction Reserve Fund (DRRF). It also includes an appropriation of \$500 million from the DRRF for the payment of debt service or related expenses, for retiring or defeasing bonds of any State-Related bonding programs, or for the funding of capital projects which have been authorized to be financed through the issuance of bonds.

The Budget modifies Executive proposals related to: the establishment of the Transformational Economic Development Infrastructure and Revitalization Projects Act; the ability for MTA and NYC Transit Authority to enter into public-private partnerships and partnerships with municipalities to provide potential financing of various forms; and the creation of a new DASNY subsidiary related to capital project management. See the Public Authorities sections of this report for more information regarding these proposals.

The Enacted Budget omits the Executive proposal to amend the private activity bond allocation and the process for allocating such bonds.

Dedicated Infrastructure Investment Fund

The Enacted Budget includes appropriations totaling \$2.84 billion from the Dedicated Infrastructure Investment Fund (DIIF), an increase of \$1 billion over the Executive's proposal. The DIIF was established in the SFY 2015-16 Enacted Budget and described by the Executive as intended to receive a portion of the monetary settlements the State had received. However, no provisions in that year's Enacted Budget required settlement resources to be deposited into the DIIF. As of March 31, 2016, \$856.9 million had been transferred from the General Fund into the DIIF.

The increase in DIIF appropriations in the SFY 2016-17 Enacted Budget, relative to the Executive Budget, is for services and expenses, grants and loans associated with the expansion of the Jacob Javits Convention Center in New York City. The Budget also includes a \$1 billion increase in bonding authorization for this project, representing a 286 percent increase over the previously authorized level of \$350 million. The initial bond cap for this project was established in 2004, but no bonds have been issued under this authorization. This financing authorization is part of the more than \$8.7 billion in new bonding authorizations for

State-Supported debt noted above. As a result, it appears that this appropriation from the DIIF will be supported with bond proceeds. If so, this would be the first time spending from the DIIF will be authorized to be supported with bond proceeds instead of monetary settlement revenues.

Although many of the DIIF appropriations were enacted largely as proposed in the Executive Budget, some provisions in the appropriations and reappropriations are modified from the Executive proposal. New language is added to the \$590 million appropriation initially proposed by the Executive to address homelessness which provides that the funds be made available for a statewide multiyear housing program in accordance with a plan approved in a memorandum of understanding (MOU) executed by the Director of the Budget, the Speaker of the Assembly and the Temporary President of the Senate. The approval is required to be filed with the Department of Audit and Control. Copies shall also be provided to the Chairs of the Senate Finance Committee and the Assembly Ways and Means Committee.

The new language notwithstanding Section 40 of the State Finance Law or any other law to the contrary to provide that all assistance appropriations remain in effect in the aggregate in accordance with the following schedule: not more than \$344 million for the period April 1, 2016 through “and past” March 31, 2017 and not more than an additional \$246 million for the period April 1, 2017 through “and past” April 1, 2018. However, the State Constitution limits appropriations to two years.

The Budget also modifies language in the \$50 million appropriation from the DIIF in support of a program to prevent and address homelessness. New language is added to make the program subject to a plan approved in a MOU executed by the Director of the Budget, the Speaker of the Assembly and the Temporary President of the Senate. The Budget omits a provision proposed by the Executive to require such funds to be made available notwithstanding provisions of the State Finance Law, the Public Authorities Law or any other provision of law to the contrary, to fund grants without a competitive bid or request for proposal process, pursuant to a plan approved by the Director of the Budget. However, the “notwithstanding” language which appears at the beginning of the allocation, coupled with the new MOU language, could allow for the allocation of funds without a competitive process.

The Budget includes \$25 million in DIIF appropriations related to the Empire State Poverty Reduction Initiative, and provides that the funds shall be made available to sixteen local anti-poverty task forces in municipalities, or a borough, with high rates of poverty as determined by the U.S. Census Bureau’s 2010-14 American Community Survey Five-Year Estimate as follows: Albany, the Bronx, Binghamton, Buffalo, Elmira, Hempstead, Jamestown, Newburgh, Niagara Falls, Oneonta, Oswego, Rochester, Syracuse, Troy, Utica, and Watertown.

The language provides a process for selecting a not-for-profit organization to serve as local coordinator for a local task force, and outlines guidance for task force composition in instances where a State-funded anti-poverty task force or initiative does not already exist and is not, or has not, received State funds for such purpose. The language also provides criteria for the distribution of funding for the local anti-poverty task forces. The task forces must identify high-need issues and neighborhoods, and develop a plan for how funding will be targeted. The plan must include measurable objectives and a timeframe for completion. The plan must be approved by the Commissioner of the Office of Temporary and Disability Assistance.

Other changes to Executive-proposed reappropriations from the DIIF were made, including the broadening of some purposes. The Executive had proposed to broaden the purposes of the \$150 million reappropriation initially made in the SFY 2015-16 Enacted Budget for municipal restructuring to add “other municipal entities” to the list of eligible recipients, in addition to local governments and school districts. The Executive also proposed to broaden the purpose of the reappropriation to include payments related to a downtown revitalization program designed and executed by the Department of State and the Division of Housing and Community Renewal for transformative housing, economic development, transportation and community projects, including those designed to increase the property tax base. This broadened language was accepted, and further broadened in the Enacted Budget to provide that up to \$500,000 may be made available to fund projects consistent with the Healthy Food/Healthy Communities initiative, pursuant to Section 16-s of the Urban Development Corporation Act, provided the projects are included in a strategic plan submitted for funding under the Downtown Revitalization Program.

The Enacted Budget also includes a modification to the \$150 million reappropriation initially made in the SFY 2015-16 Enacted Budget to prepare for, prevent, deter, or respond to acts of terrorism; natural or man-made disasters, including severe weather events; risks to public safety, health and/or other emergencies. Modifications provide that \$10 million will be made available for grants to local governments and local law enforcement agencies to support the provision of safety and other related equipment. Allocation of the funds shall be pursuant to a plan prepared by the Commissioner of Criminal Justice Services in consultation with the Superintendent of State Police and approved by the Director of the Budget.

The Executive had proposed to modify the \$150 million reappropriation, for funds initially provided in the SFY 2015-16 Enacted Budget, for transformative economic development projects to provide that, within the parameters of the reappropriation, \$106 million of the \$150 million shall be made available as follows: not less than \$50 million for a Center for Bioelectronic Medicine at the Nassau Hub; not less than \$50 million for parking structure and infrastructure improvements at the Ronkonkoma Hub; and not less than \$6 million for renovation and expansion of MacArthur Airport. The Enacted Budget omits this language and instead provides a project schedule for the entire \$150 million, including, within the parameters of the reappropriation, authorization for projects with a common purpose and unlimited interchange subject to approval of the Director of the Budget, as follows: \$85 million for the Nassau Hub, \$50 million for the Ronkonkoma Hub and \$15 million for Stony Brook/Brookhaven Labs. See the Economic Development section of this report for more information.

The stated purposes of the DIIF remain very broad. Resources in the fund are to be used to finance “projects, works, activities or purposes necessary to support statewide investments as appropriated by the Legislature.” Even with such broadly defined purposes, language establishing the DIIF further provides that “Nothing contained in this section shall be construed to limit in any way the projects, works, activities or purposes that can be financed from this account, including but not limited to loans of money to public corporations or under terms approved by the director of the budget.”

Similar to previous appropriations, neither appropriations nor transfers from the DIIF appear to limit the use of the funds to one-time purposes. The breadth of authorized purposes, along with the language authorizing the transfer of moneys in the DIIF back to the General Fund in the event of certain circumstances, suggests that moneys in the DIIF are being treated in the

Enacted Budget as potentially available as an additional undesignated reserve for the State. For example, the trigger related to the transfer of DIIF moneys back to the General Fund in the event of an economic downturn is the same as the trigger that applies for a withdrawal of moneys from the State's Rainy Day Reserve Fund.

While the DIIF is described as having been created to fund capital purposes with monetary settlement resources and DIIF appropriations are contained in the Capital Projects budget bill, nothing appears to limit its use to such purposes. Certain spending or transfers from the DIIF could be used for previous or future operating purposes, including ongoing costs. Further, there is no specific statutory requirement that the DIIF be funded with monetary settlements. It appears that with the appropriation of \$1 billion for the Javits Convention Center expansion project, funds other than monetary settlements (bond proceeds, in this case) have been introduced as a potential additional revenue source for the DIIF.³ Figure 6 provides a listing of DIIF appropriations made in the SFY 2015-16 and SFY 2016-17 Enacted Budgets by purpose.

Figure 6

Dedicated Infrastructure Investment Fund Appropriations
(in millions of dollars)

Purpose	SFY 2015-16	SFY 2016-17	Two-Year Total
Thruway Stabilization Program (1)	1,285	700	1,985
Upstate Revitalization Initiative (2)	1,500	170	1,670
Broadband Initiative	500		500
Health Care Providers	355		355
MTA Capital Plan (Penn Station Access)	250		250
Municipal Restructuring and Consolidation (3)	150	20	170
Security and Emergency Response	150		150
Long Island Transformative Projects	150		150
Infrastructure Improvements, Transportation, Upstate Transit, Economic Development	115		115
Southern Tier Agriculture & Hudson Valley Farmland Protection	50		50
Community Health Care Revolving Loans	20		20
Roswell Park Cancer Institute	16		16
Behavioral Health Care Grants	10		10
Statewide Multiyear Housing Program		590	590
DOT Capital Plan Contribution		200	200
Other Economic Development or Infrastructure Projects		85	85
Statewide Multiyear Homeless Housing Program		50	50
Empire State Poverty Reduction Initiative		25	25
Javits Convention Center Expansion (Bonded)		1,000	1,000
Total	4,550	2,840	7,390

Source: Division of the Budget and S.9604-D/A.9004-D

- (1) New appropriation language enacted in SFY 2016-17 changed from the previous year by adding debt service and related payments as a purpose but did not include reporting requirements that were included in the allocation enacted in SFY 2015-16.
- (2) New appropriation language enacted in SFY 2016-17 changed from the previous year by removing language requiring the allocation to be made pursuant to a competitive process among the Regional Economic Development Councils and limiting awards to projects in regions that did not receive Upstate Revitalization Initiative Best Plan awards in SFY 2015-16 or eligible to receive funding from the Buffalo Regional Information Cluster.
- (3) New appropriation language enacted in SFY 2016-17 changed from the previous year. Language added to SFY 2015-16 reappropriation that extends funding to Downtown Revitalization Program, including the Healthy Foods/Healthy Community initiative. In addition, funding extended to "other municipal entities."

³ For additional detail on the Dedicated Infrastructure Investment Fund, see the *Report on the State Fiscal Year 2015-16 Enacted Budget, April 2015*, which can be found at the following link: http://www.osc.state.ny.us/reports/budget/2015/2015-16_enacted_budget.pdf.

IV. Revenue

The Executive and the Legislature reached agreement on an additional \$225 million in projected revenues as a result of the Consensus Revenue Forecast process in early March 2016. The Enacted Budget makes more than two dozen changes to existing law affecting tax revenues, which collectively appear to have a relatively modest overall impact in SFY 2016-17, due to their effective dates primarily occurring in subsequent fiscal years.

Major changes from the Executive Budget to the Enacted Budget include omission of proposals to: establish the Parental Choice in Education Act to provide tax credits for donations to public and private schools, purchase of educational materials, and tuition paid for elementary and secondary education; provide tax credits for certain tolls paid on the Thruway; reduce taxes on small businesses, and eliminate the annual growth in the School Tax Relief (STAR) exemption benefit based on increases in the property tax levy. See Appendix B for preliminary estimates of major revenue-related changes.

A major new provision that was added in the Enacted Budget is a package of reductions in personal income tax (PIT) rates that will impact a large proportion of the State's taxpayers. These rate reductions, which amount to half a percentage point or more for most taxpayers with incomes over \$26,000 when the changes are fully effective, are to be phased in over eight years, beginning in the 2018 tax year. In addition, the Enacted Budget allows the temporary, highest income tax rate to expire as scheduled, similar to current law, reducing the top tax rate from 8.82 percent to 6.85 percent on January 1, 2018.

The Enacted Budget modifies several Executive Budget proposals and includes a variety of revenue actions. Based upon preliminary estimates by DOB, the PIT rate reductions are estimated to reduce revenues by \$4.2 billion annually when fully phased in. The SFY 2016-17 Enacted Budget Financial Plan, expected to be released in the next several weeks, should contain DOB's official estimates on all the enacted tax changes.

Executive Tax Proposals Accepted or Modified

The Enacted Budget includes several tax-related proposals advanced by the Executive that were accepted as proposed or adopted with some modifications. The majority of these have multiyear fiscal impacts. Among other actions, the Enacted Budget will:

- Convert the STAR school property tax exemption into a PIT credit, reducing PIT revenues by \$98 million in SFY 2016-17 and by \$194 million in SFY 2017-18.
- Allow for the late filing of Enhanced STAR exemptions.
- Convert the New York City PIT STAR credit to a New York State PIT credit, reducing State PIT revenues by \$87 million in SFY 2017-18 and \$284 million in SFY 2018-19.
- Reduce the highway use tax registration/decal fee, reducing revenue by \$59 million in SFY 2016-17.
- Allow the Department of Taxation and Finance to remit direct payments of STAR benefits that were not properly granted to individuals.
- Allow an additional \$8 million in low-income housing tax credits.
- Extend the Hire-A-Veteran tax credit for two years.

- Extend the Empire State Commercial Production Credit for two years.
- Extend the tax credit for companies that provide transportation services to persons with disabilities for six years.
- Extend the Noncustodial Earned Income Tax Credit permanently.
- Extend certain electronic filing and electronic payment provisions for three years.
- Extend tax shelter reporting requirements for three years.
- Extend the Clean Heating Fuel Tax Credit until January 1, 2020.
- Extend the Excelsior Jobs Program for five years.
- Modify the corporate tax reform statutes for technical amendments.
- Conform the filing dates for corporations and partnerships.
- Extend the alternative fuels exemption for five years.
- Expand the beer production credit to include wine, liquor, and hard cider, and exempt all alcoholic beverage tastings from the alcoholic beverage tax.
- Simplify the calculation of the sales and use tax on remarketed hotel rooms.
- Exclude charitable contributions for the determination of domicile for purposes of the estate tax.
- Conform State and local taxes with federal tax regulations on aviation fuel.
- Extend the video lottery gaming vendor's capital awards program for one year.
- Extend certain pari-mutuel tax rates and certain simulcasting provisions for one year.
- Increase certain racing regulatory fees from 0.5 percent to 0.6 percent.
- Extend the Monticello video lottery terminal rates for one year.
- Modify the Upstate New York Gaming and Economic Development Act for technical amendments.
- Clarify that secrecy provisions related to tax returns do not apply to the disclosure of aggregated tax information related to the excise tax on medical marijuana to the Comptroller or to counties entitled to receive an allocation of the tax revenues.

Tax Proposals Added in the Enacted Budget

The Enacted Budget includes several new tax-related provisions which will:

- Phase in a reduction in personal income tax (PIT) rates by 2024, reducing revenue by \$4.2 billion when fully effective, as follows:
 - Reduce the number of tax brackets from seven to six;
 - Reduce the tax rate for PIT filers with incomes between \$26,000 and \$150,000 (married, joint) to 5.50 percent;
 - Reduce the tax rate for PIT filers with incomes between \$150,000 to \$300,000 to 6.00 percent;
 - Maintain the tax rate of 6.85 percent for PIT filers with incomes between \$300,000 and \$2 million; and
 - Reduce the tax rate for PIT filers with incomes over \$2 million to 6.85 percent (allowing current tax rate to expire).⁴
- Authorize the credit for the payment of special mortgage recording taxes to be refundable.

⁴ Tax rates shown are as provided in tables in the Tax Law. Actual rates will reflect inflation adjustments by the Department of Taxation and Finance. See Appendix C for a summary of personal income tax rate changes.

- Allow closed psychiatric facilities owned by the State to be included in the Economic Transformation and Redevelopment Program.
- Create a farm workforce retention credit to be phased in from \$250 per farm employee in tax year 2017 to \$600 per farm employee in tax year 2021.
- Authorize an additional 1,000 video lottery terminals at Aqueduct racetrack. See the Lottery and Gambling section of this report for more information.
- Increase the maximum amount of credits available under the Urban Youth Jobs Program to \$50 million.
- Require wholesalers of motor fuel to register with the Tax Department and to file monthly returns stating the amount of fuel bought and sold.
- Exempt commercial fuel cell electricity generating systems from the sales and use tax.

Executive Tax Proposals Omitted

The Enacted Budget omits several tax-related proposals proposed by the Executive, deleting provisions which would have:

- Capped annual growth in the STAR exemption benefit at zero percent; this would have increased revenue by \$56 million in SFY 2016-17 and \$112 million in SFY 2017-18.
- Provided tax cuts under the corporate franchise and personal income taxes for small businesses; this would have reduced revenue by \$298 million in SFY 2017-18.
- Created the Parental Choice in Education Act to provide tax credits for education; this would have decreased revenues by \$150 million in SFY 2018-19.
- Provided a tax credit for certain tolls paid on the New York State Thruway.
- Authorized the use of jeopardy assessment provisions for cigarette and tobacco taxes.

V. Program Area Highlights

Education

The Enacted Budget provides \$24.3 billion in formula-driven school aid for school year (SY) 2016-17, an increase of \$1.4 billion, or 6.1 percent, over SY 2015-16.⁵ The impact of this increase on a State fiscal year basis will be made publicly available by DOB upon the release of the Enacted Budget Financial Plan. The Enacted Budget appropriates a larger increase in school aid than the \$991 million proposed by the Executive Budget, but less than the \$2.1 billion and \$1.7 billion the Assembly and the Senate, respectively, had proposed in their one-house budget bills. The Enacted Budget did not include a two-year school aid appropriation, breaking a practice started with the SFY 2011-12 Enacted Budget and continuing through the SFY 2016-17 Executive Budget.

The major categories of school aid increases are:

- \$627 million in Foundation Aid, for a total of \$16.5 billion in SY 2016-17, which is the largest increase since SY 2008-09, and \$360 million more than originally proposed by the Executive. However, \$100 million of Foundation Aid is subject to additional requirements: 225 school districts must set aside specific allocations from their increase to establish and run community school programs. These are meant to transform school buildings into community hubs for co-located or school-linked academic, health, mental health, nutrition, counseling, legal and other services to students and their families.
- \$434 million to eliminate the Gap Elimination Adjustment (GEA) in SY 2016-17. The Executive had proposed a plan to eliminate the GEA by SY 2017-18.
- \$341 million to support growth in various expense-based aids.

According to estimates of school aid broken down by district (known as “school aid runs”) released with the Enacted Budget, changes for individual school districts are projected to range from a 6.9 percent decrease to a 24.9 percent increase, excluding building aid payments. The Foundation Aid set-asides for community schools mentioned above are in addition to \$75 million for Community School Aid funding to be distributed to “failing” or “persistently failing” schools by the State Education Department (SED).

The Enacted Budget includes, with modest modifications, \$28 million in categorical grants that were proposed in the Executive Budget:

- \$22 million to expand pre-kindergarten programs for three-year-old children.
- \$3 million to continue to support early college high school programs and \$1 million allocated to career and technical educational programs.
- \$2 million for the QUALITYstarsNY program that is designed to assess, improve and communicate the level of quality in early education and child care programs throughout the State.

⁵ For more information on the components of school aid as well as the overall impact of school aid on the State budget, see the Office of the State Comptroller report, *New York State School Aid: Two Perspectives*, January 2016, available at <http://www.osc.state.ny.us/localgov/pubs/research/schoolaid2016.pdf>.

The Enacted Budget continues \$340 million of funding for the Statewide Universal Full-Day Pre-Kindergarten initiative, of which \$300 million is allocated for New York City.

Other education spending in the Enacted Budget, separate from school aid, includes:

- \$350 million in anticipated disbursements from the \$2 billion Smart Schools Bond Act, passed by voters in November 2014, based on estimates included in the SFY 2016-17 Capital Program and Financing Plan that was released with the Executive Budget.
- \$20 million to implement the “My Brother’s Keeper” program to improve outcomes for boys and young men of color.

The Enacted Budget includes several initiatives advanced in the Executive Budget with modifications, as follows:

- Grants to charter schools: The Executive Budget had proposed \$27.4 million in grants to be used by charter schools statewide. The Enacted Budget awards \$54.8 million “for additional grants in aid to certain school districts, public libraries and not-for-profit institutions” to be allocated by the majority leader of the Senate, with approval by the Director of the Division of the Budget. The Senate has indicated that the entire \$54.8 million will be given to charter schools statewide. While these grants do not come with any requirements and can be used for any purpose, they will only be made available on or after April 1, 2017.
- Charter Facility Aid: New York City will be made permanently responsible to pay charter schools for their rental costs to operate in privately owned spaces.

The Enacted Budget omits several education-related proposals that were advanced in the Executive Budget, including:

- Extending mayoral control of New York City schools for three years beyond the current expiration date of June 30, 2016. The Senate is scheduled to hold two public hearings in May on this issue.
- Creating several new tax credits related to education that would have totaled \$150 million in SFY 2018-19.
- A proposal to allow a local school district, an approved private school, or a board of cooperative educational services (BOCES) to request certain special education waivers.
- Unfreezing charter school tuition rates exclusively for charter schools located in New York City for SY 2016-17.
- Establishing a new Empire State Pre-Kindergarten grant program to be run by a three-member grant board.

The Budget includes a provision to have the State Comptroller serve as joint custodian, along with the Commissioner of the Department of Taxation and Finance, of the New York State Teen Health Education Fund, a tax check-off fund created in 2013 to which New York taxpayers can make donations through their personal income tax returns. This fund supplements educational programs in schools to promote awareness of health issues facing teens.

The Enacted Budget did not make any changes to the existing deadline for school districts to adopt new, more stringent Annual Professional Performance Review (APPR) plans by September 1, 2016, in order to receive school aid increases.

STAR

The Enacted Budget includes provisions that will convert both the School Tax Relief (STAR) exemption and the New York City STAR personal income tax (PIT) credit into State PIT credits. Under the new STAR credit, first-time homebuyers and existing homeowners who move into a new home will no longer be eligible for the STAR property tax exemption, which reduces the amount that property owners pay directly to their school districts. Instead, such property owners will be eligible for the new tax credit, which will reduce taxpayers' State income-tax liability by an amount equal to the savings generated by the current STAR exemption. All other STAR-eligible homeowners will have the option of continuing to receive the existing exemption as long as they own their current home, or converting the benefit to the tax credit.

To allow homeowners to continue to receive STAR benefits around the time of year they pay school taxes, similar to the current STAR exemption, the new STAR credit will be advance-refunded to the eligible homeowner by September 15 each year. In order to receive the advance refund, the homeowner will be required to apply for the credit annually by July 1. If the homeowner fails to apply for the advance refund by the deadline, the credit can be claimed on the homeowner's annual tax return.

With the conversion of the current New York City STAR PIT credit into a refundable New York State PIT credit, both homeowners and renters in New York City with incomes less than \$250,000 will be able to claim a STAR credit equal to \$62.50 for individuals and \$125 for married taxpayers. Unlike the new STAR credit, this credit for New York City taxpayers will not be advance-refunded; taxpayers will claim the credit when they file their annual returns.

Both of these provisions shift the fiscal impact of the STAR program from the spending side to the revenue side of the State budget. DOB projects the State will realize an estimated \$98 million reduction in spending in SFY 2016-17 for the STAR credit, and a commensurate \$98 million reduction in revenues as the credit is to be advance-refunded, for a net Financial Plan impact of zero. The fiscal impact of the STAR credit for New York City taxpayers will result in decreased spending of \$87 million on the STAR program in SFY 2016-17, but revenues will not decrease by this amount until SFY 2017-18 as this credit is claimed on taxpayers' annual returns and is not advance-refunded.

The Enacted Budget also included STAR provisions to:

- allow for the late filing of renewal applications for Enhanced STAR due to hardship;
- allow the recoupment of improperly received STAR benefits to apply the three-year look-back period to the school year rather than the assessment rolls; and
- allow the Tax Department to make direct payments of STAR savings to eligible taxpayers.

The Budget omits two STAR-related proposals which would have:

- Capped the annual STAR exemption benefit growth at zero percent, which would have increased revenue by \$56 million in SFY 2016-17 and \$112 million in SFY 2017-18.
- Made the income verification program for the Enhanced STAR benefit mandatory.

Higher Education

The Enacted Budget authorizes \$15.4 billion in All Funds appropriations for higher education, up 1.4 percent from the Executive proposal, including: \$9.9 billion for SUNY, \$4.3 billion for CUNY and \$1.2 billion for the Higher Education Services Corporation (HESC). These amounts reflect a net increase of \$43 million for SUNY, a net increase of \$171 million for CUNY and \$750,000 more for HESC. The Enacted Budget increases base operating aid for community colleges above the Executive Budget by \$13.3 million for SUNY, and \$6.3 million for CUNY. Capital projects authorizations increase by \$60 million for SUNY and \$49 million for CUNY.

Relative to the Executive Budget, funding for SUNY includes: an additional \$18.6 million for SUNY hospitals (for a total of \$87.9 million); \$10.4 million more for educational opportunity programs and centers; \$2 million more for the ATTAIN lab program; and additions of \$1.5 million or less for a range of other programs. These increases are offset by a projected \$67 million decrease in tuition revenue.

The Enacted Budget increases CUNY senior colleges' operating support from the Executive Budget by \$393 million, primarily reflecting the omission of the Executive proposal to require New York City to pay 30 percent of CUNY senior colleges' net operating and debt service expenses. CUNY is also provided an increase of \$4.7 million for the Search for Education, Elevation and Knowledge (SEEK) program and \$5.4 million for a range of other programs. These increases are offset by a decrease in projected tuition revenue by \$50 million.

The Budget excludes \$240 million in funding for retroactive wage increases for employees at CUNY senior colleges that the Executive had conditioned on New York City assuming greater financial responsibility for CUNY senior colleges. Negotiations continue on a new contract for these CUNY employees, who have been working without a contract for more than five years. Resolution of those negotiations would eliminate uncertainty and provide clarity for the State, the City and affected employees.

The Enacted Budget omits the Executive proposal to allow annual resident tuition increases of up to \$300 at SUNY and CUNY through academic year (AY) 2020-21. With the exception of studying and reporting on the Tuition Assistance Program, the Budget otherwise extends for one year the NY-SUNY 2020 Challenge Grant Program Act, including the tuition credit for resident undergraduate students and up to a 10 percent increase in out-of-state tuition rates at SUNY university centers. The Enacted Budget also makes certain scholarship and loan forgiveness programs permanent (modifying the Executive proposal for a five-year extension), and extends for five years the authorization for SUNY and CUNY to enter into certain contracts without pre-approval by the Office of the State Comptroller.

New initiatives in the Enacted Budget include:

- Amending the definition of income for student financial aid purposes to coincide with the federal application process;
- Postponing implementation of a methodology for calculating community college chargeback rates to the 2018-19 academic year; and
- Requiring non-public institutions of higher learning to report to the Legislature by August 15, 2016 on various factors relating to tuition, financial aid, enrollment and graduation.

The Enacted Budget omits the Executive proposal to offer certain undocumented immigrants access to State financial assistance for undergraduate and graduate tuition in New York through the DREAM Act.

Health

The Enacted Budget provides a net increase of \$411.6 million in State funding above the Executive for the Department of Health (DOH), including \$200 million in capital projects, \$192.7 million in State-share Medicaid, and \$18.9 million for various public health initiatives.

The Budget restores \$74.3 million in State funding for a number of Medicaid services and benefits targeted for reduction in the Executive Budget proposal as well as for two new Medicaid initiatives. The restorations include:

- \$20.7 million to preserve the “prescriber prevails” requirement for pharmacy benefits;
- \$10 million to retain spousal and parental refusal for payment for Medicaid services;
- \$6 million to prohibit price ceilings on brand-name “blockbuster” drugs;
- \$5 million to prohibit pharmacies from operating on-site limited services clinics; and
- \$1.8 million to preserve current reimbursement rates for specialty drugs.

New Medicaid initiatives include \$1.5 million to establish restorative care units intended to reduce hospital admissions and readmissions from nursing homes, and \$1 million annually in State-only Medicaid funding for a Bronx nursing home through March 2046. Offsetting the restorations and new initiatives are additional State Medicaid savings actions of \$74.3 million, including \$26.3 million in anticipated drug rebates, \$17.5 million from a delay in the implementation of a federal tax on Medicaid managed care plans, and \$10 million from delaying bonuses for Medicaid managed care plans which provide timely encounter data.

The Enacted Budget fully restores a net \$180 million in State Medicaid funding to continue the cap on the local share of Medicaid spending for the City of New York in SFY 2016-17. The net value of this restoration grows to \$476 million in SFY 2017-18. This restoration does not count against the indexed portion of the global cap on State DOH Medicaid spending, which is statutorily limited to 3.4 percent growth in SFY 2016-17 (except for unanticipated costs resulting from a disaster). The restoration does count against the overall cap.

The Budget extends the global Medicaid cap for an additional year through March 2018. It increases projected global cap expenditures, including indexed spending and the New York City restoration, as well as the Medicaid impact of new statewide minimum wage increases scheduled to take effect in January 2017, by \$192.7 million, or 1.1 percent, to \$18.5 billion in SFY 2016-17 and by \$563.5 million, or 3.0 percent, to \$19.3 billion in SFY 2017-18, compared to the Executive Budget.

The minimum wage increases are projected to increase State Medicaid spending by \$12.7 million in SFY 2016-17 and \$88 million in SFY 2017-18. The Enacted Budget allows DOB to make further adjustments to global cap expenditures through March 2018 to account for the impact of minimum wage increases on the Medicaid program. Through February 2016, total State Medicaid expenditures under the global spending cap of \$17.7 billion for SFY 2015-16 were \$56 million, or 0.3 percent, over projections. While DOH has never used its existing authority to keep Medicaid spending under the global spending cap since it was instituted in April 2011, the Enacted Budget extends this authority for an additional year through 2018. The Budget also requires DOH’s monthly global cap report to provide information on “any material impact” – such as policy and programmatic changes, significant transactions, or administrative actions – on annual global cap projections, and to explain the variance.

The Enacted Budget authorizes DOH to establish a statewide Medicaid integrity and efficiency initiative to achieve new audit recoveries, efficiencies and cost avoidance measures in collaboration with the counties and New York City. The Budget also establishes a Health Republic Insurance of New York Fund, in the joint custody of the Office of the State Comptroller and the State Department of Financial Services, to reimburse health care providers for unpaid claims associated with dissolution of the Health Republic insurance cooperative. All payments from the Fund are pursuant to appropriation and terms to be set forth in future legislation following the liquidation of Health Republic assets. The Fund will consist of various judgments, stipulations, settlements, resolved claims and all other appropriated moneys.

The Enacted Budget creates a statewide health care facility transformation program to award \$200 million, without competitive bidding or a request for proposals, to renovate or replace inefficient or outdated facilities as part of a merger, consolidation, acquisition or significant restructuring activity. Eligible applicants for the funding include providers of acute inpatient, outpatient, primary, home care or nursing home services. At least \$30 million of the \$200 million is available for community-based health care providers; up to \$5 million may be used to purchase mobile mammography vans. The Enacted Budget also restores \$300 million in capital funding for a new hospital in Utica that was included in the SFY 2015-16 Enacted Budget but proposed for elimination in the Executive Budget.

Additional restorations reflect the elimination of Executive proposals to reduce State subsidies for the Excess Medical Malpractice program by \$25 million and to target remaining funds (about \$102 million) to high-risk specialties or regions as well as to reform the DOH Early Intervention program (\$5 million). The Budget uses Health Care Reform Act (HCRA) fund balances and HCRA re-estimates to restore the medical malpractice subsidies. The Enacted Budget also includes provisions to:

- authorize 30 days of Medicaid benefits for high needs inmates before they are released from prison or jail;
- amend the electronic prescribing requirement to allow an exemption for physicians writing no more than 25 prescriptions a year; and
- extend the State's cancer mapping law for six years, require the Department of Environmental Conservation to update data for DOH cancer incidence maps every five years, instead of "periodically," and require DOH to post the maps on its public website and update them every five years.

The Enacted Budget provides \$13.9 million in additional funding for various other public health initiatives, including:

- \$1.1 million for community AIDS programs and organizations;
- \$1.1 million for eating disorder programs;
- \$1 million for the physician loan repayment and practice support program;
- \$1 million to support the Center for Liver Transplantation and the Alliance for Donation;
- \$750,000 for family planning grants;
- \$750,000 for the Community Health Advocates program (which helps consumers understand how to use their health insurance, and resolve billings and coverage denials); and
- \$300,000 for a statewide campaign to promote awareness of donating umbilical cord blood to a public cord blood bank.

Human Services / Labor

The Enacted Budget provides \$50.4 million in net additional State and federal funding for the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA) compared to the Executive Budget, increasing All Funds disbursements by \$46.2 million (1.5 percent) for OCFS and by \$4.2 million (0.1 percent) for OTDA to approximately \$3.1 billion and \$5.1 billion, respectively, in SFY 2016-17.

The Enacted Budget also provides \$12.4 million in additional State funding for the Department of Labor (DOL) to support various employment and training programs, and \$3.0 million in additional State funding for various community services programs operated by the State Office for the Aging (SOFA). All Funds disbursements for DOL (excluding unemployment benefit funds) increase by 2.2 percent and for SOFA by 1.3 percent over the Executive Budget, to \$581.0 million and \$227.9 million, respectively.

The Enacted Budget provides \$3.6 million in additional State funding for various OTDA employment and economic support programs, including: \$1.5 million for the disability advocacy program (which provides legal representation for individuals whose federal disability benefits have been denied or discontinued); \$1 million for the safety net assistance program; \$620,000 for temporary supportive housing in Jamestown; and a total of \$450,000 for several other local social services initiatives. The Enacted Budget also provides an additional \$600,000 for supportive housing for the homeless and to prevent homelessness.

The Enacted Budget decreases OTDA federal Temporary Assistance for Needy Families (TANF) funding for OCFS child care subsidies by \$21.4 million (offset by an equal increase in State funding for child care subsidies in the OCFS budget, see below). It provides \$21.4 million in federal TANF funding for various other OTDA employment and economic support programs, including:

- \$8.9 million in child care subsidies for working families in New York City, the Capital Region, and Monroe and Oneida counties.
- \$4.0 million for technology-assisted learning programs.
- \$2.9 million for the career pathways program (which provides education, training and job placement for low-income New Yorkers age 16 and older).
- \$2.0 million for the family assistance program. This addition, coupled with \$1.0 million in additional State funding for safety net assistance, will pay for an increase in the fair market value of the automobile exemption for public assistance households to \$10,000 through March 2017.

As noted above, the Enacted Budget provides \$21.4 million in additional OCFS State funding for child care subsidies in SFY 2016-17. The Enacted Budget also provides a total of \$24.8 million in additional State funding for various other OCFS programs, including: \$5 million for the Advantage after-school program; \$3 million for safe houses for sexually exploited children; \$2.5 million for settlement houses providing, for example, child care for family employment; \$2.2 million for child advocacy centers; \$1.9 million in support services for caretaker relatives providing a temporary home for children who cannot stay with their parents; \$1.7 million for youth development programs; and various other local social services initiatives.

The Budget authorizes OTDA and OCFS to designate a temporary operator for homeless shelters and residential programs for domestic violence victims and runaway and homeless youth, respectively, with serious financial, health or safety deficiencies. The Budget omits the Executive proposal to raise the age of criminal responsibility from 16 to 18 years of age by January 2019.

The Enacted Budget adds a new appropriation of \$50 million and a corresponding increase in bonding authority for the Nonprofit Infrastructure Capital Investment Program to support capital projects for eligible nonprofit human services organizations that provide services to New Yorkers, doubling the size of the program. This program was created in the SFY 2015-16 Enacted Budget with an appropriation and bond cap of \$50 million. The new appropriation provides that grants may not be used for certain maintenance or improvement projects at publicly owned buildings or property. Grants may be used for technology upgrades related to improving electronic records, data analysis, or confidentiality; renovations or expansions of space used for direct program services; modifications to provide for sustainable, energy efficient spaces; and accessibility renovations.

The Budget includes \$25 million in appropriations from the Dedicated Infrastructure Investment Fund related to the Empire State Poverty Reduction Initiative. Additional information appears in the Debt and Capital section of this report.

The Enacted Budget provides for paid family leave to allow workers to care for a new child or sick relative. Starting in January 2018, eligible workers will receive a maximum of 8 weeks of leave, as well as 50 percent of their average weekly wage, capped at 50 percent of the statewide average weekly wage. When fully implemented in 2021, workers will receive a maximum of 12 weeks of leave and 67 percent of their average weekly wage, capped at 67 percent of the statewide average weekly wage. Workers employed for 26 or more consecutive weeks will be eligible for benefits, to be funded by employee payroll deductions. Public employees may opt in to the program. First-year costs are to be supported by a \$10 million transfer from workers compensation assessment reserves.

The Budget also adopts a statewide plan to raise the minimum wage to \$15 per hour for workers in accordance with the schedule shown in Figure 7.

Figure 7

Minimum Wage Increase Phase-In Schedule

(in dollars per hour)

Year end	NYC large businesses (at least 11 employees)	NYC small businesses (10 or less employees)	Nassau, Suffolk, & Westchester Counties	Rest of State
2016	\$11.00	\$10.50	\$10.00	\$9.70
2017	\$13.00	\$12.00	\$11.00	\$10.40
2018	\$15.00	\$13.50	\$12.00	\$11.10
2019		\$15.00	\$13.00	\$11.80
2020			\$14.00	\$12.50
2021			\$15.00	TBD

Source: Division of the Budget

Starting in 2019, DOB will conduct an annual analysis of the economy in each region, and the effect of the minimum wage increases statewide, to determine if a temporary suspension is necessary. This analysis would be submitted to DOL. The minimum wage increase for the rest of the State after 2020 will be determined by DOB in consultation with DOL.

The Enacted Budget provides at least \$19.3 million in State funding for minimum wage increases taking effect January 2017 for Mental Hygiene and DOH Medicaid service providers, as well as certain school districts and providers of special education services.

Mental Hygiene

The Enacted Budget provides a total of \$63 million in additional State appropriations over the Executive Budget for the Office of Alcoholism and Substance Abuse Services (OASAS), the Office of Mental Health (OMH) and the Office for People With Developmental Disabilities (OPWDD). This increase provides \$37.8 million for OASAS, including \$25 million in local assistance and \$10 million in capital projects to develop, expand and/or operate treatment, recovery, prevention and/or housing services for persons with heroin and opiate use and addiction disorders. Both appropriations allow OASAS to distribute funds without competitive bidding, a request for proposal process, or contract review by the Office of the State Comptroller. Any expenditures from the \$10 million capital appropriation reduce the \$25 million local assistance appropriation by an equivalent amount.

The Enacted Budget provides \$2 million in appropriations for substance abuse prevention and intervention specialists in New York City schools, and \$800,000 for direct salary and fringe benefit costs associated with the minimum wage increase taking effect in January 2017 for most OASAS service providers. The Budget adds appropriations of \$600,000 and \$4.1 million for OMH and OPWDD, respectively, for similar minimum wage increases taking effect in SFY 2016-17 for most mental health and developmental disability service providers.

The Enacted Budget provides OPWDD with \$13 million in additional appropriations over the Executive Budget, including: \$6 million to expand the use of State-operated instead of not-for-profit services for the developmentally disabled; \$4.1 million related to the minimum wage increase; \$1.8 million for various community initiatives; \$600,000 for OPWDD's Institute for Basic Research in Developmental Disabilities on Staten Island; and \$500,000 for OPWDD reporting requirements and initiatives to transform the State's service delivery system for people with developmental disabilities.

The Budget provides OMH with \$12.1 million in additional appropriations over the Executive proposal, including: \$2.8 million to reinvest further State bed closure savings in new community mental health services; \$2.8 million for veterans mental health services; \$2.2 million to retain 25 State forensic beds proposed for closure in connection with establishing county jail-based units for restoring the competency of felony-level defendants awaiting trial; \$1 million to expand crisis intervention and diversion services; and the remainder for various community mental health initiatives.

The Enacted Budget adopts Article VII proposals to: authorize OMH and OPWDD to designate a temporary operator for programs or service providers that are unable to stabilize operations; extend the licensure exemption for social workers and mental health professionals employed

by various State agencies and local social services districts for two years (instead of five as originally proposed); and require OPWDD to provide alternate employment options or services for individuals employed in sheltered workshops who do not want to or cannot work in provider-owned or private businesses.

In addition, the Budget requires OPWDD to notify the Legislature and labor organizations of the closure or transfer of any State-operated group homes, and to report on the agency's progress in meeting the housing needs of individuals with developmental disabilities. A report released to the Legislature in February 2016 identified over 11,000 New Yorkers on OPWDD's waiting list of individuals requesting residential services and supports.

Economic Development

The Enacted Budget appropriates \$2.5 billion for economic development purposes. While the Budget accepts State Operations appropriation levels proposed by the Executive, it increases Aid to Localities by \$12.9 million and capital projects by \$1.13 billion over the Executive Budget.

Within the Department of Economic Development (DED), the Budget increases Aid to Localities funding by \$4.7 million. Funding for the Centers of Excellence Program has been increased by \$1.3 million, for a total of \$10 million, to provide \$1 million to each of the existing ten centers. The Budget restores \$250,000 for a new Center of Excellence in atmospheric and environmental prediction and innovation in Albany. New funding of \$1 million is provided for the designation of three digital gaming hubs at colleges or universities that offer degree programs in game design, and \$609,000 for the technology development organization matching grant program. The Budget also provides \$1.1 million in additional funding for tourism marketing, including:

- an additional \$500,000 for local tourism matching grants;
- \$100,000 for the Finger Lakes Tourism Alliance;
- \$100,000 for the Queens Economic Development Corporation;
- \$100,000 for I Love NY bus tour promotions;
- \$150,000 for Chautauqua County Professional Golfers' Association promotions;
- \$100,000 for the NCAA Division I Men's Basketball Tournament at Buffalo; and
- \$50,000 each for the Long Island Farm Bureau and the Long Island Wine Council.

The Enacted Budget increases Aid to Localities funding for the Urban Development Corporation (UDC) by \$8.2 million, primarily reflecting new projects. The Budget includes \$31.2 million for the Economic Development Fund (EDF) and \$66.5 million for tourism and business marketing, including Open for Business and START-UP New York, as well as funding for the Global NY initiative and the Innovation Venture Capital Fund. New funding includes: \$3 million for military base retention; \$1 million for the Beginning Farmers New York Fund; \$950,000 for the Bronx Overall Economic Development Corporation; \$500,000 for a Veterans Farmer Grant Fund; and \$500,000 to the Brooklyn Chamber of Commerce. The Budget increases the Federal Community Development Financial Institutions Program funding by \$300,000.

The Enacted Budget accepts the Executive proposals to extend for one year both the EDF and the general loan powers of UDC. The Budget also amends the Beginning Farmer Program to remove the restriction on farm size as a requirement for participation in the program.

The Enacted Budget provides \$1.97 billion in lump-sum capital funding as follows:

- \$685.5 million for high-tech manufacturing projects in Chautauqua and Erie counties;
- \$638 million for projects at Nano Utica;
- \$200 million for the second round of Upstate Revitalization Initiative awards;
- \$199 million for the New York Works Economic Development Fund;
- \$150 million for the Regional Council Capital Fund;
- \$85 million for economic development and infrastructure projects; and
- \$8 million for the Market NY program.

Additional new capital project funding of \$325.5 million above the Executive proposal includes:

- \$125 million for an industrial scale research and development facility in Clinton County;
- \$110 million for the SUNY/CUNY 2020 Challenge Grant Program;
- \$33.5 million for the New York Power Electronics Manufacturing Consortium;
- \$20 million for a multiyear study and the widening of bridges and roads on the Sunrise Highway;
- \$15 million for the SUNY Polytechnic Institute Colleges of Nanoscale Science and Engineering;
- \$12 million for the Clarkson-Trudeau Partnership; and
- \$10 million for the Brookhaven National Laboratory.

The Enacted Budget also funds economic development projects within appropriations of the Dedicated Infrastructure Investment Fund (DIIF). The DIIF will provide \$170 million of the \$200 million in funding for the second round of the Upstate Revitalization Initiative and will provide \$85 million in funding for economic development and infrastructure projects mentioned above.

The SFY 2015-16 Enacted Budget created the Transformative Investment Program and provided \$400 million in capital funding for projects on Long Island or in New York City. The Enacted Budget amends the reappropriation for this program to specifically identify certain projects for which the funding can be used as follows:

- \$75 million for commercialization and research and development projects at Stony Brook University;
- \$50 million for the NSLIJ Feinstein Institute of Medical Research: Center for Bioelectronic Medicine – Nassau Hub;
- \$25 million for Hofstra University: School of Engineering and Applied Sciences;
- \$25 million for Cold Spring Harbor Lab: Center for Therapeutics Research;
- \$6 million for the renovation and expansion of the MacArthur airport; and
- \$219 million for other projects.

While the Enacted Budget identifies these projects through the appropriation, the Budget also adds language that the funding for items in the schedule “shall be for projects with a common purpose and may be interchanged without limitation subject to the approval of the Director of the Budget.”

In addition, the SFY 2015-16 Enacted Budget included \$150 million from the DIIF for transformative economic development projects in Nassau and Suffolk Counties. The SFY

2016-17 Enacted Budget amends the reappropriation for this program to allocate the funding for three specific projects: \$85 million for the center for bioelectronic medicine at the Nassau hub; \$50 million for infrastructure improvements and a parking structure in Ronkonkoma; and \$15 million for Stony Brook/Brookhaven labs. Similar to the Transformative Investment Program, unlimited interchange language is also added to the reappropriation.

Lottery and Gambling

The Enacted Budget accepts the Executive's proposed appropriations for the New York State Gaming Commission. The Budget includes additions and revisions to proposed Article VII legislation, including the following provisions:

- a one-year extension of the authorization for video lottery gaming operators to earn capital awards intended to encourage facility upgrades and improvements;
- a one-year extension of certain tax rates and simulcasting provisions;
- the creation of the jockeys' health trust to provide health coverage for active, retired, and disabled jockeys;
- a one-year extension of the Monticello Raceway video lottery terminal (VLT) rates;
- a change to the timing of reimbursements of per diem costs for harness racing judges and starters;
- an additional commission for the Finger Lakes VLT facility in Ontario County;
- an extension of the Tribal State Compact Revenue Account from December 31, 2016 to December 31, 2023; and
- the allocation of a portion of the electronic gaming revenue from the Niagara casino to the Niagara Falls Underground Railroad Interpretive Center.

The Enacted Budget eliminates Executive proposals that would have: allowed a competitive procurement process for entities that provide equine testing; and increased the portion of VLT vendor fees to be dedicated to purse enhancements at vendor tracks from 1.0 percent to 1.6 percent.

In addition, the Enacted Budget authorizes the establishment of 1,000 additional video lottery gaming devices at the Aqueduct VLT facility on behalf of the Nassau Regional Off-Track Betting Corporation (OTB), which includes the following provisions:

- Aqueduct and Nassau OTB will be required to enter into an agreement, to be approved by the Gaming Commission, for the operation of the VLTs.
- Nassau OTB will receive 35 percent of the revenues from the additional VLTs.
- Aqueduct will be eligible for vendor capital awards if it constructs an expansion to the Resorts World Casino New York City costing in excess of \$300 million. The capital award will be equal to 1 percent of the total VLT revenue before April 1, 2019 and equal to 4 percent of the VLT revenue thereafter.

Transportation

Department of Transportation

The Enacted Budget modifies the Executive Budget proposal for the Department of Transportation (DOT) by increasing All Funds appropriations from \$10.8 billion to \$10.9 billion,

an increase of \$78 million, or 0.7 percent. This change consists of a \$73 million increase in Capital Projects appropriations, for a total of \$5.6 billion, and a \$5 million increase in Aid to Localities, for a total of \$5.2 billion.

The \$73 million growth in capital funding includes an increase of \$27 million in federal funds and an increase of \$46.5 million in State funds. Of the additional federal funding, \$21 million is for project and operating costs as provided for under new federal authorization, and the remaining \$6 million is for reimbursements to the Dedicated Highway and Bridge Trust Fund (DHBTF) for the federal share of engineering costs. The additional State funding includes \$41 million for New York Works programs, consisting of \$22.5 million for non-MTA transit capital projects, \$8.4 million for road and bridge work, \$7.5 million for rail freight projects and \$2.5 million for aviation. In addition, the Budget increases funding for consultant contract services by \$5.6 million.

The \$5 million in increased local operating aid is for the Additional Mass Transportation Assistance Program (AMTAP), for non-MTA transit agencies' operations. This includes approximately \$4 million for specific upstate transit agencies and \$1 million for other systems outside of the Metropolitan Commuter Transportation District.

Through Article VII language, the Enacted Budget commits the State to obligate \$25.15 billion to the multiyear DOT capital plan, consisting of \$3.8 billion in SFY 2015-16, at least \$17.4 billion over the next four years and at least \$4.0 billion in SFY 2020-21, subject to annual appropriation and approval by DOB. By comparison, the Financial Plan and Capital Program and Financing Plan that accompanied the Executive Budget identified a \$20.1 billion DOT multiyear plan. Enacted Budget language reflects \$1 billion more in spending for SFY 2016-17 through SFY 2019-20, and also adds an amount for SFY 2020-21.

The Enacted Budget accepts two capital projects appropriations from the Executive proposal that make funding available for the five-year DOT capital plan: one for \$200 million in funding from the Special Infrastructure Account (part of the Dedicated Infrastructure Investment Fund) and one for \$84.5 million in DOT's New York Works capital projects authorizations. Both of these appropriations provide funding for "transportation infrastructure and facilities" and contain language that does not limit spending to the wide range of transportation projects and costs specified within.

The Budget modifies the Executive proposal to allow the Thruway Authority, DASNY and the UDC to issue an additional \$1.375 billion in bonds, or \$340 million over the Executive proposal (for a total of \$3.065 billion), for highway and bridge transportation infrastructure projects, along with aviation projects, non-MTA mass transit and rail service preservation projects.

The Enacted Budget accepts the Executive proposal of \$200 million for airport revitalization through New York Works. The Budget provides \$478 million for local highway and bridge projects through the Consolidated Highway Improvement Program (CHIPS, \$438.1 million) and Marchiselli program (\$39.7 million), both of which remain at SFY 2015-16 levels. However, the Executive and Legislature have indicated that additional funds may be made available through "PAVE NY," though the Budget does not include specific appropriations or Article VII language regarding this funding. Funding for Extreme Winter Recovery, included in the last two enacted budgets, is not included. The Budget omits the Executive proposal to allow the interchange of DOT funds between appropriations.

Dedicated Highway and Bridge Trust Fund

The Budget includes a transfer of \$810 million from the General Fund to support the Dedicated Highway and Bridge Trust Fund (DHBTF), an increase of 11.2 percent from the prior year. As proposed by the Executive, the Enacted Budget authorizes another General Fund transfer of \$5 million for the State Police to provide work zone safety assistance to DOT. It also accepts \$5 million in transfers for State Operations costs related to administering and enforcing motor carrier safety in excess of the amount provided by fees deposited in the DHBTF for this purpose. The Enacted Budget accepts the proposed deposit of revenues from four DMV Special Revenue Funds into the DHBTF. These four funds are: the Seized Assets Fund, the Compulsory Insurance Fund, the Internet Point Insurance Reduction Program (IPIRP) Fund, and the Motorcycle Safety Fund, which together constituted approximately \$28 million in total revenues in the prior State fiscal year.

Thruway Authority

In addition to the \$1.285 billion provided to the Thruway Authority in the SFY 2015-16 Enacted Budget, the SFY 2016-17 Budget provides \$700 million to pay for Thruway Authority infrastructure improvements, work on the replacement Tappan Zee Bridge, and other core system needs. The Budget omits the Executive proposal to use \$340 million for Thruway toll tax credits. The Enacted Budget includes language to transfer the Canal Corporation from the Thruway Authority to the Power Authority of the State of New York. See the Public Authorities section of this report for more information.

Agriculture

The Enacted Budget provides \$169.3 million in All Funds appropriations for the Department of Agriculture and Markets (Ag & Markets), an increase of \$16.1 million over the Executive proposal, including \$11.1 million for local assistance and \$5 million for capital projects to fund grants of up to \$200,000 for the rehabilitation, or new construction, of facilities at local fair grounds.

The Budget includes the Executive proposal to transfer the milk and agricultural market order programs from Ag & Markets to the Empire State Development Corporation (ESDC), with modifications. These modifications include restoring a provision similar to one in the repealed Ag & Markets market order program stating that expenditures under these programs are subject to audit by the State Comptroller. Other modifications give the Commissioner of Ag & Markets a primary role in creating budgets for the market orders and in appointing market order advisory boards. In addition, the president of ESDC is required to consult with the Commissioner on more occasions than had been proposed by the Executive. The Executive proposal to exempt from competitive bidding ESDC service contracts entered into under these programs is maintained.

The Budget adds \$11.1 million over the Executive proposal to the Ag & Markets Agricultural Business Services Program to augment or restore funding for research, promotional activities and extension services for farmers and farm products. It also amends the Beginning Farmers NY Fund program to remove a 150 acre maximum acreage limit from the eligibility criteria. In addition, \$1 million is provided to the Urban Development Corporation for this program.

Eligibility criteria for a property tax exemption for farm waste anaerobic digesters are expanded in the Enacted Budget to include facilities that are sited off-farm and facilities that are appurtenant to the digestion and energy production process.

The Enacted Budget includes various agriculture-related tax credits and exemptions which are summarized in the Revenue section of this report.

Environment and Parks

Environmental Conservation

The Enacted Budget provides All Funds appropriations of \$1.4 billion for the Department of Environmental Conservation (DEC), a \$101.1 million increase over the Executive proposal. The Budget increases appropriations for DEC water programs by \$100 million and for DEC local assistance programs by \$1.1 million to support certain lake associations, soil and water conservation districts, the Rogers Environmental Education Center and Croton Point Park grassland design and management. The Budget also includes \$40 million in New York Works capital appropriations as proposed in the Executive Budget.

The Executive proposal to increase the Environmental Protection Fund (EPF) to \$300 million is included in the Enacted Budget with modifications. The proposed new Climate Change Mitigation and Adaptation Account in the EPF was amended to create a new Climate Smart Communities title in the EPF implementation statute (Article 54 of the Environmental Conservation Law). Eligible projects include those that identify climate change impacts and/or mitigate or adapt to those impacts. In addition, projects that reduce greenhouse gas emissions are eligible. The Budget adds two programs to the EPF – a new rebate program for electric and fuel-cell-powered vehicles and refueling infrastructure, as well as funding for the Brownfield Opportunity Area program – and accepts the Executive proposal to use the EPF to fund the State’s participation in multistate environmental commissions. The Budget omits the proposal to fund the Cornell Pro-Dairy program through the EPF.

The Enacted Budget adds \$100 million to the Executive’s proposed appropriations for the New York State Water Infrastructure Improvement Act of 2015, for a total of \$200 million in new appropriations. Of these appropriations, \$100 million is available in SFY 2016-17 and \$100 million in SFY 2017-18. Reappropriations for this program include \$75 million for SFY 2016-17 and \$75 million for SFY 2017-18.

The Enacted Budget amends the clean water provisions of the implementing statute for the Clean Air/Clean Water Bond Act of 1996, related to funding for water quality improvement projects anywhere in the State, to make the study of groundwater quality in Long Island and open space conservation projects eligible for funding under this funding category.

The Budget extends the compliance deadline to control emissions from heavy-duty vehicles powered by diesel engines that are either owned or operated by the State, or operated on behalf of the State, from December 31, 2016 to December 31, 2017. The 2006 Diesel Emissions Reduction Act originally required all vehicles operated by the State or operated on State projects to control diesel emissions by December 31, 2010. This compliance deadline has been extended every year since that date.

The Executive proposal to permanently extend the waste tire fee is modified to extend the fee for three years. In addition, the Enacted Budget provides a new purpose for the Waste Management and Cleanup Fund to allow the State Department of Health to use funding to control mosquitos and other potential transmitters of infectious disease.

The Enacted Budget extends the New York State Cancer and Environmental Facility mapping law, previously due to expire on March 31, 2016, for an additional six years with modifications, including requiring DEC to update data for DOH cancer incidence maps every five years, instead of “periodically.” In addition, it requires the Department of Health to publish the maps on its website and to update the maps every five years.

Parks

The Enacted Budget includes All Funds appropriations of \$391.9 million for the Office of Parks, Recreation and Historic Preservation (State Parks), an increase of \$1.6 million over the Executive proposal, reflecting additional local assistance appropriations. The Budget includes a \$92.5 million New York Works appropriation as proposed by the Executive.

The Enacted Budget adds General Fund appropriations as follows:

- \$900,000 to restore funding for reimbursement of municipal expenditures to enforce the State Navigation Law. The Enacted Budget omits the Executive proposal to reduce the rate of reimbursement from 50 percent to 25 percent of expenditures.
- \$375,000 for the Alley Pond Environmental Health Center and the Schenectady County Potter Hill Reserve.
- \$295,000 for the Ossining Historic Cemeteries Conservancy, the Colonial Farmhouse Restoration Society of Bellerose and the Historic Hudson Hoosick Rivers Partnership.

The Enacted Budget redirects \$5 of each resident, non-resident and dealer snowmobile registration fee to the Snowmobile Trail Development and Maintenance Fund. Previously, the entire fee of \$10 for resident and non-resident registrations and \$50 for dealer registrations was deposited in the General Fund.

The Budget includes \$7.5 million in capital funds for the Olympic Regional Development Authority for the maintenance of Olympic facilities and ski facilities, as proposed.

Energy

The Enacted Budget adds a \$30 million transfer of Regional Greenhouse Gas Initiative (RGGI) funds from the New York State Energy Research and Development Authority (NYSERDA) to the Urban Development Corporation (UDC) to fund a new \$30 million Electric Generation Facility Cessation Mitigation Fund. UDC is authorized to reimburse municipalities for lost tax revenue resulting from the closure or mothballing of an electric generation plant on a first-come, first-served basis. The Budget repeals the existing \$19 million fund to reimburse municipalities for revenues lost due to the closure of fossil-fuel-fired electric generating facilities.

The Enacted Budget includes the Executive’s proposed RGGI sweeps of \$23 million to the General Fund and \$15 million to SUNY. Budget language directs the \$15 million sweep to SUNY for a clean energy workforce training program. DOB has indicated that the \$23 million

sweep to the General Fund will pay for the costs of certain renewable energy/low carbon tax credits, although there is no budget language establishing this connection.

The Budget modifies the Executive proposal to fund certain NYSERDA programs off-budget through an assessment on gas and electric utilities. The funding level of \$19.7 million is maintained, but additional purposes are added, including a rebate program for electric and fuel-cell-powered vehicles and the Fuel NY program.

The Enacted Budget omits the Executive proposal to provide a longer period for the Public Service Commission (PSC) to review utility rate proposals. It accepts the proposal to eliminate the requirement that the PSC hold a mandatory public hearing on proposed rate increases at municipal utilities.

The Budget increases the eligible capacity threshold for electric generating equipment fueled by farm waste digesters participating in the State net-metering program, from 1 megawatt to 2 megawatts. The Budget also creates a new program to offer \$2,000 rebates to purchasers of new electric, or fuel-cell-powered vehicles, to be administered by NYSERDA.

The Enacted Budget includes various energy-related tax exemptions, reimbursements and credits, which are summarized in the Revenue section of this report.

Housing

The Enacted Budget provides All Funds appropriations of \$2.2 billion for the Division of Housing and Community Renewal, a reduction of \$3.5 million from the Executive Budget. The Enacted Budget reduces appropriations for the administration and enforcement of New York State rent regulation by \$4.5 million and provides an additional \$1 million for a New York City Housing Authority Tenant Pilot Program.

The Budget includes a five-year, \$2 billion affordable housing program, but removes the proposed requirement that funding awards be subject to approval by the Public Authorities Control Board. Instead, this spending will be subject to a plan approved in a memorandum of understanding (MOU) among the Director of the Budget, the Speaker of the Assembly, and the Temporary President of the Senate.

The Executive proposal to transfer \$150 million in excess Mortgage Insurance Funds for housing purposes is modified in the Enacted Budget by reducing funding for the Rural and Urban Investment Fund, adding additional funding for the Supportive Housing program, and including funding for: the Mobile and Manufactured Home Replacement program, naturally occurring retirement communities, and neighborhood naturally occurring retirement communities.

The Budget includes \$50 million in Special Infrastructure Account appropriations for a multiyear program to address homelessness. Appropriation language in the Executive proposal exempting expenditure of these funds from procurement provisions in the State Finance Law and Public Authorities Law was omitted in the Enacted Budget.

The Enacted Budget includes the Executive proposal to increase available low-income housing tax credits by \$8 million annually over five years, to \$104 million.

Public Protection

The Enacted Budget accepts the Executive proposal to transfer the Intelligence and Analysis Unit from the Division of Homeland Security and Emergency Services (DHSES) to the State Police with modifications. New provisions require the State Police to share certain information among DHSES and local, State, and federal law enforcement agencies to ensure the coordination of appropriate intelligence to assist in the early identification of and response to potential terrorist threats and terrorist activities.

The Enacted Budget omits the proposal to raise the age of juvenile jurisdiction from age 16 to age 18, as well as the proposed Criminal Justice Reform Act of 2016. The latter would have authorized the Governor to appoint an independent special counsel to review allegations of the use of deadly force by a police officer that resulted in the death of an unarmed person where the district attorney declines to present evidence to a grand jury or where a grand jury declines to return an indictment.

State Workforce

The Enacted Budget authorizes State and local government employees to opt-in to paid family leave coverage through collective bargaining or other agreements (see the Human Services / Labor section of this report for more information on the paid family leave provisions).

The Enacted Budget omits Executive proposals to: charge retirees different health insurance premiums based on years of service; and to cease State reimbursement of retirees' Medicare Part B premium increases related to Social Security cost-of-living adjustments and Income Related Medicare Adjustment Amounts (IRMAA) premium surcharges.

Workers' Compensation

The Enacted Budget modifies the Executive Budget proposals related to workers' compensation to accept the provision relating to payment of workers' compensation claims and medical treatment for volunteers of the World Trade Center rescue and clean-up, and to accept using \$485 million in assessment reserves remitted to the Workers' Compensation Board as follows:

- Up to \$245 million in transfers to the State Insurance Fund (SIF) for the State's obligations to the SIF;
- \$140 million in transfers to SIF for State obligations to the SIF on or after April 1, 2016;
- Up to \$60 million for workers' compensation infrastructure and system upgrades; and
- Up to \$40 million for occupational safety and health programs, transfers to the uninsured employers' fund, and reduction in liabilities of the special disability fund, and including up to \$10 million as payment or in transfer for costs associated with the implementation of paid family leave.

New York City

The Enacted Budget increases education aid to New York City by \$525 million in City Fiscal Year (CFY) 2017, \$35 million more than anticipated by the City in its January 2016 Financial Plan.

However, the Budget includes a proposal made by the Executive that will cost the City \$600 million over three years. In October 2014, the Sales Tax Asset Receivable Corporation refinanced bonds at lower interest rates, realizing significant savings which benefited the City. Since the debt service on the bonds is paid with State funds, the Executive proposed, and the Legislature enacted, a provision that would allow the State to realize the benefit from the refinancing. The Enacted Budget requires the State Comptroller to intercept \$16.7 million a month in sales tax receipts intended for the City for a period of 36 months (for a total of \$600 million over three years). These funds may, at the discretion of the Director of the Division of the Budget, be remitted to the State Treasury, or may be transferred to issuers of State-related debt (e.g. public authorities) to make debt-related payments. See the Transparency and Accountability section, and the Debt and Capital section of this report for more information.

The Enacted Budget does not include two proposals made by the Executive that would have shifted a larger share of the cost of Medicaid and the senior colleges of the City University of New York to the City's budget. These proposals together would have cost the City \$785 million in CFY 2017 and larger amounts in subsequent years. The Budget also does not impose new approvals on the use of private activity bonds as proposed by the Executive. These bonds are an important part of the City's affordable housing program. The Enacted Budget does not extend mayoral control of the City's public schools.

Metropolitan Transportation Authority

The Enacted Budget commits the State and New York City to provide \$10.8 billion to the Metropolitan Transportation Authority's \$29.5 billion capital program for 2015-2019 (\$26.6 billion excluding bridges and tunnels), which is consistent with the agreement reached between the Governor and the Mayor in October 2015.

In accordance with the SFY 2015-16 Enacted Budget, the State will provide \$750 million in State bond proceeds and \$250 million in financial settlement funds for the 2015-2019 capital program. The City will provide \$657 million in capital grants in CFYs 2016 through 2020. The State has not identified the sources of the remaining \$7.3 billion in State funding and the City has not identified the sources of its remaining contribution of \$1.8 billion. According to provisions included in the Enacted Budget, the State and the City will provide the MTA with the remaining \$9.2 billion after the MTA has effectively exhausted all other existing sources of capital funding. The State and the City would fulfill their commitment no later than SFY 2025-26 or by the completion of the capital program.

While the State could provide direct capital grants (the Enacted Budget appropriates \$2.9 billion if the State elects to provide capital grants, although the sources of funding have not been identified), the MTA could issue its own bonds backed by an existing or new State revenue source. According to DOB, the issuance of bonds by the MTA is one of numerous options to cover the State share currently being discussed. The Enacted Budget increases the MTA bond cap by \$13.6 billion, which will permit the MTA to move forward with the capital program until State and City funds become available and to cover, if needed, a portion of the State's remaining share of \$7.3 billion. The Enacted Budget also authorizes the MTA to issue, with approval from the Director of the Budget, anticipation notes or other obligations secured solely by the commitment of the additional funds if it requires the additional funds and other resources have been exhausted.

As part of the budget negotiations, the MTA has agreed to increase the size of the 2015-2019 capital program by \$500 million (expected to be funded by the federal government) for tunneling work for the next phase of the Second Avenue Subway. The State has committed to fund \$1.4 billion of projects (including another \$443 million for the Second Avenue Subway) in the first year of the MTA's 2020-2024 program for a total of nearly \$28 billion for transit and commuter projects over six years, although this commitment is not included in the Enacted Budget.

The Enacted Budget also provides the MTA with an estimated \$4.5 billion in dedicated tax revenues and State subsidies in 2016, which is consistent with the amount anticipated in the MTA's operating budget. In addition, the Budget does not include a transfer of moneys intended for the MTA's operating budget to pay debt service on State service contracts, a practice that has been criticized in the past. The Budget also states that no funds dedicated for operating assistance will be used to reduce or supplant the commitment of the State to provide \$7.3 billion in capital funds for the 2015-2019 capital program.

Local Governments

The Enacted Budget holds Aid and Incentives for Municipalities (AIM) funding flat at \$715 million, as proposed by the Executive. AIM funding has not been changed since SFY 2011-12, and New York City has not received AIM since its allocation was eliminated in SFY 2010-11. Aid to Municipalities with Video Lottery Gaming Facilities (VLT Aid) is also unchanged (\$29.3 million), as is Small Government Assistance (\$217,300 for Essex, Franklin, and Hamilton Counties). The Budget also holds funding flat for the Citizens' Reorganization Empowerment Grants and the Citizen Empowerment Tax credits (\$35 million) and the Local Government Efficiency Grant Program (\$4 million).

The Enacted Budget restores \$2 million for Village per Capita Aid, which the Executive had proposed to eliminate. The Budget also includes an extra \$12.5 million for the City of Albany in SFY 2016-17. The State's payment to Albany under the "South Mall contract" for SFY 2016-17 is increased from \$15 million to \$27.5 million. The contract payment for SFY 2031-32 is reduced to \$1.8 million and the payment for SFY 2032-33 is eliminated.

The Enacted Budget provides \$6.8 million for Miscellaneous Financial Assistance to local governments, a \$3 million decrease from SFY 2015-16. This includes funding for four villages that do not receive AIM (Mastic Beach, Sagaponack, South Blooming Grove and Woodbury), as well as additional appropriations for other specific local governments. The following counties receive funding:

- Onondaga (\$2 million for a pilot project with the Syracuse City School District);
- Dutchess (\$1.5 million);
- Seneca (\$340,000);
- Franklin (\$340,000); and
- Cayuga (\$92,500).

Five cities also receive funding: Plattsburgh (\$300,000), Oneonta (\$200,000); Cortland (\$200,000); Syracuse (\$125,000 for shared services with Onondaga County); and Oneida (\$25,000). The Budget includes \$1.6 million for the Niagara County Industrial Development Agency.

The Enacted Budget does not include an appropriation specifically for Local Government Performance and Efficiency Program awards. However, such awards, along with other funding that could benefit local governments, could be available through broadly purposed Dedicated Infrastructure Investment Fund (DIIF) appropriations and reappropriations. These include \$170 million for the Upstate Revitalization Initiative, \$150 million for the implementation of shared services projects and downtown revitalization, \$25 million for the Empire State Poverty Reduction Initiative, \$20 million for a municipal consolidation competition, as well as funding for disaster preparedness. See the Debt and Capital section of this report for more information.

The Budget includes other funding that could benefit local governments as follows:

- \$200 million for commitment in 2016-17 and 2017-18 to repair and replace existing wastewater and drinking water infrastructure in accordance with the New York State Water Infrastructure Improvement Act of 2015. This funding is available to municipalities, public authorities and State and local agencies.
- \$200 million for upstate public-use airport projects.
- \$14.4 million for five counties (Ontario, Onondaga, Schuyler, Suffolk, and Washington) for indigent legal services, related to a legal settlement.

The Budget extends binding arbitration authorization for three years.

Public Authorities

The Enacted Budget increases bond caps (which generally reflect authorizations to borrow) for 22 programs financed through State-Supported debt. In addition, there is an increase of \$13.6 billion in bonding capacity for the MTA related to its 2015-19 capital program, which could potentially also be used to address a portion of the Executive's commitment of funds.

The Executive Budget estimated that \$5.6 billion in capital projects would be financed using public authority bond proceeds in SFY 2016-17. The Enacted Budget Financial Plan and Five-Year Capital Program and Financing Plan, expected to be released within the next few weeks by DOB, will provide an update of that estimate based on actions taken in the Enacted Budget.

As shown in Figure 8, the net increase in bonding authorizations for public authorities is \$8.7 billion, an increase of 8.5 percent over SFY 2015-16. In addition, the Enacted Budget amends the bond cap language for Economic Development Initiatives to include certain SUNY Polytechnic Institute Colleges of Nanoscale Science and Engineering projects. These include high technology manufacturing projects in Chautauqua and Erie counties, and an industrial scale research and development facility in Clinton County, as well as Upstate Revitalization Initiative projects, Market New York projects, and fairground buildings or facilities used to house and promote agriculture, while increasing the cap by more than \$1 billion.

In addition, the bond cap language associated with Cultural Education Facilities was broadened from funding for construction and rehabilitation associated with these facilities to also include, but not be limited to, acquisition costs and other State costs associated with such capital projects.

Figure 8

SFY 2016-17 State-Supported Bond Caps / Authorizations
(in millions of dollars)

Program	SFY 2016-17		SFY 2016-17	Enacted	Enacted
	Current Cap ¹	Proposed Cap	Enacted Cap	Change from Current Cap	Change from Proposed Cap
Economic Development Initiatives	2,888.3	3,653.3	4,671.8	1,783.5	1,018.5
Housing Capital Programs	3,153.8	4,697.5	4,697.5	1,543.7	-
Transportation Initiatives	1,690.0	2,725.0	3,065.0	1,375.0	340.0
Javits Convention Center (Expansion '06)	350.0	350.0	1,350.0	1,000.0	1,000.0
Consolidated Highway Improvement Program (CHIPs)	8,658.9	9,147.2	9,147.2	488.4	-
SUNY Educational Facilities	11,228.0	11,603.0	11,663.0	435.0	60.0
State and Municipal Facilities	1,155.0	1,155.0	1,540.0	385.0	385.0
Environmental Infrastructure Projects	1,775.8	2,008.3	2,108.3	332.5	100.0
Mental Health Facilities	7,722.8	8,021.8	8,021.8	299.0	-
Prison Facilities	7,163.4	7,425.0	7,425.0	261.6	-
Capital Restructuring Program	2,200.0	2,200.0	2,400.0	200.0	200.0
CUNY Educational Facilities	7,392.8	7,548.4	7,588.4	195.7	40.0
SUNY 2020 Challenge Grants	440.0	550.0	550.0	110.0	-
Office of Information Technology Services	269.1	364.8	364.8	95.7	-
Nonprofit Infrastructure Capital Investment Program	50.0	50.0	100.0	50.0	50.0
State Office Buildings and Other Facilities	469.8	509.6	509.6	39.8	-
Youth Facilities	611.2	647.1	647.1	35.9	-
Water Pollution Control (SRF)	805.0	840.0	840.0	35.0	-
Higher Education Capital Matching Grants	210.0	240.0	240.0	30.0	-
SUNY Upstate Community Colleges	838.5	861.5	861.5	23.0	-
Library Facilities	140.0	154.0	159.0	19.0	5.0
Division of State Police Facilities	155.6	167.6	167.6	12.0	-
Total Public Authority Bond Caps with Enacted Changes	59,367.8	64,919.0	68,117.5	8,749.7	3,198.5
All Other Public Authority Bond Caps	44,101.4	44,101.4	44,101.4	-	-
Total Public Authority Bond Caps	103,469.2	109,020.4	112,218.9	8,749.7	3,198.5
General Obligation Bond Act Authorizations ²	19,185.0	19,185.0	19,185.0	-	-
Total State-Supported Bond Caps/Authorizations	122,654.2	128,205.4	131,403.9	8,749.7	3,198.5

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 currently authorized, some or all of which may already have been issued.

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

As shown in Figure 9, the Enacted Budget authorizes \$46.9 million in transfers and miscellaneous receipts from public authorities to provide General Fund support. The Budget also includes the transfer of excess State of New York Mortgage Agency (SONYMA) Mortgage Insurance Fund (MIF) reserves totaling \$150 million to the Housing Trust Fund Corporation (HTFC), the Homeless Housing and Assistance Corporation (HHAC), or the Housing Finance Agency (HFA), to fund various housing programs. The MIF transfer amount is \$25 million higher than the amount authorized in the SFY 2015-16 Enacted Budget.

The Enacted Budget includes authorization to transfer up to \$20 million in funds from the Power Authority of the State of New York (NYPA) to the General Fund for energy-related initiatives. The Budget also authorizes \$45 million in transfers from NYSERDA, including \$15 million to support the Clean Energy Workforce Opportunity Program to expand clean energy education and workforce training through SUNY, with up to \$5 million in support of these programs at SUNY community colleges.

Figure 9

SFY 2016-17 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
New York State Energy Research and Development Authority	24.9 *
Total to General Fund	46.9
Miscellaneous Receipts for Energy Related Purposes:	
New York Power Authority	20.0
New York State Energy Research Development Authority	45.0 **
Total for Energy Related Purposes	65.0
Transfers to Various Housing Funds:	
State of New York Mortgage Agency	150.0
Total from Public Authorities	261.9

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

* The NYSERDA transfer 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, \$1 million in support for the Department of Environmental Conservation's Office of Climate Change is authorized to be transferred to the General Fund while \$750,000 for the University of Rochester Laboratory for Laser Energetics is authorized to be transferred directly. Historically, the Office of Climate Change and the Laboratory for Laser Energetics received funding through State Operations and Aid to Localities appropriations for NYSERDA, but the appropriations were eliminated in the SFY 2015-16 Enacted Budget.

** The NYSERDA transfer for Energy Related Purposes includes \$15 million from the proceeds of auctions of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (RGGI) in support of the Clean Energy Workforce Opportunity Program, and \$30 million in support of the Electric Generation Facility Cessation Mitigation Fund to be administered by the New York State Urban Development Corporation.

The Enacted Budget includes the Executive Budget proposal to establish the New York State Design and Construction Corporation (DCC) Act with modifications. The stated intent of the Act is to provide project management expertise and oversight on public works projects in excess of \$50 million undertaken by State agencies, departments, and public authorities. The Act forms the DCC as a subsidiary of DASNY with a three-member board appointed by the Governor. The DCC will have the authority to review, monitor, oversee and recommend changes in covered projects, when it deems that such projects may be at risk of being delayed, over budget or of compromised quality.

New provisions in the Enacted Budget require the DCC to provide written notice of recommended corrective or other action to the State entity engaged in the project, and require the State entity to provide written notice of acceptance or rejection of the recommendations. If the recommendations are rejected, the State entity must provide justification for the rejection. Provisions empowering the DCC to collect fees and charges for services it renders and to exercise eminent domain without limitation were rejected. A provision permitting the DCC to terminate contracts on projects was modified to permit the DCC to recommend the "exercise of applicable rights and/or remedies with respect to contracts, contractors, subcontractors or

other consultants”; it is unclear what those rights or remedies may include. The Transparency and Accountability section of this report includes further discussion about the DCC.

The Executive Budget proposal to authorize the MTA and the New York City Transit Authority (NYCTA) to utilize public-private partnerships for an extensive range of activities including design, construction, financing and maintenance, among others, was modified. The Enacted Budget authorizes MTA and NYCTA to enter into arrangements with local municipal corporations within the Metropolitan Commuter Transportation District to capture the value created by an MTA capital project through various methods, including special assessments and tax increment financing.

The Budget authorizes the Executive’s proposed transfer of the New York State Canal Corporation and all of the powers and duties relating to the canal from the Thruway Authority to NYPA, with modifications. Authorization is also provided for NYPA to issue bonds or notes to finance certain canal system projects. Provisions require NYPA to reimburse the Thruway Authority for costs associated with the operation and maintenance of the canal system and the Canal Corporation from April 1, 2016 through January 1, 2017, when the transfer becomes effective. In addition, the Thruway Authority’s operating subsidy of \$21.5 million is eliminated and provisions that exempt the Thruway Authority from the State’s cost recovery charge are repealed.

The Budget amends language enacted in SFY 2013-14 requiring the Division of State Police to provide enforcement assistance on the Thruway at a level consistent with historical precedents and requiring the Thruway Authority to provide goods and services in connection with those enforcement activities. The language is modified to specify that enforcement activities will be provided at the request of the Thruway Authority, and shall be reimbursed by the Thruway Authority to the State Police. The estimated State savings associated with eliminating these Thruway subsidies total \$85 million.

The Executive proposal regarding the canal system has been modified to include Civil Service protections for employees of the Canal Corporation and to require NYPA to prepare an implementation plan for the transfer, by July 1, 2016, pursuant to legislation enacted subsequent to the Budget. In the event that legislation is not enacted, NYPA is required to prepare an implementation plan in consultation with the Legislature and with the approval of the Division of the Budget by October 1, 2016. The implementation plan must include requirements that employees represented by collective bargaining agreements not be adversely impacted, as well as a report on the status of relevant collective bargaining agreements and the preservation and maintenance of NYPA’s economic development programs, along with its ability to continue to effectuate its core mission.

Article VII language accompanying the Enacted Budget authorizes the State to capture \$200 million annually over the next three State fiscal years (2016-17, 2017-18 and 2018-19) in New York City sales tax revenue, as proposed by the Executive. The Executive has indicated that this would permit the State to recoup a portion of the estimated debt service savings that would otherwise be realized by the City, as a result of the issuance of approximately \$2 billion in refunding bonds by the Sales Tax Asset Receivable Corporation (STARAC) in October 2014. The Transparency and Accountability and the Debt and Capital sections of this report include further discussion about this provision.

The Budget accepts the Executive's proposal to establish the Transformational Economic Development Infrastructure and Revitalization Projects Act, with modifications. This will provide design-build authority for the Urban Development Corporation (UDC), the New York Convention Center Development Corporation and their subsidiaries related to the Jacob K. Javits Convention Center expansion, the Empire Station Complex, the James A. Farley Building Replacement and Penn Station New York Redevelopment projects. The Act restricts contract awards to "best value," which is defined in the same way as in the State's existing design-build law, and requires the same two-step process (a Request for Qualifications followed by a Request for Proposals only given to qualified entities).

Certain General Municipal Law provisions related to competitive bidding and awarding to lowest cost are set aside pursuant to "notwithstanding" clauses under the Act, as are provisions of State Finance Law requiring separate contract specifications for contract work for the State. Exemptions from certain Education Law sanctions related to engineering and architectural services performed by licensed professionals are provided, and a Project Labor Agreement must be "performed" in order for this design-build authorization to be used.

Modifications to the Executive proposal include requiring either lump-sum price or "cost-plus not to exceed guaranteed maximum price" language in Requests for Proposals and contract awards. In addition, a bond cap increase of \$1 billion for the Javits Convention Center is authorized, along with a new appropriation of \$1 billion for the Center from the Dedicated Infrastructure Investment Fund.

The Enacted Budget authorizes NYSERDA to receive utility assessment funds, not to exceed \$19.7 million, directly from utilities. The funds would be used to support expenditures for the authority's energy research, development and demonstration program, energy policy and planning program, and Fuel NY program. The Enacted Budget also authorizes these funds to be used in support of a new program, the zero emissions vehicle and electric vehicle rebate program. In addition, NYSERDA is directed and authorized to transfer \$1 million to the General Fund in support of the DEC's Office of Climate Change and \$750,000 to the University of Rochester Laboratory for Laser Energetics. Each of these purposes were typically appropriated in the State Operations and Aid to Localities budgets in certain previous years, but as a result of the authorized direct payments, these appropriations were eliminated for NYSERDA in the SFY 2015-16 Enacted Budget, reducing reported State Operating Funds spending and reducing transparency and accountability for these funds.

The Budget transfers the statutory authorization for agricultural, aquatic and dairy products marketing administration from the Department of Agriculture and Markets to UDC. In addition to the transfer, new provisions include eliminating the requirement for competitive procurements and permitting UDC to retain funds collected through the marketing orders to defray the costs of administering the program. Additional information about this action can be found in the Agriculture section of this report.

Other Enacted Budget initiatives related to public authorities include:

- an extension for one year of UDC's authorization to administer the Empire State Economic Development Fund and of UDC's power to grant general loans;

- modifications to permit Delivery System Reform Incentive Payment (DSRIP)-like integrated health facilities sponsored by OASAS to receive funding for infrastructure projects through State-supported bonds issued by DASNY;
- capital funding for the Olympic Regional Development Authority (ORDA) including \$7.5 million for maintenance and energy efficiency upgrades and \$2.5 million through the Office of Parks, Recreation and Historic Preservation as part of New York Works;
- an extension for ten years of the New Markets Tax Credit administered by UDC; and
- an extension for two years of DASNY's authorization to form subsidiary corporations for certain purposes.

Several Executive Budget proposals related to public authorities were not included in the Enacted Budget. These include modifications to the Private Activity Bond Cap Allocation Act and a nonrefundable tax credit for Thruway tolls.

Transparency and Accountability

The Enacted Budget included several proposals from the Executive Budget, as well as additional provisions added as a result of budget negotiations, that reduce government transparency, accountability, and oversight. Also, while the Budget was essentially timely, with final legislative action on appropriation bills occurring on April 1, transparency with respect to both process and content was sacrificed. The following summary provides an overview of these areas of concern.

- **Opaque budget process.** The Legislature's Joint Budget Conference subcommittee process was designed in part to provide public disclosure of budget negotiations. The Legislature reported that \$277 million was to be allocated by the substantive subcommittees for various programmatic areas. There were public meetings where changes to the Budget were discussed, but final conclusions were not reached publicly, and final subcommittee reports were not released. In the end, the Director of the Budget reported that the Legislature had provided additions and restorations totaling approximately \$1.4 billion.

All major budget bills, with the exception of the debt service budget bill, were passed under messages of necessity and without time for appropriate review. The rushed passage of these important bills denied the public – and may have denied some legislators – the opportunity to get a full understanding of the agreements being reached and the financial, programmatic, and other impacts such agreements could have before their enactment.

- **Continued shift of State governmental functions to public authorities.** The Enacted Budget moves important State governmental responsibilities and spending off-budget to public authorities, which are not subject to the same oversight and control as State agencies with respect to spending, procurement, employee compensation and other matters. An example of this is the adoption of an Executive proposal to shift some control over most major State capital projects to a public authority. The Budget creates a new subsidiary of DASNY called the Design and Construction Corporation (DCC), to be governed by a three-member board appointed by the Governor. This new entity will have far-reaching authority to oversee and monitor public works projects in excess of \$50 million undertaken by most State agencies, departments, public authorities and public benefit corporations.

The DCC's powers include, in its sole discretion, authority to review, monitor, and oversee covered projects, and to make recommendations to any State entity with such projects for corrective or other action, to which such entities would be required to respond. While the Budget eliminates the eminent domain powers and the ability to terminate contracts proposed by the Executive, much of the DCC's broad authority is retained. This includes the ability to "exercise applicable rights and/or remedies with respect to contracts, contractors, subcontractors or other consultants." The specific implications of such authority are unclear. Other aspects of the authority granted the DCC could create uncertainty among potential contractors and thus reduce vendor participation, creating the risk of higher costs rather than savings. It is unclear what provisions, if any, in the State Finance Law and other relevant statutes would apply to this new entity, and what statutory, regulatory or other provisions this entity could circumvent or dispense with.

Certain conditions limit the DCC. To exercise its full powers, it must deem, in its sole discretion, that a covered project is at risk of being delayed, of not being completed within budget, or of not being completed at an acceptable level of quality. However, it is not clear how the DCC will bring new expertise to bear on capital projects in an efficient or cost-effective manner compared to existing agencies and authorities. The legislation also does not provide any assurance that the DCC's decisions would be made in a transparent and accountable manner, or establish what checks would exist over the new entity.

The risk of insufficient accountability is substantiated by, among other things, the following language: "Nothing in this subdivision shall be construed to impose any liabilities, obligations, or responsibilities of such corporation [DCC] upon the dormitory authority [DASNY], and the authority shall have no liability or responsibility therefor unless the authority expressly agrees by resolution of the authority board to assume the same." While the provisions establishing the DCC changed from the Executive Budget proposal, the vague terms adopted in the Enacted Budget leave questions as to whether the DCC is an appropriate mechanism, or will be an effective means, to accomplish its goals.

- **Extensive use of lump-sum appropriations for Executive and Legislative initiatives.** The Enacted Budget continues to use lump-sum appropriations despite previous efforts to restrict such practices. In an effort to improve transparency and accountability in the State's spending, the Budget Reform Act of 2007 prohibited the use of lump-sum appropriations by the Legislature. However, because the 2007 reforms are statutory, the use of "notwithstanding" provisions overrides such restrictions.

In addition, the 2007 prohibition does not apply to many appropriations advanced by the Executive. Consequently, since appropriations in final Enacted Budgets in recent years have generally been Executive resubmissions to the Legislature, the prohibition on lump-sum appropriations does not apply to much of the Enacted Budget.⁶ In recent years, enacted budgets have used notwithstanding provisions to include certain lump-sum appropriations for allocation in accordance with a plan approved by the Director of the Budget and one legislative leader, and approved by roll call of one house of the Legislature.

Among the largest examples of lump-sum spending is the expansion of the bond-financed State and Municipal Facilities (SAM) Program first enacted in SFY 2013-14. Each of the past four enacted budgets, including this year's Enacted Budget, added \$385 million in

⁶ See Appendix E, Evolution of the SFY 2016-17 Budget Bills, for an explanation of Executive budget bill resubmissions.

appropriation and bonding authority, bringing the program total to \$1.54 billion. The allowed uses of such moneys include a wide range of broadly worded economic development, education, environmental and other purposes. The Budget does not include specific language to provide for the distribution of these moneys among the various purposes or among the various entities authorized to receive funding, or specify the process by which such funds will be allocated. While limited information has been released regarding the administration of this funding, comprehensive information regarding project criteria and the funding determination process is not readily available.

The Enacted Budget reappropriates the \$4.55 billion in Capital Projects Fund appropriations from the Dedicated Infrastructure Investment Fund (DIIF) initially enacted in SFY 2015-16, and provides additional appropriations of \$2.84 billion to support a wide range of new projects. A total of up to \$6.39 billion has been or is planned to be transferred to the DIIF from the General Fund (\$857 million was transferred through March 31, 2016). It appears that an additional \$1 billion to be deposited in the DIIF will be financed with bond proceeds, as additional bonding authority was also enacted. Most of the \$6.39 billion is in lump sums to be allocated based on broadly worded language accompanying the appropriations, rather than through objective criteria and a clearly defined process established in statute.

For example, language was added to two DIIF appropriations related to housing programs totaling \$640 million, which provide that the funding be made available in accordance with a plan approved in an MOU executed by the Director of the Budget, the Speaker of the Assembly and the Temporary President of the Senate. Also, a new appropriation of \$170 million is provided for additional Upstate Revitalization initiatives under a plan to be developed by the Chief Executive Officer of UDC. While the appropriation indicates that such funding will support initiatives based on anticipated job creation and economic development benefits, the language provides that the moneys will be awarded by UDC at its discretion. Another DIIF appropriation for \$85 million for economic development or infrastructure provides no detail regarding which agency or authority will administer the program or how the funds will be allocated.

The Budget identifies funding for certain projects totaling \$181 million of the \$400 million reappropriated through UDC for the Transformative Investment Program (TIP), which was first enacted in SFY 2015-16 as a lump sum to provide bonded capital funding for projects on Long Island or in New York City. However, the reappropriation includes language which provides that the items in the schedule “shall be for projects with a common purpose and may be interchanged without limitation subject to the approval of the Director of the Budget,” rendering the project detail tentative. In addition, \$219 million remains unallocated. With no specific provisions regarding an allocation process, or defined eligibility criteria, it is difficult to determine how decisions will be made regarding the use of the funding.

These are all examples of programs that may use less accountable spending mechanisms to distribute billions of dollars, providing minimal disclosure of decision making regarding specific expenditures and the potential benefits of such spending for New Yorkers.

- **Fund sweeps or transfers that reduce transparency, undermine the intended use of the moneys, and distort the State spending picture.** The Enacted Budget includes numerous sweeps and transfers of funds that redirect moneys from original purposes and, in some cases, have the effect of reducing the appearance of State spending. In some

cases, the repurposed spending is structured to occur off-budget and outside the State Treasury, diminishing oversight and accountability for the use of the funds.

For example, the Budget includes authorized sweeps of up to \$485 million from workers' compensation funds, including \$385 million in transfers to the State Insurance Fund (SIF) to pay certain State obligations to the SIF, and potentially up to \$100 million to be used for other purposes (additional information appears in the Workers' Compensation section of this report). This spending will likely occur off-budget. Normally, the State's payment for its workers' compensation obligations to SIF would count as State Operating Funds spending. The transfer reduces the amount of spending that will occur from State Operating Funds, as the up to \$385 million in workers' compensation funds will offset normal spending.

Also, the Enacted Budget includes an authorization for \$500 million in unspecified transfers from dedicated funds to the General Fund, known as the "blanket sweep." Since SFY 2007-08, budget language has authorized DOB to transfer or sweep, at its discretion, available, unencumbered resources from other State funds to the General Fund. The unidentified programs which may be affected are generally programs that have dedicated revenue streams. Any use of such sweeps could undermine the purposes for which the funds were originally generated and dedicated.

- **Use of debt-related provisions that may lower the appearance of State spending and obscure the State's debt burden.** The Enacted Budget continues and expands the use of provisions related to debt and debt service obligations that have or could have the effect of lowering the appearance of spending, often without reducing the State's interest costs. In some cases, the intended action is clear; in other instances, flexibility is written into the provision, but the specific action to be taken is not identified. Examples include:
 - **State capture of certain New York City sales tax collections.** The Enacted Budget includes a provision for the State to capture a total of \$600 million over the next three State fiscal years from New York City-related sales tax collections. The language mandates the payment of \$16.7 million per month from the intercepted funds, as directed by the Director of the Budget, either to a governmental fund or funds of the State Treasury, or to issuers of State-related debt for the payment of debt service, related expenses or retiring or defeasing debt previously issued.

The Financial Plan accompanying the Executive Budget indicated that the sales tax proceeds were planned to be deposited in the General Fund, and these proceeds were included in the Executive Budget's multiyear gap-closing plan. However, if the latter authorization described above were used, it could result in the "off-budget" payment of these obligations without an appropriation, outside of the Constitutional requirements and provisions associated with funds paid from the State Treasury and outside the State's accounting system and financial and capital plans. Such use of these resources would provide minimal transparency regarding which entities will receive these funds and how or when the funds are ultimately used. If these resources are used this way, this could obscure the reported level and growth of State Operating Funds spending, debt service or other expenses.

- **Thruway Authority use of settlement funds.** The Enacted Budget includes a \$700 million appropriation from the DIIF, a Capital Projects Fund, for the Thruway Authority

for a broad variety of purposes, including for debt service, defeasance of debt previously issued by the Thruway Authority or certain other debt-related expenses. The language does not include any details regarding how much of the appropriation would be devoted to this purpose, which bonds would be impacted or the timing of the use of the funds.

Further, the broad language could capture any bonds issued by the Thruway Authority (e.g., bonds issued for the Thruway system, or bonds issued on behalf of the State for other purposes). Among other things, it is unclear if this language will be used to leverage the issuance of new bonds. This open-ended appropriation, which lacks a specific plan for its use, makes it difficult to evaluate this proposal in the context of the financial impact on the Thruway. Also, the placement of language related to the payment of debt service and/or related expenses and defeasance of bonds in a Capital Projects Fund appropriation makes it challenging to determine its impact on the State's debt burden, and could have the effect of obscuring the reported level and growth of State Operating Funds spending and debt service spending.

- **MTA bond cap increase and other bonding authorization.** The Enacted Budget includes provisions to increase the MTA's bonding authorization as follows: an increase of \$13.62 billion in the MTA's current bond cap; and authorization for the MTA to issue notes or other obligations in the event the MTA exhausts currently available sources of funding, secured solely by the Enacted Budget's commitment of State resources sufficient for the MTA to pay \$7.336 billion of capital costs related to the MTA's 2015-2019 Capital Program. No specific bond limit is provided in the latter proposal. Since the Budget does not include a specific plan to address how the State commitment of funds to the MTA will be financed or structured, it is not possible to determine how these provisions will impact the Financial Plan and State debt outstanding, debt service and debt capacity. It is also unclear whether any debt resulting from these provisions will be included as part of the State's debt burden.
- **Enactment of multi-billion-dollar, multiyear commitments with no specific plans for how to fund the costs.** The Budget includes statutory commitments for funding of capital investments by the MTA and the State DOT without specific information on sources for much of the planned funding. It also includes PIT reductions that are estimated to reduce revenues by more than \$1 billion annually starting in SFY 2018-19, and by more than \$4 billion when fully effective in 2025.

Currently available information is not sufficient to provide a clear picture of how these provisions will impact the Financial Plan and Capital Plan. Enacting such major provisions with limited information leaves open a variety of questions, including whether other policy choices may be affected as (and if) such commitments are met in coming years. With regard to the planned capital spending, greater transparency and clarity with respect to allocations of infrastructure funds is critical to ensure that these resources are properly prioritized and help move important capital projects forward.

- **Reduced procurement oversight and transparency.** The Enacted Budget includes actions that bypass existing statutory provisions intended to ensure procurement integrity. In certain instances, the competitive bidding process, notice provisions and the Office of the State Comptroller's contract review authority are eliminated. In addition, the Budget extends

for five years the ability for SUNY and CUNY to enter into certain contracts without the prior review and approval of the Office of the State Comptroller.

Under Section 112 of the State Finance Law, the Office of the State Comptroller conducts an independent review of most State agency contracts. This review reduces the risk that the State will encounter waste, fraud or abuse. Pre-audit review has an important deterrent effect. Although the Comptroller's constitutional authority allows withholding or recovery of moneys arising from fraud or illegality while a contract is implemented, the Comptroller's review and approval before contract execution is a critical step in preventing flawed agreements, which could waste taxpayer money and diminish the quality of essential services for residents of the State.

The Enacted Budget eliminates competitive bidding, notice of procurement and/or local planning requirements in several program areas. This includes initiatives at the Department of Health, the Office for People With Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, and the Division of Criminal Justice Services, as well as in programs related to the development of housing services for populations with heroin and opiate disorders, supportive housing units for the developmentally disabled, and statewide health care facility transformation projects. Additional reappropriations maintain the elimination of the Comptroller's oversight and competitive bidding procedures, including \$2.8 billion in remaining federal funds associated with the State's Medicaid waiver program.

The Enacted Budget also eliminates the Comptroller's oversight and competitive bidding procedures related to extending existing Department of Health contracts for actuarial and Medicaid enrollment services, as well as implementation of various health care reform initiatives. Elimination of such provisions diminishes oversight, transparency and the ability to obtain the best value in the State's procurement process.

- **Lack of clarity with respect to 2 percent limit on spending growth.** According to the Executive, the resources necessary to fund certain new initiatives in the Enacted Budget and to close projected out-year gaps are dependent on holding spending growth in State Operating Funds to 2 percent. The Executive has portrayed annual growth in State Operating Funds disbursements as not exceeding 2 percent in each of the five most recent enacted budgets.

As has been the case with other recent budgets, the Enacted Budget includes a number of provisions, including shifts and categorizations of spending within the Budget and off-budget, to present a lower rate of growth in spending projections than would otherwise be the case, obscuring the actual change in State spending. Other actions, such as program restructurings, can also have this effect. As described earlier in this section, elements of the Enacted Budget that also cloud the picture of actual spending growth include transfers of funds off-budget with authorizations to spend such funds outside the Treasury, revisions to the STAR property tax relief program, and prepayments,⁷ transfers of workers' compensation funds, the New York City sales tax intercept, and funds swept from other sources. Moving these resources off-budget, coupled with the authorization for such funds to be used to meet State obligations and pay for State purposes outside the Treasury, allow reported spending growth to appear smaller.

⁷ Prepayments have the effect of reducing the appearance of spending growth in the subsequent fiscal year by increasing spending in the first year and lowering it in the second, but they do not change the obligations.

In another example, the creation of the DIIF as a Capital Projects fund means that spending from the DIIF will not count against the 2 percent State Operating Funds spending growth limit, as spending for capital and spending from capital funds is excluded from that measure. However, it appears several components of the DIIF could be used for various purposes that may be more operational in nature. Since the DIIF is a capital fund, operational spending from the fund would not be recognized under State Operating Funds spending. This raises transparency issues related to projected levels of spending growth.

An overall measure of the changes being made to lower the appearance of spending is difficult, in part because several of these actions are not clearly delineated, and leave sole discretion to DOB to make such spending determinations and adjustments, as well as the final presentation of budget projections. While specific figures on the impact of such changes are not readily available, projected spending growth in the Enacted Budget is lower than a portrayal using consistent measures over time would indicate.

- **Discretion to move funding among agencies.** The Enacted Budget contains appropriation language – first authorized in the SFY 2012-13 Enacted Budget – that gives DOB significant power to reallocate spending among agencies through transfers, suballocations, or interchanges. These transfers are related to the Executive’s consolidation within the Office of General Services of certain and other business services, as well as changes to the State’s provision of information technology services. The reallocation language is included by reference in State Operations and certain other appropriations for most agencies.

While a certain degree of spending flexibility may be needed, DOB should work toward providing each agency with the appropriate and necessary levels of spending authority each year, instead of continuing to rely on shifting hundreds of millions of dollars in spending authority. Such steps would improve transparency and clarify the impact of this authorization. Additional reporting by DOB regarding the impact, by agency, of these fund shifts would clarify the effects of this authorization and improve transparency.

Campaign Finance Reform / Ethics

The SFY 2016-17 Executive Budget included “Good Government and Ethics Reform” Article VII legislation. This proposal would have created: campaign finance reforms, including a system of voluntary public campaign financing for all State-level candidates; reduced limits on campaign contributions; and expanded disclosure of contributions. It also would have limited outside earned income for members of the Legislature, expanded the State’s Freedom of Information Law and implemented certain other measures. The Executive also proposed a constitutional amendment to authorize the forfeiture of pension rights for public officials convicted of crimes related to their public office. The Enacted Budget did not include either proposal.

The Executive Budget also proposed a \$1 million appropriation within the Department of State for a temporary commission to study and make recommendations regarding State constitutional revision, before the convening and during the course of a potential constitutional convention. The Enacted Budget omitted this appropriation.

VI. Appendices

Appendix A: Summary of SFY 2016-17 Article VII Bill Sections

Public Protection and General Government – S.6405-C / A.9005-C Chapter 57 of the Laws of 2016

Description	Executive Art. VII	Enacted Art. VII	Comments
Make criminal justice changes related to incidents involving deaths allegedly caused by the actions of on-duty police officers including, creating an independent special counsel	A	Intentionally Omitted	
Extend the sunset of the statute that relates to the disposition of certain moneys recovered by county district attorney's offices in New York City by one year	B	B	
Suspend the annual transfer of cellular surcharge revenues from the Public Safety Communications Account to the Emergency Services Revolving Loan Fund for two years	C	C	
Transfer the Intelligence and Analysis Unit within the Office of Counterterrorism in the Division of Homeland Security and Emergency Services to the State Police	D	Moved to Part MM of S.6406-C /A.9006-	
Extend the Recruitment Incentive and Retention Program (RIRP), which provides tuition benefits for New York Army, Air National Guard and Naval Militia members, for five years	E	E	
Make permanent certain sections of State Finance Law related to procurement and procurement lobbying	F	F	Amended.
Make changes to Workers' Compensation Law and related statutes, including revised and new financing provisions, and provide for the use of \$485 million in Workers' Compensation Board assessment reserves	G	G	Amended.
Establish a Statewide paid family leave program	H	Moved to Part SS of S.6406-C /A.9006-C	
Establish the New York State Design and Construction Corporation Act, which includes a new subsidiary for the Dormitory Authority of the State of New York (DASNY)	I	Moved to Part RR of S.6406-C /A.9006-C	
Implement changes to retiree health premiums for new State retirees based on years of service	J	Intentionally Omitted	

Public Protection and General Government (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Make changes to reimbursement of Medicare Part B premiums for new State retirees and eliminate reimbursement of the Medicare Part B Income Related Monthly Adjustment Amount (IRMAA) for new and existing higher-income State retirees in NYSHIP	K	Intentionally Omitted	
Extend binding arbitration provisions for police and fire unions for three years	L	L	
Make language permitting the Comptroller to transfer funds to and from the Dedicated Infrastructure Investment Fund permanent	M	M	Amended.
Authorize various transfers, temporary loans, and amendments to capital and debt provisions, including bond caps	N	Moved to Part UU of S.6406-C /A.9006-C	
Modify the current schedule of State payments to the City of Albany	O	O	
Modify property tax provisions related to anaerobic digestion of agricultural waste	P	P	Amended.
Amend the Executive Law to require mid-year reporting on the contracts awarded to service-disabled veteran-owned business enterprises		Q	
Account for seven years and allocate a portion of the revenue from the Niagara Casino to the Niagara Falls Underground Railroad Interpretive Center		R	
Extend the expiration date of payments to members of the Assembly serving in a special capacity		S	

Note: Descriptions generally reflect the Article VII language as proposed by the Executive. With respect to parts not included in the Executive Budget, the description reflects the Article VII language included in the Enacted Budget.

Education, Labor and Family Assistance – S.6406-C / A.9006-C
Chapter 54 of the Laws of 2016

Description	Executive Art. VII	Enacted Art. VII	Comments
Amend Education Law and make other changes necessary to authorize School Aid and implement education-related programs	A	A	Amended.
Amend Education Law to implement school safety reforms	B	B	Amended.
Require the City of New York to assume a greater share of City University of New York (CUNY) senior colleges' net operating and debt service expenses	C	Intentionally Omitted	
Extend NYSUNY 2020 and NYCUNY 2020 programs for five years	D	D	Amended.
Establish the State University of New York (SUNY) Stony Brook Affiliation escrow fund	E	E	Amended.
Establish the New York State DREAM Act	F	Intentionally Omitted	
Extend certain scholarship and loan forgiveness programs for five years	G	G	Amended.
Permit public accounting firms to have minority ownership by individuals who are not certified public accountants	H	Intentionally Omitted	
Extend New York City Mayor's governing authority over the City's public school system for three years	I	Intentionally Omitted	
Modify the composition of the State Apprenticeship and Training Council to include representatives from public colleges, community colleges or boards of cooperative educational services (BOCES)	J	Intentionally Omitted	
Increase the minimum wage	K	K	Amended.
Increase the allocation for the Urban Youth Jobs Program tax credit	L	Moved to Part VV of S.6409-C /A.9009-C	
Make changes to comply with the federal Preventing Sex Trafficking and Strengthening Families Act	M	M	Amended.
Raise the age of juvenile jurisdiction	N	Intentionally Omitted	
Authorize the pass-through of any Federal Supplemental Security Income Cost-of-Living Adjustment which becomes effective on or after January 1, 2017	O	O	
Provide for the use of excess funds in the Mortgage Insurance Fund	P	P	Amended.
Extend the ability for SUNY and CUNY to enter into certain contracts without pre-approval for five years	Q	Q	
Amend Education Law in relation to income for the purposes of student financial aid		R	
Extend the Savings Plan Demonstration Project for one year		S	

Education, Labor and Family Assistance (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Modify the Education Law in relation to associate of occupational studies degree options		T	
Modify the Education Law in relation to the Foster Youth College Success Initiative		U	
Require non-public institutions of higher learning to report to the Legislature on tuition, aid and placement		V	
Amend the Social Services Law in relation to the powers and duties of the Office of Temporary and Disability Assistance (OTDA) and Office of Children and Family Services (OCFS) commissioners to appoint a temporary operator		W	Amended. Originally Sections 3, 4 and 5 of Part L of S.6407-A /A.9007-A.
Amend the Social Services Law in relation to exempting the value of certain automobiles from benefit calculations for households under public assistance programs		X	
Require written determination when a disability diagnosis differs from that of an applicant's treating physician		Y	
Authorize the State to make certain prepayments into the retirement system		Z	
Extend the expiration of the New York State Health Insurance Continuation Assistance Demonstration Project for one year		AA	
Provide for a reduction in property/casualty insurance rates on residential property for insureds who complete a homeowner natural disaster preparedness, home safety and loss prevention course		BB	
Amend the Banking Law in relation to utilizing the standard financial aid award letter for undergraduate applicants		CC	
Amend the start date for the phased-in implementation of calculating chargeback rates for the State University of New York and the City University of New York		DD	
Extend the expiration for the tax abatement and exemption for rent-regulated and rent-controlled property occupied by senior citizens and persons with disabilities, and limit the State's liability for reimbursement to the City of New York		EE	
Authorize the Town of Riverhead to refund bonds previously issued or refunded for the acquisition of land or permanent rights on land		FF	
Increase permanent total disability benefits for volunteer firefighters		GG	
Increase the maximum amount of grants or loans through the Airport Improvement and Revitalization Program		HH	

Education, Labor and Family Assistance (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Authorize the Commissioner of the Department of Health to establish a Statewide Medicaid integrity and efficiency initiative for the medical assistance program		II	
Modify provisions related to known and projected Department of Health State fund Medicaid expenditures and the increase in the minimum wage		JJ	
Modify City of New York police department reporting requirements to include which bus routes have the greatest number of criminal complaints, and require reporting to be submitted to the Governor, and Legislative leaders in addition to the City Council		KK	
Establish the Health Republic Insurance of New York Fund		LL	
Transfer the Intelligence and Analysis Unit within the Office of Counterterrorism in the Division of Homeland Security and Emergency Services to the State Police	Originally Part D of S.6405-A /A.9005-A	MM	Amended.
Commit the State of New York and the City of New York to fund part of the costs of the Metropolitan Transportation Authority's (MTA) 2015-19 Capital Program, and commit the State of New York to fund the Department of Transportation's capital plan over a multiyear period	Originally Part A of S.6408-A /A.9008-A	NN	Amended.
Make modifications to the MTA's procurement practices	Originally Part B of S.6408-A /A.9008-A	OO	Amended.
Authorize MTA to enter into joint arrangements	Originally Part C of S.6408-A /A.9008-A	PP	Amended.
Extend the expiration of the New Markets Tax Credit by ten years		QQ	
Establish the New York State Design and Construction Corporation Act, which includes a new subsidiary for DASNY	Originally Part I of S.6405-A /A.9005-A	RR	Amended.
Establish a statewide paid family leave program	Originally Part H of S.6405-A /A.9005-A	SS	Amended.
Authorize the transfer of the Canal Corporation from the New York State Thruway Authority to the Power Authority of the State of New York	Originally Part Q of S.6408-A /A.9008-A	TT	Amended.
Authorize various transfers, temporary loans, and amendments to capital and debt provisions, including bond caps	Originally Part N of S.6405-A /A.9005-A	UU	Amended.

Note: Descriptions generally reflect the Article VII language as proposed by the Executive. With respect to parts not included in the Executive Budget, the description reflects the Article VII language included in the Enacted Budget.

Health and Mental Hygiene – S.6407-C / A.9007-C
Chapter 59 of the Laws of 2016

Description	Executive Art. VII	Enacted Art. VII	Comments
Modify New York City's local Medicaid funding contribution	A	Intentionally Omitted	
Make statutory changes necessary to continue implementing Medicaid Redesign Team recommendations	B	B	Amended.
Extend the Physicians Excess Medical Malpractice Program and amend its distribution methodology	C	C	Amended.
Extend authorization to make Disproportionate Share Payments, operate certain Special Needs Plans, continue current reimbursement methodology for general hospitals regarding behavioral rates, operate the Patient Centered Medical Home Program and to authorize temporary operators of adult homes	D	D	Amended.
Modify the Early Intervention program by streamlining eligibility determinations and increasing reimbursement by private health insurers	E	Intentionally Omitted	
Make modifications to the Health Care Facility Transformation program	F	F	Amended.
Make statutory changes necessary to allow retail business operations to operate Limited Services Clinics	G	Intentionally Omitted	
Extend the authorization for the Office of Mental Health (OMH) to recover Medicaid-exempt income from providers of community residences licensed by OMH	H	H	Amended.
Extend authorization for the Comprehensive Psychiatric Emergency Program (CPEP)	I	I	
Extend exemptions for certain social work and mental health professional licensure requirements for five years	J	J	Amended.
Authorize the OMH to work with counties to establish restoration to competency programs for individuals awaiting trial	K	Intentionally Omitted	
Authorize OMH and the Office for People With Developmental Disabilities (OPWDD) to appoint temporary operators for the continued operation of programs and the provision of services for persons with serious mental illness and/or developmental disabilities	L	L	Amended. Sections 3, 4 and 5 amended and adopted in Part W of S.6406-C/A.9006-C.
Amend Mental Hygiene Law to permit State-operated facilities to share clinical records with managed care organizations and other entities	M	M	Amended.

Health and Mental Hygiene (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Authorize an Office of Alcoholism and Substance Abuse Services (OASAS) licensed treatment facility that provides alcohol and/or substance abuse services to also operate a traditional physical health care clinic and remain eligible for Dormitory Authority of the State of New York financing	N	N	
Require the Commissioner of developmental disabilities to report on the progress of meeting the housing needs of individuals with developmental disabilities		O	
Add provisions related to services for individuals with developmental disabilities		P	
Add provisions related to the closure or transfer of a State-operated individualized residential alternative (IRA)		Q	
Modify various provisions of Public Health Law, Education Law, Insurance Law, Financial Services Law and Social Services Law related to electronic prescriptions, physician loan forgiveness and practice support, adult care facilities, State aid, residential health care facility long-term ventilator beds, and preventing surprise medical bills		R	
Modify provisions related to the supportive service program for classic and neighborhood naturally occurring retirement communities		S	

Note: Descriptions generally reflect the Article VII language as proposed by the Executive. With respect to parts not included in the Executive Budget, the description reflects the Article VII language included in the Enacted Budget.

Transportation, Environment and Economic Development – S.6408-C / A.9008-C
Chapter 58 of the Laws of 2016

Description	Executive Art. VII	Enacted Art. VII	Comments
Commit the State and the City of New York to fund the Metropolitan Transportation Authority's (MTA) 2015-19 Capital Program	A	Moved to Part NN of S.6406-C /A.9006-C	
Make modifications to MTA procurement practices	B	Moved to Part OO of S.6406-C /A.9006-C	
Authorize MTA and NYCTA to utilize project delivery mechanisms, including design-build and public-private partnerships	C	Moved to Part PP of S.6406-C /A.9006-C	
Authorize revenues from four Department of Motor Vehicles Special Revenue Funds to be deposited into the Dedicated Highway and Bridge Trust Fund	D	D	Amended.
Amend requirements related to the operation of certain farm vehicles, and expand the scope of the P endorsement necessary for bus operation	E	E	Amended.
Extend the Urban Development Corporation's (UDC) authorization to administer the Empire State Economic Development Fund for one year	F	F	
Extend UDC's authorization to grant general loans for one year	G	G	
Establish the Transformational Economic Development Infrastructure and Revitalization Projects Act	H	H	Amended.
Authorize the New York State Energy Research and Development Authority (NYSERDA) to transfer \$913,000 to offset debt service related to the Western New York Nuclear Service Center (West Valley)	I	I	
Authorize NYSERDA to finance certain of its programs along with the Department of Environmental Conservation's (DEC) climate change program from assessments on gas and electric corporations, and authorize a transfer to the General Fund for DEC and the University of Rochester's Laboratory for Laser Energetics	J	J	Amended.
Authorize the Department of Health (DOH) to finance certain public service education activities with revenues generated from an assessment on cable television companies	K	K	
Make modifications to review and approval requirements for service rate changes sought by municipally owned electric and gas utilities	L	L	Amended.
Extend the authority of the Secretary of State to charge increased fees for expedited document handling	M	M	
Make modifications to require plaintiffs to take responsibility for mailing a copy of service of process, rather than the Department of State	N	Intentionally Omitted	

Transportation, Environment and Economic Development (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Authorize mixed martial arts and other combative sports	O	O	Amended.
Extend the authorization for the Dormitory Authority of the State of New York (DASNY) to establish subsidiaries for certain purposes for two years	P	P	
Authorize the transfer of the New York State Canal Corporation from the New York State Thruway Authority to the Power Authority of the State of New York (NYPA)	Q	Moved to Part TT of S.6406-C /A.9006-C	
Establish the Private Activity Bond Allocation Act of 2016, including the repeal of the current authorization for the allocation of the private activity bond cap	R	Intentionally Omitted	
Transfer statutory authorization for agricultural, aquatic and dairy products marketing administration from the Department of Agriculture and Markets to UDC	S	S	Amended.
Make permanent the waste tire management and recycling fee	T	T	Amended.
Create a new Climate Change Mitigation and Adaptation funding category in the Environmental Protection Fund	U	U	Amended.
Reduce State reimbursement of local government expenditures on programs to patrol waterways and enforce New York State Navigation Law	V	Intentionally Omitted	
Eliminate the maximum farm size threshold for the purposes of receiving grants from the Beginning Farmers NY Fund		W	
Require retrofit technology for diesel-fueled vehicles		X	
Modify the Vehicle and Traffic Law in relation to the disposition of certain fees received from the registration of snowmobiles		Y	
Modify Public Service Law in relation to the operation of farm waste electric generating equipment		Z	
Establish the Zero Emissions Vehicle and Electric Vehicle Rebate Program		AA	
Repeal existing law and add new provisions to provide funding through the Electric Generation Facility Cessation Mitigation Fund		BB	

Note: Descriptions generally reflect the Article VII language as proposed by the Executive. With respect to parts not included in the Executive Budget, the description reflects the Article VII language included in the Enacted Budget.

Revenue – S.6409-C / A.9009-C
Chapter 60 of the Laws of 2016

Description	Executive Art. VII	Enacted Art. VII	Comments
Convert STAR (School Tax Relief) exemption benefit into a personal income tax credit	A	A	Amended.
Cap the annual growth in the STAR exemption benefit at zero percent	B	Intentionally Omitted	
Make STAR Income Verification Procedure (IVP) mandatory	C	Intentionally Omitted	
Allow late filing of renewal STAR and Senior Citizens exemption applications based on hardship or good cause shown	D	D	
Convert the New York City Personal Income Tax (PIT) STAR Credit into a New York State PIT Credit	E	E	
Authorize the Commissioner of Taxation and Finance to make direct payments of STAR tax savings to property owners in appropriate cases	F	F	
Make permanent tax modernization provisions related to electronic filing and payment mandates and sales tax compliance tools, and update preparer penalties	G	G	Amended.
Increase the cap on the low-income housing tax credit by \$8 million per year over the next five fiscal years	H	H	
Extend the Hire-A-Vet Credit for two years	I	I	
Extend the Empire State Commercial Production Tax Credit for two years	J	J	
Extend the credit for companies that provide transportation services to individuals with disabilities for six years	K	K	
Extend the enhanced earned income tax credit for noncustodial parents permanently	L	L	
Make certain tax shelter reporting requirements permanent	M	M	Amended.
Extend the clean heating fuel credit for three years	N	N	
Extend the Excelsior Jobs Program for five years	O	O	Amended.
Make technical amendments to corporate tax changes enacted previously	P	P	Amended.
Conform State and New York City business tax filing deadlines with federal tax filing deadlines	Q	Q	Amended.
Provide a corporate and personal income tax small business tax cut	R	Intentionally Omitted	
Establish the Education Scholarship and Program Tax Credit, the Family Choice Education Tax Credit and the Instructional Materials and Supplies Credit	S	Intentionally Omitted	
Establish Thruway Toll Tax Credit	T	Intentionally Omitted	

Revenue (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Extend the alternative fuels tax exemption for five years	U	U	
Extend the exemption for alcoholic beverages used in tastings from the alcoholic beverage tax and the use tax	V	V	
Expand jeopardy assessments under the cigarette and tobacco excise tax	W	Intentionally Omitted	
Exempt the purchase of hotel room occupancies by room remarketers from the sales and use tax	X	X	
Eliminate charitable giving as a factor in determining domicile for the estate tax	Y	Y	
Amend State and local tax law for consistency with federal tax regulations on aviation fuel, and create a new aviation purpose account within the Dedicated Highway and Bridge Trust Fund	Z	Z	Amended.
Remove restriction for Morrisville College to be a single lab testing provider, and modify requirements for horsemen to contribute to equine steroid testing	AA	Intentionally Omitted	
Increase Video Lottery Terminal (VLT) purse surcharge and regulatory fee to support racehorse health and safety	BB	BB	Amended.
Adjust timing of reimbursement to the Gaming Commission of per diem costs for harness racing judges and starters	CC	CC	
Provide for an additional commission for certain VLT facilities	DD	DD	
Extend current commission rate for video lottery gaming revenue at Monticello for one year	EE	EE	
Extend certain tax rates and simulcasting provisions for one year	FF	FF	
Extend the authorization for video lottery gaming operators to earn capital awards for one year	GG	GG	
Amend the Upstate New York Gaming and Economic Development Act for technical changes	HH	HH	
Clarify that secrecy provisions related to tax returns do not apply to the disclosure of aggregated tax information related to the excise tax on medical marijuana to the Comptroller or to counties entitled to receive an allocation of the tax revenues	II	II	
Amend the recoupment of improperly received STAR benefits to apply the three-year look-back period to school years rather than assessment rolls	JJ	JJ	

Revenue (continued)

Description	Executive Art. VII	Enacted Art. VII	Comments
Reduce the Highway Use Tax registration and decal fee and redirect the fee from the Dedicated Highway and Bridge Trust Fund to a new Highway Use Tax Administration Account to be used for the costs of issuing the registrations and other administrative costs	KK	KK	
Modify Tax Law provisions to allow the tax credit for special additional mortgage recording taxes paid to be refundable		LL	
Modify Tax Law provisions related to the real property tax credit for manufacturers		MM	
Amend Tax Law and the Administrative Code of the City of New York in relation to the value of leased property		NN	
Modify Tax Law and Racing, Pari-Mutuel Wagering and Breeding Law related to health insurance for jockeys		OO	
Modify the Racing, Pari-Mutuel Wagering and Breeding Law related to the New York Jockey Injury Compensation Fund, Inc.		PP	
Modify the Economic Development Law and Tax Law related to the Economic Transformation and Facility Redevelopment tax credit		QQ	
Establish the Farm Workforce Retention Credit		RR	
Modify provisions related to authorization to operate VLTs and capital awards at certain facilities		SS	
Provide for a middle income tax cut		TT	
Require wholesalers of motor fuel to register and file returns		UU	
Increase the allocation for the Urban Youth Jobs Program tax credit	Originally Part L of S.6406-A /A.9006-A	VV	Amended.
Modify provisions related to exempting commercial fuel cell electricity generating systems and the electricity provided by such sources from sales tax		WW	

Note: Descriptions generally reflect the Article VII language as proposed by the Executive. With respect to parts not included in the Executive Budget, the description reflects the Article VII language included in the Enacted Budget.

Good Government and Ethics Reform – S.6411 / A.9011

Description	Executive Art. VII	Enacted Art. VII	Comments
Close the "LLC Loophole" by defining LLCs as corporations for the purpose of political donations	A	Omitted	
Set limits on outside income for members of the Legislature	B	Omitted	
Implement voluntary public campaign financing for all State-level candidates, reduce limits on campaign contributions, and expand disclosure of contributions	C	Omitted	
Expand the Freedom of Information Law (FOIL)	D	Omitted	
Strengthen Public Officers Law disclosure requirements and associated penalties	E	Omitted	
Promote voter registration and participation	F	Omitted	
Require the Comptroller, the Attorney General, the State's Chief Information Officer and the Commissioner of the Office of General Services to determine the feasibility of assigning a single identifying code to contractors, vendors and other State payees	G	Omitted	
Make modifications to extend lobbying provisions to political consultants	H	Omitted	

Pension Forfeiture Concurrent Resolution – S.6410 / A.9010

Description	Executive Art. VII	Enacted Art. VII	Comments
Amend Section 7 of Article 5 of the Constitution in relation to forfeiture of pension rights or retirement benefits upon conviction of a felony related to public employment	-	Omitted	

Note: Descriptions generally reflect the Article VII language as proposed by the Executive. With respect to parts not included in the Executive Budget, the description reflects the Article VII language included in the Enacted Budget.

Sources for all Article VII Bill Sections Summary Charts: Office of the State Comptroller; Division of the Budget

Appendix B: Preliminary Estimates of Revenue-Related Changes

(in millions of dollars)

Summary Description of Action	2016-17	2017-18	2018-19	2019-20	2020-21
Convert STAR Exemption to State PIT Credit (Net Impact)	-	-	-	-	-
Allow Late Filing for Enhanced STAR Exemption	(1)	(1)	(1)	(1)	(1)
Convert NYC STAR PIT Credit to State PIT Credit (Net Impact)	87	197	2	-	1
Allow for Direct Payment of STAR Benefits	-	-	-	-	-
Extend E-File Provisions	-	-	-	-	-
Enhance Low Income Housing Credit	-	(8)	(16)	(24)	(32)
Extend Hire-A-Vet Credit	-	-	(37)	(37)	-
Extend TV Commercial Production Tax Credit	-	-	(7)	(7)	-
Extend Credit for Transportation Services for People with Disabilities	-	-	(5)	(5)	(5)
Make the Non-Custodial EITC Permanent	-	-	(4)	(4)	(4)
Extend Tax Shelter Reporting Requirements	18	18	18	5	-
Extend Clean Heating Fuel Credit	-	-	(1)	(1)	(1)
Extend the Excelsior Jobs Program	-	-	-	-	-
Technical Changes to Corporate Tax Reform	-	-	-	-	-
Conform State Filing Dates with Federal Filing Dates	-	-	-	-	-
Extend Alternative Fuels Credits	(2)	(4)	(4)	(4)	(4)
Expansion of Alcoholic Beverage Production Credit/ABT Tasting Exemption	(1)	(3)	(3)	(3)	(3)
Technical Change to Sales Tax on Room Remarketers	-	-	-	-	-
Estate Tax Domicile Clarification	-	-	-	-	-
FAA Aviation Fuel Tax Compliance	-	-	-	-	-
Increase Racing Regulatory Fee	1	1	1	1	1
Adjust Timing of Reimbursements for Harness Racing Judges	-	-	-	-	-
Extend Monticello Raceway Video Lottery Terminal Rates for One Year	(3)	-	-	-	-
Extend Capital Awards Program	-	-	-	-	-
Extend Simulcasting Rates	-	-	-	-	-
Disclosure Rules for Medical Marihuana	-	-	-	-	-
Technical Changes for STAR Benefit Recoupment	-	-	-	-	-
Reduction in Highway Use Tax	(59)	(6)	(16)	(6)	(6)
Technical Changes to Special Additional Mortgage Recording Tax Credit	(15)	(15)	(15)	(15)	(15)
Jockey Health Insurance/Jockey Injury Compensation Fund	-	-	-	-	-
Expansion of Economic Transformation Tax Credit	-	(2)	(2)	(2)	(2)
Farm Worker Retention Credit	-	-	(15)	(18)	(30)
Authorization for 1,000 VLTs at Aqueduct on behalf of Nassau OTB	-	-	6	26	28
Middle Income PIT Rate Cut	-	(236)	(1,071)	(1,504)	(1,874)
Registration of Fuel Wholesalers	3	10	10	10	10
Increase Cap on Urban Youth Tax Credit	-	(30)	(30)	-	-
Sales Tax Exemption for Fuel Cells	(4)	(2)	(2)	(2)	(2)
TOTAL	24	(81)	(1,192)	(1,591)	(1,939)

Sources: Division of the Budget, New York State Senate

Appendix C: Summary of Personal Income Tax Rate Changes (married, filing jointly)

2016					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,050	4%			
\$ 17,050	\$ 23,450	\$ 682	plus	4.5% Over \$16,950	
\$ 23,450	\$ 27,750	\$ 970	plus	5.25% Over \$23,300	
\$ 27,750	\$ 42,750	\$ 1,196	plus	5.9% Over \$27,550	
\$ 42,750	\$ 160,500	\$ 2,081	plus	6.45% Over \$42,450	
\$ 160,500	\$ 321,050	\$ 9,676	plus	6.65% Over \$159,350	
\$ 321,050	\$ 2,140,900	\$ 20,352	plus	6.85% Over \$318,750	
\$ 2,140,900	\$	\$ 145,012	plus	8.82% Over 2,125,450	

2017					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 43,400	\$ 1,213	plus	5.9% Over \$28,150	
\$ 43,400	\$ 163,050	\$ 2,113	plus	6.45% Over \$43,400	
\$ 163,050	\$ 326,150	\$ 9,830	plus	6.65% Over \$163,050	
\$ 326,150	\$ 2,175,150	\$ 20,676	plus	6.85% Over \$326,150	
\$ 2,175,150	\$	\$ 147,333	plus	8.82% Over 2,175,150	

2018					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 43,400	\$ 1,213	plus	5.9% Over \$28,150	
\$ 43,400	\$ 163,050	\$ 2,113	plus	6.33% Over \$43,400	
\$ 163,050	\$ 326,150	\$ 9,687	plus	6.57% Over \$163,050	
\$ 326,150	\$	\$ 20,402	plus	6.85% Over \$326,150	

2019					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 43,400	\$ 1,213	plus	5.9% Over \$28,150	
\$ 43,400	\$ 163,050	\$ 2,113	plus	6.21% Over \$43,400	
\$ 163,050	\$ 326,150	\$ 9,543	plus	6.49% Over \$163,050	
\$ 326,150	\$	\$ 20,128	plus	6.85% Over \$326,150	

2020					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 43,400	\$ 1,213	plus	5.9% Over \$28,150	
\$ 43,400	\$ 163,050	\$ 2,113	plus	6.09% Over \$43,400	
\$ 163,050	\$ 326,150	\$ 9,400	plus	6.41% Over \$163,050	
\$ 326,150	\$	\$ 19,854	plus	6.85% Over \$326,150	

2021					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 43,400	\$ 1,213	plus	5.9% Over \$28,150	
\$ 43,400	\$ 163,050	\$ 2,113	plus	5.97% Over \$43,400	
\$ 163,050	\$ 326,150	\$ 9,256	plus	6.33% Over \$163,050	
\$ 326,150	\$	\$ 19,580	plus	6.85% Over \$326,150	

2022					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 163,050	\$ 1,213	plus	5.85% Over \$28,150	
\$ 163,050	\$ 326,150	\$ 9,105	plus	6.25% Over \$163,050	
\$ 326,150	\$	\$ 19,298	plus	6.85% Over \$326,150	

2023					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 163,050	\$ 1,213	plus	5.73% Over \$28,150	
\$ 163,050	\$ 326,150	\$ 8,943	plus	6.17% Over \$163,050	
\$ 326,150	\$	\$ 19,006	plus	6.85% Over \$326,150	

2024					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 163,050	\$ 1,213	plus	5.61% Over \$28,150	
\$ 163,050	\$ 326,150	\$ 8,781	plus	6.09% Over \$163,050	
\$ 326,150	\$	\$ 18,714	plus	6.85% Over \$326,150	

2025					
Taxable Income		Tax Rate			
Over	But Not Over				
\$ -	\$ 17,300	4%			
\$ 17,300	\$ 23,800	\$ 692	plus	4.5% Over \$17,300	
\$ 23,800	\$ 28,150	\$ 985	plus	5.25% Over \$23,800	
\$ 28,150	\$ 163,050	\$ 1,213	plus	5.50% Over \$28,150	
\$ 163,050	\$ 326,150	\$ 8,633	plus	6.00% Over \$163,050	
\$ 326,150	\$	\$ 18,419	plus	6.85% Over \$326,150	

Sources: Department of Taxation and Finance, Office of the State Comptroller analysis.

Note: Figures shown for 2016 are as established by the Department of Taxation and Finance, reflecting inflation adjustments from statutory rates. Figures for 2017 and thereafter reflect Office of the State Comptroller adjustments based on inflation projections by IHS Global Insight. Filing thresholds will differ for single taxpayers and heads of households.

Appendix D: Summary of SFY 2016-17 Appropriations

Appropriations reflect the legal authority to spend during any given State fiscal year. They provide an upper limit, or maximum, for spending on a designated program or purpose. Anticipated actual spending from the appropriations is included in the Financial Plan, which provides a comprehensive estimate of the State's revenue and spending expectations for the current State fiscal year and three subsequent fiscal years. The Financial Plan estimates reflect the Executive's forward-looking assessment of the State's spending plan.

For Local Assistance appropriations, spending typically is close to the amount of appropriations. For other categories of spending, including State Operations, Capital Projects and Debt Service, spending may be significantly below the amounts appropriated. Recent Enacted Budgets have included two-year appropriations for certain programs, most notably in health and education. The SFY 2016-17 Enacted Budget does not include two-year appropriations in education, unlike last year. This partially explains why SFY 2016-17 appropriation totals in the table below are markedly lower in Local Assistance, where school aid payments appear, and the Education, Labor and Family Assistance program area. The following summarizes new appropriations by appropriation type. The tables do not include contingency appropriations or reappropriations.

Summary of New Appropriations by Appropriation Type
SFY 2016-17 Enacted Budget Compared to SFY 2015-16 Enacted Budget
(in millions of dollars)

	Enacted SFY 2015-16	Enacted SFY 2016-17	Dollar Change From SFY 2015-16	Percentage Change From SFY 2015-16
State Operations	\$ 41,961	\$ 42,819	\$ 858	2.0%
Local Assistance	217,972	199,560	(18,411)	-8.4%
Capital Projects	15,720	19,081	3,361	21.4%
Debt Service	9,859	10,008	150	1.5%
Total	\$ 285,512	\$ 271,469	\$ (14,043)	-4.9%

Note: Totals may not add due to rounding. Sources: Office of the State Comptroller; Division of the Budget

Summary of New Appropriations by Appropriation Type
SFY 2016-17 Enacted Budget Compared to SFY 2016-17 Executive Budget
(in millions of dollars)

	Executive Proposal w/30 day amends SFY 2016-17	Enacted SFY 2016-17	Dollar Change From Executive	Percentage Change From Executive
State Operations	\$ 45,109	\$ 42,819	\$ (2,290)	-5.1%
Local Assistance	221,921	199,560	(22,360)	-10.1%
Capital Projects	13,074	19,081	6,008	46.0%
Debt Service	10,008	10,008	-	0.0%
Total	\$ 290,112	\$ 271,469	\$ (18,643)	-6.4%

Note: Totals may not add due to rounding. Sources: Office of the State Comptroller; Division of the Budget

The following chart summarizes new appropriations by program area. The appropriations for the Legislature and the Judiciary are contained within a single Budget Bill.

**Summary of New Appropriations by Appropriation Program Area
SFY 2016-17 Enacted Budget Compared to SFY 2015-16 Enacted Budget**
(in millions of dollars)

	Enacted SFY 2015-16	Enacted SFY 2016-17	Dollar Change From SFY 2015-16	Percentage Change From SFY 2015-16
Public Protection & General Government	\$ 17,747	\$ 18,720	\$ 973	5.5%
Health and Mental Hygiene	144,502	148,654	4,152	2.9%
Education, Labor & Family Assistance	87,320	65,902	(21,419)	-24.5%
Transportation, Economic Development and Environment	23,068	25,087	2,019	8.8%
Legislature	220	220	-	0.0%
Judiciary	2,796	2,877	82	2.9%
Debt Service	9,859	10,008	150	1.5%
Total	\$ 285,512	\$ 271,469	\$ (14,043)	-4.9%

Note: Totals may not add due to rounding. The Judiciary total includes Interest on Lawyers Account appropriations of \$15 million.

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

**Summary of SFY 2016-17 New Appropriations by Program Area
SFY 2016-17 Enacted Budget Compared to SFY 2016-17 Executive Budget**
(in millions of dollars)

	Executive Proposal w/30 day amends SFY 2016-17	Enacted SFY 2016-17	Dollar Change From Executive	Percentage Change From Executive
Public Protection & General Government	\$ 20,708	\$ 18,720	\$ (1,987)	-9.6%
Health and Mental Hygiene	147,246	148,654	1,408	1.0%
Education, Labor & Family Assistance	89,682	65,902	(23,780)	-26.5%
Transportation, Economic Development and Environment	19,370	25,087	5,717	29.5%
Legislature	220	220	-	0.0%
Judiciary	2,877	2,877	-	0.0%
Debt Service	10,008	10,008	-	0.0%
Total	\$ 290,112	\$ 271,469	\$ (18,643)	-6.4%

Note: Totals may not add due to rounding. The Judiciary total includes Interest on Lawyers Account appropriations of \$15 million.

Sources: Office of the State Comptroller; Division of the Budget.

Appendix E: Evolution of SFY 2016-17 Budget Bills

Appropriation bills: These bills provide authorization for State agencies and certain public authorities to spend.

Appropriation Bills	Executive Budget		21-Day Amends		30-Day Amends		One-House Bills		Executive Resubmittal *		PASSED		TO GOVERNOR	Chapter & Date Signed
	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly		
State Operations	6400 13-Jan-2016	9000 13-Jan-2016			6400-A 16-Feb-2016	9000-A 16-Feb-2016	6400-B 12-Mar-2016	9000-B 11-Mar-2016	6400-C 31-Mar-2016	9000-C 31-Mar-2016	6400-D 31-Mar-2016	9000-D 31-Mar-2016	1-April-2016	CH 50 13-Apr-2016
Leg & Judiciary	6401 13-Jan-2016	9001 13-Jan-2016									6401-A 31-Mar-2016	9001-A 1-Apr-2016	1-April-2016	CH 51 13-Apr-2016
Debt Service	6402 13-Jan-2016	9002 13-Jan-2016									6402 23-Mar-2016	9002 28-Mar-2016	1-April-2016	CH 52 13-Apr-2016
Local Assistance	6403 13-Jan-2016	9003 13-Jan-2016			6403-A 16-Feb-2016	9003-A 16-Feb-2016	6403-B 12-Mar-2016	9003-B 11-Mar-2016	6403-C 31-Mar-2016	9003-C 31-Mar-2016	6403-D 31-Mar-2016	9003-D 1-Apr-2016	1-April-2016	CH 53 13-Apr-2016
Capital Projects	6404 13-Jan-2016	9004 13-Jan-2016			6404-A 16-Feb-2016	9004-A 16-Feb-2016	6404-B 12-Mar-2016	9004-B 11-Mar-2016	6404-C 31-Mar-2016	9004-C 31-Mar-2016	6404-D 31-Mar-2016	9004-D 1-Apr-2016	1-April-2016	CH 55 13-Apr-2016

Article VII / Language bills: These bills govern how appropriations will be administered and financed, and revenue collected.

Article VII/ Language Bills	Executive Budget		21-Day Amends		30-Day Amends		One-House Bills		Executive Resubmittal *		PASSED		TO GOVERNOR	Chapter & Date Signed
	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly		
Public Protection / General Government (PPGG)	6405 14-Jan-2016	9005 13-Jan-2016			6405-A 16-Feb-2016	9005-A 16-Feb-2016	6405-B 12-Mar-2016	9005-B 11-Mar-2016	6405-C 30-Mar-2016	9005-C 30-Mar-2016	6405-C 31-Mar-2016	9005-C 31-Mar-2016	1-April-2016	CH 57 13-Apr-2016
Education, Labor & Family Assistance (ELFA)	6406 14-Jan-2016	9006 14-Jan-2016			6406-A 16-Feb-2016	9006-A 16-Feb-2016	6406-B 12-Mar-2016	9006-B 11-Mar-2016	6406-C 31-Mar-2016	9006-C 31-Mar-2016	6406-C 31-Mar-2016	9006-C 1-Apr-2016	1-April-2016	CH 54 4-Apr-2016
Health and Mental Hygiene (HMH)	6407 14-Jan-2016	9007 14-Jan-2016			6407-A 16-Feb-2016	9007-A 16-Feb-2016	6407-B 12-Mar-2016	9007-B 11-Mar-2016	6407-C 30-Mar-2016	9007-C 30-Mar-2016	6407-C 31-Mar-2016	9007-C 31-Mar-2016	1-April-2016	CH 59 13-Apr-2016
Transportation & Economic Development (TED)	6408 14-Jan-2016	9008 14-Jan-2016			6408-A 16-Feb-2016	9008-A 16-Feb-2016	6408-B 12-Mar-2016	9008-B 11-Mar-2016	6408-C 30-Mar-2016	9008-C 30-Mar-2016	6408-C 31-Mar-2016	9008-C 31-Mar-2016	1-April-2016	CH 58 12-Apr-2016
Revenue	6409 14-Jan-2016	9009 14-Jan-2016			6409-A 16-Feb-2016	9009-A 16-Feb-2016	6409-B 12-Mar-2016	9009-B 11-Mar-2016	6409-C 31-Mar-2016	9009-C 31-Mar-2016	6409-C 31-Mar-2016	9009-C 31-Mar-2016	1-April-2016	CH 60 13-Apr-2016
Pension Forfeiture Concurrent Resolution	6410 14-Jan-2016	9010 14-Jan-2016												
Good Government and Ethics Reform	6411 14-Jan-2016	9011 13-Jan-2016												
Home Care Worker Wage Parity									7159 31-Mar-2016	9695 1-Apr-2016	7159 31-Mar-2016	9695 1-Apr-2016	1-April-2016	CH 56 4-Apr-2016

* **Executive's resubmittal:** Section 3 of Article VII of the State Constitution provides that the Executive may amend the Executive Budget within 30 days after it has been submitted to the Legislature and, with the consent of the Legislature, at any time before the houses adjourn.

Note: All budget bills were passed with Messages of Necessity with the exception of the debt service budget bill.

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