Report on the State Fiscal Year 2012-13 Enacted Budget

June 2012

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Executive Summary

New York is embarked on a new era of State and local fiscal policy. The State is working to resolve longstanding budgetary problems through ambitious policy changes, the full impacts of which will become clear only over time.

The State Fiscal Year (SFY) 2012-13 Enacted Budget represents the second consecutive year that the Governor and Legislature have adopted a plan that:

- is projected to reduce overall expenditures;
- carries current fiscal policy forward with two-year appropriations for school aid and Medicaid, the largest elements of State spending;
- expands Executive authority to address potential gaps during the fiscal year and impose efficiencies at State agencies administratively; and
- enhances the State's long-term structural balance with statutory limits on future growth in education and Medicaid spending.

More than at any time in recent history, the policy decisions of 2011 and 2012 establish current and structural budgetary balance as the State's primary fiscal goal. The past two Enacted Budgets have both expanded Executive authority to maintain such balance. The projected gap between General Fund revenues and expenditures in the next fiscal year, 2013-14, is currently estimated at $950 million. That figure represents the lowest "next year" gap the State has projected in at least 15 years according to the Division of the Budget (DOB). Having eliminated projected imbalances for two consecutive years while substantially reducing the expected gap for a third year, the Executive and the Legislature have gone a long way toward resolving New York's historic problem of structurally unbalanced budgets. Among other benefits, such progress diminishes the likelihood of significant, midyear changes in fiscal policy the State has experienced in recent years.

Important changes are also underway in the fiscal environment the State shapes for local governments and school districts through its budget and other policies. The SFY 2012-13 Enacted Budget commits the State to taking over significant Medicaid costs from counties and New York City, with the elimination of annual cost increases for localities starting in 2015, and to a phased State takeover of local administrative responsibilities. A new pension tier providing comparatively smaller benefits to future employees will produce long-term savings for both localities and the State as employee turnover occurs over the next three decades. The property tax cap enacted in 2011 has already begun to influence school and municipal budgets, and will likely have a significant restraining impact on property taxes, the largest source of locally generated tax revenue, in years to come. As one initial sign of the tax cap's impact, budgets that school boards presented to voters in May 2012 provided one of the lowest average increases in tax levies in well over a decade.

Average annual growth in the State's All-Funds disbursements from SFY 2002-03 through SFY 2011-12 was 4.6 percent. The SFY 2012-13 Enacted Budget Financial

Plan projects average disbursement growth of 3.2 percent over the four fiscal years ending in 2016, a declining trend largely due to negative growth of -0.1 percent projected for SFY 2012-13. Thus, current policy assumes that growth in both State expenditures and local tax revenues will be more limited in the years immediately ahead than in the recent past. Such an outlook suggests heightened pressure on public services over the next few years unless policy makers and managers are able to achieve significant productivity gains and/or increases in revenues. Absent such changes, the new era of State and local fiscal policy may impact services in ways that are difficult to predict.

The SFY 2011-12 and SFY 2012-13 Enacted State budgets have included significant initiatives to use available resources more cost-effectively. Perhaps most prominently, the Department of Health (DOH) is overseeing an extensive redesign of health care services funded through Medicaid. The Department held its Medicaid spending growth to the legislated limit of $15.3 billion in SFY 2011-12, without invoking the extraordinary power the Legislature granted to the Commissioner of Health to reduce reimbursements if necessary to close the budget gap. To date, little information is publicly available on the service impacts of such restraint in health care spending. In education, the State is moving ahead with a new system for evaluating teachers as well as other initiatives intended to improve student achievement with available resources. Public school employment in the State has declined by some 15,000, or 3.0 percent, from historic high levels in 2009, according to Bureau of Labor Statistics data, and most school districts are reducing staffing in the coming year. While current education employment remains modestly higher than a decade ago, the impact of recent and expected staffing reductions is unclear.

This report describes and analyzes key aspects of the SFY 2012-13 Enacted Budget Financial Plan, including: structural balance; projected spending on education, Medicaid and other major programs; the economic outlook; and tax revenues. The report also includes multiyear comparisons of major elements of the Enacted Budget and a summary of tax expenditures expected in fiscal 2012-13.

Key elements of the SFY 2012-13 Enacted Budget include:

- All Funds spending is projected to total $133.4 billion, a decline of $111 million or just less than 0.1 percent. The SFY 2012-13 Enacted Budget continues the progress made a year earlier to reduce the State's reliance on temporary or non-recurring actions, thus reducing projected outyear gaps. The projected gap for the next fiscal year, $950 million in SFY 2013-14, is the smallest such gap in at least 15 years according to DOB.
- Despite significant progress toward structural balance, the SFY 2012-13 Budget leaves projected gaps of $3.4 billion and $4.1 billion two and three years ahead, respectively. While these gaps are smaller than those resulting from previous budgets, the State has already enacted significant reductions in its three largest expenditure categories – Medicaid, education and agency operations. Closing these projected gaps will require difficult

policy choices to restrain spending further and/or to increase State revenues.

- State-Funded debt service is projected to reach $8.0 billion in SFY 2016-17, rising from $6.8 billion in the current fiscal year. State-Funded debt service as a proportion of All Funds spending is projected to increase from an average of 4.0 percent over the last ten years to an average of 5.0 percent through SFY 2015-16.
- Aid to public schools rises by 4.1 percent on a school-year (SY) basis (1.9 percent on an SFY basis). The 2012-13 school-year total of $20.3 billion is $1.3 billion below the peak level of funding in SY 2009-10. Current projections indicate State aid will return to the SY 2009-10 level in SFY 2014-15.
- Total Medicaid spending, including local governments' share, is projected to reach $54 billion while average annual enrollment surpasses five million for the first time. The new Budget extends for an additional year, through SFY 2013-14, the "global cap" on Medicaid expenditures by the Health Department as well as the Health Commissioner's authority to reduce such expenditures if they are expected to exceed the cap.
- Fourteen cities will receive "spin-ups" of future State assistance or other payments to help balance municipal budgets in the current year. Such advance payments will be reduced from future State assistance to the participating localities.
- Total State revenues and spending have outpaced inflation and growth in personal income over the past decade, even after reductions in recent years. All Funds disbursements are up by just less than 50 percent, and total receipts by 52 percent, from SFY 2002-03 to the current year. Personal income in New York has risen 45 percent, while the Consumer Price Index is up 28 percent over the period.

The 14 cities that requested and received advances against future State payments represent one indicator of the significant fiscal stress facing municipalities and school districts across the State. Other indicators include the large number of jurisdictions that are drawing down reserves to balance budgets. More than 98 percent of school districts planned to use reserve funds in the budgets they presented for voter approval in May, according to the State Education Department. If the fiscal challenges facing municipalities and school districts increase in number and severity, they may represent a budgetary issue for the State that is not currently reflected in out-year projections.

The SFY 2012-13 Enacted Budget includes certain revenue and expenditure projections that are subject to risk. Significant examples in this year's Financial Plan include $250 million in proceeds from conversions of not-for-profit insurance companies to for-profit status; $213 million in transfers from certain public authorities; and some $200 million in projected transfers from the Abandoned Property Fund. In addition, the wavering economic recovery and any unforeseen deterioration in economic conditions could very quickly have a negative impact on revenue, given the State's continued dependence on the financial sector.

Potential changes in federal policies, while difficult to predict, also pose significant risks for the State. Current law directs automatic reductions in projected federal funding, including numerous programs of aid to states, starting in 2013. As a result, New York State and local governments could lose approximately $5.0 billion in federal aid over nine years, beginning in the coming year, unless Congress changes the deficit reduction law. The State currently projects a net fiscal gain of some $1.0 billion annually from implementation of the Patient Protection and Affordable Care Act, which is under review by the U.S. Supreme Court. If the Court invalidates the law in its entirety or in part, the projected increases in federal health care funding for the State could be in jeopardy.

New York State is undertaking the most wide-ranging changes in its fiscal and programmatic policies in years. These changes will continue to drive both budgetary and service impacts in ways which are not yet fully apparent. Continuing close attention to the fiscal and programmatic implications of New York's new era of fiscal policy will be essential.

Financial Plan Overview

The SFY 2012-13 Enacted Budget, continuing progress made a year earlier, reduces projected out-year deficits sharply compared to previous trends. Still, long-term spending projections outpace long-term revenue projections by billions of dollars annually. The State continues to face budgetary risks as the nation's economic recovery remains comparatively weak.

In December 2011, the State Legislature held an Extraordinary Session to enact a package of tax actions (primarily temporary Personal Income Tax bracket changes) that eliminated the $350 million deficit projected in the Mid-Year Update to the State Fiscal Year (SFY) 2011-12 Enacted Budget Financial Plan. These actions also more than halved the projected SFY 2012-13 General Fund current services gap, which had been estimated at $3.5 billion.[1] Even with the additional revenue resulting from the December actions, the State approached its 2012-13 fiscal year with a projected gap of $2.0 billion.

The SFY 2012-13 Financial Plan indicates that the Enacted Budget closes the remaining $2.0 billion projected General Fund gap with spending reductions of $1.3 billion in agency operations, $777 million in local assistance and $190 million in debt management from baseline projections. (Such savings are partly offset by certain additional expenditures and other changes.) The Enacted Budget again includes administrative fiscal management tools for the Executive. These include the ability to unilaterally reduce Medicaid spending from State Operating Funds and to draw from a $500 million blanket sweep authorization.

With these tools, as well as continued limitations on Medicaid and school aid spending growth, based on current projections the Enacted Budget appears to be in balance, and to limit the State's structural imbalance between recurring revenues and spending.

SFY 2012-13 – Enacted Budget Analysis

For SFY 2012-13, the State faced a projected $2.0 billion General Fund current services gap. This projection had been revised downward from the original $3.5 billion projection made in the Mid-Year Update to the SFY 2011-12 Financial Plan, and reflected the net $1.5 billion positive impact associated with the net tax increase enacted during the December 2011 Extraordinary Session. The $2.0 billion gap represents the smallest current services gap, as a percentage of General Fund disbursements, since the SFY 2007-08 Enacted Budget, enacted in April 2007, before the onset of the Great Recession beginning in December 2007. The decrease in the projected gap, the State's improved cash position and its steady revenue growth indicate that New York has moved beyond the immediate fiscal impact of the Great Recession.

[1] The current services gap represents the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain current service levels and specific commitments, and the expected level of General Fund receipts, including transfers from other funds, to pay for them.

The majority of the actions taken in the Enacted Budget to close this gap are recurring, including significant spending reductions from baseline projections. The SFY 2012-13 Budget leaves projected gaps representing 5.5 percent of General Fund revenue in SFY 2014-15 and 6.4 percent in SFY 2015-16. A total of $4.5 billion, or 7.7 percent, of General Fund spending is supported with temporary or non-recurring resources in SFY 2012-13. While this is a substantial reduction from the $8.4 billion identified in SFY 2011-12 and the $16.7 billion used in SFY 2010-11, it still represents a significant structural imbalance that will need to be addressed.

All Funds

The SFY 2012-13 Enacted Budget Financial Plan projects All Funds receipts will increase to $133.3 billion, which is $527 million, or 0.4 percent, higher than in SFY 2011-12. This includes a decline of $2.0 billion, or 4.4 percent, in federal receipts, which primarily reflects the end of federal funding under the American Recovery and Reinvestment Act (ARRA). All Funds tax collections are projected to increase $2.1 billion, or 3.2 percent, and miscellaneous receipts are expected to increase $432 million.

All Funds spending is projected to total $133.4 billion in SFY 2012-13, which is a decline of $111 million, or 0.1 percent, from SFY 2011-12. Local Assistance is projected to decline $951 million, and General State Charges are projected to decline $157 million. These reductions are offset by increases in State Operations ($201 million higher) and debt service on State-Supported debt ($200 million higher). Table 1 compares projected annual growth from the Executive's proposed Financial Plan to the Enacted Financial Plan.

Table 1

All Funds Proposed and Enacted Growth Comparison

(in millions of dollars)

	SFY 2011-12 Actual	SFY 2012-13 Proposed	SFY 2012-13 Enacted	Dollar Difference SFY 2011-12 Actual and SFY 2012-13 Enacted	Percentage Difference SFY 2011-12 Actual and SFY 2012-13 Enacted
Receipts:					
Taxes	64,297	66,533	60,556	2,073	3.2%
Personal Income Tax	38,767	40,311	40,256	1,489	3.8%
Consumption and Use Taxes	14,571	15,076	14,921	350	2.4%
Business Taxes	7,877	8,152	8,229	352	4.5%
Other Taxes	3,082	2,994	2,964	(118)	-3.8%
Miscellaneous Receipts	23,837	24,255	24,269	432	1.8%
Federal Grants	44,611	41,936	42,633	(1,978)	-4.4%
Total Receipts	**132,745**	**132,724**	**133,272**	**527**	**0.4%**
Disbursements:					
Grants to Local Governments	96,481	95,185	95,530	(951)	-1.0%
State Operations	19,028	18,620	19,229	201	1.1%
General State Charges	6,855	6,702	6,698	(157)	-2.3%
Debt Service	5,864	6,149	6,064	200	3.4%
Capital Projects	5,276	5,854	5,872	596	11.3%
Total Disbursements	**133,504**	**132,510**	**133,393**	**(111)**	**-0.1%**

Source: Division of the Budget

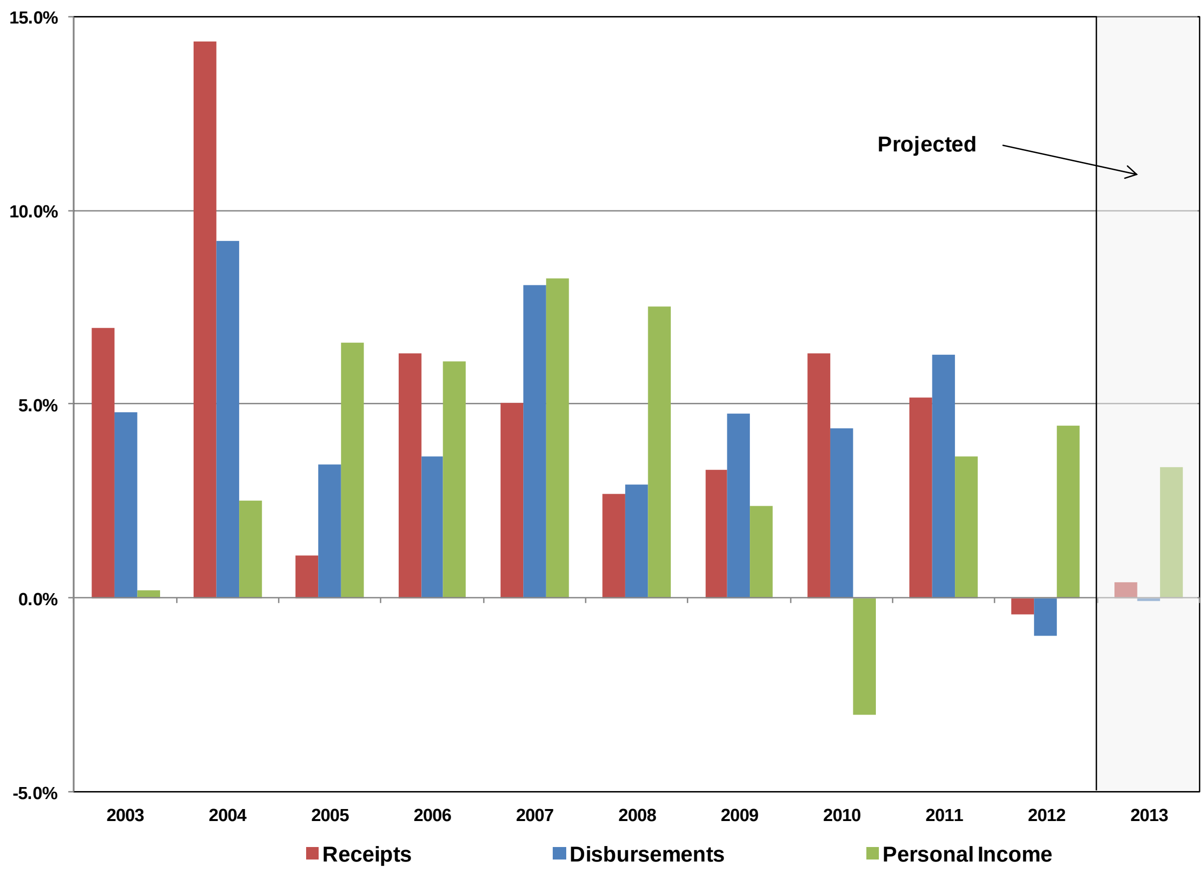
Multiyear Trends – All Funds

From SFY 2002-03 to the SFY 2012-13 Enacted Budget, All Funds disbursements have grown $45.7 billion, or 49.8 percent, from $89.1 billion to $133.5 billion, with average annual growth of 4.6 percent. Receipts, including tax, miscellaneous and federal receipts, have increased $46.2 billion or 52.4 percent, from $87.1 billion to $132.7 billion, with average annual growth of 4.8 percent. Personal income within the State rose 45 percent or 4.2 percent annually on average, while the Consumer Price Index is up 28 percent over the period.

Figure 1, which includes non-recurring or temporary actions, illustrates actual growth in receipts and disbursements over ten years.

Figure 1

Annual Growth in All Funds Receipts and Disbursements Compared with Personal Income SFY 2002-03 through SFY 2011-12 Actual and SFY 2012-13 Projected



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

Over the past ten years, the Office of the State Comptroller has identified nearly $50 billion in non-recurring or temporary resources used to support the budget. This includes deficit financing from the sale of tobacco settlement bonds, federal stimulus funding, temporary tax actions including three different temporary Personal Income Tax (PIT) surcharges, amnesties and tax credit delays, spending delays, non-recurring sweeps from other funds, franchise fees and others.[2]

General Fund

The SFY 2012-13 Enacted Budget Financial Plan projects General Fund receipts will increase to $58.9 billion, reflecting an increase of $2.0 billion, or 3.5 percent, over SFY 2011-12. This includes a projected increase of $1.6 billion, or 3.9 percent, in tax collections, driven by growth in PIT receipts, which are projected to increase $1.1 billion, or 4.2 percent. General Fund miscellaneous receipts are expected to remain essentially level at $3.2 billion.

General Fund spending is projected to total approximately $58.9 billion in SFY 2012-13, an increase of $2.4 billion, or 4.2 percent, over SFY 2011-12. This increase is largely in Local Assistance, which is projected to increase 3.2 percent, or $1.2 billion. Overall, transfers to other funds also increase $1.2 billion, largely because of increased General Fund support for capital spending, State Operations spending for the State University of New York (SUNY), which will now occur in a special revenue fund, and new State payments to the Metropolitan Transportation Authority to make up for revenue lost because of actions taken in the December 2011 Extraordinary Session.

Multiyear Trends – General Fund

General Fund receipts have increased 48 percent or $18.5 billion since SFY 2002-03, from $38.4 billion to $56.9 billion, with average annual growth of 4.5 percent. General Fund disbursements have increased 50.2 percent, or $18.9 billion, since SFY 2002-03, from $37.6 billion to $56.5 billion, with average annual growth of 4.6 percent.

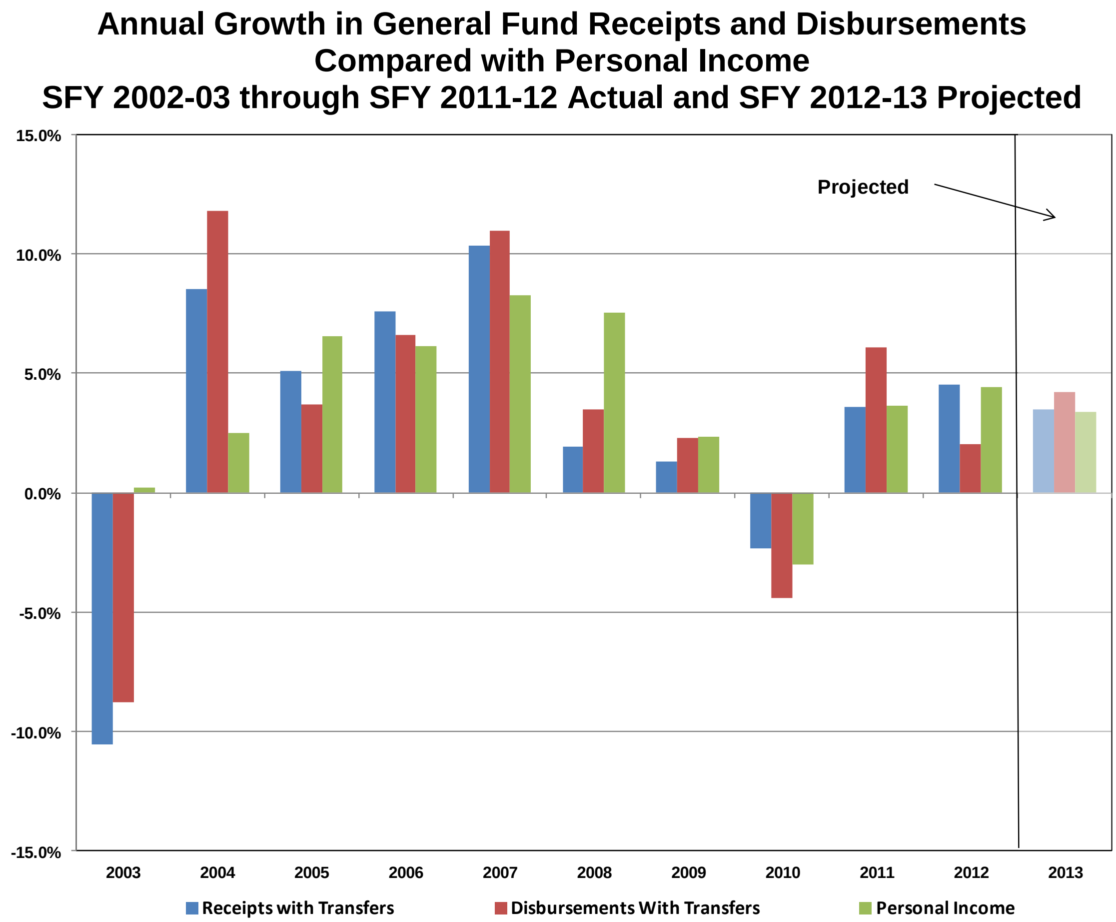
General Fund receipts and disbursements are much more subject to fluctuations than other State funds, because the State budget gap, or deficit, is measured in the General Fund. Other State funds, including capital projects funds and dedicated Special Revenue accounts, can temporarily have a negative balance, reflecting the timing of cash flow. Cash for these funds can be temporarily borrowed from other funds (such as the General Fund) and paid back with resources such as bond proceeds or federal reimbursements.

Because of the State's structural budget imbalance, where recurring spending exceeds recurring revenue, there is an annual projected current services gap, or deficit, that must be closed in the General Fund. That gap increases in the out-years because of the structural imbalance and because actions taken to close the current services gap or

[2] These non-recurring or temporary actions were identified when the budget was enacted. There are circumstances in which a single non-recurring resource is counted in more than one year because it didn't actually occur when planned.

otherwise support General Fund spending are often non-recurring or temporary in nature. For instance, in SFY 2010-11, almost $17 billion in such actions were used to support the General Fund, including nearly $6.0 billion from a temporary PIT surcharge and nearly $6.0 billion more in federal stimulus funding.

Figure 2



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

Often, gap-closing actions will include measures that move spending out of the General Fund and into special revenue funds. This lowers General Fund spending and helps to close the projected deficit, but does not reduce overall spending. For example, the ARRA federal stimulus package increased the federal reimbursement for Medicaid spending. As a result, All Funds Medicaid spending did not change, but General Fund spending declined, because federal funds were used to meet those spending needs. Between SFY 2008-09 and SFY 2011-12, the State received over $4.1 billion in additional Medicaid reimbursement, thus lowering General Fund spending by a comparable amount.

Like many other actions used to reduce the General Fund gap over the last ten years, federal stimulus funding was temporary and no plan was formulated to replace those resources when they were exhausted.

General Fund Gap-Closing Measures

According to the estimates provided in the Enacted Budget Financial Plan, the General Fund is currently balanced for SFY 2012-13. The enacted gap-closing plan is similar to that proposed by the Executive in that the SFY 2012-13 current services gap of $3.5 billion is largely closed with the temporary tax actions enacted in the December 2011 Extraordinary Session. (See Table 11 for a summary of temporary actions.)

While an additional $489 million was added, restored or re-estimated in the Enacted Budget, this is offset by an equal amount of re-estimates, non-recurring and other spending and revenue actions. As such, the remaining $2.0 billion projected gap is closed primarily with spending reductions that were included in the Executive's proposal.

When the December temporary tax actions are included, a majority (53.2 percent) of the SFY 2012-13 Enacted Budget gap-closing plan reflects non-recurring or temporary resources. Recurring actions lower out-year gaps instead of simply addressing the immediate current services gap.

The plan includes approximately $1.9 billion in spending-related savings and reductions, $299 million in re-estimates, $312 million in non-recurring or temporary actions and $541 million in new initiatives or restored spending. These actions are in addition to the net $1.5 billion in new revenues that resulted from the December 2011 Session.

The $1.9 billion in General Fund spending-related savings and reductions reflects cuts of $1.1 billion in State Operations (in addition to the $1.4 billion enacted in SFY 2011-12), including $931 million from additional workforce management reductions and $109 million in consolidation and coordination of enterprise services, from the original baseline. An additional $777 million in actions that reduce General Fund spending include $332 million in various reductions in mental hygiene/social services and housing reductions, $150 million from the elimination or replacement of certain cost-of-living increases associated with various human services, and $119 million in public health program reductions.

See Table 10, SFY 2012-13 Enacted Budget Gap-Closing Measures, in the Structural Imbalance section of this report for additional detail.

Non-Recurring or Temporary Resources

The Financial Plan does not identify any non-recurring resources used to close the $2.0 billion projected General Fund gap that remained after the December 2011 tax changes. However, the Enacted Budget relies on approximately $4.5 billion in non-recurring or temporary actions to maintain General Fund balance. While many of these non-recurring and temporary actions are carried over from previously enacted budgets, the continued reliance on these resources to pay for recurring expenses contributes to projected deficits in future years.

Table 2

Use of Non-Recurring or Temporary Resources
(in millions of dollars)

	SFY 2012-13
Temporary PIT Changes (includes settlement from previous surcharge)	2,580
Deferred Tax Credits	970
Temporary Utility Assessment	521
Stimulus FMAP (Medicaid) Increase	(254)
Prepaid SUNY Debt Service	140
Elderly Pharmaceutical Insurance Coverage (EPIC) Sweep	52
Abandoned Property	200
Insurance Conversion Proceeds	250
Legal Settlements	75
Use of Reserves	62
Mortgage Insurance Reserves	40
Other Transfers to General Fund	20
Costs Associated with December Extraordinary Session	(135)
Total Temporary and Non-Recurring Resources	**4,521**

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

Reserves

The General Fund ended SFY 2011-12 with a closing balance of nearly $1.8 billion. As shown in Table 3, the Financial Plan projects that the General Fund will end SFY 2012-13 with a balance of more than $1.8 billion.

Table 3

General Fund Reserves—SFY 2011-12 Actual and SFY 2012-13 Projected
(in millions of dollars)

	SFY 2011-12 Actual	SFY 2012-13 Enacted	Dollar Growth
Statutory Reserves			
Tax Stabilization Reserve Fund	1,131	1,131	-
Rainy Day Reserve Fund	175	175	-
Contingency Reserve Fund	21	21	-
Community Projects Fund	102	57	(45)
Refund Reserve	358	435	77
Prior Year Labor Agreements	283	422	139
Other Unrestricted	75	13	(62)
Total General Fund Closing Balance and Reserves	**1,787**	**1,819**	**32**

Source: Division of the Budget.

Sources and Uses of Funds

Receipts consist of various taxes, miscellaneous receipts (such as Lottery revenue and various fees) and federal receipts. Between SFY 2002-03 and SFY 2011-12, taxes made up an average of 47.7 percent of All Funds receipts and federal grants made up 34.5 percent. In SFY 2012-13, taxes are projected to make up 49.8 percent of All Funds receipts and federal receipts 32.0 percent. This decline in federal receipts reflects the end of federal stimulus funding under ARRA.

Between SFY 2002-03 and SFY 2011-12, payments to school districts, local governments, hospitals and other service providers in the form of Local Assistance payments made up an average of 72 percent of all State spending, including spending from federal funds. In SFY 2012-13, such payments accounted for approximately 71.3 percent of the All Funds budget.

The last ten years have been significantly volatile. Three full fiscal years were in recession (SFY 2002-03, SFY 2007-08 and SFY 2008-09), and another two years were partially in recession (SFY 2006-07 and 2009-10).[3] The national recession that began in December 2007 and ended June 2009 (April 2008 through November 2009 for New York State) is widely considered the most significant economic slowdown since the Great Depression. The prior recession was one of the longest for New York State (December 2000 to August 2003). Moreover, the State fiscal picture remains tenuous, as the economic recovery has been less than robust.

While the State's cash position has improved significantly from recent history, the structural deficit persists in the out-years largely because the Budget still utilizes temporary and non-recurring resources. For example, additional assistance comes from the temporary tax actions taken in December that increased net receipts by $385 million in SFY 2011-12 and are expected to increase receipts by a net $1.5 billion in the current year.

Between 2008 and 2011, the State utilized additional temporary resources in the form of federal stimulus funds as well as the previous temporary PIT surcharge, the temporary elimination of the sales tax exemption for clothing and footwear, and the temporary delay of certain tax credits. If these temporary resources were not available, the State would have been required to take other actions to continue funding at the levels that were annually enacted.

The SFY 2011-12 Enacted Budget made significant progress through the use of recurring actions, primarily spending reductions, to address the projected budget gap, rather than relying on temporary or non-recurring resources. This had the long-term effect of reducing the structural budget gap.

[3] New York State Department of Labor.

Spending Growth

According to the Financial Plan, All Funds spending overall is projected to decline 0.1 percent or $111 million, primarily in local assistance payments ($951 million) and General State Charges ($156 million). Such reductions are nearly offset by projected increases in spending for capital purposes ($595 million), debt service ($200 million) and State Operations ($200 million).

Table 4

All Governmental Funds – Total Disbursements
(in millions of dollars)

	SFY 2011-12 Actual	SFY 2012-13 Enacted	Dollar Difference from SFY 2011-12 Actual	Percentage Difference from SFY 2011-12 Actual
DOH Medicaid (including Administration)	40,233	40,145	(88)	-0.2%
School Aid	23,221	23,045	(176)	-0.8%
Higher Education	10,201	10,351	150	1.5%
Social Welfare	9,871	9,623	(248)	-2.5%
Transportation	8,328	8,717	389	4.7%
Mental Hygiene	8,153	8,264	111	1.4%
Other Education	6,495	6,597	103	1.6%
Debt Service	5,864	6,064	200	3.4%
Other Health	4,762	4,757	(4)	-0.1%
Public Protection/Criminal Justice	4,519	4,600	81	1.8%
General Government	4,159	4,288	129	3.1%
Uncategorized General State Charges	3,938	3,629	(309)	-7.9%
Economic Development Government Oversight	1,885	1,419	(466)	-24.7%
Parks and Environment	1,253	1,270	17	1.4%
Local Government Assistance	754	777	24	3.1%
Other	(132)	(156)	(25)	18.6%
Total	**133,504**	**133,392**	**(111)**	**-0.1%**

Source: Division of the Budget

Local Assistance

All Funds local assistance spending, which reflects approximately 72 percent of the total Budget, is projected to decline $951 million or 1.0 percent. The majority of the decline comes from the economic development and government oversight sector. For example, Empire State Development Corporation (ESDC) spending is projected to decline $522 million, primarily reflecting various non-recurring payments made in SFY 2011-12 for activities related to the development of the semiconductor industry. In addition, projected local assistance disbursements decline $292 million for social welfare needs, primarily through decreased spending for child welfare services from the Office of Children and Family Services.

School aid from State Operating Funds on a State Fiscal Year basis is projected to increase 1.9 percent in SFY 2012-13. However, school aid from federal funds is projected to decline, primarily because of the phase-out of ARRA funds, as illustrated in Tables 4 and 5.

Offsetting these declines include local assistance spending for transportation, which is projected to increase $245 million, primarily in the Department of Transportation. This increase reflects, in part, additional mass transit operating assistance and compensation for the Metropolitan Transportation Authority for the loss of payroll tax revenue resulting from December 2011 Extraordinary Session actions.

Table 5

All Governmental Funds – Local Assistance Disbursements
(in millions of dollars)

	SFY 2011-12 Actual	SFY 2012-13 Enacted	Dollar Difference from SFY 2011-12 Actual	Percentage Difference from SFY 2011-12 Actual
DOH Medicaid (including Administration)	40,218	40,094	(124)	-0.3%
School Aid	23,221	23,045	(176)	-0.8%
Social Welfare	8,287	7,995	(292)	-3.5%
Other Education	6,143	6,177	33	0.5%
Transportation	4,973	5,217	245	4.9%
Mental Hygiene	4,010	3,926	(84)	-2.1%
Other Health	3,812	3,783	(29)	-0.8%
Higher Education	2,651	2,662	11	0.4%
Public Protection/Criminal Justice	776	819	43	5.6%
Local Government Assistance	754	777	24	3.1%
Economic Development Government Oversight	1,332	766	(566)	-42.5%
Parks and Environment	375	275	(100)	-26.7%
General Government	247	225	(22)	-8.9%
Other	(317)	(232)	86	-27.0%
Total	**96,481**	**95,530**	**(951)**	**-1.0%**

Source: Division of the Budget

State Operations

The SFY 2011-12 and SFY 2012-13 Enacted Budgets each included significant actions to reduce spending on State Operations. The SFY 2011-12 gap-closing plan included nearly $1.5 billion in General Fund reductions associated with State agency redesigns, including 10 percent reduction targets for each agency. If savings were not realized, the potential for more significant actions, such as layoffs, was identified.

In the SFY 2011-12 Enacted Budget Financial Plan, All Funds spending for State Operations was projected to decline from $19.1 billion in SFY 2010-11 to $18.4 billion in SFY 2011-12. Actual SFY 2011-12 spending for State Operations spending was just over $19 billion, primarily because of higher-than-anticipated spending in the Department of Corrections and the State University of New York.

Spending for State Operations is projected to increase by $200 million in SFY 2012-13, to $19.2 billion. The majority of the increase is projected to occur in General Government ($158 million), with the largest increases in the Office of General Services and the Division of the Lottery.

General State Charges

The General State Charges category is projected to decline by $157 million, or 2.3 percent, to $6.7 billion from SFY 2011-12. This primarily reflects collective bargaining agreements, a workforce reduction of over 4,000 people during SFY 2011-12, as well as a pension prepayment that was made at the end of SFY 2011-12.

Capital

Capital spending is projected to increase 11.3 percent, or $595 million, to nearly $5.9 billion. Most of this increase is projected to occur in parks and environment ($162 million, largely reflecting new and existing projects designated New York Works initiatives), economic development ($130 million, with the majority projected for ESDC), and transportation ($156 million, largely reflecting projects designated New York Works initiatives).

Table 6

All Governmental Funds – Capital Disbursements

(in millions of dollars)

	SFY 2011-12 Actual	SFY 2012-13 Enacted	Dollar Difference from SFY 2011-12 Actual	Percentage Difference from SFY 2011-12 Actual
Transportation	3,204	3,361	156	4.9%
Higher Education	1,039	1,144	104	10.0%
Parks and Environment	336	497	162	48.2%
Public Protection/Criminal Justice	309	334	25	8.2%
Economic Development Government Oversight	46	176	130	285.5%
Mental Hygiene	102	133	31	30.6%
Other	126	91	(35)	-27.7%
General Government	77	67	(11)	-13.7%
Education	8	33	24	296.6%
Social Welfare	23	24	1	4.9%
Health (including DOH Medicaid)	7	14	6	85.6%
Total	**5,277**	**5,872**	**595**	**11.3%**

Source: Division of the Budget

Cash Flow

Since April 2002, the month-end General Fund balance has dipped below $1.0 billion only nine times. Seven of those times occurred between April 2009 and August 2010, the most recent. While the State still faces serious structural budget challenges, its cash position has significantly improved in comparison to recent history.

Before SFY 2009-10, the General Fund was statutorily prohibited from ending a month with a negative balance. In response to projections that the State would face significant cash flow problems during the fiscal year, the SFY 2009-10 Enacted Budget included language to allow the General Fund to borrow from other funds in the State's Short-Term Investment Pool (STIP) for a period not to exceed four months or until the end of the fiscal year, whichever is shorter, to meet its obligations in the event of a cash shortfall (inter-month borrowing). Previously, temporary loans from other funds in STIP were allowed, but had to be paid back within the same month (intra-month borrowing).

According to the Financial Plan, the General Fund is expected to end August 2012 with a positive balance of $1.2 billion, representing one of two months in which the month-end General Fund balance is projected to fall below $1.3 billion. All Funds balances (which represent unrestricted STIP funds) are projected to total $3.4 billion in December 2012, representing the lowest projected balance for the year.

Table 7 illustrates actual and projected fund balances from SFY 2005-06, SFY 2009-10 and SFY 2012-13. The State was in a stronger fiscal position in SFY 2005-06, and ended the year with over $2.0 billion in unrestricted funds. The reported December balances for SFY 2009-10, on the other hand, were artificially high because $625 million in school aid payments were delayed, along with $116 million in other non-recurring actions, as part of December 2009's Deficit Reduction Plan. December 2009 marked the first time that the General Fund carried a negative balance into the next month. Payments were delayed and other actions taken because there was a fear that STIP would be significantly depleted.

In addition, March 2010 balances were artificially high because nearly $2.1 billion in school aid payments and $500 million in PIT refunds were delayed to SFY 2010-11. If these actions had not been taken, all of the State's reserves, restricted and unrestricted, would not have been sufficient to make all planned payments.

Table 7

Historic and Projected Fund Balances

(in millions of dollars)

General Fund Closing Balance

	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2005-06	5,585	3,188	4,007	3,603	3,670	4,923	4,355	3,011	3,581	7,872	8,104	3,257
2009-10	2,799	37	1,027	1,013	713	2,430	1,234	157	(205)	3,239	4,538	2,302
2012-13	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,819

All Funds (Unrestricted Short Term Investment Pool)

	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2005-06	8,110	5,912	7,152	6,718	7,028	7,141	6,832	5,371	5,281	11,043	13,156	7,068
2009-10	5,958	2,885	3,513	4,057	4,403	3,582	3,389	2,833	2,265	6,490	7,945	4,860
2012-13	6,839	4,439	4,485	5,200	5,095	5,690	5,365	5,365	3,397	8,872	9,572	3,632

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

Risks to the Financial Plan

Recent efforts geared towards improving the State's fiscal position have made valuable progress. However, the SFY 2012-13 Enacted Budget still involves risk. Primary risks to the Financial Plan relate to the tepid economic recovery and international political and financial instability, as well as to the State's uncertain ability to achieve the full amount of projected savings or revenues within the current year.

Economic Risk

During SFY 2011-12, slowing in the economy resulted in lower-than-expected revenues and prompted policy actions to restrain spending and to increase tax receipts. Concerns over the pace and sustainability of the economic recovery remain. The Enacted Budget Financial Plan estimates growth in national gross domestic product at 2.3 percent for calendar year 2012 and 3.0 percent for 2013. Should growth falter relative to such projections, lower-than-anticipated revenue collections and increased costs resulting from a slowing economy may once again force unexpected policy responses.

Personal Income Tax, which represents the single largest category of State-sourced revenue, is particularly vulnerable to fluctuations in the economy. The SFY 2012-13 Enacted Budget Financial Plan projects PIT collections to increase 3.8 percent, or $1.5 billion, from SFY 2011-12 levels.

Table 8

Adjusted and Unadjusted Growth in Personal Income Tax Collections
(in millions of dollars)

	Actual **2009-10**	Actual **2010-11**	Actual **2011-12**	Enacted **2012-13**
Reported Personal Income Tax	34,751	36,209	38,768	40,256
Dollar Growth		*1,458*	*2,559*	*1,488*
Percentage Growth		*4.2%*	*7.1%*	*3.8%*
Refund Timing	(500)	500	-	-
Adjusted for Timing	34,251	36,709	38,768	40,256
Dollar Growth		*2,458*	*2,059*	*1,488*
Percentage Growth		*7.2%*	*5.6%*	*3.8%*
Less Temporary High-Income Provisions	4,067	5,577	4,461	2,580
Adjusted For Timing and Temporary Provisions	30,184	31,132	34,307	37,676
Dollar Growth		*948*	*3,175*	*3,369*
Percentage Growth		*3.1%*	*10.2%*	*9.8%*

(1) Projections for previous PIT surcharge from SFY 2011-12 Enacted Budget Financial Plan, page 37.

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

The PIT projection includes over $1.9 billion in temporary revenue from actions taken at the Extraordinary Session of the Legislature in December 2011. If that additional revenue were removed from the current and previous year, projected collections would decline slightly from SFY 2011-12.

Table 8 shows actual PIT collections for the three preceding fiscal years and budgeted revenues for SFY 2012-13. Adjusting for impacts of the temporary PIT increases enacted in 2009, those enacted in December 2011, and for certain timing changes, the Enacted Budget assumes underlying growth of 9.8 percent this year. Expectations for such a strong increase may prove unrealistic.

Furthermore, the largest component of PIT is withholding taxes, which are expected to reach $32.7 billion, representing an increase of 5.0 percent or $1.5 billion. Withholding collections actually declined 0.1 percent in SFY 2011-12 from the previous year.

Uncertain Revenue

The Enacted Budget includes well over $500 million in projected revenues that may be considered subject to significant risk because of uncertainty in the economy or other factors. Revenues with some element of risk include:

- *Insurance Conversion Proceeds* – The Enacted Budget anticipates the receipt of $250 million in SFY 2012-13, increasing to $300 million annually through SFY 2015-16, in funds related to the conversion of the not-for-profit insurance companies HIP and GHI to for-profit status. The conversion process has, in the past, proven lengthy, and funds have not been realized as expected in prior financial plans.

- *Public Authority Transfers* – The Enacted Budget anticipates $213.4 million in transfers from various public authorities. This includes $100 million from the Project Pool Insurance account of the State of New York Mortgage Agency (SONYMA), provided that reserves in the account are sufficient to maintain the credit rating required to accomplish the purposes of the account. Moody's Investors Service recently stated that such action "would be a credit negative because it would increase the fund's risk to capital ratio, a key factor in ratings analysis."[4]

- *Unspecified Fund Sweeps* – The Enacted Budget again includes an authorization for $500 million in unspecified transfers from dedicated funds to the General Fund for budget relief, as was provided in SFY 2011-12, although the Financial Plan does not indicate that DOB plans to use this authorization. The SFY 2011-12 Enacted Budget Financial Plan also did not initially contemplate using this authorization, but actual results show that $298 million was swept to the General Fund for budget relief under this authorization.

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[4] Moody's Financial Service, *Sector Comment, Transfer of Reserve Funds to the State is Credit Negative for the SONYMA Project Pool Insurance Account*, April 17, 2012

Since SFY 2007-08, budget language has been enacted authorizing DOB to transfer or "sweep," at its discretion, available, unencumbered resources from other State funds to the General Fund. These sweeps generally involve programs that have dedicated revenue streams. Since SFY 2007-08, over $1.4 billion has been swept from dedicated funds to the General Fund to support ongoing spending using the blanket sweep language. After several years of these blanket sweeps, it is unclear whether resources will continue to be available for budget relief.

- *Tribal State Compact* – The Enacted Budget Financial Plan includes funding from Native American casinos of $129.3 million in SFY 2012-13, of which $104 million is expected to benefit the General Fund. Since SFY 2010-11, the State has received only $4.6 million. It is not known if current trends will continue, thereby making additional gap-closing actions necessary.

- *Abandoned Property Transfer* – Pursuant to the State Finance Law, all moneys in the Abandoned Property Fund in excess of $750,000 are transferred to the General Fund by the end of each fiscal year. For SFY 2012-13, the Enacted Budget anticipates a transfer of $785 million, which is approximately $200 million more than historical patterns suggest would be available for transfer. While receipts to the Fund have increased in the current year, this is largely because of the non-recurring benefit of reducing various dormancy periods in 2011. The number and value of abandoned property claims paid also continue to rise.

- *Federal funding* – The Financial Plan does not anticipate any substantial reductions in federal funding that could result from the Budget Control Act of 2011. The Act required reductions in federal spending and/or the imposition of automatic cuts in January 2013, including significant cuts to federal assistance to the states.

  DOB estimates that if automatic cuts at the federal level occurred ("sequestration"), the cost to State and local governments would be approximately $5.0 billion over the next nine years, beginning in January 2013. While there is an expectation that the sequestration process will be overridden by other budgetary actions, any significant cuts at the federal level could negatively impact New York.

Structural Imbalance

Structural Imbalance: SFY 2012-13 through SFY 2015-16

Projected spending growth for the three years immediately following the current fiscal year (SFY 2013-14, SFY 2014-15 and SFY 2015-16) is significantly higher than the growth projected for SFY 2012-13. General Fund disbursements are projected to grow an average of 4.9 percent annually through SFY 2015-16. However, this average is significantly reduced by the low growth projected for SFY 2012-13. Excluding the current fiscal year, projected General Fund spending growth over the period is 5.1 percent.

Table 9

Projected Out-Year Growth – SFY 2012-13 Enacted Budget Financial Plan
(in millions of dollars)

	SFY 2011-12 Actual	SFY 2012-13 Enacted	SFY 2013-14 Projected	SFY 2014-15 Projected	SFY 2015-16 Projected
General Fund Receipts	56,900	58,900	61,505	61,919	64,360
General Fund Disbursements	56,489	58,868	62,393	65,216	68,372
State Operating Funds Receipts	82,616	85,041	89,023	90,390	93,420
State Operating Funds Disbursements	87,181	88,919	93,186	96,342	99,955
All Funds Receipts	132,745	133,272	138,794	143,059	147,855
All Funds Disbursements	133,504	133,393	139,420	146,095	151,504

Percentage Growth	SFY 2011-12 Actual	SFY 2012-13 Enacted	SFY 2013-14 Projected	SFY 2014-15 Projected	SFY 2015-16 Projected	Total Growth 2012-13 through 2015-16	Average Annual Growth 2012-13 through 2015-16
General Fund Receipts	5.5%	3.5%	4.4%	0.7%	3.9%	13.1%	3.1%
General Fund Disbursements	6.0%	4.2%	6.0%	4.5%	4.8%	21.0%	4.9%
State Operating Funds Receipts	4.2%	2.9%	4.7%	1.5%	3.4%	13.1%	3.1%
State Operating Funds Disbursements	5.9%	2.0%	4.8%	3.4%	3.8%	14.7%	3.5%
All Funds Receipts	-0.8%	0.4%	4.1%	3.1%	3.4%	11.4%	2.7%
All Funds Disbursements	0.6%	-0.1%	4.5%	4.8%	3.7%	13.5%	3.2%

Source: Division of the Budget

The SFY 2012-13 Executive Budget (with 30-day amendments) projected a cumulative four-year current services General Fund gap of $16.4 billion, before counting multiyear gap-closing actions totaling $4.1 billion that were enacted during December's extraordinary session. After such actions, $12.3 billion remained as the four-year cumulative gap projection in the Executive's proposed Budget (prior to legislative action on the Enacted Budget).

Table 10 outlines various gap-closing measures as well as other changes (including re-estimates, restorations and new initiatives) to the General Fund current services gap as reported in the Mid-Year Update to the SFY 2011-12 Enacted Budget Financial Plan. This Table also shows how these actions are projected to affect out-years.

Table 10

SFY 2012-13 Enacted Budget Gap-Closing Measures

(in millions of dollars)

	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16
Current Services Gap Reported in Mid-Year Update	**(350)**	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
December Extraordinary Session Actions (Updated Projections)	385	1,546	1,697	1,028	(178)
Other Receipt Revisions	(37)	-	-	-	-
Other Disbursement Revisions	(60)	-	-	-	-
Use of Reserves	62	-	-	-	-
Current Services Gap After December Actions	**-**	**(1,954)**	**(1,927)**	**(4,016)**	**(4,424)**
Re-Estimates	**-**	**299**	**223**	**32**	**35**
Tax Receipts	-	(106)	(40)	(140)	(140)
Health Care Reform Act (HCRA) Receipts	-	(37)	(37)	(37)	(37)
Health Insurance Rate Renewal	-	130	130	130	130
School Tax Relief (STAR)	-	50	50	50	50
Debt Service	-	55	40	40	40
Fringe Benefits	-	45	5	5	5
Other	-	162	75	(16)	(13)
Non-Recurring and Temporary Resources and Costs	**-**	**312**	**30**	**-**	**-**
Legal Settlements	-	75	50	-	-
Reserves	-	62	-	-	-
Mortgage Insurance Reserves	-	40	35	-	-
Debt Service	-	135	-	-	-
HEAL NY Timing	-	-	(55)	-	-
Revenue Additions or Restorations	**-**	**(18)**	**(45)**	**(62)**	**(33)**
Spending Increases and Restorations	**-**	**(328)**	**(313)**	**(281)**	**(281)**
Education/Arts	-	(114)	(122)	(120)	(121)
Higher Education	-	(62)	(78)	(78)	(78)
Health Care/Mental Hygiene	-	(50)	(47)	(37)	(37)
Environment/Housing	-	(12)	(15)	(15)	(15)
Transportation	-	(2)	(12)	(24)	(22)
Economic Development/Local Spending Increase or Restoration	-	(52)	(20)	-	-
Human Services/Labor Spending Increase or Restoration	-	(14)	(13)	-	-
Other	-	(22)	(6)	(7)	(8)
State Operations Reductions	**-**	**1,107**	**923**	**644**	**656**
Executive and Independent Agencies	-	931	660	374	382
Consolidations and Coordination of Enterprise Services	-	109	175	180	180
Fringe Benefits	-	67	88	90	94
Local Assistance Reductions	**-**	**777**	**471**	**728**	**609**
Eliminating/Replacing Cost of Living Adjustments (COLAs)/Trends	-	150	170	170	120
Mental Hygiene/Social Services/Housing	-	332	169	249	172
Public Health	-	119	60	29	19
Other Local Assistance Reductions	-	176	72	280	298
New Initiatives/Investments/Costs	**-**	**(114)**	**(446)**	**(575)**	**(758)**
State Takeover Local Medicaid Growth/Administration	-	16	(23)	(83)	(181)
Agency Redesign Costs	-	(43)	(65)	(26)	(16)
Supplemental Security Income (SSI) Administration Takeover	-	(11)	(13)	(21)	(16)
Protection of Vulnerable Populations	-	(5)	(30)	(30)	(30)
Temporary Assistance for Needy Families (TANF) Child Care Replacement	-	(71)	(215)	(215)	(215)
Mental Hygiene System Funding	-	-	(100)	(200)	(300)
All Other	-	(81)	134	115	66
Remaining Gap In Enacted Budget Financial Plan	**-**	**-**	**(950)**	**(3,415)**	**(4,130)**

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

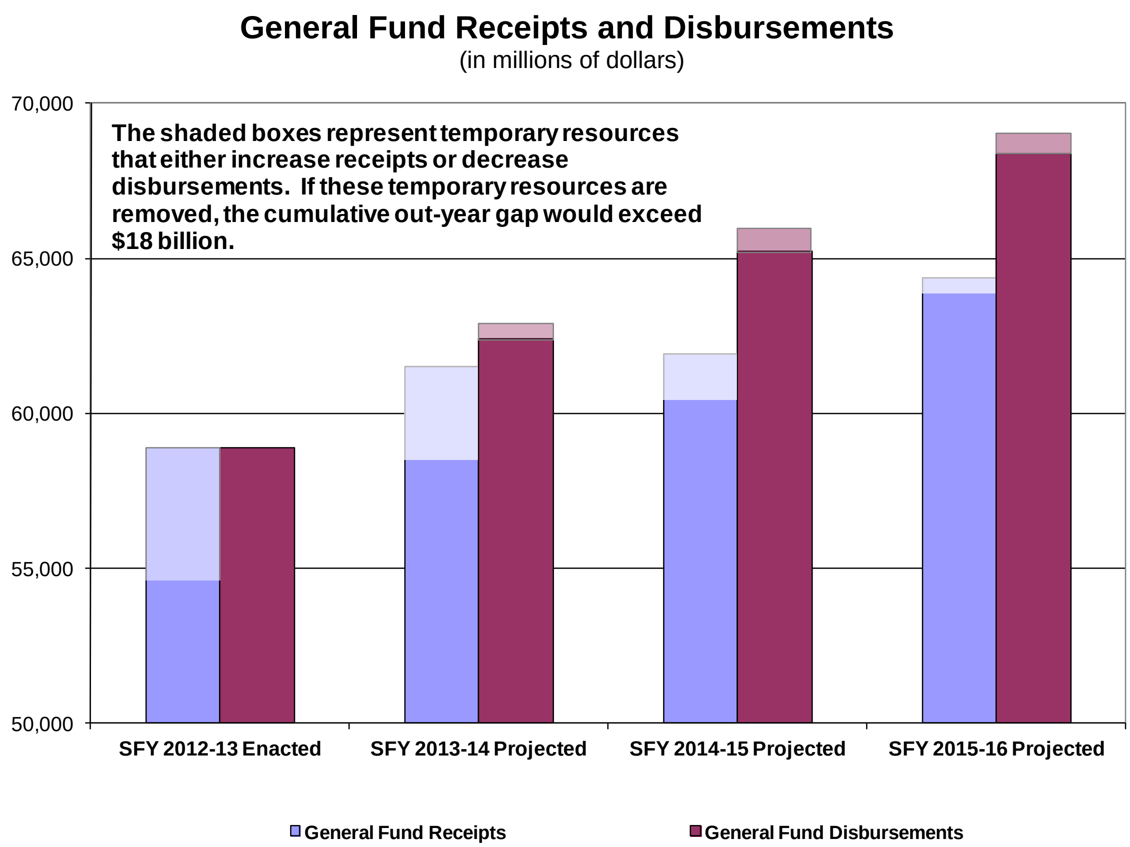
In the SFY 2012-13 Enacted Budget Financial Plan, General Fund spending is projected to increase 21 percent from SFY 2011-12 through SFY 2015-16, while receipts are projected to increase by 13.1 percent. General Fund disbursements are expected to grow 4.9 percent annually on average, compared to only 3.1 percent average annual growth for receipts through SFY 2015-16.

Commitments made in previous years will continue to increase projected out-year spending. For example, by SFY 2015-16, the Dedicated Highway and Bridge Trust Fund (DHBTF) is projected to require nearly $624 million in General Fund resources to meet expenses, compared to only $237.2 million in SFY 2008-09 – more than doubling the impact on the State's general tax base.

The Enacted Budget includes two-year appropriations for both Medicaid and school aid. These appropriations reflect spending controls originally proposed in the Executive Budget, and include limiting future school aid growth to a personal income growth index and limiting the year-to-year growth rate of State Department of Health (DOH) Medicaid to the ten-year rolling average of the medical component of the Consumer Price Index.

Figure 3 shows projections for General Fund receipts and disbursements, as well as the proportion of each that reflect temporary revenue or savings actions.

Figure 3



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

Non-Recurring and Temporary Resources

New and remaining temporary actions contribute to the structural imbalance. In SFY 2012-13, the Enacted Budget is being supported with $4.5 billion in non-recurring and temporary resources. By SFY 2015-16, only $442 million of these resources will remain.

Table 11

Non-Recurring and Temporary Resources Used in the Financial Plan
(in millions of dollars)

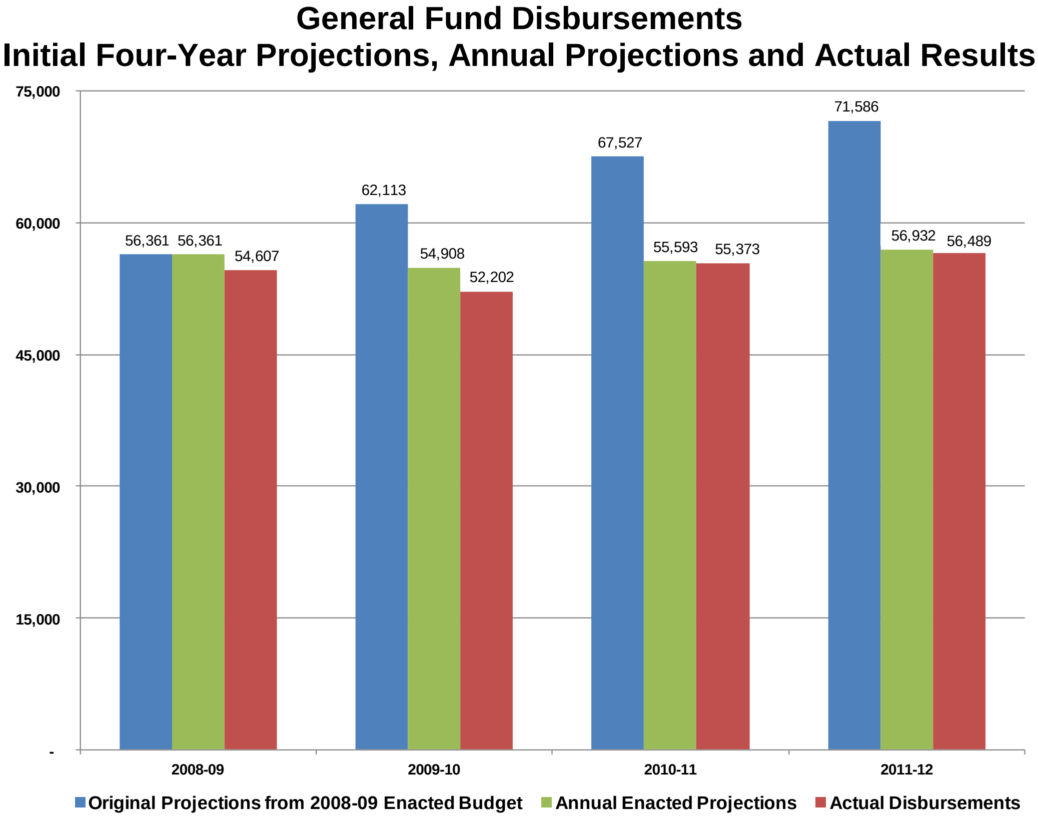
	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16
Temporary PIT Changes (includes settlement from previous surcharge)	2,580	2,034	1,335	79
Deferred Tax Credits	970	870	-	-
Temporary Utility Assessment	521	261	-	-
Stimulus FMAP (Medicaid) Increase	(254)	-	-	-
Prepaid SUNY Debt Service	140	-	-	-
Elderly Pharmaceutical Insurance Coverage (EPIC) Sweep	52	-	-	-
Abandoned Property	200	85	70	70
Insurance Conversion Proceeds	250	300	300	300
Legal Settlements	75	50	-	-
Use of Reserves	62	-	-	-
Mortgage Insurance Reserves	40	35	-	-
HEAL NY Timing	-	(55)	-	-
Other Transfers to General Fund	20	12	-	-
Costs Associated with December Extraordinary Session	(135)	(87)	(57)	(7)
Total Temporary and Non-Recurring Resources	**4,521**	**3,505**	**1,648**	**442**

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

The projected current services gap increases nearly 260 percent between SFY 2013-14 and SFY 2014-15, from $950 million to $3.4 billion. Almost half ($1.5 billion) of this increase is due to the phase-out or end of three temporary revenue sources: the Personal Income Tax surcharge enacted in December 2011; the end of business tax credit deferrals and beginning of repayment enacted in SFY 2010-11; and the end of the temporary utility assessment enacted in SFY 2009-10.

History illustrates the difficulty of developing precise budgetary projections, given inevitable changes in the economy and other factors. This is particularly true for out-year projections. Figure 4 compares out-year General Fund disbursements to initial projections from SFY 2008-09. Projections which were made before the full impact of the Great Recession was widely understood were significantly higher than actual results.

Figure 4



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

While the actual results may imply that the State has less of a structural problem than the chart suggests, much of the difference is attributable to mid-year budget cuts, the influx of federal stimulus funding (lowering spending in the General Fund) and other temporary or non-recurring actions. For instance, between SFY 2008-09 and SFY 2011-12, over $9.8 billion in Medicaid spending that would have normally been spent from the General Fund was instead financed with federal stimulus funds. The spending occurred much as projected, but not from the General Fund.

The Changing Structure of the Financial Plan

The structure of receipts and expenditures changes annually, but proportions tend to remain relatively constant over time. For instance, between SFY 2002-03 and SFY 2006-07, nearly $20 billion in State-Funded debt was refunded at lower interest rates. Much of the savings was taken upfront, providing significant, but temporary, debt service savings over that period, especially in SFY 2002-03. For those years, debt service as a percentage of All Funds spending declined. However, these refundings did not significantly change the average proportion of debt service to total spending for the past ten years as a whole. General State Charges and Debt Service are among the fastest growing major categories of spending, with average annual growth of 8.7 percent and 8.6 percent respectively over the last ten years.[5]

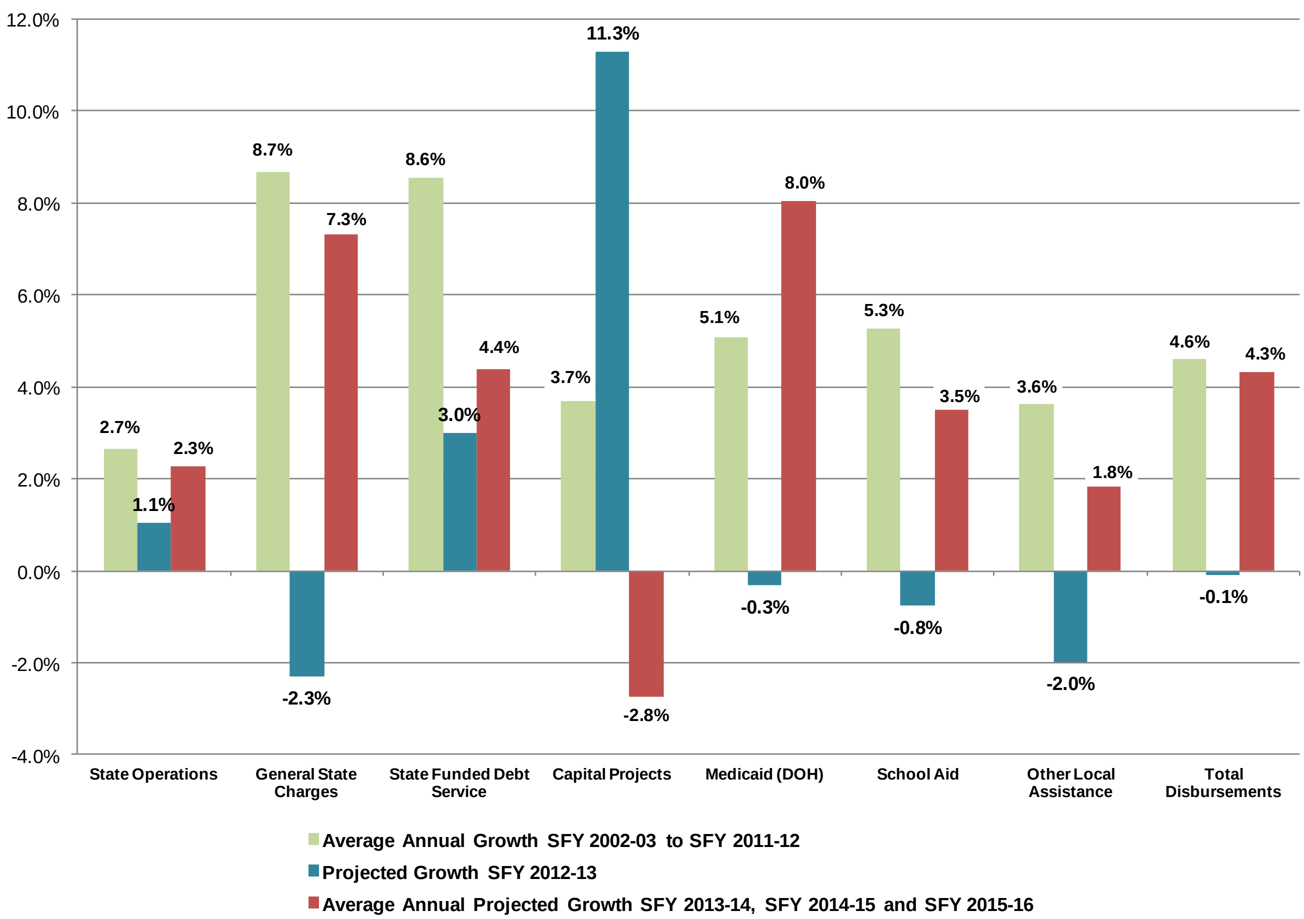
[5] General State Charges include costs of State employee fringe benefits, such as pension, health insurance and workers' compensation payments, as well as certain fixed costs, such as State payments to localities in lieu of taxes.

The SFY 2011-12 Enacted Budget included language capping Medicaid spending from State Operating Funds for DOH (thus excluding Medicaid expenditures for Mental Hygiene or other State facilities). However, average annual growth for federally funded Medicaid (not part of the State cap) is projected to exceed 10 percent over the next four years, increasing All Funds spending by a higher percentage than the cap on State spending.[6] The growth in federally funded Medicaid reflects implementation of the federal Patient Protection and Affordable Care Act, which is expected also to lower the State share of Medicaid spending for individuals and couples without children.

General State Charges, State-Funded Debt Service and Medicaid are the only major program areas that are projected to have average annual out-year growth greater than total disbursements (4.3 percent). As a result, the share of the total budget taken up by these three areas will increase. The following chart illustrates how resources are expected to be disbursed through SFY 2015-16.

Figure 5

All Government Funds Disbursements – Actual and Projected Annual Growth

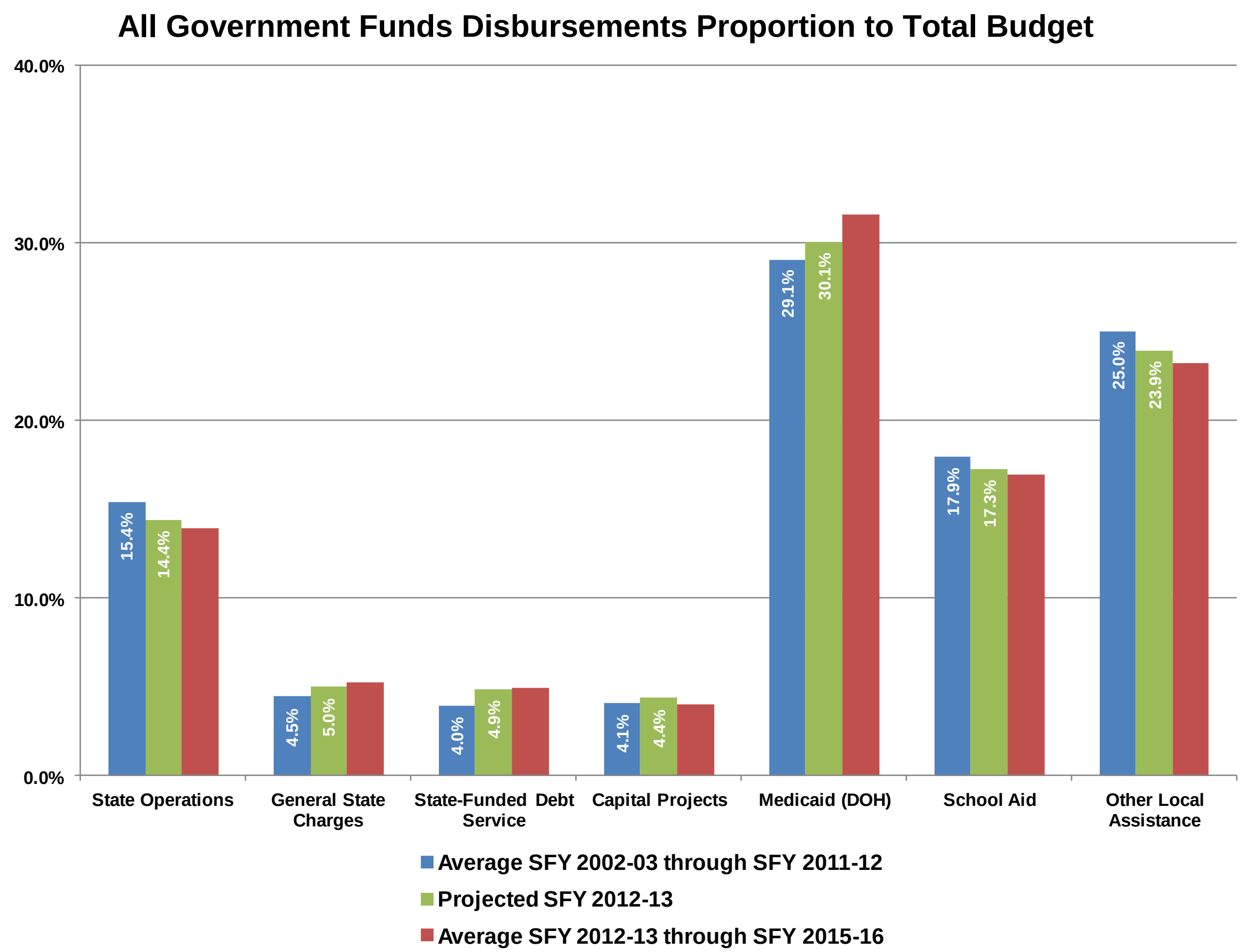


Source: Office of the State Comptroller; Division of the Budget.

[6] Note that Medicaid spending (including administration) from the Department of Health and State Operating Funds is projected to grow an average of 4.0 percent annually through SFY 2015-16.

Figure 6 illustrates that the growth in these three categories of spending is outpacing growth in other parts of the budget. One of these areas – Debt Service – is largely fixed and difficult to reduce in the short run. Growth in the other two categories is primarily driven by a combination of economic factors and policy choices. Medicaid spending will average approximately 31.6 percent of the All Funds budget through SFY 2015-16, up from 29.1 percent. At the same time, Debt Service and General State Charges will also increase as a percentage of the total, while State Operations, capital projects and school aid each decline as a share of the total.

Figure 6



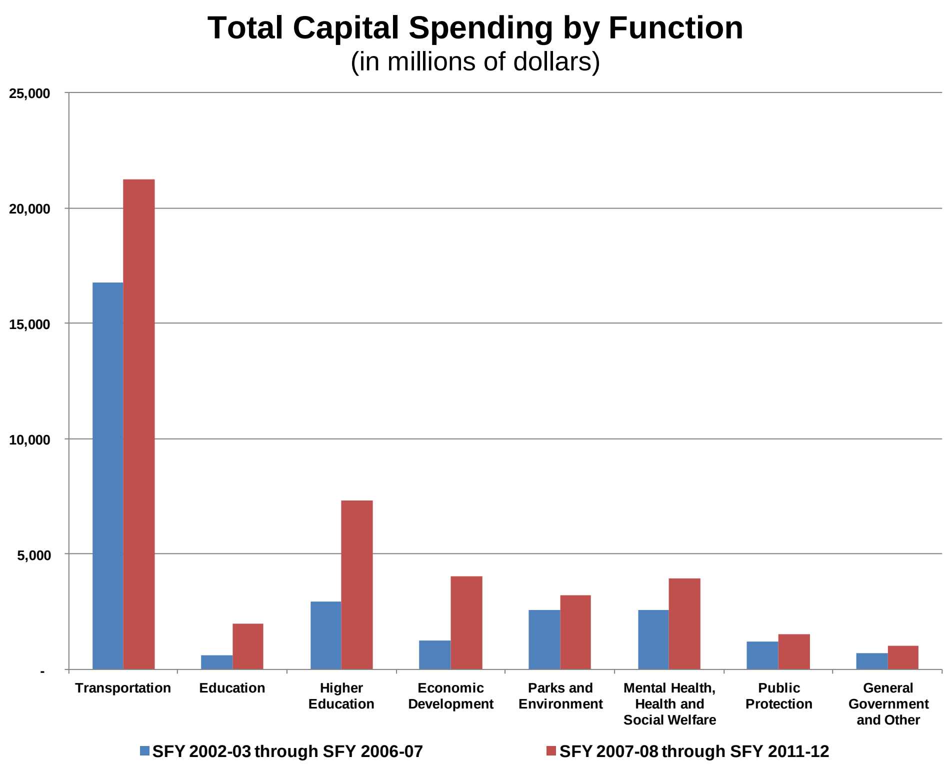
Source: Office of the State Comptroller; Division of the Budget.

Capital and Financing

The SFY 2012-13 Enacted Budget increases the total amount of projected capital spending (including off-budget capital spending,[7] in which bond proceeds are expended directly by public authorities) to $44.0 billion over the next five years, compared to $43.4 billion in the Executive's proposed Five-Year Capital Program and Financing Plan for the same five-year period. Capital spending is projected to increase $349 million, or 3.7 percent, in SFY 2012-13 to nearly $9.7 billion, including $1.7 billion in off-budget spending.[8]

Between SFY 2002-03 and SFY 2011-12, annual capital spending has doubled, from just under $4.7 billion to $9.3 billion. However, because capital spending often fluctuates significantly from year to year, it is worthwhile to compare the last 10 years in five year increments. Over the last five years, the State has disbursed $44.3 billion for capital needs, compared to $28.7 billion between SFY 2002-23 and SFY 2006-07.

Figure 7



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

[7] Off-budget capital spending occurs when public authorities issue bonds and disburse proceeds directly. This type of capital spending is not reflected in the Financial Plan (unlike State-Supported debt service, which is reflected in the Financial Plan) nor is this type of spending subject to pre-audit.

[8] Capital spending can be measured in two ways. In the Capital Program and Financing Plan, capital spending is measured as spending from capital projects funds, one of the four fund groups that make up All Governmental Funds. This measure also includes some local assistance grants that are deemed capital in nature. In addition, it includes off-budget capital spending by public authorities on behalf of the State. The Enacted Budget Capital Program and Financing Plan projects capital spending growth of 3.7 percent in SFY 2012-13. The Financial Plan measures capital spending across fund groups (although the vast majority comes from the Capital Projects fund group) and does not include local assistance spending or off-budget spending. The Enacted Budget Financial Plan projects growth in capital spending of 11.3 percent in SFY 2012-13.

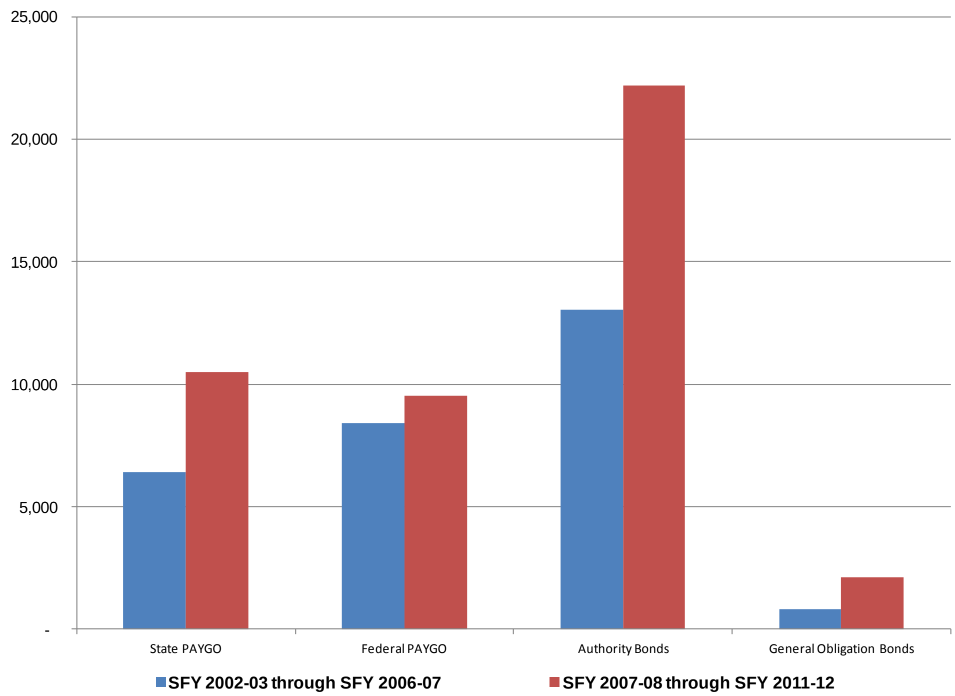
Capital spending is dominated by transportation needs, as shown in Figure 7. Transportation and higher education accounted for the largest share of the growth in capital spending between the two five-year periods. Of the $15.7 billion increase between the two periods, transportation made up 28.6 percent of the growth and higher education 28.1 percent. Capital spending for economic development also showed significant growth.

Comparing financing methods for the same two periods indicates that the use of authority bonds increased significantly. Figure 8 illustrates that 58.4 percent, or $9.1 billion, of the $15.7 billion increase was financed with authority bonds. Of the $9.1 billion increase in authority bonding, 46 percent or $4.2 billion was for higher education capital expenditures.

Figure 8

Total Capital Spending by Financing Method

(in millions of dollars)



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

Significantly increased use of debt over the past decade has depleted much of the State's statutory debt capacity. Available State-Supported debt capacity as defined by the Debt Reform Act of 2000 is projected to decline from $3.6 billion in SFY 2011-12 to $602 million in SFY 2013-14. However, for personal income – which is a factor in the calculation of the State's debt limit – projections fluctuated significantly throughout the Great Recession and the subsequent recovery, so projected available capacity could increase or decline.

Personal income projections used to illustrate debt capacity included in the SFY 2012-13 Enacted Budget Five-Year Capital Program and Financing Plan were slightly increased from the projections included with the Executive's proposed Capital Program and Financing Plan and are slightly lower than the projections included in the Mid-Year Update to the SFY 2011-12 Enacted Budget Financial Plan.

Debt Outstanding and Debt Service

The Enacted Budget's SFY 2012-13 Five-Year Capital Program and Financing Plan includes $44.0 billion in projected capital spending, of which $7.4 billion would be spent off-budget. In SFY 2011-12, approximately 87 percent of off-budget capital spending occurred in higher education (SUNY and CUNY), mental hygiene (primarily Office of Mental Hygiene) and transportation (Consolidated Highway Improvement Program). Over the course of the five-year plan, these three areas are expected to average over 90 percent of reported off-budget capital spending.

Although capital spending is projected to increase $348 million, or 3.7 percent, to nearly $9.7 billion in SFY 2012-13, it is projected to decline in each of the four subsequent years, ending SFY 2016-17 at $7.6 billion. The largest share of financing for the $44 billion Capital Program and Financing Plan is authority bonds, averaging 49.2 percent of total financing over the next five years, which is slightly higher than the 48.2 percent average share from the previous 10 years. The SFY 2012-13 Enacted Budget did not include any new General Obligation proposals for voter approval, so General Obligation debt as a share of total financing is projected to decline from an average of 4.1 percent over the last 10 years to an average 2.8 percent projected for the next five years.

The statutory cap on outstanding debt does not include approximately $11.2 billion in additional debt projected to be outstanding at the end of SFY 2012-13 that was authorized outside the narrow definition of State-Supported debt included in the Debt Reform Act of 2000.[9] Most of this additional debt was issued to finance non-capital costs, including deficit financing and budget relief.

The Capital Program and Financing Plan does not include ongoing financing for education capital needs within New York City that is funded with Building Aid Revenue Bonds (BARBs) issued by the New York City Transitional Finance Authority (TFA). The SFY 2006-07 Enacted Budget included authorization for New York City to pledge all or a part of annual Building Aid from the State to debt service for $9.4 billion in bonds issued by TFA. New York City pledged all Building Aid (what is not needed for debt service is transferred to the City by TFA). The City plans on issuing $4.4 billion in debt through City Fiscal Year 2015-16. (The $9.4 billion authorization only limits debt outstanding, not how much may be issued, meaning that over the lifetime of the program, many times more than $9.4 billion may be issued.)

[9] State-Funded debt was defined by the Office of the State Comptroller in the February 2005 report, ***New York State's Debt Policy, a*** *Need for Change*. It represents a more comprehensive accounting of the State's debt burden by including State-Supported obligations as well as obligations that fall outside the narrow definition of State-Supported debt enacted in the Debt Reform Act of 2000. These additional obligations include: bonds issued by the Sales Tax Asset Receivable Corporation to refinance New York City's Municipal Assistance Corporation; bonds issued by the Tobacco Settlement Financing Corporation to finance deficits in SFY 2003-04 and SFY 2004-05; bonds issued to finance prior year school aid claims by the Municipal Bond Bank Agency; and Building Aid Revenue Bonds issued by New York City's Transitional Finance Agency. Not all State-Funded debt appears in the Capital Program and Financing Plan and is, therefore, illustrated separately in the tables of this section. See the Comptroller's Debt Impact Study for more information on State-Funded debt, at www.osc.state.ny.us/reports/debt/debtimpact2010.pdf.

The SFY 2012-13 Enacted Budget Five-Year Capital Program and Financing Plan projects that State-Supported debt will increase $3.5 billion, or 6.7 percent, from SFY 2011-12 through SFY 2016-17. State-Funded debt is projected to increase 8.1 percent, or $5.1 billion, over the same time frame.

Under the SFY 2012-13 Enacted Budget Capital Program and Financing Plan, State-Funded debt service is expected to exceed $8.0 billion by SFY 2016-17 after growing approximately 17.7 percent, or 3.5 percent annually on average, from SFY 2011-12. The most significant areas of projected growth are education and health and mental hygiene, which are expected to make up over 75 percent of total growth. These areas also increase their share of total new debt issuance over the next five years.

Table 12

Projected State-Funded Debt Service
SFY 2011-12 through SFY 2016-17
(in thousands of dollars)

		Enacted Capital Plan					Total Percentage Change Capital Plan	Total Dollar Change Capital Plan
	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2016-17	SFY 2011-12 through SFY 2016-17	SFY 2011-12 through SFY 2016-17
2011-12 Capital Plan (State-Supported)	**5,864,022**	**6,060,725**	**6,369,077**	**6,483,158**	**6,616,341**	**6,726,136**	**14.7%**	**862,114**
Total Other State Funded	**942,456**	**916,032**	**1,088,720**	**1,148,641**	**1,232,297**	**1,281,222**	**35.9%**	**338,766**
Projected Debt Service (State-Funded)	**6,806,478**	**6,976,757**	**7,457,797**	**7,631,799**	**7,848,638**	**8,007,358**	**17.6%**	**1,200,880**

Note: Totals may not add due to rounding

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

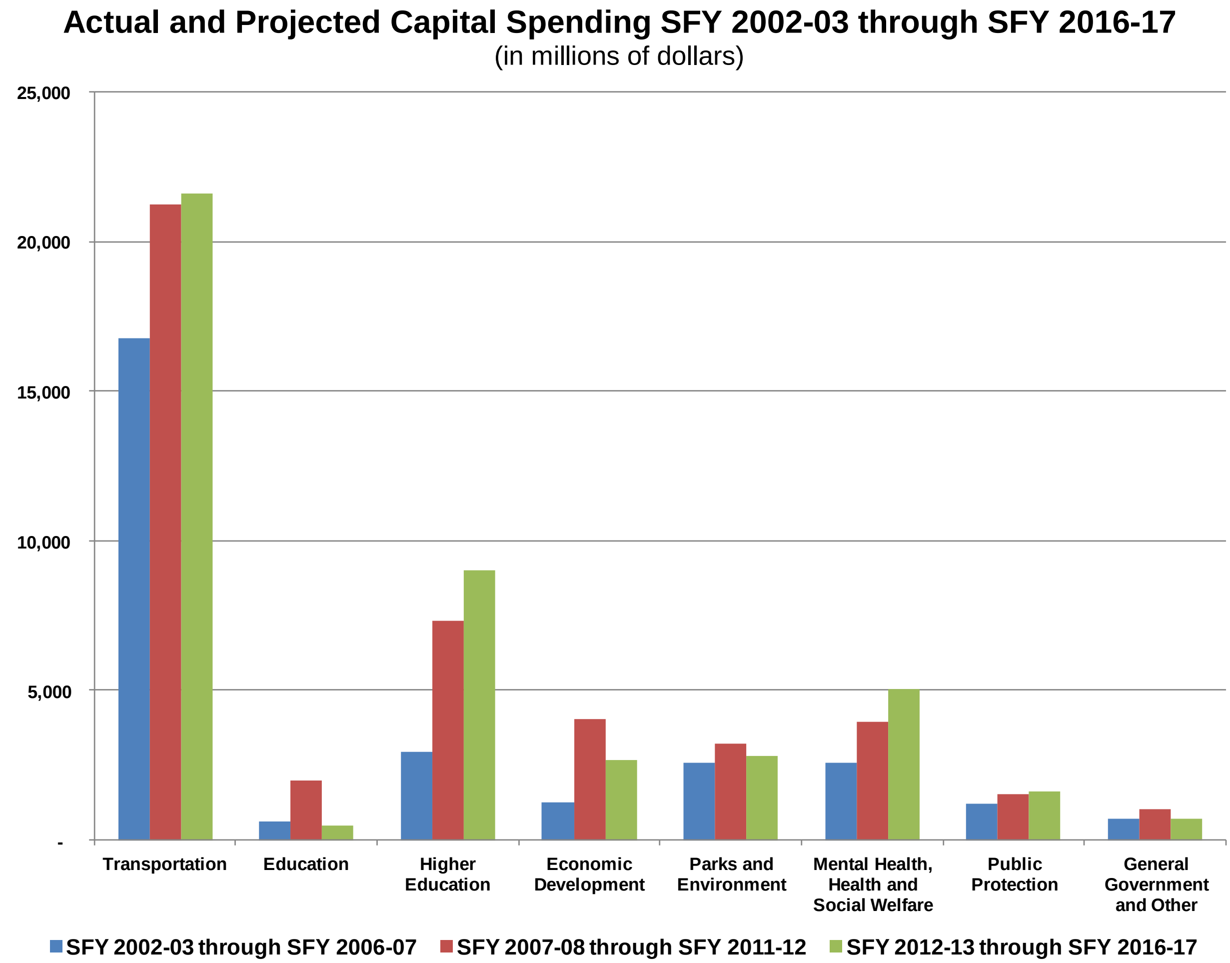
Capital Program and Financing Plan

The Five-Year Capital Program and Financing Plan projects capital spending will total just under $44 billion through SFY 2016-17. Of this, 49.2 percent of annual spending on average will address transportation needs, down from 49.5 percent in the Executive's proposed Plan, but up from the 48 percent average of the last five years.

Education and Higher Education (including the remaining $189 million in bonding authority for the Expanding Our Children's Education and Learning or EXCEL program) represent the next largest share of capital spending with 21.5 percent of the total Plan over the next five years. The remaining 29.3 percent is divided among health, mental hygiene, social welfare, parks and environment, public protection and other governmental needs.

The Enacted Budget Capital Program and Financing Plan projects total capital spending (including off-budget spending) over the next five years will decline $338 million from the previous five years. Figure 9 illustrates how projected spending for capital projects compares to the previous five years of actual spending. (These figures do not include spending by New York City financed with BARBs.)

Figure 9



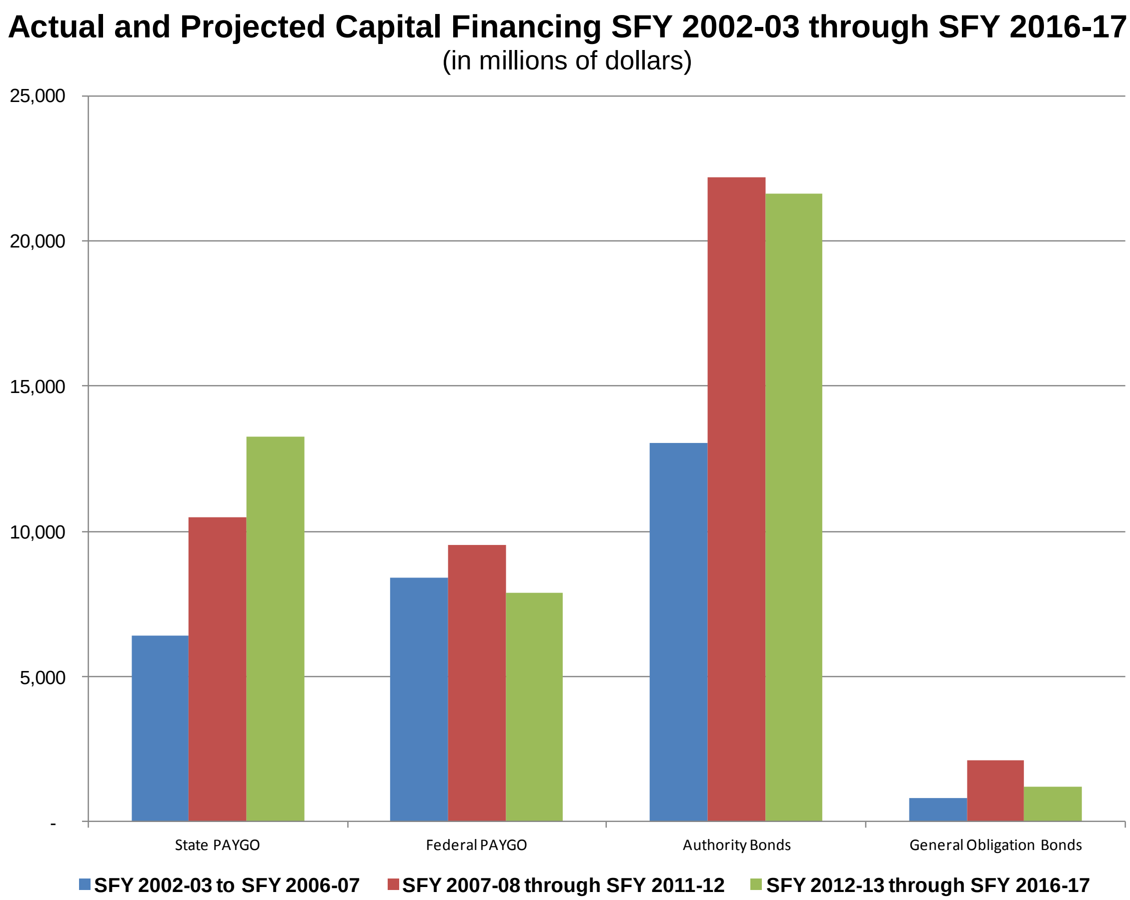
Source: Office of the State Comptroller; Division of the Budget

Between SFY 2002-03 and SFY 2011-12, capital spending supported by State cash resources (pay-as-you-go or PAYGO spending) has averaged approximately 30.7 percent of State-Funded capital spending, which is less than the average annual percentage of 36.7 percent since 1985. Over the SFY 2012-13 Five-Year Capital Program and Financing Plan, PAYGO spending is projected to increase to 36.8 percent, although most of the increase is projected to occur in the last three years of the Plan.

Figure 10 illustrates how financing has changed over the last decade and how it is projected to change over the next five years. Note that the significant increase in capital spending financed with debt issued by authorities that occurred in the second half of the last decade is projected to decline slightly over the life of the Plan. Financing from State

PAYGO is projected to increase significantly, although as noted this is mostly expected toward the end of the Plan.

Figure 10



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

New York Works Infrastructure Fund and Board

The Enacted Budget Capital Program and Financing Plan includes nearly $2.2 billion in capital spending associated with the Executive's $15 billion New York Works program. This spending is primarily associated with the portion of the New York Works plan that is on-budget. Of the $2.2 billion, nearly $1.7 billion is new spending authority, $420 million is existing spending authority that is being accelerated from out-years, and the remaining $100 million reflects off-budget funding from the federal government for dam fortification. The remaining $12.8 billion is expected to come from other sources including public authorities and private investors. It is not clear how or if this additional spending will be accounted for in various State documents including the Financial Plan, Capital Plan, annual cash reports, and financial statements from the Office of the State Comptroller.

The Enacted Budget included language establishing a New York Works Task Force with a $1.0 million appropriation. The Task Force is charged with coordinating capital needs across State agencies and authorities, and will produce an annual infrastructure report, which should include a two-year capital plan from the Department of Transportation.

While the Executive has expressed an intention to create an infrastructure fund, the Enacted Budget does not include language to establish such a fund. Without the establishment of a special fund, it is unclear how other financing, including private investment and funding from other entities such as local authorities and governments, could be used to finance the Executive's proposed activities.

Table 13

New York Works Infrastructure Initiative

	Amount	Source
State	$1.3 billion	$743 million in new capital appropriations $420 million in accelerated existing capital
Federal	$1.0 billion	New and accelerated federally financed capital
Public Authorities and Local Governments	$9.3 billion	$5 billion Tappan Zee Bridge replacement $4.3 billion in accelerated existing capital
Private	$3.5 billion	Projected private investment

Source: Division of the Budget

New York Works includes $1.7 billion in *new* appropriation authority, including $743 million in State Funds and $917 million in federal transportation funds. The new State Funds portion includes:

- $232 million for transportation projects;
- $150 million for the Regional Economic Development Councils;
- $102 million for the Department of Environmental Conservation (DEC) and other environmental projects;
- $94 million for State parks and the Olympic Regional Development Authority (ORDA) projects;
- $75 million for the NY Works Economic Development Fund;
- $75 million for Buffalo; and
- $15 million toward the Peace Bridge Capacity Improvement Project.

According to the Enacted Budget Capital Program and Financing Plan, $420 million in *existing* appropriation authority will be accelerated from the last two years of the Five Year Plan to the first three years and another $100 million will come from the federal government to fortify dams (off-budget). The remainder of the Plan includes: $5.0 billion for the replacement of the Tappan Zee Bridge, although no official details are yet available on the source of such financing; $4.3 billion in existing capital spending from various sources; and another $3.5 billion anticipated from leveraging private sector investments.

Management Initiatives

The Enacted Budget includes various debt management initiatives intended to achieve savings and/or create efficiencies in SFY 2012-13. These include:

- **Extending Authorization to Issue PIT Revenue Bonds for Mental Health.** The Enacted Budget extends the authorization for the Dormitory Authority of the State of New York (DASNY) to issue Mental Health bonds under the Personal Income Tax bond structure.

- **Debt Reduction Reserve Fund.** The SFY 2012-13 Enacted Budget includes an authorization to transfer $500 million into the Debt Reduction Reserve Fund. However, the Financial Plan does not currently include cash for a transfer to the Debt Reduction Reserve Fund.

- **Competitive Sales.** The Capital Plan assumes that 50 percent, or $2.7 billion, of proposed new bond issuances will be sold competitively in SFY 2012-13. DOB anticipates the remaining 50 percent will be sold through negotiated sales.

- **Eliminate Borrowing to Finance Administrative Costs and Short-Term Equipment Purchases.** This is primarily related to SUNY and CUNY Construction Funds as well as Corrections.

- **Authorize Set-Aside for Debt Service Payments**. The SFY 2012-13 Enacted Budget extends authority to set aside funds in advance for debt service payments on General Obligation and service contract bonds.

Economic Outlook and Revenue

National Economy

After gaining strength in the second half of 2011, the national economy is showing signs of slowing. In the first quarter of 2012, growth in Gross Domestic Product (GDP) decreased to 1.9 percent from 3.0 percent during the prior quarter. Although consumer spending strengthened, business investment slowed sharply and government expenditures continued to contract. In general, business investment has been the main driver in the recovery while consumer spending has increased slowly given concerns over jobs, income and housing. Both business and consumer spending are expected to grow slowly over the remainder of this year and next. IHS Global Insight expects that annual GDP growth will remain modest over the rest of 2012, averaging 2.2 percent. The recent run-up of energy prices, along with the ongoing sovereign debt crisis and recessionary fears in Europe pose the most prominent risks to the short-term outlook.

Job growth picked up over the winter, possibly helped by mild weather. Between December 2011 and February 2012, growth averaged 267,000 jobs per month. In March and April 2012, however, growth fell to about half that amount. Since the recession ended, the nation has created 3.7 million jobs, or 43 percent of the jobs lost since the recession began. While the private sector has created 4.2 million jobs, employment in the public sector has declined by 500,000 jobs as governments have reacted to fiscal pressures. IHS Global Insight forecasts modest increases in employment of 1.5 percent in 2012 and 1.6 percent in 2013.

The unemployment rate has fallen from the recessionary peak of 10 percent in October 2009 to 8.1 percent in April 2012. Given that only modest growth in employment is expected, the unemployment rate is projected to edge only slightly lower to 7.8 percent in 2013.

The housing market remains weak. While there has been some improvement in home sales, prices continue to decline. The S&P/Case-Shiller Home Price Index reflects that prices have declined by 34 percent since the peak reached in the middle of 2006. Tight credit conditions and a high number of foreclosures continue to weigh on the housing market, despite historic low mortgage rates. IHS Global Insight expects that home prices will decline by 1.3 percent in 2012 before stabilizing in 2013.

New York State Economy

New York State’s economy has outperformed the national economy since the end of the Great Recession. Between 2009 and 2011, New York's real Gross State Product (GSP) grew by almost twice the national GDP, and ranked second among the 50 states for growth. IHS Global Insight forecasts that New York State's GSP will grow more slowly than the nation’s GDP in 2012 and 2013.

The State has created 312,700 jobs during the recovery, or almost 95 percent of the jobs lost during the recession. (The private sector has created 335,900 jobs, more than were lost during the recession, but the State's government sector has lost 23,200 jobs.) Job growth has been uneven across the State. New York City has recovered more jobs than it lost, and has provided the bulk of new jobs in the State. Despite strong job gains, the State's unemployment rate has recently risen—to 8.5 percent in March and April 2012, only slightly below the recessionary peak of 8.9 percent reached in January 2010. IHS Global Insight expects employment to grow by 2.1 percent in 2012 and by 1.9 percent in 2013, while the unemployment rate will gradually drop to under 7.0 percent in 2013.

Wall Street remains an important economic driver for New York State. Although the industry had a strong start in 2011, it lost $4.9 billion in the second half of the year, and the Office of the State Comptroller estimates that year-end cash bonuses declined by 14 percent. Since October 2011 the industry has lost 1,400 jobs, and further losses are expected as the industry continues to restructure in the wake of the financial crisis.

Strong job growth in 2011 has boosted wages, although weakness in the financial sector has limited growth to 3.9 percent. Total wage payments in the State (including bonuses) have slowed down as a result of weaknesses in the financial industry. According to IHS Global Insight, total wages are expected to grow by 5.7 percent in 2012 and by 5.0 percent in 2013. This rate of increase, however, is significantly lower than the average wage growth of nearly 6.0 percent during the expansion between 2003 and 2008.

The housing market in New York has held up better than in the nation. Upstate home prices declined less than downstate prices. IHS Global Insight projects home prices to stabilize and increase by 1.6 percent in 2012 and 2.5 percent in 2013.

Revenue

After declining by $576 million, or 0.4 percent, in SFY 2011-12, All Funds receipts in SFY 2012-13 are expected to increase by $527 billion, or 0.4 percent, to $133.3 billion. This includes a net increase of $2.1 billion in tax receipts due mainly to the Personal Income Tax ($1.5 billion), user taxes and fees ($350 million), business taxes ($352 million), and other taxes ($98 million).

Miscellaneous receipts are expected to increase by $432 million. The increased revenues will be partially offset by a decline in federal grants ($2 billion).

General Fund receipts are projected to increase by $2.0 billion, or 3.5 percent, to $58.9 billion.

Personal Income Tax

All Funds PIT receipts in SFY 2012-13 are forecast to increase by $1.5 billion, or 3.8 percent, over the prior year. This reflects expected withholding tax growth of $1.5 billion, or 5.0 percent, as wages are forecast to increase by 3.1 percent in 2012 and 5.1 percent in 2013. With the continued expansion of the economy in 2012, it is expected that current-year estimated payments will increase by $782 million, or 9.7 percent.

Extension payments on 2011 income are expected to decline by $808 million; last year, extension payments were inflated because taxpayer behavior was influenced by the expectation that federal Personal Income Tax rates would increase, which caused taxpayers to accelerate income into 2010.

User Taxes and Fees

All Funds consumption tax receipts in SFY 2012-13 are forecast to increase by $350 million, or 2.4 percent. The increase can be attributed mainly to an increase in the sales tax of $329 million, or 2.8 percent, because of improvement in the economy and strong growth in tourism. Increased receipts will be partially offset by the return of the sales tax exemption for clothing and footwear items that cost between $55 and $110.

Business Taxes

All Funds business tax receipts are forecast to increase by $352 million, or 4.5 percent, in SFY 2012-13. The projected increase in business taxes is due to the improving economy and the continued deferral of some business tax credits, with increases expected in the corporate franchise tax ($184 million or 5.8 percent), the insurance tax ($66 million or 4.7 percent), the petroleum business tax ($62 million or 5.6 percent), and the corporation and utilities tax ($50 million or 6.3 percent). Increases will be partially offset by a small decline in the bank tax (by $10 million or 0.7 percent).

Other Taxes

All Funds other tax receipts in SFY 2011-12 are forecast to increase by $98 million, or 5.7 percent. The increase in other taxes reflects the expected increase in the estate tax ($49 million or 4.5 percent) and the real estate transfer tax ($50 million or 8.2 percent). The increases can be attributed to the improving economy and the improving commercial real estate market in New York City. The residential real estate market, however, continues to remain sluggish.

Payroll Tax

All Funds payroll tax receipts are expected to decline by $216 million, or 15.7 percent, in SFY 2012-13, because of actions taken in the December 2011 Extraordinary

Session that eliminated the Metropolitan Commuter Transportation Mobility Tax for public and private primary and secondary schools, self-employed individuals with net earnings of less than $50,000, and small businesses with quarterly payroll expenses of less than $312,500. The payroll tax has been reduced for small businesses with quarterly payroll expenses of between $312,500 and $437,500.

Miscellaneous Receipts

All Funds miscellaneous receipts are forecast to increase by $432 million, or 1.8 percent, in SFY 2012-13, mainly due to the growth in SUNY income fund revenues and receipts from the Lottery and State Health Care Reform Act (HCRA); these will be partially offset by the decline in mental hygiene receipts.

Federal Grants

Federal grants are expected to decline by $2.0 billion, or 4.4 percent, in SFY 2012-13, reflecting the expiration of certain American Recovery and Reinvestment Act funds.

Table 14

Total Receipts

(in millions of dollars)

	Actual SFY 2010-11	Actual SFY 2011-12	Dollar Change	Percentage Change	Enacted SFY 2012-13	Dollar Change	Percentage Change
General Fund	**54,447**	**56,900**	**2,453**	**4.5%**	**58,900**	**2,000**	**3.5%**
Taxes	39,205	41,754	2,549	6.5%	43,369	1,615	3.9%
Personal Income Tax	23,894	25,843	1,949	8.2%	26,916	1,073	4.2%
Consumption and Use Taxes	8,795	9,055	260	3.0%	9,271	216	2.4%
Business Taxes	5,279	5,760	481	9.1%	6,038	278	4.8%
Other Taxes	1,237	1,096	(141)	-11.4%	1,144	48	4.4%
Miscellaneous Receipts	3,095	3,162	67	2.2%	3,229	67	2.1%
Federal Grants	54	60	6	11.1%	60	-	0.0%
Transfers	12,093	11,924	(169)	-1.4%	12,242	318	2.7%
All Funds	**133,321**	**132,745**	**(576)**	**-0.4%**	**133,272**	**527**	**0.4%**
Taxes	60,870	64,297	3,427	5.6%	66,370	2,073	3.2%
Personal Income Tax	36,209	38,767	2,558	7.1%	40,256	1,489	3.8%
Consumption and Use Taxes	14,206	14,571	365	2.6%	14,921	350	2.4%
Business Taxes	7,279	7,877	598	8.2%	8,229	352	4.5%
Other Taxes	1,817	1,706	(111)	-6.1%	1,804	98	5.7%
Payroll Tax	1,359	1,376	17	1.3%	1,160	(216)	-15.7%
Miscellaneous Receipts	23,148	23,837	689	3.0%	24,269	432	1.8%
Federal Grants	49,303	44,611	(4,692)	-9.5%	42,633	(1,978)	-4.4%

Source: Division of the Budget

New Revenue Actions

While there are only a few new revenue actions in the Enacted Budget, a large portion of the projected deficit for SFY 2012-13 was closed with a net increase of $1.5 billion from the tax code changes enacted in the December 2011 Extraordinary Session. These changes increased the number of Personal Income Tax brackets, and raised the top tax rate for incomes above $2.0 million, to 8.92 percent from 6.85 percent.[10] This was partially offset by changes in the payroll tax, reduced corporate tax rates for manufacturers, the Empire State Jobs Retention Program tax credit, and the New York Youth Works tax credit program.

Increased revenue from planned tax enforcement initiatives and revenue actions in the Enacted Budget would be partially offset by certain expanded tax credits and exemptions, as well as tax-cut extenders.

Tax Enforcement Actions

The Enacted Budget amends the Executive's proposal to withhold the School Tax Relief (STAR) exemption benefit from taxpayers who owe State taxes by limiting the withholding to taxpayers owing $4,500 or more, offset by the change in property tax as a result of a denial of exemption.

Other Revenue Actions

The Enacted Budget projects the receipt of $16 million in SFY 2012-13 and $37 million in SFY 2013-14 from the following revenue proposals.

- Extend tax modernization provisions enacted last year until December 31, 2013 ($5.0 million in SFY 2012-13, and $15 million in SFY 2013-14).
- Remove Quick Draw restrictions on vendors ($11 million in SFY 2012-13, and $22 million in SFY 2013-14).

Expand Tax Credits and Exemptions

The Enacted Budget projects reductions in receipts of $10 million in SFY 2012-13 and $13 million in SFY 2013-14 from the following proposals.

- Authorize an additional $8.0 million annually over the next two years to the low-income housing tax credit program ($8.0 million in SFY 2013-14).
- Extend the Youth Works tax credit hiring period ($10 million in SFY 2012-13, and $5.0 million in SFY 2013-14).

Tax Cut Extenders

The Enacted Budget projects a reduction in receipts of $1.6 million in SFY 2012-13 and $10.2 million in SFY 2013-14 from the following proposals.

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[10] The main component of the December actions was a restructuring of PIT brackets. In the SFY 2009-10 two additional PIT brackets were created that applied to incomes over $300,000 and $500,000, respectively. This temporary surcharge was scheduled to expire on December 31, 2011. PIT collections after that date were projected to decline as the tax rates for those income groups were to be reduced. The December tax code changes added four brackets, three of which were lower and one of which was higher. (The higher bracket was for incomes over $1.0 million for single filers, $1.5 million for Heads of Households and $2.0 million for married couples). The PIT changes enacted in December are scheduled to expire December 31, 2014.

- Extend the television commercial production credit for three years ($7.0 million in SFY 2013-14).
- Extend the alternative fuels tax exemption for five years ($1.6 million in SFY 2012-13, and $3.2 million in SFY 2013-14).

Tax Expenditures

The Executive Law defines tax expenditures as "features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers' liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose."[11]

The State collects taxes from various sources. While taxes can reduce demand for certain goods or services (such as cigarette taxes), tax credits can provide incentives to purchase or utilize other goods or services. For instance, low income working people can claim an Earned Income Tax Credit (EITC) that is intended to increase incentives to remain in the workforce. Tax deductions for interest on school loans encourage individuals to pursue higher education. There is a deduction for mortgage interest to encourage people to own their own homes. Similarly, businesses can receive tax credits as part of various economic development initiatives.

Some deductions or credits are available to everyone. One example in New York State is the exemption of sales tax on clothing and footwear priced under $110. Some credits allow taxpayers to offset more than their entire tax bill and receive payments from the State; the EITC is an example of such a "refundable" tax credit. Others allow taxpayers to offset current losses in the future but are not refundable in the current year. In SFY 2009-10, the Legislature delayed certain tax credits of $2.0 million or more to businesses for three years, providing approximately $970 million in annual savings to the State. In 2013, the State will begin paying those credits back. Because they are non-refundable (i.e. cannot be used to increase a refund), it will take a number of years for the State to repay the total.

The Legislature enacted a number of new or amended tax expenditures in December's extraordinary session and in the SFY 2012-13 Enacted Budget. These include the New York Youth Works Tax Credit, Low Income Housing Credit, Television Commercial Production Credit, Bio-Fuel Production Credit, and an extension of the Non-Custodial Earned Income Tax Credit. In addition, manufacturers within New York State will be subject to reduced tax rates for the next three years. Empire State Development Corporation will administer the Empire State Jobs Retention Program Credit to assist businesses affected by major emergencies, as well as providing various tax credits through the Economic Transformation and Facility Redevelopment Program.

[11] See section 181 of the Executive Law.

Table 15 illustrates a number of the more significant tax expenditures identified by DOB and the Department of Taxation and Finance (T&F) in the Annual Report on New York State Tax Expenditures, 2012-13 State Fiscal Year. While the report provides estimates of the “cost” of individual tax expenditures, DOB and T&F indicate that it is not possible to calculate a total. Expenditures may occur in different subject areas and may affect other expenditures. In addition, these figures do not necessarily illustrate the overall impact on the Financial Plan, in that they do not take into consideration taxpayer behavior.

For example, if the Earned Income Tax Credit were eliminated, some individuals who receive the credit might increase or decrease time spent working for compensation; estimating the net effect on tax receipts would be very difficult. DOB and T&F organize the presentation of tax expenditures into 15 different categories, similar to a system used by the Joint Committee on Taxation of the U.S. Congress. Because the tax expenditure data cannot be summed in a meaningful way, it is not possible with existing data to measure change in the State’s overall policies in this area over time.

Table 15

Examples of State Tax Expenditures Valued at Over $500 Million Annually

(in millions of dollars)

	Category	2009 (Base)	2012 (Forecast)
PIT			
Value of Standard Deductions for Returns With Itemized Dedutions In Excess of Standard Deductions	Other	1,677.5	1,537.1
Itemized Interest Deduction	Housing	1,195.6	924.0
Earned Income Tax Credit	Income Security	966.9	880.0
Empire State Child Credit	Social Services	705.3	685.0
Exclusion of Pensions, Annuities, Interest and Lump Sum Payments	Income Security	678.1	862.0
Sales and Use Taxes			
Certain Food Products	Income Security	1,088.0	1,216.0
Drugs, Medicine and Medical Supplies	Health	901.0	1,020.0
Residential Energy	Income Security	723.0	770.0
Clothing and Footwear	Income Security	700.0	712.0
New York State Agencies or Political Subdivisions	Education and Training/Government	630.5	1,275.0
Capital Improvement Installation Services	Housing	555.0	560.0
Corporation Franchise			
Exclusion of Interest, Dividends and Capital Gains from Subsidiary	Economic Development	592.3	597.0

Source: Division of the Budget; Department of Taxation and Finance

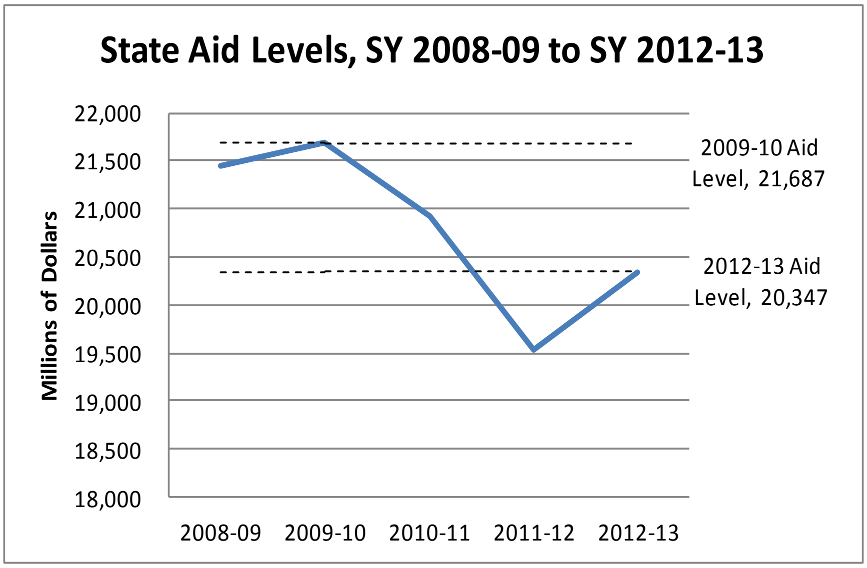
While Table 15 does not illustrate the Financial Plan impact of eliminating a particular credit, it does illustrate some level of magnitude of value to taxpayers. For instance, this Table illustrates that food, food products, beverages, dietary foods and health supplements sold for human consumption are exempt from sales tax. This exemption will save sales taxpayers approximately $1.2 billion and reduce sales tax collections by the same amount, according to State estimates.

Program Area Highlights

Education

The SFY 2012-13 Enacted Budget provides $20.0 billion for school aid, an increase of 1.9 percent over SFY 2011-12. On a school year basis, this translates to $20.3 billion for the 2012-13 school year (SY), an increase of $805 million, or 4.1 percent, over SY 2011-12. When combined with the impact of substantial cuts made last year, this increase brings schools back to State funding levels from two years ago, or about $0.6 billion less than combined State and federal funding for SY 2010-11, and nearly $1.3 billion less than the peak levels of funding provided in SY 2009-10.[12]

Figure 11



The Enacted Budget continues the two-year appropriation for school aid, first enacted in SFY 2011-12, and ties it to growth in personal income, allowing for projected growth of 3.5 percent in SY 2013-14, to $21.1 billion.

Although the $805 million increase in "general support for schools" matches the total increase proposed in the Executive Budget, the Enacted Budget includes some differences. The Enacted Budget increase includes $400 million to reduce last year's Gap Elimination Adjustment (GEA), $243 million in expense-driven and categorical aids, $112 million to start phasing in Foundation Aid again, and $50 million in SFY 2012-13 performance grants. By contrast, the Executive Budget funded expense-driven aids at $265 million (based on known needs at the time of the earlier Executive Budget), allocated a full $250 million for performance grants, and provided $290 million to reduce the GEA and no increase in Foundation Aid. The manner in which the GEA restoration is handled is also different, with the Enacted Budget adding elements to the formula for distribution.

The Enacted Budget includes an additional $75 million in funding for SY 2012-13 performance grants (not expected to be disbursed until SFY 2013-14), nearly $30 million in aid that will be distributed by the Legislature to schools and libraries pursuant to a resolution ($9.1 million for the Assembly and $20.6 million for the Senate), and another

[12] As presented in Figure 11, State aid levels include some temporary federal funding meant to supplement regular State Aid in 2009-10 through 2011-12. Source: Office of the State Comptroller; Division of the Budget.

$11 million in specific line item aids "for services and expenses of" various school districts in the appropriation bill. These are all provided outside of the Enacted Budget's definition of general support for schools, so the final increase is over $920 million.

In total, the SFY 2012-13 Budget increases formula-driven school aid in SY 2012-13 by $752 million, or 3.9 percent, over SY 2011-12, with district-specific changes ranging from a 9.4 percent decrease to a 42.8 percent increase. Excluding building aids, which are often large and fluctuate from year to year, formula aids grow by 4.0 percent statewide, ranging from a 5.8 percent decrease to a 16.7 percent increase. (The decreases are due to fluctuations in expenses being reimbursed through expense-based aids.)

In addition to general support for schools, the Enacted Budget includes restoration of or increases to several programs, including: restoring Teacher Resource and Computer Training Centers ($10.2 million); increasing non-public school aid and higher education programs ($7.0 million each); and funding the new requirement that New York City provide transportation for students until 5 pm ($3.0 million).

The Enacted Budget makes minor modifications to the Executive Budget requirement that all districts develop teacher evaluation systems by January 2013 in order to receive school aid increases. An overall methodology for the development of local teacher evaluation plans was passed prior to the Enacted Budget.

However, the Enacted Budget does not include several Executive proposals to reform preschool education provision, including: a proposal to split the cost of any increases in preschool special education costs evenly among the State, the county and the involved school district; a proposed requirement that special education evaluators and providers be separate entities; and a proposal to require justification for choosing distant providers when local providers are available. The Enacted Budget also does not include most of the Executive's proposals to reform Teacher Disciplinary Hearings, including the proposal to split the costs of such hearings evenly between the schools and the employees' bargaining units (or the employee, if not represented), and rejects the Executive's proposal to require centralized bus purchasing.

School Tax Relief (STAR) Program

The SFY 2012-13 Enacted Budget includes the Executive's proposed STAR appropriation of $3.3 billion in SFY 2012-13, reflecting a $20 million increase from SFY 2011-12's Enacted Budget Appropriation. The SFY 2012-13 Enacted Budget Financial Plan projects that $3.28 billion will be disbursed in SFY 2012-13, representing an increase of 1.3 percent.

The SFY 2012-13 Enacted Budget amends the Executive's proposal to withhold the STAR exemption benefit from taxpayers who owe State taxes by limiting the withholding to taxpayers owing $4,500 or more, offset by the change in property tax as a result of a denial of exemption.

Higher Education

The SFY 2012-13 Enacted Budget provides General Fund State support for the State University of New York (SUNY) and the City University of New York (CUNY) of $2.9 billion, including $1.7 billion for SUNY and $1.2 billion for CUNY. This reflects an $84.4 million increase over SFY 2011-12 levels. Additional funding above the level proposed by the Executive is provided for various programs.

An additional $27.8 million subsidy from the General Fund is included for SUNY's teaching hospitals at Stony Brook, SUNY Downstate and SUNY Upstate to be divided equally among the hospitals. An additional $31.3 million in General Fund support, or $150 per full-time-equivalent (FTE) student, in Base Operating Aid to CUNY and SUNY community colleges is provided, including $9.1 million for CUNY and $22.1 million for SUNY. This increase would bring Base Operating Aid to $2,272 per FTE. An additional $1.2 million in General Fund support is provided for CUNY and SUNY community college child care centers including $544,000 for CUNY and $653,000 for SUNY, bringing total General Fund support to $1.4 million and $1.65 million, respectively.

An additional $6.99 million in General Fund support is provided for higher education opportunity programs within the State Education Department (SED) as follows: $3.5 million for Higher Education Opportunity Program (HEOP) awards, $1.02 million for the Science and Technology Entry Program (STEP), $778,000 for the Collegiate Science and Technology Entry Program (CSTEP) and $1.7 million for Liberty Partnership Program awards, bringing the total amount of funding for these programs in the SFY 2012-13 Enacted Budget to $55.795 million, including $24.3 million for HEOP awards, $10.8 million for STEP, $8.2 million for CSTEP and $12.5 million for Liberty Partnership awards.

The Enacted Budget Capital Program and Financing Plan includes nearly $9.0 billion for SUNY and CUNY capital needs, including $6.2 billion for SUNY and $2.7 billion for CUNY. As proposed by the Executive, capital funding of $30 million for a new round of SUNY 2020 Challenge Grants is included in the Enacted Budget. An additional $30 million would also be provided by SUNY. The University's 60 non-university centers will be eligible to apply for three $20 million challenge grants. Accompanying this is Article VII legislation to increase the bonding authorization for the NY-SUNY 2020 Challenge Grant program by $30 million.

As proposed by the Executive, the Enacted Budget includes an increase in the bond cap for SUNY educational facilities by $215 million to pay for a previously committed project to relocate the School of Medicine and Biomedical Sciences to the Buffalo Niagara Campus. The debt service on these bonds will be paid by the University of Buffalo. The bond cap for SUNY Upstate community colleges is also increased by $87 million. This is related to a provision in the Enacted Five Year Capital Plan to allot $113 million to SUNY and CUNY community colleges for projects that have been approved by local sponsors. According to the Executive, there is sufficient room within the CUNY educational facilities bond cap to accommodate this.

The Enacted Budget also provides General Fund support of nearly $904 million for the Higher Education Services Corporation (HESC) in SFY 2012-13. This reflects a $6.1 million reduction (0.67 percent) from SFY 2011-12 levels.

The Enacted Budget provides $877 million in State Operating support for the Tuition Assistance Program (TAP). This reflects an increase of $4.0 million or 0.05 percent over SFY 2011-12 levels. There were no programmatic changes to TAP included in the Budget.

Article VII Provisions

The Enacted Budget includes a proposal to allow the development of a master agreement between the State and Cornell University for the provision of services and technical assistance by the University related to its land grant mission. Subsequent agreements with the University and State agencies would be subject to the terms and conditions of the master agreement, but would be exempt from certain provisions of the State Finance Law.

The Enacted Budget includes a revision to the language related to tuition increases previously authorized by NY-SUNY 2020 to allow tuition rates for nonresident undergraduate students to increase beginning with the semester following approval of a master tuition plan.

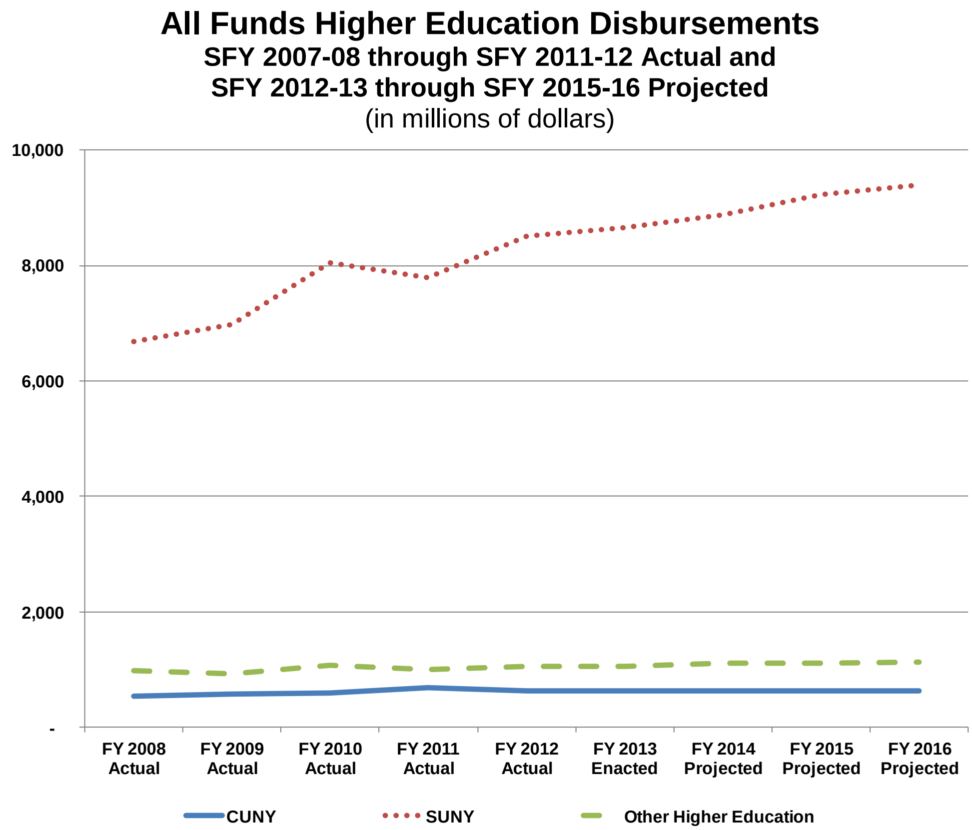
The Budget language also directs the SUNY and CUNY Boards of Trustees to jointly conduct a study on remedial education and provide a report of findings no later than November 1, 2012. The SUNY and CUNY Boards of Trustees are also required to jointly examine the laws, regulations and policies related to community college charges on nonresident students and provide a report on the findings no later than September 1, 2012.

Actual and Projected Trends

From SFY 2007-08 to SFY 2011-12, disbursements for higher education increased by slightly less than $2.0 billion, or 24.1 percent, primarily due to increases in non-personal services (part of State Operations) from SUNY related to tuition increases and increased spending for hospital operations intended to increase revenues. Total spending for higher education increased at an annual average rate of 5.5 percent.

Between SFY 2012-13 and SFY 2015-16, spending for higher education is projected to increase $799 million, or 7.7 percent, or an average of 2.5 percent annually. The largest area of growth is projected to occur in spending for SUNY State Operations (including both personal services and non-personal services). Spending for capital projects made up nearly one-quarter of the growth between SFY 2007-08 and SFY 2011-12, primarily for SUNY, but is projected to decline to only 2.5 percent of the growth between SFY 2012-13 and SFY 2015-16.

Figure 12



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

Health

The Enacted Budget adopts major parts of the Executive's health and Medicaid spending proposal for SFY 2012-13, but modifies or rejects other aspects of it. Adopted as proposed is a one-year extension, through SFY 2013-14, of the Health Commissioner's authority to reduce Medicaid expenditures if they appear to be exceeding allowable amounts. The Enacted Budget extends for one year the global cap on State DOH Medicaid spending through SFY 2013-14.

The Enacted Budget caps State DOH Medicaid spending at $15.9 billion in SFY 2012-13, which reflects an increase of $590.1 million, or 3.9 percent, over the cap for SFY 2011-12. The Executive recently reported that DOH Medicaid spending finished SFY 2011-12 under the global Medicaid cap of $15.3 billion by $14 million. In SFY 2012-13, All Funds DOH Medicaid spending is projected to decrease by $88.3 million, or 0.2 percent, to $40.1 billion.

The Enacted Budget adopts the Executive proposal to begin reducing the 3.0 percent annual growth rate in local Medicaid spending, starting in April 2013, and to eliminate it entirely in 2015. The Enacted Budget also caps State reimbursement of local government Medicaid administration expenditures at SFY 2011-12 levels, and begins a process for the phased State takeover of local Medicaid administration responsibilities by March 2018. In counties where local administration costs exceed the cap, the Enacted

Budget modifies the Executive proposal to reimburse those costs with overall Financial Plan savings from the cap.

In other Medicaid actions, the Enacted Budget provides $34.3 million to cover the cost of rejecting the Executive Budget proposal to eliminate spousal refusal, which would have prohibited a spouse or parent from refusing to contribute income or assets for a family member's Medicaid long-term care expenses. The Enacted Budget also provides $3.1 million to reinstate provisions giving medical providers the final say in prescribing anti-psychotic drugs under Medicaid managed care, but reduces by $15 million a proposal to reinvest Medicaid savings from hospital and nursing home closures in expanded supportive housing services.

Medicaid recently recorded a new enrollment peak of just over 5.0 million eligible individuals for March 2012. For SFY 2011-12, monthly enrollment averaged 4.96 million, an increase of approximately 151,000, or 3.2 percent, over SFY 2010-11. The Enacted Budget projects that average annual Medicaid enrollment will surpass 5.0 million for the first time in State history in SFY 2012-13. This will continue to create cost pressures going forward.

The Enacted Budget bypasses Office of the State Comptroller (OSC) contract review and the request-for-proposals process to hire a fiscal agent for the Early Intervention program for infants and toddlers with disabilities, to allocate unspent funds for physician practice support and loan repayment programs, and to authorize contracts for certain Medicaid administration tasks. However, the Enacted Budget rejects Executive proposals that would have authorized contracts for Medicaid enrollment activities, supportive housing development and pilot programs for the developmentally disabled without OSC review or competitive bidding.

The Enacted Budget also adds nearly $31 million to restore co-payment assistance in the State's Elderly Pharmaceutical Insurance Coverage (EPIC) program for low- and moderate-income New Yorkers, starting January 2013. The SFY 2011-12 Enacted Budget eliminated this assistance in January 2012, requiring EPIC participants to pay whatever price is charged by their Medicare Part D drug plan until they reached the Part D coverage gap, to which EPIC assistance was limited. Under the newly Enacted Budget, seniors on EPIC will pay no more than a $20 co-payment for each prescription, whether they are in the coverage gap or not, beginning January 1, 2013. The full-annual cost of the restoration, which is effective for only three months of SFY 2012-13, is expected to be $36.3 million in SFY 2013-14; rebates from drug manufacturers participating in the program will offset EPIC expenditures.

The Enacted Budget adds $10 million to provide health insurance coverage for home and personal care workers, restores $5.0 million to the DOH tobacco prevention and control program, and requires the Roswell Park Cancer Institute in Buffalo to develop a plan and, by January 2014, seek approvals to execute such plan in order to achieve operational and fiscal independence from the State.

The Enacted Budget rejects the Executive proposal to establish a health benefit exchange in New York, in accordance with the federal Patient Protection and Affordable

Care Act. However, the Executive issued an Executive Order to establish a statewide health exchange shortly after the Budget's enactment.

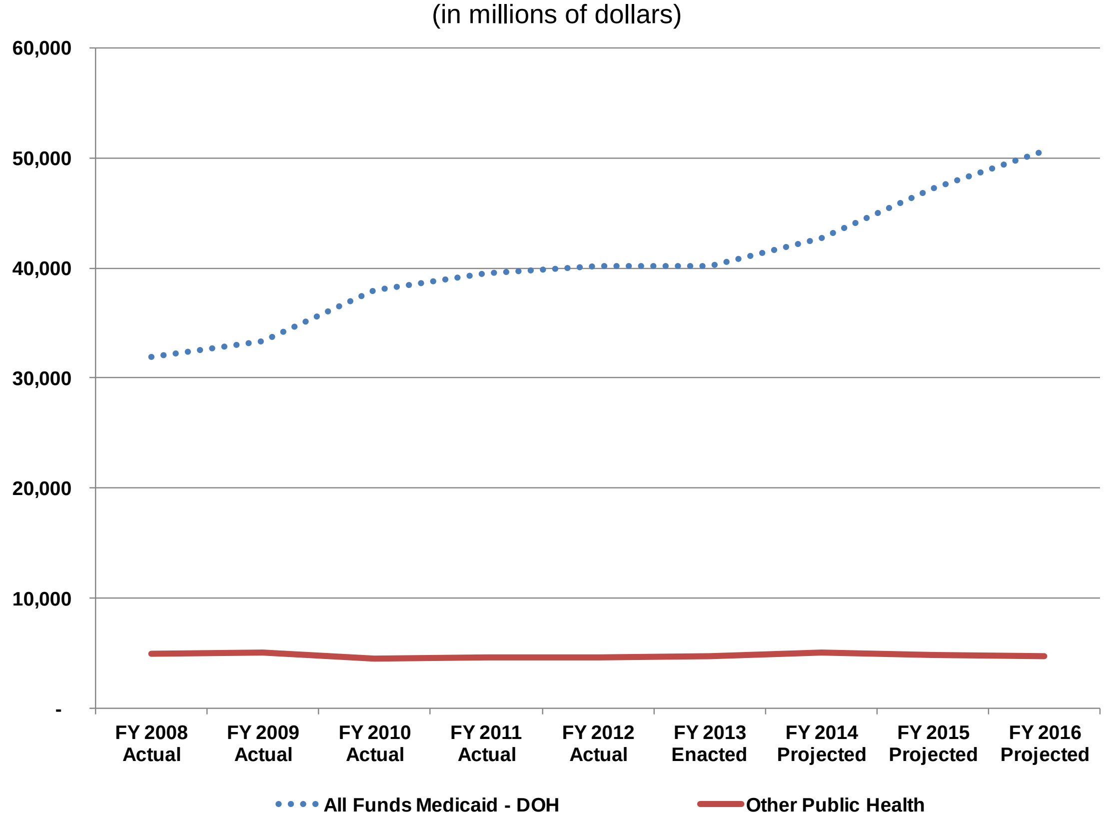
Revenue and spending for Health Care Reform Act (HCRA) programs remain in balance through SFY 2015-16 under the Enacted Budget. Surcharges on hospital bills, cigarette taxes and the covered lives assessment on private insurance coverage account for nearly 88 percent of $5.9 billion in HCRA receipts projected to be collected in SFY 2012-13, an increase of $604 million, or 11.4 percent, over SFY 2011-12. Disbursements of $3.7 billion for the State Medicaid program account for 62 percent of the $5.9 billion in projected HCRA spending in SFY 2012-13. Total HCRA spending is projected to increase $451 million, or 8.2 percent, over SFY 2011-12.

Actual and Projected Trends

In New York, public health care spending is dominated by Medicaid. From SFY 2007-08 through SFY 2011-12, All Funds DOH Medicaid spending, including administration, increased $8.3 billion, for an average annual increase of 6.0 percent. Average annual growth from SFY 2013-14 through SFY 2015-16 is projected to reach 8.0 percent, largely due to the federal Patient Protection and Affordable Care Act's provision of additional financing of Medicaid costs for individuals and childless couples.

Figure 13

All Funds Medicaid and Other Public Health Disbursements
SFY 2007-08 through SFY 2011-12 Actual and
SFY 2012-13 Enacted through SFY 2015-16 Projected
(in millions of dollars)



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

The SFY 2011-12 Enacted Budget limited Medicaid spending from State Operating Funds (not including capital or federal funding) from DOH, including administration, to the 10 year average growth of the medical component of the Consumer Price Index (currently approximately 4.0 percent).

Projected out-year growth in State Operating Funds is expected to average 4.1 percent. Medicaid spending in State Operating Funds over the last five years has been largely supplemented with federal stimulus funding, totaling nearly $8.5 billion through SFY 2011-12.

Human Services

The Enacted Budget amends several Executive proposals for the two largest human services agencies, including a major initiative to reform the State's juvenile justice system, implementation of the third and final phase of the public assistance grant increase, and support for various Temporary Assistance and Needy Families (TANF) programs. The Enacted Budget increases State-funded spending (including the General Fund and State special revenue funds) for the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA) by $88.7 million, or 2.6 percent, to nearly $3.6 billion. However, All Funds spending decreases by $73.3 million, or 0.9 percent, to $8.4 billion in SFY 2012-13.

The Enacted Budget authorizes New York City to implement "close-to-home" juvenile justice reform. This reform will return juvenile delinquents from New York City who have been placed in upstate, non-secure or limited-security residential facilities operated by OCFS to similar facilities in New York City.

As these youths return to New York City, the Enacted Budget authorizes OCFS to close any of its non-secure and limited-security facilities, as well as temporarily to bypass statutory provisions requiring 12 months notice of significant service and public employee staffing reductions. The Enacted Budget establishes various requirements for OCFS and New York City relative to the changes in juvenile justice practices.

The Executive expects the close-to-home reforms to result in $3.0 million in additional costs in SFY 2012-13, because OCFS will continue to maintain some capacity for non-secure youth from New York City during the year. The Executive projects recurring savings of $4.5 million when the program is fully implemented in SFY 2014-15.

The Enacted Budget provides $16 million to modify the Executive proposal to phase in the final 10 percent increase in the public assistance allowance for needy individuals and families. The Executive proposed a 5.0 percent increase on July 1, 2012 (the date when the full 10 percent increase was supposed to take effect) and an additional 5.0 percent increase on July 1, 2013. The Enacted Budget increases the allowance by 5.0 percent on July 1, 2012 and provides an additional 5.0 percent increase on October 1, 2012.

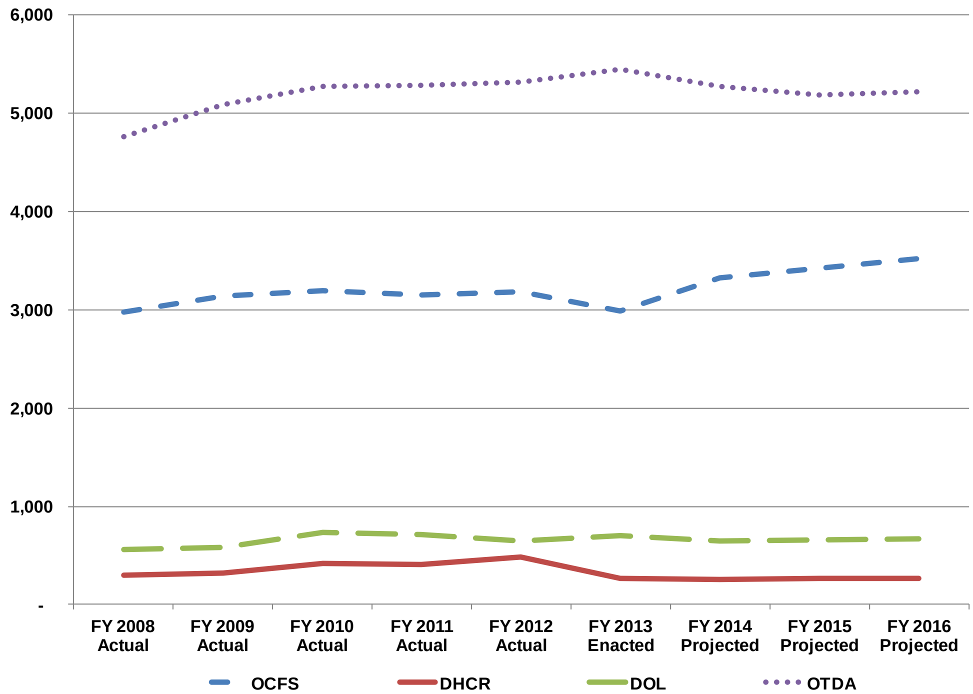
Actual and Projected Trends

Disbursements for Human Services primarily come from four agencies: OCFS, OTDA, the Division of Housing and Community Renewal (DHCR), and the Department of Labor (DOL). Overall, All Funds spending for Human Services increased 12.1 percent or $1.1 billion between SFY 2007-08 and SFY 2011-12, representing average annual growth of 2.9 percent. The majority of the growth came from local assistance payments made by OTDA.

Spending for Human Services is projected to grow $300 million, or 3.0 percent over the next four years, with projected growth in OCFS offset by declines in DHCR and OTDA. Overall, average annual projected growth is 1.0 percent. While OCFS is projected to grow an average of 5.6 percent annually, OTDA is projected to decline 1.4 percent annually.

Figure 14

All Funds Human Services Disbursements
SFY 2007-08 through SFY 2011-12 Actual and
SFY 2012-13 Enacted through SFY 2015-16 Projected
(in millions of dollars)



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

Mental Hygiene

The Enacted Budget modifies several Executive proposals, including plans to close the Office of Mental Health's (OMH) Kingsboro Psychiatric Center for adults in Brooklyn, and to restructure the Office for People With Developmental Disabilities (OPWDD) and the State's civil confinement program for sex offenders. The Enacted Budget increases total

State-funded spending for OMH, OPWDD, the Office of Alcoholism and Substance Abuse Services (OASAS), the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) and the Developmental Disabilities Planning Council (DDPC) by $11.2 million, or 0.1 percent, to $7.8 billion in SFY 2012-13. All Funds spending in this area increases by $110.7 million, or 1.4 percent, to $8.3 billion.

While keeping Kingsboro open, the Enacted Budget authorizes the OMH Commissioner to close or convert to transitional placement as many as 400 State psychiatric beds system-wide during SFY 2012-13. As of May 2012, the inpatient census at OMH adult, children and youth, forensic services and research facilities was 4,036, including 243 adults at Kingsboro. The Enacted Budget also modifies language to require reinvestment of any resulting savings in comparable community-based mental health services, subject to OMH and DOB approval.

Under the Enacted Budget, the OMH Commissioner must provide the Legislature 45 days notice and post the notice on the OMH website before closing or converting any beds in SFY 2012-13. To close, consolidate or merge any State psychiatric center in SFY 2012-13, the Enacted Budget requires 75 days notice to the Legislature and the chief executive officer of the county where the facility is located, as well as posting on OMH's public website. The Enacted Budget rejects the Executive proposal to permanently repeal provisions requiring 12 months notice of significant service reductions and replace them with 30 days notice for bed closures and 60 days notice for facility closures, consolidations or mergers. The Enacted Budget requires the OMH Commissioner to certify the date for closing or consolidating any OMH facility.

The Enacted Budget authorizes the Executive to restructure OPWDD to create developmental disabilities regional offices and State operations offices to oversee service delivery around the State. However, the Enacted Budget rejects a proposal to remove all references to the existing developmental disabilities services offices through which OPWDD is currently organized. The Enacted Budget also requires OPWDD to notify the Legislature 60 days before reducing capacity by 20 beds or closing any State developmental center or other OPWDD facility.

The Enacted Budget modifies or rejects various provisions to restructure the State's civil confinement program for sex offenders, and makes $3.9 million in restorations to reflect those actions. Among other proposals, the Enacted Budget rejects a provision allowing non-OMH or non-OPWDD staff to provide care, treatment or security services, rejects a proposal to provide biennial rather than annual examinations of sex offenders and petitions for discharge from the program, and allows witnesses in civil confinement proceedings, except for trials, to testify by video teleconferencing.

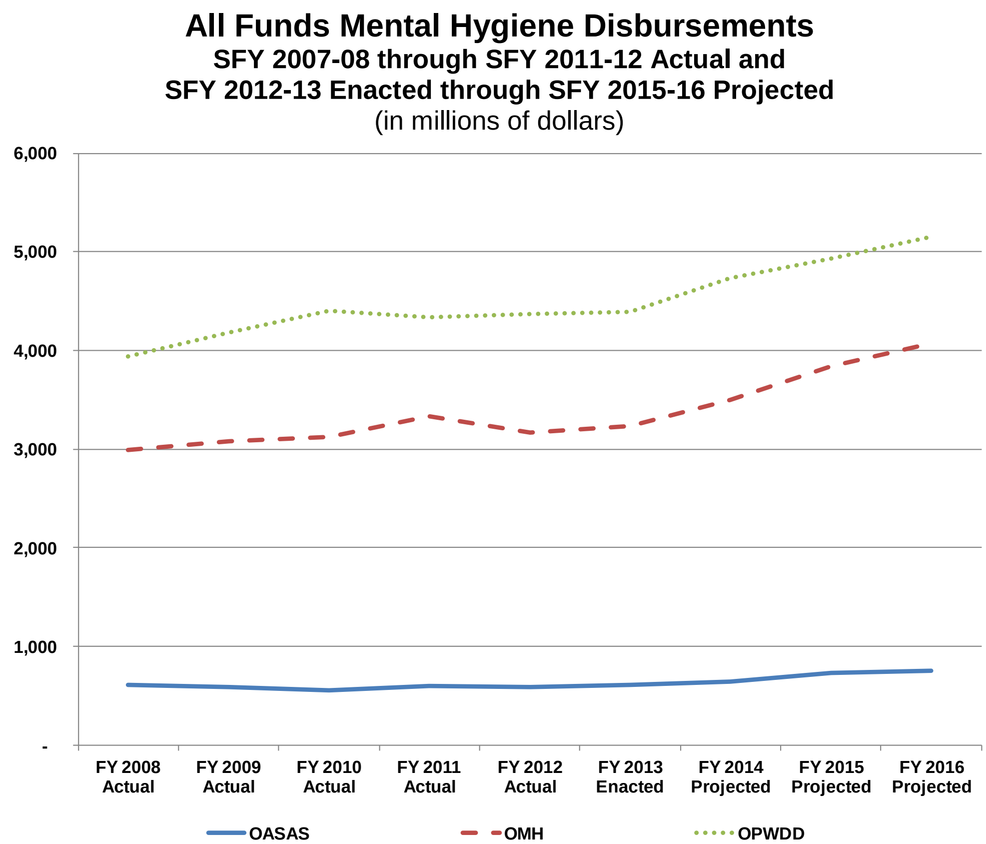
The Enacted Budget provides $1.1 million to reflect rejection of a proposal to allow incapacitated individuals awaiting trial to be treated in local correctional facilities, and adds $800,000 for demonstration programs in counties affected by closure of the Hudson River Psychiatric Center in Poughkeepsie in SFY 2011-12. In addition, the Enacted Budget provides DOH, OMH, OPWDD and the OASAS with regulatory flexibility to integrate health and behavioral health services, but requires website notification when the agencies waive regulations or deem regulatory compliance.

Actual and Projected Trends

Between SFY 2007-08 and SFY 2011-12, All Funds spending for the three major agencies that make up Mental Hygiene (OMH, OPWDD, and OASAS) increased a total of $585 million, or 7.7 percent, with average annual growth of 1.9 percent. The majority of the growth (76.2 percent) occurred in OPWDD local assistance payments.

In contrast, All Funds Mental Hygiene spending from SFY 2013-14 through SFY 2015-16 is projected to increase 21.3 percent, or $1.7 billion, primarily because of projected growth in OMH local assistance payments. This equates to $1.7 billion, or 6.6 percent, in average annual growth. Growth for the three agencies for the current year is projected at 1.3 percent.

Figure 15



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

Economic Development

The Enacted Budget establishes the New York Works infrastructure investment (NY Works) initiative to build or improve the State's critical infrastructure assets, including bridges, highways, parks, energy systems and other infrastructure components. The Enacted Budget also creates the New York Works Task Force, which will develop a coordinated plan for capital infrastructure investments across State agencies and authorities, and provides $1.0 million for the Task Force.

The $15 billion NY Works initiative includes new appropriations for economic development projects totaling $300 million, including additional funding for a second round of competitive awards through the Regional Economic Development Councils established in 2011. The Councils were established to coordinate and distribute economic development resources from State agencies and authorities. This second round of funding through the Councils includes $150 million in new capital resources from NY Works and $70 million in tax credits from the Excelsior Jobs Program. In addition to the funding added for the Councils, the Enacted Budget establishes the NY Works Economic Development Fund, which will provide grants to projects aimed at creating or retaining jobs, with $75 million in capital funding.

The Enacted Budget also establishes, as part of the previously announced $1.0 billion economic development package for the City of Buffalo, the Buffalo Regional Innovation Cluster, which includes NY Works funding of $75 million and $25 million in Excelsior Jobs Program tax credits for each of the next two State fiscal years.

As has occurred in several previous years, the Executive Budget proposal to grant permanent general loan powers to the New York State Urban Development Corporation (UDC) was modified to extend the sunset of this provision by one year. Currently, UDC has the ability to make grants only when they are tied to specific, statutory programs.

In August 2011, the Executive signed legislation establishing the NY-SUNY 2020 Challenge Grant Program, which committed $80 million in capital funding for projects at the four University Centers at Albany, Binghamton, Buffalo and Stony Brook to promote regional economic development at or near the SUNY campuses. The Enacted Budget includes appropriations for these previously committed funds, as well as an additional $30 million for projects at the other SUNY colleges. In addition, the Enacted Budget includes $250 million in capital funding appropriations for the SUNY College of Nanoscale Science and Engineering in Albany.

The Enacted Budget includes $131.8 million to support Minority and Women-Owned Business development initiatives, various ongoing economic development programs (administered by the Department of Economic Development or UDC), tourism and marketing programs, and technology, research and development initiatives. This represents a $14.2 million increase over the proposed amount for these purposes.

The Infrastructure Investment Act passed by the Legislature in December 2011 contained provisions to authorize the Thruway Authority, Bridge Authority, Department of Transportation, Office of Parks, Recreation and Historic Preservation and the Department of Environmental Conservation to use a design-build approach to infrastructure projects. This approach eliminates the initial design stage used in conventional procurement, permitting bidders to offer a complete package of design and construction costs in one bid.

Lottery and Gambling

The SFY 2012-13 Enacted Budget modified an Executive proposal to merge the Division of Lottery with the Racing and Wagering Board, creating a new entity, the New York State Gaming Commission. This new commission will comprise four divisions: lottery, charitable gaming, gaming and horse racing, and pari-mutuel wagering. The Enacted Budget removes the law enforcement division proposed by the Executive. In addition, the Enacted Budget creates, within the new commission, an Office of Racing Promotion and Development to administer the State's breeding and development fund corporations.

It is unclear how the consolidation of the three development funds into the new Office of Racing Promotion and Development will impact the existing executive management and staff of the fund corporations. The board of directors of the Agriculture and New York State Horse Breeding Development Fund is modified to eliminate the chairman and members of the State Harness Racing Commission, and instead adds three members to be appointed by the Governor, as well as two upon the recommendation of legislative leaders.

The Enacted Budget includes a provision requiring the Racing and Wagering board to undertake a study of the impact of advance deposit wagering on horse racing and pari-mutuel handle in New York State. The Enacted Budged also added authorization for the regional Off-Track Betting Corporations (OTBs) to declare bankruptcy if they are found to be financially insolvent by the Racing and Wagering Board.

On March 14, 2012, the Legislature passed Governor's Program Bill 30, a constitutional amendment which would provide authorization for casino gambling at no more than seven facilities in New York State. Constitutional amendments require the passage of a concurrent resolution by two separately elected legislatures and subsequent adoption by the voters. Therefore, the earliest this amendment could take effect would be after the November 2013 General Election.

The Enacted Budget eases restrictions on Quick Draw operations by eliminating the requirement that establishments that sell alcoholic beverages for consumption on premises must have a minimum of 25 percent of gross sales from food in order to qualify as Quick Draw vendors.

Transportation

The SFY 2012-13 Enacted Budget makes no significant changes to the Executive Budget with respect to transportation funding.

State Transportation Capital Spending

The SFY 2012-13 Enacted Budget provides $1.2 billion in additional capital projects funding for transportation. Of this amount, $917 million is an appropriation of federal capital assistance due in future years. This does not represent additional federal funds, but rather the earlier allocation of anticipated future federal aid.

Support for Local Highways and Bridges

The Enacted Budget maintains Consolidated Highway Improvement Program (CHIPs) bonding authorization at $363 million, with another $39.7 million authorized for Marchiselli Aid. The combined amount of spending – $402.7 million – occurs entirely off-budget and is not included in the State Financial Plan. This level of funding has remained fixed since SFY 2008-09. These programs are paid in the first instance through the proceeds of bonds issued by the Thruway Authority on the State's behalf and the debts so incurred by the State are paid with funds from the Dedicated Highway and Bridge Trust Fund.

Dedicated Highway and Bridge Trust Fund

The Dedicated Highway and Bridge Trust Fund (DHBTF), enacted in 1991, was intended to be the primary funding source for the construction and rehabilitation of State-owned roads and bridges. However, since its inception, a growing portion of the Fund has been diverted to pay for State operating costs and Debt Service. As a result, DHBTF resources are no longer sufficient to pay for its original purpose, capital construction. Capital outlays from the DHBTF have remained essentially flat in nominal terms since 1994 and have lost more than half their value in real terms because of inflation over the period.

The Enacted Budget increases estimated capital disbursements from the DHBTF by $127.8 million, or 16.6 percent, over SFY 2011-12 disbursement levels, for a total of $898.4 million. However, it is worth noting that last year's enacted budget anticipated that capital outlays would total $835.1 million in SFY 2011-12, not the $770.6 million now projected for last fiscal year. This suggests that some spending originally planned for last year has been postponed to the current fiscal year.

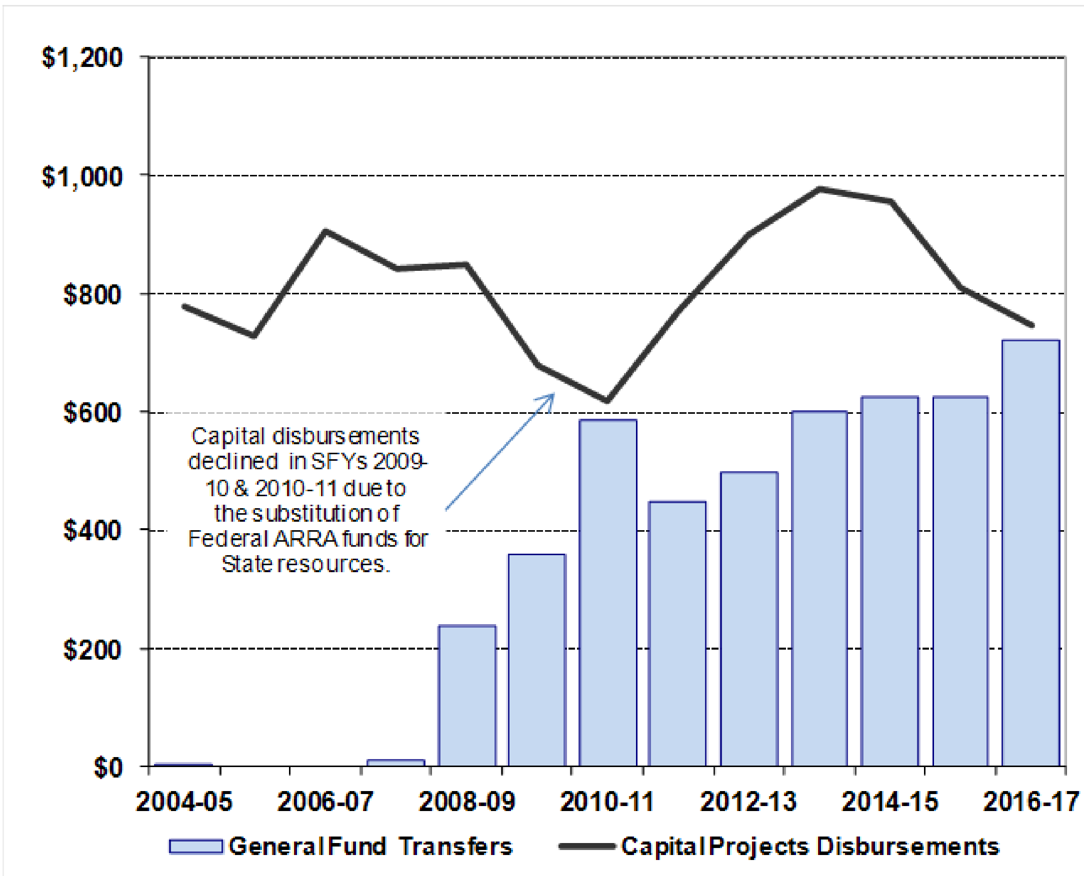
Disbursements from the DHBTF for the support of departmental operations are projected to decline by $34.6 million, or 2.7 percent, to $1.2 billion. Debt service disbursements are projected to reach $1.4 billion, a $47.2 million, or 3.4 percent, increase over the prior year. The large size of the DHBTF's debt load is attributable to the decision made in 2005 to restructure the Fund's debt and defer principal payments for five years. This resulted in a balloon increase in debt service of $336.2 million, or 32.6 percent, in SFY 2010-11.

The DHBTF continues to run short of the funds necessary to pay for all the activities it supports. As a result, the State General Fund will once again be required to subsidize capital expenditures at both the State and local levels during SFY 2012-13. However, DOB has made adjustments in the DHBTF Capital Plan in the Enacted Budget. These adjustments are the result of a $43.9 million reduction in Fund disbursements for State Operations and Debt Service and a matching reduction in the amount of the General Fund subsidy going to the DHBTF. As a result of these adjustments, the General Fund subsidy for SFY 2012-13 will be approximately $500 million, rather than $543 million, as originally projected in the Executive Budget presentation.

Although the Executive has taken steps to limit the growth of General Fund support for the DHBTF, the Enacted Budget Capital Plan shows that within five years almost all capital expenditures from the Fund will be matched by General Fund subsidies. This means in essence that nearly all of the Fund's dedicated revenues, bonds, and federal aid will be used to pay for State Operations and Debt Service.

Figure 16

DHBTF General Fund Transfers and Capital Projects Disbursements
(in millions)

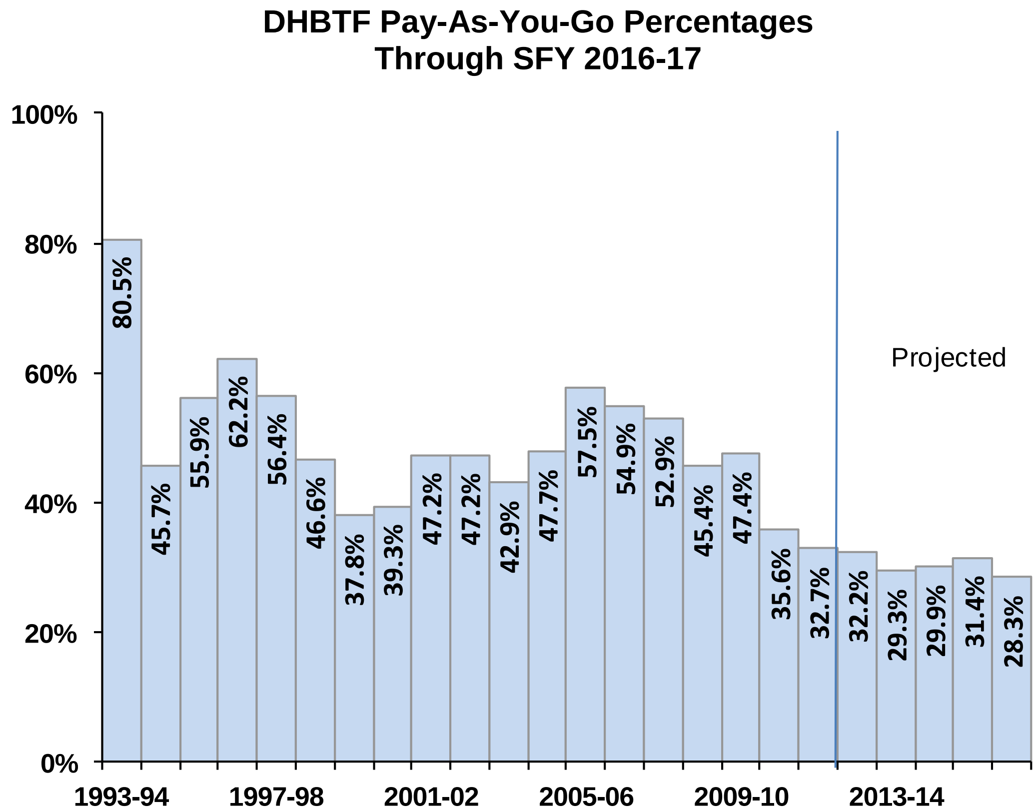


Source: Office of the State Comptroller; Division of the Budget

By SFY 2016-17, Capital Projects will account for just 19.8 percent of DHBTF disbursements, while Debt Service will consume 41.8 percent and State Operations will take the remaining 38.4 percent.

As Figure 17 illustrates, the DHBTF will be characterized by a low level of PAYGO for the foreseeable future. PAYGO is here defined as dedicated revenue as a percentage of combined Capital and State Operations disbursements.

Figure 17



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

Environment, Parks and Agriculture

Department of Environmental Conservation

The SFY 2012-13 Enacted Budget provides $979.4 million in All Funds spending support for the Department of Environmental Conservation (DEC), a $23.3 million decrease from the SFY 2011-12 spending level. The Enacted Budget adds $106.6 million, including an additional $68.9 million in local assistance grants, to spending proposed in the Executive Budget. Undisbursed federal American Recovery and Reinvestment Act funding is the primary source of this additional spending.

Restorations and additions in the Enacted Budget include an additional appropriation of $1.3 million from the Conservation Fund traditional account to support invasive species control and fish and game stocking programs.

Environmental Protection Fund

The Enacted Budget appropriates $134 million for the Environmental Protection Fund, as proposed in the Executive Budget. However, within this amount, the Executive Budget proposal was altered to provide the following:

- $460,000 for local waterfront development projects in Erie, Jefferson, Niagara and Saint Lawrence counties;
- $725,000 for local parks in the City of Buffalo; and
- $300,000 to study total maximum daily pollutant loads in the South Shore Estuary Preserve.

Belleayre Ski Center

The Enacted Budget approves the Executive Budget proposal to transfer ownership and operation of the Belleayre Ski Center from DEC to the Olympic Regional Development Authority (ORDA), but modifies the Executive Budget proposal to require local ORDA board representation and to require ORDA to support recreational activities in addition to skiing at the facility.

Environmental Facilities Corporation

The Enacted Budget includes the Executive Budget proposal to move $12.6 million in appropriations for the Environmental Facilities Corporation off-budget.

Parks

The SFY 2012-13 Enacted Budget provides $282.7 million in All Funds spending support for the Office of Parks Recreation and Historic Preservation, a $47.2 million increase from the SFY 2011-12 spending level. The Enacted Budget appropriates $94.3 million in capital funds from the New York Works program, as proposed in the Executive Budget. These funds will assist in addressing an estimated $1.1 billion backlog in parks infrastructure maintenance.

In addition, the Enacted Budget provides an additional $3.1 million in funds for the Natural Heritage Trust program. These funds include support for operations at historic sites and grants for municipal park projects.

Agriculture

The SFY 2012-13 Enacted Budget provides $107.1 million in All Funds spending support for the Department of Agriculture and Markets, a $2.2 million decrease from the SFY 2011-12 spending level. The Enacted Budget restores $5.0 million in local assistance funding for agricultural business services programs funded through the Department of Agriculture and Markets, including: the eastern equine encephalitis program; the Cornell integrated pest management program; the tractor roll-over program; and the Farm Viability Institute.

Energy

The Enacted Budget creates a Western New York economic development program funded with net proceeds from sales of New York Power Authority expansion power, replacement power and power generated by the Niagara Project. The program will provide funding to private businesses located within a 30-mile radius of the Niagara Project for a broad range of purposes, including investment in capital infrastructure, research and development, and tourism marketing initiatives.

Off-Budget Energy Spending

In SFY 2012-13, the New York State Energy Research and Development Authority (NYSERDA) will administer approximately $650.4 million in funding for programs designed to promote: energy efficiency and renewable energy services; renewable energy generation infrastructure; commercialization of new energy technology; and reduction of environmental impacts of energy use and generation.

The majority of this funding comes from revenues raised by charges on electric and gas bills authorized by the New York State Public Service Commission – the Technology and Market Development Program (previously called the System Benefits Charge), the Renewable Portfolio Standard and the Energy Efficiency Portfolio Standard – and revenues raised by the auction of allowances to emit greenhouse gases authorized by the Regional Greenhouse Gas Initiative implementing regulations. Through these programs, NYSERDA projects expenditures of: $98.7 million on Technology and Market Development Programs; $391.1 million on energy efficiency programs; and $160.6 million on Renewable Portfolio Standard incentives.

Housing

The SFY 2012-13 Enacted Budget provides $262.8 million in All Funds spending support for the Division of Housing and Community Renewal (DHCR), a $219.9 million decrease from the SFY 2011-12 spending level. The reduction is explained by the final expenditure of ARRA weatherization funding in SFY 2011-12.

The Enacted Budget includes an additional $26 million in local assistance funding through DHCR including:

- $14.3 million for Neighborhood and Rural Preservation Programs. The appropriation language prevents more than $8.2 million from being disbursed. The difference will be made up by funds administered by the Housing Trust Fund Corporation (HTFC).
- $4.0 million for urban initiatives.
- $4.0 million for rural area revitalization.
- $3.0 million for the Main Street Program.

Finally, the Enacted Budget authorizes the Office of the Attorney General to transfer to the HTFC $15 million in funding received under a multi-state settlement with the five largest mortgage servicing banks in the United States. Of this amount, $9.0 million is allocated for foreclosure prevention purposes and $6.0 million is allocated for community development purposes. HTFC will contract with nongovernmental organizations to provide foreclosure prevention services.

Public Protection

The Enacted Budget includes All Funds support of $2.7 billion for the Department of Corrections and Community Supervision (DOCCS), $710 million for the Division of State Police, $554 million for the Division of Homeland Security and Emergency Services, $286 million for the Division of Criminal Justice Services, $96 million for the Division of Military and Naval Affairs, $75 million for Indigent Legal Services, and $65 million for the Office of Victim Services.

The Budget adds $3.4 million to support costs of the DNA Databank expansion and changes the effective date of the Databank expansion from October 1, 2012, to August 1, 2012. Additional funding above the level proposed by the Executive is provided for various other programs.

New Article VII language requires DOCCS to report annually to the Legislature on the capacity and population of the State prison system, and requires DOCCS to transfer existing Facility Parole Officers to open positions in the field before hiring new employees.

General Government

The Enacted Budget accepts the Executive proposal to exempt from the State Comptroller's review and approval centralized contracting for commodities and services by the Office of General Services (OGS). This may increase the risk of the State entering into contracts that are not in the best interests of the taxpayers.

The Enacted Budget narrows the Executive's proposed appropriation language to give DOB power to reallocate (or "interchange") spending among agencies. The language, included in almost every SFY 2012-13 State Operations appropriation as well as in certain transportation-related Capital Projects appropriations, allows DOB to move money between agencies for certain specified purposes.

Local Governments

The Aid and Incentives for Municipalities (AIM) program was enacted with no increases in aid to cities, towns or villages. Municipalities will receive $715 million in unrestricted aid and $79 million in grants and tax credits.

The Enacted Budget authorizes advances, or "spin-ups," of future State-sourced revenues to help certain cities balance their budgets. Thirteen cities, including Buffalo, Rochester, Syracuse and Yonkers, will receive spin-ups of a portion of next year's AIM payments ranging from $400,000 to $30 million. The City of Albany will receive a spin-up of a Payment In Lieu Of Taxes (PILOT) for $7.85 million, borrowed from a payment from the State scheduled for SFY 2032-33.

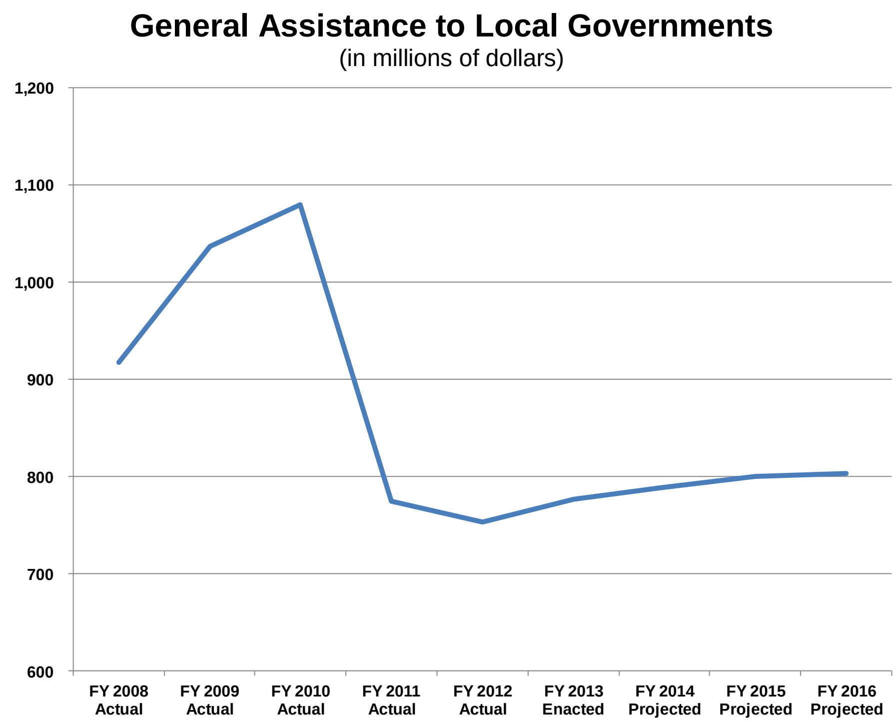
Aid to municipalities with Video Lottery Terminals (VLTs) was held flat at $25.9 million.

Actual and Projected Trends

Local Government Assistance, including AIM, Small Government Assistance, municipalities with VLT facilities, and miscellaneous financial assistance, reached a recent peak of $1.1 billion in SFY 2009-10.

Figure 18 illustrates the actual levels of aid between SFY 2007-08 and SFY 20011-12 as well as projected annual levels through SFY 2015-16. The significant reduction after SFY 2009-10 is primarily due to the elimination of $300 million in AIM for New York City, which was initially intended to be temporary.

Figure 18



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

New York City

The SFY 2012-13 Enacted Budget benefits New York City by more than $300 million in City Fiscal Year (CFY) 2013 and nearly $1.6 billion by CFY 2016, in contrast to the large reductions in aid that have been enacted in recent years. The increase in State assistance is largely a result of planned increases in education aid and a three-year phased takeover of the growth in the local share of Medicaid. The increase in State education aid, however, is contingent upon the implementation of a teacher evaluation process by January 2013. The City risks not only the loss of State education aid, but also about $142 million in federal funds, if it fails to implement a suitable process.

Table 16

Impact of the SFY 2012-13 Enacted Budget on New York City

(in millions of dollars)

	CFY 2013	CFY 2014	CFY 2015	CFY 2016
Education Aid	293.0	558.0	875.0	1,257.8
Medicaid	10.8	65.2	163.9	292.6
All Other Actions	13.6	17.8	23.6	23.6
Total Impact[13]	**$ 317.4**	**$ 641.0**	**$ 1,062.5**	**$ 1,574.0**

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

New York City's financial plan had assumed that the State would approve a new pension plan for future City employees, but the pension plan ultimately approved by the State will generate smaller savings than anticipated by the City. For example, the New York City Office of Management and Budget estimates that the new pension plan will save $49 million in CFY 2015 and $98 million in CFY 2016—about two-thirds of the amounts anticipated by the City for those years. The City estimates that the new pension plan will save approximately $21 billion over 30 years, compared with its earlier estimate of $30 billion.

Metropolitan Transportation Authority

The Enacted Budget provides the Metropolitan Transportation Authority (MTA) with an increase of $190 million in financial assistance over SFY 2011-12. The increase largely reflects improving economic conditions, which are expected to boost dedicated transit tax revenues. These resources were anticipated by the MTA and have already been incorporated into its financial plan.

The Enacted Budget also provides the MTA, as requested, with $770 million in new funding support for capital projects over a multiyear period and an increase of $7.0 billion in the MTA's outstanding bond cap (raising it to $41.9 billion) to help fund the final three years of the MTA's $24.3 billion 2010-2014 capital program. Under the MTA's financing strategy, borrowing would increase by $6.3 billion to a record total of $14.8 billion, which would increase MTA debt service by 64 percent to $3.2 billion between 2011 and 2018.

The MTA's budget is balanced in the current calendar year, but the MTA assumes that a fare and toll increase of 7.5 percent on January 1, 2013, which would generate $449 million annually, in combination with additional cost-reduction actions, will close a $515 million budget gap in 2013. The MTA is currently in negotiations with the Transport Workers Union, whose contract expired on January 15, 2012. The MTA's financial plan further assumes that the MTA's unionized employees will agree to no-cost labor agreements for three years.

[13] The Enacted Budget eliminated a planned increase in funding for New York City homeless prevention services ($15 million), but this action will not impact the City's financial plan because it did not anticipate those resources.

Public Authorities

The SFY 2012-13 Five-Year Capital Program and Financing Plan estimates that $4.8 billion in capital spending in SFY 2012-13 will be financed using public authority bond proceeds. The Enacted Budget increases bonding caps for eleven State-Supported programs, and decreases the cap in one program. Two new State-Supported bonding caps are added for transportation initiatives including Peace Bridge plaza improvements and MTA transportation facilities. The Capital Plan indicates that PIT bonds will be used to finance these projects.[14]

The net increase in bonding authorizations for public authorities is $2.7 billion. In addition, the Enacted Budget gradually raises the statutory limit on the amount of non-State supported bonds, notes and other obligations which the MTA, NYC Transit and the Triborough Bridge and Tunnel Authority may issue by $2.3 billion in each of the next two fiscal years, ultimately rising by $7.0 billion, to $41.9 billion thereafter.

Table 17

SFY 2012-13 Change in State-Supported Public Authority Bond Caps
(in millions of dollars)

Program	SFY 2011-12 Cap	SFY 2012-13 Executive Proposed Cap	SFY 2012-13 Enacted Cap	Enacted Change from Current Cap	Enacted Change from Proposed Cap
SUNY Educational Facilities	10,089.0	10,304.0	10,304.0	215.0	-
SUNY Upstate Community Colleges	536.0	623.0	623.0	87.0	-
Library Facilities	84.0	98.0	98.0	14.0	-
NY-SUNY 2020	80.0	110.0	110.0	30.0	-
Environmental Infrastructure Projects	915.7	1,118.8	1,118.8	203.0	-
Water Pollution Control	665.0	700.0	700.0	35.0	-
Division of Military & Naval Affairs	21.0	24.0	24.0	3.0	-
Courthouse Improvements	85.9	76.1	76.1	(9.8)	-
Prison Facilities	6,490.5	6,816.9	6,816.9	326.4	-
Housing Capital Programs	2,636.5	2,740.7	2,740.7	104.2	-
2011 and 2012 Economic Development Initiatives	180.6	715.6	710.6	530.0	(5.0)
Consolidated Highway Improvement Program (CHIPs)	6,695.2	7,106.0	7,106.0	410.9	-
MTA Transportation Facilities	-	770.0	770.0	770.0	-
Peace Bridge	-	15.0	15.0	15.0	-
Total	**28,479.3**	**31,218.0**	**31,213.0**	**2,733.7**	**(5.0)**

Source: Office of the State Comptroller; Division of the Budget
*Amounts may not add up due to rounding.
**This table does not reflect Enacted Budget provisions which change the MTA debt cap from a cap on annual debt service to a cap equivalent to the Authority's debt outstanding.

The Enacted Budget authorizes $191.4 million in transfers and miscellaneous receipts from public authorities to provide General Fund support, an increase of $100 million over the Executive Budget. A single transfer from the Project Pool Insurance account of the

[14] Section 68-b of State Finance Law authorizes the Dormitory Authority of the State of New York (DASNY) and the Urban Development Corporation (UDC) to issue Personal Income Tax Revenue (PIT) bonds for any authorized purpose.

State of New York Mortgage Agency (SONYMA) accounts for the entire increase. The transfer language indicates that reserves in the account must be sufficient to maintain the credit rating required to accomplish the purposes of the account. However, Moody's Investors Service recently commented that "the provision is credit negative for the Project Pool Insurance Account (Aa1 stable) because a withdrawal would reduce the reserves available to satisfy insurance obligations and further a trend of rising risk-to-reserve ratios."[15]

As previously noted, the Enacted Budget also included authorization for the HTFC to receive $9.0 million from the Attorney General for foreclosure prevention services contracts and $6.0 million for housing and community development purposes. A $7.0 million transfer to the HCRA Resources Fund from the Dormitory of the State of New York (DASNY) is also anticipated.

Table 18

SFY 2012-13 Transfers and Miscellaneous Receipts from Public Authorities
(in millions of dollars)

Public Authority	Executive Amount	Enacted Amount	Enacted Change from Executive
To the General Fund:			
Housing Finance Agency	3.5	3.5	-
New York Power Authority	65.0	65.0	-
Dormitory Authority of the State of New York	22.0	22.0	-
New York State Energy Research Development Authority	0.9	0.9	-
State of New York Mortgage Agency	-	100.0	100.0
To the Health Care Reform Act (HCRA) Resources Fund:			
Dormitory Authority of the State of New York	7.0	7.0	-
Other Transactions:			
Housing Trust Fund Corporation (from the Attorney General)	-	15.0	15.0
Total from Public Authorities	**98.4**	**213.4**	115.0

Source: Division of the Budget

The Enacted Budget increases the maximum for State cost recovery from State public authorities from $60 million to $65 million. The additional recovery payments are directed to facilitate enhanced audit and general oversight of the State's public authorities.

The amendments to the Executive Budget proposed authorizing DASNY to provide services, including financing services, to any State agency or authority. The proposal was modified to permit DASNY to enter into design and construction management agreements with DEC and the Office of Parks, Recreation and Historic Preservation. The Enacted Budget also includes New York Works capital appropriations totaling $196 million across both agencies for water management infrastructure, flood management and infrastructure projects involving State parks and historic sites. This capital

[15] Moody's Financial Service, *Sector Comment, Transfer of Reserve Funds to the State is Credit Negative for the SONYMA Project Pool Insurance Account*, April 17, 2012.

appropriation includes $5.0 million for the ORDA, including at least $1.0 million for Belleayre Mountain Ski Center.

The Executive Budget proposed adding a blanket authorization for any public benefit corporation to make voluntary contributions to the General Fund or to any other public benefit corporation at any time, as long as the transfers are approved by the corporations' governing boards. The Enacted Budget modified the proposal to authorize transfers to the General Fund only. Language permitting public authorities to make voluntary contributions to the General Fund was first enacted in SFY 2011-12. (The provision enacted in SFY 2011-12 was similar in concept to the "blanket sweep" language first enacted in SFY 2007-08, which provides DOB discretion to sweep funds from any special revenue accounts to the General Fund.)

The Enacted Budget requires Roswell Park Cancer Institute to develop a plan by January 1, 2014 to work toward becoming operationally and financially independent from the State. Additional provisions require the Commissioner of Health to work with the Institute to develop the goals and benchmarks to measure the achievement of independence and to monitor and assess the Institute's progress.

The Enacted Budget rejects the Executive proposal to amend the enabling legislation of the Convention Center Development Corporation (CCDC), a subsidiary of the New York State Urban Development Corporation, to allow disposal of properties next to the Jacob Javits Convention Center.

Other actions related to public authorities in the Enacted Budget include:

- provisions to move funding for the Environmental Facilities Corporation (EFC) off-budget;
- authorization for NYSERDA to record a declaration notifying prospective buyers of the existence of on-bill financing of energy improvements on real property;
- provisions to restrict DASNY's ability to create subsidiaries for the purposes of limiting liability to borrowers regulated by Public Health Law Article 28; and
- enactment of the Western New York Power Proceeds Allocation Act, which uses the net earnings of the Power Authority of the State of New York (PASNY) to fund economic development projects in the Erie/Niagara area.

State Workforce

The Enacted Budget projects that the State workforce will total 185,919 Full Time Equivalents (FTEs) at the end of SFY 2012-13. This represents growth of 1,778, or 1.0 percent, during SFY 2012-13 and is in contrast with DOB's January estimate, which projected a net increase of 70 FTEs.

The difference between the January and April figures is mainly due to DOB's initial overestimate of the Executive Branch workforce. This portion of the workforce does not include SUNY, CUNY and off-budget agencies. In January 2012, DOB estimated that the total for such agencies would be 126,131 at the end of the fiscal year in March 2012.

The actual size of the workforce at the end of March was 123,686. Thus, the Executive Budget overestimated the size of the workforce two months in the future by 2,445. This overestimation resulted in an initial understatement of the projected year-to-year growth.

The Division of the Lottery will be merged with the Racing and Wagering Board to create the New York State Gaming Commission. DOB does not anticipate savings from the change in SFY 2012-13. The Legislature did not enact the Executive proposal to merge the Governor's Office of Employee Relations (GOER) and the Department of Civil Service to create a new Department of Workforce Management.

Table 19

State Workforce Estimates

	Total Workforce March 2012		Total Workforce March 2013		2012 to 2013 (April Estimate)	
	January Estimate	March Actual	January Estimate	April Estimate	Y-T-Y Change	% Change
MAJOR AGENCIES						
CHILDREN AND FAMILY SERVICES	3,143	3,093	3,334	3,334	241	7.8%
CORRECTIONS AND COMMUNITY SUPERVISION	29,773	29,387	29,773	29,773	386	1.3%
EDUCATION DEPARTMENT	2,672	2,590	2,765	2,765	175	6.8%
ENVIRONMENTAL CONSERVATION	2,983	2,981	2,983	2,983	2	0.1%
FINANCIAL SERVICES	1,531	1,337	1,531	1,531	194	14.5%
GENERAL SERVICES	1,315	1,298	1,329	1,329	31	2.4%
HEALTH	5,000	4,761	5,120	5,120	359	7.5%
LABOR	3,753	3,717	3,526	3,526	(191)	-5.1%
LAW - ATTORNEY GENERAL	1,747	1,697	1,798	1,798	101	6.0%
MENTAL HEALTH	15,327	14,822	15,327	15,362	540	3.6%
MOTOR VEHICLES	2,393	2,378	2,414	2,414	36	1.5%
PARKS, RECREATION AND HISTORIC PRESERVATION	1,748	1,735	1,736	1,736	1	0.1%
PEOPLE WITH DEVELOPMENTAL DISABILITIES	20,718	20,299	20,604	20,604	305	1.5%
STATE COMPTROLLER	2,516	2,410	2,614	2,614	204	8.5%
STATE POLICE	5,220	5,187	5,220	5,236	49	0.9%
TAXATION AND FINANCE, DEPARTMENT OF	4,897	4,910	4,800	4,800	(110)	-2.2%
TEMPORARY AND DISABILITY ASSISTANCE	2,225	2,039	2,266	2,266	227	11.1%
TRANSPORTATION	8,583	8,974	8,492	8,492	(482)	-5.4%
WORKERS' COMPENSATION BOARD	1,380	1,306	1,371	1,371	65	5.0%
SUBTOTAL - MAJOR AGENCIES	**116,924**	**114,921**	**117,003**	**117,054**	**2,133**	**1.9%**
MINOR AGENCIES	**9,207**	**8,765**	**9,198**	**9,199**	**434**	**5.0%**
UNIVERSITIES AND OFF-BUDGET AGENCIES						
CITY UNIVERSITY	12,747	12,961	12,747	12,747	(214)	-1.7%
ROSWELL PARK CANCER INSTITUTE	2,025	2,025	2,025	2,025	0	0.0%
STATE UNIV CONSTR FUND	152	151	152	152	1	0.7%
STATE INSURANCE FUND	2,536	2,518	2,536	2,536	18	0.7%
STATE UNIVERSITY	42,206	42,800	42,206	42,206	(594)	-1.4%
Subtotal - Universities and Off-Budget Agencies	**59,666**	**60,455**	**59,666**	**59,666**	**(789)**	-1.3%
TOTAL ALL AGENCIES	**185,797**	**184,141**	**185,867**	**185,919**	**1,778**	**1.0%**

Source: Division of the Budget

Public Pensions

The Enacted Budget includes a new Tier 6 retirement plan that applies to public employees who join the system on or after April 1, 2012. The new tier varies employee contributions by wage level, increases the years of salary used to calculate the pension benefit, and reduces the percentage of Final Average Salary that retirees will earn for between 20 and 40 years of service. The new tier also provides that persons hired after July 1, 2013 earning more than $75,000 and who are not members of a union may elect to enroll in the State's Optional Retirement Program, which was previously available only to employees of the SUNY and CUNY systems and certain employees of the State Education Department.

Applicability: The new Tier 6 applies to the two systems administered by the Comptroller – the Employees' Retirement System (ERS), and the Police and Fire Retirement System (PFRS), the New York State Teachers' Retirement System, and three of the five New York City retirement systems. There are some provisions of the legislation, however, which apply to the New York City police and fire pension plans.

Employee Contribution Rate: Tier 5, which applied to persons who first joined a retirement system from January 1, 2010 through March 31, 2012, required, with some exceptions, a 3.0 percent employee contribution for the employee's entire working life. Tier 6 requires a 3.0 percent contribution for the year beginning April, 1, 2012 through March 31, 2013. However, the contribution rate following this period varies by wage and ranges from 3.0 percent for those earning $45,000 or less, to 6.0 percent, for those earning more than $100,000.

Table 20

Tier 6 Employee Contribution Rates
(effective March 31, 2013)

Wages	Contribution Rates
$45,000 or less	3.00%
$45,000 to $55,000	3.50%
$55,000 to $75,000	4.50%
$75,000 to $100,000	5.75%
More than $100,000	6.00%

Source: Office of the State Comptroller

Final Average Salary Calculation: The Final Average Salary (FAS) calculation used to determine the pension benefit for ERS and PFRS members is based on the average of wages earned during the five consecutive years in which employee pay was the highest. For members in Tiers 2, 4 and 5, the calculation is based on the highest three years (with limitations). For ERS and PFRS members, the wages in any year of the FAS cannot exceed the average of the previous four years by more than 10 percent. ERS Tiers 3,4, and 5 also have the 10 percent limitation, but use the average of the previous two years.

PFRS Tiers 2 and 5 limited increases to 20 percent of the average of the previous two years and Tier 3 to 10 percent.

Some local governments have adopted PFRS plans that base the FAS on the final year of salary only. Under Tier 6, employees who become PFRS members while the current contract is in effect would still be eligible for the final one year FAS.

Retirement Age: Tier 6 increases the minimum retirement age for full benefits from 62 to 63.

Retirement Calculation: Tier 6 benefits, like ERS benefits in Tiers 2, 4, and 5, are calculated using multiple formulas based on years of creditable service. Table 20 provides a comparison of the plan formulas based on service credit milestones for each of Tiers 2 through 6 in ERS.

Table 21

Plan Formulas Based on Service Credit Milestones

Article 15 Retirement Plan	Percentage of FAS for each year of service	
Years of Service	**ERS Tiers 2, 4 and 5**	**ERS Tier 6**
fewer than 20	1.66%	1.66%
20	2.00%	1.75% for first 20 years; 2.00% for years over 20
30	2.00% for first 30 years; 1.50% for years over 30	

Source: Office of the State Comptroller

Table 22

Sample Percentages of FAS Based on Years of Service

Years of Service	Tier 5 Pension % of FAS	Tier 6 Pension % of FAS
15	25%	25%
20	40%	35%
25	50%	45%
30	60%	55%
35	68%	65%
40	75%	75%

Source: Office of the State Comptroller

Early Retirement: Tier 6 provides for early retirement beginning at age 55 with a 6.5 percent reduction in benefits for every year prior to age 63. (Retirement at 55 would result in a 53 percent reduction compared with 38 percent in Tier 5.) However, PFRS members in 20 or 25 year plans retain the right to retire at 20 and 25 years without reductions, irrespective of age.

Exclusions: The Tier 6 plan adds the following items to the existing list of lump sum, sick leave and other exclusions from FAS: lump sum payments for accumulated vacation; wages in excess of the Governor's salary; and for members paid by three or more employers, wages paid by more than two of those employers.

Overtime: The use of overtime in the FAS calculation for Tier 6 is largely the same as Tier 5. For PFRS members, overtime used in calculating FAS is limited to 15 percent of salary. For ERS members, overtime is limited to $15,000, which is indexed for inflation based on the Consumer Price Index. Tier 5 is indexed at 3.0 percent annually.

Long-Term Expected Contribution Rate: The long-term expected employer contribution rate for Tier 6 ERS is approximately 6.4 percent of payroll, compared to 9.4 percent for Tier 5 and 11.6 percent for Tier 4. For PFRS, the long-term expected rate is 10.8 percent of payroll as compared to 15.1 percent for Tier 5 and 18.8 percent for Tier 2.

2013 Employer Rates: The 2013 rates for new Tier 6 members in ERS is approximately 10 percent of payroll. Tier 5 rates for these employees are approximately 14.9 percent of payroll. The 2013 Tier 6 rates for new PFRS members are 15.1 percent of payroll. The Tier 5 rate for these individuals is approximately 20.5 percent of payroll.

Defined Contribution Plan: Members who join the retirement system after July 1, 2013 and earn $75,000 or more and are not members of a union will be eligible to join the defined contribution plan currently available to SUNY and CUNY employees. The plan will require an employer contribution of 8.0 percent of salary and the employee contribution, as in the Tier 6 pension plan, will be either 5.75 percent or 6.0 percent based on the employee's projected salary.

Appendices

Appendix A: Summary of SFY 2012-13 Appropriations

Appropriations reflect statutory authority to spend during a specific State Fiscal Year for the program or purpose designated. They provide an upper limit, or maximum, for spending for that program or purpose. Anticipated spending from the appropriations is included in the Financial Plan, which provides a comprehensive estimate of the State's revenue and spending needs for the current State Fiscal Year and three subsequent fiscal years. 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 below the amounts appropriated.

The following summarizes new appropriations by appropriation type. The tables do not include contingency appropriations, reappropriations, or member item appropriations. Note that the Enacted Budget includes two-year appropriations in education aid and Medicaid.

Summary of New Appropriations by Appropriation Type
SFY 2012-13 Enacted Budget Compared to SFY 2011-12 Enacted Budget
(in millions of dollars)

	Enacted SFY 2011-12	Enacted SFY 2012-13	Dollar Change From SFY 2011-12	Percent Change From SFY 2011-12
State Operations	46,013	38,548	(7,464)	-16.22%
Local Assistance	179,209	190,149	10,940	6.10%
Capital Projects	7,556	10,167	2,612	34.57%
Debt Service	8,880	9,301	422	4.75%
Total	**241,656**	**248,166**	**6,510**	**2.69%**

Note: Appropriations for SFY 2011-12 are as enacted. Totals may not add due to rounding.

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

Summary of New Appropriations by Appropriation Type
SFY 2012-13 Enacted Budget Compared to SFY 2012-13 Executive Proposed Budget
(in millions of dollars)

	Executive Proposed (30-Day) SFY 2012-13	Enacted SFY 2012-13	Dollar Change From Executive	Percent Change From Executive
State Operations	38,392	38,548	157	0.41%
Local Assistance	188,807	190,149	1,342	0.71%
Capital Projects	10,126	10,167	41	0.41%
Debt Service	9,301	9,301	-	0.00%
Total	**246,626**	**248,166**	**1,540**	**0.62%**

Note: Totals may not add due to rounding.

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

The following charts summarize new appropriations by Subject Area. The appropriations for the Legislature and the Judiciary are contained within a single Budget Bill.

Summary of New Appropriations by Appropriation Subject Area
SFY 2012-13 Enacted Budget Compared to SFY 2011-12 Enacted Budget
(in millions of dollars)

	Enacted SFY 2011-12	Enacted SFY 2012-13	Dollar Change From SFY 2011-12	Percent Change From SFY 2011-12
Public Protection & General Government	14,953	16,078	1,125	7.52%
Health and Mental Hygiene	116,750	118,922	2,173	1.86%
Education, Labor & Family Assistance	83,496	83,804	308	0.37%
Transportation, Economic Development and Environment	14,807	17,286	2,479	16.74%
Legislature	220	220	(0)	-0.90%
Judiciary	2,551	2,555	4	5.74%
Debt Service	8,880	9,301	422	4.75%
Total	**241,656**	**248,166**	**6,510**	**2.69%**

Note: Appropriations for SFY 2011-12 are as enacted. Totals may not add due to rounding.
Source: Office of the State Comptroller; Division of the Budget

Summary of New Appropriations by Appropriation Subject Area
SFY 2012-13 Enacted Budget Compared to SFY 2012-13 Executive Proposed Budget
(in millions of dollars)

	Executive Proposed (30 Day) SFY 2012-13	Enacted SFY 2012-13	Dollar Change From Executive	Percent Change From Executive
Public Protection & General Government	16,057	16,078	20	0.13%
Health and Mental Hygiene	118,857	118,922	65	0.05%
Education, Labor & Family Assistance	82,566	83,804	1,238	1.50%
Transportation, Economic Development and Environment	17,085	17,286	201	1.18%
Legislature	220	220	-	-0.90%
Judiciary	2,540	2,555	15	0.59%
Debt Service	9,301	9,301	-	0.00%
Total	**246,626**	**248,166**	**1,540**	**0.62%**

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

Appendix B: Evolution of SFY 2012-13 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		DELIVERED TO	Chapter & Date Signed
	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	GOVERNOR	
State Operations	6250 17-Jan-2012	9050 17-Jan-2012	6250-A 10-Feb-2012	9050-A 10-Feb-2012			6250-B,C 11-Mar,27-Mar	9050-B,C 9-Mar,27-Mar	6250-D 27-Mar-2012	9050-D 27-Mar-2012	6250-D 3/30/2012	9050-D 3/30/2012	*3/30/2012*	Ch. 50 4/11/2012
Leg & Judiciary	6251 17-Jan-2012	9051 17-Jan-2012					6251-A 11-Mar-2012		6251-B 27-Mar-2012	9051-A 27-Mar-2012	6251-B 3/30/2012	9051-A 3/30/2012	*3/30/2012*	Ch 51 3/30/2012
Debt Service	6252 17-Jan-2012	9052 17-Jan-2012									6252 3/20/2012	9052 3/20/2012	*3/30/2012*	Ch 52 3/30/2012
Local Assistance	6253 17-Jan-2012	9053 17-Jan-2012	6253-A 10-Feb-2012	9053-A 10-Feb-2012	6253-B 17-Feb-2012	9053-B 17-Feb-2012	6253-C,D 11-Mar,27-Mar	9053-C,D 9-Mar,27-Mar	6253-E 27-Mar-2012	9053-E 27-Mar-2012	6253-E 3/30/2012	9053-E 3/30/2012	*3/30/2012*	Ch 53 4/11/2012
Capital Projects	6254 17-Jan-2012	9054 17-Jan-2012	6254-A 10-Feb-2012	9054-A 10-Feb-2012			6254-B,C 11-Mar,27-Mar	9054-B,C 9-Mar,27-Mar	6254-D 27-Mar-2012	9054-D 27-Mar-2012	6254-D 3/30/2012	9054-D 3/30/2012	*3/30/2012*	Ch 54 4/11/2012

***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.

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

Article VII/ Language Bills	Executive Budget		21-Day Amends		30-Day Amends		One-House Bills		Executive Resubmittal *		PASSED		DELIVERED TO	Chapter & Date Signed
	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	GOVERNOR	
Public Protection / General Government (PPGG)	6255 17-Jan-2012	9055 17-Jan-2012	6255-A 10-Feb-2012	9055-A 10-Feb-2012	6255-B 17-Feb-2012	9055-B 17-Feb-2012	6255-C 11-Mar-2012	9055-C 9-Mar-2012	6255-D 25-Mar-2012	9055-D 25-Mar-2012	6255-D 3/28/2012	9055-D 3/28/2012	*3/30/2012*	Ch 55 3/30/2012
Health & Mental Hygiene (HMH)	6256 17-Jan-2012	9056 17-Jan-2012	6256-A 10-Feb-2012	9056-A 10-Feb-2012	6256-B 17-Feb-2012	9056-B 17-Feb-2012	6256-C 11-Mar-2012	9056-C 9-Mar-2012	6256-D 27-Mar-2012	9056-D 27-Mar-2012	6256-D 3/30/2012	9056-D 3/30/2012	*3/30/2012*	Ch 56 3/30/2012
Education, Labor & Family Assistance (ELFA)	6257 17-Jan-2012	9057 17-Jan-2012	6257-A 10-Feb-2012	9057-A 10-Feb-2012	6257-B 17-Feb-2012	9057-B 17-Feb-2012	6257-C,D 11-Mar,15-Mar	9057-C 9-Mar-2012	6257-E 27-Mar-2012	9057-D 27-Mar-2012	6257-E 3/30/2012	9057-D 3/30/2012	*3/30/2012*	Ch 57 3/30/2012
Transportation & Economic Development (TED)	6258 17-Jan-2012	9058 17-Jan-2012	6258-A 10-Feb-2012	9058-A 10-Feb-2012	6258-B 17-Feb-2012	9058-B 17-Feb-2012	6258-C 11-Mar-2012	9058-C 9-Mar-2012	6258-D 25-Mar-2012	9058-D 25-Mar-2012	6258-D 3/28/2012	9058-D 3/28/2012	*3/30/2012*	Ch 58 3/30/2012
Revenue	6259 17-Jan-2012	9059 17-Jan-2012	6259-A 10-Feb-2012	9059-A 10-Feb-2012	6259-B 17-Feb-2012	9059-B 17-Feb-2012	6259-C 11-Mar-2012	9059-C 9-Mar-2012	6259-D 27-Mar-2012	9059-D 27-Mar-2012	6259-D 3/30/2012	9059-D 3/30/2012	*3/30/2012*	Ch 59 3/30/2012
Agency Mergers	6260 17-Jan-2012	9060 17-Jan-2012	6260-A 10-Feb-2012	9060-A 10-Feb-2012			6260-B 11-Mar-2012	9060-B 9-Mar-2012	6260-C 25-Mar-2012	9060-C 25-Mar-2012	6260-C 3/28/2012	9060-C 3/28/2012	*3/30/2012*	Ch 60 3/30/2012

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

Appendix C: Summary of SFY 2012-13 Article VII Bill Sections

Public Protection and General Government Chapter 55 of the Laws of 2012			
Description	**Executive Art VII Part**	**Enacted Art VII Part**	**Comments**
Expand the list of offenses for which DNA samples will be collected and entered into the State DNA Databank.	A	A	Chapter amendments to original part A, which was enacted as A. 9555.
Repeal the requirement for a pistol and revolver ballistic identification database, known as CoBIS and replace with a nationally recognized alternative.	B	B	
Require that the trial date for a traffic violation must be a date subsequent to the date of an initial appearance.	C	C	
Provide more flexible probation sentencing options for the courts.	D	Omitted	
Expand the authority of State judges to order the forfeiture of proceeds in a sentencing.	E	Omitted	
Continue provisions relating to the disposition of certain monies recovered by county district attorneys.	F	F	
Improve emergency response and disaster preparedness.	G	G	Amended to remove various provisions of original.
Establish a Tier VI retirement benefit for new employees of the State and local governments.	H	Omitted	Enacted in amended form as A. 9558.
Expand 2010 Medicare Part B reform to include employees and retirees of public authorities.	I	I	Amended to clarify application.
Lapse aged State and local reappropriations.	J	Omitted	
Modify the schedule of payments in lieu of taxes (PILOTs) made to the City of Albany.	K	ELFA Bill Part T	
Modify outdated Statewide procurement procedures and printing practices.	L	L	Amended.
Make various reforms to the Civil Service Law to provide increased flexibility with respect to hiring and transferring State employees.	M	Omitted	
Authorize transfers, temporary loans, repeal of the Community Projects Fund and amendments to miscellaneous capital/debt provisions, including bond caps.	N	Revenue Bill Part U	
Rename the Office for Technology as the Office of Information Technology Services.	O	O	
Accelerate Aid and Incentives for Municipalities funding for the City of Rochester.	P	ELFA Bill Part S	Amended.
Pay the MTA for costs associated with promoting access to employment through reimbursements for E-ZPass tolls paid by residents of Broad Channel and the Rockaway Peninsula that travel over the Cross Bay Veterans Memorial Bridge.	Q	Q	
Extends workers compensation self-insurers fund charge until 2015.	R	R	
Extends legislative allowances.		S	
Parole officers' certifications.		T	
Corrections officers' classification report requirements.		U	
Juvenile technology harmful use program.		V	
Public defense backup center.		W	
Appropriation language to allocate $2 million to counties for emergency communications costs.		X	

Health and Mental Hygiene Chapter 56 of the Laws of 2012			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Reform the Early Intervention Program.	A	A	Amended
Establish requirements for continued State funding to Roswell Park Cancer Institute.	B	B	Amended
Implement Electronic Death Registration System to modernize the process of issuing burial or funeral permits outside of City of New York.	C	Omitted	
Make statutory changes necessary to implement Medicaid Redesign Team recommendations, including those advanced through Phase Two workgroups and technical refinements to previous recommendations.	D	D	Amended
Establish the New York Health Benefit Exchange to serve as a marketplace for the purchase and sale of qualified health plans in the State of New York.	E	Omitted	
Provide additional relief to counties by reducing growth in local Medicaid expenditures for all counties and New York City and implement a phased takeover of local government administration of the Medicaid program.	F	F	Amended
Extend the authority for previously enacted Medicaid initiatives.	G	G	Amended
Repeal the Human Services Cost-of-Living Adjustment, and provide authorization for future annual increases, and direct agencies to establish limits on reimbursements for the costs of executive compensation and administration.	H	H	Amended
Establish pilot programs in accordance with the “People First 1115 Waiver” application.	I	Omitted	
Streamline the organizational structure of the Office for Persons With Developmental Disabilities to help improve management oversight of services to individuals with developmental disabilities.	J	J	Amended
Extend authorization for the Comprehensive Psychiatric Emergency Program.	K	K	
Permit the Commissioners of the Department of Health, the Office of Mental Health, the Office for People With Developmental Disabilities and the Office of Alcoholism and Substance Abuse Services to integrate health and behavioral health services.	L	L	Amended
Establish a pilot program to restructure educational services for children and youth residing in Office of Mental Health hospitals.	M	M	Amended
Create efficiencies in the Department of Mental Hygiene by: creating a Behavioral Health Advisory Council to replace and assume the responsibilities of the Office of Alcoholism and Substance Abuse Services and the Office of Mental Health; consolidating the statewide comprehensive planning process for OMH; and authorizing other efficiency measures.	N	N	Amended
Ensure the efficient operation of hospitals by the Office of Mental Health and the provision of appropriate community services.	O	O	Amended
Amend various provisions of the Sex Offender Management and Treatment Act.	P	P	Amended
Provide for outpatient capacity restoration of felony defendants, or restoration at psychiatric units of jails or Article 28 hospitals.	Q	Q	Amended
Continue the fiscal periods for which the Office of Mental Health is authorized to recover exempt income for community residence and family-based treatment programs.	R	R	
Modify the Excess Medical Malpractice Liability Coverage Pool.	S	S	Amended
Modify EPIC (Elderly Pharmaceutical Insurance Coverage).		T	

Education, Labor and Family Assistance Chapter 57 of the Laws of 2012			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Enact various provisions necessary to implement the education portion of the 2012-13 Executive Budget, including School Aid and other education-related programs.	A	A	Amended
Address Teacher Performance Review.	A-1	Omitted	Enacted as S. 6732 / A. 9554.
Expedite appeals process for New York City Schools.	A-2	Omitted	Enacted as S. 6732 / A. 9554.
Reform the Teacher Disciplinary Hearing Process.	B	B	Amended
Authorize the pass-through of the 2013 federal Cost-of-Living Adjustment.	C	C	
Phase in the scheduled Public Assistance Grant increase.	D	D	Amended
Authorize administration of the State Supplemental Security Income Supplementation Program.	E	E	
Reauthorize child welfare financing provisions.	F	F	Amended
Enact Juvenile Justice Reform.	G	G	Amended
Extend the New York State Higher Education Capital Matching Grant Program.	H	H	
Authorize the development of a master agreement with general terms and conditions and subsequent agreements between State agencies and Cornell University for the provision of services and technical assistance to the State.	I	I	Amended
Rationalize the financing system for Preschool Special Education.	J	Omitted	
Authorize BOCES to contract with Children and Family Services.	K	K	
Repeal annual reports for Youth Center Facility Program.	L	L	
Create a Validated Risk Assessment Program for youth.	M	M	
Require SUNY and CUNY Boards of Trustees to jointly conduct study of student remediation and report the findings.		N	
Clarify definition of SUNY Challenge Grant Program.		O	
Amend provision regarding nonresident undergraduate tuition at SUNY university centers.		P	
Require the SUNY and CUNY Boards of Trustees to jointly conduct a study of nonresident student charges at community colleges and charge-back rates.		Q	
Increase number of cameras allowed at traffic intersections in Nassau and Suffolk counties from 50 to 100.		R	
Authorize payments of certain municipal aid and incentives.	PPGG Bill Part P	S	Amended to add additional cities.
Modify the schedule of payments in lieu of taxes (PILOTs) made to the City of Albany.	PPGG Bill Part K	T	
Authorize municipal tax increment bonds for school districts within redevelopment project area.		U	
New requirements for prescription forms and labels.		V	
Establish a State veteran's cemetery.		W	

Transportation and Economic Development Chapter 58 of the Laws of 2012			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Provide the annual authorization for the CHIPs and Marchiselli programs.	A	A	Amended to retain expanded uses of CHIPs aid.
Consolidate the Department of Transportation's Accident Damage Account with the Dedicated Highway and Bridge Trust Fund.	B	B	
Implement a performance-based bus inspection program.	C	C	Amended to clarify DMV commissioner's powers.
Conform the Vehicle and Traffic Law to federal requirements governing operators of commercial motor vehicles and medical certification requirements pertaining to such operators.	D	D	Amended to alter license suspension conditions and procedures.
Raise the statutory limit on the amount of bonds, notes and other obligations the MTA, the New York City Transit Authority (NYCTA), and the Triborough Bridge and Tunnel Authority (TBTA) may issue.	E	E	Amended to further specify limit amounts.
Establish an additional retention rate for county clerks acting as agents of the Department of Motor Vehicles based upon Internet transactions.	F	F	
Ensure State compliance with federal motor carrier regulations issued by FMSCA.	G	G	Amended to add various vehicle definitions.
Eliminate certain tagging requirements, streamline various fish and wildlife licenses, permits and associated fees and extend the authority of the Department of Environmental Conservation to collect fees for ocean quahogs taken from all certified waters.	H	H	Amended to require annual publication of fish and wildlife law and to remove an extended repeal date for ocean quahogs fees.
Clarify that the State does not regulate Voice over Internet Protocol (VoIP) service.	I	Omitted	
Amend the formula for the imposition of the fees on hazardous waste and hazardous wastewater to incentivize the on-site recycling of such waste.	J	J	
Move the Environmental Facilities Corporation off-budget.	K	K	
Eliminate the mandate that the New York State Agricultural Experiment Station be the exclusive seed testing entity in the State, and allow testing to be conducted by the Department of Agriculture and Markets or a qualified laboratory.	L	L	
Provide the Department of Agriculture and Markets with more comprehensive fee-for-service authority in order to recover normal costs related to services provided to other states.	M	M	Amended with substitute langauge.
Redirect certain fees currently deposited to the Consumer Food Account and the Commercial Feed Licensing Account to the General Fund, as a result of the consolidation of these accounts into the General Fund.	N	N	
Authorize and direct the Comptroller to receive for deposit to the credit of the General Fund a payment of up to $913,000 from the New York State Energy Research and Development Authority.	O	O	
Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation’s climate change program, from an assessment on gas and electric corporations.	P	P	

Transportation and Economic Development Chapter 58 of the Laws of 2012			
Amend the enabling legislation for the Jacob K. Javits Convention Center to authorize the disposal of adjacent properties.	Q	Omitted	
Make permanent the general loan powers of the New York State Urban Development Corporation.	R	R	Amended to retain sunset privision, now made 7/1/13.
Make permanent the Empire State Economic Development Fund.	S	S	Amended to retain sunset privision, now made 7/1/13.
Provide general grant-making power for the New York State Urban Development Corporation.	T	Omitted	
Provide a 3.0 percent linked loan savings for agricultural businesses.	U	U	
Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.	V	V	
Extend the renewal period for certain disciplines licensed by the Department of State.	W	Omitted	
Make uncashed pari-mutuel vouchers subject to escheatment.	X	Omitted	
Reduce Racing and Wagering Board employee costs.	Y	Y	Amended with substitute langauge.
Enable the Commissioner of Agriculture and Markets to issue a dairy research and education order to fund research for the purpose of improving dairy industry production and increasing the efficiency and profitability of the State's dairy industry.	Z	Omitted	
Increase cost recovery from public authorities to support auditing and oversight work done by the Office of the State Comptroller.	AA	AA	Amended to increase chargeback from $60 to $65 million.
Authorize DASNY to manage DEC and Parks construction activities.	BB	BB	Amended to reduce scope of authorization.
Intentionally Omitted.	CC	Omitted	
Modify Green Jobs - Green New York Program	DD	DD	
Postpone diesel retrofit regulations one year to 12/31/13.		EE	
Authorize hunting and fishing license gift cards.		FF	
Authorize Western New York Power Proceeds Allocation Act		GG	
Authorize New York Works Task Force		HH	
Address advance deposit pari-mutuel wagering; regional off-track betting corporation bankruptcy petition authorizations; and use of capital acquisition funds with less than $2.5 million for any corporate purpose.		II	

Revenue Chapter 59 of the Laws of 2012			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Extend fees for the establishment of oil and gas unit of production values.	A	A	
Amend STAR benefit recovery program for unpaid tax liabilities.	B	B	Amended
Reform the Tobacco Products Excise Tax.	C	Omitted	
Extend the alternative fuels tax exemptions for five years.	D	D	Amended to extend exemption only 2 years.
Make technical amendments to the tax classification of diesel motor fuel.	E	E	
Expand criteria to refuse to issue Sales Tax Certificates of Authority.	F	Omitted	
Make Permanent Certain Modernization Provisions of the Tax Law.	G	G	Amended
Expand sales tax exemption for solar energy systems equipment and expand income tax credit for such systems.	H	Omitted	
Extend Empire State Commercial Production Tax Credit for five years.	I	I	Amended to exend tax credit for only 3 years.
Authorize additional credits of $8 million for low-income housing credit for each of the next five fiscal years.	J	J	Amended to extend for only 2 years.
Extend the Biofuel Production Tax Credit through the 2019 taxable year.	K	K	
Make permanent the Noncustodial Parent Earned Income Tax Credit.	L	L	Amended to extend credit 2 more years.
Prohibit banks from charging fees on levied bank accounts.	M	Omitted	
Extend the recently enacted lower Metropolitan Commuter Transportation Mobility Tax rates for employers to professional employer organizations.	N	N	
Extend for one year lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races.	O	O	
Redistribute the statewide collected transmission tax between the upstate (PTOA) and downstate (MMTOA) transit accounts in an equitable manner, replacing the existing yearly transfer between the two accounts.	P	P	
Facilitate the compliance of room remarketers with the duty to collect sales tax and the New York City hotel room occupancy tax.		Q	
Extend the provisions relating to the enactment and implentation of the federal Gramm-Leach-Bliley Act until 2015.		R	
Expand Video Lottery gambling		S	
Extend deadline for employer applications for New York youth tax credit program.		T	
Authorize transfers, temporary loans, repeal of the Community Projects Fund and amendments to miscellaneous capital/debt provisions, including bond caps.	PPGG Bill Part N	U	

State Entities Merger Chapter 60 of the Laws of 2012			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Merge the Division of the Lottery and the Racing and Wagering Board into the new New York State Gaming Commission.	A	A	Amended
Merge the Department of Civil Service and the Office of Employee Relations into a new Department of Workforce Management.	B	Omitted	
Transfer the operation and management of the Belleayre Mountain ski center from the Department of Environmental Conservation to the Olympic Regional Development Authority.	C	C	Amended
Eliminate and/or merge certain boards and commissions.	D	D	Amended

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

Major contributors to this report include:

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Bureau of State Accounting Operations

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