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# Report on the State Fiscal Year 2009-10 Enacted Budget

May 2009

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New York State Comptroller**

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# Introduction

The Enacted Budget for State Fiscal Year (SFY) 2009-10 clearly demonstrates the need for comprehensive fiscal reform. It relies on practices and patterns that result in poor fiscal outcomes over the long-term—recurring spending that outpaces recurring revenue, and the use of temporary revenues including federal stimulus funds to support ongoing costs. In addition, the process by which the SFY 2009-10 Enacted Budget was developed left the public without access to information and the ability to offer substantive input.

As a result, the Executive projects significant out-year budget gaps. Beginning in SFY 2011-12 the budget gap is projected at \$8.8 billion growing to \$13.7 billion in SFY 2012-13. These projected gaps represent not only the loss of temporary and non-recurring revenues included in this year's budget, but also significant increases in baseline spending. State General Fund spending is projected to grow to \$72 billion in SFY 2012-13 from the current year estimate of \$54.9 billion, an increase of \$17 billion or, 31 percent, over three years.

This Budget was developed against the backdrop of the most serious economic crisis since the Great Depression. Substantial market declines and tight capital markets resulted in significant business and job losses beginning in April 2008. As a result, the State's Financial Plan, which relies heavily on tax revenues from the financial sector, experienced significant losses in tax revenue leading to burgeoning projected Financial Plan deficits for SFY 2009-10.

By the time the Budget was enacted for SFY 2009-10, the projected budget gap for the current fiscal year was estimated at \$17.9 billion by the Division of the Budget, up from an estimated \$13.7 billion in December 2008, when the Executive Budget for SFY 2009-10 was submitted to the Legislature. This gap, the difference between projected revenues and projected disbursements in the General Fund (including a gap in HCRA funding), totaled 33 percent of spending in the General Fund.

Federal stimulus funds of \$26.7 billion over 27 months became available in February 2009. While a portion of these funds was used to offset State costs associated with growing Medicaid and social services caseloads, discretionary stimulus funds were also used to support current programmatic spending. As such, the State lost a unique opportunity to use stimulus funds in a focused effort to balance the State's long-term fiscal plan, to reinvent State government and to invest in New York's economy.

The chronic structural imbalance underlying the current fiscal year budget combined with significant continuing uncertainty in economic indicators points to a need for caution this year and into the future. The Office of State Comptroller will continue to monitor and report on receipts and disbursements throughout the fiscal year.

## **The SFY 2009-10 Financial Plan**

The final budget agreement for SFY 2009-10 increased All Funds spending by \$10.4 billion, or 8.5 percent, to \$131.9 billion. General Fund spending, a component of All Funds spending supported primarily by tax revenues that is the focus of gap-closing efforts, is projected at \$54.9 billion for the current fiscal year, an increase of \$301 million, or 0.6 percent, over SFY 2008-09.

### **SFY 2008-09 Actual Compared to SFY 2009-10 Enacted**

(in millions of dollars)

Receipts	Actual		Enacted	
	SFY 2008-09	SFY 2009-10	\$ Change	% Change
General Fund (Including Transfers)	53,801	54,338	537	1.0%
All Governmental Funds	119,235	130,550	11,315	9.5%
<b>Disbursements</b>				
	SFY 2008-09	SFY 2009-10	\$ Change	% Change
General Fund (Including Transfers)	54,607	54,908	301	0.6%
All Governmental Funds	121,572	131,935	10,364	8.5%

The All Funds increase of \$10.4 billion includes:

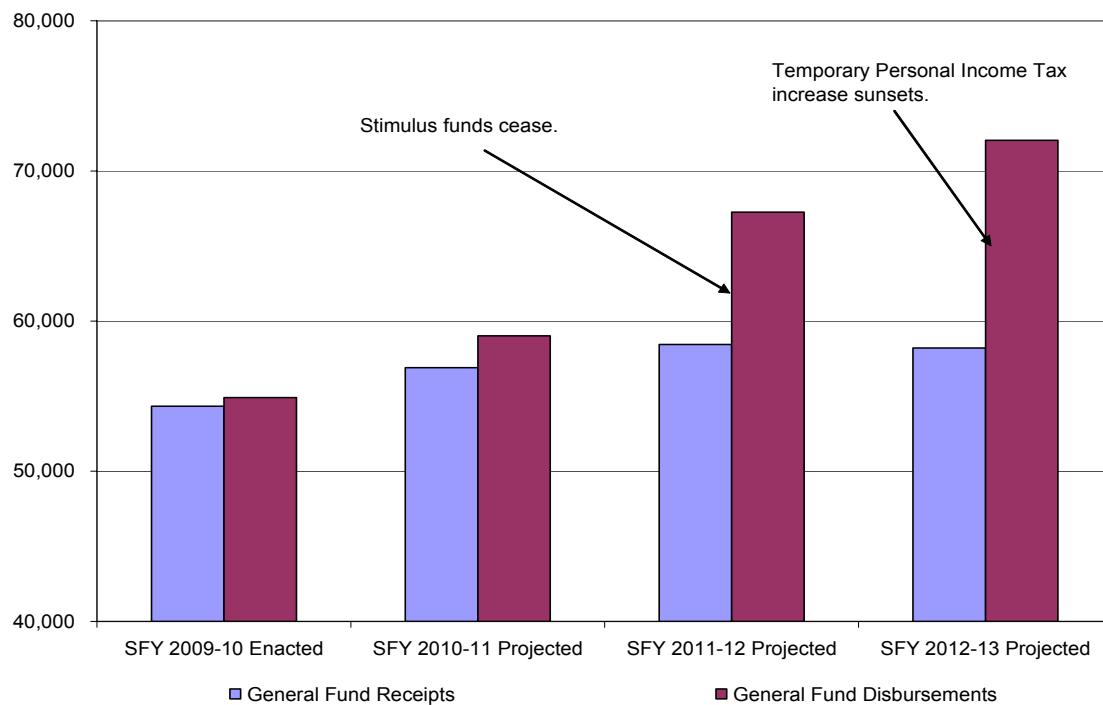
- \$3.6 billion in higher spending for Medicaid within the Department of Health,
- \$1.5 billion for school aid,
- \$1.2 billion for other education including higher education,
- \$919 million for economic development,
- \$613 million for debt service,
- \$508 million in social services and other health programs,
- \$352 million for transportation related programs,
- \$192 million for Medicaid outside of both the Department of Health and related educational services, and
- \$129 million in mental hygiene programs (non-Medicaid).

These increases include spending for higher Medicaid and public assistance caseloads, a ten percent increase in the public assistance cash grant and the creation of a new student loan program. A pilot program to standardize the Medicaid long-term care authorization process for home care services and a new hospital rate system to encourage the expansion of primary and preventive care were enacted. Additional funds are provided for water pollution control projects and for low income weatherization programs. New drug treatment programs were also enacted in alignment with the reform of the Rockefeller Drug Laws. At the same time, the Empire Zone program was restructured and approximately \$270 million was included for new assistance programs in the Department of Labor.

The SFY 2009-10 All Funds spending estimate of \$131.9 billion is supported by \$10.9 billion in additional federal aid, including funds from the American Recovery and Reinvestment Act (ARRA), \$6.7 billion in tax, fee and other revenue actions, \$1.5 billion due to the elimination of the STAR rebate program, and approximately \$1.7 billion in other non-recurring revenue resources for a total of more than \$20 billion in new federal and other revenue actions.

General Fund spending in SFY 2009-10 remains flat primarily due to the shift of spending out of the General Fund to other funds. The shift in spending is made possible by the availability of federal stimulus funds. However, from SFY 2009-10 through SFY 2012-13, the growth in General Fund spending is projected to be nearly four times the growth in revenues and results from the sunset of the temporary increase in the Personal Income Tax, the return of spending to the General Fund after federal stimulus funds cease and growth in baseline spending.

**General Fund Receipts vs. Disbursements  
SFY 2009-10 through SFY 2012-13**  
(millions of dollars)



## **New York's Budget Gaps**

Temporary and other new revenues and stimulus funds enable General Fund spending to remain virtually unchanged year to year, but also mask a serious underlying structural imbalance in the State's Financial Plan. Budget gaps reappear in future years as State spending is expected to grow at significant rates. If the

economic recovery begins later than expected by the Division of the Budget (nationally the third quarter of 2009), these estimates may be understated significantly.

As reflected in the following chart, the Executive Budget submission as amended in January 2009 focused on closing the projected gap primarily through spending reductions. The projected gap at that time of \$13.8 billion was closed through \$9.2 billion in spending reductions, \$3.1 billion in new revenues and \$1.6 billion in non-recurring resources. Thus, approximately 66 percent of the proposal to close the expected budget gap was through spending reductions, realigning the State's spending to be closer to expectations of recurring revenues.

**FY 2009-10 Executive and Enacted Budgets  
Recurring vs. Non-Recurring Actions  
To Address the Projected General Fund Gap**  
(in millions of dollars)

	Executive	% of Total Action	Enacted	% of Total Action
Current Services Gap	(13,806)		(17,857)	
<b><i>Recurring Actions</i></b>				
Spending Reductions	9,178	66%	6,047	34%
New Revenue	3,076	22%	774	4%
<b>Total Recurring</b>	<b>12,254</b>	<b>89%</b>	<b>6,821</b>	<b>38%</b>
<b><i>Non-Recurring or Temporary Actions</i></b>				
Temporary Revenue	-	0%	4,505	25%
Non-Recurring Resources (1)	1,552	11%	1,681	9%
Stimulus Funding	-	0%	4,850	27%
<b>Total Non-Recurring or Temporary</b>	<b>1,552</b>	<b>11%</b>	<b>11,036</b>	<b>62%</b>
New Gap Projection	-		-	

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(1) A total of \$2 billion in non-recurring resources is offset by the Division of the Budget with costs associated with previous non-recurring actions.

The Enacted Budget for the current fiscal year reversed the Executive's approach by closing 66 percent of the projected budget gap (\$17.9 billion) with revenues of which \$11 billion is non-recurring or temporary in nature. Spending reductions total \$6 billion and revenue raisers total approximately \$11.8 billion. While the projected out-year gaps have been reduced, the State Financial Plan's chronic structural imbalance was not addressed by the SFY 2009-10 Enacted Budget.

## **Federal Stimulus Funds**

The SFY 2009-10 Enacted Budget includes approximately \$10.9 billion in federal stimulus and other related funding. Of this amount, nearly \$4.6 billion represents funds that pass through the Financial Plan from the federal government to a variety of State, local and other programs including State and local highway infrastructure, local clean water projects, community services block grant funding and broadband technology.

A total of \$3.7 billion in federal stimulus funding for SFY 2009-10, discretionary on the part of the State, was used to restore reductions to Medicaid and to the NYC local aid program, and to finance other agency spending programs. An additional \$1.4 billion represents an increase in the federal Medicaid match for local governments. Finally, \$1.2 billion in stabilization funds, a portion of which is discretionary, was used to restore reductions in education and in other program areas.

Federal stimulus funds allow the State to offset the cost of increasing Medicaid and public assistance programs, and were used to restore many proposed program reductions. However, a unique opportunity was missed to focus discretionary stimulus funds on restructuring State Government and the long-term structural deficit. In addition, discretionary stimulus funds could be used for a targeted approach at maintaining jobs and accelerating the growth of new industries in New York.

Discretionary stimulus funds could be used to provide short-term aid to not-for-profits and small businesses, including agricultural entities struggling to survive the current economic downturn. Economic development programs could be retooled to provide an acceleration not only to enhance New York's current economic base, but to bolster New York's efforts to compete in a global economy through additional support for emerging technologies.

For example, New York is quickly becoming a leader in the emerging field of clean technology, which holds the promise of eventually employing thousands of workers. A short-term, focused investment to accelerate the emergence of this industry would ease the transition out of the current economic recession and would ease the State's reliance on the financial industry for jobs and revenues.

Realigning New York's agencies and programs to provide efficient services at lower costs is critical to future budget balance. For example, retraining the State's workforce could reduce the over \$10 billion in State consultant costs that the State relies on, particularly in the area of information technology. In addition, the State now operates a myriad of databases and systems, all of which costs millions of dollars to maintain and upgrade. These databases and systems could be consolidated, providing a more streamlined and effective service delivery system at lower costs. Use of stimulus funds for the short-term, up-front costs of restructuring government would pay long-term dividends in streamlining delivery of State programs and reducing future State expenditures.

Finally, the State's procurement practices should be overhauled to ensure adequate competition for State dollars and to improve the oversight in the manner by which State funds are expended. Current practices of multiple contracts from different agencies could be streamlined to allow improved oversight of the cost and effectiveness of the delivery of State services.

## ***Debt***

The State's overall debt level remains high and the rate of debt issuance for State supported debt increases by 50 percent during the five year period ending SFY 2013-14 as compared with the previous five year period. Average annual debt issuance for SFY 2009-10 through SFY 2013-14 totals \$5.4 billion versus \$3.6 billion for the prior five year period.

Despite the fact that the State is approaching its statutory debt limit, the SFY 2009-10 Enacted Budget increases public authority debt caps by over \$3.4 billion, an increase of 8.4 percent. Debt service, the annual cost to repay debt, remains one of the fastest growing major categories of spending and is expected to approach \$7.8 billion, or approximately 5.0 percent of the total budget, by SFY 2013-14. The Division of the Budget projects that the State will exceed its estimated debt cap of \$41 billion in SFY 2012-13 by approximately \$300 million.

## ***Fiscal Reform***

Comprehensive changes to the State's fiscal practices are necessary to increase oversight, accountability and transparency of the State's budget, and improve its fiscal practices and affordability. Such changes are a critical step to moving the State's Financial Plan into long-term balance. Key actions that could complement efforts to address the current fiscal crisis and ensure long-term fiscal stability include:

*Change the beginning of the fiscal year to July 1 from April 1.* New York has one of the shortest time frames for budget review and passage. Extending the time allotted between budget submission and final action would be achieved through a change in the fiscal year from April 1 to July 1. This additional time would allow for further analysis of the impact of proposed budget measures, and greater input into the budget process from stakeholders and the public. Also, critical to any budget discussion are estimates of tax liability and, therefore, tax receipts for the next fiscal year. These estimates are usually altered upon examination of tax receipts accompanying final return payments in April of each year. Moving the start of the fiscal year to July 1 would allow the Legislature to update the forecast of tax revenues for the upcoming fiscal year based on this critical information.

*Increase public access and disclosure.* Increased public awareness of the budget and participation in the budget process would allow for higher levels of accountability in the final budget. In addition to expanding the time for review and discussion of the budget through a change in the fiscal year, public participation would be enhanced through a mandated requirement for public legislative conference committees. In addition, the Financial Plan should be updated publicly whenever a material change in spending or revenue estimates occurs, and a Financial Plan should be released at the same time the budget bills are passed by the Legislature.

*Improve planning for economic downturns.* The State's reliance on revenue from the financial industry makes it particularly vulnerable to economic fluctuations. New York should set aside revenues in excess of projections during periods of economic growth, avoid tapping into reserves except in times of economic distress and increase the use of pay-as-you-go spending. The cap on the Rainy Day reserve fund should be increased from 3 percent to at least 5 percent of General Fund spending to ensure the additional savings.

*Ensure future budget balance.* The Governor should propose a two year budget. The Legislature would act on the first year, and the second year would provide full transparency regarding the impact of decisions made in the first year and actions needed to ensure budget balance in the future. Many times, new programs adopted in one year's budget will have significant cost increases in the future or may be supported by one-time revenues. Planning for the future costs would help realign spending and revenue in the long-term. This action represents an important step toward fiscal restraint.

*Require non-recurring revenues be used to finance non-recurring spending.* At present, one-time revenues are used along with all other revenues to support the overall spending needs of the State. However, the use of such funds over time has, in part, exacerbated the chronic structural budget imbalance with recurring spending that is projected to outpace recurring revenues in virtually every future year. Requiring one time revenues to finance one time costs (e.g., emergency spending or capital expenditures) would place the State's budget on a path of long-term stability.

*Require a binding consensus revenue forecast.* To provide additional discipline in the final budget determinations, a consensus revenue forecast should be binding on decision-makers.

*Improve information provided with the budget.* Despite the thousands of pages of appropriations and budget presentation materials, it can be difficult for citizens to understand the impact of decisions on specific programs. Accordingly, reform would require the identification, by agency and program, of appropriations and disbursements proposed to maintain the current level of services to support new programs and initiatives, and any spending reductions. In addition, the budget should provide estimated spending for each program appropriation as well as a crosswalk that enables the public and others to clearly track spending throughout the year using the

Comptroller's periodic reporting of spending and revenues. Reform would also require separate detail on a program basis of the differences between the proposed Executive Budget and the final Enacted Budget.

Prioritize the use of debt and capital spending. New York has the second highest debt level in the nation. However, the State does not have a comprehensive, long-term plan to prioritize investments and to ensure the State is using resources for its highest priority needs. An independent planning council would help review and prioritize long-term capital needs for consideration during budget development.

Improve long-term use of debt by the State. In addition to establishing a comprehensive capital plan, establish a meaningful debt cap, mandated by the Constitution, that includes all State-funded debt and replace back door public authority borrowing with voter approved debt issued by the State Comptroller. Reform should include the authorization to submit more than one bond referendum annually (the current limit) to the voters. The current definition of State-supported debt excludes certain commitments backed by State resources and, therefore, under-represents the total State debt load. In addition, over 94 percent of all State-funded debt outstanding has been issued by the State's public authorities without approval of the taxpayers who are ultimately responsible to repay these obligations.

Improve public authority oversight. In addition to improving the use of debt and eliminating public authority back-door borrowing, measures are needed to improve management and oversight, returning accountability to citizens for the hundreds of authorities and subsidiaries that have been created to finance and/or operate public infrastructure, from roads and bridges to public housing to environmental facilities. Specific measures would include development of a consolidation plan to streamline the number of authorities, enhanced oversight through measures which strengthen the public authority oversight office, contract review and approval by OSC, establishment of a maximum board member term of four years, establishment of clear fiduciary responsibilities for board members, and improved operation and reporting requirements.

# Financial Overview

As a result of the severe global economic crisis, tax and other receipts for SFY 2008-09 continued to decline throughout the year. Actions to reduce spending and the use of federal American Recovery and Reinvestment Act (ARRA) funds enabled the State to end the year in balance. However, the ongoing recession remained the primary driver of the projected \$17.9 billion General Fund gap for SFY 2009-10, and the Enacted Budget includes the use of additional federal ARRA funds, new taxes and fees, program reductions and other actions to close the gap.

All Funds spending increases \$10.4 billion, or 8.5 percent, from SFY 2008-09 to SFY 2009-10. General Fund spending is projected to increase less than 1.0 percent (including transfers to other funds). The Enacted Budget closes the estimated \$17.9 billion SFY 2009-10 current services General Fund gap with approximately \$11 billion—nearly two-thirds of the total—in resources that are temporary and non-recurring.

Approximately \$4.9 billion in federal ARRA stimulus funds was used to provide General Fund relief. The availability of these funds is expected to end in SFY 2010-11. The SFY 2009-10 Enacted Budget also includes approximately \$4.5 billion in new revenue that is temporary, including a \$3.9 billion increase in the Personal Income Tax (PIT), scheduled to expire in three years, and an increase of over \$500 million in utility assessments that will expire in five years. An additional \$2.0 billion in non-recurring actions is reported. Such temporary resources exacerbate the State's structural deficit and could increase out-year gaps by at least as much unless further action is taken.

## **SFY 2008-09 –Year-End Results**

### *General Fund*

General Fund receipts were weak throughout SFY 2008-09, causing repeated downward revisions to budget forecasts. Spending was reduced and additional federal ARRA revenues became available to enable the State to maintain budget balance by March 31, 2009.

Year end receipts of \$53.8 billion, including transfers from other funds, were \$335 million below Financial Plan projections last updated in January 2009 and \$1.8 billion below Enacted Financial Plan projections from May 2008. General Fund revenue projections for SFY 2008-09 were lowered a total of \$1.5 billion between May 2008 and January 2009 (30-day amendments to the SFY 2009-10 Executive Budget Financial Plan), primarily reflecting declines in projected tax collections. Year-end

receipts, including transfers, grew \$705 million, or 1.3 percent, over SFY 2007-08 levels.

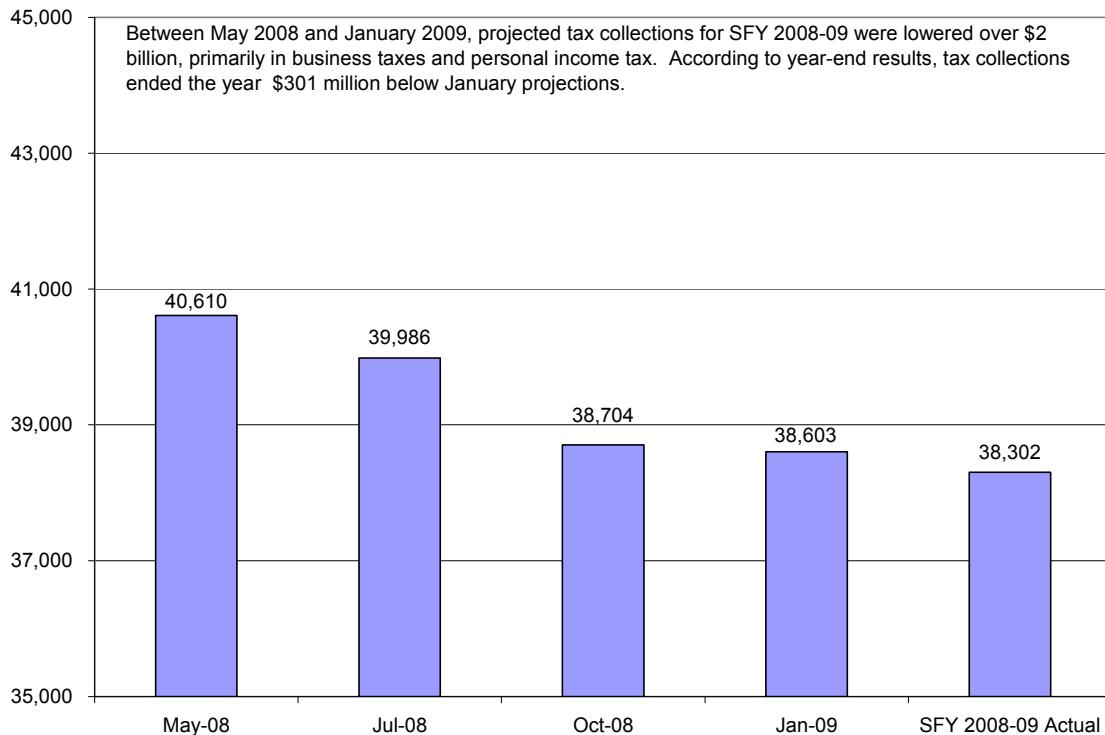
Growth in overall tax collections slowed throughout much of the year, and results indicate collections ended the year \$301 million below January 2009 Financial Plan projections and \$93 million below actual SFY 2007-08 levels. Between May 2008 and January 2009, projected General Fund tax collections for SFY 2008-09 were lowered by over \$2 billion as reported in quarterly Financial Plan updates. From January 2009, projected tax collections for the remainder of SFY 2008-09 and all of SFY 2009-10 were lowered an additional \$1.0 billion on February 24 and another \$1.8 billion on March 24.

Growth in withholding taxes, the largest component of PIT, declined throughout the fiscal year—withholding taxes ended the year \$754 million, or 2.7 percent, below SFY 2007-08 levels. In addition, the State paid out an additional \$250 million in PIT refunds associated with 2008 tax liabilities between January and March 2009, as planned. Year-end collections of \$23.2 billion were \$437 million over SFY 2007-08 and \$124 million over January 2009 Financial Plan projections, reflecting estimated tax collections related to 2007 tax liabilities. However, year-end collections were \$724 million below initial projections included in the May 2008 Enacted Budget Financial Plan.

Business tax collections were below SFY 2007-08 levels and Financial Plan projections throughout most of the year. Results indicate that business taxes totaling nearly \$5.6 billion were \$461 million below SFY 2007-08 and \$88.7 million below January 2009 Financial Plan projections.

Growth in consumption taxes, including sales tax, fell throughout the year. Collections of \$8.4 billion were \$194 million below SFY 2007-08 levels and \$257 million below January 2009 Financial Plan projections.

**Cash Financial Plan SFY 2008-09**  
**Declining General Fund Tax Receipt Projections**  
(in millions of dollars)



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

As a result of declining revenues and lowered projections, the Executive and Legislature took a number of administrative and legislative actions throughout the year to reduce spending:

- In July, the Executive ordered agencies to reduce State Operations spending by approximately 7.0 percent for an estimated savings of \$630 million in SFY 2008-09.
- The Executive also proposed an additional \$1.2 billion in reductions to local assistance programs for consideration by the Legislature.
- In August, the Legislature convened and agreed to approximately \$427 million in current year reductions to various programs, with projected savings of approximately \$650 million in subsequent years.

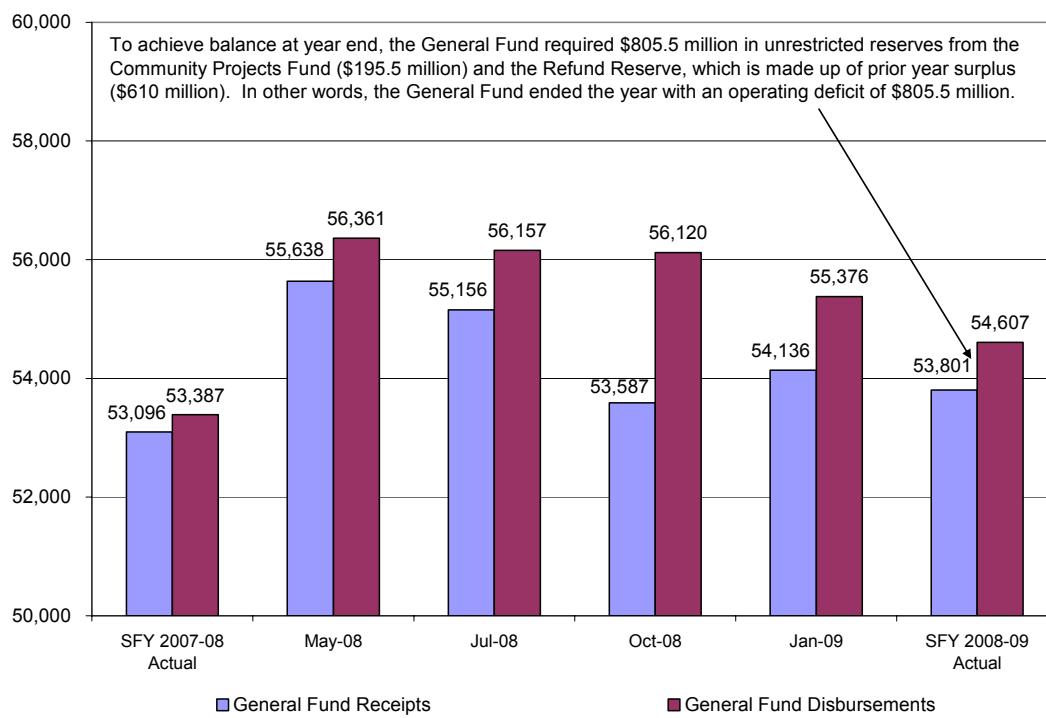
The Executive Budget, released in December 2008, lowered revenue projections further and projected a SFY 2008-09 General Fund deficit of \$1.7 billion. The Executive Budget included a proposed Deficit Reduction Plan (DRP) to eliminate the SFY 2008-09 deficit as well as provide savings of approximately \$1.2 billion for SFY 2009-10 and beyond. A DRP of \$1.6 billion was enacted by the Legislature and included projected savings of \$800 million for SFY 2009-10.

In addition, General Fund spending also benefited from federal ARRA funds received in March. A portion of these funds, Medicaid reimbursement or Federal Medical Assistance Percentages (FMAP), allowed the State to move spending that had already occurred in the General Fund into a special revenue fund, which had the effect of lowering General Fund spending. In SFY 2008-09, stimulus receipts allowed the State to lower General Fund spending by approximately \$1.3 billion, further reducing the General Fund deficit.

General Fund spending, including transfers to other funds, totaled \$54.6 billion in SFY 2008-09 and was \$769 million below January 2009 Financial Plan projections and nearly \$1.8 billion below May 2008 Enacted Financial Plan projections. The January 2009 Financial Plan update did not include any federal stimulus assistance.

Local Assistance payments were \$626 million above SFY 2007-08 but below the May 2008 Financial Plan projections by \$2.1 billion and below January 2009 Plan projections by \$1.2 billion. Spending for State Operations declined \$1.3 billion from SFY 2007-08, primarily because the spending was moved to other funds as a part of the Division of the Budget's Medicaid Transparency initiative, although it also reflects the Governor's administrative savings initiatives. State Operations spending was \$350 million below May 2008 Enacted Plan projections and \$41 million below January 2009 Plan projections.

**Cash Financial Plan  
General Fund  
SFY 2008-09**  
(in millions of dollars)



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

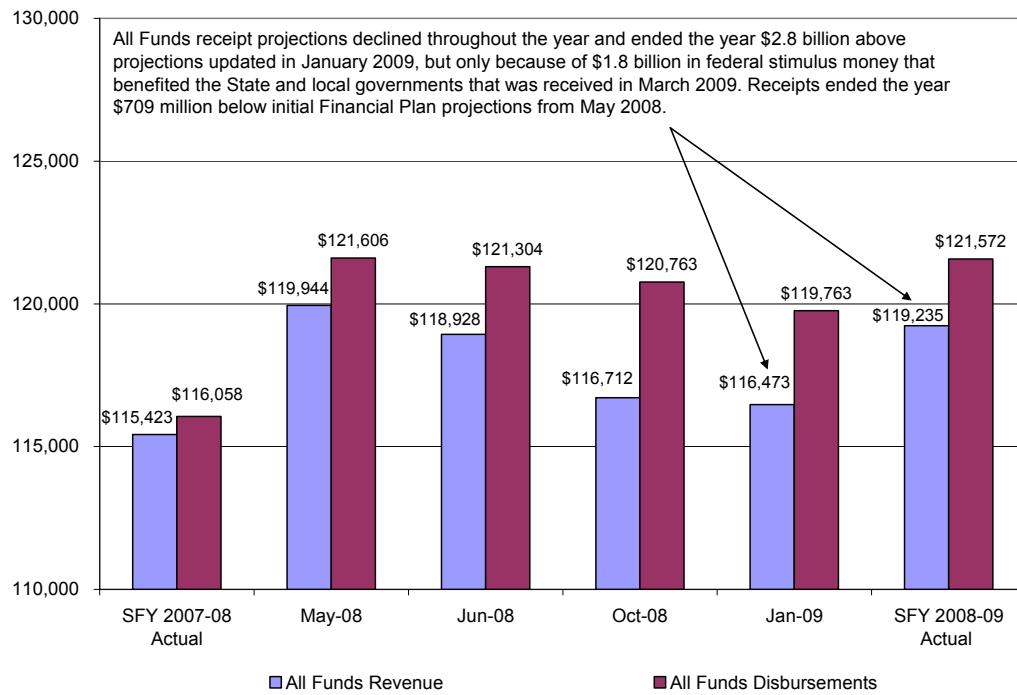
## All Funds

Despite major declines in most tax receipts from projected levels, the State's All Funds budget reflected the receipt of ARRA funds and the use of available State fund balances. As a result, the State ended SFY 2008-09 with All Funds spending only \$35 million below the level originally projected in May 2008.

Revenue collections in SFY 2008-09 generally declined throughout the year and ended \$709 million below May 2008 Financial Plan projections but \$2.8 billion over January 2009 Financial Plan projections, reflecting the receipt of \$1.8 billion in federal stimulus dollars in March 2009. All Funds tax collections, a better indicator of economic activity, were projected to total \$63.9 billion in May 2008 but ended the year \$3.6 billion below that original projection and \$448 million below January 2009 projections.

All Funds spending for SFY 2008-09 of \$121.6 billion was \$35 million below May 2008 Financial Plan projections and \$1.8 billion above January 2009 Plan projections. All Funds spending ended the year \$5.5 billion over SFY 2007-08, an increase of 4.8 percent. Variances from the January 2009 Financial Plan appeared primarily in higher Local Assistance payments (\$2.5 billion higher), offset by lower than anticipated Capital Projects spending (\$719.8 million lower).

**All Funds - Receipts and Spending  
SFY 2008-09**  
(in millions of dollars)



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

## Reserves

As a result of lower than anticipated General Fund spending, primarily due to a shift of spending resulting from federal ARRA funds received in March, the General Fund ended SFY 2008-09 with a closing balance of more than \$1.9 billion, or \$434.5 million higher than anticipated in January.

Most reserves are restricted in how they can be used, but the Prior Year Surplus (also known as the Refund Reserve) is unrestricted. For SFY 2008-09, the Executive Budget proposed using \$742 million of the Prior Year Surplus, which was included in the SFY 2008-09 Enacted Budget Financial Plan, to address additional costs related to labor contract ratifications. As General Fund spending was lower than anticipated, the Prior Year Surplus unrestricted reserve ended the year \$132 million higher than initially anticipated and \$432 million higher than anticipated in the January Financial Plan. The remainder of the year-end General Fund balance also reflects a \$145 million balance in the Community Projects Fund.

**General Fund Reserves SFY 2008-09**  
(in millions of dollars)

	Actual SFY 2007-08	Executive Proposed SFY 2008-09	January SFY 2008-09	Actual SFY 2008-09	Dollar Change from 2007-08 to 2008-09 Actual	Dollar Change from Executive Proposal to Actual	Dollar Change from January Update to Actual
Tax Stabilization Reserve Fund	1,031	1,031	1,031	1,031	-	-	-
Rainy Day Reserve	175	175	175	175	-	-	-
Contingency Reserve Fund	21	21	21	21	-	-	-
Prior Year Surplus	1,187	445	145	577	(610)	132	432
Community Projects Fund	340	237	142	145	(196)	(92)	3
Debt Reduction Reserve Fund (1)	-	122	-	-	-	(122)	-
<b>Total</b>	<b>2,754</b>	<b>2,031</b>	<b>1,514</b>	<b>1,949</b>	<b>(806)</b>	<b>(82)</b>	<b>435</b>

(1) A deposit of \$250 million was planned for debt retirement in SFY 2007-08; however, only \$127 million was transferred and used to retire debt with the remainder used in SFY 2008-09.

Note: Totals may not add due to rounding.

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

## **SFY 2009-10 – Enacted Budget Analysis**

### *The Evolution of the General Fund Budget Gap*

When the SFY 2008-09 budget was enacted in April 2008, the Division of the Budget (DOB) projected a SFY 2009-10 budget gap of \$5.0 billion. This was increased to \$6.4 billion in the First Quarterly Update to the Financial Plan issued July 30, 2008, primarily due to lowered revenue projections totaling \$1.5 billion between SFY 2008-09 and SFY 2009-10. A total of \$630 million in administrative reductions taken to keep SFY 2008-09 in balance was projected to provide \$500 million in savings in SFY 2009-10 and beyond. During a special session in August 2008, the

Legislature reduced General Fund spending by \$427 million for SFY 2008-09 with a resulting \$651 million reduction for SFY 2009-10.

In the October Midyear Update to the SFY 2008-09 Financial Plan, the projected General Fund gap was increased to nearly \$14 billion over two years (\$1.5 billion in SFY 2008-09 and \$12.5 billion in SFY 2009-10), due in large part to declining revenue.

In December, the proposed Executive SFY 2009-10 budget projected a two year General Fund current services gap of \$15.4 billion (\$1.7 billion in SFY 2008-09 and \$13.7 billion in SFY 2009-10). The Executive included a Deficit Reduction Plan (DRP) totaling \$1.7 billion in savings for SFY 2008-09 and proposed actions to close the \$13.7 billion gap. In January, with the 30 day amendments, the Executive lowered the SFY 2008-09 gap to \$1.6 billion and increased the SFY 2009-10 gap to \$13.8 billion.

In February 2009, the Legislature enacted a DRP totaling \$1.6 billion that also provided \$800 million in savings for SFY 2009-10. However, on February 24, the Executive and the Legislature agreed to reduce the revenue projections for the remainder of SFY 2008-09 and all of SFY 2009-10 by an additional \$1.0 billion. They also agreed to an additional \$2.2 billion (two year) reduction in revenues in March.

Between December 2008 and budget enactment, the two year General Fund current services budget gap increased \$4.7 billion to \$20.1 billion, primarily due to lower revenue projections.

## ***SFY 2009-10 – Enacted Budget***

The SFY 2009-10 Enacted Budget Financial Plan projects All Funds receipts will increase to \$130.6 billion. This represents an \$11.3 billion, or 9.5 percent, increase over 2008-09 results, primarily due to a net increase of \$8.9 billion, or 23 percent, in federal receipts, which is largely comprised of stimulus funds.

Spending is projected to increase to \$131.9 billion on an All Funds basis, representing an increase of \$10.4 billion, or 8.5 percent, over SFY 2008-09. Of this amount, the Financial Plan indicates that approximately \$7.2 billion of this increase is attributable to “pass-through” spending that will not recur after the stimulus funding stream ends in SFY 2010-11. However, the funds support, at least in part, ongoing costs that are not one-time in nature. For example, approximately \$1.2 billion of the total spending represents school aid restorations that are recurring in nature. If the “pass through” spending is not included in the total, All Funds spending still increases by more than \$4.3 billion, or 3.6 percent. This increase is nearly entirely financed with temporary or non-recurring resources. In addition, the Enacted Budget depends on \$3.7 billion in federal stimulus funds to replace existing General Fund spending, thus increasing the total federal stimulus and related federal monies received to nearly \$10.9 billion.

General Fund spending is projected to total approximately \$54.9 billion, an increase of \$301 million, from SFY 2008-09. The General Fund spending increase is lower than the All Funds spending increase primarily because of the use of federal ARRA funds, which moves spending that would normally occur in the General Fund to other funds. General Fund receipts are projected to total \$54.3 billion, an increase of \$537 million, or 1.0 percent, over SFY 2008-09.

**Comparison 2008-09 Actual Compared to 2009-10 Enacted**  
(in millions of dollars)

<b>Receipts</b>	<b>Actual</b>	<b>Enacted</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>2008-09</b>	<b>2009-10</b>		
General Fund (Including Transfers)	53,801	54,338	537	1.0%
All Governmental Funds	119,235	130,550	11,315	9.5%
<b>Disbursements</b>				
	<b>2008-09</b>	<b>2009-10</b>	<b>\$ Change</b>	<b>% Change</b>
General Fund (Including Transfers)	54,607	54,908	301	0.6%
All Governmental Funds	121,572	131,935	10,364	8.5%

Source: Division of the Budget  
Totals may not add due to rounding.

## **General Fund Current Services Gap**

According to the estimates provided in the Enacted Budget Financial Plan (Plan), the General Fund is balanced for SFY 2009-10, although the Executive has indicated that additional action may be necessary in SFY 2009-10 to keep the budget in balance if revenues do not stabilize.

The Plan indicates that the projected \$17.9 billion General Fund current services gap is closed through a combination of federal stimulus funding, new revenue, spending reductions and non-recurring resources. However, of these actions, approximately \$11 billion is temporary and includes nearly \$2 billion that is non-recurring in nature. In other words, nearly two-thirds of the resources used to reduce the \$17.9 billion gap will not be available in the future years to meet recurring spending needs.

In summary, the gap closing actions include new revenue (of which over \$4.5 billion is temporary) totaling \$5.3 billion in SFY 2009-10, over \$6 billion in spending reductions, nearly \$2 billion in non-recurring resources and an additional \$4.9 billion in flexible federal stimulus funding, offset by \$300 million in costs associated with delayed payments for CUNY that benefited SFY 2008-09. In addition, as a result of actions taken by the Legislature and the receipt of stimulus money in SFY 2008-09, a balance of \$675 million is available for use in closing the SFY 2009-10 current services gap.

**Current Services Gap:**  
**SFY 2009-10 Executive Budget to SFY 2009-10 Enacted Budget**  
(in millions of dollars)

	SFY 2008-09	SFY 2009-10
<b>December Current Services Gap Estimate</b>	(1,707)	(13,678)
January Revisions	115	(128)
<b>January Current Services Gap</b>	<b>(1,592)</b>	<b>(13,806)</b>
Post Executive Submission Revisions	(627)	(4,051)
<b>Revised Current Services Gap Projections</b>	<b>(2,219)</b>	<b>(17,857)</b>
<b>New Revenue</b>	<b>118</b>	<b>5,279</b>
Temporary Personal Income Tax Surcharge	-	3,948
Increase Utility Assessment (Temporary)	-	557
Bottle Bill Unclaimed Deposits	-	115
Limit Itemized Deductions	-	140
Reform Empire Zones	-	90
Non-LLC Partnership Fee	-	50
Transportation Related Sales Tax	-	26
Beer and Wine Tax	-	14
All Other	118	339
<b>Non-Recurring Actions</b>	<b>1,064</b>	<b>1,981</b>
Available Resources Applied to 2009-10	-	675
Delay Medicaid Cycles	-	400
Business Tax Prepayment	-	333
New York Power Authority Resources	306	170
Equipment Bond Financing (formerly cash)	-	104
CUNY Payment Deferral	300	-
All Other	458	299
<b>Costs Associated With Non-Recurring Actions</b>	<b>-</b>	<b>(300)</b>
<b>Spending Reductions</b>	<b>413</b>	<b>6,047</b>
Medicaid and HCRA - Healthcare	63	1,961
STAR	93	1,559
School Aid and Other Education	7	969
Mental Hygiene	4	388
Public Safety	2	215
Higher Education	55	197
Human Services/Labor/Housing	4	188
Transportation	-	152
Repeal Planned Member Items	30	104
State Workforce	5	170
Local Government Assistance	3	94
All other	147	50
<b>Federal Stimulus Assistance</b>	<b>1,299</b>	<b>4,850</b>
<b>Revised Gap Estimate</b>	<b>675</b>	<b>-</b>

Source: Division of the Budget

## **All Funds Spending Growth**

The negligible growth in spending in the General Fund is primarily due to moving spending that would normally occur in the General Fund to other funds as a result of federal stimulus funding. Accordingly, an analysis of All Funds spending helps to identify major categories of growth and other actions.

As the following chart illustrates, the \$10.4 billion increase in All Funds spending is primarily driven by Medicaid (35 percent), school aid and other education (25.5 percent total), economic development (8.9 percent), and debt service (5.9 percent). These five areas make up 75 percent of the growth in spending.

**Growth in All Funds Disbursements by Program Area**  
(in millions of dollars)

<b>SFY 2008-09 Actual</b>	<b>121,571</b>
Medicaid (DOH)	3,605
School Aid (1)	1,492
Other Education (including higher education)	1,156
Economic Development	919
Debt Service	613
Health/Social Welfare	508
General State Charges	390
Transportation	352
Public Protection	338
General Government	274
Parks/Environment	249
Mental Health	129
Other Medicaid (without education)	192
Welfare	63
All Other	84
<b>SFY 2009-10 Enacted</b>	<b>131,935</b>

(1) Note that the change in school aid spending includes a \$66 million reduction in spending for certain educational services funded by Medicaid.

Source: Division of the Budget.

According to the SFY 2009-10 Enacted Budget Financial Plan, the \$3.6 billion increase in Medicaid (in the Department of Health), is driven by nearly \$4 billion in current services growth, \$1.2 billion in spending supported with federal stimulus funds and \$114 million new spending, offset by approximately \$1.6 billion in enacted savings. Within school aid, the increase is attributable to \$1.8 billion in current services growth and \$678 million in spending supported with federal stimulus funds, offset by slightly over \$1 billion in enacted reductions.

## ***Spending Reductions and Restorations***

The SFY 2009-10 Enacted Budget includes slightly over \$6 billion in various General Fund spending reductions (as compared with \$9.2 billion in reductions proposed by the Executive). These include \$2.0 billion in health care, \$1.6 billion for the elimination of the Middle Class STAR rebate program and \$948 million in school aid. Other spending reductions include \$388 million in various mental hygiene programs and \$197 million in various higher education programs. It is important to note that many of the reductions do not reduce current program spending, but instead reduce projected spending *growth*. See individual programmatic sections later in this report for more detail on enacted spending reductions.

A total of \$4.9 billion in stimulus funds was used to support General Fund relief. Of the total, \$1.5 billion in flexible federal stimulus funds was used to restore spending that was eliminated or reduced in the Executive's proposed budget, including \$328 million in Aid and Incentives for Municipalities (AIM) funding for New York City and \$981 million in various health care programs. The flexible funding was also used to address increased costs associated with Medicaid as well as tax and fee increases that were not enacted.

Budget bills include language in individual appropriations that state that the appropriation would be *supported* by savings from flexible stimulus resources made available by the American Recovery and Reinvestment Act of 2009, thus contributing to reporting requirements included in the ARRA legislation.

For example, the following is an appropriation that restores New York City's AIM funding.

28 For special aid and incentives for municipi-  
29 palities to the city of New York. Funds  
30 appropriated herein are supported by  
31 savings resulting from the increased  
32 Federal Medical Assistance Percentage  
33 (FMAP) provided pursuant to the American  
34 recovery and reinvestment act of 2009 ..... 327,889,668

## ***New or Increased Taxes and Fees***

The SFY 2009-10 Enacted Budget includes approximately \$5.3 billion in new or increased General Fund taxes and fees, an increase of \$2.2 billion over the Executive proposal. The largest component of the increase reflects the temporary Personal Income Tax surcharge on high income earners, which is expected to increase receipts (including transfers) by approximately \$3.9 billion in the General Fund. The Executive and the Legislature agreed to take approximately \$1.2 billion in proposed taxes and

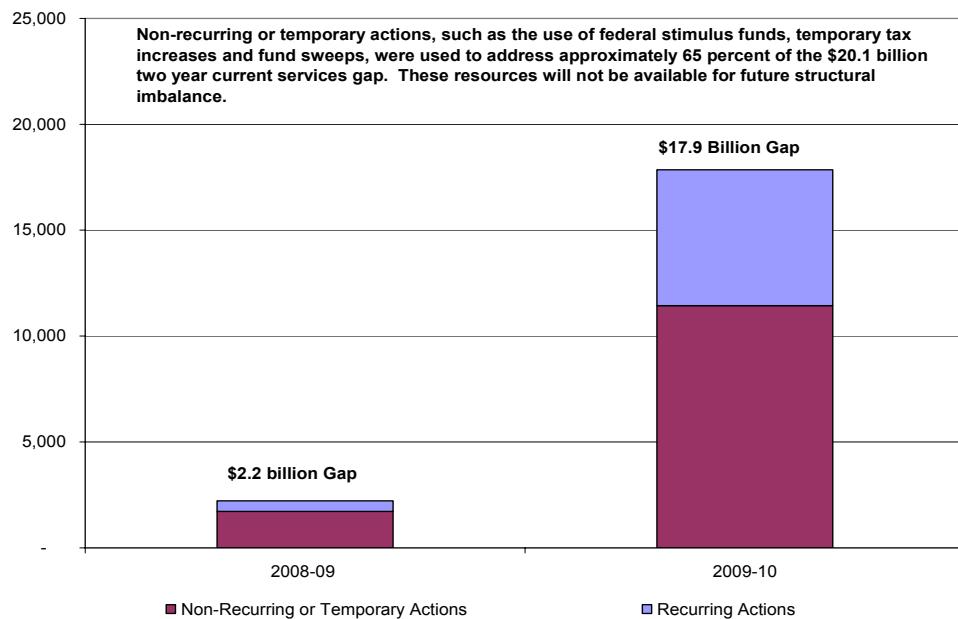
fees off the table during budget negotiations, including a new sales tax on non-diet beverages that is proposed to be made up with temporary flexible federal stimulus funds. Additional details on new or increased revenues can be found in the Economic Outlook and Revenue section of this report.

## ***Non-Recurring or Temporary Resources***

According to the chart below, approximately two-thirds of the \$17.9 billion General Fund current services gap was eliminated with the use of non-recurring (lasting one year) or temporary (lasting more than one year but not permanent) revenues. The use of non-recurring or temporary resources for recurring expenses exacerbates the structural deficit making future budgeting more difficult. The Enacted Budget includes approximately \$11 billion in non-recurring or temporary resources that is used to finance recurring expenditures, and out-year gaps projected in the Enacted Budget Financial Plan clearly illustrate how the problem has not been solved.

While stimulus funds were used according to strict federal guidelines, there is little in the Enacted Budget that supports long-term reform or a restructuring of the State's Financial Plan. As the majority of the approximately \$11 billion in non-recurring or temporary resources will support spending for between two and five years, an opportunity was missed to restructure the Financial Plan and address the long-term structural imbalance.

**The Use of Recurring and Non-Recurring or Temporary Resources  
to Eliminate the Two Year Current Services Gap  
(in millions of dollars)**



This Office has identified approximately \$3.0 billion in non-recurring actions authorized in the Enacted Budget, including approximately \$2.0 billion that is identified as non-recurring in the Financial Plan. The following list includes resources made available in SFY 2008-09 (\$675 million) and additional resources expected from Abandoned Property (\$250 million). It also includes actions used to close the gap but not specifically noted by DOB as non-recurring even though the funds will not be available after SFY 2009-10 (including Mental Hygiene Fund Sweeps and the Repeal of Member Items). Finally, the Enacted Budget authorizes the use of \$270 million in non-recurring revenue from Battery Park City Authority that is not included in the Financial Plan.

**Non-Recurring Resources – SFY 2009-10**  
(in millions of dollars)

<b>Source</b>	<b>Enacted Budget</b>
Reserves and Available Resources from SFY 2008-09	675
Delay Medicaid Cycle Two Years	400
Increase Business Tax Prepayment to 40 Percent	333
Battery Park City Payment (1)	270
Abandoned Property	250
Mental Hygiene Fund Sweeps	221
New York Power Authority Payment	210
Blanket Fund Sweep (2)	200
Repeal of Member Items	104
Equipment Financing	104
Additional Environmental Protection Fund Sweep	95
School Aid Overpayment Recoveries	80
Recovery Overpayments to New York City	24
Medicaid Reimbursement of Education Costs	20
Increase Prepaid Sales Tax on Cigarettes	14
<b>Total</b>	<b>3,000</b>

(1) Not currently in plan although language was included in Article VII bill.

(2) The Financial Plan includes \$100 million although \$200 million is authorized.

## **Federal Stimulus**

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA), a recovery package totaling an estimated \$787 billion which is designed to stimulate a national economy experiencing one of the worst recessionary times since the Great Depression. The bill contains approximately \$300 billion in tax cuts. It also contains major spending provisions, both for direct aid to individuals, such as through food stamps and unemployment insurance, and to states and local governments. Estimated distributions are now available for \$395 billion of ARRA's major spending provisions, and New York State is expected to receive

\$26.7 billion of these distributions. This amount will be provided over 27 months, and does not include tax relief, nor does it include additional spending items for which the distribution is not yet determined.

ARRA appropriations total over \$18.5 billion, but cover more than SFY 2009-10. The Financial Plan estimates spending for extraordinary federal aid of \$10.9 billion from these appropriations, including \$9.4 billion in ARRA and \$1.5 billion in other federal assistance, such as Hospital Disproportionate Share Payments and the Temporary Assistance for Needy Families (TANF) Contingency Fund. The other expected "extraordinary" federal aid comprises reimbursements that are linked to restorations made using the ARRA funding. Of the \$9.4 billion, approximately \$1.4 billion supports the local share of increased Medicaid.

The largest portion of stimulus funding reflects increased Medicaid reimbursements or Federal Medical Assistance Percentages (FMAP). This funding is expected to total \$11.1 billion over 27 months, including \$5.1 billion to be received in state fiscal years 2008-09 and 2009-10. The \$5.1 billion was used to make various funding restorations, avoid tax and fee increases proposed in the Executive Budget, and address deterioration in revenues. The next largest portion of ARRA funding is the State Fiscal Stabilization portion, which is to be used for restoring education and other government services. In SFY 2009-10, the Financial Plan utilizes \$1.2 of this funding for education restorations.

Also in SFY 2009-10, approximately \$3 billion in ARRA funds will support other public programs, including:

- Highway construction (\$521 million)
- Housing programs, including weatherization and mortgage foreclosure programs (\$552 million)
- Environmental programs, including clean and drinking water programs (\$313 million)
- Labor programs (\$272 million)

ARRA funding also directly helps those in need, such as by increasing food stamp benefits (\$1.3 billion) and providing increased and longer duration unemployment benefits (\$2.1 billion).

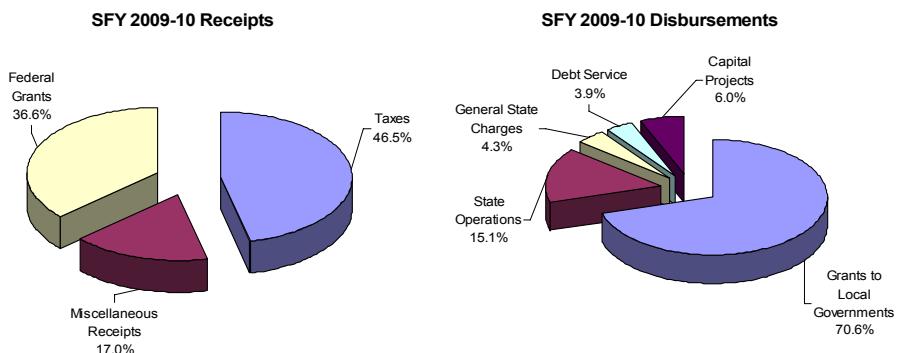
At least \$6.2 billion of the ARRA funding is projected for General Fund budget balance (\$1.3 billion for SFY 2008-09 and \$4.9 billion for SFY 2009-10). This includes the FMAP funding, which is unrestricted other than it may not be used to pay off debt or to fill rainy day reserve funds (\$5 billion), and state fiscal stabilization funding, most of which must be used to restore education funding (\$1.2 billion).

## **SFY 2009-10 – Sources and Uses**

Receipts are comprised of various taxes, miscellaneous receipts (such as Lottery revenue and various fees) and federal receipts. In SFY 2003-04, taxes made up only 42.7 percent of All Funds Receipts and federal grants made up 37.7 percent. In SFY 2008-09, taxes made up 50.6 percent of All Funds receipts and federal receipts (including \$1.8 billion in stimulus funding received in March 2009) made up 32.6 percent. The SFY 2009-10 Enacted Budget projects that taxes will make up only 46.5 percent of All Funds receipts (including all new tax actions) and federal grants will increase to 36.6 percent of the total. It is important to note that with federal ARRA monies available only through SFY 2010-11, this shift in All Funds sources is temporary.

Approximately 70 percent of all State spending is comprised of payments to school districts, local governments, hospitals and other service providers in the form of Local Assistance payments. In SFY 2008-09, such payments accounted for approximately 72 percent of the All Funds budget, in line with the historical average. In the SFY 2009-10 Enacted Budget, the proportion of Local Assistance spending declines slightly, to 70.6 percent, with Capital Projects spending increasing from 4.5 percent of the total to 6.0 percent.

### **All Funds Receipts and Disbursements SFY 2009-10**



Sources: Office of the State Comptroller

## **Off-Budget Spending – SFY 2009-10**

State spending not included in the State's Financial Plan is projected to total approximately \$2.3 billion for SFY 2009-10, of which \$1.8 billion is recognized in the Five-Year Capital Program and Financing Plan as off-budget.<sup>1</sup> The remaining

<sup>1</sup> Although Financial Plan documents report this spending in one table, it is not included in overall spending figures within the Financial Plan.

\$504 million is spending by the New York State Energy Research Development Authority (NYSERDA) for various energy related projects.

In addition, the SFY 2009-10 Enacted Budget includes \$55 million in appropriated funding for the New York State Higher Education Loan Program (NYHELPs). Of this amount, \$50 million may be used to establish a trust account to begin financing the program and is included in the Financial Plan. The proposal also includes authorization for the State of New York Mortgage Agency (SONYMA) or the Dormitory Authority of the State of New York (DASNY) to issue an unlimited amount of bonds to further finance NYHELPs, which does not appear in the Financial Plan. Since spending for NYHELPs will occur through the Higher Education Services Corporation (HESC), SONYMA and DASNY, it will be a new off-budget program.

**All Funds Spending Including Off-Budget for  
SFY 2009-10 through SFY 2010-11**  
(in billions of dollars)

	2008-09 Actual	2009-10 Projected	Dollar Change	Percent Change	2010-11 Proposed	Dollar Change	Percent Change
Reported General Fund	54.61	54.91	0.30	0.6%	59.02	4.11	7.5%
<b>Adjusted General Fund</b>	<b>54.61</b>	<b>54.91</b>	<b>0.30</b>	<b>0.6%</b>	<b>59.02</b>	<b>4.11</b>	<b>7.5%</b>
Reported State Funds	83.15	84.66	1.51	1.8%	89.00	4.34	5.1%
Off-Budget Capital Spending	2.26	1.80			1.92		
Off-Budget Other Spending	0.30	0.50			0.55		
<b>Adjusted State Funds</b>	<b>85.70</b>	<b>86.96</b>	<b>1.26</b>	<b>1.5%</b>	<b>91.47</b>	<b>4.51</b>	<b>5.2%</b>
Reported All Funds	121.57	131.94	10.36	8.5%	137.18	5.24	4.0%
Off-Budget Capital Spending	2.26	1.80			1.92		
Off-Budget Other Spending	0.30	0.50			0.55		
<b>Adjusted All Funds</b>	<b>124.13</b>	<b>134.24</b>	<b>10.11</b>	<b>8.1%</b>	<b>139.64</b>	<b>5.40</b>	<b>4.0%</b>

Sources: New York State Division of the Budget and New York State Energy Research Development Authority

Note: Totals may not add due to rounding.

## **Risks to the Financial Plan**

Much of the spending in the SFY 2009-10 Enacted Budget is predicated on revenue sources that are either non-recurring (available only in SFY 2009-10) or temporary in nature (available for two or three years). The Executive has already warned of the possible need to reduce spending or increase revenues during the fiscal year because tax collections have consistently not met projections. An assessment of the risks associated with the SFY 2009-10 Enacted Budget Financial Plan includes the following:

## *Economy*

The current economic slowdown is already worse and longer than anticipated and a further decline could continue to cause increased human services costs, while at the same time reducing revenues. While many economists anticipate a national recovery will start by the last quarter of 2009, the recession could last longer than expected and reduce tax receipts below projections for a number of reasons, including:

- Limitations on the ability of the Federal Reserve to stimulate the economy by lowering interest rates, due to the current rate of 0.0 to 0.25 percent, the lowest rate in history.
- Ongoing effects of significant job losses, which could suppress consumer activity and delay a recovery in the housing market.
- Inability of the credit markets to regain traction despite ongoing federal economic recovery efforts such as the Troubled Asset Relief Program (TARP), which could suppress business and consumer activity.

## *Abandoned Property*

The State Finance Law provides that all monies in the Abandoned Property Fund (Fund) in excess of \$750,000 be transferred to the General Fund by the end of each fiscal year. The amount included by DOB in the Financial Plan is an estimate of what is expected to be available for transfer at the end of the fiscal year.

In SFY 2008-09, the Financial Plan expected \$750 million in Abandoned Property receipts for the General Fund. In actuality, the General Fund received \$691.8 million, or nearly \$60 million less than anticipated in Abandoned Property receipts. In SFY 2009-10, the Enacted Budget Financial Plan relies on a total transfer of \$700 million in Abandoned Property revenue, which is approximately \$250 million over historically available levels.

The levels projected in the SFY 2009-10 Financial Plan are likely not sustainable in the future. Cash available to the Fund has been declining at the same time claims paid are rising significantly. It is the goal of the Office of the State Comptroller to return funds to rightful owners and not balance the State's Budget with them.

- There are no increases projected in overall Abandoned Property receipts. However, the amounts expected in SFY 2008-09 and SFY 2009-10, for General Fund relief are significantly higher than historic receipts.
- A decline in regular receipts over the last several years has occurred due to banks and corporations moving out of State.
- There are no new large sources of abandoned property revenue anticipated.
- Enhanced efforts to return unclaimed funds to their rightful owners have increased significantly and are expected to continue.

- The securities inventory cannot sustain the sales volume required to meet a recurring target of this magnitude, and further reduction of the securities inventory reduces a source of revenue for the General Fund.

### *Blanket Sweep Revenue*

The SFY 2009-10 Enacted Budget includes authorization to transfer up to \$200 million, at the request of the Director of the Budget, from the unencumbered balance of any special revenue fund or account, in addition to all other specific transfers included in the budget proposal and existing law, not including federal, debt service, capital projects or community projects funds. This type of “blanket sweep” language has been included in the last two enacted budgets and further additional funding from these dedicated sources may not be available.

### *Investment Income*

The SFY 2009-10 Enacted Budget includes \$155 million in the form of investment income. This revenue source is dependent on the General Fund balance and interest rates. In SFY 2008-09, the Financial Plan projected investment income of \$180 million but the State actually received \$104.2 million, reflecting current and forecasted economic conditions.

# Structural Imbalance – Out-Years

The State Financial Plan's chronic structural imbalance was not addressed by the SFY 2009-10 Enacted Budget. The growth in General Fund spending is nearly four times the growth in revenues over the four year period ending March 31, 2013. In All Funds, where the federal stimulus funds have been added, disbursement growth is nearly double the increase in revenues for the same period. When federal stimulus funds are no longer available, All Funds revenues decline by a net \$3.5 billion and spending increases by \$7.8 billion for SFY 2011-12 and SFY 2012-13.

The SFY 2009-10 Enacted Budget is balanced this year with nearly two-thirds non-recurring and temporary resources (approximately \$11 billion), and out-year Financial Plan figures clearly illustrate the result. In addition, concerns that the economy will not recover as fast as projected or that planned resources may not materialize as expected place current and future years at risk of increased gaps, needing additional actions to increase funds or reduce spending.

## Projected Spending and Receipts Growth through SFY 2011-12

Percentage Growth	SFY 2008-09 Actual	SFY 2009-10 Enacted	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected	Total Growth 2009-10 through 2012-13	Average Annual Growth 2009-10 through 2012-13
General Fund Receipts	1.3%	1.0%	4.7%	2.7%	-0.4%	8.2%	2.0%
General Fund Disbursements	2.3%	0.6%	7.5%	13.9%	7.1%	31.9%	7.3%
State Operating Funds Receipts	-0.5%	2.2%	4.3%	3.9%	0.4%	11.1%	2.7%
State Operating Funds Disbursements	1.5%	0.7%	5.0%	11.4%	5.7%	24.5%	5.7%
All Funds Receipts	3.3%	9.5%	3.1%	-1.7%	-0.8%	10.0%	2.5%
All Funds Disbursements	4.8%	8.5%	4.0%	2.9%	2.7%	19.3%	4.5%

	SFY 2008-09 Actual	SFY 2009-10 Enacted	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected
General Fund Receipts	53,801	54,338	56,896	58,448	58,209
General Fund Disbursements	54,607	54,908	59,022	67,251	72,045
State Operating Funds Receipts	75,228	76,847	80,173	83,301	83,605
State Operating Funds Disbursements	78,168	78,742	82,643	92,073	97,347
All Funds Receipts	119,235	130,550	134,554	132,202	131,104
All Funds Disbursements	121,571	131,935	137,175	141,206	145,020

## **Structural Balance SFY 2010-11 through SFY 2012-13**

Spending continues to increase faster than revenues, resulting in a three year projected out-year gap of nearly \$25 billion. This compares with a projected three year gap of approximately \$12 billion at the time of the amended Executive Budget in January 2009. While more than \$4.0 billion in additional costs or reduced revenues was identified since the amended Executive Budget in January, it was partially offset by the receipt of federal stimulus funds totaling more than \$4.9 billion in SFY 2009-10. As noted in the Financial Plan, an overall total of \$6.2 billion in federal stimulus funds received in SFY 2008-09 and SFY 2009-10 was used for State budget relief.

The amended SFY 2009-10 Executive Budget projected a cumulative five-year current services General Fund gap of \$71.2 billion, including \$1.6 billion in the remaining months of SFY 2008-09. The SFY 2009-10 Enacted Budget Financial Plan five-year current services General Fund gap increased to \$85.2 billion (nearly 20 percent) between January and April, including a \$2.2 billion gap from SFY 2008-09.

The Executive's proposed budget included approximately \$9.2 billion in spending reductions and restructurings that grew to \$11.1 billion in SFY 2012-13. It also included new recurring revenue proposals that provided between \$3 billion and \$3.6 billion annually. However, the Enacted Budget lowered spending reductions to \$6.0 billion (increasing to \$8.1 billion in SFY 2012-13) and \$5.3 billion in new revenue, of which \$4.5 billion is temporary. Nearly two-thirds of the \$17.9 billion gap was closed with non-recurring or temporary revenue sources. As a result, out-year gaps grow significantly faster, increasing to \$13.7 billion in SFY 2012-13 or more than two times the gap projected at the time of the Executive Budget.

**General Fund Budget Growth Comparison  
SFY 2009-10 through SFY 2012-13**  
(in million of dollars)

	SFY 2009-10 Projected	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected
<b>Revenues</b>				
Executive	55,083	57,186	59,735	62,539
Enacted	54,338	56,896	58,448	58,209
<b>Disbursements</b>				
Executive	55,355	59,171	63,930	68,200
Enacted	54,908	59,022	67,251	72,045
<b>Structural Gap (before reserve actions)</b>				
Executive	(272)	(1,985)	(4,195)	(5,661)
Enacted	(570)	(2,126)	(8,803)	(13,836)
<b>Reserve Actions/HCRA Surplus</b>				
Executive	272	-	-	-
Enacted	570	(40)	46	130
<b>Projected Gap (after reserve actions)</b>				
Executive	-	(1,985)	(4,195)	(5,661)
Enacted	-	(2,166)	(8,757)	(13,706)

The following table outlines the specific gap closing measures included in the SFY 2009-10 Enacted Budget Financial Plan as well as the out-year impact of these measures.

**SFY 2009-10 Enacted Budget Financial Plan  
Gap Closing Measures  
(in millions of dollars)**

	SFY 2008-09	SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13
<b>December Current Services Gap Estimate</b>	(1,707)	(13,678)	(17,108)	(18,555)	(19,627)
January Revisions	115	(128)	(165)	(164)	(164)
<b>January Current Services Gap</b>	<b>(1,592)</b>	<b>(13,806)</b>	<b>(17,273)</b>	<b>(18,719)</b>	<b>(19,791)</b>
Post Executive Submission Revisions	(627)	(4,051)	(3,101)	(3,181)	(3,054)
<b>Revised Current Services Gap Projections</b>	<b>(2,219)</b>	<b>(17,857)</b>	<b>(20,374)</b>	<b>(21,900)</b>	<b>(22,845)</b>
<b>New Revenue</b>	<b>118</b>	<b>5,279</b>	<b>6,443</b>	<b>4,974</b>	<b>1,110</b>
Temporary Personal Income Tax Surcharge	-	3,948	4,778	3,720	-
Increase Utility Assessment (Temporary)	-	557	557	557	557
Bottle Bill Unclaimed Deposits	-	115	115	115	115
Limit Itemized Deductions	-	140	200	150	150
Reform Empire Zones	-	90	101	113	126
Non-LLC Partnership Fee	-	50	50	50	50
Transportation Related Sales Tax	-	26	34	34	34
Beer and Wine Tax	-	14	14	14	14
Film Credit Restructure	-	-	192	(180)	(228)
Reissue License Plates	-	-	129	129	20
All Other	118	339	273	272	272
<b>Non-Recurring Actions</b>	<b>1,064</b>	<b>1,981</b>	<b>-</b>	<b>370</b>	<b>-</b>
Available Resources Applied to 2009-10	-	675	-	-	-
Delay Medicaid Cycles	-	400	-	-	-
Business Tax Prepayment	-	333	-	-	-
New York Power Authority Resources	306	170	-	-	-
Equipment Bond Financing (formerly cash)	-	104	-	-	-
VLT Franchise Fee	-	-	-	370	-
CUNY Payment Deferral	300	-	-	-	-
All Other	458	299	-	-	-
<b>Costs Associated With Non-Recurring Actions</b>	<b>-</b>	<b>(300)</b>	<b>(9)</b>	<b>(434)</b>	<b>(34)</b>
<b>Spending Reductions</b>	<b>413</b>	<b>6,047</b>	<b>7,360</b>	<b>8,234</b>	<b>8,138</b>
Medicaid and HCRA - Healthcare	63	1,961	1,673	1,719	1,735
STAR	93	1,559	2,051	2,113	2,181
School Aid and Other Education	7	969	1,931	2,888	2,748
Mental Hygiene	4	388	398	368	352
Public Safety	2	215	251	256	297
Higher Education	55	197	257	198	171
Human Services/Labor/Housing	4	188	189	129	60
Transportation	-	152	271	337	390
Repeal Planned Member Items	30	104	(85)	(85)	-
State Workforce	5	170	328	328	328
Local Government Assistance	3	94	171	168	165
Convert Capital to Pay-As-You-Go (PAYGO)	-	-	(100)	(200)	(300)
All other	147	50	25	15	11
<b>Federal Stimulus Assistance</b>	<b>1,299</b>	<b>4,850</b>	<b>4,414</b>	<b>(1)</b>	<b>(75)</b>
<b>Revised Gap Estimate</b>	<b>675</b>	<b>-</b>	<b>(2,166)</b>	<b>(8,757)</b>	<b>(13,706)</b>

Note: Negative numbers increase the gap whereas positive numbers decrease the gap.

(1) Negative numbers associated with federal stimulus funding reflect federal tax relief extended to State tax code.

## **Reserves**

The SFY 2009-10 Enacted Financial Plan requires \$503 million in unrestricted surplus from prior years and an additional \$67 million from the Community Projects Fund. The State ended SFY 2008-09 with \$434 million in additional, unanticipated funds. This resulted primarily from the receipt of \$1.8 billion in federal stimulus funding, of which \$1.3 billion benefited the State and the remaining \$440 million benefited local governments, as well as from actions taken by the Legislature in the Deficit Reduction Plan (DRP) passed February 3, 2009.

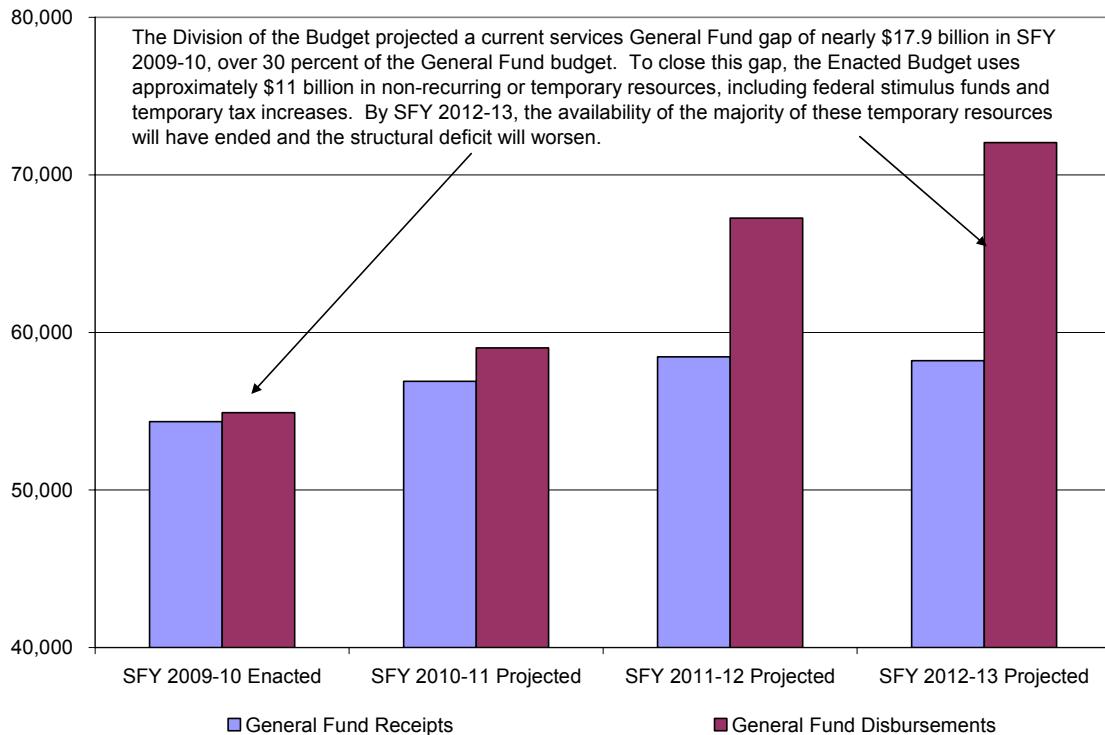
### **Closing General Fund Balance and Use of Reserves SFY 2007-08 through SFY 2012-13** (in millions of dollars)

	SFY 2007-08 Actual	SFY 2008-09 Actual	SFY 2009-10 Enacted	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected
<b>Statutory Reserves</b>						
Tax Stabilization Reserve Fund	1,031	1,031	1,031	1,031	1,031	1,031
Rainy Day Reserve Fund	175	175	175	175	175	175
Contingency Reserve Fund	21	21	21	21	21	21
Community Projects Fund	340	145	78	133	92	-
Debt Reduction Reserve Fund	-	-	73	73	73	73
<b>Refund Reserve</b>						
Prior Year and HCRA Surplus	1,187	577	-	15	20	58
<b>Total</b>	<b>2,754</b>	<b>1,949</b>	<b>1,378</b>	<b>1,448</b>	<b>1,412</b>	<b>1,358</b>

## **Continuation of a Structural Deficit**

In the SFY 2009-10 Enacted Financial Plan, DOB projects General Fund spending will increase through SFY 2012-13 by 31.9 percent over SFY 2008-09, while receipts are expected to increase by just 8.2 percent. General Fund disbursements are expected to grow 7.3 percent annually on average, compared to only 2.0 percent for receipts through SFY 2012-13. In SFY 2012-13 when the majority of the non-recurring and temporary resources have been depleted, disbursements in the General Fund are expected to grow more than 7.0 percent, while revenue is expected to decline, thus resulting in a \$13.7 billion gap. While the Enacted Budget did include significant and recurring spending reductions that will have the long-term effect of reducing the structural deficit, new revenues added in the Enacted Budget are generally not recurring and only reduce the SFY 2012-13 gap by \$1.1 billion.

**General Fund Receipts vs. Disbursements**  
**SFY 2009-10 through SFY 2012-13**  
(in millions of dollars)



The imbalance results from prior year spending decisions combined with new spending actions (primarily restorations of Executive proposed cuts) enacted in SFY 2009-10, all of which outpace projected revenues. Not only will the General Fund lose the use of temporary resources that pay for recurring spending needs, but earlier decisions will continue to exacerbate the problem.

For example, by SFY 2012-13, the SFY 2009-10 Enacted Budget projects that the Dedicated Highway and Bridge Trust Fund (DHBTF) will require nearly \$923 million in General Fund resources to achieve balance, compared to only \$12.7 million in SFY 2007-08 (7,168 percent growth). This increase results from spending not only for the originally intended ongoing capital program but also from new non-capital spending that has been added (such as snow and ice removal). The SFY 2009-10 Enacted Budget provides \$202.3 million in General Fund subsidies for the DHBTF.

To re-emphasize, many solutions the State has relied on to meet immediate spending needs have long-term and often increasing costs. Notably, the use of debt instead of pay-as-you-go financing creates a long-term liability for debt service. The SFY 2009-10 Enacted Budget authorizes the issuance of approximately \$200 million in bonds for spending that would normally be covered with current cash resources, including \$95 million for the Environmental Protection Fund (EPF). The Enacted Budget utilizes

a sweep of \$95 million from the EPF in order to balance the General Fund, all of which may be replaced with bond proceeds, thus creating additional debt costs in out-years. While debt is an essential tool for financing capital needs, the annual out-year impact of additional debt service may be significant. In this case, out-year debt service costs will increase total costs of environmental and other purposes by over \$20 million, as a result of the additional bonding in SFY 2009-10. Moreover, this practice does not help provide a permanent structural solution for the State Financial Plan.

## ***History of Non-Recurring Resources***

Since SFY 2002-03, New York State has used over \$24.5 billion in one-time resources to finance ongoing operations, primarily in the General Fund. The use of non-recurring resources to finance recurring expenses worsens the ongoing structural deficit: non-recurring resources should be used for non-recurring expenses, such as paying down debt or pay-as-you-go (PAYGO) capital spending.

**Non-Recurring Resources  
SFY 2002-03 through SFY 2009-10**  
(in millions of dollars)

2002-03	3,704
2003-04	5,881
2004-05	2,580
2005-06	3,573
2006-07	1,158
2007-08	1,856
2008-09	2,750
2009-10 Enacted	3,000
<b>Total</b>	<b>24,502</b>

Source: Office of the State Comptroller

In addition to the non-recurring (one year) resources utilized in the SFY 2009-10 Enacted Budget, approximately \$23.2 billion in other temporary resources will be utilized through SFY 2012-13 to support General Fund spending needs.

## ***The Changing Structure of the Financial Plan***

Debt service is one of the fastest growing major categories of spending in the SFY 2009-10 Enacted Budget, averaging projected growth of approximately 9.7 percent annually over the next four years.<sup>2</sup> The other high growth areas are capital projects and General State Charges. Debt service is the one area of spending that cannot statutorily be changed. Once the State has committed to a new debt issuance, it must make the payments. The following table illustrates the growth in debt service

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<sup>2</sup> Debt service estimates are based on State-Supported debt as defined by Section 67-A of the State Finance Law.

under the proposed Financial Plan as compared with changes in other spending categories.

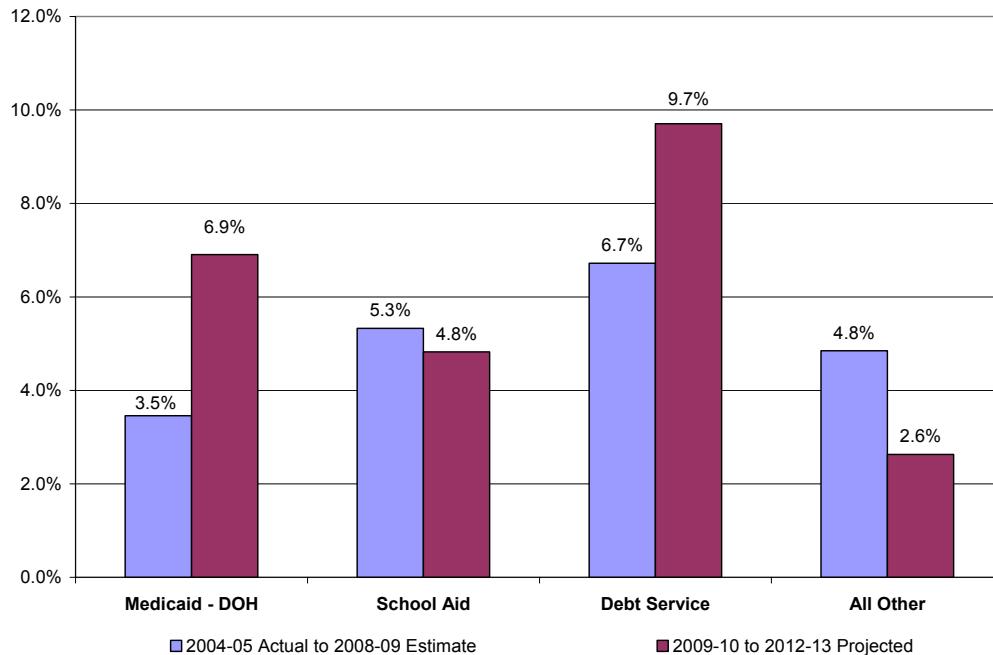
**Comparison of  
All Government Funds Receipts and Disbursements  
(annual percent growth)**

	Average Growth SFY 2003-04 through SFY 2008-09	SFY 2009-10 Projected	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected	Average Growth SFY 2008-09 through SFY 2012-13
<b>Receipts:</b>						
Taxes	6.9%	0.5%	6.2%	3.3%	0.3%	2.6%
Miscellaneous Receipts	7.3%	10.6%	-2.4%	4.3%	-2.7%	2.4%
Federal Grants	2.8%	22.9%	1.7%	-11.2%	-1.6%	2.9%
<b>Total Receipts</b>	<b>5.2%</b>	<b>9.5%</b>	<b>3.1%</b>	<b>-1.7%</b>	<b>-0.8%</b>	<b>2.5%</b>
<b>Disbursements:</b>						
Grants to Local Governments	5.4%	6.8%	3.4%	3.6%	3.7%	4.4%
State Operations	4.0%	5.0%	2.1%	1.3%	1.7%	2.5%
General State Charges	8.8%	7.3%	7.8%	5.8%	8.3%	7.3%
Debt Service	7.3%	13.5%	12.6%	6.8%	5.9%	9.7%
Capital Projects	6.4%	45.4%	6.9%	-5.1%	-13.4%	8.4%
<b>Total Disbursements</b>	<b>5.4%</b>	<b>8.5%</b>	<b>4.0%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>4.5%</b>

Source: Office of the State Comptroller and the New York State Division of the Budget

The following chart illustrates how major portions of the State's Financial Plan are growing relative to each other.

**Comparison of Historic and Future Growth for Selected All Funds Disbursements  
(average annual percent growth)**





# **Debt and Capital**

The SFY 2009-10 Enacted Budget relies on debt to meet existing and new commitments both for capital spending and to supplement the General Fund, adding to New York's already high debt burden.

The SFY 2009-10 Enacted Budget includes nearly \$350 million in new debt authorizations above the Executive proposal. New debt initiatives include \$83.5 million for costs related to financing the H.H. Richardson Complex and Darwin Martin House (initially authorized in 2006 as projects to be financed with cash) as well as \$114.5 million in additional bonding authority for the Consolidated Highway Improvement Program (CHIPs). There is also an additional \$18 million in debt authorization for drug courts associated with drug law reforms included in the SFY 2009-10 Enacted Budget. In addition, the Enacted Budget includes an additional \$80 million in bonding authorization for environmental infrastructure projects (reflecting a total increase of \$169.5 million over what was authorized in SFY 2008-09) and an additional \$50 million in potential bonding for the Environmental Protection Fund (EPF), bringing total authorized EPF bonding for SFY 2009-10 to \$95 million.

The Division of the Budget released the SFY 2009-10 Five Year Capital Program and Financing Plan on May 1, 2009. Using the figures contained in this Plan as a base:

- State-Funded debt outstanding is projected to exceed \$66.8 billion by SFY 2013-14.
- State-Funded debt service is expected to reach approximately \$7.9 billion by SFY 2013-14.
- State-Funded debt service is anticipated to grow approximately 47.3 percent between SFY 2008-09 and SFY 2013-14, making it one of the fastest growing spending areas in the State budget.
- According to the Capital Plan, due to lower projections for Personal Income, the Division of the Budget projects the State will surpass the statutory debt cap in SFY 2012-13 and SFY 2013-14 if additional actions are not taken.

## ***Debt Management and Other Actions***

The SFY 2009-10 Enacted Budget authorizes a number of debt-related actions. For example, the Executive's proposal called for a number of fund transfers from accumulated authority balances and reserves. In a proposal related to the Battery Park City Authority, the Executive Budget required such proceeds to be used to finance "capital" spending. The Enacted Budget eliminates the requirement that the proceeds be used for capital purposes. In addition, the Environmental Facilities Corporation is authorized to issue an additional \$95 million in bonds to replace the

\$95 million transferred to the State's General Fund from the EPF, reflecting an increase of \$50 million over the Executive's proposal.

The SFY 2009-10 Enacted Budget includes the Executive proposal to increase the State's Bond Issuance Charge by 20 percent, with the expectation of \$20 million in additional revenue. This charge is levied against certain public benefit corporations that issue debt on behalf of the State and other borrowers.

The SFY 2009-10 Enacted Budget modifies the Executive proposal to allow consolidated issuances of the State's five issuers of Personal Income Tax Revenue bonds (PIT bonds). The Enacted Budget authorizes the Urban Development Corporation (UDC) and the Dormitory Authority of the State of New York (DASNY) to issue PIT bonds for any authorized issuer for any authorized purpose of PIT bonds in order to streamline the issuance process.<sup>3</sup> PIT bonds are backed with PIT receipts and are the primary method of bond financing in the Capital Plan. This measure will allow the State to consolidate smaller issuances and potentially achieve savings on issuance costs.

The SFY 2009-10 Enacted Budget also authorizes a transfer of \$250 million from the General Fund to the Debt Reduction Reserve Fund (DRRF), if funding becomes available. The State has previously utilized the DRRF to defease high cost debt, address market issues and also to provide General Fund relief. For example, \$50 million was transferred from the DRRF to the General Fund as part of the Deficit Reduction Plan enacted in early February 2009.

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<sup>3</sup> Section 68-a of the State Finance Law authorizes the Dormitory Authority of the State of New York (DASNY), the Urban Development Corporation (UDC, also known as the Empire State Development Corporation – ESDC), the New York State Thruway Authority (TA), the New York State Environmental Facilities Corporation (EFC) and the New York State Housing Finance Agency (HFA) to issue Personal Income Tax revenue bonds on behalf of the State.

# Economic Outlook and Revenue

## ***National Economy***

The forecast for the national economy has continued to weaken over the last six months. The National Bureau of Economic Research reported in November that the nation entered into a recession in December 2007, making this the longest recession in over 25 years. Real Gross Domestic Product (GDP) declined at an annual rate of 6.3 percent in the fourth quarter of 2008—the largest quarterly contraction since 1982. The Division of the Budget projects the nation will begin to recover in the third quarter of 2009.

The GDP declined by 6.1 percent during the first quarter of 2009. Although consumer spending grew by 2.2 percent in the first quarter, compared to a decline of 4.1 percent in the second half of 2008, this improvement was offset by a sharp decline in inventories and business spending.

Job losses have accelerated in recent months. Since employment peaked in December 2007, the nation has lost 5.1 million jobs through March 2009. IHS Global Insight predicts job losses could reach 7 million, as the pace of job losses continues to exceed 500,000 per month. The national unemployment rate (seasonally adjusted) reached 8.5 percent in March 2009, significantly higher than March 2008 (5.1 percent), and due to record high continuing unemployment claims, the unemployment rate is expected to rise further in April.

Economic activity and housing declines continue. Businesses, facing weak consumption and tight credit, have cut back their investments and hiring, while the housing market continues to decline. Average home prices in the nation have fallen almost 30 percent since the peak in 2006, and foreclosures increased to over 341,000 in March, 46.4 percent higher than one year earlier.

The short-term threat of inflation has passed due to recessionary pressure and the decline of energy prices, but the rapid expansion in the money supply raises concern for the future.

## ***New York State Economy***

A weaker national economy and the volatile financial sector are likely to continue to negatively affect the New York State economy. The New York State gross product contracted by 5.6 percent during the fourth quarter of 2008 and is forecast by IHS Global Insight to decline by a steep 7.3 percent during the first quarter of 2009.

The New York State unemployment rate rose from 7.0 percent in January to 7.8 percent in both February and March 2009, its highest level since June 1993. This increase matched the largest monthly increase on record and is significantly higher than March 2008 (4.8 percent).

Since August 2008, New York State's job count has declined by 196,400 through March 2009. IHS Global Insight predicts that the State will lose nearly 400,000 jobs during the current recession, with most of the job losses in New York City.

Wall Street lost \$42.6 billion in 2008, nearly four times the loss of \$11.3 billion in 2007. The Dow Jones Industrial Average fell from its peak of 14,164 in October 2007 to 6,547 in early March 2009, a decline of 53.8 percent. The market has regained more than 20 percent in recent weeks, on the news of federal efforts to remove troubled assets from the balance sheets of financial institutions and to infuse liquidity into the financial system.

## **Receipts**

In SFY 2009-10, All Funds receipts are expected to increase by \$11.3 billion, or 9.5 percent, to \$130.6 billion. This includes a net increase of \$8.9 billion, or 22.9 percent, in federal receipts, reflecting, in part, funds anticipated to be received from the American Recovery and Reinvestment Act (ARRA). Over \$8.3 billion in other revenue actions are offset by projected declines in tax receipts primarily associated with the ongoing recession and the restructuring of the financial services industry. General Fund receipts are expected to increase by \$537 million, or 1.0 percent, to \$54.3 billion.

**Total Receipts**  
(in millions of dollars)

Category	Actual SFY 2007-08	Actual SFY 2008-09	Dollar Change	Percent Change	Enacted SFY 2009-10	Dollar Change	Percent Change
<b>General Fund*</b>	<b>53,094</b>	<b>53,801</b>	<b>(707)</b>	<b>-1.3%</b>	<b>54,338</b>	<b>537</b>	<b>1.0%</b>
Taxes	38,393	38,301	92	0.2%	39,401	1,100	2.9%
Miscellaneous Receipts	2,460	3,105	(645)	-26.2%	3,381	276	8.9%
Federal Grants	69	45	24	34.8%	-	(45)	-100.0%
Transfers	12,172	12,350	(178)	-1.5%	11,556	(794)	-6.4%
<b>All Funds</b>	<b>115,423</b>	<b>119,235</b>	<b>(3,812)</b>	<b>-3.3%</b>	<b>130,550</b>	<b>11,315</b>	<b>9.5%</b>
Taxes	60,871	60,337	534	0.9%	60,647	310	0.5%
Miscellaneous Receipts	19,643	20,064	(421)	-2.1%	22,185	2,121	10.6%
Federal Grants	34,909	38,834	(3,925)	-11.2%	47,718	8,884	22.9%

\* Includes transfers from other funds.

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

## **Taxes, Fees, Fines, Assessments and Other Revenue**

The SFY 2009-10 Enacted Budget includes taxes, fees, fines, assessments and other revenue actions (including STAR) that are projected to generate a net \$8.26 billion on an All Funds basis, including \$6.96 billion in General Fund revenue for SFY 2009-10.

**Revenue Actions Summary SFY 2009-10**  
(in millions of dollars)

<b>Revenue Actions</b>	<b>General Fund SFY 2009-10</b>	<b>All Funds SFY 2009-10</b>
Temporary PIT Surcharge*	3,948.0	3,948.0
Tax Actions	235.6	395.6
Fees and Fines	99.1	292.0
Sector Assessments	557.0	1,466.0
Other Revenue Actions	563.9	592.9
<b>Sub Total</b>	<b>5,403.6</b>	<b>6,694.5</b>
New or Expanded Tax Credits	(4.0)	(4.0)
Total STAR Savings	1,559.0	1,566.0
<b>Total</b>	<b>6,958.6</b>	<b>8,256.5</b>

\*Includes transfers.

Source: Division of the Budget

### *Personal Income Tax Surcharge*

The \$3.9 billion Personal Income Tax (PIT) surcharge contained in the SFY 2009-10 Enacted Budget represents an estimated 14 percent increase in tax liability. The PIT surcharge is effective for three years, from 2009 to 2012, after which it sunsets. It adds two temporary tax brackets, increasing the top rate to 8.97 percent (from 6.85 percent) for all incomes above \$500,000; the rate is also increased to 7.85 percent for income below \$500,000 but above \$200,000 (for single taxpayers), \$250,000 (heads of household) and \$300,000 (married). Recapture provisions, similar to those already in effect, reduce or eliminate the benefit of marginal tax rates below the top rate for taxpayers over certain income levels.

This year's temporary PIT surcharge is similar in structure to a temporary surcharge enacted in 2003 but is larger in absolute value and in proportion to the existing tax base, reflecting the magnitude of the deficit facing the State. The 2003 surcharge was phased down over the three years it was in effect, whereas the 2009 Enacted surcharge continues in full until expiration.

According to Assembly estimates, the Enacted PIT increase will affect 2.3 percent of resident taxpayers (194,000 of 8.3 million).

## *Other Tax and Revenue Actions (Non-Federal Receipts)*

In addition to the \$3.9 billion expected from the PIT surcharge, the SFY 2009-10 Enacted Budget increases All Funds taxes by \$395.6 million, including \$235.6 million for deposit into the General Fund. Furthermore, on an All Funds basis, the SFY 2009-10 Enacted Budget includes increases of approximately \$1.47 billion in specific sector assessments and surcharges and \$292 million in new or increased fees and fines.

Other significant revenue actions include \$1.4 billion from the elimination of the STAR rebate program, \$115 million expected from the expansion of the Bottle Bill to include water containers, \$112 million from the elimination of the New York City PIT credit and \$90 million from reforms to the Empire Zone Program.

Actions that will provide the State with one-time All Funds savings include \$351 million from increasing the tax pre-payment rate from 30 to 40 percent; \$14 million from increasing the cigarette prepaid sales tax rate; and \$27 million from permanently shifting the December STAR payment for New York City from December to June. These are timing-related actions that have the effect of either bringing revenue into the State earlier than previously scheduled, or delaying the timing of payments to the next fiscal year to avoid the cost in the current year.

### **Tax, Fee and Related Revenue Actions Estimates SFY 2009-10** (in millions of dollars)

<b>Tax Actions</b>	<b>General Fund SFY 2009-10</b>	<b>All Funds SFY 2009-10</b>
Temporary Personal Income Tax Surcharge*	3,948.0	3,948.0
Insurance Premium Tax for HMOs	-	150.0
Limit Itemized Deductions for High Income Taxpayers	140.0	140.0
Change Filing for Certain Captive Insurance Corporations	31.0	33.0
Extend Sales Tax to Certain Transportation Services	25.6	25.6
Increase Beer and Wine Tax Rates	14.0	14.0
Reform the Cigar Tax	10.0	10.0
Expand Definition of Affiliate Nexus for Internet Sales	9.0	9.0
Increase Auto Rental Tax	-	8.0
Prevent Tax Avoidance for Certain Vehicles and Crafts	4.0	4.0
Eliminate Certain Tax Credits	2.0	2.0
Amend Definition of Presence in New York	-	-
Treat Gain from Sale of Partnerships as Income	-	-
<b>Subtotal Tax Actions</b>	<b>4,183.6</b>	<b>4,343.6</b>

\*Includes transfers.

**Tax, Fee and Related Revenue Actions**  
**Estimates SFY 2009-10 (continued)**  
(in millions of dollars)

<b>Fees and Fines</b>	<b>General Fund</b>	<b>All Funds</b>
<b>Fees</b>		
Reissue License Plates (\$129 million impact in 2010-11)	-	-
Increase Motor Vehicle Registration Fee	-	51.9
Establish Non-LLC Partnership Fee	50.0	50.0
Increase in Surcharge on Auto Insurance	-	48.4
Increase Motor Vehicle License Fee	-	18.8
Increase Cigarette and Tobacco Retail Registration Fee	(1.8)	16.7
Increase Hunting and Fishing License Fees	-	16.0
Increase Real Property Transfer Fee	14.3	14.3
Increase Asbestos Project Notification Fees	6.5	6.5
Increase Parks Administrative Fee	-	6.5
Increase SPDES Fees	-	5.0
Establish Pesticide Applicator Fee	-	5.0
Increase Highway Use Tax Renewal Fee	-	4.6
Increase Certificate of Need Fees	-	4.0
Establish Tax Preparer Fee	4.0	4.0
Increase Food Licensing Fees	-	3.2
Establish New Marine Fishing License	-	3.0
Increase Nuclear Power Plant Fee	-	2.7
Increase Mined Land Reclamation Fees	-	1.7
Establish Bad Check Fee	1.5	1.5
Increase Civil Service Exam Fees	1.4	1.4
Establish Wetland Permit Application Fee	-	1.3
Increase Insurance Company Boiler Fees	1.0	1.0
Establish Horse Entrance Fee	-	1.0
Increase Title V Program Fees	-	0.9
Establish Security Guard Training Fee	0.4	0.4
Establish a Fee for MV-278 Certificates	0.4	0.4
Establish Explosives Fee and Penalty	0.3	0.3
Increase Public Management Intern Placement Fee	-	0.2
Increase Feed Tonnage Fees	-	0.1
Increase DEC Education Camp Fee	-	0.1
<b>Fines</b>		
Civil Penalties for Non-Housing Cases	0.1	0.1
Increase Cap on Traffic Violation Surcharges	6.0	6.0
Increase Vehicle and Safety Fines	0.6	0.6
Uncertified Crane Operation Penalty	0.4	0.4
Increase License Suspension Fees	13.4	13.4
Increase Food Safety Violation Penalties	0.6	0.6
<b>Subtotal Fees and Fines</b>	<b>99.1</b>	<b>292.0</b>

**Tax, Fee and Related Revenue Actions  
Estimates SFY 2009-10 (continued)**  
(in millions of dollars)

<b>Sector charges and assessments</b>	<b>General Fund</b>	<b>All Funds</b>
Utility Assessment (through 2014)	557.0	557.0
Increase Insurance Assessment for Health Programs	-	399.5
Increase Covered Lives Assessment	-	240.0
Increase Hospital Surcharges	-	126.0
Hospital Assessment	-	124.3
Home Care Assessment	-	14.2
Extend the Covered Lives Assessment	-	5.0
<b>Subtotal Sector Assessments</b>	<b>557.0</b>	<b>1,466.0</b>
<b>Other Revenue Actions</b>	<b>General Fund</b>	<b>All Funds</b>
Tax Compliance Package	6.9	6.9
Bottle Bill Expansion	115.0	115.0
Empire Zone Reform	90.0	90.0
Allow Additional Multi-Jurisdictional Lottery Games	-	11.0
Enact Reciprocal Vendor Offsets	5.0	5.0
Increase Tax Prepayment Rate from 30% to 40%	333.0	351.0
Increase Prepaid Sales Tax Rates on Cigarettes	14.0	14.0
<b>Subtotal Other Revenue Actions</b>	<b>563.9</b>	<b>592.9</b>
<b>Other Tax Related Actions</b>	<b>General Fund</b>	<b>All Funds</b>
Eliminate STAR Rebate Check	1,427.0	1,427.0
Eliminate NYC PIT Credit	112.0	112.0
Shift Payment of NYC STAR from December to June	20.0	27.0
Low Income Housing Tax Credit	(4.0)	(4.0)
Film Credit Restructuring	-	-
<b>Subtotal Other Tax Related Actions</b>	<b>1,555.0</b>	<b>1,562.0</b>
<b>TOTAL NET TAX, FEE, FINE AND REVENUE ACTIONS</b>	<b>6,958.6</b>	<b>8,256.5</b>

Source: Division of the Budget

Of the total increased receipts used to close the General Fund deficit, approximately \$11 billion is either non-recurring or temporary, including \$4.9 billion in federal stimulus funds, \$3.9 billion from the PIT surcharge (expires in 2012), \$2 billion in one-shots (including fund sweeps and payment timing changes), and \$557 million from utility surcharge increases (expires 2014).

The SFY 2009-10 Enacted Budget did not include the following major tax proposals advanced in the Executive Budget:

- \$462 million from replacing the current sales tax exemption on clothing under \$110 with two, one-week exemptions for clothing under \$500.
- \$404 million from extending sales tax to soft drinks.
- \$136 million from extending sales tax to cable and satellite TV and radio.
- \$90 million from repealing the \$2 per gallon gasoline sales tax cap.

# Program Area Highlights

## ***Education***

The SFY 2009-10 Enacted Budget increases school aid by \$405 million, or nearly 2 percent, to \$21.9 billion in school year 2009-10. This includes Foundation Aid, which is frozen at the 2008-09 level of \$14.9 billion for two years as proposed by the Executive. The overall increase in school aid results largely from increases in expense-driven reimbursements and other aid categories as well as \$1.2 billion in expected federal American Recovery and Reinvestment Act (ARRA) funds used to eliminate the Executive's proposed \$1.1 billion Deficit Reduction Assessment (DRA) and other reductions.

An additional \$852 million in ARRA funds will be available for schools, comprised of \$454 million for Title I and \$398 million for Individuals with Disabilities Education Act (IDEA). On a State Fiscal Year basis, the SFY 2009-10 Enacted Budget increases appropriations by \$1.1 billion, or 5 percent, over SFY 2008-09 levels, to \$22.7 billion.

The SFY 2009-10 Enacted Budget provides New York City with \$8.8 billion in total school aid, \$593 million, or 7.2 percent, more than in school year 2008-09. This includes \$6.2 billion in Foundation Aid, which was frozen at 2008-09 levels.

The SFY 2009-10 Enacted Budget includes the Executive's proposal to eliminate the Middle Class STAR Rebate program and to correspondingly reduce the NYC STAR Personal Income Tax (PIT) credit resulting in estimated savings of \$1.6 billion in 2009-10. The original STAR property tax exemption program of nearly \$3.5 billion remains in place. The Executive Budget proposal to increase the maximum reduction in STAR benefits, stemming from changes in assessed or market value, from 89 percent to 82 percent was not enacted.

The SFY 2009-10 Enacted Budget reduces the Executive's proposed extension of the Foundation Aid phase-in period from four to three years, thereby postponing the full phase-in of the program to school year 2013-14. It also does not include the Executive's proposal to shift 15 percent of preschool special education costs from the State and counties to school districts, resulting in a \$185 million fiscal benefit to school districts and New York City.

## ***Higher Education***

The SFY 2009-10 Enacted Budget increases appropriations for State Operations and Aid to Localities funding for SUNY and CUNY by \$29 million, or 0.7 percent, from SFY 2008-09. General Fund support for SUNY increases \$88.6 million, or

2.6 percent, to \$3.5 billion and Community College Operating Assistance decreases by \$17.7 million, or 3.9 percent, from SFY 2008-09 to \$441.7 million. Total Aid to Localities appropriations to CUNY increase \$64.5 million, or 5.3 percent, from SFY 2008-09 to \$1.3 billion with Community College aid decreasing \$2.5 million, or 1.4 percent, and Senior College aid increasing \$66.9 million, or 6.6 percent, to \$1.1 billion.

The SFY 2009-10 Enacted Budget restores reductions proposed in the Executive Budget, including \$35 million for the Tuition Assistance Program, \$49 million for Community College operating assistance and \$31 million in reductions to university-wide programs for SUNY and CUNY, paid for in part with federal ARRA stimulus funds. The Enacted Budget also includes appropriations of \$879.9 million for SUNY and CUNY capital programs, of which SUNY is allocated \$595.7 million and CUNY is allocated \$284.2 million.

The SFY 2009-10 Enacted Budget establishes the New York Higher Education Loan Program (NYHELPs) to provide a reported \$350 million in loans to resident students enrolled in a degree-granting program at a college or university in New York State with a preference for students demonstrating financial need. The program would be funded with bonds issued by the State of New York Mortgage Agency and the Dormitory Authority of the State of New York.

The SFY 2009-10 Enacted Budget does not include the proposed elimination of existing SUNY and CUNY contracting requirements, which would have allowed these institutions to bypass Office of the State Comptroller review and self-regulate their procurement practices.

## ***Health***

The SFY 2009-10 Enacted Budget achieves \$2.3 billion out of \$3.5 billion in health care savings proposed in the Executive Budget. Many of the savings actions are related to transforming reimbursement of costly Medicaid services to more appropriately reflect the actual cost of the service and shifting service usage to less expensive and potentially cost saving settings such as primary and preventive care, thereby improving efficiency in the public purchase of health care.

The SFY 2009-10 Enacted Budget uses a portion of higher Medicaid reimbursements provided in the federal American Recovery and Reinvestment Act of 2009 (ARRA) and other revenues to restore \$1.2 billion in funding for Medicaid and other health care programs. Of these restorations, \$483 million reflects actions proposed in SFY 2008-09 that would also have reduced the SFY 2009-10 budget gap. In addition, restorations include the offset of revenue lost for various taxes and fees not enacted, such as the proposed 18 percent sales tax on certain fruit and non-diet beverages.

The SFY 2009-10 Enacted Budget adopted a number of the Executive Budget proposals to reform Medicaid reimbursement methodologies for hospitals, nursing homes and home health agencies, and invests inpatient hospital savings in primary and preventive care, as well as hospital clinic services that will provide \$290 million in additional support when fully implemented.

Specifically, the SFY 2009-10 Enacted Budget adopted a new hospital rate system which will be implemented in December 2009. This reform is expected to reduce inpatient reimbursement rates to more closely reflect actual costs and to redirect the savings to expand access to primary and preventive care. A proposed regional pricing system for nursing homes was also adopted, with implementation scheduled for April 2010. This new pricing system is designed to improve efficiency and result in reimbursement that uses an average regional price adjusted for needs of residents instead of rates reflecting individual facility cost.

The SFY 2009-10 Enacted Budget did not include a proposed episodic payment system for home health care services designed to more closely reflect costs of patients' conditions and needs, similar to the method used by Medicare. However, the Enacted Budget authorizes workgroups of industry stakeholders to address the nursing home methodology, the home health care reimbursement system, and requires the State Health Commissioner to make recommendations to the Executive and the Legislature.

Additionally, the SFY 2009-10 Enacted Budget creates a long-term care assessment pilot program to consolidate and standardize the assessment and Medicaid authorization process for home care services. The goal of the program is to allow the State to better plan and manage limited resources and to enable those in need to remain in their communities. Starting in January 2010, two assessment centers will be implemented; one in New York City and one in an upstate county.

The SFY 2009-10 Enacted Budget provides for the Department of Health (DOH) to directly negotiate with drug manufacturers to increase rebates on prescription drugs. Previously, DOH was only able to secure rebates for drugs included in the State's preferred drug program. The Enacted Budget projects savings of more than \$167 million when fully implemented, in two years.

The SFY 2009-10 Enacted Budget imposes a 0.35 percent assessment on hospital inpatient and home care revenues, increases Health Care Reform Act (HCRA) surcharges on hospital patient service revenue from 8.95 percent to 9.63 percent, increases and creates new fees for various certificate of need applications, and establishes a tax on health maintenance organization premiums valued at \$129 million. It also achieves \$752 million in savings by financing several HCRA programs through insurance assessments, increasing the covered lives assessment on the insurance industry, extending the same assessment to out-of-state insurers and increasing surcharges on payments to hospitals.

## **Mental Hygiene**

The SFY 2009-10 Enacted Budget increases Mental Hygiene spending by approximately \$38 million over the Executive Budget proposal and uses the State's share of higher Medicaid reimbursements provided by the ARRA to fund nearly the entire amount.

The largest portion of additional spending authorized by the SFY 2009-10 Enacted Budget, \$15.5 million, supports restoration of the proposed 1.0 percentage point reduction in the SFY 2008-09 cost-of-living adjustments for various community mental hygiene providers. The Enacted Budget also restores \$6.0 million for day habilitation and intermediate care facilities funded by the Office of Mental Retardation and Developmental Disabilities (OMRDD), and provides \$5.0 million to preserve income exemptions for OMRDD long-term sheltered employment programs. As part of the agreement to reform the State's Rockefeller Drug Laws, the Enacted Budget provides \$800,000 for chemical dependence treatment services, as well as a \$10 million capital appropriation to develop residential beds for chemical dependency treatment.

## **Human Services**

The SFY 2009-10 Enacted Budget restores more than \$250 million in human services programs over the Executive Budget (including \$29 million in funding for Community Optional Preventive Services, or COPS, an initiative that preserves family stability and prevents troubled youths from moving into foster care or juvenile justice) and \$64.7 million in funding for local detention services. The largest human services program restoration is \$84.1 million to maintain the Supplemental Security Income (SSI) State benefit for persons with disabilities, while passing along the 5.8 percent cost of living increase to the federal benefit, effective January 2009.

The SFY 2009-10 Enacted Budget includes the Executive proposal to increase the Basic Allowance portion of the public assistance grant 10 percent annually over the next three years, but provides \$175 million to start the increase in July 2009 and pay for the local share for the three years. From SFY 2008-09 to SFY 2009-10, the family assistance and five-year caseloads are both projected to increase 0.4 percent to 237,450 and 114,250, respectively, while caseloads of single adults/childless couples are projected to increase 5.1 percent to 152,033.

From the annual \$2.4 billion federal Temporary Assistance for Needy Families (TANF) block grant, the SFY 2009-10 Enacted Budget appropriates \$964.6 million to the Flexible Fund for Family Services (FFFS), representing a 47 percent increase over the SFY 2008-09 Enacted Budget. The FFFS increase includes \$311 million to replace General Fund support for local public assistance administrative costs. In addition,

each locality must prioritize its needs in determining which support services to fund, as well as the funding levels for these services from its FFFS allocation.

There are several sources of funding for the Child Care Block Grant (CCBG). Among these are the State General Fund and allocations from localities, as well as federal TANF and child care development fund monies. The SFY 2009-10 Enacted Budget also includes a separate TANF allocation for the CCBG of \$356.3 million as well as a \$48 million appropriation of federal ARRA stimulus funds and \$36.7 million for child care market reserve, bringing the total CCBG to approximately \$961 million, reflecting a \$64 million, or 7.1 percent, increase from SFY 2008-09.

The SFY 2009-10 Executive Budget reduces TANF funds for the Earned Income Tax Credit to \$457.7 million, a \$245 million, or nearly 35 percent, decrease from the SFY 2008-09 appropriation.

The Executive proposal to save \$11.2 million in SFY 2009-10 by closing six Office of Children and Family Services (OCFS) youth facilities, downsizing two others, and closing three evening reporting centers was adopted by the Legislature. This is associated with a decrease of 255 full time equivalent positions and 204 facility beds.

The Executive proposal to create a new Youth Programs Block Grant with a \$90 million appropriation was not enacted; however, the SFY 2009-10 Enacted Budget does include a \$70 million appropriation of ARRA federal funds for Adoption Assistance and Foster Care under Title IV-E.

**SFY 2009-10 Proposed  
Youth Facility Closures and Downsizing**

Youth Facilities	County	Number of positions
<b>Closures</b>		
Adirondack Non-Secure Facility	Clinton	24
Cattaraugus Non-Secure Facility	Cattaraugus	26
Great Valley Non-Secure Pyramid Reception Center	Cattaraugus	25
Rochester Community Residential Home	Bronx	90
Syracuse Community Residential Home	Monroe	8
	Onondaga	8
<b>Downsizing</b>		
Tryon Limited Secure Facility	Fulton	39
Allen Non-Secure Facility	Delaware	13
<b>Evening Reporting Centers</b>		
<b>Closures</b>		
Albany/Taft	Albany	8
Buffalo/Richmond	Erie	7
Syracuse/Genesee	Onondaga	7
<b>Total</b>		<b>255</b>

Source: Division of the Budget

## ***Economic Development***

The SFY 2009-10 Enacted Budget makes changes to the Empire Zone program to require decertification of firms producing less than \$1 in actual investment and wages for every \$1 in State tax incentives. Companies that change their corporate identity in order to obtain Empire Zone benefits (also known as “shirt-changers”) will also be decertified. The Enacted Budget also adds some new program performance requirements. Manufacturing companies entering the program will be required to make \$10 in actual investments for every \$1 of State investment (a 10:1 benefit to cost ratio) and other companies entering the program will be required to meet a 20:1 benefit to cost ratio. The Empire Zone program will sunset on June 30, 2010—one year earlier than in current law.

The Executive Budget proposal to merge the Department of Economic Development and the Foundation for Science, Technology and Innovation into the Empire State Development Corporation (ESDC) was not adopted. Because functions of a State department (DED) were proposed to be transferred to a public authority (ESDC), oversight and accountability for programs would have been substantially reduced. The Office of the State Comptroller’s contract review and approval process, as well as expenditure review functions, would have been eliminated. The Executive Budget proposal to re-allocate \$375 million in economic development capital spending was also not adopted.

## ***Transportation***

The SFY 2009-10 Enacted Budget provides an additional \$20 million in General Fund support for upstate mass transit providers and increases transportation capital construction appropriations by nearly \$3.7 billion related to federal ARRA stimulus funding.

The SFY 2009-10 Enacted Budget restores funding for the Consolidated Highway Improvement Program (CHIPs) to \$363.1 million. The Executive Budget had proposed reducing funding by \$112 million from SFY 2008-09.

The SFY 2009-10 Enacted Budget accepts Article VII proposals to increase motor vehicle registration fees by an average 25 percent, increase the license plate fee by \$10 starting April 1, 2010 and establish a \$50 fee for pre-licensing classroom certificates used by driving course providers.

## ***Dedicated Highway and Bridge Trust Fund***

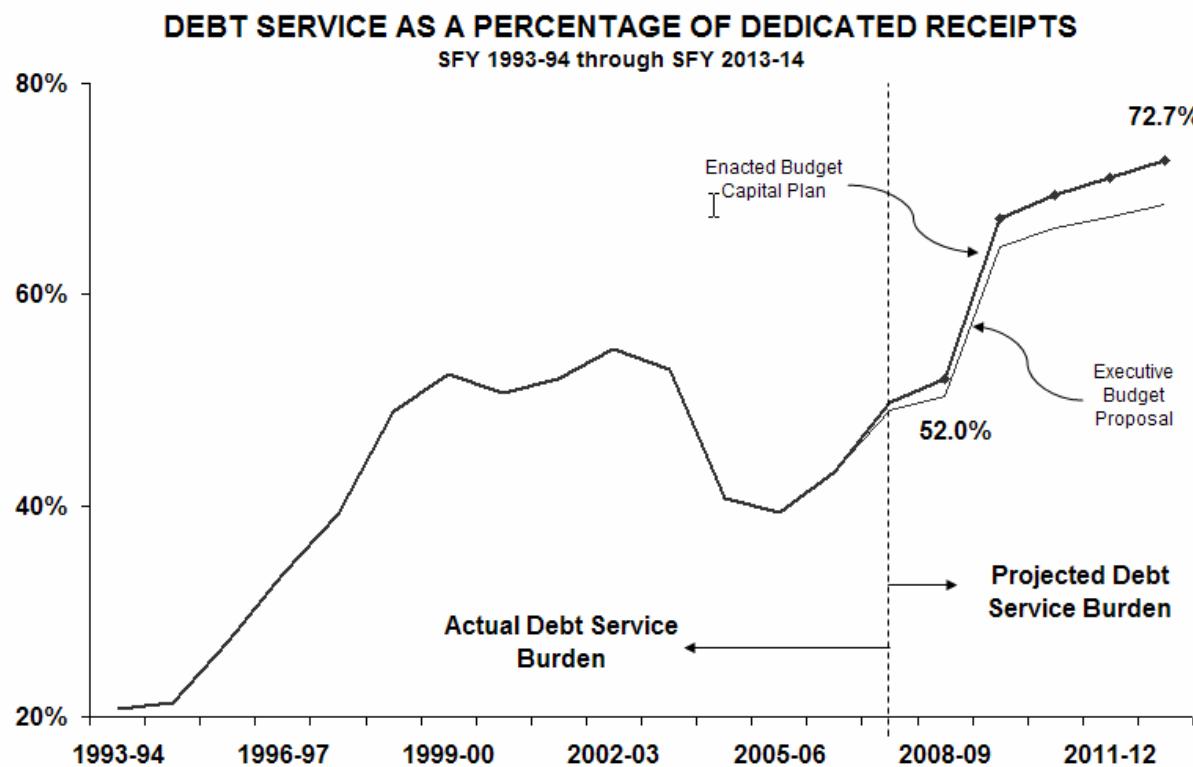
The net negative imbalance between revenues and expenditures of the Dedicated Highway and Bridge Trust Fund (DHBTF) over the next five years (through

SFY 2013-14) is increased by \$138 million over the Executive Budget as amended in January 2009. This reflects a decline of \$287 million in total revenues and disbursement reductions of \$149 million over the five year Capital Plan.

Furthermore, debt service costs are anticipated to increase by nearly \$144 million over the next five years when compared with the Executive Budget proposal, mostly due to a \$136 million increase in debt service requirements for CHIPs. The Division of the Budget also plans a gradual increase in the closing balance of the Fund, bringing it to \$197 million by the end of the five-year plan.

As a result of these changes, the total amount of General Fund support that will have been provided to the DHBTF by the end of SFY 2013-14 is projected at \$4.14 billion. The Enacted Budget represents a \$487 million increase in General Fund support for the DHBTF when compared with the Executive Budget proposal. Federal stimulus funds are appropriated directly to transportation projects and not through the DHBTF.

The following chart shows the growth of the DHBTF debt burden through SFY 2013-14. This is defined as the ratio of debt service payments to total dedicated taxes, fees and debt coverage-related miscellaneous receipts. Bond proceeds are not included in the calculation. Debt service payments will constitute 52 percent of all such receipts in SFY 2009-10 and will grow to 72.7 percent by SFY 2013-14.



Source: Actuals – Office of the State Comptroller; Projections – Division of the Budget.

Note: Includes debt service on both General Highway and Bridge Trust Fund bonds and CHIPS/Marchiselli Bonds.

## ***Environment/Agriculture/Housing***

### ***Environment***

The SFY 2009-10 Enacted Budget increases All Funds appropriations for the Department of Environmental Conservation by \$479 million over the Executive Budget, of which \$461 million is federal ARRA stimulus funding. ARRA related appropriations include:

- \$435 million for water pollution control infrastructure,<sup>4</sup>
- \$10 million for federal environmental conservation lands and forest grants,
- \$9.5 million for spills management,
- \$4.4 million for water resources, and
- \$1.7 million for air resources.

The SFY 2009-10 Enacted Budget also increases permit fees and a surcharge on penalties assessed under the Environmental Conservation Law. These increases are estimated to raise \$33 million in SFY 2009-10.

Under the SFY 2009-10 Enacted Budget, New York State's container deposit law is expanded to include bottled water containers. Deposit requirements will apply to bottled water beginning June 1, 2009. These containers comprise 70 percent of the non-carbonated beverage market. Other amendments to the law include increasing the handling fee paid to entities that reclaim containers subject to deposit from \$.02 to \$.035 per container and reclaiming 80 percent of unclaimed deposits, which is projected to raise \$115 million in General Fund support.

The SFY 2009-10 Enacted Budget appropriation to the Environmental Protection Fund (EPF) is \$222 million, a \$17 million increase over appropriations in the SFY 2008-09 Enacted Budget as amended by Chapter 1 of the Laws of 2009—the Deficit Reduction Act. The 2009-10 Enacted Budget also sweeps \$95 million in cash from the EPF. The swept funds will be replaced by bonds issued for eligible projects. The Enacted Budget increases the appropriation of revenues from the Real Estate Transfer Tax to the EPF by \$119 million over the Executive Budget proposal.

### ***Parks***

The SFY 2009-10 Enacted Budget restores \$35 million in capital appropriations reduced in the Executive Budget for the Office of Parks, Recreation and Historic Preservation to a total of \$91 million. The Enacted Budget will raise approximately \$6.5 million through increased park fees.

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<sup>4</sup> The Enacted Budget appropriates \$87 million in funds from the ARRA to the Safe Drinking Water Revolving Fund in the New York State Department of Health capital budget.

## *Energy*

The SFY 2009-10 Enacted Budget increases the Department of Public Service assessment on utilities. Under the plan, the assessment would increase from one-third of one percent to two percent of the utility's gross operating revenues. The increased assessment will sunset on March 31, 2014 and is estimated to raise \$557 million to support the General Fund in SFY 2009-10.

The ARRA provides assistance to New York State Energy Research and Development Authority (NYSERDA) programs to increase efficient use of energy and renewable sources of energy. These funds are not appropriated through the State budget process, but are provided directly from the United States Department of Energy to NYSERDA. Under ARRA, NYSERDA will receive \$123 million for the State Energy Program and \$29 million for the energy efficiency and conservation block grant program.

## *Agriculture*

The SFY 2009-10 Enacted Budget creates a healthy food/healthy communities initiative in the Upstate Agricultural Economic Development Fund. The initiative will provide a \$10 million revolving loan fund to increase the number of food markets providing affordable and nutritious foods in underserved areas. The Enacted Budget will raise approximately \$3.3 million through increased fees on food processors, retailers, warehouses and animal feed.

## *Housing*

The SFY 2009-10 Enacted Budget increases All Funds appropriations for the Division of Housing and Community Renewal (DHCR) by \$564 million of which \$552 million is related to ARRA as follows:

- Low Income Weatherization—\$263 million,
- Tax Credit Assistance Program—\$253 million,
- Subprime Foreclosure Prevention— \$25 million,
- Small Cities Community Development Block Grant—\$8.6 million,
- Urban Low Income Housing Rehabilitation—\$1.5 million, and
- Rural Low Income Housing Rehabilitation—\$487,000.

## ***Public Protection***

The SFY 2009-10 Enacted Budget reduced the number of prison camps proposed for closure by the Executive Budget from four to three (Pharsalia in Chenango County, Mt. McGregor in Saratoga County and Gabriels in Franklin County), now expected to

save \$11.2 million. The Enacted Budget included the Executive proposals to discontinue local correctional facility reimbursement for parole violators or state-ready inmates.

The SFY 2009-10 Enacted Budget provides for comprehensive reform of the Rockefeller Drug Laws to shift from mandatory State prison sentences to probation and treatment for non-violent drug offenders. The Enacted Budget includes \$71.6 million over two years to implement the drug law reform, of which \$67.3 million is ARRA stimulus funding and \$4.3 million is associated with the Federal Edward Byrne Memorial Justice Assistance Grant program. These funds will be used for local law enforcement programs, re-entry services, substance abuse treatment, probation, judicial diversion, alternative to incarceration programs and operation of drug courts.

The SFY 2009-10 Enacted Budget included the Executive proposal to increase the Motor Vehicle Law Enforcement fee from \$5 to \$10, which is expected to generate \$65 million when fully implemented. The SFY 2009-10 Enacted Budget did not adopt the Executive proposal to establish a photo monitoring enforcement program related to work zones and certain stretches of highway.

## ***General Government***

### *Office of General Services*

The SFY 2009-10 Enacted Budget did not adopt the Executive proposal to create an Office of Procurement Services within the Office of General Services (OGS).

### *Department of State*

The SFY 2009-10 Enacted Budget accepted the Executive proposal to extend for one year authority to increase fees for the expedited handling of documents. However, the Enacted Budget did not adopt an Executive proposal to increase examination fees for 16 disciplines licensed and regulated by the Department of State, which was estimated to generate \$3.5 million in SFY 2009-10.

The SFY 2009-10 Enacted Budget includes \$42.7 million for the Community Services Block Grant in federal ARRA stimulus funding.

### *Department of Taxation and Finance*

The SFY 2009-10 Enacted Budget accepted the Executive proposal to allow the Department of Taxation and Finance to impose a new \$50 fee for returned checks and a new \$100 fee for tax preparers who are compensated for the preparation of ten or more tax returns, with both fees estimated to generate \$5.5 million.

The SFY 2009-10 Enacted Budget did not include Executive proposed fees for filing a paper Personal Income Tax (PIT) return and for allowing installment payments of taxes.

### *Office of Real Property Services*

The SFY 2009-10 Enacted Budget accepted the Executive proposal to increase Real Property Transfer Fees from \$75 to \$125 for residential transactions and \$165 to \$250 for commercial transactions, which is estimated to generate \$14.3 million in SFY 2009-10.

### *Insurance Department*

The SFY 2009-10 Enacted Budget accepted the Executive proposal to allow the Insurance Department to require overcapitalized captive insurance companies to file a joint return with their closest affiliated taxpayer, which is estimated to generate \$33 million in SFY 2009-10. The Enacted Budget did not adopt an Executive proposal to increase the insurance company franchise tax, which was estimated to generate \$62 million in SFY 2009-10.

Preliminary estimates of new assessments on the insurance industry included in the SFY 2009-10 Enacted Budget includes \$73.6 million for direct pay subsidy, \$324 million for Healthy New York and \$240 million for covered lives.

### *Division of Alcoholic Beverage Control*

The SFY 2009-10 Enacted Budget modified the Executive proposal to increase the beer and wine excise tax, resulting in an increase of 14 cents per gallon of beer instead of 24 cents and 30 cents per gallon of wine instead of 51 cents, now estimated to generate \$14 million in SFY 2009-10. The SFY 2009-10 Enacted Budget did not adopt the Executive proposal to allow the sale of wine in grocery stores, estimated to generate \$105 million in SFY 2009-10.

### **Local Governments**

The SFY 2009-10 Enacted Budget restores many of the proposed reductions to programs that would have negatively impacted local governments. To a large extent, these restorations were made possible by federal ARRA stimulus funding. Overall, the Enacted Budget has a positive impact on local governments, primarily due to restorations in education aid and in Aid and Incentives for Municipalities (AIM) revenue

sharing funds to New York City. Several of the actions related to the administration of State social service programs will result in a net negative impact on counties, as could reform of the Rockefeller Drug Laws.

However, these restorations are not paired with reforms to provide recurring benefits to local governments. For example, mandate relief proposals were not included as part of the SFY 2009-10 Enacted Budget, though the Legislature has indicated that these items will be considered later in the legislative session. In addition, recommendations made by the Commission on Local Government Efficiency and Competitiveness to modernize and improve governmental operations were not enacted. On April 27, 2009, the Governor issued Executive Order 17 requiring State agencies to assess costs of mandates on local governments.

The SFY 2009-10 Enacted Budget Financial Plan estimates that the SFY 2009-10 Enacted Budget will provide a \$3.8 billion positive net benefit to local governments during their 2010 local fiscal years. Again, most of this benefit is the result of new funding authorized by the federal ARRA (\$2.7 billion) as well as \$960 million in savings attributed to the Medicaid cap and Family Health Plus takeover—both of which were enacted in previous budgets. Once the projected benefit is reduced by these amounts, the remaining net benefit to local governments is only \$174 million.

The following is an assessment of major elements of the SFY 2009-10 Enacted Budget that impact local governments:

- AIM funding is held flat at the SFY 2008-09 level of \$756 million, eliminating a planned increase of \$50 million. (The State previously committed to increase AIM by \$200 million over four years.) Targeted increases to specific cities in SFY 2008-09 were eliminated (\$9 million savings), but an additional \$5 million is provided for the City of Yonkers. In addition, Yonkers will receive a \$15 million spin-up of its AIM funds in the City's 2009-10 fiscal year and each year thereafter. New York City AIM is fully restored to \$328 million, utilizing savings resulting from ARRA funding.
- Education Aid is also restored utilizing ARRA funds. Overall funding increases by \$405 million over SFY 2008-09 levels, or by roughly \$1.2 billion if additional federal aid through Title I and the Individuals with Disabilities Education Act (IDEA) is taken into account. The SFY 2009-10 Enacted Budget also freezes Foundation Aid for two years and extends the phase-in of additional Foundation Aid by three years.
- The SFY 2009-10 Enacted Budget reduces aid from video lottery terminals (VLTs) by 50 percent from the level provided in SFY 2008-09. Additionally, the distribution of the funds is modified and will be based on the relative poverty levels of the host communities. Only those municipalities located in counties where the poverty rate equals or exceeds 50 percent of the statewide poverty rate will be eligible, thereby eliminating aid for the City of Saratoga Springs and

Saratoga County. However, the City of Yonkers is held harmless and will continue to receive \$19.6 million in VLT Aid. Overall, the net negative impact to municipalities outside Yonkers is \$29.9 million in the 2010 local fiscal year.

- The SFY 2009-10 Enacted Budget provides Medicaid relief of \$2.7 billion over 27 months to counties and New York City through federal ARRA stimulus funding. In SFY 2009-10, counties outside New York City are estimated to receive \$392.2 million. Under the Enacted Budget, funding for the Consolidated Local Street and Highway Improvement Program (CHIPs) is restored to \$363 million, the same level as provided in SFY 2008-09, and Marchiselli Aid remains at the SFY 2008-09 level of \$39.7 million.
- County services will benefit from restorations in the SFY 2009-10 Enacted Budget to many of the proposed reductions in health and human services program areas. However, the Enacted Budget does reduce local social services administrative funds by shifting to a block grant approach. Counties will also lose funding for emergency preparedness grants and see a reduction in reimbursement rates for state-ready inmates and parole violators. Combined, these actions will result in a net negative impact of over \$48 million for counties in their 2010 local fiscal year.
- The SFY 2009-10 Enacted Budget provides \$13.5 million for Local Government Efficiency Grants, including merger incentives. This is approximately equal to the funding level in SFY 2008-09, after deficit reduction actions and administrative funding. Program enhancements in the grants continue, including the High Priority Planning grants for municipal or service consolidations, and 21<sup>st</sup> Century Demonstration grants for transformative projects. The Enacted Budget did not include the Executive proposal to maintain State tax payments on State-owned lands at SFY 2008-09 levels. Mandate Relief actions were also not enacted but may be reconsidered during the remainder of the legislative session.

## **New York City**

In March 2009, the Office of the State Comptroller issued a report that found the recession had caused New York City's budget gaps to widen by approximately \$3.5 billion since the beginning of the current City fiscal year (CFY) to \$7.7 billion for CFY 2010, which begins on July 1, 2009, and to more than \$10 billion in subsequent years. The report found that while the City has made substantial progress in narrowing the budget gaps by raising property taxes and implementing an aggressive agency cost-reduction program, the City is also counting on assistance from the State and federal governments, and the municipal unions, to help balance the budget.

The SFY 2009-10 Enacted Budget, which reflects the benefits of the federal ARRA stimulus funding, will help New York City weather the current economic downturn.

Increases in State taxes and additional federal assistance resulted in the State restoring many proposed reductions, which would have adversely affected the City's budget.

New York City had anticipated a \$507 million increase in State education aid for the 2009-2010 school year, but the Executive proposed reductions in education aid to help balance the State budget. The SFY 2009-10 Enacted Budget increases education aid to the City by \$593 million, using ARRA funds. The Executive also proposed eliminating funds to New York City under the Aid and Incentives to Municipalities program, but the Enacted Budget restores full funding, totaling \$328 million.

The use of ARRA funds also increased federal Medicaid funding to New York State. New York City's four-year financial plan had anticipated that the City would receive \$2.0 billion over a two-year period to help the City balance its budget. The State recently announced that the City could receive up to \$1.9 billion, although the actual amount could be as low as \$1.6 billion.

On May 1, 2009, the Mayor released his executive budget for CFY 2010. The Mayor's proposed budget, which includes the City's estimate of the impact of the enacted State budget, assumes the State will take additional actions to help balance the City's budget. These actions include raising the City's sales tax rate, imposing a 5-cent fee on plastic bags and enacting a less costly pension plan for new City employees. The Office of the State Comptroller will issue a comprehensive report on New York City's finances in June 2009.

## ***Public Authorities***

The SFY 2009-10 Enacted Budget authorizes \$366 million in transfers from public authorities to provide General Fund support. Of this, \$270 million is authorized to be transferred from the Battery Park City Authority (BPCA), including \$250 million in bond proceeds backed by Authority revenue. The Financial Plan does not assume receipts of the BPCA monies. The Environmental Facilities Corporation will transfer \$95 million funded through the Environmental Protection Fund, and \$1.0 million will be transferred from the New York State Energy Research Development Authority. The Enacted Budget also includes a contingent appropriation of \$318 million which reflects the value of assets transferred from the New York Power Authority (NYPA) to the State, including prior year transfers.

The Executive Proposal to establish the New York Higher Education Loan Program (NYHELPs) was accepted. The program will provide low-interest loans to New York State students, however, the language was modified to include provisions that would ensure greater transparency, borrower protections and preference for students demonstrating financial need based on family gross income. There is no limit on the amount of bonds that will be issued by the State of New York Mortgage Association

and the Dormitory Authority of the State of New York to finance or refinance these education loans.

The Executive proposal to authorize the consolidation of the Department of Economic Development (DED) and the New York State Foundation for Science, Technology and Innovation (NYSTAR) into the Empire State Development Corporation (ESDC) was not enacted by the Legislature.

The SFY 2009-10 Enacted Budget included actions related to the New York State Urban Development Corporation (UDC) Act, including establishing a healthy food/healthy communities initiative to increase the number of food markets providing affordable and nutritious foods in underserved areas. Under the program, UDC is authorized to make available low-cost financing in the form of loans and grants to eligible food markets to support the initiative. The Enacted Budget also establishes new financial reporting requirements for UDC, including submission of a comprehensive financial plan to the Director of the Budget for approval.

The SFY 2009-10 Enacted Budget increases bonding authorizations for 18 programs supported through public authority debt by a total of \$3.4 billion, or 8.4 percent, over SFY 2008-09 levels. This represents a \$297.2 million increase over the Executive proposal. The bond issuance charge was increased 20 percent and is estimated to raise \$20 million.

**SFY 2009-10 Change in Public Authority Bond Caps**  
(in millions of dollars)

Program	SFY 2008-09	SFY 2009-10	Change from Enacted Cap	Change from Current Cap Dollar	Enacted Proposed Cap Dollar
	SFY 2008-09 Cap	Executive Proposed Cap	Enacted Cap	Dollar	Enacted Proposed Cap Dollar
SUNY Educational Facilities	8,583.0	10,089.0	10,089.0	1,506.0	-
SUNY Dormitory Facilities	1,150.0	1,230.0	1,230.0	80.0	-
SUNY Upstate Community Colleges	466.0	536.0	536.0	70.0	-
CUNY Educational Facilities	6,118.2	6,843.2	6,843.2	725.0	-
Library Facilities	42.0	56.0	56.0	14.0	-
Cultural Education Facilities	87.6	91.6	91.6	4.0	-
Environmental Infrastructure Projects	698.0	787.5	867.5	169.5	80.0
Water Pollution Control	570.6	600.2	600.2	29.6	-
Division of State Police Facilities	108.1	114.1	114.1	6.0	-
State Buildings and Other Facilities	128.8	155.8	155.8	27.0	-
Equipment Acquisition (COPS)	434.0	564.0	564.0	130.0	-
Courthouse Improvements	77.9	77.9	85.9	8.0	8.0
Prision Facilities	5,511.4	5,837.8	5,837.8	326.4	-
H.H. Richardson Complex and Darwin Martin House	-	-	83.5	83.5	83.5
Housing Capital Programs	2,291.9	2,427.1	2,428.1	136.2	1.0
2008 and 2009 Economic Development Initiatives	1,285.0	1,310.0	1,310.0	25.0	-
Mental Health Facilities	7,356.4	7,356.4	7,366.6	10.2	10.2
Consolidated Highway Improvement Program (CHIPs)	5,806.2	5,746.3	5,860.8	54.6	114.5
<b>Total</b>	<b>40,715.1</b>	<b>43,822.9</b>	<b>44,120.1</b>	<b>3,405.0</b>	<b>297.2</b>

## **General State Charges**

The SFY 2009-10 Enacted Budget includes an additional \$112.2 million in General Fund appropriations over the Executive Budget for General State Charges, including \$58.1 million to pay for Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage for laid-off State employees, \$38 million for health insurance payments, \$8.5 million for taxes on State-owned lands, \$5 million for pension contributions and \$2.6 million for judgments against the State.

The federal ARRA stimulus funding provides states with federal reimbursement for up to 65 percent of the cost of COBRA health insurance coverage for its former employees. The laid-off employee must pay the remaining 35 percent. Employees who are eligible for placement on a preferred list are also eligible for continued New York State Health Insurance Plan (NYSHIP) coverage at employee rates. Accordingly, this new appropriation does not apply to these employees since their continued coverage is already included in the Budget.

The SFY 2009-10 Enacted Budget did not enact Executive proposals that would have:

- Abolished the State Employment Relations Board and shifted its responsibilities to the Public Employment Relations Board,
- Provided NYSHIP with the option to operate as a self-insured plan, and
- Reduced State payments-in-lieu-of-taxes (PILOT payments) for taxes on State owned land.

## **Retirement and Pension**

The SFY 2009-10 Enacted Budget did not adopt Executive proposals related to retirement and pension issues to establish a sliding scale for retiree health insurance premium contributions for future State retirees, require State employees and retirees to contribute to Medicare Part B premiums and implement a Tier 5 pension plan for newly hired State and local government employees.

In addition, Executive proposals to implement an additional 5-day pay deferral for all State employees and eliminate general salary increases for unionized employees scheduled on or after April 1, 2009 were not enacted. However, the Executive indicates Management Confidential and Non-Statutory employees will not receive these salary increases for an estimated savings of \$32 million.

## **State Workforce**

The SFY 2009-10 Enacted Budget projects the total State workforce will decline 9,581 to 190,335 during SFY 2009-10. The actual number of State employees at the end of

SFY 2008-09 was 199,916. The largest reductions would be at the Department of Correctional Services (1,984), the Office of Mental Retardation and Developmental Disabilities (1,574), the City University of New York (1,198), the State University of New York (996) and the Department of Transportation (891).

This is a significant change from the Executive Budget proposal, which estimated a reduction of 3,108, of which 1,500 reflected the impact of the Executive hiring freeze. The additional cuts included in the SFY 2009-10 Enacted Budget Financial Plan are due to new staff layoffs imposed by the Executive to offset Article VII proposals to rescind negotiated salary increases for unionized employees and lag employee payrolls an additional week that were not enacted.

## STATE WORKFORCE ESTIMATES

Changes from Executive Budget Proposal to Enacted Budget

Note: The year-to-year increases for the staffs of the State Comptroller and the Attorney General are due to the difference between the original estimate for March 2009 and the lower actual number for that date. No growth in authorized fill levels will occur at those agencies in SFY 2009-10.

Agency	March 2009 (Exec Budget Est)	March 2009 (Actual)	Difference Est to Actual	March 2010 (Exec Budget Est)	March 2010 (Enacted Budget Est)	Difference Exec to Enacted	Estimated Y-T-Y Change
<b>Major Agencies</b>							
STATE COMPTROLLER	2,643	2,517	(126)	2,643	2,643	0	126
CHILDREN & FAMILY SERVICES	3,966	3,874	(92)	3,678	3,436	(242)	(438)
CORRECTIONAL SERVICES	31,673	31,159	(514)	30,331	29,175	(1,156)	(1,984)
EDUCATION DEPARTMENT	3,220	3,129	(91)	3,199	3,000	(199)	(129)
ENVIRONMENTAL CON	3,546	3,657	111	3,506	3,281	(225)	(376)
GENERAL SERVICES	1,601	1,652	51	1,601	1,526	(75)	(126)
HEALTH	5,807	5,704	(103)	5,807	5,441	(366)	(263)
LABOR	3,476	3,779	303	3,461	3,266	(195)	(513)
LAW (A.G.)	2,032	1,935	(97)	2,032	2,032	0	97
MENTAL HEALTH	17,071	16,716	(355)	17,127	16,133	(994)	(583)
OMRDD	22,503	22,590	87	22,450	21,016	(1,434)	(1,574)
MOTOR VEHICLES	2,861	2,820	(41)	2,876	2,725	(151)	(95)
PARKS, REC, H.P.	2,226	2,188	(38)	2,214	2,081	(133)	(107)
PAROLE	2,135	2,121	(14)	2,111	1,981	(130)	(140)
STATE POLICE	5,989	5,901	(88)	5,989	5,607	(382)	(294)
TAXATION AND FINANCE	5,036	5,049	13	5,336	5,019	(317)	(30)
TEMPORARY & DISABILITY ASSIST	2,280	2,191	(89)	2,280	2,136	(144)	(55)
TRANSPORTATION	9,897	10,185	288	9,925	9,294	(631)	(891)
WORKERS' COMP BOARD	1,533	1,463	(70)	1,533	1,441	(92)	(22)
<b>SUBTOTAL - MAJOR AGENCIES</b>	<b>129,495</b>	<b>128,630</b>	<b>(865)</b>	<b>128,099</b>	<b>121,233</b>	<b>(6,866)</b>	<b>(7,397)</b>
<b>Minor Agencies</b>							
ADIRONDACK PARK AGENCY	72	71	(1)	72	68	(4)	(3)
ADVOCATE FOR THE DISABLED	0	0	0	0	0	0	0
AGING, OFFICE FOR THE	133	130	(3)	133	126	(7)	(4)
AGRICULTURE AND MARKETS	567	606	39	562	532	(30)	(74)
ALCOHOLIC BEV. CONTROL	164	155	(9)	214	155	(59)	0
ALCOHOLISM & SUB. ABUSE	991	943	(48)	944	900	(44)	(43)
ARTS, COUNCIL ON THE	48	47	(1)	45	44	(1)	(3)
AUTHORITY BUDGET OFFICE	8	0	(8)	8	8	0	8
BANKING	545	559	14	545	540	(5)	(19)
BUDGET	365	357	(8)	365	365	0	8
CIVIL SERVICE	560	535	(25)	544	526	(18)	(9)
CONSUMER PROTECTION	33	28	(5)	33	32	(1)	4
CORRECTION COMMISSION	34	33	(1)	34	32	(2)	(1)
CRIME VICTIMS	98	90	(8)	98	92	(6)	2
CRIMINAL JUSTICE SERVICES	727	691	(36)	717	674	(43)	(17)
DEFERRED COMPENSATION	4	4	0	4	4	0	0
ECONOMIC DEVELOPMENT	200	176	(24)	0	189	189	13
ELECTIONS, STATE BOARD OF	83	64	(19)	63	60	(3)	(4)
EMPLOYEE RELATIONS	56	53	(3)	51	51	0	(2)
ENVIRONMENTAL FAC. CORP.	97	92	(5)	97	97	0	5
EXECUTIVE CHAMBER	174	153	(21)	169	169	0	16
FINANCIAL CONTROL BOARD	15	15	0	15	15	0	0
HIGHER EDUCATION SERVICE	682	642	(40)	682	640	(42)	(2)
HOMELAND SECURITY	192	169	(23)	186	176	(10)	7
HOUSING & COM RENEWAL	940	917	(23)	923	865	(58)	(52)
HUDSON RIVER PARK TRUST	3	1	(2)	0	3	3	2
HUMAN RIGHTS	208	217	9	208	196	(12)	(21)

Agency	March 2009 (Exec Budget Est)	March 2009 (Actual)	Difference Est to Actual	March 2010 (Exec Budget Est)	March 2010 (Enacted Budget Est)	Difference Exec to Enacted	Estimated Y-T-Y Change
INSPECTOR GENERAL	66	60	(6)	63	63	0	3
INSURANCE	937	946	9	925	876	(49)	(70)
INTEREST ON LAWYER ACCT	9	8	(1)	9	9	0	1
JUDICIAL COMMISSIONS	51	48	(3)	51	51	0	3
LABOR MGT COMMITTEES	78	76	(2)	106	106	0	30
LIEUTENANT GOVERNOR	0	0	0	0	0	0	0
LOTTERY, DIVISION OF	361	341	(20)	358	337	(21)	(4)
MEDICAL INSPECTOR GENERAL	679	594	(85)	760	729	(31)	135
MILITARY AND NAVAL AFFAIRS	643	580	(63)	643	604	(39)	24
NATIONAL COMMUNITY SERVICE	11	0	(11)	11	11	0	11
NE QUEENS	2	1	(1)	0	0	0	(1)
NYSTAR	0	0	0	0	0	0	0
PREVENTION DOM. VIOLENCE	33	27	(6)	33	31	(2)	4
PROBATION AND COR. ALT	35	36	1	35	34	(1)	(2)
PUBLIC EMPLOY. REL. BOARD	37	35	(2)	38	38	0	3
PUBLIC INTEGRITY	55	54	(1)	55	55	0	1
PUBLIC SERVICE	540	540	0	560	547	(13)	7
QUALITY CARE & ADV. DISABLED	116	98	(18)	118	111	(7)	13
RACING AND WAGERING BOARD	122	127	5	105	99	(6)	(28)
REAL PROPERTY SERVICES	358	347	(11)	328	306	(22)	(41)
REGULATORY REFORM	35	32	(3)	23	23	0	(9)
STATE, DEPARTMENT OF	860	818	(42)	860	806	(54)	(12)
STATE LABOR RELATIONS BOARD	0	0	0	0	0	0	0
TAX APPEALS	31	32	1	30	29	(1)	(3)
TECHNOLOGY	702	613	(89)	702	673	(29)	60
TSC INVESTIGATION	0	0	0	0	0	0	0
VETERANS AFFAIRS	108	107	(1)	112	105	(7)	(2)
WELFARE INSPECTOR GENERAL	10	6	(4)	0	10	10	4
WIRELESS NETWORK	47	38	(9)	47	33	(14)	(5)
<b>SUBTOTAL - MINOR AGENCIES</b>	<b>12,925</b>	<b>12,312</b>	<b>(613)</b>	<b>12,684</b>	<b>12,245</b>	<b>(439)</b>	<b>(67)</b>
<b>TOTAL - ALL AGENCIES</b>	<b>142,420</b>	<b>140,942</b>	<b>(1,478)</b>	<b>140,783</b>	<b>133,478</b>	<b>(7,305)</b>	<b>(7,464)</b>
<b>Estimate Adjustments</b>							
DOB Hiring Freeze Adjustment	0	0	0	(1,500)	0	1,500	0
<b>ADJUSTED TOTAL</b>	<b>142,420</b>	<b>140,942</b>	<b>(1,478)</b>	<b>139,283</b>	<b>133,478</b>	<b>(5,805)</b>	<b>(7,464)</b>
<b>Universities and Off-Budget Agencies</b>							
CITY UNIVERSITY	11,455	12,653	1,198	11,455	11,455	0	(1,198)
INDUSTRIAL EXHIBIT AUTHORITY	49	0	(49)	49	44	(5)	44
ROSWELL PARK CANCER INST	1,947	1,947	0	2,025	2,025	0	78
STATE UNIV CONSTR FUND	135	120	(15)	135	135	0	15
STATE INSURANCE FUND	2,736	2,622	(114)	2,736	2,564	(172)	(58)
SCI, TECH & INNOV	26	27	1	0	25	25	(2)
STATE UNIVERSITY	40,632	41,605	973	40,609	40,609	0	(996)
<b>SUBTOTAL - Univ. &amp; Off-Budget</b>	<b>56,980</b>	<b>58,974</b>	<b>1,994</b>	<b>57,009</b>	<b>56,857</b>	<b>(152)</b>	<b>(2,117)</b>
<b>ADJUSTED GRAND TOTAL</b>	<b>199,400</b>	<b>199,916</b>	<b>516</b>	<b>196,292</b>	<b>190,335</b>	<b>(5,957)</b>	<b>(9,581)</b>
<b>GRAND TOTAL w/o ADJUSTMENT</b>	<b>199,400</b>	<b>199,916</b>	<b>516</b>	<b>197,792</b>	<b>190,335</b>	<b>(7,457)</b>	<b>(9,581)</b>



# Appendices

## Appendix A: SFY 2009-10 Budget Bills

	Governor's Executive Budget Dec 16, 2008		30-Day Amends January 21, 2009		Governor's Resubmittal (See Note Below)		PASSED		Chapter and Date Signed
Appropriation Bills	Senate	Assem.	Senate	Assem.	Senate.	Assem.	Senate	Assem.	
Public Protection and General Government (PPGG)	S.50	A.150	S.50A	A.150A	S.50B 3/29/09	A.150B 3/29/09	S.50C 4/2/09	A.150C 3/31/09	Ch 50 04/07/09
Legislature and Judiciary	S.51	A.151	S.51	A.151			S.51A 4/3/09	A.151A 3/31/09	Ch 51 04/07/09
Debt Service	S.52	A.152	S.52	A.152			S.52 3/5/09	A.152 3/4/09	Ch 52 03/09/09
Education, Labor and Family Assistance (ELFA)	S.53	A.153	S.53A	A.153A	S.53B 3/28/09	A.153B 3/28/09	S.53C 4/2/09	A.153C 3/31/09	Ch 53 04/07/09
Health and Mental Hygiene	S.54	A.154	S.54A	A.154A	S.54B 3/28/09	A.154B 3/28/09	S.54C 4/2/09	A.154C 3/31/09	Ch 54 04/07/09
Transportation, Economic Development & Environmental Conservation (TED)	S.55	A.155	S.55A	A.155A	S.55B 3/28/09	A.155B 3/28/09	S.55C 3/31/09	A.155C 3/31/09	Ch 55 04/07/09

**Appropriation Bills:** Provide authorization for State agencies and certain public authorities to spend.

**Article VII/ Language Bills:** Govern how such appropriations will be administered and financed.

Article VII / Language Bills	Senate	Assem.	Senate	Assem.	Senate.	Assem.	Senate	Assem.	
Public Protection and General Government, (PPGG) Temp Loans, Sweeps and Transfers	S.56	A.156	S.56A	A.156A			S.56B 4/2/09	A.156B 3/31/09	Ch 56 04/07/09
Education, Labor and Family Assistance (ELFA)	S.57	A.157	S.57A	A.157A			S.57B 4/03/09	A.157B 3/31/09	Ch 57 04/07/07
Health and Mental Hygiene	S.58	A.158	S.58A	A.158A			S.58B 4/03/09	A.158B 3/31/09	Ch 58 04/07/09
Transportation, Economic Development and Environmental Conservation (TED)	S.59	A.159	S.59A	A.159A			S.59B 4/03/09	A.159B 3/31/09	Ch 59 04/07/09
Taxes / Revenue	S.60	A.160	S.60A	A.160A			Included in ELFA		

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

## ***Appendix B: Appropriation Summary***

Appropriations reflect statutory authority to spend during a specific State Fiscal Year for the program or purpose designated. They provide an upper limit, or maximum, for spending for the program or purpose designated. Anticipated spending from the appropriations is provided in the Financial Plan, which provides a comprehensive estimate of the State's revenue and spending needs for the current State Fiscal Year and three subsequent fiscal years. For Local Assistance appropriations, spending typically is close to the amount of appropriations. For other categories of spending, including State Operations, Capital Projects and Debt Service, spending may be below the amounts appropriated.

The following summarizes new appropriations by appropriation type. The tables do not include contingency appropriations, reappropriations or member item appropriations.

**Summary of New Appropriations 2009-10 - By Appropriation Type  
Compared to 2008-09**  
(in millions of dollars)

	Enacted SFY 2008-09	Enacted SFY 2009-10	Dollar Change From SFY 2008-09	Percent Change From SFY 2008-09
State Operations	31,975	40,739	8,763	27.41%
Local Assistance	98,946	108,886	9,940	10.05%
Capital Projects	15,288	12,800	(2,488)	-16.27%
Debt Service	9,298	9,858	560	6.03%
<b>Total</b>	<b>155,507</b>	<b>172,283</b>	<b>16,776</b>	<b>10.79%</b>

Note: Appropriations for SFY 2008-09 are as enacted, prior to legislative reductions in August 2008 and February 2009.  
Totals may not add due to rounding.

**Summary of New Appropriations 2009-10 - By Appropriation Type  
Compared to Executive Proposed 2009-10**  
(in millions of dollars)

	Executive Proposed (21-Day) SFY 2009-10	Enacted SFY 2009-10	Dollar Change From Executive	Percent Change From Executive
State Operations	34,215	40,739	6,524	19.07%
Local Assistance	97,414	108,886	11,472	11.78%
Capital Projects	8,274	12,800	4,526	54.70%
Debt Service	9,858	9,858	-	0.00%
<b>Total</b>	<b>149,761</b>	<b>172,283</b>	<b>22,522</b>	<b>15.04%</b>

Note: Totals may not add due to rounding.

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

**Summary of New Appropriations 2009-10 - By Appropriation Budget Bill  
Compared to 2008-09**  
(in millions of dollars)

	Enacted SFY 2008-09	Enacted SFY 2009-10	Dollar Change From SFY 2008-09	Percent Change From SFY 2008-09
Public Protection & General Government	10,413	11,762	1,349	12.95%
Health and Mental Hygiene	59,347	66,731	7,384	12.44%
Education, Labor & Family Assistance	60,362	65,990	5,628	9.32%
Transportation, Economic Development and Environment	13,433	15,195	1,762	13.11%
Legislature	228	222	(6)	3.17%
Judiciary	2,426	2,526	100	4.12%
Debt Service	9,298	9,858	560	6.03%
<b>Total</b>	<b>155,507</b>	<b>172,283</b>	<b>16,776</b>	<b>10.79%</b>

Note: Appropriations for SFY 2008-09 are as enacted, prior to legislative reductions in August 2008 and February 2009.  
Totals may not add due to rounding.

**Summary of New Appropriations 2009-10 - By Appropriation Budget Bill  
Compared to Executive Proposed 2009-10**  
(in millions of dollars)

	Executive Proposed (21 Day) SFY 2009-10	Enacted SFY 2009-10	Dollar Change From Executive	Percent Change From Executive
Public Protection & General Government	10,634	11,762	1,129	10.61%
Health and Mental Hygiene	59,661	66,731	7,070	11.85%
Education, Labor & Family Assistance	55,927	65,990	10,063	17.99%
Transportation, Economic Development and Environment	10,935	15,195	4,260	38.96%
Legislature	222	222	-	0.00%
Judiciary	2,526	2,526	-	0.00%
Debt Service	9,858	9,858	-	0.00%
<b>Total</b>	<b>149,761</b>	<b>172,283</b>	<b>22,522</b>	<b>15.04%</b>

Note: Totals may not add due to rounding.

## **Appendix C: Summary of Article VII Bill Sections SFY 2009-10**

PUBLIC PROTECTION AND GENERAL GOVERNMENT S.56/A.156			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Expand the use of funds deposited into the Criminal Justice Improvement Account	A	A	Amended by Legislature
Make technical changes to the State Wireless Communications Service Surcharge	B	B	Adopted as proposed
Establish a fee to cover the State cost of processing waivers under Section 211 of the Retirement and Social Security Law	C	Omitted	
Create a not-for-profit corporation and transfer the Office of Cyber Security and Critical Infrastructure Coordination to that corporation	D	Omitted	
Limit reimbursement to health care providers for performing forensic rape examinations to actual costs not to exceed \$800; establish a one year time limit on submission of claims	E	E	Amended by Legislature
Require applicants for licensed insurance agent, broker, adjuster, consultant, or intermediary to submit their fingerprints to DCJS as part of a background check	F	Omitted	
Establish fees for new and renewal certification of security guard instructors and security guard training schools operating in New York State	G	G	Adopted as proposed
Modify the prison closure notification requirement and authorize the acceptance by the Department of Correctional Services to house local inmates and federal prisoners	H	H	Amended by Legislature
Delay the expansion of mental health programs authorized by the SHU Exclusion Bill and curtail or modify other provisions of the bill relating to DOCS facilities	I	Omitted	
Expand eligibility criteria for state inmates to qualify for medical parole and streamline the medical parole application process	J	J	Adopted as proposed
Authorize the Department of Correctional Services to sell its cook-chill products to not-for-profit organizations (food kitchens and shelters) at cost	K	K	Amended by Legislature
Expand eligibility for the Shock Incarceration Program and establish a new limited credit time allowance for inmates	L	L	Amended by Legislature
Eliminate reimbursement of local jails for the housing of parole violators and state-ready inmates, except when DOCS cannot provide a bed within 10 business days after notification	M	M	Adopted as proposed
Encourage the adoption of graduated sanctions for parole violators and the use of a risk and needs assessment instrument	N	N	Adopted as proposed
Credit probation sentences for time served under interim supervision and implement a one-time \$25 probation registration fee	O	O	Amended by Legislature
Eliminate Batterers Project funding administered by the Office for the Prevention of Domestic Violence	P	Omitted	
Modify the responsibilities of the State Commission of Correction	Q	Q	Amended by Legislature
Increase the assessment on nuclear power plant facilities to support emergency preparedness planning efforts	R	R	Adopted as proposed
Establish a program for photo-monitoring enforcement of speed limits in work zones and designated stretches of highway	S	Omitted	
Increase the Motor Vehicle Law Enforcement fee applied to the purchase of vehicle insurance to support the cost of State police operations	T	T	Adopted as proposed

PUBLIC PROTECTION AND GENERAL GOVERNMENT S.56/A.156			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Extend various criminal justice programs that would otherwise sunset	U	U	Amended by Legislature
Abolish the State Employment Relations Board and shift responsibilities to the Public Employment Relations Board	V	Omitted	
Establish the Office of Procurement Services to ensure that the State is undertaking procurement consistent with best practices	W	Omitted	
Modify the maintenance-of-effort (MOE) requirement for counties and the City of New York to receive funds from the Indigent Legal Services Fund	X	Omitted	
Provide the New York State Health Insurance Program the option to operate as a self-insured plan	Y	Omitted	
Establish a sliding scale for retiree health insurance premium contributions for future State retirees	Z	Omitted	
Require State employees and retirees to contribute to Medicare Part B premiums	AA	Omitted	
Eliminate the general salary increases scheduled on or after April 1, 2009 provided for in collective bargaining agreements and interest arbitration awards	BB	Omitted	
Implement a Tier 5 pension benefit for newly hired State and local government employees	CC	Omitted	
Authorize a new tier of pension benefits for newly hired New York City uniformed employees, submitted at the request of the Mayor	DD	Omitted	
Implement an additional 5-day pay deferral for all State employees	EE	Omitted	
Reduce State payments in lieu of taxes and freeze payments for taxes on State-owned lands	FF	Omitted	
Modify the Aid and Incentives for Municipalities (AIM) program	GG	GG	Amended by Legislature
Provide mandate relief for local governments	HH	Omitted	
Extend authorization for the Office of Real Property Services to charge oil and natural gas producers for determining the property value of oil and gas units of production	II	II	Adopted as proposed
Increase the real property transfer fees that support expenses of the Office of Real Property Services, and redirect the deposit of these fees to the General Fund	JJ	JJ	Adopted as proposed
Restructure State aid provided to municipalities in which a video lottery gaming facility is located	KK	KK	Amended by Legislature
Expand New York City's Red Light Camera Traffic Safety program, and provide certain cities and counties authorization to administer a similar program	LL	Omitted	
Authorize cities and villages to collect utilities gross receipts taxes on mobile phone services	MM	Omitted	
Enact recommendations made by the Commission on Local Government Efficiency and Competitiveness	NN	Omitted	
Authorize the City of New York to increase certain fees	OO	Omitted	
Authorize transfers, temporary loans and miscellaneous capital/debt provisions, including certain bond caps	PP	PP	Amended by Legislature
Amend Workers' Compensation Law	QQ	QQ	Adopted as proposed
Extend provisions of Military Law related to funding of the organized militia		RR	Added by Legislature
Create a new Corrections Law Article permitting the establishment of Local Conditional Release Commissions		SS	Added by Legislature

PUBLIC PROTECTION AND GENERAL GOVERNMENT S.56/A.156			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Amend VTL in relation to State Police court appearances and arrest warrants		TT	Added by Legislature
Pilot project for filing medical assistance applications for inmates prior to release		UU	Added by Legislature
Education loan forgiveness for indigent legal services attorneys		V V	Added by Legislature
State Liquor Authority information technology improvement		WW	Added by Legislature
Legislative member stipends		XX	Added by Legislature
Expenditure plans for public authorities receiving federal recovery funding		YY	Added by Legislature
Require Court administrator to promulgate rules for NYC indigent client attorney caseloads		ZZ	Added by Legislature
Rockefeller drug law reforms		AAA	Added by Legislature

EDUCATION, LABOR AND FAMILY ASSISTANCE S.57/A.157			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Amend the Education Law to provide a one-year reduction in School Aid, adjust the planned phase-in of Foundation Aid and alter various reporting requirements.	A	A	Amended by Legislature
Merge the New York State Theatre Institute with the Empire State Plaza Performing Arts Center	B	Omitted	
Increase academic standards for non-remedial Tuition Assistance Program (TAP) recipients	C	Omitted	
Amend the eligibility requirements for the Tuition Assistance Program (TAP) relating to students in default on federal loans	D	Omitted	
Eliminate the Tuition Assistance Program (TAP) eligibility for graduate students	E	Omitted	
Include public pension income in Tuition Assistance Program (TAP) award calculations	F	F	Adopted as proposed
Enhance flexibility for the State and City universities of New York in the areas of procurement and capital construction	G	Omitted	
Pro-rate Tuition Assistance Program (TAP) awards for students enrolled in 10 to 14 credits per semester, using 15 credit hours per semester as the basis for full TAP awards	H	Omitted	
Eliminate the Tuition Assistance Program (TAP) award enhancements for TAP applicants with multiple family members in college	I	Omitted	
Establish the New York Higher Education Loan Program	J	J	Amended by Legislature
Authorize the State University of New York (SUNY) and the City University of New York (CUNY) to establish differential tuition rates for non-resident students	K	Omitted	
Expand investment choices for the Optional Retirement Program for the State University of New York to include corporations that manage or invest in mutual funds	L	Omitted	
Eliminate the Middle Class STAR rebates and decrease corresponding New York City credit amounts	M	M	Adopted as proposed
Change the STAR "floor" adjustment from 11 percent to 18 percent	N	Omitted	
Eliminate the requirement for the Division of Housing and Community Renewal to maintain local rent administration offices	O	O	Amended by Legislature
Establish a youth programs block grant	P	Omitted	
Reauthorize child welfare financing and eliminate State reimbursement for Community Optional Preventive Services (COPS)	Q	Q	Amended by Legislature
Make permanent the authority of the Department of Motor Vehicles to suspend the driver licenses of persons delinquent in the payment of child support	R	R	Amended by Legislature
Discontinue the work incentive bonus for local social services districts engaging at least 50 percent of their public assistance population in eligible work activities	S	Omitted	
Align the cash benefit of public assistance recipients in chemical dependence residential treatment facilities with the benefit of those recipients residing in comparable settings	T	Omitted	
Reduce the increase in the total benefit amount for Supplemental Security Income (SSI) payments and authorize the pass-through of the 2010 federal cost-of-living-adjustment (COLA)	U	U	Amended by Legislature

EDUCATION, LABOR AND FAMILY ASSISTANCE S.57/A.157			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Increase OTDA access to the Tax and Finance Wage Reporting System to obtain income eligibility data to access additional federal revenue	V	V	Adopted as proposed
Remove the 12 month notice requirement prior to youth facility closures	W	W	Amended by Legislature
Modify the fee structure for the Statewide Central Registry (SCR) clearance checks	X	Omitted	
Increase the Public Assistance Grant	Y	Y	Amended by Legislature
Extend the Unemployment Insurance (UI) interest assessment surcharge	Z	Z	Adopted as proposed
Provide for the assessment of civil penalties in appropriate human rights cases	AA	AA	Adopted as proposed
Increase boiler inspection and asbestos licensing, certification and notification fees	BB	BB	Amended by Legislature
Expand enforcement mechanisms and civil penalties regarding explosives and update provisions relating to pyrotechnics	CC	CC	Adopted as proposed
Include certification requirement for crane operators and impose civil penalties for non-certified crane operation on operators and their employers	DD	DD	Adopted as proposed
Continental Flight 3407 memorial awards		EE	Added by Legislature
Removal of funding limits for private housing finances		FF	Added by Legislature
CUNY financing and SUNY Trustee powers		GG	Added by Legislature
Medgar Evers College capital costs		HH	Added by Legislature
Defining the practice of psychology in relation to social work and mental health practitioners		II	Added by Legislature
Continuation of demonstration project established in Part G, Chap 58, Laws of 2006		JJ	Added by Legislature
Require reporting and performance data for local social service district use of flexible fund for family services		KK	Added by Legislature
Amend definition of "resident individual" for determining residency for the Personal Income Tax	Revenue A	A-1	Adopted as proposed
Change tax classification of health maintenance organizations		B-1	Added by Legislature
Eliminate underutilized tax credits	Revenue G	C-1	Amended by Legislature
Enact a reciprocal program with the United States Treasury Department to intercept vendor payments to satisfy tax debts	Revenue E	D-1	Adopted as proposed
Clarify that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums would no longer meet the definition of an insurance business	Revenue F	E-1	Adopted as proposed
Include gain from the sale of partnership, S corporation and LLC interests as New York source income to non-residents to the extent real property is located in New York	Revenue H	F-1	Adopted as proposed
Change the percentage used for Metropolitan commuter transportation district taxes	Revenue I	G-1	Adopted as proposed
Additional partnership filing fees	Revenue J	H-1	Adopted as proposed
Tax on tobacco products	Revenue R	I-1	Amended by Legislature
Income tax credit for investing in low-income housing	Revenue L	J-1	Adopted as proposed
Reauthorize highway use tax decals	Revenue EE	K-1	Adopted as proposed
Extend for one year lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races	Revenue Y	L-1	Adopted as proposed
Increase prepaid sales tax on cigarettes	Revenue Z	M-1	Adopted as proposed
Prohibit certain sales tax avoidance schemes	Revenue AA	N-1	Adopted as proposed
Video lottery terminal operations	Revenue W	O-1	Amended by Legislature

EDUCATION, LABOR AND FAMILY ASSISTANCE S.57/A.157			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Definition of a vendor for tax purposes	Revenue FF	P-1	Adopted as proposed
Multiple lottery participation	Revenue JJ	Q-1	Adopted as proposed
Increase the auto rental tax from 5 percent to 6 percent	Revenue MM	R-1	Adopted as proposed
Empire Zones reform	Revenue K	S-1	Amended by Legislature
Increase the highway use tax credential replacement fee	Revenue QQ	T-1	Adopted as proposed
State and local sales taxes on transportation services	Revenue NN	U-1	Amended by Legislature
Create a comprehensive program to increase compliance with the Tax Law	Revenue SS	V-1	Amended by Legislature
Limit the use of itemized deductions by individuals with incomes over \$1.0 million	Revenue M	W-1	Adopted as proposed
Increase the excise tax on beer and wine	Revenue LL	X-1	Amended by Legislature
Quarterly reporting for motion picture tax credits		Y-1	Added by Legislature
Personal income tax rates and benefit recapture		Z-1	Added by Legislature

HEALTH AND HUMAN SERVICES S.58/A.158			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Improve public health services and achieve savings by modifying the Early Intervention (EI) and General Public Health Work (GPHW) programs	A	A	Amended by Legislature
Implement Medicaid cost savings measures, establish a home care providers assessment, merge the offices of the Welfare Inspector General and the Medicaid Inspector General	B	B	Amended by Legislature
Reform Medicaid reimbursement structures, improve access to affordable health insurance coverage and authorize cost containment initiatives	C	C	Amended by Legislature
Reform Long Term Care reimbursement, revise nursing homes and home care reimbursement, promote residential care alternatives and provide targeted investments	D	D	Amended by Legislature
Eliminate exempt income in Long-Term Sheltered Employment (LTSE) programs	E	Omitted	
Reduce and convert inpatient wards operated by the Office of Mental Health (OMH)	F	F	Amended by Legislature
Extend social worker and mental health professional licensing exemptions for the Department of Mental Hygiene, the Office of Children and Family Services, and local governments	G	Omitted	
Allow alternative facility options and courtroom procedures for Sex Offender Management and Treatment Act (SOMTA) respondents	H	H	Amended by Legislature
Clarify the role of facility directors as representative payees and the use of federal entitlement benefits in accordance with federal laws and regulations	I	Omitted	
Consolidate administrative functions of OMRDD, Broome Developmental Disabilities Services Office and the Valley Ridge Center for Intensive Treatment	J	J	Amended by Legislature
Close the Manhattan Addiction Treatment Center (ATC)	K	K	Adopted as proposed
Establish a one year deferral of the human services cost-of-living adjustment (COLA)	L	L	Adopted as proposed
Modify and/or eliminate a variety of duplicative or redundant reporting requirements related largely to the provision of community mental health services	M	Omitted	
Extend the authority for Article 28 hospitals to replace State aid grant funds with federal Disproportionate Share (DSH) funds	N	N	Adopted as proposed
Extend the Manhattan Psychiatric Center and Kirby Forensic Psychiatric Center lease	O	O	Amended by Legislature
Transfer the Alcohol and Drug Rehabilitation Program from the Department of Motor Vehicles (DMV) to OASAS	P	Omitted	
Prohibits hospitals from providing detox services without OASAS operating certificate if services amount to 2,000 patient days or 10 percent of total patient days per year	Q	Omitted	
Recertification for medical assistance for recipients of OMRDD authorized Medicaid waiver services	R	R	Adopted as proposed

TRANSPORTATION, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL CONSERVATION S.59/A.159			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Extend the Department of Transportation's (DOT's) Single Audit Program	A	A	Adopted as proposed
Provide the annual authorization for the CHIPs and Marchiselli programs	B	B	Amended by Legislature
Make permanent the suspension of driver licenses for certain alcohol-related charges	C	C	Amended by Legislature
Make permanent the suspension/revocation of driver licenses for certain drug-related offenses	D	D	Amended by Legislature
Make use of Dedicated Highway and Bridge Trust Fund for DMV permanent	E	E	Amended by Legislature
Increase driver license fees by 25 percent	F	F	Adopted as proposed
Increase registration fees by 25 percent	G	G	Amended by Legislature
Reissue license plates at a cost of \$25	H	H	Adopted as proposed
Eliminate the \$100 cap on surcharges for violators with two or more convictions arising out of the same incident	I	I	Amended by Legislature
Extend provisions relating to the Motor Vehicle Financial Security Act	J	J	Adopted as proposed
Conform Vehicle and Traffic Law with federal requirements for operators of commercial vehicles	K	K	Amended by Legislature
Add a new \$50 fee for each book of pre-licensing classroom certificates (MV-278) issued to driving schools	L	L	Adopted as proposed
Extend provisions for collecting surcharges on traffic violations	Omitted	Omitted	
Authorize DMV to replace the Non-Commercial Driver License written examination with completion of either a 5-hour pre-licensing course or a driver education course	N	Omitted	
Modify the Dedicated Highway and Bridge Trust Fund reporting requirements	O	O	Amended by Legislature
Make permanent certain revenues to the Dedicated Highway and Bridge Trust Fund	P	P	Amended by Legislature
Increase food inspection penalties for violations which represent a risk to public health	Q	Q	Amended by Legislature
Extend for one year the funds distribution formula for the Community Services Block Grant Program	R	R	Amended by Legislature
Increase examination fees related to the licensure of disciplines regulated by the Department of State	S	Omitted	
Reduce the amount of real estate transfer tax revenue deposited into the Environmental Protection Fund	T	T	Amended by Legislature
Authorize a payment to the General Fund of up to \$913,000 from the New York State Energy Research and Development Authority	U	U	Adopted as proposed
Assess a fee upon the entry of a horse in New York State pari-mutuel races	V	V	Amended by Legislature
Increase the maximum penalties for Insurance Law violations	W	Omitted	
Make permanent the general loan powers of the New York State Urban Development Corporation	X	X	Amended by Legislature
Authorize NYSERDA to finance a portion of its research, development and demonstration, and policy and planning programs from assessments on gas and electric corporations	Y	Y	Adopted as proposed
Require an appropriation in the Executive Budget for each fiscal year that reflects the value of assets transferred from the Power Authority of the State of New York (NYPA) to the State	Z	Z	Adopted as proposed
Authorize the Battery Park City Authority to make contributions to the State Treasury	AA	AA	Adopted as proposed

TRANSPORTATION, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL CONSERVATION S.59/A.159			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Authorize the New York State Urban Development Corporation to make contributions to the State Treasury	BB	BB	Amended by Legislature
Establish a new \$50 million New York Growth, Achievement and Investment Strategy Fund	CC	Omitted	
Authorize the development of an economic development capital spending reduction plan and strategic reinvestment plan	DD	Omitted	
Authorize the consolidation of the State's economic development entities	EE	Omitted	
Increase a Bond Issuance Charge	FF	FF	Adopted as proposed
Eliminate the Northeastern Queens Nature and Historical Preserve Commission	GG	GG	Adopted as proposed
Eliminate the Hudson River Valley Greenway Communities Council and Conservancy, and transfer liabilities, assets and responsibilities to the Department of State	HH	Omitted	
Increase food safety inspection and licensing fees, and require the licensure of seed labelers and distributors	II	II	Amended by Legislature
Increase certain State Pollution Discharge Elimination System Program fees	JJ	JJ	Amended by Legislature
Amend fees for hunting and fishing licenses	KK	KK	Amended by Legislature
Establish a recreational marine fishing license	LL	LL	Amended by Legislature
Authorize the Department of Public Service to streamline its processes and improve administrative efficiency and prioritize resources	MM	Omitted	
Increase the utility assessment cap, establish a temporary State energy and utility conservation assessment, and authorize NYPA to purchase energy for State agencies	NN	NN	Amended by Legislature
Increase the civil penalty for repair shops, inspection stations, certified inspectors and automobile dealers	OO	OO	Amended by Legislature
Increase the license termination fee, the license reinstatement fee and the scofflaw termination fee	PP	PP	Amended by Legislature
Dedicate the local share of State receipts from the gaming facility in the County of Erie to the City of Buffalo	QQ	QQ	Amended by Legislature
Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents	RR	RR	Adopted as proposed
Expand the State's "Bottle Bill" to cover additional beverage containers and to provide for the return of unclaimed deposits on beverage containers to the State.	SS	SS	Amended by Legislature
Clarify the authority of the Office of Parks, Recreation and Historic Preservation with regard to retail sales	TT	TT	Adopted as proposed
Recover the cost of centralized State services provided on behalf of industrial development agencies	UU	UU	Adopted as proposed
Impose fees for electronic tax filing and prohibit tax return preparers and software companies from charging separately for electronic filing of New York tax documents	V V	V V	Amended by Legislature
Authorize an annual cable television assessment to provide DOH revenues	WW	WW	Adopted as proposed
Healthy Foods - Healthy Communities Initiative		XX	Added by Legislature
Increase pesticide permit fees		YY	Added by Legislature
Increase mined land reclamation fees		ZZ	Added by Legislature
Increase wetland permit application fees		AAA	Added by Legislature
Increase operating permit program fees		BBB	Added by Legislature
Establish water withdrawal reporting requirements		CCC	Added by Legislature
Establish a mandatory surcharge for conviction of certain offenses under the Environmental Conservation Law		DDD	Added by Legislature
Establish new financial reporting requirements for the Urban Development Corporation		EEE	Added by Legislature

REVENUES S.60/A.160			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Amend definition of "resident individual" for determining residency for the Personal Income Tax	A	ELFA A-1	Adopted as proposed
Clarify that electric generation facilities do not meet the definition of "manufacturer" under the capital base of the corporation franchise tax	B	Omitted	
Limit the exemption provided for town or county cooperative insurance corporations under the Insurance Franchise Tax	C	Omitted	
Restructure the franchise tax on insurance companies so that all insurance companies are taxed in an identical manner by paying a tax based on premiums	D	Omitted	
Enact a reciprocal program with the United States Treasury Department to intercept vendor payments to satisfy tax debts	E	ELFA D-1	Adopted as proposed
Clarify that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums would no longer meet the definition of an insurance business	F	ELFA E-1	Adopted as proposed
Eliminate underutilized tax credits	G	ELFA C-1	Amended by Legislature
Include gain from the sale of partnership, S corporation and LLC interests as New York source income to non-residents to the extent real property is located in New York	H	ELFA F-1	Adopted as proposed
Change the percentage used for Metropolitan commuter transportation district taxes	I	ELFA G-1	Adopted as proposed
Impose annual filing fees on partnerships, other than limited liability partnerships, whose New York source income is less than \$1.0 million dollars	J	ELFA H-1	Adopted as proposed
Empire Zones reform	K	ELFA S-1	Amended by Legislature
Income tax credit for investing in low-income housing	L	ELFA J-1	Adopted as proposed
Limit the use of itemized deductions by individuals with incomes over \$1.0 million	M	ELFA W-1	Adopted as proposed
Treat income received by non-resident partners for performing investment management services as New York source income	N	Omitted	
Provide taxpayers with a refundable tax credit for increasing research activities	O	Omitted	
Expand the eligibility criteria for the qualified emerging technologies credits for firms with more than 100 employees	P	Omitted	
Impose sales tax on cable and satellite television/radio services	Q	Omitted	
Reform the tobacco products and cigarette taxes to remedy various compliance and enforcement problems and convert the tax on cigars from a value-based tax to a per-unit tax	R	ELFA I-1	Amended by Legislature
Treat all discount coupons consistently for sales tax purposes	S	Omitted	
Provide for the investment of lottery monies available and retained on deposit for the payment of lottery prizes	T	Omitted	
Replace the year-round sales tax exemption for clothing and footwear under \$110 with two, one-week exemption periods with a \$500 threshold	U	Omitted	
Expand State and local sales tax base to cover miscellaneous personal services, and credit rating and reporting services now taxed in New York City	V	Omitted	
Extend the hours of video lottery operation, repeal the sunset date for the VLT Program and make technical corrections regarding the operation of video lottery gaming	W	ELFA O-1	Amended by Legislature
Impose tax on flavored malt beverages at the low liquor tax rate	X	Omitted	
Extend for one year lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races	Y	ELFA L-1	Adopted as proposed

REVENUES S.60/A.160			
DESCRIPTION	EXECUTIVE ARTICLE VII PART	ENACTED ARTICLE VII PART	COMMENTS
Increase prepaid sales tax on cigarettes	Z	ELFA M-1	Adopted as proposed
Prohibit certain sales tax avoidance schemes	AA	ELFA N-1	Adopted as proposed
Repeal private label credit card (bad debt) law	BB	Omitted	
Impose a sales tax on digital products and clarify current administrative practice for calculating the business corporation franchise tax	CC	Omitted	
Repeal the sales tax cap on motor fuel and diesel motor fuel	DD	Omitted	
Reauthorize highway use tax decals	EE	ELFA K-1	Adopted as proposed
Define vendor for tax purposes	FF	ELFA P-1	Adopted as proposed
Authorize video lottery gaming at Belmont Park and modify commission rates at Aqueduct Racetrack	GG	Omitted	
Impose a State sales and compensating use tax surcharge on certain beverage products	HH	Omitted	
Eliminate the sunset of Quick Draw and eliminate certain restrictions on the game	II	Omitted	
Permit the State to participate in more than one multi-jurisdictional lottery game	JJ	ELFA Q-1	Adopted as proposed
Allow the sale of wine in grocery and drug stores upon payment of a franchise fee	KK	Omitted	
Increase the excise tax on beer and wine	LL	ELFA X-1	Amended by Legislature
Increase the auto rental tax from 5 percent to 6 percent	MM	ELFA R-1	Adopted as proposed
Impose State and local sales taxes on transportation services	NN	ELFA U-1	Amended by Legislature
Impose a sales tax on various amusement charges	OO	Omitted	
Narrow the sales tax definition of capital improvement and its application	PP	Omitted	
Increase the highway use tax credential replacement fee	QQ	ELFA T-1	Adopted as proposed
Impose additional sales and use tax on certain luxury property	RR	Omitted	
Create a comprehensive program to increase compliance with the Tax Law	SS	ELFA V-1	Amended by Legislature

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