Report on the State Fiscal Year 2020-21 Executive Budget
Every year, certain issues emerge as particular challenges in the State Budget. Clearly, among the most difficult this year is the structural budgetary imbalance in the State’s Medicaid program. New York’s health coverage initiatives, including Medicaid, represent a great success story in many ways. Altogether, more than 7 million New Yorkers benefit from these programs, following a sharp increase over the past decade. That means more accessible health care for individuals all across the State.

Not surprisingly, State spending has increased as well. While federal funding has played a major role in expanding health coverage, the State’s own spending on Medicaid rose by nearly $10 billion through the decade ending in State Fiscal Year (SFY) 2018-19. While most of that growth was expected, unplanned cost increases more recently led to deferral of $1.7 billion in Medicaid payments from the end of SFY 2018-19 into the current year.

The State is still struggling to deal with this challenge. The Division of the Budget anticipates a second consecutive deferral of $1.7 billion, into the coming fiscal year. The SFY 2020-21 Executive Budget Financial Plan relies on unspecified actions to generate $2.5 billion in Medicaid savings during SFY 2020-21, with the savings amount projected to rise to $3.5 billion within three years. A newly appointed Medicaid Redesign Team has been charged with identifying solutions to ensure long-term financial sustainability of this essential program. Effective, on-going solutions are necessary to address the significant State budgetary risks in this area, as well as the uncertainty for Medicaid beneficiaries, local governments, health care providers, and insurers and purchasers of health coverage in New York.

The Budget includes important proposals related to the environment, such as seeking voter approval for a $3 billion bond act to fund restoration of habitats, flood mitigation and other projects, and authorizing an additional $500 million for clean water infrastructure.

The Financial Plan assumes a deposit of $428 million to the Rainy Day Reserve Fund at the end of the current fiscal year. This is a positive step, given that New York’s rainy day reserves are well below their authorized levels and not nearly as robust as those of many peer states. I urge further strengthening these reserves to help avert unwanted budget actions during the next economic downturn.

Among the broad range of other Budget issues, I am concerned by certain proposals that seek to limit the authority of the Office of the State Comptroller to ensure appropriate transparency in how our taxpayer dollars are spent and to serve as the independent monitor of the State’s finances. These and other issues are detailed further in the following report.

Thomas P. DiNapoli
State Comptroller
Table of Contents

I. EXECUTIVE SUMMARY ................................................................................................................. 1

II. FINANCIAL PLAN OVERVIEW ................................................................................................. 4
    State Fiscal Year 2019-20 ............................................................................................................. 4
    State Fiscal Year 2020-21 ............................................................................................................. 5
    Structural Imbalance .................................................................................................................... 7
    Non-Recurring and Temporary Resources .................................................................................. 7
    Settlements ..................................................................................................................................... 8
    Reserves ......................................................................................................................................... 9
    Risks to the Financial Plan ........................................................................................................... 11
    Transparency, Accountability and Oversight Issues ................................................................. 13

III. ECONOMY AND REVENUE ................................................................................................. 18
    Economic Outlook ......................................................................................................................... 18
    Revenue .......................................................................................................................................... 19

IV. DEBT AND CAPITAL .............................................................................................................. 23
    Debt Outstanding and Debt Service ............................................................................................ 24
    Capital Program and Financing Plan ........................................................................................... 26
    New State-Supported Debt Authorizations ................................................................................ 28
    Debt Management and Potential Savings ................................................................................... 29
    Design-Build and Prevailing Wages ............................................................................................ 29

V. PROGRAM AREA HIGHLIGHTS ............................................................................................ 32
    Education ...................................................................................................................................... 32
    STAR ............................................................................................................................................. 33
    Higher Education ......................................................................................................................... 35
    Health/Medicaid .......................................................................................................................... 37
    Mental Hygiene ............................................................................................................................. 40
    Human Services/Labor ................................................................................................................ 43
    Transportation ............................................................................................................................... 44
    Economic Development ............................................................................................................... 46
    Housing .......................................................................................................................................... 47
    Environment and Parks ............................................................................................................... 48
    Agriculture ..................................................................................................................................... 50
    Energy .......................................................................................................................................... 51
    Public Protection/Criminal Justice ............................................................................................... 52
    Lottery and Gambling ................................................................................................................ 54
    State Workforce ........................................................................................................................... 55
    General State Charges ............................................................................................................... 56
    Local Governments ....................................................................................................................... 57
    New York City ............................................................................................................................... 58
    Metropolitan Transportation Authority ....................................................................................... 59
    Public Authorities ......................................................................................................................... 60
    Other Issues ................................................................................................................................. 63
I. Executive Summary

The State Fiscal Year (SFY) 2020-21 Executive Budget reflects significant fiscal challenges that arise despite projections for healthy gains in tax receipts and continued growth in the economy. The Budget anticipates addressing those challenges in large part with significant but not-yet-defined Medicaid savings.

The Executive Budget Financial Plan presents a $7 billion “savings plan” to balance the General Fund in the coming fiscal year, including $2.1 billion in higher projected tax receipts. More than half of the remaining gap-closing plan reflects $2.5 billion in savings to be identified by a newly appointed Medicaid Redesign Team (MRT) before budget enactment, with the value of such recommendations expected to surpass $3.5 billion by SFY 2023-24.

The Executive indicates such savings will include spending reductions from otherwise projected growth and/or increased revenues from the health care industry. The overall impact of such changes could be even larger than projected if State spending reductions drive cuts in federal aid. The Governor has charged the MRT with identifying savings that can lead to long-term financial sustainability of the program, while ensuring “zero impact” on local governments and on beneficiaries, among other goals. It is not yet clear how the Executive Budget proposals, or any recommendations that may emerge with limited time for deliberation before Budget enactment, will achieve such goals.

The Financial Plan assumes a second consecutive deferral across fiscal years of $1.7 billion in Medicaid costs. Such deferrals are troubling reminders of certain historical practices that resulted in large accumulated deficits and, ultimately, the borrowing of billions of dollars to pay these down. The State must act as quickly and transparently as possible to identify and implement sound, long-term solutions to the challenge of financing its Medicaid program.

The Budget would require the imposition of across-the-board Medicaid reductions of $2.5 billion if the Legislature does not act by April 1, 2020 to achieve such savings from certain Medicaid appropriations, and would permit the Executive to make additional Medicaid reductions of $248 million under certain circumstances. The Budget also proposes linking State funding of the local share of certain Medicaid costs to the State’s property tax cap, which may be at odds with the MRT goal of no impact on local governments. The fiscal impacts of all these proposals on the State, its counties and New York City are difficult to determine; impacts on localities may vary significantly, based on differing expenditure and enrollment trends. Also uncertain are potential implications for Medicaid beneficiaries, health care providers, insurers and purchasers of health coverage in the State. It is essential that major changes to a program serving millions of New Yorkers be developed in a transparent manner with broad input.

While 2019 was marked by periodic concerns over rising probabilities of a recession, the current expansion is projected to continue into 2021, although with modestly slowing growth. State tax receipts are projected to grow by $5.5 billion or 6.7 percent in SFY 2020-21, building on an estimated 9.0 percent increase in the current year that was driven partly by timing of personal income tax payments. The Budget proposes several new revenue actions, including an expansion of the child tax credit, licensing and taxation of adult-use cannabis, and a corporate tax rate reduction for certain small businesses.
The Financial Plan projects SFY 2020-21 total spending at $178 billion, up 1.2 percent. Spending from State Operating Funds is projected to increase by 1.9 percent. The projection for State Operating Funds growth reflects certain timing-related and other budgetary actions. Adjusting for such actions, this increase would be approximately 3.1 percent.

The extent of Medicaid spending growth is further clouded by issues involving the statutory limit on certain Medicaid spending by the Department of Health, also known as the Global Cap. This measure was established in 2011 to promote cost containment efforts, but actions since then have moved various elements of Medicaid spending into or out of the Cap. In addition, the State’s shifting of $1.7 billion in Medicaid payments from SFY 2018-19 into the following fiscal year, an effort to avoid exceeding the Cap, may have contributed to the ongoing delay in addressing the program’s increasing fiscal challenges. Policy makers should consider whether the Medicaid Global Cap is contributing usefully to the effective management of State resources.

The Budget would amend the State Finance Law to require that the Comptroller’s cash-basis reports list receipts and disbursements in accordance with provisions established by Budget legislation. Such a requirement raises a potential conflict with the State Constitution’s Article V, Section 1, which provides that the Comptroller has the responsibility to prescribe methods of accounting, and raises troubling issues with respect to transparency and accuracy in financial reporting. Related to this issue, proposed new language would broadly authorize netting of certain revenue against disbursements. Among other concerns, this may cloud the picture of true spending growth and potentially result in significant expenditures beyond the amounts referenced in the appropriations approved by the Legislature.

The Budget recommends presenting to the voters a $3 billion Restore Mother Nature General Obligation (GO) Bond Act that would provide funding to restore habitats, reduce flood risks, improve water quality, protect open space, expand the use of renewable energy and support other environmental projects. Also proposed is a new $500 million capital appropriation to support a wide variety of clean water infrastructure projects, the second year of an anticipated five-year, $2.5 billion clean water program. Proposed statutory changes include a ban on certain uses of expanded polystyrene (or styrofoam), and codification of a 2014 Executive Order banning most hydraulic fracturing in the State.

The Budget proposes an $826 million or 3.0 percent increase in School Aid, to $28.5 billion, for the coming school year. This increase is less than the 4.0 percent growth allowable under a statutory limit related to personal income in the State, which was the level forecast in the SFY 2019-20 Mid-Year Update to the Financial Plan.

Other key points in this report on the SFY 2020-21 Executive Budget include:

- Funding for most local government aid programs would be held flat, continuing a trend in recent years of decreases or level funding in such areas. These include Aid and Incentives for Municipalities (AIM), the largest unrestricted aid program for local governments, as well as major funding for local streets, highways and bridges.
- Total capital spending over the coming and next four years is projected at $66.7 billion, little changed from the estimate based on the SFY 2019-20 Enacted Budget. Projected transportation spending is increased $3.3 billion, partly offset by certain unspecified reductions from the previous Plan. The Budget would authorize $3 billion for the
Metropolitan Transportation Authority’s 2020-2024 capital program, although funding sources are not identified.

- The Budget would authorize an additional $10.3 billion in State-supported debt, all to be issued by public authorities except the proposed $3 billion GO bond act described above. Outstanding State-supported debt is projected to rise 20.3 percent, and annual debt service 48.4 percent, by SFY 2024-25.

- The Division of the Budget plans to deposit $428 million into the Rainy Day Reserve Fund at the end of the current fiscal year, a positive step given that New York’s rainy day reserves are less than half their authorized levels. No additional deposits are planned, however.

- Proposed health-related legislation includes measures that would: legalize adult-use cannabis and create the Office of Cannabis Management, with broad regulatory authority; and ban the sale of flavored electronic cigarettes, liquid nicotine or vapor products.

- The Executive anticipates elimination of 2,500 State prison beds in the coming fiscal year, and a $181.5 million reduction in spending for the Department of Corrections and Community Supervision, partly reflecting Budget language that would authorize additional prison closures.

- The proposed elimination of minimum square footage requirements for retailers who provide Quick Draw Lottery games is estimated to result in an additional 8,500 retail locations, and is expected to generate an additional $15 million in SFY 2020-21 and $30 million when fully effective.

*This report reflects the Executive Budget submitted to the State Legislature on January 21, 2020, before any amendments.*
II. Financial Plan Overview

State Fiscal Year 2019-20

Tax collections in All Governmental Funds (All Funds) totaled $59.1 billion through the first three quarters of the 2019-20 fiscal year, an increase of $6.1 billion or 11.4 percent over the same period of the previous year. The variance is primarily related to higher personal income tax (PIT) collections, specifically payments made with the filing of annual returns related to the 2018 tax year. Through December, PIT collections were just over $1 billion higher than estimates from the Mid-Year Financial Plan Update released in late November, and $1.3 billion higher than projections released in May with the Enacted Budget Financial Plan.

At the same time, spending has largely trailed projections throughout the year. Through December 31, All Funds spending was $1.8 billion below November projections, with more than $700 million of the variance in spending for capital projects. Spending from State Operating Funds as of that date was 3.4 percent or $2.3 billion higher than a year earlier and $897.6 million below projections in the Mid-Year Update, primarily related to General Fund local assistance grants and disbursements for departmental operations.

The Executive Budget Financial Plan includes the continued deferral of certain Medicaid payments, following the deferral of $1.7 billion of such payments from the end of SFY 2018-19 into the current fiscal year. Further discussion of the Medicaid issue appears later in this Report.

General Fund

The updated Executive Budget Financial Plan includes a General Fund closing balance for the current year of $6.5 billion, $61 million higher than initial estimates but $200 million lower than projections in the Mid-Year Update. The estimated closing balance for the current year is $679 million below the SFY 2018-19 closing balance, reflecting factors including the timing of Medicaid payments.

The Mid-Year Update to the Financial Plan identified previously unexpected costs for Medicaid in the current fiscal year and going forward. In response, DOB outlined several planned steps to maintain General Fund balance this year. The Executive Budget Financial Plan describes revisions to the estimated gap that must be closed this year and in future years. According to DOB, gap-closing actions for SFY 2019-20 include:

- $1 billion in increased tax projections;
- $127 million in non-tax receipts, including investment income and fees;
- $455 million in various local assistance actions, primarily in Medicaid;
- $216 million in various operational cost savings; and
- $62 million from lower transfers to other funds.

Those elements are partly offset by an expected $90 million in additional debt service costs, primarily because of higher assumed prepayments of SFY 2020-21 costs during the current fiscal year.
DOB projects SFY 2019-20 State Operating Funds receipts will increase $5.1 billion or 5.2 percent from SFY 2018-19, reaching $102.8 billion. State Operating Funds spending in SFY 2019-20 is projected by DOB to total $103.9 billion, 3.7 percent or $3.7 billion higher than SFY 2018-19. The latest spending projection also assumes $450 million in debt service prepayments, of which $200 million was anticipated in the Enacted Budget Financial Plan for the current fiscal year.

In selected Financial Plan presentations, DOB presents State Operating Fund growth in the current year of $1.6 billion or 2 percent over SFY 2018-19. This growth results from a DOB restatement of certain SFY 2018-19 State Operating Funds spending in the Executive Budget Financial Plan.¹ The restatement presents the movement of $1.7 billion in Medicaid payments that were due in SFY 2018-19 but were actually paid in SFY 2019-20 back into SFY 2018-19. Without this revised presentation, spending from State Operating Funds in SFY 2019-20 would be projected to increase by 3.7 percent as described above.

All Funds

The Financial Plan projects All Funds receipts for SFY 2019-20 to increase $10.1 billion, or 6 percent, from SFY 2018-19 results. Federal receipts are anticipated to increase $4.8 billion to $66.2 billion, primarily reflecting growth in Medicaid grants and other non-capital spending. Miscellaneous receipts are expected to decline nearly $1.5 billion, reflecting lower monetary settlements than in the previous year, reimbursements from bond proceeds, and various receipts in special revenue funds. Tax collections are projected to increase $6.8 billion or 9 percent to $82.4 billion.

Updated projections show All Funds spending increasing this year by $5 billion, or 2.9 percent, with approximately $4 billion occurring in Medicaid and other local assistance grants.

State Fiscal Year 2020-21

The Executive Budget Financial Plan projects All Funds receipts will decline by $1.9 billion or 1.1 percent in SFY 2020-21, to $176.4 billion. DOB projects All Funds tax receipts to increase $5.5 billion or 6.7 percent in SFY 2020-21, primarily in PIT, and that tax receipts will grow in every year of the Financial Plan period.

Miscellaneous receipts are expected to decline by nearly $3.5 billion, in part due to the absence of non-recurring monetary settlements received in SFY 2019-20, reduced receipts in capital projects funds and the $350 million decline in receipts from the conversion of Fidelis Care. Federal receipts, comprising more than one in every three dollars in the Budget, are projected to total $62.2 billion, a decline of 6 percent. Total spending is expected to increase 1.2 percent to $178 billion, including increased disbursements for debt service payments and capital projects. These increases are partly offset by lower spending for non-personal services, which is expected to decline approximately $53 million in the coming year.

¹ The Financial Plan’s detailed tables do not reflect this restatement. Discussion of it appears on page 3 and in Note 15 on page 166 of the Plan. The latter states that Financial Plan tables are not restated and use cash-basis results as reported by the Office of the State Comptroller for SFY 2018-19. The Financial Plan At-A-Glance table on page 9 presents State Operating Funds spending growth of 2 percent in the current year and reflects the lower State Operating Funds spending figure for SFY 2018-19.
DOB projects inflation in Calendar Year 2020, as measured by the Consumer Price Index, at 2.2 percent.

**Proposed General Fund Gap-Closing Plan**

The Mid-Year Update projected a General Fund current services deficit or gap of $6.1 billion in SFY 2020-21, after anticipated Medicaid savings of $890 million that were expected at that time. The Executive Budget Financial Plan revises the presentation of the gap-closing plan to include that $890 million within the gap to be closed in the coming year. As a result, the Executive’s gap-closing plan totals nearly $7 billion.

The gap-closing plan for SFY 2020-21 includes more than $2.6 billion in upward revisions to revenue estimates and $4.5 billion in spending changes. The spending component includes a projection of $2.5 billion in Medicaid savings not yet identified. DOB also expects to prepay $450 million in debt service in SFY 2019-20, a $250 million increase from the level anticipated in the Mid-Year Update, which provides non-recurring gap-closing relief in SFY 2020-21.

**Reported Growth in State Operating Funds Spending**

For SFY 2020-21, State Operating Funds spending is projected to total $105.8 billion, an increase of 1.9 percent or $1.9 billion over SFY 2019-20. Major elements of the increase include debt service, Medicaid and school aid.

The Executive’s projection of State Operating Funds spending assumes $2.5 billion in unspecified Medicaid State-share savings, to be identified by a Medicaid Redesign Team (MRT), from the level otherwise projected for the coming year. The Executive has directed the MRT to find health care industry efficiencies and/or additional industry revenues, and address fraud, waste and abuse. If this directive results in increases in existing revenue streams (such as a covered lives assessment on health insurers and/or surcharges on health care providers) that currently flow through State special revenue funds, annual State Operating Funds spending could be higher than projected in the Financial Plan.

In recent years, the Executive has set a non-statutory goal of limiting annual spending growth from State Operating Funds to no more than 2 percent. As in certain previous years, a number of timing-related actions and other changes proposed in the SFY 2020-21 Executive Budget would affect the level of reported State Operating Funds spending growth in the Financial Plan.

Several proposals in the Executive Budget affect the portrayal of spending growth in ways such as those described above. Examples include additional shifting of School Tax Relief (STAR) costs from the spending to the revenue side of the budget, and an increase in the amount of Medicaid spending supported by tobacco settlement resources that flow through an off-budget fund. Altogether, readily identifiable actions are expected to reduce SFY 2020-21 State Operating Funds expenditures by a net of approximately $1.1 billion, including offsetting changes and planned debt service prepayments. Adjusting for such differences, State Operating Funds spending in the coming year would increase by more than 3 percent. Further discussion of budget actions that change reported growth in State Operating Funds can be found in the Transparency, Accountability and Oversight Issues section of this report.
**Structural Imbalance**

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

While the State has taken some steps to restrain spending growth in recent years, such as in agency operating budgets, certain other budgetary actions have created revenues or spending reductions that are only temporary. Although these can help to balance annual budgets, they leave recurring structural budget challenges unaddressed. In addition, the State has enacted certain recurring increases in spending programs and tax reductions that add to the challenge of achieving structural balance.

The FY 2020 Mid-Year Update projected cumulative out-year budget gaps for current services at $22.2 billion for the three years from SFYs 2020-21 through 2022-23, or an annual average of $7.4 billion. Those figures included the effects of an expected FY 2020 Savings Plan for Medicaid that was projected to produce $890 million in savings annually, beginning in 2020-21. The Executive Budget Financial Plan revises the presentation of such savings and now reflects the anticipated annual savings as part of the gap-closing plan, which would increase the out-year gaps in the absence of these savings and other actions to a cumulative total of $27.6 billion.

Remaining General Fund gaps are projected at $1.9 billion, $3.3 billion and $3.3 billion, respectively, in SFYs 2021-22 through SFY 2023-24. These amounts reflect proposed gap-closing actions in the proposed Financial Plan, including unspecified Medicaid MRT savings ranging from $2.7 billion to $3.5 billion annually, but not further actions needed in future years to meet the 2 percent spending growth benchmark in State Operating Funds.

**Non-Recurring and Temporary Resources**

The Executive Budget includes over $4.4 billion in SFY 2020-21 resources that the Office of the State Comptroller identifies as either temporary (more than one year but not permanent) or non-recurring (one year). Figure 1 shows the Office of the State Comptroller’s analysis of such resources. More than half of the total results from the temporary top PIT rate on upper-income earners.
Figure 1

<table>
<thead>
<tr>
<th>Temporary and Non-Recurring Resources</th>
<th>SFY 2020-21</th>
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<tbody>
<tr>
<td>Prepayments and Use of Reserves</td>
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<td>SFY 2019-20 Debt Service Prepayment</td>
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<td>Debt Service Reserve Release</td>
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<td><strong>Subtotal</strong></td>
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<td>Temporary or Non-Recurring Proposed in SFY 2020-21</td>
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<td>Defer Human Services COLA</td>
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<td>NYSERDA Transfer to EPF</td>
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<td>New York Power Authority Transfer</td>
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<td><strong>Subtotal</strong></td>
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<td>Previously in Law or Outside Budget Process</td>
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<td>PIT Top Rate Extension</td>
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<td>Health Care Transformation Fund</td>
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<td>High Income Charitable Deduction Limit</td>
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<td>CUNY Asset Sales</td>
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<td>Mortgage Insurance Fund</td>
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<td>New York Power Authority Repayment Adjustment</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td><strong>Total State Temporary and Non-Recurring Resources and Prepayments</strong></td>
<td><strong>4,438</strong></td>
</tr>
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Sources: Division of the Budget and Office of the State Comptroller
Notes: Projections for the existing PIT provisions were not updated in the Executive Budget Financial Plan. These projections are based on actual and projected collections relative to Plan.

**Settlements**

From SFY 2014-15 through December 31, 2019, the State received a total of nearly $12.8 billion in non-recurring and largely unanticipated settlements from various financial institutions and other companies, including $896 million in the current year. No additional payments are currently anticipated, according to DOB.

A total of $7.7 billion in monetary settlement funds has been used for various purposes, including transfers to other funds through SFY 2018-19. Nearly $3.3 billion of that total has been used for budget relief; $200 million is anticipated for the current year and none is planned for such use in the coming year. Figure 2 illustrates the various purposes for which such uses have occurred from SFY 2014-15 through SFY 2018-19.

Using non-recurring resources for capital assets, non-recurring expenditures or deposits to reserves applies one-time resources to appropriate purposes. Applying one-time resources to capital investments also avoids interest costs that might be incurred, if debt were otherwise used to finance such assets. Such resources should not be used to support spending that is expected to continue when the resources are depleted, and thus are not appropriately targeted to ongoing operating expenses or to certain capital expenditures such as ongoing maintenance costs.
Reserves

DOB projects that the combined balances in the State’s two largest statutory reserve funds – the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund (RDRF) – will total just under $2.5 billion as of March 31, 2020, representing approximately 3.1 percent of General Fund expenditures. This reflects an expected deposit to the RDRF of $428 million in SFY 2019-20. No additional deposits are anticipated at this time.

As shown in Figure 3, in addition to the State’s restricted reserves, the General Fund also has unrestricted fund balances, which include balances from monetary settlement funds that have not been spent but have been designated for certain uses in the Financial Plan. DOB projects that settlement funds remaining in the General Fund will total $2.6 billion at the end of the current fiscal year. Additional settlement resources are expected to be spent or transferred from the General Fund over the next several years, as shown by the projected declining balance associated with this purpose in Figure 3. The Executive has indicated that a majority of settlement resources are intended to be used for capital investment or other one-time purposes.

Figure 3 compares restricted reserves and unrestricted balances within the General Fund. The figures for SFY 2020-21 through SFY 2023-24 are Office of the State Comptroller estimates.
based on projected use of reserves in the Executive Budget Financial Plan. The Financial Plan does not provide projections of out-year General Fund balances.

Figure 3

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

<table>
<thead>
<tr>
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<tr>
<td>Statutory Reserves (Restricted)</td>
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<td>Tax Stabilization Reserve Fund</td>
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<tr>
<td>Rainy Day Reserve</td>
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<td>Contingency Reserve Fund</td>
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<tr>
<td>Community Projects Fund</td>
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<tr>
<td>Unrestricted General Fund Balance</td>
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<tr>
<td>Debt Management</td>
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<td>Economic Uncertainty</td>
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<td>Monetary Settlement Proceeds</td>
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<td>2,017</td>
<td>976</td>
<td>271</td>
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<td>Total</td>
<td>6,527</td>
<td>5,904</td>
<td>4,863</td>
<td>4,158</td>
<td>3,921</td>
</tr>
</tbody>
</table>

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

Total restricted reserves and unrestricted General Fund balance are projected to be $6.5 billion at the end of the current fiscal year, before declining by approximately $623 million in the coming year due to expected transfers to the Dedicated Infrastructure Investment Fund (DIIF).

Figure 4 shows historic and projected General Fund reserves from SFYs 2009-10 through 2023-24, including rainy day reserves, as well as reserves as a percentage of General Fund spending. At the end of SFY 2018-19, New York’s rainy day reserves were equivalent to just over 2.8 percent of General Fund spending. This percentage is projected to remain relatively constant over the Financial Plan period, increasing slightly in the current year, reflecting the anticipated RDRF deposit, and then dropping to 2.7 percent by SFY 2023-24.

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

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\(^2\) Amounts for SFY 2020-21 are Financial Plan estimates. For projected use of reserves, see DOB, *FY 2021 Executive Budget Financial Plan*, January 2020, page T-1.
As in recent years, the Financial Plan includes a line called “Reserve for Transaction Risks” in its accounting of transfers from other funds. This is not a formal reserve but a means of providing the Executive with flexibility in managing the General Fund. If spending is higher or receipts are lower than anticipated, this figure can be adjusted to increase projected General Fund receipts. The amounts indicated in the Financial Plan for this purpose are $400 million in the current year and $500 million in the coming year and annually in the out-years of the Plan.

**Risks to the Financial Plan**

As with any projections, the Financial Plan is subject to various risks and uncertainties. This year’s Executive Budget relies to a great degree on developments to be determined later, including $2.5 billion in yet-to-be-identified Medicaid savings. The Financial Plan is subject to significant risk, given the uncertainty regarding the nature of such savings and their timing. Potential actions to achieve such savings also create uncertainty for Medicaid beneficiaries, local governments, health care providers, insurers and purchasers of health coverage in New York State. These risks increase in the out-years of the Plan, which projects such savings will rise to $3.5 billion by SFY 2023-24.

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3 See page T-199 in the FY 2021 Executive Budget Financial Plan.
The State also faces a variety of risks related to health care funding from the federal government. These include:

- **Funding the State receives through a federal Medicaid waiver.** Under a 2014 agreement with the federal government, New York benefits from $8 billion in additional aid targeted at efforts to improve its health care delivery system. The major element of such funding, the Delivery System Reform Incentive Payment program, expires in March 2020, and the broader waiver a year later. The Financial Plan indicates that the State may realize another $8 billion in federal funding through 2024 to support financially distressed hospitals, workforce programs and other initiatives. It is unclear whether the federal government will approve such funding and, if not, what impacts on existing or planned services and programs may result.

- **Disproportionate share hospital (DSH) payments.** Medicaid DSH payments provide additional reimbursement to certain hospitals based on numbers of low-income patients. Under current federal law, these payments are scheduled to be reduced in May 2020. While Congress has delayed these cuts several times in recent years, DOB has estimated implementation of the reductions would cost New York hospitals more than $7 billion in gross (federal and State) funding through March 2024.

- **Funding for the Essential Plan.** The State has not received guidance from the federal government on whether it will receive reimbursement for cost-sharing reductions to health care premiums, which represent about 25 percent of the total $4.5 billion in federal funding for the Essential Plan. DOB identifies this as a risk to the Financial Plan.

- **Other federal administrative and regulatory actions.** The federal Centers for Medicare and Medicaid Services (CMS) has proposed regulatory changes that could reduce the Medicaid funding New York currently receives through several financing mechanisms. In addition, CMS has announced a review of certain revenues the State received pursuant to Fidelis Care’s sale of its assets to Centene Corporation.

- **Ongoing legal challenges to the Affordable Care Act (ACA).** In December 2019, a federal appeals court upheld a lower-court ruling that the individual mandate element of the ACA is no longer constitutional, and returned the case to a lower court for consideration of whether the overall act must be struck down. The case is expected eventually to reach the Supreme Court. Federal funding flowing to New York as a result of the ACA totaled nearly $9.9 billion in SFY 2017-18.

Federal aid projected at $62.2 billion represents more than one in every three dollars of revenue expected in SFY 2020-21, providing essential support for health care, education, transportation and other purposes.

The Executive Budget continues a provision included in the SFY 2018-19 Enacted Budget that allows the Budget Director to impose spending cuts, absent action by the Legislature, if certain reductions in federal assistance occur. However, this provision does not specify the circumstances under which the threshold for such reductions would be deemed to have been met. The impact of this process on the Financial Plan and on recipients of State funding under varying potential scenarios of federal aid reduction is unclear.

The deferral of $1.7 billion in Medicaid payments, now planned for a second year in a row, raises cautionary flags. For many years, the State would defer school aid and other payments
across fiscal years, and was forced to rely upon annual spring borrowings to pay for its short-term cash flow needs. These poor fiscal practices led to an accumulated deficit of $4.7 billion and ultimately to the creation in 1991 of the New York Local Government Assistance Corporation, which issued long-term bonds and eliminated the practice of spring borrowings. The resulting debt is scheduled to be paid off in 2025, after more than thirty years of added interest costs to the State from such bonds. Policymakers should make every effort to avoid significant inter-year deferrals by identifying and implementing realistic, long-term solutions as needed.

New York relies heavily on revenues, particularly the personal income tax, that are highly sensitive to changing economic conditions. The U.S. economy is now in its longest expansion in recorded history, with growth projected to continue in the coming year, but at a slower pace. Tariffs or other trade sanctions as well as the coronavirus outbreak could have adverse impacts on global economic growth, negatively affecting the financial markets and the national economy. As outlined in the section of this report on Reserves, while a deposit to the Rainy Day Reserve Fund is anticipated this year, no additional deposits are projected and unrestricted reserves are forecast to decline over the Financial Plan period as such resources are used for various already-planned purposes. Such declines would leave the State with increasingly limited flexibility to respond to economic downturns or catastrophic events. More robust reserves could reduce the need for such measures going forward.4

The State has committed to provide $7.3 billion in funding to the Metropolitan Transportation Authority for its 2015-19 capital plan no later than SFY 2025-26, or by the completion of the MTA capital program. However, the financing sources for the majority of this commitment have yet to be identified. The SFY Executive Budget proposes a $3 billion appropriation for the MTA’s 2020-24 capital program, but does not identify a funding source.

**Transparency, Accountability and Oversight Issues**

Transparency, accountability and independent oversight are keys to ensuring that public resources are protected from waste, fraud and abuse, and that the public has access to important information regarding government activities. These essential elements of good governance also help assure that the State Budget is fiscally responsible and provides an honest representation of the State’s spending plan. Provisions that weaken these protections leave public resources more vulnerable to misuse, and may diminish New Yorkers’ confidence in their State government.

Certain elements of the Budget fall short with respect to high standards of transparency, accountability and oversight. Several of these would undermine the State’s basic responsibility to ensure that its budgets and financial reporting provide accountability and promote an accurate understanding of how public resources are generated and spent. The subsections immediately below outline several such concerns, followed by discussion of procurement-related issues in the proposed Budget.

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Lack of Clarity as to the Level of State Operating Funds Spending and Spending Growth

In recent years, the Executive has set a non-statutory goal of limiting annual growth in State Operating Funds spending to no more than 2 percent. As described earlier in this section, the Financial Plan includes a number of budget actions – including timing-related adjustments, program restructurings, shifts and new categorizations of spending and other steps – that cloud the picture of spending growth. The readily identifiable actions described in this report are expected to reduce SFY 2020-21 State Operating Funds expenditures by a net of approximately $1.1 billion. Adjusting for such differences, State Operating Funds spending in the coming year would increase by 3.1 percent, compared to the 1.9 percent presented in the Executive Budget Financial Plan.

Some of these actions also have other troubling implications, including potentially harmful programmatic impacts and diminished transparency regarding how taxpayer resources are spent. Certain presentations in the Executive Budget Financial Plan also include a restatement of previous DOB estimates of State Operating Funds spending in SFY 2018-19 that purports to retroactively move the $1.7 billion of Medicaid payments made in the current fiscal year into the previous year. This has no bearing on the official State financial reports issued by the Office of the State Comptroller. Any purpose of the restatement, other than to portray spending growth as adhering to the 2 percent benchmark during SFY 2018-19, is unclear.

Ongoing Shifts in Definition and Use of the Medicaid Global Cap

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

At the end of SFY 2018-19, the State delayed $1.7 billion in Medicaid payments by three business days so that the spending could be reported as occurring in SFY 2019-20 rather than the previous year. This preserved the appearance of balance in the indexed portion of the Medicaid Global Cap during SFY 2018-19. However, it may have also facilitated delay in the Executive’s formal recognition of a structural imbalance within the Global Cap, an issue discussed in more detail in the Health/Medicaid and Mental Hygiene sections of this report. The Executive Budget proposes to continue the statutory Global Cap for another year.

Given repeated actions to move certain elements of the Medicaid program into or out of the Global Cap, policy makers should consider whether the Cap contributes meaningfully to effective management of the program, which is projected to spend over $73 billion in the coming year and nearly $84 billion by SFY 2023-24. Among the Executive’s charges to the new MRT is to consider whether any changes to the Global Cap are necessary.

Accounting Standards

Many appropriations throughout the budget bills include language providing that authorized spending levels are “net of refunds, rebates, reimbursements, credits, repayments and/or disallowances.” This language, also known as “refund of appropriation,” has been interpreted
by the Executive to allow certain revenues to refund amounts spent on an existing appropriation. In certain instances, a credit to the original appropriation is proper, for example, if there has been a refund of a legitimate overpayment within a given program. However, the widely expanded use of this language in the proposed Budget has the potential to artificially reduce the appearance of true liabilities and reported receipts and disbursements of the State.5

In addition, new language in the proposed Budget attempts to codify this approach by expressly directing the Office of the State Comptroller to credit the original appropriation and “reduce expenditures in the year which such credit is received regardless of the timing of the initial expenditure.” These provisions, which do not include any dollar limitation, could result in actual spending beyond amounts set forth in the appropriation in a given fiscal year, and may further cloud the picture of true spending growth. This could potentially result in significant expenditures beyond the amounts referenced in the appropriations approved by the Legislature.

The Budget also proposes amendments to the State Finance Law that seek to require the Office of the State Comptroller to incorporate the refund of appropriations principle into its monthly and annual cash reports, and to list receipts and disbursements in those reports based on accounting principles, policies and legislative intent set forth in budget legislation. This raises troubling issues with respect to transparency and accuracy in financial reporting, while potentially imposing rules that are inconsistent with accepted accounting standards. For example, the Office of the State Comptroller has reclassified a number of transactions in prior fiscal years that, had they not been modified, would have substantially misstated certain financial results for the State. The State Constitution provides that the Comptroller has the responsibility and authority to independently audit the accounts of the State and prescribe such methods of accounting as are necessary to perform his duties.6 Thus, these proposed amendments impinge on the constitutionally defined role of the Comptroller as the State’s independent fiscal monitor.

Broad Grants of Executive Discretion to Manage and/or Reshape the Budget

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

- Medicaid Reduction Language
  - The Executive has appointed a Medicaid Redesign Team (MRT) to achieve $2.5 billion in Medicaid savings in the coming year, with growing amounts in the out-years. The timeframe for development of a plan to achieve such savings is constrained, as the Executive has directed the MRT to provide its plan in March 2020. Although the Executive has directed the MRT to identify savings with “zero impact” on local governments and beneficiaries, it is unclear how this goal will be

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5 New language in the Executive Budget also seeks to expressly define the terms “refunds,” “rebates,” “reimbursements,” “credits,” “repayments” and “disallowances” in ways that would allow broader use of the refunding of appropriation mechanism.
6 New York State Constitution Article V, §1.
practically achievable given the broad scope of the desired savings. Uniform across-the-board reductions totaling $2.5 billion on certain Department of Health State funds Medicaid appropriations would be imposed if the Legislature does not enact, by April 1, 2020, legislation to achieve such savings from those appropriations. The MRT is expected to hold public hearings and solicit public input online. It is essential that major changes to a program serving millions of New Yorkers be developed in a transparent manner with broad input, including from constituencies not represented on the MRT.

- Language providing the Budget Director with authorization to make reductions to certain Medicaid spending of $248 million in SFY 2020-21 is proposed (this provision reflects an increase of $57.8 million over amounts authorized for this purpose in this year's State Budget). These provisions are discussed in more detail in the Health/Medicaid section of this report.

- **Aid to Localities Reduction Language.** A provision from the Enacted Budget authorizing the Budget Director to make certain Aid to Localities spending reductions is included in the Executive proposal. Authorized reductions are not to exceed 1 percent of State Operating Funds spending (nearly $1.1 billion, based on the most recent Financial Plan), if the Financial Plan estimates an end-of-year General Fund imbalance of $500 million or more, absent action by the Legislature.

- **Federal Funding Reduction Language.** The Budget would extend for another year language included in the SFY 2019-20 Enacted Budget that empowers the Budget Director to cut planned spending, absent action by the Legislature, if certain federal aid is reduced by $850 million or more. This provision leaves unclear the specific circumstances under which the $850 million threshold would be deemed to be met.

- **State Operations Transfer Language.** Numerous State Operations appropriations provide the Executive significant authority to shift resources among departments, agencies or public authorities after Budget enactment. Transfers of funds from State agencies to public authorities could reduce oversight and control of such resources.

### Independent Oversight and Procurement Integrity Provisions

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

The Executive Budget proposes certain measures that bypass existing statutory provisions intended to ensure independent oversight and procurement integrity. In certain instances, the Office of the State Comptroller’s contract review authority and/or the competitive bidding process would be eliminated. Examples include certain proposed modifications to the Infrastructure Investment Act that would diminish independent oversight by removing the Comptroller’s ability to review and approve State authority contracts awarded pursuant to
alternative procurement methods, such as design-build contracting. In addition, appropriation language within a $30 million federally funded appropriation for services for persons with heroin and opiate use addiction disorders would bypass competitive bidding and the State Comptroller’s contract review authority.

Several Budget proposals would weaken existing requirements with respect to MTA procurements, including: eliminating certain advertising requirements; significantly shortening the number of days between advertising or bid solicitation and bid opening; and authorizing the award of certain contracts without a formal competitive process. Requiring broad outreach to vendors and providing a reasonable timeframe for submission of bids helps to ensure the procurement is conducted in a fair and transparent manner and achieves maximum competition for bids. In turn, this promotes value for taxpayers and riders and discourages waste and abuse. The proposed changes would undermine these important goals. The MTA is embarking on a new $54.8 billion multi-year capital plan. As the MTA is confronting significant challenges related to its budget and infrastructure, ensuring the integrity of the procurement process is especially critical for the Authority, its customers and the State’s taxpayers. See the MTA section of this report for additional details.
III. Economy and Revenue

Economic Outlook

As of the end of July 2019, the national economy entered into the longest expansion in recorded history. While 2019 was marked by periodic concern over increased risk of recession, this expansion is projected to continue into 2021, although with slower growth than in 2019. DOB projects real Gross Domestic Product (GDP) growth nationally of 2.0 percent in 2020, compared to 2.3 percent in 2019, citing several factors including diminishing stimulus from the Tax Cuts and Jobs Act of 2017 and labor market constraints. Other economists forecast a similar slowdown in growth. For example, IHS Markit (IHS) projects real GDP to increase by 2.1 percent.

Nationally, employment grew by 1.6 percent, with an increase of more than 2.3 million jobs, in 2019. As the labor market continues to tighten, DOB projects national employment growth to slow, increasing by 1.3 percent in 2020. Along with higher employment, DOB forecasts increases in both wages and personal income at the national level over the course of the year, at 4.2 and 3.8 percent, respectively.

IHS, in its January 2020 report, anticipates national employment to grow at a slightly slower rate in 2020 than DOB, 1.2 percent. However, IHS estimates both wages and personal income to increase at slightly more robust rates of 4.3 and 3.9 percent, respectively.

New York’s economy also continued to expand in 2019. According to IHS, the State’s GDP is estimated to have increased by 1.8 percent, an acceleration from 1.2 percent the previous year. According to preliminary data from the State Department of Labor, employment in New York grew by 1.1 percent, an increase of over 111,000 jobs, most of which were in the private sector.

Quarterly Census of Employment and Wages (QCEW) data from the U.S. Bureau of Labor Statistics show total New York wages paid in the first half of 2019 were 4.6 percent higher than those for the same period in 2018. Annual wage growth is estimated by DOB to reach 4.3 percent in 2019, an acceleration from 3.6 percent in 2018.

DOB expects employment growth in New York to exhibit a slight slowdown in 2020, from 1.2 percent in 2019 to 1.1 percent. IHS projects a larger deceleration, as shown in Figure 5. DOB projects wage growth to slow to 3.6 percent in 2020, mainly due to a projected decline in financial market bonuses which are paid in the first quarter of the calendar year. IHS forecasts a larger increase in wages of 4 percent.

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7 The National Bureau of Economic Research reports business cycle expansions and contractions from December 1854 to present.
8 IHS Markit is a data and information services firm that produces economic forecasts.
Total personal income is projected by DOB to have slightly stronger growth in 2020 as both property income (dividends and capital gains) and proprietors’ income (business income) are forecasted to increase at higher rates than in 2019. However, IHS projects a deceleration in personal income growth due to lower projected increases in those components.

**Revenue**

**All Funds Revenues**

DOB estimates All Funds revenues in the current fiscal year (including federal receipts) to total $178.3 billion, an increase of 6.0 percent or $10.1 billion from SFY 2018-19. Total tax collections are estimated at $82.4 billion, up $6.8 billion or 9.0 percent. This increase in total tax receipts is partially attributable to taxpayer behavior affecting estimated payments under the Personal Income Tax (PIT), as well as increased sales tax receipts resulting from law changes made in the SFY 2019-20 Enacted Budget (for further discussion, see individual tax sections below).

For SFY 2020-21, All Funds revenues are projected by DOB at $176.4 billion, a decrease of 1.1 percent or $1.9 billion. Total tax collections are projected to increase to $87.9 billion, reflecting growth of $5.5 billion or 6.7 percent. Increased tax collections are expected to be driven by continued economic growth, the full-year impact of certain tax provisions included in the SFY 2019-20 Enacted Budget and the expiration of the Property Tax Relief Credit. More than offsetting the stronger tax collections within All Funds revenues are projected declines in Miscellaneous Receipts and federal receipts of 11.6 percent and 6.0 percent, respectively. The decrease in Miscellaneous Receipts includes the absence of one-time monetary settlements, lower bond proceeds, and the phase out of collections from the Fidelis Care conversion to a for-profit health care insurance company, while the decline in federal receipts partially reflects a one-year drop in Medicaid funding.

**Proposed Revenue Actions**

The Executive Budget’s proposed revenue actions include measures that are projected to produce net increases in All Funds revenues of $35 million in SFY 2020-21 and $82 million in SFY 2021-22. Figure 6 shows the estimated fiscal impact of proposed changes.
Personal Income Tax

For the current fiscal year, PIT collections are estimated at just over $53.0 billion, an increase of $4.9 billion, or 10.2 percent from the previous year. According to DOB, the primary driver for this increase is a shift of estimated payments that would have been expected with the December or January payments in SFY 2018-19 to those made with requests for filing extensions in April 2019 as a result of the cap on the itemized deduction for state and local taxes in the Tax Cuts and Jobs Act (TCJA).

Total PIT collections in SFY 2020-21 are projected to increase by $3.8 billion or 7.2 percent to $56.8 billion. Factors in this increase include projected growth in wages and other personal income, a projected decline in refunds resulting from the expiration of the Property Tax Relief Credit, and a reduction in the administrative cap on refunds to be paid in the fourth quarter of the fiscal year. The cap is set at $2.25 billion for SFY 2019-20, then reduced to $1.75 billion in SFY 2020-21. This results in $500 million in refunds being shifted into SFY 2021-22.

The proposals in the Executive Budget, including those relating to enforcement, are projected to reduce PIT revenues by a net $40 million in SFY 2020-21, and by a net $159 million in SFY 2022-23. These proposals include:

- Expanding the Empire State Child Tax Credit to include children under 4 years old of taxpayers with incomes less than $50,000;
- Increasing the current deduction for income earned by sole proprietors and farmers from 5 percent to 15 percent of their net income; and
- Incentivizing current recipients of STAR exemptions that reduce their school property tax payments to receive such benefits by claiming the STAR tax credit instead (see STAR section of this report).

Offsetting a portion of the decreased collections, starting in SFY 2021-22, is a proposal to impose an income ceiling on taxpayer eligibility for the Long Term Care Insurance tax credit and a cap on the amount of the credit that can be claimed.
Consumption and Use Taxes

For SFY 2019-20, All Funds collections from the sales and use tax, and other consumption and use taxes, are estimated at $18.1 billion, an increase of $840 million or 4.5 percent. Besides overall economic factors, this growth is driven by additional revenues realized from provisions included in the SFY 2019-20 Enacted Budget, as follows:

- Requiring internet marketplace providers to collect and remit the sales tax;
- Eliminating the sales tax exemption for energy service providers; and
- Imposing new excise taxes on vapor products and opioids.

Mitigating this growth in collections is an expected continued decline in cigarette and tobacco tax collections, as well as the impact of the movement off-budget of revenues from the MTA taxicab surcharge and the supplemental tax on auto rentals in the Metropolitan Commuter Transportation District (MCTD).

In SFY 2020-21, consumption and use tax collections are projected to increase to $18.8 billion, up by $705 million or 3.9 percent. In addition to a projected increase of 4.3 percent in sales and use tax receipts, this growth is partially attributable to the full year impacts of the internet marketplace collections and the opioid excise tax. While consumption and use tax revenues will also benefit from the full year impact of the excise tax on vaping products, the additional revenue from this tax is projected to be diminished as a result of the Executive Budget proposal to ban flavored vaping products.

Other Executive proposals affecting consumption and use taxes are projected to increase State revenues by $30 million in SFY 2020-21. These include the taxation of adult-use cannabis and changes to the method by which tobacco products are taxed. With the proposed authorization of adult-use cannabis, the following taxes and fees would be imposed throughout the distribution chain:

- $1 per dry-weight gram (DWG) of cannabis flower, 25 cents per DWG of cannabis trim, and 14 cents per gram of wet cannabis;
- 20 percent of the invoice price on the transfer of cannabis from the wholesaler to the retail dispensary; and
- a biennial registration fee of $600 to be paid by wholesalers.

These taxes and fees would be deposited to a new State fund, the Cannabis Revenue Fund. In addition, a 2 percent tax on the invoice price from the wholesaler to the retail dispensaries would be imposed in localities that allow for such sales. All revenues from the 2 percent tax would be distributed directly to participating localities. DOB projects State receipts of $20 million in SFY 2020-21, rising to $141 million three years later.

Business Taxes

All Funds business tax collections are estimated at nearly $9.0 billion in SFY 2019-20, an increase of $1.1 billion or 13.6 percent. This increase reflects growth in the corporate franchise tax resulting from higher April settlement collections as well as higher corporate profits. Insurance taxes are also projected to realize significant growth as a result of the full-year impact
of the conversion of Fidelis Care to a for-profit health insurer, which increased collections by $352 million.

For SFY 2020-21, All Funds business tax collections are projected at $9.9 billion, rising $924 million or 10.3 percent. This anticipated growth is primarily concentrated in the corporate franchise tax due to strong projected corporate profit growth and a large increase in audit collections.

The proposals in the Executive Budget affecting business taxes have no expected fiscal impact in SFY 2020-21. These include a proposal to reduce the corporate franchise tax rate on small businesses with annual incomes less than $290,000 from 6.85 percent to 4.0 percent, reducing revenues by $36 million in SFY 2021-22.

The Empire State Film Production Credit would be amended to reduce the amount of the credit from 30 percent to 25 percent of production costs, require a minimum production budget in order to qualify, and make variety shows ineligible. However, variety shows that are currently eligible for the program would still be allowed to apply for the credit. There is no fiscal impact from the proposal as the total amount of credits is capped at $420 million per year.

Other Taxes

Other taxes include the estate tax, the real estate transfer tax, pari-mutuel taxes, the boxing and racing exhibitions tax, and the employer compensation expense tax (ECET). For SFY 2019-20, collections from other taxes are projected to grow slightly, by $19 million or 0.9 percent, largely reflecting slight growth in the estate tax and the first year of collections from the ECET. The latter was enacted in 2018 as an option for employers that wish to help employees avoid increased federal tax costs resulting from the new cap on federal itemized deductions for state and local taxes.

For SFY 2020-21, All Funds collections from other taxes are projected to be $2.3 billion, an increase of $99 million, 4.4 percent. Revenues from both the estate and real estate transfer taxes are expected to realize stronger growth.

Collections from the ECET are projected to be $3.6 million, primarily reflecting an increase in the tax rate from 1.9 percent to 3 percent. For the 2020 tax year, 311 businesses have chosen to pay this tax, an additional 49 businesses from 2019.

Miscellaneous Receipts

Miscellaneous receipts are projected to decrease by $3.4 billion, or 11.6 percent, in SFY 2020-21. This decrease is partially the result of the factors described earlier in this section.
IV. Debt and Capital

The Executive Budget Five-Year Capital Program and Financing Plan (Capital Plan or Plan) projects total capital spending of $66.7 billion through SFY 2024-25. This total includes $63.6 billion that is reflected in the State's Financial Plan and an additional $3.1 billion in “off-budget” spending directly from public authority bond proceeds.

While capital spending is expected to increase in the coming year to $15 billion, that figure is projected to decline in each of the succeeding years, to $11.7 billion in SFY 2024-25. In part, this downward trend reflects the ongoing use of a total of $8.1 billion of settlement resources that were allocated to capital purposes. The Plan estimates that $5.5 billion of these resources will be used by the close of the current fiscal year, with the remaining $2.6 billion expected to be gradually spent down over the next five years. Total spending over the life of the Plan is little changed from the previous year’s plan, the second consecutive year in which projected capital spending over the five-year period is virtually flat. The $66.7 billion, five-year figure in the newly issued Plan is $2.5 billion less than the total capital spending projected in the SFY 2017-18 Enacted Budget Capital Plan.

State-Supported debt outstanding is expected to increase by 20.3 percent over the Capital Plan period, and debt service by 48.4 percent. Both increases are driven primarily by growth in public authority debt and debt service prepayments.

State-Supported debt service is projected to increase 16.4 percent in SFY 2020-21, which reflects $450 million of costs due in SFY 2020-21 that are expected to be prepaid in SFY 2019-20.

The Budget proposes increased bonding authorization for State-Supported debt of $10.3 billion, or 6.7 percent, over existing authorizations. The State’s statutory debt capacity remains limited, declining to a projected $28 million in SFY 2023-24.

Since 2005, the Office of the State Comptroller has reported the level of State-Funded debt, which represents a more comprehensive accounting of the State’s debt burden. This measure includes State-Supported debt as defined in the Debt Reform Act of 2000, along with certain other obligations.10

This section of the report will provide analysis of State-Supported debt and debt service, as provided in the State Capital Program and Financing Plan. Figure 7 provides an illustration of the differences between State-Funded debt and State-Supported debt under projections for SFY 2020-21 and SFY 2024-25.

Figure 7

State-Supported and State-Funded Debt Outstanding
SFY 2020-21 and SFY 2024-25
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2020-21 Projected</th>
<th>2024-25 Projected</th>
<th>Average Annual Growth</th>
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</thead>
<tbody>
<tr>
<td>General Obligation</td>
<td>3,239</td>
<td>3,877</td>
<td>4.6%</td>
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<tr>
<td>State-Supported Public Authority</td>
<td>56,983</td>
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<td>3.1%</td>
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<td><strong>Total State-Supported</strong></td>
<td><strong>60,222</strong></td>
<td><strong>68,327</strong></td>
<td><strong>3.2%</strong></td>
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<td>State-Funded Secured Hospitals</td>
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<tr>
<td>New SUNY Dormitories</td>
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<td>2,274</td>
<td>4.2%</td>
</tr>
<tr>
<td>TFA Building Aid Revenue Bonds</td>
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<td>-3.3%</td>
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<tr>
<td>Sales Tax Asset Receivable Corporation</td>
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<tr>
<td>Municipal Bond Bank Agency</td>
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<td>-</td>
<td>-100.0%</td>
</tr>
<tr>
<td><strong>Total Other State-Funded</strong></td>
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<td><strong>11,095</strong></td>
<td><strong>-2.1%</strong></td>
</tr>
<tr>
<td><strong>Total State-Funded</strong></td>
<td><strong>72,277</strong></td>
<td><strong>79,422</strong></td>
<td><strong>2.4%</strong></td>
</tr>
</tbody>
</table>

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

Note: TFA refers to the New York City Transitional Finance Authority. Issuance and retirement figures for TFA Building Aid Revenue Bonds are only available through SFY 2023-24, and, as a result, growth figures are likely understated in SFY 2024-25.

Debt Outstanding and Debt Service

DOB projects that $32.2 billion in new State-Supported debt will be issued over the five-year life of the Capital Plan, compared to $20.7 billion in retirements over the same period. The result would be a projected increase in State-Supported debt of approximately $11.5 billion or 20.3 percent over expected SFY 2019-20 levels (an average annual increase of 3.8 percent). More than 42 percent of this growth is associated with debt issued for economic development and housing purposes.

The average annual issuance of State-Supported debt is $6.4 billion over the life of the proposed Capital Plan, approximately 7.6 percent lower than the current Capital Plan but well above the average over the past decade, as detailed below. Total State-Supported debt outstanding would increase from $56.8 billion to $68.3 billion by the end of the Capital Plan period, as illustrated in Figure 8.

As of March 31, 2019, more than 95 percent of State-Supported debt outstanding was issued by public authorities and, therefore, not subject to voter approval. Over the proposed Capital Plan, public authorities are projected to issue $29.8 billion in State-Supported debt, or 92.5 percent of total issuances. Voter-approved General Obligation (GO) bond issuances of $2.4 billion represent 7.5 percent of the projected total, which would include debt issued for the proposed $3 billion Restore Mother Nature bond act. This GO bond act must be approved by the Legislature, and would also be subject to voter approval in November 2020.

Debt outstanding is projected to grow steadily throughout the Capital Plan period. The growth in debt outstanding — reflecting newly-proposed capital commitments offset by additional hard dollar funding, a Capital Efficiency Plan and other adjustments — results in lower available debt capacity than previously expected.
As shown in Figure 9, the annual gap between new borrowing and debt retirement is expected to narrow in the years ahead. However, over the next five years, overall State-Supported debt issuances are projected to exceed retirements by 56 percent. This is well above the estimated debt issuance to debt retirement ratio over the ten years ending with SFY 2019-20, when State-Supported debt issuances are estimated to have exceeded retirements by 29 percent.

State-Supported debt service is expected to approach $7.7 billion by SFY 2024-25, which is 48.4 percent more than in the current fiscal year, reflecting growth of 8.2 percent on an average annual basis.
Debt Limits Under the Debt Reform Act of 2000

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

The updated Financial Plan projects that the State will end SFY 2019-20 with approximately $3.7 billion in available debt capacity, declining to a low of $28 million in SFY 2023-24 before increasing to $855 million in SFY 2024-25. Figure 10 illustrates how estimates of available capacity have changed from the SFY 2019-20 Mid-Year Update to the release of the updated Executive Budget Financial Plan.

Figure 10

<table>
<thead>
<tr>
<th>Available Debt Capacity</th>
<th>SFY 2019-20 Mid-Year Update and SFY 2020-21 Executive Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions of dollars)</td>
</tr>
<tr>
<td>Available Capacity - Mid-Year</td>
<td>Personal Income Forecast Adjustment</td>
</tr>
<tr>
<td>SFY 2019-20</td>
<td>3,528</td>
</tr>
<tr>
<td>SFY 2020-21</td>
<td>957</td>
</tr>
<tr>
<td>SFY 2021-22</td>
<td>655</td>
</tr>
<tr>
<td>SFY 2022-23</td>
<td>756</td>
</tr>
<tr>
<td>SFY 2023-24</td>
<td>473</td>
</tr>
<tr>
<td>SFY 2024-25</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Division of the Budget
Note: The $855 million in debt capacity in SFY 2024-25 was first reported in the Executive Budget Financial Plan.

DOB projects that the personal income used to calculate the cap will increase annually at an average of 4.2 percent through SFY 2024-25. Projections of personal income, like those of other economic indicators, vary. For example, IHS Markit projects that New York personal income will increase by an average of 3.7 percent annually over the life of the Plan. If IHS’s projections are realized, absent other actions, the cap on debt outstanding would be breached in SFY 2022-23 by $294 million, at which point no additional State-Supported debt could be issued until the annual cap calculation is determined to be in compliance with the debt outstanding limit. DOB indicates it “may adjust capital spending priorities and debt financing practices . . . to preserve available debt capacity and stay within the statutory limits, as events warrant.”

Capital Program and Financing Plan

The SFY 2020-21 Five-Year Capital Program and Financing Plan includes $66.7 billion in projected capital spending, with the total representing little change from the current Plan. However, certain components are significantly different, as shown in Figure 11. For instance,
projected spending for transportation is now $3.3 billion higher than the current Plan (12.9 percent). Other significant revisions include those for higher education, and parks and environment.

Figure 11 compares the proposed SFY 2020-21 Executive Budget Capital Plan to the current SFY 2019-20 Enacted Budget plan by functional area.

Figure 11

Capital Program and Financing Plan by Functional Area
SFY 2019-20 through SFY 2023-24 Compared to SFY 2020-21 through SFY 2024-25
(in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enacted</td>
<td>Proposed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>25,666</td>
<td>28,984</td>
<td>3,318</td>
<td>12.9%</td>
</tr>
<tr>
<td>Education</td>
<td>2,173</td>
<td>1,838</td>
<td>(335)</td>
<td>-15.4%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>7,157</td>
<td>8,055</td>
<td>898</td>
<td>12.5%</td>
</tr>
<tr>
<td>Economic Development/Government Oversight</td>
<td>9,004</td>
<td>8,475</td>
<td>(529)</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Mental Hygiene</td>
<td>2,807</td>
<td>2,817</td>
<td>10</td>
<td>0.3%</td>
</tr>
<tr>
<td>Parks and Environment</td>
<td>6,685</td>
<td>7,549</td>
<td>864</td>
<td>12.9%</td>
</tr>
<tr>
<td>Health</td>
<td>3,605</td>
<td>3,682</td>
<td>77</td>
<td>2.1%</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>3,449</td>
<td>3,159</td>
<td>(290)</td>
<td>-8.4%</td>
</tr>
<tr>
<td>Public Protection</td>
<td>2,512</td>
<td>2,545</td>
<td>32</td>
<td>1.3%</td>
</tr>
<tr>
<td>General Government</td>
<td>1,398</td>
<td>1,660</td>
<td>262</td>
<td>18.7%</td>
</tr>
<tr>
<td>Other</td>
<td>2,388</td>
<td>(2,098)</td>
<td>(4,486)</td>
<td>-187.9%</td>
</tr>
<tr>
<td>Total</td>
<td>66,846</td>
<td>66,666</td>
<td>(180)</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Source: Division of the Budget
Note: The functional area “Other” includes unspecified adjustments such as those related to the Capital Efficiency Plan, which when implemented may impact some or all of the functional areas.

Capital spending is projected to average approximately $13.3 billion annually. Newly proposed Executive Budget capital appropriations (including those related to the environment, economic development, parks, housing and others), as well as administrative changes to existing and proposed funding sources, are discussed in the various programmatic sections of this report.

Financing Sources

Figure 12 illustrates the proposed financing sources for the Capital Plan in the current year and over the next five years. Capital spending is projected to be $15 billion in the coming year, its highest level of the Plan period. Capital spending is anticipated to decline steadily each year thereafter, with anticipated spending in the final year of the Plan projected to be $11.1 billion.

Over the life of the Plan, DOB projects that pay-as-you-go or PAYGO financing will average approximately 31.4 percent of State capital financing, compared to an estimated 33.8 percent this year. Planned spending of $2.6 billion from non-recurring settlement funds increases the use of PAYGO resources throughout the Plan period, along with a proposed increase of $1.2 billion of hard dollar resources necessary to remain within the State’s debt limit.
New State-Supported Debt Authorizations

The Budget proposes Article VII language to increase bond authorizations (or caps) on programs financed with State-Supported debt by approximately $10.3 billion, or 6.7 percent, over existing authorizations. Over half the total proposed increase is related to the proposed $3 billion Restore Mother Nature GO Bond Act, and $2.8 billion for various transportation initiatives, including $2.3 billion in support of the newly proposed two-year DOT Capital Plan and $478 million for local highways. Other proposed increases include $900 million for SUNY Educational Facilities and $549 million for CUNY educational facilities. Another $736 million is designated for environmental infrastructure spending, and $513 million for economic development.

In addition to the increases in State-Supported debt authorizations, the bond cap for the Metropolitan Transportation Authority (MTA) would be increased by nearly $35 billion in support of its latest five-year capital plan. See the section on Public Authorities for more information on authority bond cap increases.
Debt Management and Potential Savings

The General Fund gap-closing plan for SFY 2020-21 includes savings from changes related to debt service and various other debt management actions, including the effects of an additional $450 million in prepayments expected to be made in SFY 2019-20. Other savings come from expected debt refundings and competitive sales. Other debt management proposals include the following:

- **Statewide Capital Efficiency Plan** – This is anticipated to prioritize certain planned capital projects over other non-essential spending, with a resulting reduction of 5 percent or $1 billion over the Plan.

- **Shifting Bond-Financed Capital to PAYGO** - DOB also proposes to fund $1.2 billion in spending with hard dollar resources ($400 million annually from SFY 2020-21 through SFY 2022-23) rather than debt.

- **Debt Reduction Reserve Fund (DRRF)** – An authorization is provided to transfer up to $500 million to the DRRF. This authorization has been included in Enacted Budgets for the last several years, but not used. As in the past several years, there is also $500 million reserved in the General Fund unrestricted cash balance for debt management purposes.

Design-Build and Prevailing Wages

Design-Build Procurement

The Budget includes a proposal that would extend the expiration date of the Infrastructure Investment Act until July 1, 2023 and broaden its applicability, authorizing the Office of General Services (OGS), the Dormitory Authority of the State of New York (DASNY), the Urban Development Corporation (UDC), the State University of New York Construction Fund (SUCF), the Olympic Regional Development Authority (ORDA) and the Battery Park City Authority to use the design-build procurement method, in addition to five entities currently generally authorized to do so.

Budgets enacted in the last two years authorized design-build to be used by DASNY, UDC, ORDA and OGS for certain specified projects, and to be used for certain specified projects in New York City. Provisions in the SFY 2019-20 Enacted Budget require the MTA to use design-build contracting for all projects over $25 million except where a waiver is granted by the Budget Director. Legislation enacted in 2019 also allows such contracting by certain New York City agencies and public authorities.

The Executive Budget would “notwithstanding” several sections of law, including the provisions related to the Office of the State Comptroller’s review and approval of certain State public authority contracts, and would deem any contract awarded to have been awarded pursuant to a competitive procurement, thus narrowing the statutory scope of the Comptroller’s oversight.

Other proposed provisions would affect numerous statutes, including those pertaining to separate specifications, low bid procurement requirements and existing language prohibiting the use of design-build. However, the proposed language permits compliance with provisions regarding separate specifications, if otherwise applicable, by permitting the authorized State
entity to require the contractor to prepare separate specifications when procuring subcontractors.

Language defining capital projects for purposes of design-build authorization would be modified to permit such procurement for projects “located in the state,” removing the requirement that the projects be related to the State’s infrastructure. Buildings and appurtenant structures would be added to the list of eligible infrastructure.

In addition, the Executive Budget would allow:

- a lump sum price to be negotiated and established by the authorized State entity based on a proposed guaranteed maximum price;
- design-build contracts to include both elements where contractor compensation reflects specific agreed-upon lump sums, and others based on costs incurred plus amounts not to exceed guaranteed maximum prices;
- professional services on a fee-for-service basis; and
- authorized entities to require payment and performance bonds, notwithstanding Sections 136 and 137 of the State Finance Law, which require that such bonds be provided in certain instances.

The proposal adds language requiring that service-disabled veteran-owned businesses, in addition to minority- or women-owned businesses and small businesses, be considered when design-build contracts are awarded.

Additional modifications include: changes to existing job protections to prevent the transfer of future duties and functions currently being performed by employees of authorized entities to the contracting entity; and making the two-step selection process used by authorized State entities discretionary. The current statutorily defined selection process requires the authorized State entity to (1) first generate a list of entities that have demonstrated the general capability to perform the design-build contract; and then (2) select the proposal which offers the best value to the State.

Provisions contained within a separate Article VII proposal would permit the MTA to solicit and award design-build contracts pursuant to a competitive request for proposals, rather than through awarding contracts to the lowest responsible bidder through a sealed bid process.

**Prevailing Wage**

The Executive Budget proposes amendments to the Labor Law to add prevailing wage requirements for certain construction projects performed under private contract of over $5 million where at least 30 percent of the total construction costs are paid from public funds, as defined in the proposal. Public funds would be defined broadly as resources provided by or through the State, local development corporations, municipal corporations, industrial development agencies, and any State, local or interstate or international authorities and any trust created by such entities. The issuance of a stop work order would be authorized for failure to comply with or intentional evasion of the requirements, where applicable. In addition, a newly created board would be empowered to review and revise the statutory parameters including certain thresholds, exclusions and definitions. The board’s 11 members would be
appointed by the Governor, including: one each upon recommendation of the Temporary President of the Senate and the Speaker of the Assembly; one each representing employees and employers in the construction industry; and the Commissioner of Labor, the State Budget Director and the President of the Empire State Development Corporation.
V. Program Area Highlights

**Education**

The Executive Budget proposes an increase in School Aid, which represents the major portion of total education aid, from $27.7 billion to $28.5 billion for school year (SY) 2020-21. The $826 million or 3.0 percent increase is less than the 4.0 percent increase forecast in the SFY 2019-20 Mid-Year Update to the Financial Plan and reduces estimated school aid costs in each year of the Plan. A 4.0 percent increase would be allowable under the State’s statutorily imposed growth limit on annual School Aid increases, based on the ten-year average of annual personal income growth, according to DOB.

The proposed $826 million increase includes:

- A $504 million, or 2.5 percent, increase in Foundation Aid, for a total of $20.8 billion in SY 2020-21.
  - As with the current year’s budget, $50 million of this increase is an additional set-aside for Community School programs, bringing the total to $300 million. The Executive Budget also proposes that an additional 200 school districts, for a total of 440, would participate in this initiative.
  - The Executive proposal would consolidate 10 expense-based aid categories into Foundation Aid for SY 2020-21. Under this proposal, distribution of aid under these categories would no longer be based on submitted expenses from school districts. The SFY 2019-20 Executive Budget proposed a consolidation of multiple expense-based aid categories into a new Services Aid category, but that proposal was not included in the Enacted Budget.

- $72 million for the remaining expense-driven aid programs and categorical grants (such as transportation and school construction). The Executive Budget also would amend two expense-based aid categories:
  - Building Aid – A new tier of building aid would be created for projects approved on or after July 1, 2020. This new tier would not reimburse school districts for additional costs for space that is deemed “not critical to the instructional program,” such as certain athletic facilities. Also, this new tier would use updated data to determine if a school district is high-need and to provide aid at an increased rate to reimburse such districts.
  - Transportation Aid – Beginning in SY 2021-22, this aid would be tied to the lesser of SY 2020-21 transportation operating expenses, or SY 2019-20 transportation operating expenses, with the latter adjusted for inflation and school district enrollment growth, among other changes.

- $200 million for a Fiscal Stabilization Fund. This concept has been included in previous Executive Budgets, where the amount was neither included in the detailed projections for specific school districts (known as “school aid runs”) nor allocated for a specific purpose. However, this year’s Executive Budget appropriates this funding for “additional Foundation Aid” to high-need school districts, although it remains excluded from the
school aid runs. Instead, the appropriation provides that it “shall be allocated among high-need school districts pursuant to a chapter of the laws of 2020.”

- $50 million for competitive grant programs, including: $15 million to expand three- and four-year-old prekindergarten programs in high-need school districts; $10 million to expand the Empire State After-School program in high-need communities; and a variety of smaller programs.

Excluding Building Aid programs, estimated changes in formula-based aid to individual school districts range from a 4.1 percent decrease to a 10.5 percent increase.

On a State Fiscal Year basis, projected School Aid would total $28.0 billion, an increase of $631 million, or 2.3 percent, in State Operating Funds.

The Financial Plan projects that the portion of School Aid funded from commercial gaming revenues will grow from an estimated $162 million in SFY 2019-20 to $168 million in SFY 2020-21. If such projections fall short, the General Fund will be obligated to fund the resulting gap. Overall, the Financial Plan projects that School Aid revenue comprised from lottery, video lottery and commercial gaming sources will decrease or remain flat in future years.

Other Education Proposals

The Budget continues to provide $24.9 million in direct aid to New York City charter schools, and the City would also be reimbursed for $50 million in Charter School Facilities Aid, an increase from $31.5 million in SY 2019-20. In addition, the Budget proposes that school charters previously surrendered, revoked or terminated after July 1, 2015 could be reissued and would not count toward the statewide or New York City charter school caps.

Under proposed statutory language included with the Budget, the current 18.42 percent share of costs for students outside New York City whose placement is determined by Committees on Special Education would shift from the State to local school districts.

Other proposals include the following:

- The Mayor of Rochester and SED would be required to jointly appoint a monitor to oversee the Rochester City School District until June 30, 2021. The monitor’s expenses would be paid by the School District.

- Establishment of the Syracuse Comprehensive Education and Workforce Training Center, which would be a regional high school governed by the Syracuse City School District with a focus on science, technology, engineering, arts and math.

**STAR**

Overall School Tax Relief (STAR) program costs, including both disbursements for the exemption benefit and the fiscal impact of the tax credits, are projected at $3.4 billion in SFY 2020-21, an increase of $108 million from SFY 2019-20. The Executive Budget includes $2.0

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billion in estimated disbursements for the STAR exemption, a decrease of $176 million, or 8.1 percent, from SFY 2019-20. The decline primarily reflects the proposals included within the Budget, described below, as well as the continued impact of the conversion of certain STAR exemptions to personal income tax credits. STAR personal income tax credits are projected to total $1.4 billion in SFY 2020-21, an increase of $284 million, or 24.7 percent, from the current fiscal year.

One of the proposed amendments to the STAR program would further incentivize current STAR exemption recipients to switch to the tax credit program. In SFY 2019-20, the income threshold to qualify for the basic STAR exemption was decreased from $500,000 to $250,000. The Budget proposes to further reduce this income threshold to $200,000. Taxpayers who are affected by this lower threshold (approximately 85,000 homeowners, according to DOB) would, instead, be allowed to claim the STAR personal income tax credit which has an income threshold of $500,000. This proposal would result in an estimated spending reduction of $74 million in SFY 2020-21, with a commensurate reduction in PIT receipts as affected taxpayers are expected to convert to the STAR tax credit. Other proposals, which are projected to have little or no fiscal impact, would deny STAR benefits to property owners who are delinquent on their property taxes for one year or more, and make exceptions for late registration by any Enhanced STAR benefit recipient in the Income Verification Program.

The continued shifting of STAR costs from disbursements to tax credits is reflected in the level of overall State spending and is a factor in calculations related to the Executive’s benchmark of 2 percent growth in State Operating Funds spending, as discussed in the Financial Plan section of this Report. DOB estimates that STAR program costs paid through State Operating Funds will decline from almost two-thirds of program costs in the current fiscal year to less than half the overall cost of the program as of SFY 2023-24, as shown in Figure 13.

**Figure 13**

Distribution of STAR Costs by Benefit, SFY 2016-17 through SFY 2023-24

![Distribution of STAR Costs by Benefit](image_url)

Source: Division of the Budget

Note: The costs related to School Tax Exemptions are funded through State Operating Funds spending while PIT Credits are supported by a reduction in State revenues.
Higher Education

The Executive Budget projects All Funds spending of $8.9 billion for the State University of New York (SUNY), $1.6 billion for the City University of New York (CUNY), $0.9 billion for the Higher Education Services Corporation (HESC), and $16 million for other higher education purposes, an overall increase of 1.8 percent from estimated spending in SFY 2019-20, as shown in Figure 14. On an academic year (AY) basis, the Budget includes $4.5 billion in General Fund operating support for senior colleges at SUNY ($3.1 billion) and CUNY ($1.4 billion), a 3.2 percent and a 1.7 percent increase, respectively. It maintains base operating aid for SUNY and CUNY community colleges at the current $2,947 per full-time equivalent (FTE) student.

State Operating Funds support for community colleges in SFY 2020-21 would decrease respectively by 5.0 percent and 2.8 percent, primarily due to lower enrollments. Such enrollments at SUNY have fallen by 19.8 percent since Fall 2013, from 239,471 to 199,873 in Fall 2018. Community college enrollments at CUNY have decreased less dramatically by 2.7 percent, from 97,751 to 95,073, during that same time.

The Budget would provide additional CUNY Fiduciary Fund appropriations of $50 million for AY 2019-20 and $137 million for AY 2020-21, related to a proposed shift in the receipt and expenditure of CUNY fees. These fees currently flow through a Special Revenue Fund within the State budget, and would be shifted out of the Governmental Funds structure under the proposal, lowering reported State Operating Funds and All Governmental Funds receipts and spending with an estimated range of $7 million to $10 million per month in SFY 2021-22, according to DOB. See changes in CUNY State Operations in Figure 14 below.

Figure 14

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

<table>
<thead>
<tr>
<th></th>
<th>SFY 2019-20</th>
<th>SFY 2020-21</th>
<th>Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUNY Subtotal</td>
<td>8,541</td>
<td>8,888</td>
<td>347</td>
<td>4.1%</td>
</tr>
<tr>
<td>Local Assistance Grants</td>
<td>483</td>
<td>459</td>
<td>(23)</td>
<td>-4.8%</td>
</tr>
<tr>
<td>State Operations</td>
<td>7,065</td>
<td>7,343</td>
<td>279</td>
<td>3.9%</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>994</td>
<td>1,085</td>
<td>92</td>
<td>9.2%</td>
</tr>
<tr>
<td>CUNY Subtotal</td>
<td>1,678</td>
<td>1,607</td>
<td>(71)</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Local Assistance Grants</td>
<td>1,537</td>
<td>1,559</td>
<td>22</td>
<td>1.4%</td>
</tr>
<tr>
<td>State Operations</td>
<td>104</td>
<td>11</td>
<td>(93)</td>
<td>-89.3%</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>37</td>
<td>37</td>
<td>0</td>
<td>2.0%</td>
</tr>
<tr>
<td>HESC Subtotal</td>
<td>961</td>
<td>877</td>
<td>(83)</td>
<td>-8.7%</td>
</tr>
<tr>
<td>Local Assistance Grants</td>
<td>907</td>
<td>823</td>
<td>(83)</td>
<td>-9.2%</td>
</tr>
<tr>
<td>State Operations</td>
<td>54</td>
<td>54</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Purposes</td>
<td>12</td>
<td>16</td>
<td>4</td>
<td>31.5%</td>
</tr>
<tr>
<td>Higher Education Total</td>
<td>11,192</td>
<td>11,389</td>
<td>197</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

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

Estimated spending for HESC in SFY 2020-21 includes $823 million for the Tuition Assistance Program (TAP), Excelsior Free Tuition, Enhanced Tuition Assistance and other awards, a
decrease of $83.5 million or 9.2 percent from the current year. The decrease is primarily due to a change in the method used by HESC to make TAP and scholarship payments to SUNY, from a disbursement to a transfer of funds. If the above-referenced transfers are included, total spending for this purpose increases by about $35 million on an AY basis, with approximately 75 percent for the Excelsior program, according to DOB.

General Fund support for HESC financial aid programs would rise 3.2 percent on an AY basis, represented mostly by increased spending for Excelsior Free Tuition. In SFY 2020-21, $146 million would be provided for the fourth year of this program, an increase of $27.6 million compared to the SFY 2019-20 Enacted Budget, and $7.6 million would be available for the fourth year of Enhanced Tuition Awards, a slight increase from this year. Eligibility for both programs would expand to households with up to $135,000 in adjusted gross income during AY 2020-21 and to households with up to $150,000 in income during AY 2021-22.

The Five-Year Capital Program and Financing Plan anticipates $1.5 billion for capital disbursements ($1.1 billion for SUNY and $412 million for CUNY), marginally increased from the current year’s Plan. The Budget proposes new broad-scoped capital projects appropriations of $400 million ($200 million each for SUNY and CUNY institutions) for the State share of a “strategic needs capital matching program” under which campuses would provide $1 for every $2 of funding provided by the State toward project costs, including for personal services. New appropriations of $200 million ($100 million each for SUNY and CUNY) are also proposed to accommodate the campus matching requirement. There are no proposed new appropriations for NY SUNY/CUNY 2020 competitive challenge grants, compared to $55 million for each university system in the current Budget; prior years’ aid has been reappropriated.

As provided in the current and previous Enacted Budgets, the Executive Budget proposes that up to $60 million from the sale of State-owned property could be used by CUNY in AY 2020-21 to offset State support for CUNY. These funds would be used to reduce equally the State’s net operating expenses. The sale of such property has not yet taken place.

The Budget further provides:

- $5 million for apprenticeship programs, including $3 million for SUNY and $2 million for CUNY, unchanged from the current year.
- $1.8 million for child care centers at SUNY and CUNY community colleges. This reflects a reduction of $2 million from current year funding for these programs and the elimination of $5 million in child care funding for the new Family Empowerment Community College Pilot Program ($3 million for SUNY and $2 million for CUNY).

The Budget would maintain current year funding for Educational Opportunity Centers and the Educational Opportunity Program at SUNY, the Search for Education, Elevation and Knowledge Program at CUNY, the Higher Education Opportunity Program at the State Education Department and other educational opportunity programs. The $2.5 million in funding for the Accelerated Study in Associate Programs at CUNY would be eliminated. Anticipated spending for the Higher Education Capital Matching Grants program in SFY 2020-21 would be $15.8 million or almost one-third higher than the current year’s level, and would be from reappropriations. No new appropriation is provided for the program.
The Budget proposes Article VII legislation to establish standards for student loan debt consultants to operate in New York State. It would also allow increases in SUNY and CUNY resident rate tuition up to $200 annually through AY 2024-25, a continuation of existing language authorizing such increases through AY 2020-21. It newly provides authorization to the SUNY College of Environmental Science and Forestry to increase non-resident undergraduate tuition by up to 10 percent annually for four years beginning in AY 2020-21.

**Health/Medicaid**

The Executive Budget projects overall federal, State and local Medicaid spending in New York to decrease by $1.4 billion or 1.9 percent to $73.5 billion in SFY 2020-21, as shown in Figure 15.

**Figure 15**

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Health</td>
<td>22,048</td>
<td>23,085</td>
<td>24,077</td>
<td>25,128</td>
<td>26,120</td>
</tr>
<tr>
<td>Other State Agency Medicaid Spending</td>
<td>4,188</td>
<td>2,893</td>
<td>3,084</td>
<td>3,284</td>
<td>3,455</td>
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<tr>
<td>Use of MSA Payments</td>
<td>315</td>
<td>371</td>
<td>371</td>
<td>371</td>
<td>371</td>
</tr>
<tr>
<td>State Share Total</td>
<td>26,551</td>
<td>26,349</td>
<td>27,532</td>
<td>28,783</td>
<td>29,946</td>
</tr>
<tr>
<td>Federal Share</td>
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<td>39,931</td>
<td>43,396</td>
<td>44,925</td>
<td>46,310</td>
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<tr>
<td>Local Share</td>
<td>7,328</td>
<td>7,186</td>
<td>7,354</td>
<td>7,362</td>
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</tr>
<tr>
<td>Total Medicaid Spending</td>
<td>74,896</td>
<td>73,466</td>
<td>78,282</td>
<td>81,070</td>
<td>83,618</td>
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</tbody>
</table>

Source: Division of the Budget
Note: Amounts for the Department of Health include certain Medicaid-related Mental Hygiene program costs under the Global Cap. The State Share total includes amounts ranging from $74 million to $80 million annually for Essential Plan administrative costs. MSA Payments represents proceeds from the Master Settlement Agreement (MSA) with tobacco manufacturers. The Local Share amount includes $150 million per year in local contributions starting in SFY 2020-21 (see details below). The MSA payments and the Local Share are not included in the State’s All Governmental Funds disbursement totals.

The decrease in overall Medicaid spending is driven by projected declines of $1.1 billion, or 2.6 percent, in federal expenditures; $202 million, or 0.8 percent, in State spending; and $142 million, or 1.9 percent, in local government expenditures. These declines reflect the Executive Budget’s proposal to reduce State Medicaid expenditures by at least $2.65 billion from levels otherwise projected in SFY 2020-21.

The anticipated reductions in the coming year include $2.5 billion in actions that are not yet specified, and would be recommended in March 2020 by a 21-member Medicaid Redesign Team (MRT) appointed by the Executive. The Executive has directed the MRT to find health care industry efficiencies and/or additional industry revenues, and to eliminate fraud, waste and abuse without affecting local governments and Medicaid beneficiaries. The MRT has been directed to develop recommendations in a number of specific areas including: the drivers of greater-than-projected Medicaid costs and growth; program changes to achieve both short- and long-term modifications to ensure financial sustainability of the program; and potential changes to calculation of the Global Cap. The group is expected to hold public hearings and otherwise solicit input from the public, including healthcare stakeholders.

The overall impact of the MRT recommendations on the Medicaid program could potentially be much larger than the $2.5 billion, depending on the balance between spending cuts and revenue actions, as cuts to State spending could drive reductions in federal aid. The projected
Financial Plan savings resulting from planned but not-yet-identified actions are anticipated to grow steadily in the coming four years, reaching more than $3.5 billion by SFY 2023-24, as shown in Figure 16. Total General Fund savings over the next four years are estimated to be $11.9 billion.

**Figure 16**

**Unspecified Gap-Closing Savings from Medicaid Redesign Team II**

*Projected Total: $11.9 billion*

<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of Dollars</td>
<td>2,500</td>
<td>2,722</td>
<td>3,122</td>
<td>3,522</td>
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</table>

Source: Division of the Budget
Note: Amounts reflect General Fund savings.

New appropriation language, which appears to be linked to the anticipated savings from MRT recommendations, would impose uniform across-the-board reductions totaling $2.5 billion on certain Department of Health (DOH) State funds Medicaid appropriations if the Legislature does not enact, by April 1, 2020, legislation to achieve such savings from such appropriations.

The Budget also includes an Article VII proposal that would link State funding of the share of certain local Medicaid costs to the State’s property tax cap, among other provisions. Under current law, local Medicaid service payments are capped at calendar year 2015 levels, except for certain supplemental payments made by local districts. The Executive Budget assumes $150 million per year in State financial plan savings from this proposal starting in SFY 2020-21.

Funding for the Essential Plan, which provides health coverage for lower-income adults who do not qualify for Medicaid, is projected to increase by $404 million, or 9.7 percent, to nearly $4.6 billion in SFY 2020-21. The Executive attributes this to increased reimbursement rates to providers. Federal funding provides $4.5 billion or 98.3 percent of the total.

For the first time since SFY 2011-12, when Enacted Budgets started including two-year appropriations for the Medicaid program, the Executive Budget proposes one-year appropriations for the program. The Budget proposes to continue the Global Cap on DOH State funds Medicaid spending, as well as the State Health Commissioner’s authority to develop and implement a plan to reduce such spending if it is projected to exceed the cap in SFY 2020-21.
The Executive has taken certain actions in the current year to manage spending within the Medicaid Global Cap, including implementation of 1 percent reductions in most Medicaid payments, effective January 1, 2020, and other savings actions, which are anticipated to reduce State share Medicaid costs by a combined $599 million in SFY 2019-20 (increasing to $851 million in SFY 2020-21). DOB also expects continued deferral of certain Medicaid payments, with a State share value of $1.7 billion, into SFY 2020-21. A similar amount of payments were initially deferred from SFY 2018-19 to the current year. The Executive also shifted approximately $1.4 billion in anticipated Mental Hygiene spending that had initially been planned to be paid in the current year from DOH appropriations with available resources under the DOH Medicaid Global Cap to instead be paid for outside of the Global Cap. The Executive Budget Financial Plan also indicates that stronger tax receipts, savings identified elsewhere in the General Fund and the use of certain General Fund balance will help close the current year Medicaid Gap and will allow the State to avoid an additional $552 million in State Medicaid payment deferrals that had been assumed in the Mid-Year Update to the Financial Plan.

Proposed Budget language would authorize the Budget Director, in consultation with the DOH Commissioner, to make across-the-board reductions to State DOH Medicaid spending totaling $248 million in SFY 2020-21 (an increase of $57.8 million over amounts included in the current State Budget for this year) in order to limit such spending to the aggregate Medicaid appropriation limits in the Aid to Localities budget bill or to reduce the aggregate limits in order to provide a reduction to the State’s Financial Plan. Reductions must be made in compliance with the State’s federally-approved Medicaid Plan. DOB and DOH used this authority in the current fiscal year to implement the 1 percent across-the-board reductions mentioned above.

The Budget would provide $519 million to operate the State’s health insurance exchange, NY State of Health, in SFY 2020-21. The Budget also recommends $48.1 million in All Funds spending for the Office of the Medicaid Inspector General (OMIG) in SFY 2020-21, an increase of $2.0 million or 4.4 percent over current year projections. This funding would increase OMIG’s workforce by 69 FTEs, or 16.2 percent, to 495 and allow OMIG to engage with DOH on enhanced efforts intended to identify efficiencies and cost avoidance measures in the State Medicaid program. Additional funding for OMIG would be financed through increased audit recoveries and cost avoidance, according to the Executive.

The Budget proposes $206.2 million in new appropriation authority for health care capital projects, an increase from the current year of $3.3 million, or 1.6 percent. It also includes over $3.5 billion in reappropriations from previous years and projects overall DOH capital spending to increase by $125.3 million or 18.9 percent, to $789.1 million in SFY 2020-21, including continued support for projects to facilitate mergers, consolidations, acquisitions or other corporate restructuring activities, as well as health care facility transformation projects.

The Budget proposes to extend the Health Care Reform Act (HCRA), which plays a significant role in financing State health care services, for three years through SFY 2022-23. Both receipts and disbursements identified in the Budget’s Health Care Reform Act (HCRA) Financial Plan are projected to decrease by $56 million, or 0.9 percent, to nearly $6.2 billion in SFY 2020-21. HCRA is projected to increase its support for State share Medicaid funding by $160 million, or 4.2 percent, to nearly $4.0 billion in SFY 2020-21. The Budget also projects HCRA support for the Child Health Plus program to decrease by $98 million, or 13.1 percent, to $649 million in SFY 2020-21, reflecting savings associated with an expectation of enhanced federal funding. The Budget reduces HCRA support for the Roswell Park Cancer Institute by $13.3 million, or
26.0 percent, to nearly $38 million in SFY 2020-21. Among HCRA receipts, the Budget projects cigarette tax receipts to decrease by $46 million, or 6.5 percent, to $664 million in SFY 2020-21.

The DOH workforce is projected to increase by a net 22 FTEs, or 0.4 percent, to 5,637. This includes 75 new FTEs related to supporting the ninth year of the phased State takeover of local administration of the New York Medicaid program, 20 new staff to test and regulate industry hemp and cannabidiol (CBD) products, and 10 FTEs related to an Executive proposal to launch a State-funded program to provide a full array of reproductive services statewide. This proposal includes $14.2 million to replace the loss of federal Title X family planning funding that is no longer available to providers that offer abortion services and refer pregnant clients to abortion providers. Increases in FTEs are partially offset by decreases of 67 DOH main office positions that would remain unfilled due to attrition and 16 positions that would be shifted from DOH to the Office of Cannabis Management within the Division of Alcoholic Beverage Control.

The Executive proposes Article VII legislation to legalize adult-use cannabis and merge existing law for medical cannabis and cannabinoid hemp, as well as to create the Office of Cannabis Management, which would be given regulatory authority to establish cultivation and processing standards, license all businesses in the production and distribution chain, and inspect and enforce program standards. The Financial Plan projects taxes on adult-use cannabis products to increase All Funds revenue by $20 million in SFY 2020-21, rising to $141 million in SFY 2023-24.

All Funds spending for the State Office for the Aging (SOFA) would decrease by $1.3 million, or 0.5 percent, to $252.4 million in SFY 2020-21. This decrease primarily reflects continued implementation of a SFY 2019-20 initiative to increase funding for community-based, non-medical supports for aging New Yorkers, offset by a delay in a statutory cost-of-living adjustment for local SOFA-funded programs, saving $3.6 million in SFY 2020-21.

Other Article VII proposals include initiatives to: authorize the Department of Financial Services to investigate when the price of a prescription drug has increased more than 100 percent within a one-year time period, and impose civil penalties and injunctions to restrain violations; combat opioid addiction by banning fentanyl analogs; ban the sale of any flavored electronic cigarettes, liquid nicotine or vapor products; and authorize the regulation of pharmacy benefit managers.

**Mental Hygiene**

All Funds spending for Mental Hygiene agencies is estimated to decrease by $1.3 billion, or 18.7 percent, to $5.6 billion in SFY 2020-21. The decrease largely reflects a proposal to pay an additional $1.4 billion in Office for People with Developmental Disabilities (OPWDD) spending and $220 million in Office for Mental Health (OMH) spending from Department of Health (DOH) appropriations with available resources under the DOH Medicaid Global Cap. According to the Executive, there are no budgetary reductions or impacts to Mental Hygiene programs as a result of these spending shifts.

The SFY 2019-20 Enacted Budget also included a shift of certain Mental Hygiene spending to DOH. The SFY 2019-20 Mid-Year Update to the Financial Plan anticipated that $2 billion of OPWDD and OMH spending would be paid in the current year from DOH appropriations with
available resources under the DOH Medicaid Global Cap. However, as part of the plan to remain within the Medicaid Global Cap in the current year, the Executive Budget reduces this by nearly $1.4 billion to $611 million. The $1.4 billion in spending is now anticipated to be paid in the current year from Mental Hygiene appropriations outside of the Global Cap. Mental Hygiene spending financed by DOH Global Cap resources is now anticipated to grow from $611 million in SFY 2019-20 to just under $2.2 billion in SFY 2020-21.

The Executive Budget estimates $5.6 billion in Mental Hygiene spending for SFY 2020-21, reflecting adjustments for OPWDD and OMH expenditures to be paid for with DOH resources. This would support five State agencies, as follows:

- OMH spending would decrease by $147.6 million, or 4.8 percent, to $2.9 billion.
- OPWDD spending would decrease by $1.2 billion, or 37.0 percent, to nearly $2 billion.
- Spending for the Office of Addiction Services and Supports (OASAS), formerly known as the Office of Alcoholism and Substance Abuse Services, would increase by $23.8 million, or 3.7 percent, to $662.2 million.
- Spending by the Justice Center for the Protection of People with Special Needs would increase by $1.4 million, or 3.3 percent, to $45.2 million.
- Developmental Disabilities Planning Council (DDPC) spending would be held flat at $4.2 million.

Overall Mental Hygiene spending paid from both Mental Hygiene and Department of Health appropriations would increase by $299.4 million, or 4.0 percent, to nearly $7.8 billion in SFY 2020-21.

The SFY 2020-21 spending amounts for OMH and OPWDD referenced in the remainder of this section include spending paid from both Mental Hygiene and DOH appropriations. The Executive provides a total of $188.4 million in projected State and federal funding for targeted salary increases approved in last year’s Enacted Budget for direct care and clinical staff at non-profits licensed, certified or authorized by OPWDD ($141.6 million), OMH ($37.2 million) and OASAS ($9.6 million). This funding reflects an increase of $169.6 million over the current year’s support for these salaries. The Budget also provides $29.1 million in additional State funding to support salary and benefit costs associated with increasing the minimum wage for organizations funded by OPWDD, OMH and OASAS, as well as $24.3 million in additional State funding related to collective bargaining and re-estimated spending at those agencies.

Within OPWDD, the Budget also proposes $75.9 million in additional State share funding related to the expiration, in June 2020, of enhanced federal Medicaid matching funds (90 percent) for certain services individuals with intellectual and/or developmental disabilities have been receiving since July 2018. After June 30, 2020, the federal Medicaid match will be reduced to 50 percent. New funding of $45 million would be provided for services to help additional individuals with intellectual and/or developmental disabilities living at home or in residential schools transition to adult services within the OPWDD system. This amount would rise to $60 million when fully annualized in SFY 2021-22. The assistance would include housing support, day program and employment options, and respite services. These expenditures would be offset by a similar level of reductions elsewhere.
Within OMH, the Budget proposes additional funding for various purposes. These include: $30 million related to reconciliation of State aid payments to counties and New York City for the services they provide or contract for; $20 million in certain residential stipends to keep pace with rising rental costs; $12.5 million for new adult home beds and services for individuals with mental illness; and $10 million to replace certain funds the State has received from settlements that have been used to help pay for supported housing. These increases are partially offset by the elimination of approximately $6.2 million in initiatives that were added in the SFY 2019-20 Enacted Budget and $2.3 million in reduced funding of county program administration costs.

The Budget again proposes a statutory change to authorize counties to provide mental health restoration services to inmates in jail awaiting trial. Under this program, OMH would work with counties on a voluntary basis to attempt to reduce the time individuals with mental illness spend in jail awaiting resolution of their cases. The Legislature has not acted on similar proposals in the past. The Executive estimates that the enactment of this initiative would generate $1.7 million in State savings in SFY 2020-21, reducing the need to open two new State forensic wards.

In a separate administrative action, starting in April 2020, DOB has indicated that counties outside of New York City would be billed by OMH at 100 percent of the rate for services received by patients held under a criminal court order or for competency examinations ordered by a family court. OMH currently bills the counties in which such courts are located for half of the costs of these services or examinations. New York City currently pays OMH for 100 percent of these costs.

The Budget projects the OMH workforce to decrease, through attrition, by 105 positions, or 0.8 percent, to 13,652 FTEs in SFY 2020-21. This includes the expected elimination of 40 positions related to enactment of the jail-based mental health restoration initiative.

For OASAS, the Budget proposes State funding increases that include $3.3 million for re-estimates of debt service costs and $1.5 million related to re-estimates in the number of additional community beds projected to become operational in SFY 2020-21. These increases would be offset by savings that include $5 million related to improved billing practices by opioid treatment providers (reducing the need for State reimbursement), $2.5 million in reduced funding of county and New York City program administration costs, and $2 million by eliminating initiatives that were added in the SFY 2019-20 Enacted Budget.

Statutory proposals include an initiative to require the Department of Financial Services and the Department of Health to promulgate regulations regarding parity of behavioral health insurance coverage with medical/surgical coverage, and to create a new fund that, beginning October 1, 2020, would receive fines and penalties collected from insurers that violate State and/or federal parity laws that had previously been deposited to the General Fund. Other Article VII proposals include measures that would: give OPWDD direct oversight authority of certain Medicaid-funded services for individuals with intellectual and/or developmental disabilities; and take steps to reduce the average length of time for placement of children and youth in OMH residential treatment facilities.
The Executive Budget proposes nearly $3.3 billion in State spending for programs operated by the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) in SFY 2020-21, an increase of $54.9 million, or 1.7 percent, from SFY 2019-20 spending projections.

All Funds spending for OCFS would increase by $86.6 million, or 3.1 percent, to $2.9 billion. Specific proposals include:

- $75 million in new federal funding to help prevent children from entering foster care by allowing federal reimbursement for mental health services, substance use treatment and in-home parenting skill training. The funding is also intended to improve the well-being of children already in foster care by reducing placement of children in congregate care (e.g. group homes).
- $5 million in new State funding for a pilot program to provide services to individuals and families who have experienced domestic violence.
- $3.8 million in additional federal funding for the Commission for the Blind.

Proposals to reduce spending for OCFS include:

- $26.3 million by eliminating certain initiatives that were added in the SFY 2019-20 Enacted Budget.
- $25 million in State reimbursement for local child welfare costs. This proposed reduction is tied to another proposal requiring localities to increase the use of certain federal Temporary Assistance for Needy Families (TANF) funding for child welfare services by $40 million to $382 million in SFY 2020-21.
- $22 million by eliminating, outside of New York City, the State share of room and board costs for children with severe disabilities placed in residential schools by local Committees on Special Education (CSE). Such costs would be shared by local social services districts and school districts, as is currently the case in New York City. The Budget includes Article VII language to eliminate the State share of these costs.
- $4.2 million for professional development and quality enhancement activities.
- $4.0 million by deferring the statutory SFY 2020-21 cost-of-living adjustment for OCFS- and OTDA-funded service providers.
- $3.6 million by eliminating the Public Private Partnership pilot program to increase services for at-risk children and youth.
- $1.2 million by closing an OCFS limited secure facility in Delaware County. The Budget indicates the statutory one-year notice of closure will be given in early calendar year 2020 to administratively close the facility in early 2021. According to the Executive, the facility, with a bed capacity of 25, has been chronically under-filled. This closure would eliminate 63 positions by attrition, reducing the OCFS workforce by 2.2 percent to 2,856 positions.

Capital spending for OCFS would decrease by $4.1 million, or 13.6 percent, to $25.8 million, largely reflecting the projected completion of certain renovation projects associated with the
Raise the Age initiative. The Budget would increase the appropriation for State and local costs for diversion, probation and other services for 16- and 17-year olds involved in the juvenile justice system by $50 million to $250 million in SFY 2020-21.

All Funds spending for OTDA would increase by $39.8 million or 0.8 percent to $5.2 billion in SFY 2020-21. The total number of public assistance recipients is expected to decline by 5,293, or 1.1 percent, to 469,185, primarily reflecting a decrease in the projected number of Family Assistance recipients. Total public assistance spending is projected to decrease by $16.5 million, or 0.6 percent, to $2.8 billion.

State-funded spending for Safety Net Assistance is projected to increase by $5.1 million, or 1.0 percent, to approximately $501.3 million in SFY 2020-21. The State typically pays 29 percent and local governments 71 percent of the costs for Safety Net Assistance, which receives no federal funds. In SFY 2020-21, federal TANF block grant funding for Family Assistance benefits is projected to total nearly $1.1 billion, a decrease of $34.1 million, or 3.1 percent, from SFY 2019-20.

Major OTDA budget actions would include:

- $128 million in capital appropriations for the supported housing program, doubling the SFY 2019-20 figure, including $116 million for the homeless housing and assistance program, $5 million for persons living with HIV or AIDS, and $5 million for veterans. The Budget projects overall OTDA capital expenditures will more than double, to $126.7 million in SFY 2020-21.
- $13 million in new funding for local social services districts’ costs to implement emergency measures for the homeless during inclement winter weather.
- A $51.4 million reduction in funding for New York City for benefits for the Family Assistance and Emergency Assistance for Needy Families programs, due to an Executive Budget proposal to reduce federal TANF block grant reimbursement for these benefits from 90 to 85 percent.

The Budget proposes All Funds spending of $570.3 million for the State Department of Labor (DOL) in SFY 2020-21, a reduction of $7.6 million, or 3.1 percent, from SFY 2019-20, due primarily to the elimination of various employment and training initiatives added in the SFY 2019-20 Enacted Budget. Other Article VII proposals include language to require all employers to provide sick leave to their employees each calendar year and to grant DOL the ability to adopt regulations and issue guidance with respect to this requirement.

**Transportation**

All Funds spending for the Department of Transportation (DOT), the Department of Motor Vehicles (DMV) and the Metropolitan Transportation Authority (MTA) would total $10.5 billion in SFY 2020-21, an increase of $955.5 million or 10.0 percent from the current year.

**Capital Projects**

The Executive Budget reflects estimated federal and State funds capital spending of $5.9 billion in SFY 2020-21, including $5.2 billion for DOT and $386 million for the MTA. Total capital
spending is $434 million higher than estimated for the current year, reflecting an increase of 14.5 percent for DOT and a decrease of 40 percent for the MTA.

The Budget would provide: a $1.8 billion increase from the SFY 2019-20 Enacted Budget appropriation for DOT’s capital plan, to $2.0 billion in SFY 2020-21; new appropriations of $100 million for a second round of funding for Upstate Airport Economic Development and Revitalization; $26 million for the Niagara Frontier Transportation Authority (NFTA), primarily for the NFTA passenger rail system; and $20 million to non-MTA transit systems for electric buses. A total of $477.8 million would be provided for local highway and bridge projects through the Consolidated Highway Improvement Program (CHIPS, $438.1 million) and the Marchiselli program ($39.7 million), the same level since SFY 2013-14. The Executive Budget documents also indicate funding of $100 million each for the BRIDGE NY and PAVE NY initiatives to be made available to localities, although there are no appropriations or Article VII language in the Budget proposal specifically associated with these programs.

Statewide Mass Transit Operating Aid

The Executive Budget Financial Plan indicates that on-budget operating aid to transit systems would be almost $4.1 billion, a 15 percent increase from estimates for the current year. This does not reflect over $2.8 billion the Financial Plan indicates is available from the direct remittance of certain revenues to the MTA. The MTA would receive over $3.4 billion, a 16 percent increase from the current year, and non-MTA systems would receive the remainder — $405 million downstate, a 16 percent increase; and $236 million upstate, a 4 percent increase, according to DOB. Approximately 3 percent of the increase in spending for upstate transit operations results from the statewide expansion of the auto rental surcharge enacted with the SFY 2019-20 budget.

Dedicated Highway and Bridge Trust Fund

The Dedicated Highway and Bridge Trust Fund (DHBTF) provides funding for the construction and rehabilitation of State-owned roads and bridges, using revenues from highway taxes, motor vehicle taxes and fees, petroleum business taxes and a number of smaller resources to support capital purposes, debt service and State operating costs. When first created in 1991, the fund was expected to rely primarily on pay-as-you-go financing to support its capital programs and purposes. Despite this intention, a portion of DHBTF resources has been used over the years to pay for debt service and State operating costs.

The DHBTF continues to rely on transfers from the General Fund and from the Federal Capital Projects Fund. The General Fund subsidy for the DHBTF in SFY 2020-21 is projected to total $424.5 million, 8.7 percent higher than in the current year, although a higher amount, $727.5 million, would be authorized. The General Fund subsidy is expected to decline to an average of $366 million through SFY 2023-24, and then increase to approximately $519 million in SFY 2024-25.

Total projected disbursements and transfers to other funds from the DHBTF in SFY 2020-21 are $3.6 billion, 2.2 percent higher than the current year. Capital disbursements are projected to total $793 million in SFY 2020-21, up 3.0 percent from the estimated current year figure and 22.3 percent of total disbursements, a share similar to the current year and those projected for the out-years of the plan.
Debt service requirements from the DHBTF are projected to total $1.4 billion in SFY 2020-21, lower than in the current year by 2.1 percent. As a proportion of all spending from the fund, debt service is expected to decrease slightly, from 42 percent in SFY 2019-20 to 40 percent in the upcoming year. State operations spending is expected to total $1.3 billion in SFY 2020-21, or 37.5 percent of DHBTF disbursements. DOB projections through SFY 2024-25 indicate that the proportion spent on debt service will increase to 43 percent, while the share devoted to State operations will decrease to 35 percent.

Other transportation-related proposals in the Budget would:

- Increase the CHIPS minimum threshold for completing work by competitive bid from $250,000 to $750,000 of estimated construction contract work.
- Increase penalties for operating certain commercial vehicles on parkways and for operating vehicles that exceed rules and regulations related to the heights of such vehicles, including posted clearance heights.
- Increase penalties for certain violations of law that involve harming or endangering the safety of highway workers, motor vehicle inspectors, motor carrier investigators, pedestrians and bicyclists, while promoting education on the need for safety in highway work zones.
- Designate routes adjacent to the New York State Thruway Authority (Thruway) for tandem trucks to operate safely in order to access Thruway tandem lots.
- Make evading tolls on any highway, bridge, tunnel or tolled central business district a theft-of-services crime. In addition, drivers would be prohibited from obscuring license plates while using any tolled highway, bridge, tunnel or central business district and fines for violations would be established.
- Make permanent the provisions related to the collection of certain DMV fees and their deposit to the DHBTF and the spending for certain DMV costs from the DHBTF.
- Authorize local governments to allow operation, or prohibition, of certain motorized bicycles and electric scooters on public highways with speed limits of 30 miles per hour or less, and to further regulate maximum speed, time, place and manner of such bicycles' operation, including use of protective headgear and reflective clothing; propose State statutory changes to establish fines and penalties for violations of such provisions.

**Economic Development**

The Executive Budget proposes decreasing All Funds appropriations for the Department of Economic Development (DED) and the Urban Development Corporation (UDC) by $462 million or 45 percent, from over $1.0 billion in SFY 2019-20 to $565.5 million in SFY 2020-21. Most of this decrease is attributable to a nearly $440 million decline in capital projects appropriations for the UDC, including no new funding for the High Technology Innovation and Economic Development Infrastructure Program, which was provided $325 million in SFY 2019-20.

Appropriations for State Operations and Aid to Localities would be decreased by a net $22.1 million or 10.7 percent. This includes an additional $10 million in funding for the 2020 Census within the proposed Budget; $20 million was appropriated for this purpose in SFY 2019-20.
Cash spending related to the overall appropriations is projected to be $122.4 million, a $20.8 million decrease from anticipated spending in the current fiscal year.

All Funds appropriations for DED would decrease by a net $5.4 million, or 5.8 percent, primarily due to the proposed consolidation of the Centers of Excellence (CoEs) and the Centers for Advanced Technology (CATs). The proposed Budget would provide $1.5 million for a new Statewide Innovation Hub which would provide a network for the CATs to share and coordinate their research. The Innovation Hub would also be responsible for allocating a portion of the proposed $19.5 million in CATs funding through a statewide competition.

Appropriations for DED would also include $2 million in new funding for the Empire State Entertainment Diversity Job Training Development Fund, a grant program enacted in the 2019 Legislative Session to provide job training in the motion picture and television industry in the State. The 2019 legislation required a portion of the Film Production Tax Credit to be used to fund this program.

As part of the SFY 2019-20 Enacted Budget, $500,000 was appropriated for the creation of an online database for economic development projects. DOB states that DED is moving forward with this project. No new funding has been proposed for the database in the Executive Budget.

Capital projects appropriations of $380.4 million within UDC reflect continued funding at SFY 2019-20 levels for certain existing economic development programs and projects, including: $220 million for the New York Works Economic Development Fund; $150 million for the Regional Council Capital Fund; $8 million for Market NY; and $2.3 million for the retention of professional football in Western New York. The Budget does not provide any additional funding for the Clarkson-Trudeau Partnership, indicating that the State’s commitments for this project have been met.

Other Article VII language in the Budget includes a proposal to extend the Economic Transformation Program. This program was enacted to provide tax credits to businesses that locate in and around communities affected by prison closures in 2011. The proposal would open the program to communities experiencing prison closures after March 31, 2012.

Housing

The Executive Budget proposes All Funds spending for the Division of Housing and Community Renewal (DHCR) totaling $926.7 million in SFY 2020-21, an increase of $24.8 million, or 2.8 percent compared to the current year. The Budget provides All Funds appropriations totaling $308.9 million, a reduction of $93.3 million or 23.2 percent from SFY 2019-20 levels.

Capital projects appropriations would decline by $72.0 million to $102.2 million for the coming year, attributable to the absence of a one-time appropriation of $72 million for the Governor’s Office of Storm Recovery (GOSR) in the SFY 2019-20 budget to support recovery and rebuilding efforts in areas impacted by natural disasters.

Aid to Localities appropriations for SFY 2020-21 are reduced by $21.3 million, reflecting the Executive proposal to fund the Rural Rental Assistance Program (RRAP), the Neighborhood Preservation Program (NPP) and the Rural Preservation Program (RPP) off budget with State of New York Mortgage Agency Mortgage Insurance Funds (MIF). The decline in appropriations
from this action is partially offset by an increase in appropriations of $6.8 million, or 82 percent, in support of not-for-profit housing companies through the Housing Development Program. The Executive proposes State Operations appropriations of $24 million, which is unchanged from SFY 2019-20.

Proposed Article VII language would also authorize the State to deduct costs incurred in the administration of rent regulation in New York City from local assistance payments to the City.

**Environment and Parks**

*Environment*

For the Department of Environmental Conservation (DEC), the Budget projects $1.5 billion in All Funds spending in SFY 2020-21, an increase of $140.8 million, or 10.7 percent over SFY 2019-20. This increase is related to spending from the Clean Water Infrastructure Act, the proposed Restore Mother Nature Bond Act, and certain other capital programs and spending necessary to support 47 new FTE positions in SFY 2020-21 related to implementation of the Climate Leadership and Community Protection Act and the Lake Ontario Resiliency and Economic Development Initiative.

The Budget includes an appropriation of $43.3 million for implementation of the New York City Watershed agreement, an increase of $3.0 million from the current year. Up to $800,000 of that amount may be transferred to the Department of State for water quality planning and implementation grants to municipalities within the watershed to help maintain a filtration avoidance determination issued by the U.S. Environmental Protection Agency.

The Budget includes an appropriation of $300 million for the Environmental Protection Fund (EPF), the same level as SFY 2019-20; however, EPF projected spending of $260.5 million in SFY 2020-21 reflects a $5.3 million or 2.1 percent increase. Further increases are projected in future fiscal years to a high of $275 million in SFY 2023-24. Average annual EPF spending over the life of the five-year Capital Plan is projected at approximately $269.1 million, an increase of approximately $10 million over average annual projected spending in the current five-year Capital Plan. Projected EPF receipts of $221.8 million represent an increase of $23 million or 11.6 percent over the current year and include $119.1 million in Real Estate Transfer Tax revenues and $102.7 million in miscellaneous receipts, including revenues from unclaimed bottle bill deposits and certain environmental fees. In addition, the Budget directs NYSERDA to transfer $5 million in Regional Greenhouse Gas Initiative (RGGI) revenue to the EPF. As included in the SFY 2019-20 Enacted Budget, the Budget proposes to transfer $28 million from the General Fund to the EPF in SFY 2020-21.

As it did in SFY 2019-20, the Executive Budget includes new language that would allow an undefined portion of the EPF appropriation to be used for personal service expenses in SFY 2020-21. This proposal was not included in the Enacted Budget. Any use of such resources for this purpose would effectively reduce funding available to EPF project and program needs; the extent and potential impact of such alternative use are unclear. The Budget also proposes Article VII language to use fees from tidal and wetland permits, currently directed to the EPF, to fund the New York State Conservation Fund.
The Executive Budget includes an appropriation of $3 billion to fund capital projects authorized under the proposed Restore Mother Nature Bond Act, subject to voter approval of a ballot initiative in November 2020. It would fund five broad categories of projects intended to: restore habitats and reduce flood risks; improve water quality through waste water infrastructure; protect open space and invest in associated recreational infrastructure; expand the use of renewable energy to mitigate climate change; and support other such projects that preserve, enhance, and restore the quality of the State’s environment.

The Budget includes a new $500 million capital projects appropriation in support of a broad variety of clean water infrastructure projects, including those eligible for funding under the New York State Water Infrastructure Improvement Act of 2017. All, or a portion, of these funds may be provided to the Environmental Facilities Corporation (EFC) or suballocated to any other department or State agency. This appropriation represents authorized funding for the second year of an anticipated overall $2.5 billion, five-year clean water program (appropriations of $500 million annually from SFY 2019-20 through SFY 2023-24). No spending is anticipated from this appropriation until SFY 2024-25, when $225 million in disbursements are projected.

The Budget reappropriates nearly all of the $2.5 billion originally appropriated for clean water infrastructure projects in the SFY 2017-18 Enacted Budget, and the entire $500 million appropriation in the SFY 2019-20 Enacted Budget that provided authorization for the first year of the five-year clean water program referenced in the paragraph above. The Capital Plan anticipates a ramp up in spending over the Plan period related to these authorizations. While a total of $61.4 million has been spent through SFY 2018-19 from the $2.5 billion authorization, approximately $150 million is planned for disbursement in the current year, with an additional $1.7 billion over the coming five years. The $500 million reappropriation is projected to be spent over the coming four years, beginning with $25 million in SFY 2020-21.

A $55.3 million New York Works capital projects appropriation, the same level as the current year, is provided for projects including air monitoring, contamination remediation, information technology, dam safety, flood protection, shoreline protection, public access and recreational infrastructure, easements and projects on lands sought for acquisition, vehicle acquisition, water quality improvement, fish hatcheries, rehabilitation of DEC facilities and well plugging.

The Budget includes a proposal to authorize EFC to extend the final maturity of no-interest loans issued by the Corporation to communities meeting economic hardship criteria from 20 years to 40 years. Other statutory proposals in the Budget include measures to:

- Amend Environmental Conservation Law to prohibit the DEC from issuing permits for natural gas wells that use a combined total of 300,000 gallons or more of water as the base fluid for hydraulic fracturing for all stages of the completion of such wells. This amendment would codify a 2014 Executive Order banning this activity.
- Ban the sale, use, or distribution of expanded polystyrene food containers, commonly referred to as styrofoam, in all retail and food service applications, and the distribution of polystyrene loose fill packaging. Certain exceptions are provided. To avoid pre-emption under the provisions of the proposal, local laws or ordinances must be at least as comprehensive as the State ban.
- Require manufacturers of carpets and mattresses to establish a not-for-profit entity called a stewardship organization, to create and manage programs to take back such
products at no direct charge from consumers in New York State for reuse or recycling. Penalties for violations of the program would be deposited to the credit of the EPF. DEC would be required to produce a report by November 2022 evaluating the program performance and recommending new stewardship programs to address products or product categories.

- Remove the requirement that wetlands must be represented on the New York State Freshwater Wetlands Map in order to be subject to State regulation, and establish certain related provisions.

- Amend authorization for State regulation of gas wells, oil wells, solution mining wells, injection wells, brine disposal wells, or geothermal wells to clarify that the developers must undertake certain actions to plug wells and restore nearby lands. Related provisions include a proposal to establish that financial security bonds, or other acceptable financial security instruments, must cover surface restoration activities in addition to well plugging.

- Amend the Excelsior Tax Credit program to provide enhanced tax credits to businesses that engage in "green projects", defined as those that reduce greenhouse gas emissions or support the use of clean energy.

**Parks**

The Budget projects $350 million in All Funds spending for the Office of Parks, Recreation and Historic Preservation, a decrease of $25.1 million, or 6.7 percent from SFY 2019-20. The decrease in spending is attributed to the spend-down of prior capital appropriations for parks maintenance and the elimination of initiatives added in the SFY 2019-20 Enacted Budget. The Executive Budget proposes a net increase of 22 new FTE positions at the agency in SFY 2020-21. These new positions are associated with initiatives to install renewable energy generation in State Parks and to conduct safety-related maintenance activities.

The Budget includes a $112.5 million appropriation in New York Works capital for parks infrastructure projects, including not less than $2.5 million for the Olympic Regional Development Authority, unchanged from the SFY 2019-20 Enacted Budget.

**Adirondack Park Agency**

The Budget proposes $6.4 million in All Funds spending for the Adirondack Park Agency in SFY 2020-21, an increase of $1.3 million, or 25.4 percent from SFY 2019-20.

**Agriculture**

For the Department of Agriculture and Markets, the Executive Budget projects $99.0 million in All Funds spending in SFY 2020-21, a reduction of $4.3 million, or 4.1 percent from SFY 2019-20. This decrease in funding is related to the elimination of funding for certain initiatives that were included in the SFY 2019-20 Enacted Budget and the transfer of the Taste of New York Program to the Empire State Development Corporation. The Executive Budget anticipates the addition of 21 new FTEs related to the State Fair, seven new FTEs related to regulation of hemp, eight new dairy inspectors and four new lab staff, resulting in the net addition of 40 FTE positions after reductions associated with the Taste of New York Program transfer.
The Budget includes $18.7 million in capital appropriations for improvements, including energy efficiency retrofits, at the State Fairgrounds in Onondaga County, an increase of $10 million for this purpose over appropriations in the SFY 2019-20 Enacted Budget.

The Budget includes an appropriation of $47.4 million to support a variety of projects including farm-to-school programs. This appropriation also includes $20 million in support of non-point source pollution control and farmland protection. Other proposals include $1 million for a nonprofit entity to administer an animal population control program.

The Budget includes several legislative proposals intended to assist farmers, including:

- Expand the range of family members excluded from certain requirements of the State Farm Laborers Fair Labor Practices Act (enacted in 2019) to include great grandparents, great grandchildren, uncles, aunts, nephews, or nieces.
- Applying federal procurement procedures and discretionary limits to child nutrition programs, including the national school lunch, breakfast and summer food service programs, to promote produced foods produced in New York State.
- Making the investment tax credit under the Corporate Franchise Tax and PIT refundable and increasing the allowable PIT deduction from 5 to 15 percent of farm income for farms with a net income of less than $250,000.
- Providing priority for adult-use cannabis licenses for farmers that meet certain income, ethnicity and/or legal criteria as defined in the proposed Cannabis Regulation and Taxation Act.

**Energy**

The Budget projects $86.7 million in All Funds spending for the Department of Public Service (DPS) in SFY 2020-21, an increase of $4.0 million or 4.9 percent over SFY 2019-20. Proposed legislation would authorize the Departments of Agriculture and Markets, State, Environmental Conservation, Health and the Office of Parks, Recreation and Historic Preservation to be reimbursed for the expenses of participating in DPS ratemaking proceedings with funding from the utility assessment authorized under Section 18-a of the Public Service Law.

The Budget also proposes to explicitly authorize the Public Service Commission (PSC) to hold hearings and take certain other actions if it believes that a utility or its officers may be subject to a penalty. The legislation would remove the word “reasonably” from the phrase “reasonably comply” with regard to certain provisions of existing law related to potential penalties against regulated entities. The legislation also expands the reach of certain penalties to include cable television and telephone companies in addition to electric and gas utilities.

For the New York State Energy Research and Development Authority (NYSERDA), the Budget projects $21.6 million in All Funds spending in SFY 2020-21, an increase of $1.1 million or 5.5 percent over SFY 2019-20. Most of NYSERDA’s spending is not appropriated or tracked in the State Budget.
An Article VII proposal would authorize NYSERDA to collect up to $22.7 million through an assessment on gas and electric utilities, an increase of $3 million over the current year. This assessment is not to exceed one cent per one thousand cubic feet of gas sold and 0.01 cent per kilowatt-hour of electricity sold in the State. This funding is not appropriated in the Budget, but billed to utilities by the PSC and transferred directly to NYSERDA to pay for expenditures of certain of its programs. Of these funds, NYSERDA is directed to transfer up to $4 million to the State General Fund for climate-change-related services and expenses of DEC, $150,000 for services and expenses of the Department of Agriculture and Markets and $825,000 to the University of Rochester Laboratory for Laser Energetics. The proposed transfer to the DEC is increased by $3 million over the transfer authorized for the current fiscal year.

Other proposals include an authorization for NYSERDA to transfer $23 million in Regional Green House Gas Initiative (RGGI) revenues to the General Fund, the same amount as in the current year's Budget, along with an additional $5 million in RGGI funds to the Environmental Protection Fund.

The Budget projects $30.5 million in on-budget All Funds spending for the New York Power Authority (NYPA) in SFY 2020-21, a decrease of $5.7 million or 15.9 percent from SFY 2019-20. Legislation proposed in the Budget would direct NYPA to transfer $20 million to the General Fund to support energy-related State activities. Article VII proposals would also authorize NYPA to form a pure captive insurance company (a wholly owned subsidiary corporation) to insure NYPA’s operations and those of its subsidiaries. This captive insurance company would not be subject to taxation.

Public Protection/Criminal Justice

The Financial Plan reflects a decrease in State Operating Funds spending for the agencies DOB includes in its Public Protection and Criminal Justice grouping of $55.8 million or 1.3 percent, to $4.1 billion in SFY 2020-21. All Funds spending would decrease by $158.4 million, or 2.6 percent, to nearly $6.0 billion in SFY 2020-21.

As reflected in the Financial Plan, All Funds spending for the Department of Corrections and Community Supervision (DOCCS), which represents more than half of overall spending in this grouping, would decrease by $181.5 million, or 5.6 percent, to nearly $3.1 billion. Changes include a $155.7 million decrease in projected spending related to prison operations and a $25.7 million decrease in projected capital spending on DOCCS prisons. The Executive attributes much of the decrease in prison operations spending to a $150 million payment this year to corrections officers and certain other staff that will not occur in future years, as well as the projected elimination of 2,500 prison beds in SFY 2020-21.

The Executive Budget includes two Article VII proposals to reduce capacity within the State prison system. One would authorize the Governor to close State correctional facilities in SFY 2020-21, as he determines to be necessary, for the cost-effective and efficient operation of the correctional system, with no limit on the number that may be closed. The proposal requires at least 90 days’ notice to the Speaker of the Assembly and the Temporary President of the Senate before any closures. Certain existing statutory provisions would be bypassed, including requiring 12 months’ notice to all local governments where the prisons are located, to all labor organizations representing prison employees, and to managerial and confidential employees.
working in the prisons. The proposal would also bypass provisions requiring DOCCS to develop strategies which attempt to minimize the impact of any closures on the State workforce and local and regional economies, and other provisions requiring the Department of Economic Development to evaluate the community impact of and prepare an "adaptive reuse plan" for any closures.

A second statutory proposal would require the transfer of all adolescent offenders and individuals under the age of 18 from DOCCS facilities to the custody of the Office of Children and Family Services (OCFS) by October 1, 2020. According to the Executive, this proposal would result in the transfer of 40 individuals from Hudson and Adirondack Correctional Facilities to OCFS secure detention facilities in SFY 2020-21. Following the transfers, the Executive intends to convert both prisons to medium security drug treatment facilities, reducing as many as 750 prison beds.

The Executive indicates that reducing prison bed capacity would allow the DOCCS workforce to decline through attrition by 1,247 FTEs or 4.3 percent to 27,556 in SFY 2020-21. Current year bed reductions of 1,200 resulted from the closure of two prisons, in Manhattan and Livingston County, in September 2019. The State prison population is projected to be 44,500 inmates by March 31, 2020, and to drop to 44,000 by March 31, 2021 and remain at that level through SFY 2023-24.

All Funds spending for the Division of Homeland Security and Emergency Services (DHSES) would decline by $90.4 million, or 6.9 percent, to $1.2 billion in SFY 2020-21. This is primarily driven by a $98.7 million, or 8.1 percent, decline in Local Assistance spending to $1.1 billion – largely due to the timing of Federal Emergency Management Agency (FEMA) Public Assistance payments, according to the Executive – partially offset by a $5.1 million increase in projected Capital Projects payments to $17.3 million.

The Budget proposes to increase All Funds spending for the Division of State Police by $29.7 million, or 3.3 percent, to $922.1 million in SFY 2020-21. This includes the costs of a 2 percent general salary increase for State troopers and State Police investigators, an additional $1 million for the State Police Hate Crimes Task Force established in 2018 (for a total of $2 million), and a $8.4 million or 17.6 percent increase in capital expenditures, largely reflecting the maintenance and improvement of existing State Police facilities.

All Funds spending for the Division of Criminal Justice Services (DCJS) is projected to increase by $11.7 million, or 4.9 percent, to $250.6 million in SFY 2020-21. The higher spending largely reflects $25 million in new capital projects funding intended to support safety and security projects at non-profit organizations considered to be at risk of hate crimes or attacks, as well as $2 million for a new District Attorney Discovery Compensation Fund to be established by proposed Article VII legislation. The new fund would consist of annual revenue associated with State-sanctioned deferred prosecution agreements currently held by the Office of the Manhattan District Attorney. Spending from the new fund would support expenses related to digital evidence transmission technology, providing a mechanism for law enforcement, district attorneys and defense attorneys to share information in their possession in advance of trial. These increases are partially offset by the elimination of approximately $16 million in initiatives that were added in the SFY 2019-20 Enacted Budget.

All Funds spending for the Division of Military and Naval Affairs (DMNA) would decrease by $26.9 million, or 13.9 percent, to $167.1 million in SFY 2020-21. This primarily reflects a
decline in capital spending of $26.5 million, or 21.4 percent, to $97.7 million, largely due to the timing of disbursements. The Budget also proposes $225.2 million in new capital appropriations, a $150 million increase over SFY 2019-20, including $121 million in combined federal and State funding for a multiyear renovation and reprogramming project at the armory in Jamaica, Queens.

All Funds spending for the Office of Indigent Legal Services would increase by $74.9 million, or 81.9 percent, to $166.5 million, largely reflecting third-year costs associated with the implementation of the five-year, statewide initiative to improve New York’s system of public defense services. The Budget proposes to increase All Funds spending for the Office of Victim Services (OVS) by $23.3 million, or 21.6 percent, to $131.1 million. The higher spending is attributable to an increase in the Federal Victims of Crime Act award to OVS.

Other Article VII proposals in the Budget related to Public Protection and Criminal Justice include legislation to: require all sex offenders to disclose their screen name to DCJS for each social media or dating/gaming account they have; provide that a rape victim’s ability to consent is jeopardized whether she or he is voluntarily or involuntarily intoxicated; prohibit individuals who cannot legally possess a rifle or shotgun from possessing a major component that could be used to build such a weapon; authorize law enforcement officers to temporarily remove guns from suspected domestic abusers; disqualify individuals from gun ownership if they commit a serious misdemeanor in another state; establish a new misdemeanor of “domestic violence”; and create new felony crimes of “domestic act of terrorism motivated by hate,” punishable by up to life in prison without parole.

**Lottery and Gambling**

The Executive Budget projects lottery and gaming revenues in SFY 2020-21 to decrease by $117 million, from just over $4.0 billion to $3.9 billion. While revenues from State-authorized gaming are projected to grow in the upcoming fiscal year by $155 million, this increase is more than offset by an expected decline in receipts pursuant to the Tribal State Compact program as collections return to the regular payment schedule. Commercial casino receipts, which include those from sports betting, are expected to increase by 8.1 percent, to $214 million, in SFY 2020-21. Revenues from other state-authorized gaming, including traditional Lottery games and video-lottery terminals, are projected to increase by a combined $123 million or 3.6 percent. The Budget recommends a net increase in All Funds appropriations for the Gaming Commission of $24 million, or 5.9 percent.

In 2018, an arbitration panel was formed to determine whether the Seneca Nation was required to make payments to the State on revenues received from the Nation’s gaming operations. On January 7, 2019, the panel ruled that the Seneca Nation is liable for these payments. The Nation has appealed this ruling and has not made any payments to date. The Budget assumes the collection of these revenues, approximately $256 million, in the current fiscal year.

While appropriations in the current fiscal year under the Tribal State Compact program reflect the distribution of the local portion of the outstanding payments due from the Seneca Nation as well as the regular payments under compacts with the State’s other tribes, the Executive Budget would increase the Aid to Localities appropriation in SFY 2020-21 by $24 million for
this program in the event the payments due from the Seneca Nation are delayed into the next fiscal year.

The Budget includes the following proposals relating to gaming and racing operations:

- Eliminate the minimum square footage restriction for Quick Draw retailers, resulting in a doubling of the number of retail locations, bringing the total to 17,000 and generating additional State revenue of $15 million in SFY 2020-21 and $30 million when fully effective.
- Authorize sports betting anywhere within a commercial casino rather than in dedicated areas as currently required.
- Allow the Gaming Commission to enter into the Mid-Atlantic Drug Compact, which is intended to enhance and standardize equine drug rules, and expand the potential number of equine testing laboratories.
- Authorize the New York Racing Association (NYRA) to build a new equine drug testing lab which would be paid for with NYRA capital funds.

**State Workforce**

The Financial Plan indicates that the overall size of the State workforce (excluding the Legislature and the Judiciary) is projected to be 184,164 full-time equivalent employees (FTEs) at the end of SFY 2020-21, a decrease of 1,007 from the estimated total at the end of the current year. This decrease is the net result of an estimated 11,626 attritions and 10,619 new hires. Major expected changes include:

- Department of Corrections and Community Supervision (DOCCS), net decrease of 1,247 FTEs due to the projected elimination of 2,500 beds through facility restructuring and potential closure of prisons not yet identified;
- Division of Alcoholic Beverage Control, net increase of 191 FTEs (includes 16 staff from the Department of Health), for the proposed new Office of Cannabis Management;
- Office of Mental Health, net decrease of 105 FTEs related to facility restructuring and the Jail-Based Restoration Program;
- Office of Medicaid Inspector General, net increase of 69 FTEs to support program initiatives related to Medicaid fraud;
- Office of Children and Family Services, net decrease of 63 FTEs due to bed vacancy and resulting closure of a limited secure facility in Delaware County.

The Budget includes a proposal to change funding for 381 CUNY FTEs currently supported by a Special Revenue Fund to an Agency Trust Fund (a fiduciary fund) to coincide with the proposed reclassification of certain related fees and spending. This proposal would lower the overall reported size of the State workforce within All Governmental Funds, as fiduciary funds are not included within this framework.

All Funds spending for personal services in SFY 2020-21 would increase by 2.3 percent to $15.3 billion, according to the Financial Plan.
Article VII proposals in the Budget include measures to: extend recently enacted pay equity protections to protected class employees at State and local public authorities, while establishing provisions for when it is not a violation to pay different compensation to employees; and provide public employee organizations access to employee orientations, among other provisions. Several other proposals related to employee and retiree benefits are discussed in the following section.

**General State Charges**

The State’s costs associated with employee fringe benefits and certain other expenses are known collectively as General State Charges (GSC). The Financial Plan projects State Operating Funds spending for GSC will total $9.0 billion in SFY 2020-21, an increase of 3.8 percent from SFY 2019-20. Overall, spending from State Operating Funds for employee fringe benefits is projected at $8.6 billion in the coming year, shown in Figure 17. The 1.9 percent increase in pension costs includes DOB’s plan to pay the State’s SFY 2020-21 pension bill in May 2020 (ahead of its due date of March 1, 2021), to provide an estimated $51.1 million in interest cost savings. All Funds spending for GSC, including costs for federally funded State employees, is projected at $9.4 billion in the Financial Plan.

**Figure 17**

<table>
<thead>
<tr>
<th>State Operating Funds Spending – General State Charges</th>
<th>SFY 2019-20</th>
<th>SFY 2020-21</th>
<th>Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health Insurance</strong></td>
<td>4,308</td>
<td>4,513</td>
<td>205</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Pensions</strong></td>
<td>2,448</td>
<td>2,495</td>
<td>47</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Social Security</strong></td>
<td>1,097</td>
<td>1,134</td>
<td>37</td>
<td>3.4%</td>
</tr>
<tr>
<td><strong>Workers’ Compensation</strong></td>
<td>515</td>
<td>583</td>
<td>68</td>
<td>13.2%</td>
</tr>
<tr>
<td><strong>Employee Benefits</strong></td>
<td>103</td>
<td>108</td>
<td>5</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Dental Insurance</strong></td>
<td>58</td>
<td>63</td>
<td>5</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Unemployment Insurance</strong></td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>All Other/Non-State Escrow</strong></td>
<td>(275)</td>
<td>(336)</td>
<td>(61)</td>
<td>-22.2%</td>
</tr>
<tr>
<td><strong>Fringe Benefits Subtotal</strong></td>
<td>8,266</td>
<td>8,572</td>
<td>306</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Fixed Costs</strong></td>
<td>415</td>
<td>443</td>
<td>28</td>
<td>6.7%</td>
</tr>
<tr>
<td><strong>General State Charges Total</strong></td>
<td>8,681</td>
<td>9,015</td>
<td>334</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Source: Division of the Budget

As in the past several years, the Executive Budget proposes changes to health coverage costs for State retirees through:

- Limiting reimbursement of Medicare Part B premiums for retirees and their dependents to $144.60 per month effective April 1, 2020, resulting in a projected savings of $2.2 million in the coming year and rising to $41.3 million by SFY 2023-24 if future reimbursement levels are not increased. DOB projects that this change would reduce the State’s unfunded other post-employment benefits (OPEB) liabilities by approximately $5.6 billion.

- Eliminating reimbursement of certain Medicare costs for higher-income State retirees starting January 1, 2020, for estimated State savings of $3.7 million in the coming year and rising to an estimated $23.8 million in SFY 2023-24.
- Effective for civilian non-disability employees hired on or after October 1, 2020, the Budget would create a sliding scale for retiree health insurance coverage based on years of service, comparable to the calculation for pension benefits. This action would result in shifting some costs to employees and is anticipated by the DOB to reduce OPEB liability by about 5 percent in the future once the majority of employees and retirees are under the new schedule.

**Local Governments**

The Executive Budget proposes to hold funding for most local government aid programs at SFY 2019-20 levels. Funding for the Aid and Incentives to Municipalities (AIM) program, the largest appropriation of unrestricted aid to local governments, is maintained at $656 million. In addition, $59 million would continue to be withheld from county sales tax collections to make AIM-related payments to most towns and villages. The Budget proposes legislation that seeks to clarify the withholding of sales tax collections for this purpose in certain local governments with control boards (Erie and Nassau counties, and the City of Buffalo). Funding for local streets, highways and bridges is also held constant, as detailed below.

Aid to Municipalities with Video Lottery Gaming Facilities for 16 municipalities that host video lottery terminal (VLT) facilities would be eliminated, reducing the State’s expenditures by $9.8 million to $19.6 million in SFY 2020-21. Only the City of Yonkers would continue to receive this aid, which would be the same amount as the current State fiscal year. Madison County, which hosts a gaming facility, would receive a $1.5 million increase in Miscellaneous Financial Assistance (gaming facility aid), for a total of $3.75 million. Specific appropriations for Essex, Franklin and Hamilton counties would remain at SFY 2019-20 levels, as well as the $1 million in municipal aid for the City of Jamestown (the Financial Plan reports the funds for Jamestown, but the Budget has no specific appropriation or Article VII language for this aid). No additional aid is proposed for the City of Albany, which received $12 million in special assistance in the SFY 2019-20 Enacted Budget through two separate grants.

Funding for local streets and highways through the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program would be held flat at the same level since SFY 2013-14, with total funding of $477.8 million. CHIPS would be funded at $438.1 million and the Marchiselli Program at $39.7 million. The Budget proposes raising the threshold for when a local government is required to seek competitive bidding for street or highway projects using CHIPS funding from $250,000 to $750,000. In addition, $51 million is reappropriated from SFY 2019-20 to help local governments address severe winter weather damage to roads and bridges, but no new funding for this purpose is proposed. Executive Budget documents indicate that the BRIDGE NY and PAVE NY programs are continued with $100 million available for each. However, the Budget does not include appropriations or Article VII language specifically associated with these programs.

The Budget reappropriates nearly the entire $2.5 billion originally appropriated for Clean Water Infrastructure Act projects from the SFY 2017-18 Enacted Budget, and includes a new $500 million capital appropriation for drinking and wastewater infrastructure and water quality protection. For additional detail regarding these funds, see the Environment and Parks section of the report. In addition, legislation included with the Budget would allow for 40-year, no-interest loans for eligible local governments that meet certain hardship criteria for water infrastructure projects.
The Budget would continue to support certain initiatives affecting local governments that were enacted in prior years. It includes a new $250 million appropriation and various reappropriations totaling $221 million for costs relating to raising the age of juvenile jurisdiction. The Budget also includes a reappropriation of $221.5 million to fund the State’s match of net savings realized from approved county-wide shared service plans. In addition, the Budget proposes to allow these funds to be used for shared service projects that had been included in previous plans but were only implemented later.

The Budget also includes funding for various grant programs, including:

- A reappropriation of $75.8 million to fund municipal grants and loans for the Financial Restructuring Board for Local Governments (FRB). Voting requirements would be amended to allow for a majority affirmative vote of the total number of members present required for board action, instead of the total number of FRB members.
- A new appropriation of $35 million to fund the Citizens Re-Organization Empowerment Grants and Citizen Empowerment Tax Credits and $4 million for the Local Government Efficiency Grant Program.
- A new capital projects appropriation of $100 million for the fifth round of the Downtown Revitalization Program.

In addition to traditional aid and competitive or categorical grants, the Budget includes several proposals that could affect local governments’ bottom lines:

- Requiring counties and New York City to meet new conditions for State funding of certain Medicaid spending. For additional information, see the Health/Medicaid section of this Report.
- Permitting counties jointly to maintain a county jail pursuant to a shared services agreement. Counties would be allowed to share jails and/or jail services.
- Creating a District Attorney Compensation Fund, which would support local assistance services and expenses related to sharing information before trial by using digital evidence transmission technology. Funding for this initiative would be through an annual $2 million payment from future State-sanctioned deferred-prosecution agreement funds collected by the Office of the Manhattan District Attorney.
- Requiring local Boards of Elections to undertake a manual recount of votes cast where the margin of victory is below 0.2 percent in statewide elections and 0.5 percent for other elections.
- Changing the interest rate paid by local governments and the State on court judgments or accrued claims from the current fixed rate of 9 percent to a market rate.

The Budget also includes a proposal to require every elected local official who receives over $100,000 in annual compensation from his or her position to annually file a copy of their New York State income tax return with the State’s Joint Commission on Public Ethics (JCOPE).

**New York City**

The Executive Budget would link State funding of certain local Medicaid costs to the State’s property tax cap. Fiscal implications of the proposal, both statewide and with regard to New
York City, are difficult to determine. While New York City would remain exempt from the tax cap, the State would calculate the City’s Medicaid liability as if the cap applied, according to DOB. Last year, growth in City property tax revenues exceeded the cap, and DOH data indicate the nonfederal cost of Medicaid increased by 7 percent. The City estimates that it would have incurred additional costs of $1.1 billion if the proposal had been in effect last year and had applied to the growth in the entire nonfederal share of Medicaid. (The impact would have been lower if the proposal applied only to the growth in the local share of Medicaid.) The Executive Budget Financial Plan includes $150 million in annual State savings related to this proposal, but the Executive has not provided a breakout of how this savings estimate would impact individual counties or the City as a whole.

State education aid to New York City would increase by $224 million, which is $136 million less than the increase anticipated by the City, although the City could benefit from competitive school grants. The proposed budget also requires the City to vacate Pier 76 in Manhattan (which is used as a tow pound by the New York City Police Department) and transfer ownership to the Hudson River Park Trust by December 31, 2020. If the City continued to occupy Pier 76 after that date, it would be required to compensate the Trust ($12 million) and, beginning February 1, 2021, to pay rent of $3 million per month.

According to the City, the Executive Budget would also increase the City’s financial responsibility for a number of other social service and health programs, increase the small business tax deduction from 5 percent to 15 percent, cap transportation aid, and would increase the number of permitted charter schools by the number of such schools that were previously closed or are dormant. In total, the City estimates that the Executive Budget, if enacted, would increase the City’s costs by nearly $1.4 billion in City fiscal year 2021.

**Metropolitan Transportation Authority**

The Executive Budget proposes a capital appropriation authorizing an additional $3 billion contribution to the MTA’s 2020-2024 capital program, although the sources of funding are not identified. These resources would be in addition to authorizations approved in last year’s State Budget for the MTA’s 2020-2024 capital program including congestion tolling and other new sources of revenue. The Executive Budget would also raise the MTA’s bond cap from $55.5 billion to $90.1 billion to allow the MTA to issue bonds for its 2020-2024 capital program. The Budget proposes to appropriate $3.5 billion for the MTA’s operating budget, which is $230 million more than anticipated by the MTA for calendar year 2020. The appropriation includes $31 million in disbursements which, according to the MTA, would be used for debt service on bonds issued related to $7.3 billion of the State’s commitment to the MTA’s 2015-2019 capital program.

**Procurement Modifications**

The Budget includes several proposals that would eliminate or modify certain requirements with regard to MTA and New York City Transit Authority (NYCTA) procurement. They include:

- Reducing from 15 business days to five days the period between first advertising or soliciting a bid and the bid opening date, while eliminating the requirement to advertise in newspapers and the procurement opportunities newsletter and requiring advertising only on the MTA website. MTA and NYCTA would also be authorized to utilize existing
contracts awarded competitively by any federal or State department, office, agency or
other instrumentality, and to review qualified products lists once per year instead of
twice.

- Making certain provisions of law permanent, including increasing procurement
opportunities for small businesses, minority- and women-owned business enterprises
and service-disabled veteran-owned businesses; and keeping the formal sealed bid
threshold at $1 million.

- Authorization to award contracts up to $5 million to emerging technology companies
without a formal competitive process; allowing negotiation with potential contractors and
permitting changes to the specifications or other terms or requirements of the bid and
permitting solicitation of new bids from the responsive firms without additional public
advertising after opening bids, in the event that no responsive bids are received or only
a single bid is received; and authorization for non-conforming or non-compliant low bids
to be corrected without increase to the low bid price or rejection of the bid.

The MTA and NYCTA would also be permitted to solicit and award design-build contracts
pursuant to a competitive request for proposals, rather than through awarding to the lowest
responsible bidder through a sealed bid process.

Other Proposals

The Budget would also extend the sunset of provisions authorizing the MTA and NYCTA to
enter into arrangements with local municipal corporations within the Metropolitan Commuter
Transportation District to capture the value created by an MTA capital project through various
methods, including special assessments and tax increment financing until December 31, 2024.
These provisions are currently set to expire on April 1, 2021.

Public Authorities

Borrowing Authorizations

The Executive Budget increases statutory bond caps (total authorizations to borrow) for 20
programs financed through State-Supported debt issued by public authorities. As shown in
Figure 18, such bonding authorizations would increase by $7.3 billion or 5.4 percent over
current limits. More than half of the increase is attributed to transportation programs, with an
increase of $2.8 billion, and to education-related capital programs, with an increase of $1.5
billion, largely for SUNY and CUNY purposes.

The Executive also proposes the Restore Mother Nature Bond Act. This would authorize $3.0
billion of General Obligation (GO) debt in support of various environmental initiatives, and
would be subject to voter approval in a proposal on the statewide ballot. In addition, outside
the category of State-Supported debt, the Budget proposes to increase the MTA’s bond cap by
$34.6 billion, bringing the aggregate amount of borrowing authorization in support of the MTA’s
capital program through 2024 to $90.1 billion.
**Figure 18**

**SFY 2020-21 State-Supported Bond Caps and Authorizations**

(in millions of dollars)

<table>
<thead>
<tr>
<th>Program</th>
<th>Current Cap 1</th>
<th>SFY 2020-21 Proposed Cap 2</th>
<th>Proposed Change: Dollars</th>
<th>Proposed Change: Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Initiatives</td>
<td>4,648.0</td>
<td>6,942.5</td>
<td>2,294.5</td>
<td>49.4%</td>
</tr>
<tr>
<td>SUNY Educational Facilities</td>
<td>13,841.9</td>
<td>14,741.9</td>
<td>900.0</td>
<td>6.5%</td>
</tr>
<tr>
<td>Environmental Infrastructure Projects</td>
<td>5,638.0</td>
<td>6,374.0</td>
<td>736.0</td>
<td>13.1%</td>
</tr>
<tr>
<td>Mental Health Facilities</td>
<td>9,333.3</td>
<td>9,927.3</td>
<td>594.0</td>
<td>6.4%</td>
</tr>
<tr>
<td>CUNY Educational Facilities</td>
<td>8,674.3</td>
<td>9,222.7</td>
<td>548.5</td>
<td>6.3%</td>
</tr>
<tr>
<td>Economic Development Initiatives</td>
<td>9,821.6</td>
<td>10,334.9</td>
<td>513.2</td>
<td>5.2%</td>
</tr>
<tr>
<td>Consolidated Highway Improvement Program (CHIPs)</td>
<td>10,805.8</td>
<td>11,283.6</td>
<td>477.8</td>
<td>4.4%</td>
</tr>
<tr>
<td>Prison Facilities</td>
<td>8,495.0</td>
<td>8,817.3</td>
<td>322.3</td>
<td>3.8%</td>
</tr>
<tr>
<td>Housing Capital Programs</td>
<td>6,290.6</td>
<td>6,531.5</td>
<td>240.9</td>
<td>3.8%</td>
</tr>
<tr>
<td>State Office Buildings and Other Facilities</td>
<td>952.8</td>
<td>1,155.8</td>
<td>163.0</td>
<td>17.1%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>677.4</td>
<td>830.1</td>
<td>152.7</td>
<td>22.5%</td>
</tr>
<tr>
<td>Statewide Equipment</td>
<td>93.0</td>
<td>193.0</td>
<td>100.0</td>
<td>107.5%</td>
</tr>
<tr>
<td>Division of Military &amp; Naval Affairs</td>
<td>92.0</td>
<td>157.0</td>
<td>65.0</td>
<td>70.7%</td>
</tr>
<tr>
<td>Division of State Police</td>
<td>271.6</td>
<td>323.1</td>
<td>51.5</td>
<td>19.0%</td>
</tr>
<tr>
<td>SUNY Upstate Community Colleges</td>
<td>1,005.6</td>
<td>1,051.6</td>
<td>46.0</td>
<td>4.6%</td>
</tr>
<tr>
<td>Youth Facilities</td>
<td>804.6</td>
<td>840.3</td>
<td>35.7</td>
<td>4.4%</td>
</tr>
<tr>
<td>Water Pollution Control (State Revolving Fund)</td>
<td>945.0</td>
<td>980.0</td>
<td>35.0</td>
<td>3.7%</td>
</tr>
<tr>
<td>Homeland Security and Training Facilities</td>
<td>286.0</td>
<td>314.0</td>
<td>28.0</td>
<td>9.8%</td>
</tr>
<tr>
<td>Private Special Education</td>
<td>130.0</td>
<td>155.0</td>
<td>25.0</td>
<td>19.2%</td>
</tr>
<tr>
<td>Library Facilities</td>
<td>251.0</td>
<td>265.0</td>
<td>14.0</td>
<td>5.6%</td>
</tr>
<tr>
<td>Total Public Authority Bond Caps with Changes</td>
<td>83,057.4</td>
<td>90,400.5</td>
<td>7,343.1</td>
<td>8.8%</td>
</tr>
<tr>
<td>All Other Public Authority Bond Caps</td>
<td>52,836.5</td>
<td>52,836.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Public Authority Bond Caps</td>
<td>135,893.9</td>
<td>143,237.0</td>
<td>7,343.1</td>
<td>5.4%</td>
</tr>
<tr>
<td>General Obligation Bond Act Authorizations 3</td>
<td>18,935.0</td>
<td>21,935.0</td>
<td>3,000.0</td>
<td>15.8%</td>
</tr>
<tr>
<td>Total State-Supported Bond Caps/Authorizations</td>
<td>154,828.9</td>
<td>165,172.0</td>
<td>10,343.1</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

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

Note: Totals may not add due to rounding.

1. The current cap reflects the amount previously authorized, some or all of which may already have been issued.
2. The proposed cap reflects the amount authorized in the Executive Budget Article VII language.
3. This table reflects General Obligation Bond Acts for which there is a remaining authorized but unissued amount and/or remaining debt outstanding balance.

**Transfers and Other Budget Support**

As shown in Figure 19, the Executive Budget proposes a total of $156.9 million in transfers and other uses of funds from public authorities. Of this, $70.1 million is intended to provide State General Fund support. The Budget also includes the transfer of $81.8 million in “excess” reserves of the State of New York Mortgage Agency (SONYMA) Mortgage Insurance Fund (MIF) to the Housing Trust Fund Corporation (HTFC) and the Homeless Housing Assistance Corporation (HHAC) to pay for certain housing programs off-budget.
The Budget proposes to merge the New York State Bridge Authority (Bridge) into the Thruway Authority upon satisfaction of all Bridge covenants, agreements and obligations to bond holders. The language would also add an additional Thruway Authority board member, to be appointed by the Governor. The proposal specifies that one member must be a resident of Orange, Rockland, Westchester, Putnam, Dutchess, Ulster, Greene or Columbia County.

The Budget also includes a proposal to modify the Infrastructure Investment Act related to design-build procurement. For additional detail regarding this proposal, see the Debt and Capital section of this report. The Budget proposes capital funding of $147 million for the Olympic Regional Development Authority. This includes $134.5 million for an upgrade and modernization plan to support improvements to the Olympic, ski and other facilities, and $10 million for maintenance and energy efficiency projects. Also included is $2.5 million appropriated from the Office of Parks, Recreation and Historic Preservation, with $500,000 of this amount for Belleayre Mountain Ski Center, and $1 million from DEC for Belleayre projects.

Other provisions in the Executive Budget include:

- Authorization for the New York Power Authority to establish a subsidiary corporation for the purposes of forming a pure captive insurance company, an entity which insures only the risks of the parent organization and/or its subsidiaries.

- Provisions requiring State and local authorities to adhere to pay equity protections for protected class employees similar to certain of those recently enacted for protected class employees within State agencies.

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**Table: SFY 2020-21 Transfers and Miscellaneous Receipts from Public Authorities**

<table>
<thead>
<tr>
<th>Public Authority</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfers and Receipts to the General Fund:</strong></td>
<td></td>
</tr>
<tr>
<td>Dormitory Authority of the State of New York</td>
<td>22.0</td>
</tr>
<tr>
<td>Power Authority of the State of New York</td>
<td>20.0</td>
</tr>
<tr>
<td>New York State Energy Research and Development Authority¹</td>
<td>28.1</td>
</tr>
<tr>
<td><strong>Total to General Fund</strong></td>
<td>70.1</td>
</tr>
<tr>
<td><strong>Transfers for Various Purposes:</strong></td>
<td></td>
</tr>
<tr>
<td>State of New York Mortgage Agency</td>
<td>81.8</td>
</tr>
<tr>
<td><strong>Transfers to the Environmental Protection Fund:</strong></td>
<td></td>
</tr>
<tr>
<td>New York State Energy Research and Development Authority</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total from Public Authorities</strong></td>
<td>156.9</td>
</tr>
</tbody>
</table>

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

Note: The NYSERDA transfer to the General Fund includes $23 million from the proceeds of auctions of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (RGGI), and up to $913,000 to help offset debt service requirements related to the remediation of the Western New York Nuclear Service Center. In addition, up to $4 million for the Department of Environmental Conservation for climate change related services, and $150,000 for the Department of Agriculture and Markets is authorized to be transferred to the General Fund, while $825,000 is authorized to be transferred directly to the University of Rochester for the Laboratory for Laser Energetics.
• Provisions requiring New York City to vacate and transfer Pier 76 to the Hudson River Park Trust for further park development by December 31, 2020, and imposing compensation and rent requirements if City occupancy of the Pier extends beyond that date.

• Authorization for the Thruway to enter into agreements for the use of its fiber optic system instead of requiring disposal through public auction, while also waiving explanatory statements, as is currently required.

• Making permanent the New York Buy American Act, which is intended to promote use of U.S.-produced steel and iron in certain road and bridge construction projects.

Other Issues

Tax return disclosure by public officials

The Budget would require the Governor, the Lieutenant Governor, the Attorney General, the Comptroller, and every State agency head, Assembly Member and Senator, as well as any local elected official who earns over $100,000 a year, to release their New York State income tax returns to the Joint Committee on Public Ethics, along with the existing required annual financial disclosure.

Audits of voting results

The Budget would amend the Election Law to require an automatic manual audit of voting results in elections where the margin of victory is 0.2 percent in a statewide election or 0.5 percent in any election that is not statewide. This requirement would apply to elections held on or after May 1, 2021.

Proposed Amendments to the State Constitution

The Budget is accompanied by two proposed constitutional amendments, one related to restructuring the State court system and the other to prohibition of discrimination.

The proposal to restructure the Unified Court System is in support of a prior proposal by the Chief Judge of the Court of Appeals. The proposal would consolidate the current structure of 11 separate trial courts into a three-tier model. The amendment would abolish the State’s separate trial courts, including the Court of Claims, County Courts, Surrogate’s Courts and Family Courts, and consolidate them into the existing Supreme Court. The State’s town and village “Justice” courts would remain intact. The proposal would also streamline the State’s other local courts into a newly created statewide Municipal Court.

The State’s current trial courts have different purposes, which can often be complicated for litigants, particularly when a case falls under the jurisdiction of multiple courts, such as may happen in matters dealing with divorce and other family issues. This plan proposes a more condensed tier of trial courts, which is common in certain other states, such as California. Centralizing the litigation practice is intended to make the courts easier to navigate, increase operational efficiency and reduce costs to litigants.
Currently, the State Constitution prohibits discrimination based on race, color, creed or religion. The Budget is accompanied by a proposed constitutional amendment that would also prohibit discrimination on the basis of sex, sexual orientation, gender identity, ethnicity, national origin, age, and disability.

As amendments to the State Constitution, both proposals would require passage of concurrent resolution by the Legislature over two successive legislative sessions, and approval by the voters at general elections.\textsuperscript{12}

\textit{Internet Neutrality}

The Budget proposes to require all State agencies and authorities to contract only with internet service providers (ISPs) that adhere to internet neutrality principles. With internet neutrality, ISPs may not intentionally block, slow down, or charge money for specific online content. Without internet neutrality, ISPs may prioritize certain types of traffic, meter others, or potentially block traffic from specific services, while charging consumers for various tiers of service.

\textsuperscript{12} New York Constitution, Article XIX, §1.