Supplemental Report on the State Fiscal Year 2022-23 Executive Budget

as Amended by the Governor

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

March 2022

Table of Contents

This report details provisions of the New York State Fiscal Year 2022-23 Executive Budget proposal, as amended, and is a supplement to the Office of the State Comptroller's "New York State Fiscal Year 2022-23 Executive Budget Review" that was published in February 2022. All references to "Executive Budget" or "Budget" contained herein reflect the effect of amendments submitted on February 17, 2022.

I. Transparency, Accountability and Oversight

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

Executive Discretion to Manage and/or Reshape the Budget

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

The Enacted Budget includes new federal and emergency appropriations totaling at least $33 billion, that are unnecessarily opaque with respect to how the State would use these funds. In addition to the lack of transparency with respect to the intended use of these funds, these broad-scoped appropriations may leave the allocation of such funds almost entirely to Executive discretion.

As in prior years, the Executive Budget Financial Plan also identifies billions of dollars allocated to broadly defined purposes with little or no specificity. For example, nearly $6 billion is set aside through SFY 2025-26 for labor settlements and agency operations. While DOB regularly sets aside funding for retroactive payments associated with recent contract agreements, that funding is often identified and used within a year of setting it aside.

An additional $1 billion is planned to be transferred from the General Fund to the Health Care Transformation Fund over the next two years. Moneys in this Fund are authorized to be transferred to any other fund of the State to support health care delivery. The provisions allow the expenditure of State resources to support a broad variety of health care delivery or other programs or purposes, including capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers pursuant to a plan prepared by the DOH Commissioner and approved by the Budget Director.

The Budget also includes State Operations language, first enacted in SFY 2020-21, that provides the Executive significant flexibility to shift resources among departments, agencies or public authorities after Budget enactment.[1] Transfers of funds from State agencies to public authorities could reduce oversight and control of such resources. While these provisions may provide flexibility in mitigating Financial Plan risk or otherwise managing the Budget, they also leave uncertainty as to how their use might affect important programs and services.

Projected disbursements for SFY 2022-23 reflect payment timing adjustments used for budget relief in SFY 2018-19, by continuing to defer Medicaid payments across fiscal years. Manipulating the timing of payments to fill budget holes is a fiscal maneuver that can worsen the State's structural budget gap between recurring revenues and spending, increase the difficulty of balancing the budget each year, and further contribute to cash flow pressures for the State and other entities, such as local governments, schools, and service providers. Such practices are troubling reminders of certain historical practices that resulted in large, accumulated State deficits and, ultimately, required fiscal reforms tied to the borrowing of billions of dollars to address.

Independent Oversight and Procurement Integrity Provisions

Several appropriations and reappropriations in the Executive Budget would eliminate the Comptroller's contract pre-review oversight authority pursuant to section 112 of the State Finance Law, and would waive competitive bidding for State contracts. Under Section 112 of the State Finance Law, the Office of the State Comptroller conducts an independent review of many State agency contracts. Under Section 2879-a of the Public Authorities Law, the Comptroller also has the authority to review certain public authority contracts. This independent review protects taxpayers, agencies, not-for-profit organizations and other vendors by validating that a contract's costs are reasonable, its terms are favorable to the State, and that all bidders are treated the same. Such an independent review serves as an important deterrent to waste, fraud and abuse, and further ensures that the State is contracting with responsible vendors.

Examples where the Comptroller's contract oversight and competitive bidding would be eliminated include some high dollar spending proposals, such as:

- A $6 billion appropriation for transfer by the Executive to cover services and expenses related to the COVID-19 outbreak including but not limited to additional personnel, equipment and supplies, travel costs and training, as well as responding to the direct and indirect economic, financial, or social effects of COVID-19;

- A $2 billion appropriation to fund "unanticipated emergencies" of the State pursuant to purposes set forth in Section 53 of the State Finance Law; and

- A $2 billion appropriation "…for services and expenses related to the outbreak of coronavirus disease 2019 (COVID-19)." This funding can be transferred, at the discretion of the Budget Director, to any fund of any State agency, department, or authority, including proprietary and fiduciary funds.

---

[1] *See* SFY 2022-23 State Operations budget bill (S.8000/A.9000) Section 1, subdivision f; SFY 2020-21 State Operations budget bill (S.7500-C/A.9500-C) Section 1, subdivision e (available at https://www.assembly.ny.gov/leg/?default_fld=&leg_video=&bn=S07500&term=2019&Summary=Y&Text=Y#jump_to_Text).

The Executive proposes more than $10 billion in a multi-year investment in health care. However, some of the spending is proposed without sufficient oversight and accountability. The Health Care Facility Transformation Program envisions $1.6 billion in capital project grants for eligible health care providers but exempts most of this from the Comptroller's contract pre-review oversight authority pursuant to section 112 of the State Finance Law, and allows the grants to be awarded pursuant to a process approved administratively, not the competitive bidding process required by law.

The Budget also eliminates the Comptroller's contract pre-review oversight and State Finance Law's competitive bidding requirements from the proposal to procure Medicaid Managed Care contracts. The Department of Health would be authorized to use a new procurement process for these contracts. Removing these requirements weakens assurances of procurement integrity and confidence that all bidders are competing on a fair and level playing field. Further, there is already a proven and well-established competitive process in section 163 of the State Finance Law and creating a new process in the Budget could lead to inconsistencies in State procurement practices, as well as sow confusion among State agencies and vendors. This proposal, in addition to numerous other Executive Budget provisions, would exempt billions of dollars in public funds from the Comptroller's contract oversight, and State Finance Law's competitive bidding and other procurement requirements.

The Budget also proposes revisions to the procurement process for certain public authorities that could reduce competition and potentially limit procurement opportunities for vendors, including New York State businesses, Minority and Woman Owned Business Enterprises, Small Businesses and Service-Disabled Veteran-Owned Businesses. For example, the Budget includes language that would allow the Metropolitan Transportation Authority to shorten the required period of time for advertising a competitive procurement from 15 days to 10 days, thus reducing visibility and potentially limiting procurement opportunities. In addition, the Budget proposes language authorizing the Dormitory Authority of the State of New York to establish a prequalification program when awarding a contract for public work. This provision could also unnecessarily limit the pool of bidders if the opportunity is restricted only to those bidders who have been prequalified.

The Budget also includes a provision that would amend the definition of "procurement contract" for the Thruway Authority by increasing the threshold from $15,000 to $50,000. This revision would reduce transparency and oversight of such procurements because the requirement for board approval and reporting of contracts does not apply to procurements below the threshold.

Accounting Standards

Many appropriations throughout the Budget also include language which authorizes spending "net of refunds" and other credits to the State, as well as language expressly directing the Comptroller to credit such refunds to the original appropriation and "reduce expenditures in the year which such credit is received regardless of the timing of the initial expenditure." These provisions, which do not include any dollar limitation, have the potential to artificially reduce the appearance of true liabilities and reported receipts and disbursements of the State in a given fiscal year

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

Debt Accountability

As discussed in the Debt and Capital section, the Executive Budget proposes a $2.35 billion State commitment to repay a federal transportation loan for the Gateway project. Since the Debt Reform Act only counts "bonds or notes," this utilizes a loophole to incur debt outside of the State's debt cap through the federal loan. This loan would otherwise meet all of the criteria of being State-supported debt by a) incurring debt (albeit in the form of a loan, rather than "bonds or notes"), b) contractually obligating the State to repay such debt through a service contract mechanism, subject to legislative appropriation, and c) being issued for a State capital purpose, New York's $2.35 billion share of the total project costs. The Executive Budget further suggests modifying the definition of State-related debt as if it could appropriately reflect this intergovernmental loan. However, State-related debt otherwise only reflects debt repaid from non-State sources in the first instance, where State appropriations are contingently available, but typically not expected to be needed, to make payments. As proposed, the Gateway loan would have no other non-State sources obligated to repay the loan in the first instance, and the State's contractual obligation to pay debt service would not be a contingent liability. In contravention to all prior precedents, these proposals seek to obscure the otherwise clear differentiation between State-supported and State-related debt for the purposes of excluding the loan from being counted within the State's debt cap limitation and, reducing transparency about the size of the State's debt burden.

In addition, the Executive Budget again proposes authorizations for up to $5 billion in short-term cash flow borrowings during SFY 2022-23, through $3 billion in PIT Notes and $2 billion in lines of credit. With monthly General Fund balances estimated to average over $31 billion, the Financial Plan does not assume these authorizations will be necessary. It is therefore unclear why this more costly form of borrowing is proposed.

This overview of lapses from the highest standards of transparency and accountability in the proposed Executive Budget – including the erosion of mechanisms that ensure procurement integrity and the persistence of extraordinary Executive budget powers – serve as reminders that transparency and accountability are not discretionary luxuries, but are essential elements for sound, democratic governance.

II. Financial Plan Overview

State Fiscal Year 2021-22

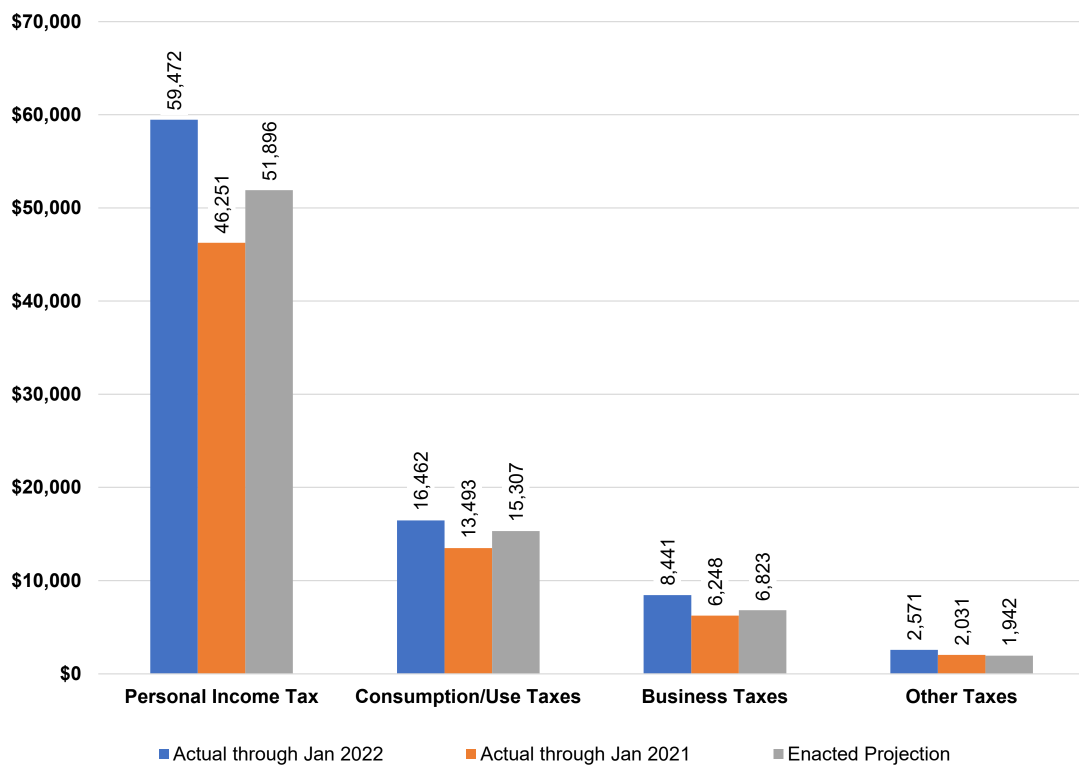
Tax collections in All Governmental Funds (All Funds) totaled $98.0 billion through the first ten months of the 2021-22 State fiscal year, an increase of nearly $30.0 billion or 44.1 percent from the same period of the previous year. Nearly $11.1 billion of this year-to-year variance is due to collections of the Pass-Through Entity Tax (PTET) that was enacted in the SFY 2021-22 budget and is projected to be revenue neutral over the life of the Plan. However, even excluding this non-recurring revenue, tax collections have increased 27.8 percent or $18.9 billion, with about 70 percent of the growth coming from Personal Income Tax (PIT) collections.

All four tax categories, PIT, consumption/use, business, and other, grew well into double digits through the first 10 months. Collections are also well ahead of initial projections. Through January 31, tax collections (not including PTET) were nearly $11 billion over initial projections.

Figure 1

All Funds Tax Collections (Not Including PTET) Through January 31

(in millions of dollars)



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

Much of the variance is related to temporary tax increases enacted in the SFY 2021-22 budget, including new brackets for high income and corporate earners. PIT collections through January were over $2.8 billion higher than projected in the Mid-Year Financial Plan Update released in late October 2021, and $7.6 billion higher than the Enacted Budget Financial Plan released in

May 2021. Although revisions made in the SFY 2022-23 Executive Budget Financial Plan resulted in PIT collections through January that were $1.1 billion lower than the latest projections, year-to-date growth approached 30 percent (10.4 percent in January). For context, the SFY 2020-21 Enacted Budget Financial Plan projected that total year-end tax collections for SFY 2021-22 would reach only $75.5 billion, which is $11.4 billion lower than actual collections through January with two months remaining in the fiscal year.[2]

Spending has trailed projections throughout the year. Through January, All Funds spending, totaled $156.1 billion, 11.3 percent or $15.8 billion higher than last year. This was nearly $7.2 billion below initial projections, with $5.3 billion of the variance from lower spending for local assistance payments. Spending from the General Fund (including transfers to other funds), totaling $65.4 billion, was $14.1 billion or 27.6 percent higher than the same period of the prior year. This was nearly $2.3 billion below initial projections, again primarily related to lower expenditures for local assistance.

Actual tax collections have exceeded projections throughout the year. As a result, the Mid-Year Update released in October 2021 projected no out-year gaps in the General Fund. In the Executive Budget, DOB further increased projected current year-end General Fund receipts by $4.6 billion relative to estimates in the Mid-Year Update. In total, estimates for current year General Fund tax collections have been increased $8.1 billion from the Enacted Budget Financial Plan released in April 2021 (not including PTET).

In addition to higher than anticipated tax collections, additional federal aid in the form of higher Medicaid reimbursement was made available as the federal government continued to extend the public health emergency. Combined with other minor spending and receipt adjustments, this resulted in a projected surplus by DOB of just under $5 billion in the current year. This surplus allowed DOB to increase projected reserve deposits and set asides, increase the level of debt service prepayments and make funding available for SFY 2022-23 initiatives.

General Fund

General Fund spending is projected to total $90.7 billion in SFY 2021-22, representing an increase of $16.6 billion or 22.4 percent from the previous year, primarily in local assistance payments including pandemic related spending. Local assistance is projected to increase $12.2 billion or 25.0 percent. Compared to projections in the Enacted Budget Financial Plan, spending is projected to end the year just under $2.0 billion higher than initially anticipated.

General Fund receipts (including transfers from other funds) are currently projected to total just over $112 billion, representing an increase of $37.7 billion or 50.8 percent from SFY 2020-21. This increase is largely attributable to collections of PTET, pandemic related federal assistance and other tax collections.

State Operating Funds

DOB currently projects State Operating Funds spending in the current year will reach $115.2 billion, which would be an increase of $11.0 billion or 10.6 percent from the previous year and $3 billion higher than initially anticipated with the Enacted Budget.

---

[2] The first Financial Plan reflecting pandemic-related economic conditions was the FY 2021 Enacted Budget Financial Plan released on April 25, 2020.

DOB projects SFY 2021-22 receipts in State Operating Funds will total $134.6 billion, an increase of $28.3 billion or 26.6 percent from SFY 2019-20, nearly $27.4 billion higher than initially anticipated.

All Funds

Updated projections show All Funds spending, including spending from federal funds, will total $212.9 billion this year, an increase of $26.4 billion or 14.1 percent from SFY 2021-22. This includes just under $12.5 billion in higher spending from federal funds. However, spending in SFY 2021-22 does not include $4.5 billion in debt service paid to retire short-term notes issued in SFY 2020-21. Spending from All Funds is projected to be $4.0 billion higher than initially anticipated with the Enacted Budget, primarily in local assistance payments and debt service in the form of prepayments.

The 30-Day Amended Financial Plan projects All Funds receipts for SFY 2021-22 to total $243.8 billion, an increase of $52.5 billion or 27.4 percent from SFY 2020-21 results. Federal receipts are anticipated to increase $21.8 billion (29.9 percent) to $100.0 billion, primarily reflecting various aid programs, the federally funded State Fiscal Recovery Fund and growth in Medicaid. Miscellaneous receipts are expected to decline nearly $4.8 billion (15.4 percent), primarily reflecting short-term note proceeds received in SFY 2020-21. Tax collections are projected to total $117.9 billion, an increase of nearly $35.5 billion or 43.1 percent.

State Fiscal Year 2022-23

The 30-Day Amended Financial Plan projects All Funds receipts will total $211.6 billion in SFY 2022-23, a decline of $32.2 billion or 13.2 percent. This is primarily due to a decline in federal receipts and the timing of PIT payments associated with the PTET. DOB projects All Funds tax receipts to total $99.7 billion, an increase of $18.2 billion or 15.4 percent from SFY 2021-22, largely reflecting the PTET.

Miscellaneous receipts are expected to total $27.5 billion, an increase of nearly $1.5 billion or 5.8 percent, reflecting growth in bond proceeds. Federal receipts, comprising 40 percent of revenues in the Financial Plan, are projected to total $84.4 billion, a decline of $15.5 billion or 15.5 percent as pandemic assistance declines.

All Funds spending is expected to total nearly $216.5 billion, an increase of $3.5 billion or 1.7 percent, primarily in local assistance grants and capital spending. These increases are partially offset by lower spending for debt service and non-personal service, reflecting the impact of planned debt service prepayments, and lower pandemic assistance respectively.

Proposed General Fund Surplus Plan

The SFY 2021-22 Enacted Budget Financial Plan projected a cumulative General Fund current services deficit or gap of $37.7 billion between SFY 2021-22 and SFY 2024-25, before enacted actions to reduce the gap. After enacted actions including tax increases, significant tax re-estimates and federal assistance, but also increased recurring spending, projected gaps were reduced from $37.7 billion to just $3.4 billion.

In the Mid-Year Update released in October, DOB announced that General Fund gaps were effectively eliminated over the course of Plan and replaced with surplus. The Executive announced a plan to increase rainy day reserves to an amount equal to 15 percent of spending from State Operating Funds by SFY 2024-25, including a planned deposit of $875 million in SFY 2021-22 as well as $4.1 billion set aside for economic uncertainties.

The gap-closing plan for SFY 2022-23 includes $6.0 billion in higher estimated receipts, including proposed revenue actions totaling nearly $2 billion. These are coupled with $3.5 billion in spending changes, which include $1 billion in Enhanced Federal Medicaid Assistance Percentage (eFMAP) that offsets General Fund costs, and another $1.7 billion in local assistance, agency operations and other actions, including reduced General Fund spending in education, health care, mental hygiene, human services, higher education and local aid to municipalities.

Figure 2

General Fund Surplus
(in millions of dollars)

	2022-23
Base Budget Surplus	-
Receipt Revisions	**4,997**
Disbursement Revisions	**1,517**
Surplus Before Actions	**6,514**
New Revenue Actions	**(2,562)**
Homeowner Tax Rebate *	(2,200)
Middle Class and Small Business Tax Relief	(262)
Other	(100)
State Operations Reductions	**(37)**
Healthcare/Direct Care Worker Bonus *	(121)
Other	84
Debt Management and Capital Including PAYGO	**(339)**
Local Assistance Reductions	**(3,568)**
Healthcare Worker Bonus *	(1,135)
Other	(2,433)
Federal Assistance	**746**
Medicaid Reimbursement (eFMAP) *	746
All Other	**(754)**
(Gap)/Surplus in Executive Budget Financial Plan	-

Source: Division of the Budget and Office of the State Comptroller
* SFY 2022-23 only

Structural Imbalance

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

For the duration of the Executive Budget Financial Plan period, DOB projects surplus in every year, including an additional year beyond the period typically forecasted for. While this Plan illustrates surplus in every year, it is important to note that the Plan still utilizes resources that are considered temporary and will require legislative approval to extend or expand. For instance, the new PIT tax bracket on high earners is expected to net about $3.3 billion in SFY 2022-23 and to exceed $4 billion annually in out-years. This temporary revenue expires December 31, 2027, so it does not affect the current Financial Plan period. The General Fund relies upon $12.7 billion in federal aid between SFY 2021-22 to SFY 2024-25.

Non-Recurring and Temporary Resources

The 30-Day Amended Executive Budget includes $16.3 billion in SFY 2022-23 resources that the Office of the State Comptroller identifies as either temporary (more than one year but not permanent) or non-recurring (one year), as shown in Figure 3. While this list may not reflect the entirety of the Budget's reliance on temporary resources, it presents the most significant items. About 97 percent results from temporary federal assistance and tax increases enacted in SFY 2021-22.

Figure 3

Temporary and Non-Recurring Resources in SFY 2022-23

(in millions of dollars)

State Temporary and Non-recurring Resources	SFY 2022-23
Temporary or Non-Recurring Proposed in SFY 2022-23	
Various Sweeps	52
New York Power Authority Transfer	20
Use of Settlement Funds	100
NYSERDA Transfer to EPF	5
Subtotal	*177*
Previously in Law or Outside Budget Process	
Personal Income Tax Top Rate Surcharge	3,251
Corporate Franchise Rate Increase	1,073
High Income Charitable Deduction Limit	180
Health Care Transformation Fund	68
Mortgage Insurance Fund	40
CUNY Asset Sales	60
New York Power Authority Repayment Adjustment	(43)
Subtotal	*4,629*
Federal Assistance	
Education Funding	4,434
Unrestricted Federal Assistance	2,350
Medicaid Reimbursement (FMAP)	1,209
HCBS FMAP	1,433
FEMA Reimbursement for SFY 2020-21 Costs	800
Local Coronavirus Relief Passthrough	387
Homeowner Relief and Protection Program	412
Home Energy Assistance Program	335
Emergency Rental Assistance	146
Subtotal	*11,506*
Total State Temporary and Non-Recurring Resources	**16,312**

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

Reserves

Plan for Current and Next Year for Restricted Reserves (SFYs 2021-22 and 2022-23)

DOB plans to deposit $175 million to the Tax Stabilization Reserve Fund (TSRF), bringing its balance up to $1.4 billion in SFY 2021-22. DOB also plans to deposit $700 million to the Rainy Day Reserve Fund (RDRF), bringing its balance to $1.9 billion in the current year.

In SFY 2022-23 DOB plans to deposit $120 million to the TSRF, bringing the balance to $1.55 billion. A deposit of $800 million is planned for the RDRF, bringing the balance to $2.7 billion.

Unrestricted Reserves

DOB often sets dollars aside in the General Fund and states that they are informally "reserved" for a specific purpose. There is no statutory basis for unrestricted reserves and no accompanying restrictions on deposits, balance levels, how or when the funding can be used or replenishment requirements. Such funds can be used at the Executive's discretion at any time for any appropriated purpose. The largest such unrestricted reserve proposed in the Executive Budget is for "economic uncertainties".

At the end of SFY 2020-21, funds set aside for economic uncertainties totaled just under $1.5 billion. DOB plans to set aside another $5.6 billion in the current year and $4.1 billion in SFY 2022-23.

In the Mid-Year Update to the SFY 2021-22 Financial Plan released in November 2021, DOB began discussing the combination of economic uncertainties, the RDRF and the TSRF as "principal reserves."

Plan to Increase Reserves to 15 Percent of State Operating Funds

The Executive Budget has a stated goal of setting aside or reserving an amount equal to 15 percent of spending from State Operating Funds by the end of SFY 2024-25. The Executive Budget includes a proposal to amend statutory provisions of the RDRF to allow the fund balance to equal up to 15 percent of spending from State Operating Funds. However, despite the requested statutory change, the Financial Plan does not reflect the level of statutory reserves that would be authorized.

Furthermore, the Financial Plan illustrates reserve deposits and set asides that would bring principal reserves to 15 percent of spending from State Operating Funds through SFY 2024-25. In subsequent years, as spending increases, the percentage of principal reserves to spending will decline unless annual deposits continue, which the Financial Plan specifically shows will not. For instance, in SFY 2025-26 the percentage will be 14.3 percent. In SFY 2026-27, 13.7 percent. This highlights the primary historical problem with reserves in New York State – the lack of a required ongoing obligation to keep rainy day reserves at a desired level through annual deposits.

The Executive Budget includes language increasing the RDRF maximum balance to 15 percent of spending from State Operating Funds from 5 percent of General Fund spending. Maximum annual deposits would increase from 0.75 percent of General Fund spending to 3 percent of current year spending from State Operating Funds.[3]

This plan would increase the maximum size of the RDRF to 15 percent of spending from State Operating Funds. Maximum deposits would start at $3.5 billion and increase annually. No minimum deposit requirement is proposed.

Other Restricted Reserves and Set Asides in the General Fund Balance

DOB also sets aside funding for additional purposes, including debt management and timing issues which can reflect issues such as refunds that were initially intended to leave the treasury in March of one year, but actually occurred in April.

However, in the Executive Budget, DOB sets more aside than they have historically, the largest being associated with the PTET flow of funds. The State is expected to receive over $16 billion in the current year from PTET. However, collections from PTET will lead to reduced PIT collections in future years, and the impact is expected to be neutral over time. As a result, DOB sets aside funding to accommodate the inter-year flow of funds.

In addition to the set aside for PTET collections and associated PIT credits, the Executive Budget also sets aside $2 billion for "Pandemic Assistance." Although largely undefined, it is anticipated that it will be available for additional costs associated with the pandemic that policymakers will negotiate as part of the final budget.

Although DOB has long practiced setting aside funds for labor agreements, specifically for anticipated retroactive payments, starting with the SFY 2021-22 Mid-Year Update, DOB started setting aside funds not only for labor settlements, but also State operation costs. Through SFY 2025-26, DOB plans to set aside $4.5 billion for such needs, with very little description of what the funds would be used for within the Financial Plan aside from suggestions that the funding would be available for future personal service increases associated with contract settlements above and beyond retroactive payments.

Finally, the State has collected nearly $13.5 billion in monetary settlements since SFY 2014-15 for violations of State laws by various financial and other organizations. The majority of this funding is transferred to the Dedicated Infrastructure Investment Fund (DIIF) for various appropriated uses, although some settlement funding has been used to increase reserves and support General Fund costs. The remaining settlement funds are expected to be exhausted by SFY 2025-26.

Figure 4 illustrates the various restricted and unrestricted reserves held within the General Fund.

---

[3] The Executive Budget proposes amending section 92-cc of the State Finance Law to increase maximum deposits and balance. The maximum balance is currently based on a percentage of projected General Fund spending in the immediate following fiscal year. Maximum deposits are based on a percentage of then current year spending from the General Fund. The proposal would change the percentage amounts and General Fund to State Operating Funds.

Figure 4

Statutory Reserves and Unrestricted General Fund Balance, Estimated and Projected Year End

(in millions of dollars)

	2021-22 Estimate	2022-23 Proposed	2023-24 Projected	2024-25 Projected	2025-26 Projected	2026-27 Projected
Statutory Reserves	**3,395**	**4,311**	**5,223**	**6,173**	**6,173**	**6,173**
Tax Stabilization Reserve Fund *	1,433	1,553	1,553	1,553	1,553	1,553
Rainy Day Reserve *	1,918	2,718	3,633	4,583	4,583	4,583
Contingency Reserve Fund	21	21	21	21	21	21
Community Projects Fund	23	19	16	16	16	16
Refund Reserve (Unrestricted)	**27,118**	**23,363**	**25,624**	**28,415**	**24,465**	**21,465**
Debt Management	500	1,355	1,436	860	-	-
Labor Agreements	275	875	1,875	3,325	4,775	6,225
Pandemic Assistance	2,000	2,000	2,000	2,000	2,000	2,000
PTET Timing	16,710	7,660	8,133	8,633	4,450	-
Economic Uncertainties *	5,598	9,732	11,265	13,240	13,240	13,240
Monetary Settlement Proceeds	2,035	1,741	915	357	-	-
Total	**30,513**	**27,674**	**30,847**	**34,588**	**30,638**	**27,638**
Projected Spending from State Operating Funds	115,226	118,907	123,412	128,911	135,913	141,142
Percentage of Principal Reserves to Spending from State Operating Funds	**7.8%**	**11.8%**	**13.3%**	**15.0%**	**14.3%**	**13.7%**

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

The Office of the State Comptroller has advanced a proposal to strengthen New York State's statutory rainy day reserves.[4] The plan, which provides a disciplined, consistent approach to building these reserves, would help to ensure that more robust reserves are built over time to be available during the next economic downturn or catastrophic event.

As in recent years, the Financial Plan includes a line called "Reserve for Transaction Risks" in its accounting of transfers from other funds.[5] This is not a formal reserve but a means to provide the Executive with flexibility in managing the General Fund. If spending is higher or receipts are lower than anticipated, this figure can be adjusted to increase projected General Fund receipts. The amounts indicated in the Financial Plan for this purpose are $1.5 billion in the current year and $2 billion annually through SFY 2026-27.

[4] For additional information on the State's rainy day reserves, see the Office of the State Comptroller's report, *The Case for Building New York State's Rainy Day Reserves*, Dec. 2019; available at: https://www.osc.state.ny.us/reports/budget/2019/rainy-day-reserves-2019.pdf.
[5] See page T-191 in the FY 2023 Executive Budget Financial Plan, Updated for Governor's Amendments and Forecast Revisions.

Risks to the Financial Plan

As with any projections, the Financial Plan is subject to various risks and uncertainties, which are extensive. Several of these risks are defined in the Executive Budget Financial Plan. Notable among the risks associated with this proposal, the Office of the State Comptroller identifies:

- **Federal Aid and Remaining COVID Needs.** Federal aid, projected at $84.4 billion, represents nearly 40 percent revenue expected in SFY 2022-23, providing essential support for health care, education, transportation and other purposes. Federal pandemic assistance provided over the last two years has been critical to alleviating economic harm caused by COVID-19. However, such funds are one-time, and there is ongoing risk that COVID-19 recovery funding may be needed for an extended period. Such costs could contribute to future budget imbalance.

- **Economic Risks.** DOB's economic forecast for the nation is more optimistic than the Blue Chip Consensus, as well as many of the individual forecasters involved with the Consensus. The predominant risks for this forecast are the direction of the pandemic, the pace of inflation, supply chain issues, and evolving geo-political situations. The changes in the labor market are also a risk to the New York economy and, in turn, its revenues. New York's job recovery from the pandemic has been relatively slow and there are fewer workers in the labor force. While DOB forecasts a return to pre-pandemic employment levels in 2024, IHS Markit's forecast is more pessimistic, forecasting that a full recovery will not occur until 2027. New York relies heavily on revenues, particularly the personal income tax, that are highly sensitive to changing economic conditions. See the Risks discussion in the Economic and Revenue section of this report for more detail.

- **Public Health Enrollment.** Enrollments for public health programs including Medicaid, the Essential Plan and Child Health Plus are expected to peak in the current fiscal year at 9 million people, largely due to the pandemic economy and the loss of employer-provided health insurance. The Financial Plan projects enrollment will decline by more than 10 percent in SFY 2022-23 to nearly 8.1 million. Although the amended Financial Plan increases projected spending beyond SFY 2023-24, if enrollment continues beyond current projections, additional costs will occur.

III. Economy and Revenue

Economic Outlook

After a strong start in the first half of 2021, economic growth nationally faltered in the third quarter due in part to supply chain issues and a surge in COVID-19 cases over the summer which dampened consumer spending. However, the impact of these issues did not carry over into the fourth quarter. According to the U.S. Bureau of Economic Analysis, the national economy grew by 5.7 percent in 2021, and DOB projects this growth to slow to 3.9 percent in 2022, continuing to decelerate to an increase of 2.7 percent in 2023.

By January 2022, employment nationwide had yet to return to pre-pandemic levels, with nearly 87 percent of jobs lost having been recovered. DOB estimates national employment to increase at a faster rate in 2022, 3.6 percent, with full job recovery from the pandemic by the end of the year.

Employment recovery in New York was slower in 2021. By the end of the year, less than two-thirds of the jobs lost were recovered. For all of SFY 2021-22, DOB estimates job growth of 7.2 percent, slowing to 4.3 percent in SFY 2022-23. DOB does not expect full job recovery in the State until 2024.

Nationally, the labor force has shrunk by 1.4 percent from pre-pandemic levels due in part to those who dropped out because of health and safety reasons or retirement, or possibly those who chose to be self-employed. In New York, the number of workers has also been falling; according to the NYS Department of Labor, there were nearly 275,000 less people in the labor force in December 2021 than at the beginning of the pandemic.

A combination of the increased employment compared to 2020 as well as the labor shortage served to increase wages nationwide in 2021; DOB estimates national wage growth of 9.1 percent. This strong wage growth is projected to continue into 2022, but at a slightly slower rate of 8.1 percent.

In New York, wages are estimated to grow at a robust rate of 12.1 percent in the current fiscal year, buoyed by strong bonuses in the finance and insurance sector. For SFY 2022-23, wage growth is projected to slow significantly, increasing by 3.0 percent, reflecting the projected deceleration in employment and much lower finance and insurance sector bonus growth.

Despite the robust estimated increase in wages, DOB projects 2022 personal income growth in the U.S. to be much more muted, increasing by 1.6 percent. These changes reflect the absence of the federal fiscal stimulus provided in 2021, primarily the economic impact payments ("stimulus checks") and the federal pandemic unemployment programs.

Similar results can be seen in New York over the course of SFY 2021-22, as federal stimulus waned, personal income is estimated to increase by 1.5 percent. This slow growth is projected to continue into SFY 2022-23 as the full year impact of the expiration of the federal fiscal stimulus is realized; personal income increasing by 1.2 percent.

Risks

DOB's economic forecast for the nation is more optimistic than the Blue Chip Consensus, as well as many of the individual economic forecasters that comprise the Consensus (see Figure 3). However, for New York, DOB's projections are mixed when compared to IHS Markit.[6]

While there are many risks that can impact the economy, the predominant risks for this forecast are the direction of the pandemic, the pace of inflation, supply chain issues, and the geopolitical situation regarding Russia and Ukraine. The duration of the Omicron variant and the potential rise of any new variants could prolong restrictions and quarantines, resulting in constrained employment and productivity growth.

Higher than projected inflation would reduce the spending power of the consumer despite their increased wages, resulting in lower consumption. In addition, if the Federal Reserve is induced to increase interest rates faster than currently assumed, consumption as well as investment growth could be further constrained.

Supply chain issues have been a contributing factor to the current increase in prices. A continuation of the supply bottlenecks could exacerbate inflation as well as decrease consumption, as there are fewer goods to buy.

In addition to the risks above, the changes in the labor market are a risk to the New York economy and, in turn, its revenues. As previously noted, New York's job recovery from the pandemic has been slow and there are fewer workers in the labor force. While DOB forecasts a return to pre-pandemic employment levels in 2024, IHS Markit's forecast is more pessimistic, forecasting that a full recovery will not occur until 2027.

Figure 5

Comparison of Select Economic Indicators, U.S. and New York

U.S. ECONOMIC INDICATORS									
	REAL GDP			CONSUMER PRICE INDEX			UNEMPLOYMENT RATE		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
DOB	5.7	3.9	2.6	4.7	4.7	2.3	5.4	3.7	3.5
Blue Chip	5.7	3.7	2.6	4.7	5.0	2.5	5.4	3.7	3.4
IHS Markit	5.7	3.7	2.7	4.7	4.5	1.9	5.4	3.6	3.5

NEW YORK ECONOMIC INDICATORS									
	PERSONAL INCOME			WAGES			EMPLOYMENT		
	SFY 20-21	SFY 21-22	SFY 22-23	SFY 20-21	SFY 21-22	SFY 22-23	SFY 20-21	SFY 21-22	SFY 22-23
DOB	8.6	1.5	1.2	(2.0)	12.1	3.0	(12.6)	7.2	4.3
IHS Markit	8.6	0.9	3.7	(2.0)	10.0	8.2	(12.6)	5.7	4.0

Note: Amounts are annual percent changes. 2021 figures are preliminary actuals, 2022 and 2023 are projections.
Source: Division of the Budget, February 2022 Blue Chip Economic Indicators, IHS Markit February 2022 National and Regional Forecasts

[6] Blue Chip Consensus does not provide projections at the state level.

Revenue

DOB estimates All Funds revenues in the current fiscal year (exclusive of federal receipts) to total $143.9 billion, an increase of 27.2 percent or $30.7 billion from SFY 2020-21. This increase is primarily attributable to the return of economic growth over the past year as well as the impact from the various revenue increases included in the SFY 2020-21 Enacted Budget, such as: the Personal Income Tax (PIT) surcharge on high-income taxpayers, increased corporate franchise tax rates, the creation of a new Pass-Through Entity Tax (PTET), and the authorization for mobile sports wagering.

For SFY 2022-23, All Funds revenues are projected by DOB to total $127.2 billion, a decrease of 11.6 percent or $16.7 billion. While economic growth is projected to continue, albeit at a slower pace, and the State benefits from the full-year impact of mobile sports wagering and initial collections from the legalization of adult-use cannabis, the overall decline in collections primarily reflects the impact of the offsetting PIT credit for PTET taxes paid at the end of the 2021 tax year which affects final returns filed by taxpayers in April 2022. DOB forecasts that the impact of the PTET will be revenue neutral over the life of the Financial Plan period.

The Executive Budget includes revenue actions that are projected to produce net decreases in All Funds revenues of $2.4 billion in SFY 2022-23 and $900 million in SFY 2023-24. The most significant are the proposed acceleration of the middle-class tax rate reductions and the proposed Homeowner Tax Rebate credit for low- and middle-class homeowners.

Personal Income Tax Rate Reductions: The Budget proposes to accelerate the final phase-in of the middle-class tax cuts that were enacted as part of the SFY 2016-17 Enacted Budget from tax year 2025 to tax year 2023 (as shown in Figure 6). This proposal would decrease revenues by $162 million in SFY 2022-23 and by $615 million in SFY 2023-24.

Figure 6

Proposed PIT Rates by Filing Class and Taxable Income Level

MARRIED			
Taxable Income	**2022**	**2023**	
		Current	Proposed
$27,900 - $43,000	5.85%	5.73%	5.50%
$43,000 - $161,550	5.85%	5.73%	5.50%
$161,550 - $323,200	6.25%	6.17%	6.00%
SINGLE			
Taxable Income	**2022**	**2023**	
		Current	Proposed
$13,900 - $21,400	5.85%	5.73%	5.50%
$21,400 - $80,650	5.85%	5.73%	5.50%
$80,650 - $215,400	6.25%	6.17%	6.00%
HEAD OF HOUSEHOLD			
Taxable Income	**2022**	**2023**	
		Current	Proposed
$20,900 - $32,200	5.85%	5.73%	5.50%
$32,200 - $107,650	5.85%	5.73%	5.50%
$107,650 - $269,300	6.25%	6.17%	6.00%

Source: NYS Tax Law, Division of the Budget

These lower rates would impact over 6 million New York PIT taxpayers. Figure 7 shows the approximate number of affected taxpayers by region.

Figure 7

Estimated Number of Affected Resident Taxpayers by Filing Class and Region

REGION	SINGLE	HEAD OF HOUSEHOLD	MARRIED	TOTAL TAXPAYERS
Capital Region	147,302	29,575	129,610	306,487
Central New York	92,462	19,793	85,818	198,073
Finger Lakes	150,350	30,134	138,324	318,808
Hudson Valley	278,229	84,962	263,508	626,699
Long Island	391,461	106,172	373,041	870,674
Mohawk Valley	53,618	11,555	46,946	112,119
New York City	1,306,801	401,639	570,977	2,279,417
North Country	38,782	8,961	39,330	87,073
Southern Tier	69,483	13,343	65,527	148,353
Western New York	171,056	31,816	148,796	351,668

Source: NYS Department of Taxation and Finance, 2019 PIT Study File

Homeowner Tax Rebate Credit: The Budget would provide a PIT credit for homeowners with incomes less than $250,000, inclusive of those in New York City, which is anticipated to be advance refunded ("rebated") to the taxpayer in Fall 2022. The amount of the rebate would be a percentage of the benefit, varying based on income level and the type of STAR benefit the homeowner receives, as shown in Figure 8. This credit would only be available for tax year 2022 and would reduce revenues by $2.2 billion in SFY 2022-23.

Figure 8

Homeowner Tax Rebate Credit and Estimated Number of Recipients

Qualified Gross Income	Basic STAR Recipients			
	New York City		Rest of State	
	Percentage of STAR Benefit	Number of Taxpayers	Percentage of STAR Benefit	Number of Taxpayers
$75,000 and less	125%	152,436	163%	685,362
$75,001 - $150,000	115%	143,856	115%	611,921
$150,001 - $200,000	105%	50,380	66%	194,685
$200,001 - $250,000	100%	30,715	18%	92,710

Qualified Gross Income	Enhanced STAR Recipients			
	New York City		Rest of State	
	Percentage of STAR Benefit	Number of Taxpayers	Percentage of STAR Benefit	Number of Taxpayers
$92,000 and less	110%	102,340	66%	474,754

Source: Division of the Budget

IV. Debt and Capital

The Executive Budget proposes a $92 billion five-year Capital Plan, an increase of $14.7 billion or 19 percent from the previous Enacted Plan. This includes new or increased commitments to transportation, housing, healthcare and environmental infrastructure, among others. Significant increases include $5.5 billion for transportation needs, reflecting a new $32.8 billion Department of Transportation five-year capital plan including new funding for Operation Pave Our Potholes. Spending for economic development is expected to increase 38.1 percent or $3.2 billion, largely reflecting $1.4 billion for broadband and digital infrastructure and $500 million for offshore wind power. Social welfare spending is projected to increase $2.6 billion or 57.4 percent from the current Plan, largely reflecting a new $25 billion plan to increase affordable housing. Many of the new capital investments are made possible by the federal Infrastructure Investment and Jobs Act, which will provide billions of new resources for New York in the years ahead.

Figure 9

Comparison of SFY 2022-23 Executive Budget Capital Plan to SFY 2021-22 Enacted Budget Capital Plan

Functional Area	SFY 2022-23 Through SFY 2026-27 Proposed	SFY 2021-22 Through SFY 2025-26 Enacted	Dollar Change	Percentage Change
Transportation	42,475	36,942	5,533	15.0%
Education	2,105	2,122	(17)	-0.8%
Higher Education	9,279	8,154	1,125	13.8%
Economic Development/Government Oversight	11,555	8,365	3,190	38.1%
Mental Hygiene	3,270	3,010	260	8.6%
Parks and Environment	9,257	7,674	1,583	20.6%
Health	4,549	3,343	1,206	36.1%
Social Welfare	7,051	4,479	2,572	57.4%
Public Protection	2,652	2,317	335	14.4%
General Government	2,452	1,773	679	38.3%
Other	(2,606)	(822)	(1,784)	217.1%
Total	**92,039**	**77,358**	**14,681**	**19.0%**

Source: Division of the Budget

Financing Sources

Over the life of the projected Plan, DOB expects to use State PAYGO to finance approximately 26.8 percent of the Plan, compared to 22.4 percent in the current Plan. Most of the increase in State PAYGO spending occurs in housing and economic development (75 percent), largely reflecting the proposed $25 billion housing plan and various economic development initiatives. Transportation makes up 17.9 percent of the increase in anticipated State PAYGO compared to the current Plan.

The increase in State PAYGO accompanies a projected decline in the proportional use of authority bonds from 59.6 percent of spending to 52.7 percent in the proposed Plan, although projected new debt issuances are still increased, reflecting the overall increase in total projected capital spending.

Federally funded PAYGO increases by 42.7 percent (33 percent of the increase in total projected capital spending), largely reflecting new funding from the federal Infrastructure Investment and Job Act. Spending from General Obligation bonds as a proportion of total spending is anticipated to decline from 3.1 percent to 2.6 percent of total capital spending over the life of the Plan.

Figure 10

Comparison of SFY 2022-23 Executive Budget Capital Plan Financing Sources to SFY 2021-22 Enacted Budget Capital Plan

Financing Source	SFY 2022-23 Through SFY 2026-27	SFY 2021-22 Through SFY 2025-26	Dollar Change	Percentage Change
	Proposed	Enacted		
State Pay-As-You-Go (PAYGO)	24,670	17,331	7,339	42.3%
Federal PAYGO	16,397	11,490	4,907	42.7%
General Obligation Bonds	2,430	2,418	12	0.5%
Authority Bonds	48,538	46,119	2,419	5.2%
Total Capital Funding	**92,035**	**77,358**	**14,677**	**19.0%**
Less Federal Funding	(16,397)	(11,490)	(4,907)	42.7%
State Capital Funding	**75,638**	**65,868**	**9,770**	**14.8%**

Source: Division of the Budget

Debt Outstanding and Debt Service

DOB projects that $44.2 billion in new State-supported debt will be issued over the five-year life of the Capital Plan, compared to $18.9 billion in retirements over the same period. The result would be a projected increase in State-Supported debt of approximately $25.3 billion or 40.2 percent over expected SFY 2021-22 levels (an average annual increase of 7 percent). More than 42 percent of this growth is associated with debt issued for transportation, including the MTA. Just under 28.5 percent is for economic development and housing.

The average annual issuance of State-Supported debt is $8.8 billion over the life of the proposed Capital Plan, 1.3 percent higher than the current Capital Plan (as updated), not including Personal Income Tax bonds issued in the current year to refinance NYC Sales Tax Asset Receivable Corporation (STARC) and DASNY Secured Hospital bonds. Total State-Supported debt outstanding would increase from $62.9 billion to $88.1 billion by the end of the Capital Plan period, as illustrated in Figure 10.

As of March 31, 2022, just under 96.4 percent of projected State-Supported debt outstanding will have been issued by public authorities and not been subject to voter approval. Over the proposed Capital Plan, public authorities are projected to issue $41.6 billion in State-Supported debt, or 94 percent of total issuances. Voter-approved General Obligation (GO) bond issuances of $2.6 billion represent 6 percent of the projected total.

Figure 11

Projected State-Supported Debt Outstanding

(in millions of dollars)

	SFY 2022-23	SFY 2023-24	SFY 2024-25	SFY 2025-26	SFY 2026-27	Increase 2022 Beginning - 2027 End
State-Supported Debt at Beginning of Period	62,850	69,270	75,317	80,245	84,322	N/A
New Issuance	9,293	9,177	8,540	8,633	8,595	44,238
New Retirement	(2,873)	(3,130)	(3,612)	(4,556)	(4,777)	(18,948)
Projected State-Supported Debt at End of Period	69,270	75,317	80,245	84,322	88,140	25,290

Source: Division of the Budget

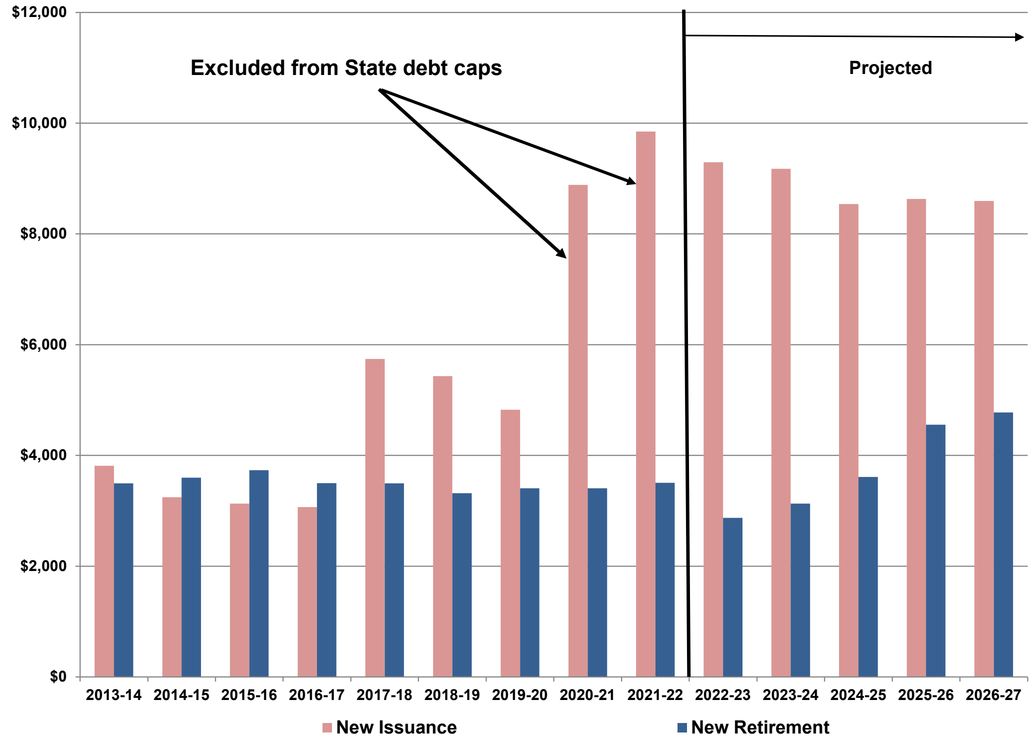
While the Executive Budget discontinues the practice of excluding new debt issuances from the State's debt cap, which occurred in each of the prior two years, average annual issuance of $8.8 billion is projected to be nearly 25 percent higher than the previous five years. The actions from the last two years excluded nearly $19 billion from the State's debt limit, rendering it functionally meaningless.

The Executive Budget also proposes to enhance State PAYGO spending by $6 billion to reduce new borrowings, primarily to avoid issuing more expensive taxable debt but also to supplement funding for transportation needs. However, the increased PAYGO funding only partially offsets the impact from capital spending adds. Even under the existing favorable environment, the Executive Budget reduces State debt capacity to a scarce level of less than $300 million in SFY 2026-27. Furthermore, the significantly increased value of bonded capital adds compounds the risks to financing the State's Capital Plan in the event of an economic downturn or other disruption. Figure 12 illustrates historical and projected new State-supported issuance and retirement through the end of the proposed Capital Plan.

Figure 12

Issuance and Retirement Trends of State-Supported Debt

(in millions of dollars)



Source: Division of the Budget

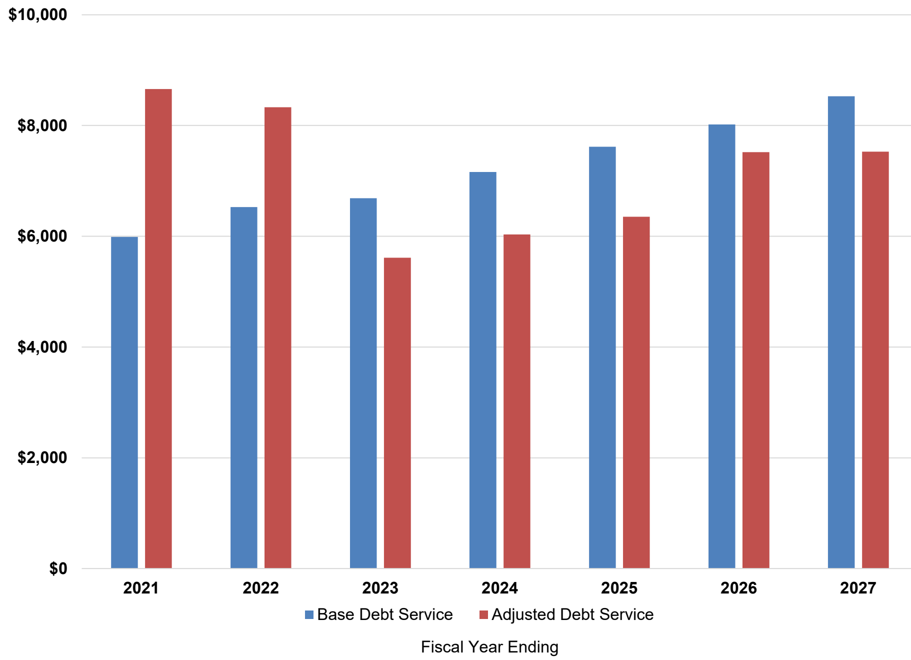
Note: Amounts for SFY 2020-21 do not include short-term borrowing for cash flow needs. Amounts prior to that year reflect actual results.

State-supported debt service is projected to reach $7.5 billion in SFY 2026-27. However, projected debt service throughout the life of the Plan reflects prepayments made in SFY 2020-21 and proposed for SFY 2021-22 that will lower payments annually through SFY 2026-27. Without these prepayments, DOB estimates that debt service would increase to $8.5 billion in SFY 2026-27, representing an increase of 30.6 percent or $2.0 billion from SFY 2021-22 (just under 5.5 percent annually on average). By SFY 2026-27, State-Supported debt service adjusted for prepayments will equal more than six percent of spending from State Operating Funds, compared to 5.8 percent in the current year.

Figure 13

State-Supported Debt Service Before and After Prepayments

(in millions of dollars)



Source: Division of the Budget
Note: Amounts for SFY 2020-21 do not include short-term borrowing for cash flow needs.

New Debt Authorizations

The Executive Budget proposes $16.9 billion in new debt authorizations, including $3.7 billion for various transportation needs including the Dedicated Highway and Bridge Trust Fund, $2.7 billion for various economic development initiatives and $4.9 billion for housing. In addition, the Budget also includes $4 billion in authorization for the Clean Water, Clean Air and Green Jobs Bond Act, subject to voter approval. The increase in the General Obligation Bond Act Authorizations reflects the modification of the Restore Mother Nature Bond Act authorization, enacted in SFY 2020-21. The Executive proposal increases the amount in the authorization from $3 billion to $4 billion and changes the name to the Clean Water, Clean Air and Green Jobs Bond Act.

The Executive Budget again proposes authorizations for up to $5 billion in short-term cash flow borrowings during SFY 2022-23, through PIT Notes and lines of credit. With monthly General Fund balances estimated to average over $31 billion, the Financial Plan does not assume these authorizations will be necessary. In addition, they are redundant to the existing authorization to issue more cost-effective State full faith and credit Tax and Revenue Anticipation Notes (TRANs), subject to the Local Government Assistance Corporation (LGAC) reforms requiring the Governor and Legislative leaders to jointly certify an emergency or extraordinary need.

The Executive Budget proposes a $2.35 billion State commitment to repay a federal transportation loan for the Gateway project. Since the Debt Reform Act only counts “bonds or notes,” this utilizes a loophole in the Act to incur State-supported debt outside of the cap through the federal loan. Otherwise, the State’s debt limit would be exceeded by roughly $2 billion in SFY 2026-27. Further, the Executive Budget suggests categorizing this borrowing as if it were State-related debt. State-related debt, however, reflects debt repaid from non-State sources in the first instance, where State appropriations are contingently available, but typically not expected to be needed, to make payments. (See further discussion in the Transparency, Accountability and Oversight Issues section.)

V. Program Area Highlights

Education

The Executive Budget proposes $31.2 billion in School Aid for school year (SY) 2022-23, an increase of $2.1 billion (7.1 percent) from $29.1 billion in SY 2021-22. This includes:

- $21.4 billion in Foundation Aid, an increase of $1.6 billion (8.1 percent) from $19.8 billion in SY 2021-22. This is the second year of the three-year phase-in of full funding of the current Foundation Aid Formula. Each district would receive at least half of the increase that would be required to reach this full funding level, with a minimum increase of 3 percent even for those districts already at or exceeding full funding. The Budget promises full funding by SY 2023-24;
- $8.4 billion in most other formula-based aids, an increase of $464 million (5.9 percent), from $7.9 billion in SY 2021-22;
- $952 million in Universal Pre-Kindergarten (UPK) aid, an increase of $6.62 million (0.7 percent) from $945 million in SY 2021-22. The proposed total includes $103.36 million in UPK expansion grants supported by the American Rescue Plan (ARP) Act, which is not counted in the $31.2 billion of State-only school aid above. The Budget asserts that this expansion will be fully State-supported by SY 2024-25; and
- $532.6 million in other aid categories, including categorical and competitive grants, down $5 million (0.9 percent) from $537.6 million in SY 2021-22.

This State funding, excepting UPK as noted above, is in addition to any remaining funds from the $13.0 billion in multiyear ARP Act and Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act funds allocated in 2021. These funds are:

- Intended to address COVID-19 pandemic related expenses relating to in-person instruction, learning loss and the social-emotional needs of students resulting from educational disruptions; and
- Mostly distributed according to the same method as federal Title 1 aid, which directs funding to schools with high numbers of economically-disadvantaged students.

In addition to school district funding changes, the Executive Budget proposes two changes to charter schools, increasing:

- Supplemental Basic Tuition payments to school districts by $52 million (39 percent) to $185 million; and
- New York City Charter Facilities Aid by $48.5 million (94 percent), to $100 million.

The Executive Budget also proposes the following changes to non-public school aid:

- Increase STEM Instruction funding from $40 to $55 million, or by 37.5 percent, and capital funding for Nonpublic School Health and Safety by $30 million, for a total of $45 million; and

- Authorize nonpublic schools to revert any unobligated ARP or CRRSA funding to the Governor's Relief Fund, which allows for a broad application of these funds to pandemic-related costs. Currently, ARP and CRSSA funding for nonpublic schools is more restrictive than for public schools, and nonpublic school officials have had difficulty obligating these funds.

The Executive Budget would also:

- Establish the Recover from COVID School (RECOVS) Program, a matching fund of $100 million over two years to help districts with the highest need create or expand summer learning, after school, or extended-day and extended-year programs and expand school-based mental health services. School districts would be required to match this State grant funding with their federal pandemic relief funds;

- Require that all new school buses purchased be zero-emission by 2027 and all school buses on the road be zero-emission by 2035. In addition, the Budget would make electric school bus charging and hydrogen refueling stations eligible capital expenses under Transportation Aid. It would also allow school districts to lease zero-emission vehicles for ten years;

- Provide $35.7 million to capital improvements for three State-funded Native American Reservation Schools to upgrade facilities; and

- Authorize an 11 percent cost-of-living adjustment (COLA) to SY 2022-23 tuition rates paid by school districts and counties to certain special education providers. The Briefing Book estimates that this would result in an annual funding increase of more than $240 million, which would be partially reimbursed by the State.

The Executive Budget includes several new initiatives to address the teacher workforce shortage and educator diversity. The Budget would:

- Incentivize educator diversity with $30 million to establish an Empire State Residency Program, which would provide matching funds to school districts to create two-year residency programs for graduate-level teacher candidates;
- Expand alternative teacher certifications, to provide incentives for people in other professions to work in the classroom while pursuing a master's degree. The Budget includes $10 million to fund program administration related to the expansion of these alternatives. It would also create a temporary professional certification and extend expired certifications to allow teachers to enter or stay in the workforce more easily; and
- Temporarily waive the $35,000 income limit for retirees, permitting those teachers to re-enter the workforce without any effect on pension status or reducing their retirement allowance.

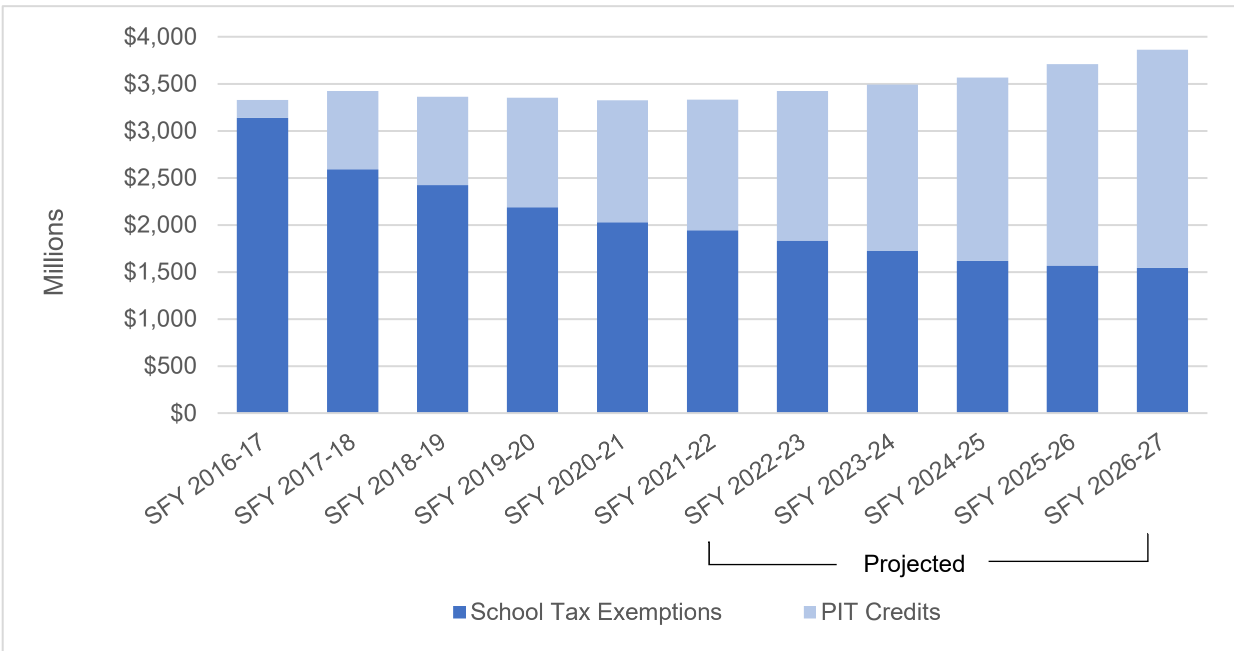
STAR

Overall School Tax Relief (STAR) program costs, including both disbursements for the exemption benefit and the fiscal impact of the tax credits, are projected at $3.4 billion in SFY 2022-23, an increase of $94 million from SFY 2021-22. The Budget includes $1.8 billion in estimated disbursements for the STAR exemption, a decrease of $108 million, or 5.6 percent, from SFY 2021-22, primarily reflecting the continued impact of the conversion of certain STAR exemptions to PIT credits. STAR PIT credits are projected to total $1.6 billion in SFY 2022-23, an increase of $202 million, or 14.5 percent, from SFY 2021-22.

The continued shifting of STAR costs from disbursements to PIT credits is reflected in the level of overall State spending. DOB estimates that STAR program costs paid through State Operating Funds will decline from almost two-thirds of program costs in the current fiscal year to just under 40 percent of the overall cost of the program as of SFY 2026-27 (Figure 14).

Figure 14

Distribution of STAR Costs by Benefit, SFY 2016-17 through SFY 2026-27



Source: Division of the Budget

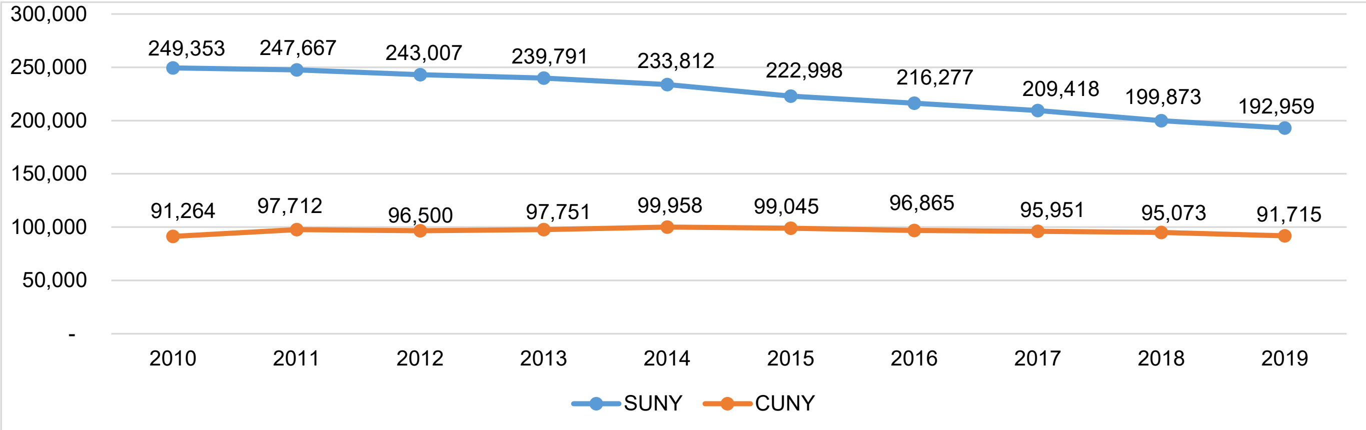
Higher Education

The Executive Budget projects All Funds spending of $9.1 billion for the State University of New York (SUNY), $2.4 billion for the City University of New York (CUNY), $0.8 billion for the Higher Education Services Corporation (HESC), and $17 million for other higher education purposes, an overall decrease of 0.4 percent from estimated spending in SFY 2021-22.

Base aid operating support for community colleges is projected to increase by $3.8 million or 1.0 percent for SUNY and decrease by $2.2 million or 1.0 percent for CUNY. These amounts reflect a proposal to maintain prior year funding at locations with enrollment declines in order to avoid overall reductions of $45 million for SUNY and $35 million for CUNY. As of Fall 2019, community college enrollments had fallen by 17.5 percent at SUNY and 8.2 percent at CUNY compared to Fall 2014, as shown in Figure 15.

Figure 15

Community College Enrollment by System, 2010-2019



Sources: SUNY and CUNY
Note: More recent numbers for SUNY are 173,930 (2020) and 160,516 (2021). These data are not available for CUNY.

The Executive Budget accelerates two initiatives in the current year Budget to provide $127 million more in operating support to SUNY and CUNY in SFY 2022-23. These are the full reimbursement to SUNY State-operated campuses and CUNY senior colleges for the cost of tuition credits provided to certain Tuition Assistance Program (TAP) recipients ($59.6 million to CUNY and $48.8 million to SUNY), and the increase in state support of the two systems for Excelsior Scholarship recipients ($2.8 million to CUNY, $13.7 million to SUNY, $2.1 million to community colleges). The Executive Budget also provides $53 million each to SUNY and CUNY to hire additional full-time faculty (540 at CUNY and 340 at SUNY).

The Executive Budget Capital Program and Financing Plan anticipates $1.7 billion in disbursements for higher education capital projects in SFY 2022-23, including $1.1 billion for SUNY, $549 million for CUNY and $17 million through the Higher Education Capital Matching Grants program. Capital projects appropriations at SUNY and CUNY increase by a net total of $690 million due to new $425 million appropriations each for SUNY and CUNY for various construction and reconstruction projects at SUNY state-operated campuses and CUNY senior colleges and reconfiguration of current funding.

The proposed $1.14 billion in total HESC appropriations that support TAP, Excelsior Scholarship, Enhanced Tuition and various scholarships and awards in SFY 2022-23 decrease by almost $6 million, or 0.5 percent, compared to the current year. Total support includes:

- An additional $150 million to make TAP awards available to any student enrolled in 6 or more credits at SUNY, CUNY or not-for-profit independent institutions including students enrolled part-time in non-degree high-demand workforce credential programs at community colleges;
- $5 million for the proposed repeal of legislation banning incarcerated individuals from receiving TAP awards; and
- $18.6 million to increase state support for Excelsior Scholarship recipients.

The Financial Plan projects use of financial aid to increase in upcoming years.

The Executive Budget also proposes additional funding to both systems for new childcare facilities and for needy students. Specifically, this is composed of $1.2 million to CUNY and $5.4 million to SUNY for childcare centers at community colleges and $5.4 million at SUNY state-operated campuses and $3.6 million at CUNY senior colleges. The proposed $24 million, or 10 percent, increase in educational opportunity and training includes: $10 million for SED programs such as Higher Education Opportunity Program awards, $10 million for SUNY programs such as Educational Opportunity Centers and $4 million for CUNY (Search for Education, Elevation and Knowledge).

The Executive Budget includes the following funding at the current year level:

- $5 million for apprenticeship programs: $3 million for SUNY and $2 million for CUNY;
- $3.8 million for existing child care centers at SUNY and CUNY community colleges;
- $2.5 million for the Accelerated Study in Associates Program at CUNY.

The Executive Budget also contains proposals to:

- Make apprenticeships a qualified use of college savings (529) accounts;
- Prohibit higher education institutions from withholding transcripts for students that owe money to the institution; and,
- Allow temporary operation of certain new curricula and programs that are pending approval by the State Education Department.

Figure 16

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

	SFY 2021-22	SFY 2022-23	Change	Percentage Change
SUNY Subtotal	**9,501**	**9,072**	**(429)**	**-4.5%**
Local Assistance Grants	*443*	*454*	*11*	*2.5%*
State Operations	*8,155*	*7,481*	*(674)*	*-8.3%*
Capital Projects	*903*	*1,138*	*234*	*25.9%*
CUNY Subtotal	**2,072**	**2,355**	**284**	**13.7%**
Local Assistance Grants	*1,655*	*1,804*	*149*	*9.0%*
State Operations	*2*	*2*	*0*	*0.0%*
Capital Projects	*415*	*549*	*134*	*32.4%*
HESC Subtotal	**694**	**785**	**91**	**13.2%**
Local Assistance Grants	*648*	*741*	*94*	*14.4%*
State Operations	*46*	*44*	*(2)*	*-4.6%*
Other Purposes	**18**	**17**	**(1)**	**-4.7%**
Higher Education Total	**12,285**	**12,230**	**(55)**	**-0.4%**

Source: Division of the Budget

Note: State Operations includes General State Charges. Other Purposes is the Higher Education Facilities Capital Matching Grants Program.

Health/Medicaid

The Executive Budget proposes a "more than $10 billion, multi-year investment" in State and federal funding for multi-year initiatives for the State's health care system. These include:

- $3.1 billion in wage increases and bonuses for health care and mental hygiene workers;
- $2.8 billion for safety net hospitals;
- $2.5 billion to increase Medicaid rates by one percent across-the-board;
- $2.4 billion in capital funding for health care facilities statewide;
- $1.3 billion for nursing home staffing and support;
- $1.1 billion to restore previous year Medicaid rate cuts, and
- $500 million for cost-of-living adjustments for human service workers.

Overall federal, State and local Medicaid spending would increase by $8.7 billion or 10.5 percent to $92.2 billion in SFY 2022-23, as shown in Figure 17.

Figure 17

Total Medicaid Disbursement Estimates

(in millions of dollars)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Department of Health	21,933	25,575	27,054	28,463	30,008	31,677
Other State Agency Medicaid Spending	5,547	7,324	5,451	5,652	5,838	6,015
Use of MSA Payments	362	362	362	362	362	362
State Share Total	**27,842**	**33,261**	**32,867**	**34,477**	**36,208**	**38,054**
Federal Share	48,036	50,700	44,787	46,056	48,623	47,673
Local Share	7,559	8,214	8,129	8,064	7,968	8,021
Total Medicaid Spending	**83,437**	**92,175**	**85,783**	**88,597**	**92,799**	**93,748**

Source: Division of the Budget

Note: The State Share total includes amounts ranging from $65 million to $92 million annually for Essential Plan administrative costs. MSA Payments represent proceeds from the Master Settlement Agreement (MSA) with tobacco manufacturers. The MSA Payments and the Local Share are not included in the State's All Governmental Funds disbursement totals.

The increase in overall Medicaid spending is driven by projected increases of $5.4 billion, or 19.5 percent, in State expenditures; nearly $2.7 billion, or 5.5 percent, in federal spending; and $655 million, or 8.7 percent, in local government expenditures.

The increase in State spending is largely due to the expected expiration (in July 2022) of the enhanced federal Medicaid matching funds the State has received during the pandemic, provider reimbursement of minimum wage increases, increased costs and enrollment growth in managed long-term care, and payments to financially distressed hospitals, according to DOB. The Financial Plan assumes approximately $1.2 billion in enhanced federal Medicaid funding in SFY 2022-23, a decrease of $2.4 billion or two-thirds of the current year projection – $995 million of the $1.2 billion provides State share Medicaid savings; the remaining $214 million passes through the State to provide Medicaid savings to local governments.

Unemployment triggered by the pandemic has contributed to an increase in Medicaid enrollment of 21.1 percent since March 2020, to nearly 7.4 million people as of January 2022. The Executive Budget expects enrollment to continue to increase and exceed 7.5 million by

April 2022, but decline to about 6.5 million by April 2023 and then level off at 6.1 million over the next three years as the pandemic winds down and federal prohibitions on disenrolling recipients during the public health emergency end. If enrollment does not decline as DOB projects, risks to the Financial Plan are notable.[7]

In the wake of the pandemic, the Budget proposes a series of statutory and administrative actions intended to improve access to the Medicaid program and various other aspects of New York's health care system. The Medicaid actions include nearly $1.2 billion in new State share spending initiatives in SFY 2022-23, offset by $361 million in savings proposals and $803 million in "surplus" Global Cap funding; $437 million of the surplus is carry-over of unspent current year resources, facilitated by the continued deferral of $1.7 billion in current year State Medicaid payments to SFY 2022-23.

These payments were first deferred from March 2019 to April 2019 to keep State Medicaid spending from exceeding the cap in SFY 2018-19; the State has made similar deferrals, from each succeeding State fiscal year to the next, in order to keep State Medicaid spending under the cap.

The surplus also results from the Budget's statutory proposal to index growth in the global cap to the five-year rolling average of federal Medicaid spending projections, instead of the current ten-year rolling average of the medical CPI. The current cap, according to the Executive, does not account for cost, utilization or enrollment growth in the program. The statutory change would increase allowable growth under the cap by $366 million in SFY 2022-23 and by significantly larger amounts in the out-years.

The Budget would extend the cap, as well as the Health Commissioner's authority to develop and implement a plan to reduce Medicaid spending if it is projected to exceed the cap, for an additional year through March 2024.

The $1.2 billion in new State spending initiatives includes:

- $318.3 million to increase Medicaid rates by one percent across-the-board;
- $250 million for financially distressed hospitals and nursing homes, financed through the collection of a portion of sales tax revenue from counties and New York City;
- $140.8 million to restore the 1.5 percent, across-the-board Medicaid rate cut in effect since April 2020;
- $100 million for financially distressed hospitals;
- $100 million for financially distressed nursing homes, adult care facilities, independent practice associations and accountable care organizations;
- $77.3 million to restore quality incentive funding for managed care and managed long term care plans;

[7] The Office of the State Comptroller report, Medicaid: Enrollment Growth, COVID-19 and the Future, December 2021, available at https://www.osc.state.ny.us/files/reports/pdf/medicaid-enrollment-growth-covid-19-and-the-future.pdf, noted that if the Medicaid enrollment reduction occurs at a slower rate than DOB projects, or if enrollment fails to decline by as much as projected, the State Financial Plan will incur additional, unbudgeted costs.

- $61.5 million for nursing homes to meet minimum staffing requirements, and;
- $5 million to eliminate the resource test and increase the income limit for Medicaid eligibility for seniors and individuals with disabilities to promote continuity of coverage when their Medicare eligibility begins.

The Executive Budget also provides $922.7 million in State Medicaid funding for one-time bonuses of up to $3,000 for certain front-line health care workers, but pays for the bonuses with General Fund dollars rather than through the Global Cap.

The $361 million in savings actions includes:

- $183 million by utilizing the Child Health Plus health insurance program to access federal funding for enhanced pregnancy coverage for women currently covered with State-funded Medicaid due to their immigration status;
- $110.6 million by expanding Essential Plan insurance coverage to include non-institutional long-term services and supports (LTSS), enabling certain immigrants covered with State-funded Medicaid and in need of LTSS to receive them through the Essential Plan;
- $41.2 million by eliminating a prescriber's ability to determine Medicaid coverage of certain medications; and
- $17 million by expanding maternal health services.

The Executive Budget assumes $100 million in savings in SFY 2023-24 by proposing statutory changes to authorize the procurement of Medicaid managed care contracts starting in October 2023, but eliminates the State Comptroller's contract pre-review oversight and State Finance Law competitive bidding requirements, as noted in the Transparency section of this report.

The Budget proposes to increase funding for the Essential Plan, which provides health coverage for over one million lower-income adults not eligible for Medicaid or other health insurance, by $420 million, or 7.3 percent, to more than $6.1 billion, nearly all of which is financed with federal funding. The Budget also proposes statutory changes to expand eligibility for the program from 200 percent to 250 percent of the federal poverty level, provide one year of post-partum coverage for enrollees and their newborn children regardless of any change in income, and provide coverage for individuals with long-term chronic illnesses. These proposals are expected to expand enrollment by nearly 180,000, or 16.7 percent, to 1.2 million New Yorkers and increase program costs by $364 million, or 5.9 percent, to $6.5 billion by March 2024.

In addition to funding Medicaid and the Essential Plan, the Budget proposes nearly $6.1 billion in All Funds spending for various public health programs and initiatives, a decrease of $228.3 million, or 3.6 percent, compared to current year spending projections; State funds public health spending would decrease by $467 million, or 15.8 percent, to $2.5 billion in SFY 2022-23.

According to DOB, the decreases in year-to-year spending largely reflect non-recurring expenses related to the pandemic and timing differences between State outlays and federal reimbursements for pandemic claims. Excluding the impact of pandemic-related spending, All

Funds public health expenditures would increase by $612 million, or 11.2 percent, to approximately $6.1 billion, according to Executive Budget documents.

According to DOB, the $612 million in additional public health spending includes:

- $150 million in anticipated Federal infrastructure funding to improve public water systems (e.g., treatment plants, distribution mains and storage facilities);
- $145 million related to expected delays of expenditures in certain capital projects that are anticipated to be spent in SFY 2022-23;
- $50 million for the "Nourish New York" initiative to purchase surplus food supply from local farmers and re-route it to State food banks;
- $47 million in first-year costs of a three-year program intended to provide financial support to educate health care professionals, including free tuition and instruction, stipends, and child care and transportation assistance;
- $39 million to support career flexibility for direct care workers;
- $25 million in grants to restaurants offering meals and other food items to New Yorkers within distressed or underrepresented communities; and
- $20 million to help create a new office of workforce innovation within DOH.

The Health Care Reform Act (HCRA), established in 1996 and currently authorized through March 2023, plays a significant role in financing State health care services. Both receipts and disbursements for programs identified in the Budget's HCRA Financial Plan are projected to total $6.5 billion in SFY 2022-23, increasing by $111 million, or 1.7 percent, and by $95 million, or 1.5 percent, respectively.

Support for State share Medicaid funding from HCRA resources is projected to increase by $26 million, or less than one percent, to over $4.3 billion in SFY 2022-23. The Budget also projects HCRA support for the Child Health Plus (CHP) program to increase by $84 million, or 1.6 percent, to $806 million in SFY 2022-23, largely due to the expiration of enhanced federal resources provided through the Affordable Care Act and expected growth in enrollment and utilization. The Budget projects CHP enrollment to grow by 35,461 individuals or 8.7 percent to 442,728 by April 2023. Among HCRA receipts, the Budget expects revenue from the covered lives assessment on private health insurers to increase by $135 million or 13.3 percent to nearly $1.2 billion and cigarette tax receipts to decrease by $30 million or 4.5 percent to $641 million in SFY 2022-23.

The DOH workforce is projected to increase by 560 net FTEs, or 10.3 percent, to 5,980 by March 2023. This increase largely reflects new FTEs related to the phased takeover of local district administration of the Medicaid program, as well as additional health facility surveillance operations, rebuilding of DOH's public health management capacity, and the creation of the Office of Workforce Innovation and the Office of Medicaid Innovation within DOH.

The Budget recommends $49.0 million in All Funds spending for the Office of the Medicaid Inspector General (OMIG) in SFY 2022-23, an increase of $779,000 or 1.6 percent compared to current year projections. The Budget proposes no change in the OMIG workforce of 515 FTEs. Preliminary results indicate OMIG achieved $3.1 billion in Medicaid cost savings and recoveries in SFY 2020-21, an increase of $152 million or 5 percent, over the prior year, according to information provided by the Acting Medicaid Inspector General to the Legislature in February 2022.

All Funds spending for the State Office for the Aging (SOFA) would decrease by $77 million, or 22.1 percent, to $272.0 million in SFY 2022-23. Similar to spending projections for DOH public health programs, year-to-year reductions in projected All Funds SOFA expenditures largely reflect non-recurring expenses related to the pandemic and timing differences between State outlays – for nutrition assistance, for example – and federal reimbursements for pandemic claims, according to DOB.

Excluding the impact of pandemic-related spending, All Funds SOFA expenditures would increase by $5 million, or 1.8 percent, to $273 billion, according to Executive Budget estimates. This increase largely reflects Budget actions to provide $5.9 million for a 5.4 percent cost-of-living adjustment for not-for-profit providers funded, licensed or certified by SOFA, $2.9 million for a series of new initiatives to expand services for older New Yorkers, $750,000 for an elder abuse pilot program in up to 10 counties, and $500,000 to create a State Master Plan on Aging. These increases are offset in part by the elimination of $6 million in Legislative initiatives funded in the current year's budget.

The Budget proposes various other statutory changes, including legislation to:

- Implement health care workforce bonuses;
- Increase annual base grant funding to full-service local health departments;
- Increase Medicaid rates by one percent across-the-board;
- Establish a new $1.6 billion capital program to finance statewide health care facility transformation projects;
- Increase the income limit for Medicaid eligibility for seniors and individuals with disabilities;
- Require all accident and health insurance policies to provide abortion coverage without copays, coinsurance or annual deductibles unless the policy is a high-deductible plan;
- Expand covered health services in the CHP program and eliminate monthly premiums for lower-income families;
- Eliminate a prescriber's ability to determine Medicaid coverage of certain medications; and
- Provide a 5.4 percent cost-of-living adjustment in SFY 2022-23 for certain human services programs.

Mental Hygiene

All Funds spending for the State's five Mental Hygiene agencies – the Office for People with Developmental Disabilities (OPWDD), the Office of Mental Health (OMH), the Office of Addiction Services and Supports (OASAS), the Justice Center for the Protection of People with

Special Needs (Justice Center), and the Developmental Disabilities Planning Council (DDPC) – is projected to increase by $2.6 billion, or 30.6 percent, to $11.1 billion in SFY 2022-23.

The $11.1 billion in All Funds disbursements would support the five State agencies, as follows:

- OPWDD spending would increase by $1.6 billion, or 37.1 percent, to nearly $6.0 billion;
- OMH spending would increase by $577.7 million, or 17.2 percent, to $3.9 billion;
- OASAS spending would increase by $403.9 million, or 56.2 percent, to $1.1 billion;
- Spending for the Justice Center would decrease by $1.4 million, or 2.9 percent, to $48.3 million; and
- DDPC spending would be held flat at $4.2 million.

The Budget provides $275.9 million in new State funding for a 5.4 percent cost-of-living adjustment (COLA) for non-for-profit providers working with OPWDD ($149.1 million), OMH ($93.7 million) and OASAS ($33.1 million) to help raise wages for their direct care staff, direct support professionals, and non-executive clinical staff or respond to critical non-personnel costs before increasing salaries or compensation for executive level employees.

The Budget also proposes $210.0 million in one-time worker retention bonuses of up to $3,000 for certain frontline and direct care and clinical workers providing services on behalf of OPWDD ($133.9 million), OMH ($39.2 million) and OASAS ($36.9 million) in the Mental Hygiene sector. Approximately 35,000 mental hygiene workers employed by the State are also eligible for the bonuses, estimated to cost an additional $105 million in SFY 2022-23. In addition, the Budget provides $40.7 million in new State funding to support minimum wage increases for staff at not-for-profit agencies licensed, certified or authorized by OPWDD ($33.3 million), OMH ($5.4 million) and OASAS ($2.0 million).

The Budget would increase capital funding for mental hygiene projects by $105.3 million, or 20.1 percent, to $630.1 million in SFY 2022-23, including projects at facilities operated and/or licensed by OMH ($48.5 million increase for a total of $382.0 million in overall capital projects funding), OASAS ($38.5 million increase for a total of $103.6 million in overall capital projects funding) and OPWDD ($18.4 million increase for a total of $144.4 million in overall capital projects funding). The additional spending largely reflects disbursements for projects that had been delayed due to the pandemic.

The Budget includes additional funding for OPWDD of: $60.0 million for new services for people entering the OPWDD system for the first time and individuals already receiving services whose needs have changed; $48.0 million for day programs and services; $13.0 million in housing subsidies for individuals with developmental disabilities living independently in their communities; $10 million to increase the number of assessments and re-assessments of eligible children and adolescents in order to align their needs with services provided; $9.5 million for residential providers whose room and board costs exceed projected revenues; and $4.5 million to expand crisis services, reducing emergency room visits. The Budget also includes $330,000 to support creation of the Office of the Chief Disability Officer and three full-time staff, who would be responsible for helping people with disabilities find meaningful employment.

Within OMH, the Executive Budget includes additional funding of: $74 million related to the reinvestment of savings achieved through recoveries of premiums from managed care organizations underspending on behavioral health services in the Medicaid program; $65 million to help existing community-based residential providers afford rising housing costs; $53 million to expand children's community mental health services; $35.0 million to create a crisis hotline system to connect individuals experiencing a behavioral health crisis with suicide prevention and behavioral health crisis counselors, mobile crisis teams and crisis stabilization services; $22 million to reinvest the current year savings from closing 200 State psychiatric beds in community-based services as required in statute, but suspended for a year by the SFY 2021-22 budget; and $7.7 million to expand the Joseph P. Dwyer peer-to-peer veterans' support program statewide. The Legislature has funded this program in certain counties in previous budgets, but previous Executive budget proposals removed it.

For OASAS, the Budget includes additional State funding of: $113.3 million in Opioid Settlement Fund proceeds that will pass through the State to local municipalities; $60 million to expand opioid treatment services; $37 million for behavioral health services funded with savings recovered from managed care organizations underspending on such services in the Medicaid program; $16.4 million in harm reduction services, including expanded access to medications that reverse opioid overdose; and $5.1 million to support 21 full-time positions to administer OASAS prevention, treatment and recovery programs, including a new Division of Harm Reduction.

According to Executive Budget documents, the $1.4 million decrease in All Funds support for the Justice Center is not a spending reduction, but reflects shifting fringe benefits spending from federal funds to General State Charges.

The Budget includes a number of Mental Hygiene-related statutory changes, including proposals to:

- Provide a 5.4 percent COLA for certain programs and services funded, licensed or certified by OPWDD, OMH and OASAS;
- Create a statewide behavioral health crisis hotline by July 2022;
- Require the reinvestment of certain underspending by managed care organizations participating in the Medicaid program back into behavioral health services;
- Require pharmacies to maintain stocks of opioid overdose reversal medications;
- Authorize OASAS to implement a process for certifying and regulating recovery residences, also known as sober homes, for individuals recovering from a substance use disorder;
- Expand the scope of OASAS's alcohol awareness program to include recreational cannabis;

- Authorize OASAS and DASNY to acquire properties for development of mental hygiene facilities for treatment of addiction and make them available by lease, sublease, license or permit to voluntary agencies without a competitive bid or request for proposal process;
- Extend for five years and amend the statute known as Kendra's Law, which establishes court-ordered assisted outpatient treatment (AOT) for individuals with mental illness and a history of hospitalizations or violence. Amendments include authorization for county mental hygiene directors to require service providers to release information about persons receiving AOT;
- Allow OMH to reimburse supportive housing providers for property costs such as rent, mortgage payments, principal and interest on loans; and
- Make permanent OMH and OPWDD authority to appoint temporary operators of programs and services for persons with serious mental illness, and/or development disabilities, and/or chemical dependency.

Human Services

The Executive Budget proposes $9.8 billion in All Funds spending for programs operated by the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) in SFY 2022-23, a decrease of $2.9 billion, or 43.2 percent, from current year spending projections. The decrease is largely related to the one-time nature of federal pandemic funding for the emergency rental assistance program within OTDA and for the child care program within OCFS.

All Funds spending for OCFS would decrease by $746.8 million, or 16.5 percent, to $3.8 billion. Much of this reduction results from a $579 million, or 44.5 percent, decrease in spending from the $2.4 billion in federal pandemic assistance OCFS is receiving for child care services. According to DOB, OCFS expects to spend $1.3 billion of the $2.4 billion in SFY 2021-22 – much of it in stabilization grants to child care providers affected by the pandemic – decreasing to $721 million in SFY 2022-23, including $135 million to increase eligibility for child care subsidies from 200 percent to 225 percent of the federal poverty level and $75 million to support child care worker wages. The Budget proposes to increase State-funded support for the child care program by $134.4 million, or 77.6 percent, to $307.8 million, including $62.5 million to maintain subsidy levels when rates reset in October 2022. Funding for child care subsidies from OTDA's federal Temporary Assistance for Needy Families (TANF) budget would increase by $89.0, or 46.1 percent, to $282.0 million in SFY 2022-23.

In addition, the Budget would increase State adoption subsidies by $19.7 million, or 12.9 percent, to $172.4 million, but reduce State funding for: child welfare programs by $132.3 million to $477.5 million; adult protection and domestic violence services by $49.6 million to $54.1 million; foster care support by $13.3 million to $396.1 million; and youth programs by $9.1 million to $99.2 million.

The Budget proposes OCFS-related statutory changes to:

- Expand income eligibility for child care subsidies from 200 percent to 300 percent of the federal poverty level by April 2024;

- Make permanent the current financing structure for Committee on Special Education (CSE) residential placements outside of New York City;

- Extend the current financial structure for child welfare services for five years through June 2027;

- Update rates of payment for foster care maintenance and adoption subsidies from local social services departments to voluntary agencies and families with adopted children;

- Authorize homeless youth to consent to their own medical, dental, health and hospital services; and

- Prohibit the transfer of juvenile and adolescent offenders under the age of 21 in detention to adult jails without a court hearing and a finding that such a transfer is in the interest of justice.

All Funds spending for OTDA would decrease by $2.2 billion or 26.7 percent to $6 billion in SFY 2022-23, largely reflecting the projected, current year disbursement of almost all of the $2.4 billion in federal pandemic funding the State received for its Emergency Rental Assistance program (ERAP).

The Budget assumes the disbursement of nearly $2.3 billion of the $2.4 billion in federal ERAP funding in SFY 2021-22 and $146 million in SFY 2022-23, a year-to-year decrease of more than $2.1 billion. The Executive has requested nearly $2.6 billion in additional federal funding for tenants and landlords participating in the program, but has so far received $27 million of the amount requested. Current year, supplemental State-funded spending for ERAP – for households previously ineligible for the program and for landlords with tenants who have declined to participate or vacated with arrears – is projected to total $250 million.

The total number of public assistance recipients in the State is expected to increase by 2,516 or less than one percent to 472,440 in SFY 2022-23, primarily reflecting a 3,742, or 1.9 percent, increase in the projected number of single Safety Net Assistance (SNA) recipients, offset by small decreases in the numbers of SNA and TANF families. Total gross public assistance spending (included federal, State and local shares) is projected to increase by $23.0 million, or less than one percent, to $3.0 billion in SFY 2022-23.

State-funded spending for SNA is projected to increase by about $7.5 million, or 1.4 percent, to approximately $553.5 million in SFY 2022-23. By law, the State reimburses local governments for 29 percent of SNA costs, which receive no federal funding. In SFY 2022-23, federal TANF funding for Family Assistance benefits is projected to total $1.1 billion, a decrease of $2.8 million, or less than one percent, from SFY 2021-22.

The Budget proposes statutory changes to increase the amounts Public Assistance applicants and recipients can earn and save while receiving cash assistance and would also require local social services districts to make SNA eligibility determinations within 30 days of receiving an application and eliminate the 45-day waiting period for applicants to receive benefits after eligibility determination.

Other major OTDA budget actions would: provide $110 million in State-funded support for the Empire State Supportive Housing Initiative (formerly funded with monetary settlement funds) to house individuals or families who are homeless or at risk of homelessness and have one or more disabling conditions including serious mental illness and substance use disorder; double the funding for the disability advocacy program to $5.3 million; and increase funding for the summer youth employment program by $1.1 million to $46.1 million.

The Budget also proposes OTDA-related statutory changes to:

- Establish monthly personal need allowance amounts and Supplemental Security Income (SSI) payments for 2022 for recipients in various living arrangements and authorizes those amounts to be automatically increased in 2023 by the percentage of any federal SSI cost-of-living adjustment; and

- Extend the authority of OTDA and OCFS to appoint a temporary shelter operator for emergency shelters for three years through March 2025.

Labor

The Budget proposes State Operating Funds spending of $2.6 billion for the Department of Labor (DOL) in SFY 2022-23, a decrease of $59.8 billion or 95.8 percent compared to SFY 2021-22.

This decrease is largely due to a $57.5 billion reduction in projected unemployment insurance (UI) benefit payments, which increased in the current year to cover payments resulting from the pandemic. During the pandemic, the State experienced a significant increase in individuals filing for UI benefits, which are typically supported by employer contributions. If there are insufficient employer contributions to pay benefits, states may borrow from the Federal government to make the payments. New York began borrowing in May 2020 and, as of December 31, 2021, accrued approximately $9.3 billion in loans, according to budget documents.

The Budget proposes to increase the appropriation for payment of interest costs due on the $9.3 billion the State borrowed from $130 million to $250 million. Information on the U.S. Treasury Department website indicates, “New York state deferred three-fourths of the interest due for [Federal] Fiscal Year 2021 and is required to pay one-third of the remaining interest on or before September 30th for each of the three succeeding calendar years and no interest accrues on the outstanding interest balance” under provisions of the federal Social Security Act. The Treasury Department website shows, net interest due from the State by the end of September 2022 will total about $70 million.

The decrease in DOL State Operating Funds spending also reflects the discontinuance of the $2.1 billion Excluded Workers Fund. This fund, established in the current year Budget and supported with State-only dollars, provided financial assistance to New Yorkers who lost income during the pandemic, but were excluded from various federal relief programs, including unemployment and pandemic benefits, because of their immigration status. DOL is no longer accepting applications for excluded worker payments because all funds have been allocated, according to a notice on the DOL website.

The Budget also advances DOL-related statutory changes, including proposals to:

- Prohibit employers from requiring certain non-compete agreements that restrict employees or prospective employees earning less than the State median wage from obtaining employment in any geographic area for a specific period of time or with any particular employer or in any particular industry; and
- Increase criminal penalties for employers who knowingly engage in wage theft and allow a court to order restitution of wages in the amount underpaid.

Transportation

All Funds spending for the Department of Transportation (DOT), the Department of Motor Vehicles (DMV) and the Metropolitan Transportation Authority (MTA) would total $12.8 billion in SFY 2022-23 under the proposed Executive Budget, an increase of $772.6 million or 6.4 percent from the current year.

Capital Projects

The Executive Budget Capital Program and Financial Plan states that $6.7 billion in State and federal funds is available for the first year of a new five-year DOT Capital plan totaling $32.8 billion that will be used for capital improvements to the State's roads, bridges, and transit systems. The Capital Plan will be supported by SFY 2022-23 proposed appropriations of $1.3 billion for municipal projects, a $500 million increase from the current year for the federal share of rail and congestion relief projects funded by the Infrastructure Investment and Jobs Act (IIJA); and flat funding levels of $538.1 million for the Consolidated Highway Improvement Program (CHIPS); $39.7 million for the Marchiselli program; and $100 million each for Extreme Winter Recovery and the State Touring Routes programs.

The Executive Budget also provides $200 million in SFY 2022-23 as part of a $1 billion, five-year commitment for both a new Operation Pave Our Potholes (POP) program and the existing BRIDGE-NY program. The Executive Budget mentions an additional year of $150 million will be provided for the PAVE-NY program.

Transportation capital spending presented in the Executive Budget Capital Program and Financial Plan is projected to be approximately $7.7 billion, or $63 million (0.8 percent), more in SFY 2022-23. This includes a decrease of $354 million or 7.8 percent in the use of bond proceeds and an increase of $417 million or 13.5 percent in State and federal pay-as-you-go financing. The total provides $6.4 billion for DOT and $931 million for the MTA representing an increase of 22.3 percent and a decrease of 54.3 percent, respectively.

The Budget provides $20 million to non-MTA transit systems as the third year of a five-year $100 million program to purchase electric buses. Capital Projects appropriations for the four major upstate regional transportation authorities (Capital District, Central New York, Rochester, and the Buffalo-Niagara area) are unchanged at SFY 2016-17 Enacted Budget levels.

Statewide Mass Transit Operating Aid

On-budget operating aid to transit systems would total $4.6 billion, a 21 percent increase. This does not reflect $2.8 billion that is available from the direct remittance of certain revenues to the MTA. The MTA would receive about $3.9 billion, downstate non-MTA systems would get $482 million, and upstate systems would receive $261 million. Upstate systems include appropriations in support for the four regional transportation authorities specified above of $209.5 million, an increase of $26.1 million (14.2 percent).

Dedicated Highway and Bridge Trust Fund

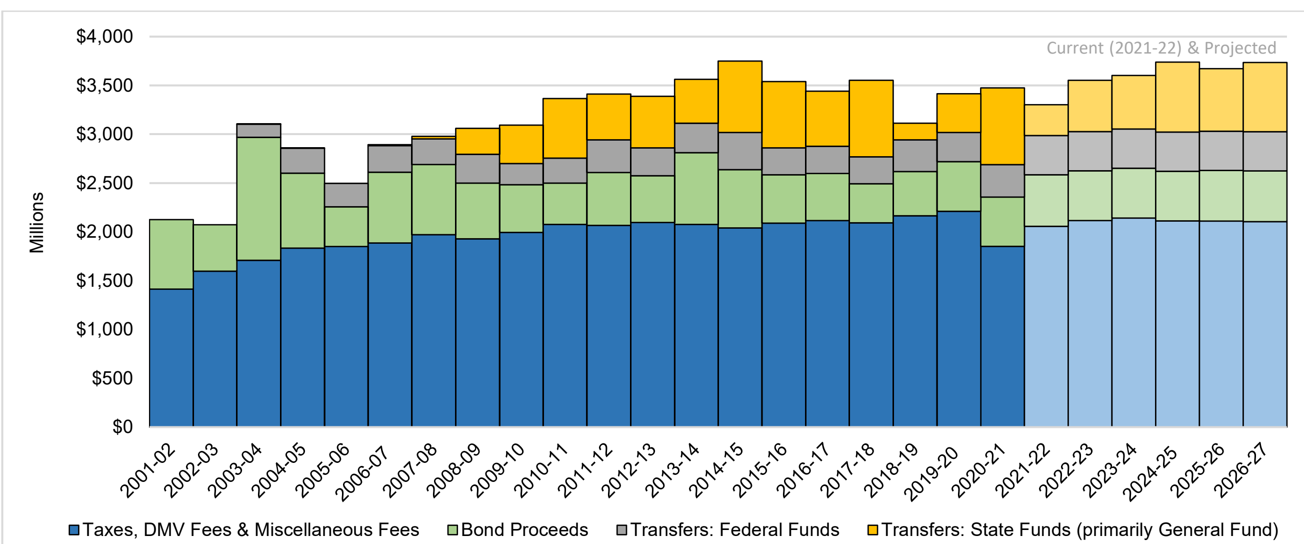
The DHBTF provides funding for the construction and rehabilitation of State-owned roads and bridges, using revenues from highway taxes, motor vehicle taxes and fees, petroleum business taxes and a number of smaller resources to support capital purposes, debt service and State operating costs. When first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

In SFY 2022-23, less than a quarter of the Fund is projected to be spent directly on capital purposes, while more than three-quarters will be used for debt service and State operating costs.

The DHBTF continues to rely on transfers from the General Fund and from the Federal Capital Projects Fund. The General Fund subsidy for the DHBTF in SFY 2022-23 is projected to total $525.4 million, an increase of 66.3 percent. The General Fund subsidy is expected to increase to an average of $654 million in SFYs 2023-24 through 2026-27.

Figure 18

Dedicated Highway and Bridge Trust Fund Receipts



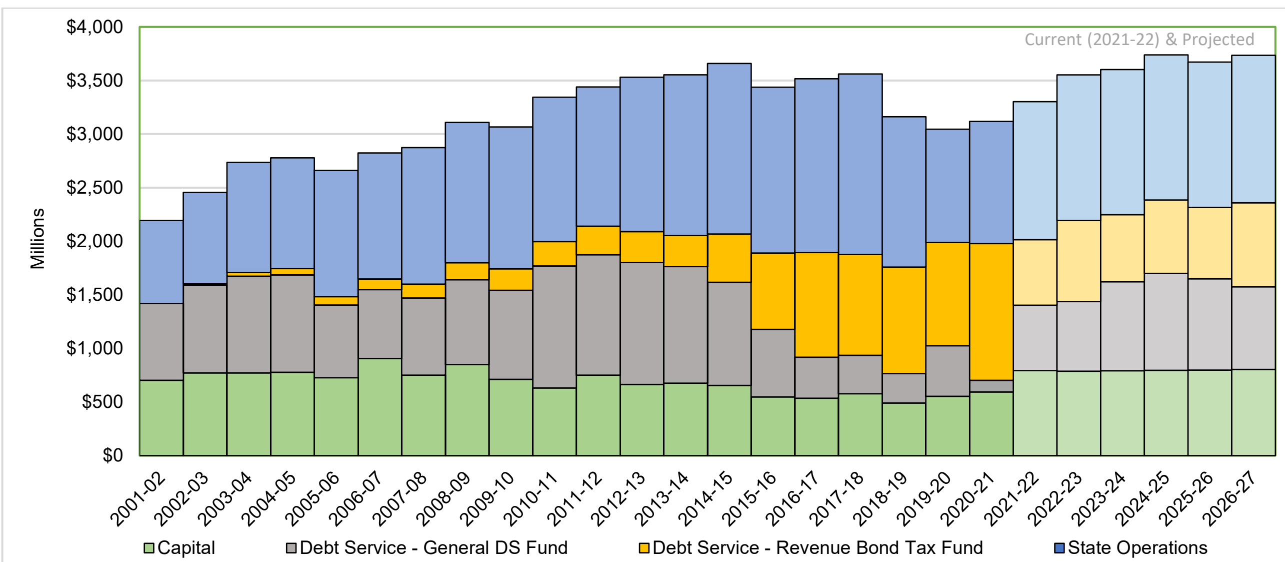
Source: Office of the State Comptroller (2001-02 through 2020-21) and Division of the Budget (2021-22 through 2026-27).

Total projected disbursements and transfers to other funds from the DHBTF in SFY 2022-23 are $3.55 billion, an increase of 7.6 percent. Capital project disbursements are projected to total $787.6 million in SFY 2022-23, a 0.7 percent reduction. Capital spending is estimated at 22 percent of total disbursements (Figure 19).

Debt service requirements from the DHBTF are projected to total $1.4 billion in SFY 2022-23, an increase of 15.1 percent. As a proportion of total spending from the Fund, debt service is expected to increase from 37 percent in the current fiscal year to 39.6 percent in SFY 2022-23. State Operations spending is expected to total $1.36 billion in SFY 2022-23, or 38.2 percent of DHBTF disbursements. DOB projections through SFY 2026-27 indicate that the proportion spent on debt service will increase to 41.6 percent, while the share devoted to State Operations will decrease to almost 37 percent.

Figure 19

Dedicated Highway and Bridge Trust Fund Disbursements



Source: Office of the State Comptroller (2001-02 through 2020-21) and Division of the Budget (2021-22 through 2026-27).

The proposed Budget includes other transportation-related proposals which would:

- Increase penalties for menacing or assaulting transportation officials; failure to exercise caution involving injury to pedestrians and bicyclists; violations from larger commercials vehicles convicted of highway infractions; and violating regulations pertaining to accessing DOT's right of way;
- Authorize local governments to use in-house labor instead of competitively bid private labor on projects up to $750,000 that are funded by the Consolidated Local Street and Highway Improvement Program (CHIPS);
- Double the maximum grant award for the Airport Improvement and Revitalization program from $2.5 million to $5 million;

- Authorize DOT to enter private property abutting DOT rights of way on a temporary basis to perform emergency repairs when highway and bridge functionality is impacted by storm damage, landslide, or retaining wall or drainage failure;

- Add Montgomery County to the Capital District Transportation Authority (CDTA) network and requires the county to provide a local match for these services. Other counties currently in the CDTA network will have their match requirements reduced to reflect Montgomery County's new contribution;

- Extend design-build authorization until 2027 for Dormitory Authority of the State of New York (DASNY), Empire State Development Corporation (ESDC), Office of General Services (OGS), Olympic Regional Development Authority (ORDA), SUNY Construction Fund, Battery Park City Authority, and various New York City agencies that were granted authorization in 2019;

- Exempt any recipient of a New NY Broadband Office grant or new ConnectALL initiative from DOT's fee on the use of right of way for fiber optic cable for the entirety of the recipient's network;

- Expand New York City's bus rapid transit lane camera enforcement pilot program and expands camera enforcement for a variety of City traffic regulations; and

- Increase the NY Thruway Authority's threshold from $15,000 up to $50,000 to exempt goods and services contracts from being subject to procurement guidelines and annual reporting.

Environment and Parks

The Executive Budget projects Department of Environmental Conservation (DEC) All Funds spending to increase by $186.4 million, or 12.9 percent, to $1.6 billion in SFY 2022-23. The proposed Capital Plan projects capital spending at the agency of $1.3 billion in SFY 2022-23. The Budget projects the addition of 94 new full time equivalent staffing lines (FTE) for the agency.

The Budget proposes an appropriation of $400 million for the Environmental Protection Fund (EPF) in SFY 2022-23, an increase of $100 million, or 33.3 percent. Funding appropriated to the EPF's four accounts is increased as follows:

- Climate change mitigation and adaptation is increased by $25.4 million, or 133 percent;

- Open space is increased by $33.1 million, or 21.9 percent;

- Parks and recreation is increased by $27.8 million, or 30.9 percent; and

- Solid waste is increased by $13.7 million, or 34.3 percent.

The Budget projects EPF spending of $370 million, an increase of $105 million, or 39.6 percent. To support this increased spending, the Budget proposes to increase transfers from the

General Fund to the EPF to $100 million annually over the next five years. This is an increase of $72 million, or 257 percent over the General Fund transfer in SFY 2021-22. In addition, the Budget proposes an increase in revenues transferred to the EPF from the State Real Estate Transfer Tax of $257.4 million, an increase of 116.1 percent. Further support for EPF spending is proposed through a transfer of $25 million in revenues from the Regional Greenhouse Gas Initiative, an increase of $20 million, or 400 percent.

The Executive Budget proposes to increase the Restore Mother Nature Environmental Bond Act—scheduled to go before the voters in November 2022—from $3 billion to $4 billion and to rename it the Clean Water, Clean Air and Green Jobs Environmental Bond Act. The additional $1 billion in proposed bonding authorized is allocated among the programs included in the prior proposal. New funding levels are as follows:

- Restoration and flood risk prevention -- not less than $1.2 billion;
- Open space land conservation and recreation – up to $650 million;
- Climate change mitigation – up to $1.1 billion;
- Water quality improvement projects and resilient infrastructure – not less than $650 million; and
- Restore natural resources and reduce impacts from climate change -- $400 million.

The Executive Budget proposes to appropriate an additional $500 million for clean water infrastructure. Between SFY 2015-16 and SFY 2021-22, $4.4 billion has been appropriated for water infrastructure purposes.

The Executive Budget proposes to amend the State's Freshwater Wetlands Law to establish a rebuttable presumption that wetlands that meet certain criteria are subject to regulation. The requirement that wetlands appear on State maps is proposed to be eliminated. The amendments maintain the 12.4 acre (roughly 12.5 football fields) size threshold for wetlands generally, but expand the criteria by which a smaller wetland can be determined to be subject to regulation. These amendments are proposed to go into effect on January 1, 2025. Other amendments, including an increase in required permit fees, provisions for cease-and-desist orders, changes in notice requirements for coastal erosion areas and increasing the maximum civil penalty for violations, will go into effect immediately.

The Executive Budget proposes to extend the State's brownfields cleanup program for an additional 10 years. The proposal offers increased tax credits for sites redeveloped as renewable energy and related facilities, projects that conform to brownfield opportunity area plans, and projects in disproportionately impacted communities. The proposal also extends, for an additional two years, the time by which program participants admitted to the program between 2015 and 2021 may claim tax credits after receiving a certificate of completion. According to the Executive, this extension is intended to account for project delays resulting from economic disruption due to the COVID-19 pandemic.

The Executive Budget also amends the brownfields opportunity area (BOA) program to give the Department of State primary administrative responsibility for the program. Amendments would also allow successful applicants to contract with DASNY for planning, design and construction services. Activities eligible to receive support under the program are expanded to include: renewable energy feasibility studies; legal and financial services; impact analyses;

demolition; site preparation; and asbestos removal. Finally, the list of topics that can be addressed in application materials has been expanded to include measures to support job growth, reduce greenhouse gas emissions, increase climate resilience; and achieve environmental justice.

Other legislation proposed in the budget includes:

- Authority for Suffolk County to create a county wide wastewater disposal district to assist in implementing its sub-watershed wastewater plan;
- Extension of the waste tire fee until 2027;
- Creation of an extended producer responsibility program for packaging;
- A ban on packaging containing certain concentrations of cadmium, hexavalent chromium, lead and mercury by the end of 2022 as well as certain concentrations of per- and polyfluoroalkyl substances by the end of 2024;
- Permission for public school districts to access financing through the New York State Clean Water Revolving Fund to support work on wastewater management projects; and
- Transfer of property tax liability from counties benefiting from flood control projects of the Black River Regulating District to the State.

The Budget projects All Funds spending of $445.7 million for Parks, an increase of $70.4 million, or 18.8 percent. An addition of 53 new FTE is also proposed. The proposed Executive Capital Plan projects $234 million in capital disbursements for SFY 2022-23. Proposed capital appropriations include $202.5 million in New York Works financing to address rehabilitation and improvement needs at State parks, the Empire State Trail and funding for projects of the Olympic Regional Development Authority. The Budget also proposes to eliminate the budget making role of the regional park, recreation and historic preservation commissions as well as the authority of the State Council of Parks, Recreation and Historic Preservation to enter into contracts for parks beautification.

Agriculture

The Executive Budget proposes All Funds spending of $129.1 million for the Department of Agriculture and Markets, an increase of $12.3 million, or 10.5 percent. The agency is projected to add 31 FTEs in the upcoming fiscal year. The proposed Capital Plan projects capital disbursements of $31.5 million for SFY 2022-23. Capital appropriations of $45.6 million are proposed, with $5 million appropriated in support of animal shelters, $3.2 million in support of projects at agribusiness child development centers and a total of $36.7 million in support of efficiency, maintenance and replacement projects at the State Fair.

The Budget proposes local assistance appropriations of $62.9 million in support of a variety of projects including:

- Cornell diagnostic lab services;
- Cornell New York City urban agriculture education and outreach;
- Harvest New York;
- The New York Farm Viability Institute;
- Agricultural economic development;
- Taste New York;

- Farm to school initiatives;
- Non-point source pollution control; and
- Farmland preservation.

Legislation is proposed in the Executive Budget to transfer administration of the national school lunch program from the Department of Education to the Department of Agriculture and Markets. In addition, legislation proposes new or increased agricultural tax credits, including:

- Increasing the investment tax credit for farmers from four percent to 20 percent of qualified investments for the personal income tax and from four or five percent to 20 percent for the Corporate Franchise Tax;

- Increasing the workforce retention tax credit against the personal income tax or corporation tax from $600 to $1,200 per employee; and

- Creating a refundable tax credit against personal income tax or corporation tax equal to the number of hours an employee worked per week above 40 hours and below 60 hours times the overtime rate paid by the farmer less the employee's regular rate of pay.

Energy

The Executive Budget projects All Funds spending of $89.7 million by the Public Service Commission (PSC), $2 million, or 2.2 percent below projected current year spending. The Budget projects an increase of 37 FTEs over current levels.

Legislation included in the Executive Budget authorizes the PSC to require applicants for gas service to pay the entire cost of extending gas lines from the distribution line. Current law requires the utility to cover the first 100 feet of the extension with rate payer funds. In addition, the legislation authorizes utilities to operate geothermal infrastructure to provide energy services to customers.

Other legislation deems that expenses incurred through participation in PSC rate-making, policy development, or siting proceedings by the Department of Agriculture and Markets, the Office of Parks Recreation and Historic Preservation, the DEC, and the DOH are expenses of the PSC and recoverable through assessments on certain electric and gas utilities operating in the State.

The Executive Budget also includes proposals to create or extend energy related tax credits, including:

- Creation of a tax credit equal to 50 percent of expenditures, up to a total of $500,000 per municipality, to convert a boiler operating on number 6 heating oil to operate on biodiesel heating oil, or to replace the boiler with a geothermal heating system. This proposal does not apply to buildings in New York City;

- Extension of the bioheating tax credit for three years to 2026 and the alternative fuels and electric vehicle charging credit for five years through 2027; and

- Exempting tugboats and towboats from the payment of the petroleum business tax for fuel carried in their fuel tanks.

The Executive Budget projects All Funds spending of $25.8 million at the New York State Energy Research and Development Authority (NYSERDA), an increase of $2.7 million, or 11.7 percent. In addition, NYSERDA receives funding off-budget from assessments on utilities and grants. NYSERDA's SFY 2022-23 budget projects spending of $1.7 billion.

To assist in implementation of Climate Leadership and Community Protection Act (CLCPA) the Executive Budget proposes legislation that directs NYSERDA to consider water consumption reduction as well as greenhouse gas reduction and energy savings in the development and enforcement of fixture and appliance efficiency codes. NYSERDA is directed to enforce existing federal appliance efficiency codes and to create codes for many appliances for which no federal code exists. This legislation also amends the cost effectiveness standards applicable to the State's Energy Conservation Construction Codes to include the life cycle costs of new buildings and social benefits including the reduction of greenhouse gas emissions. The State Fire Prevention and Building Code Council is directed to achieve the greatest possible energy savings consistent with applicable cost effectiveness standards and if feasible, require that new construction have zero onsite greenhouse gas emissions no later than 2027. This legislation also proposes to require owners of buildings exceeding 25,000 square feet of floor area to provide NYSERDA with a benchmarking study that reports on building energy use annually.

Legislation authorizes NYSERDA to collect up to $22.9 million from New York State electric and gas utilities. Of these funds, up to $4 million is directed to be transferred to the General Fund for climate related services and expenses of the DEC and $150,000 is directed to be transferred to the General Fund in support of services and expenses of the Department of Agriculture and Markets. In addition, $1 million is directed to be transferred to the University of Rochester Laboratory for Laser Energetics. The remainder is directed to be deposited in the energy research and development operating fund in support of NYSERDA programs. The funding level proposed for SFY 2022-23 is a $175,000 increase. Any funding not expended by NYSERDA or committed to contracts during the fiscal year is directed to be returned to utilities on a pro-rata basis.

Other energy related proposals in the Executive Budget include:

- A requirement that school districts and their transportation contractors only purchase zero emission school buses after July 1, 2025 and only operate zero emission school buses after July 1, 2035;

- Proposed transfers of $23 million in Regional Greenhouse Gas Initiative revenues from NYSERDA to the General Fund and $5 million in such revenues from NYSERDA to the EPF; and

- A proposed transfer of $20 million from the New York State Power Authority to the General Fund.

In addition, $500 million is appropriated in the Urban Development Corporation Capital Budget in support of services, expenses, grants and other costs related to the development of offshore wind ports, manufacturing, supply chain infrastructure and other expenses needed to advance the offshore wind industry.

Housing

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

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

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

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

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

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

Public Protection/Criminal Justice

The Executive Budget proposes increasing State Operating Funds spending for Public Protection and Criminal Justice agencies by $775.1 million, or 21.0 percent, to nearly $4.5 billion in SFY 2022-23. This increase is largely due to a reduction in the amount of eligible payroll costs offset through the Coronavirus Relief Fund (CRF) for the Department of Corrections and Community Supervision (DOCCS) and the State Police, which resulted in lower State Operating Funds spending in SFY 2021-22. All Funds spending would decrease by nearly $1.9 billion, or 19.4 percent, to $7.7 billion in SFY 2022-23, largely due to reductions in the amount of certain DOCCS and State Police payroll costs funded with CRF resources, and a decrease in reimbursement of local COVID-19 claims and disaster assistance grants from FEMA.

As reflected in the Financial Plan, All Funds spending for DOCCS, which represents the largest share (39.0 percent) of overall spending in this grouping, would decrease by $561.1 million, or 15.7 percent, to $3 billion. Changes include a $413.3 million decrease in fringe benefit spending charged to the CRF, as well as a $137.7 million decrease in State Operations spending largely related to the planned closure of six DOCCS correctional facilities in March 2022. In connection with these closures, the Budget projects a net reduction in the DOCCS workforce of 1,096 FTEs, or 4.0 percent, to 26,423 salaried positions by March 2023.

The Budget proposes $4 million for a "jails-to-jobs" initiative intended to help incarcerated and formerly incarcerated New Yorkers re-enter the workforce and reduce recidivism. This initiative includes $2.5 million for a pilot program to provide parolees with transitional housing within a DOCCS minimum security facility while they look for a job and permanent housing. Parolees who secure approved housing are eligible for a temporary stipend of $100 per week to help pay for household costs for twelve weeks. Other elements of the jails-to-jobs initiative include restoring Tuition Assistance Program (TAP) eligibility for New Yorkers incarcerated in any federal, State or other institution; training parole and probation officers to help parolees find a job; eliminating the $30 monthly supervision fee DOCCS requires most parolees to pay; filling four vacant seats on the State Parole Board; and prohibiting members of the Board from holding outside employment.

The Budget proposes statutory changes to seal certain felony records after seven years and misdemeanor records after three years, following completion of a sentence.

All Funds spending for the Division of Homeland Security and Emergency Services (DHSES) would decline by nearly $1.2 billion, or 30.9 percent to $2.6 billion in SFY 2022-23. This is primarily driven by slower than projected reimbursement of local COVID-19 claims and disaster assistance grants from FEMA, according to DOB. The Budget proposes $4.5 million, supplementing $1 million in current year funding, to expand the agency's cyber incident response team (CIRT) from 9 FTEs to 37 positions. The CIRT provides risk assessments and training for State agencies, public authorities and local governments. The Executive Budget includes $25 million in capital appropriations to build a new State emergency operations center in Albany.

The Budget proposes to decrease All Funds spending for the Division of State Police by $202.9 million or 17.8 percent to $935.7 million in SFY 2022-23. This decrease largely reflects a reduction in the amount of certain State Police payroll costs funded with CRF resources, offset in part by an increase in State costs to replace these resources and to fund recruiting classes, gun tracing efforts and partnerships with local law enforcement. The Budget would increase the State Police workforce by 104 FTEs, or 1.8 percent, to 5,879 positions by March 2023. Of the additional positions, 81 would enable the State Police to increase the number of community stabilization units, which partner with local law enforcement agencies to address community-specific crime problems.

All Funds spending for the Division of Criminal Justice Services (DCJS) is projected to decrease by $477,000, or less than 1 percent, to $356.8 million in SFY 2022-23. This decrease reflects a $38.0 million net reduction in Local Assistance spending, offset in part by a $37.5 million increase in capital disbursements. The net decrease in Local Assistance spending largely results from removal of $80 million in funding for prior and current year Legislative initiatives and a $40 million reduction in grants to counties to meet evidence disclosure requirements in criminal proceedings, offset in part by a $73.5 million increase in support for local gun violence prevention efforts and $10 million in new funding for pre-trial detention diversion services in localities outside of New York City.

The gun violence prevention initiatives include:

- $20 million in new funding to help up to 10 areas experiencing increases in gun-involved crimes repair and rebuild their communities;
- $18.6 million in additional support for crime reduction, youth justice and gang prevention programs;
- $16.1 million in additional support for community-based gun violence outreach programs;
- $15 million in new funding for crime analysis centers to solve and prevent gun-related crime; and
- $3.8 million in additional State funding for local law enforcement gun violence elimination activities.

The $37.5 million increase in DCJS capital disbursements would support grants to communities affected by gun violence, as well as safety and security projects at non-profit organizations at risk of hate crimes or attacks. In addition, the Budget proposes statutory changes to make permanent the 2020 initiative that requires the Manhattan District Attorney to transfer $40 million per year in asset forfeiture dollars to a State fund to help counties meet evidence disclosure requirements in criminal proceedings.

All Funds spending for the Division of Military and Naval Affairs (DMNA) would increase by $107.7 million or 78.4 percent to $245.1 million in SFY 2022-23. This increase reflects the shift of $57 million in personal service costs from capital to State operating funds for the agency's Joint Task Force Empire Shield. The primary goal of the task force is to deter and prevent potential terrorist operations in the New York City metropolitan area, according to DMNA. According to DOB, the shift is a technical realignment reflecting the ongoing deployment of national guard resources that had been considered temporary in nature. The Budget proposes to increase overall DMNA capital spending by a net $49.2 million, or 76.0 percent, to $113.8 million in SFY 2022-23. The increase supports plans to renovate, replace and expand National Guard armories, training centers, and equipment maintenance facilities across the State. According to DOB, much of the increase reflects COVID-related expenses that are expected to be reimbursed by FEMA.

All Funds spending for the Office of Indigent Legal Services (OILS) would increase by $6.4 million, or 2.0 percent, to $329.4 million and reflects a $50 million increase (to $250 million) in the appropriation for implementing the five-year, statewide initiative to improve New York's system of public defender services. The Budget proposes to reduce All Funds spending for the Office of Victim Services (OVS) by $31.2 million, or 16.9 percent, to $153.6 million. The

decrease primarily reflects a $50 million reduction in available federal funding for local crime victim services, partially offset by a $15.0 million increase in State-funded local assistance. The Budget also provides $1.8 million in spending for a new Commission on Prosecutorial Conduct, created by Chapter 153 of the Laws of 2021, to review and investigate complaints about the conduct of prosecutors in the State.
Other statutory changes in the Executive Budget include proposals to:

- Allow incarcerated individuals to be placed in appropriate State and local correctional facilities that align with their gender identities;
- Expand educational release and furlough eligibility for incarcerated individuals;
- Authorize DOCCS to obtain certified birth certificates on behalf of incarcerated individuals; and
- Expand benefits for victims of hate crimes and other acts of violence by increasing the monetary cap on losses of certain property from $500 to $2,500.

The Executive Budget includes a second piece of standalone legislation that proposes a constitutional amendment to allow public-private partnerships and/or a "prison industries certification program," resulting in new private-sector job opportunities for incarcerated individuals. The prison industries certification program would involve certifications by the US DOJ pursuant to federal law which provides for these programs and requires payment of prevailing wage to the incarcerated under such programs. A constitutional amendment is needed for this because, currently, the State Constitution limits the employment of incarcerated individuals while serving a sentence to government or voluntary not-for-profit endeavors and prohibits such work to result in a product or profit for a private person or entity. This program would become effective January 1, 2024 following passage in two successive legislative sessions and subsequent approval by the voters.

A corresponding amendment to the Corrections Law is included in the Budget which authorizes the Department of Corrections and Community Supervision to enter into contracts with private individuals or entities to set up workspaces in correctional facilities and employ the incarcerated, either under a prison industries certification program pursuant to federal law or under a separate contractual arrangement. No State spending is currently proposed for this program.

Economic Development

All Funds appropriations for the Department of Economic Development (DED) and the Empire State Development Corporation (ESDC) would total $4.1 billion in SFY 2022-23 under the proposed Executive Budget, an increase of $2.1 billion or 105.8 percent.

The proposed increase is largely the result of $3.1 billion in new Capital spending partially offset by $1 billion in reduced local assistance spending that includes:

- $1.45 billion for the ConnectALL Broadband Initiative to provide affordable broadband access to New Yorkers in rural and urban areas statewide. Of this total, $1.15 billion is from federal funding allocated to New York from the federal American Rescue Plan Act and the Infrastructure Investment and Jobs Act (IIJA);

- $800 million in federal funding for a New York State Regional Economic and Community Assistance Program to foster commercial and workforce development, tourism promotion, and community and urban revitalization;
- $500 million for offshore wind port and supply chain infrastructure connected to the offshore wind industry;
- $250 million for a new revitalized Restore NY Initiative;
- $350 million for workforce development reforms that include the creation of a new Office of Workforce and Economic Development at ESDC that will coordinate efforts statewide through the State's Regional Economic Development Councils and other State agencies; and
- The elimination of $600 million in one-time federal relief funding for the State Small Business Credit Initiative Program, and $825 million for the State Small Business Pandemic Relief program.

The Executive Budget proposes level funding at DED of $25.6 million for the Centers for Advanced Technologies (CAT) and Centers of Excellence (COE) programs, and includes funding previously provided by the Legislature and maintains support of $5 million each for the High Technology Matching Grants Program and the Innovation Hot Spots and Incubators Program.

The Budget includes other economic development proposals which would:

- Expand the Excelsior Linked Deposit program to include community development financial institutions (CDFIs) and includes business projects funded by CDFIs as eligible projects for reduced rate financing;
- Create a new Small Business Seed Funding Grant Program to provide grants or technical assistance to early-stage businesses. To be eligible, a business must have begun on or after March 1, 2019, and must have been operational for at least six months prior to submitting an application for assistance; and
- Create a social equity fund consisting of debt or equity assistance to give financial assistance for the development of retail cannabis dispensaries. Funds would assist with the fixed capital costs of establishing retail dispensaries, including leasing, purchasing, construction, and design costs.

Lottery and Gambling

Gaming revenues are estimated to increase significantly, by $1.8 billion in the current fiscal year due to the full year reopening of gaming facilities, the expected resumption of payments from the Seneca Nation under the Tribal-State Compact program, and initial collections from mobile sports betting. The Executive Budget projects lottery and gaming revenues in SFY 2022-23 to decrease by $467 million, from $4.8 billion to $4.3 billion. This reflects the full year impact of mobile sports wagering of $357 million being more than offset by the absence of the back payments due from the Seneca Nation.

Receipts from traditional Lottery games are projected to decrease by 2.1 percent, to $2.5 billion, in SFY 2022-23, due to a larger administrative surplus in SFY 2021-22 than in previous years. Collections from Video Lottery Terminal (VLT) facilities and commercial casinos are projected to decrease slightly, by 0.9 percent. Commercial casino receipts are expected to increase by just $1 million, to $170 million, while those from VLTs are projected to decrease by $12 million due to additional agent commissions being paid out at the Saratoga and Finger Lakes facilities.

In 2018, an arbitration panel was formed to determine whether the Seneca Nation was required to make payments to the State on revenues received from the Nation's gaming operations. On January 7, 2019, the panel ruled that the Nation was liable for these payments. The Nation has appealed this ruling, and, in October 2020, the ruling was before the Court of Appeals. In December 2021, the ruling for the State to receive these payments was upheld. The Budget assumes the collection of these revenues, approximately $470 million, in the current fiscal year.

While appropriations in the current fiscal year under the Tribal-State Compact program reflect the distribution of the local portion of the outstanding payments due from the Seneca Nation, as well as the regular payments under compacts with the State's other tribes, the Executive Budget would increase the Aid to Localities appropriation in SFY 2022-23 by $69 million in the event the payments due from the Seneca Nation are delayed into the next fiscal year.

The Budget also authorizes the creation of three commercial casinos downstate. The process for licensing the new casinos would essentially mirror the process for the upstate casinos; the New York State Gaming Facility Location Board (the "Board") reviewing applications and awarding licenses.

Since the Board was disbanded after the awarding of the four upstate casino licenses, it would have to be re-formed, comprised of five members appointed by the Gaming Commission. Once the Board is created, a request for applications (RFA) for the gaming licenses is required to be issued within 90 days.

The Board would be responsible for setting the amount of the license fee, however, the Gaming Commission would, subject to a competitive bidding process, set the amount of the tax on gross gaming revenue of the three new casinos. Because DOB does not include a timeline for the creation of the Board or the awarding of licenses, the Budget does not include any projected revenues from these new casinos.

Local Governments

The Executive Budget proposes changes to the Aid and Incentives for Municipalities (AIM) program, which has been the largest source of unrestricted aid to local governments since it was implemented as part of the SFY 2005-06 Enacted Budget.

- Overall, AIM funding would be restored, after cuts first made in SFY 2019-20, with an increase of $59.1 million to $715.2 million, which closely matches the annual AIM appropriation from SFY 2011-12 through SFY 2018-19;

- Cities outside of New York City and the 137 towns and villages that have continued to receive AIM since SFY 2019-20 would receive the same AIM payments;

- The State would make the $59.1 million in AIM payments to 1,325 towns and villages that received AIM-related payments since December 2019. The SFY 2019-20 Enacted Budget shifted responsibility for these payments from the State to counties by requiring AIM-related payments to be made from county sales tax collections withheld in the same amounts these towns and villages had received from the AIM program in SFY 2018-19.[8] This shift is proposed to be eliminated.

The Executive Budget would make permanent the withholding of sales tax collections to fund the Distressed Provider Assistance (DPA) Account.[9] The SFY 2020-21 Enacted Budget required the Office of the State Comptroller to withhold sales tax collections in the aggregate amount of $50 million from counties outside of New York City and $200 million from New York City and place them into the DPA, annually, for two years "to provide critical support to financially distressed hospitals and nursing home facilities throughout the State."

The Executive Budget maintains:

- Aid to Municipalities with Video Lottery Gaming Facilities (VLT Aid) for the City of Yonkers at $19.6 million, and $9.3 million for the other 15 municipalities that host VLT facilities;

- $3.8 million to Madison County, which hosts a gaming facility, for gaming facility aid; and

- A total of $217,300 for aid to Essex, Franklin and Hamilton counties.

The City of Albany would receive $15 million in unrestricted State aid, a $3 million increase from the SFY 2021-22 Enacted Budget.

Various competitive grant programs would be continued, including:

- Reappropriation of $75.8 million to fund municipal grants and loans for the Financial Restructuring Board for Local Governments (FRB);

- $35 million to fund the Citizens' Re-Organization Empowerment Grants and Citizen Empowerment Tax Credits, and $4 million for the Local Government Efficiency Grant Program, reflecting an increase of $1.75 million and $200,000, respectively, from SFY 2021-22. The SFY 2021-22 Enacted Budget capped payments to local governments from these programs at 95 percent of any amounts awarded. The Executive Budget would restore full funding for both programs; and

- An appropriation of $150 million for another round of funding for public-use airports located outside of New York City. This initiative provides funding for airport development projects as well as for the improvement of facilities and measures to enhance accessibility of such airports. This funding would be expanded to airports in counties or

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

[9] For more information on the Distressed Provider Assistance Account, please see OSC's website at: www.osc.state.ny.us/local-government/data/distressed-provider-assistance-account

cities with a population of less than two million, an increase from the population limit of less than one million in past years.

The Executive Budget includes funding for local government transportation purposes:

- Funding for the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program would be held flat, at $538.1 million and $39.7 million, respectively. The Budget includes legislation which would increase the competitive bidding threshold for local governments undertaking street or highway projects using CHIPS funding from $350,000 to $750,000;

- $100 million would be provided to compensate local governments for extreme winter recovery;

- State Touring Routes Aid: The Executive Budget continues a program first established in SFY 2021-22 by appropriating $100 million to cities, towns and villages for reimbursement of eligible capital costs of local highway and bridge projects;

- Executive Budget documents state that $150 million is available to continue the PAVE NY program and $200 million in funding for BRIDGE NY, an increase of $100 million; and

- A new five-year, $1 billion road program, Operation Pave Our Potholes (POP), would provide $100 million in SFY 2022-23 to local governments to improve road conditions and prevent deterioration.

The Budget does not include Appropriation or Article VII language specifically associated with PAVE NY, BRIDGE NY and POP programs; rather, proposed amounts for these programs are strictly referenced in other Executive Budget public documents.

In addition, the Executive Budget proposes:

- Reappropriations of $2 billion of the $2.5 billion originally appropriated for Clean Water Infrastructure Act projects in the SFY 2017-18 Enacted Budget, and includes an additional $500 million capital appropriation for various types of drinking and wastewater infrastructure and water quality protection, including but not limited to State-owned Water Infrastructure Improvement Act (WIIA) projects;

- A $250 million appropriation and reappropriations totaling $531.9 million for costs relating to raising the age of juvenile jurisdiction;

- A new capital projects appropriation of $100 million for another round of the Downtown Revitalization Initiative. The Executive Budget also provides $100 million to establish the NY Forward program to support smaller, rural communities; and

- A reappropriation of $210.9 million to fund the State's match of net savings realized from approved county-wide shared service initiative (CWSSI) plans. The Executive Budget also proposes:

- CWSSI funds could be used for shared service projects previously proposed, but not implemented;

- Time limits on the submission of applications after the implementation year concludes; and

- CWSSI payments to local governments will no longer be capped at 95 percent of any amount awarded.

The Budget includes several other legislative proposals that could affect local governments:

- Grant permanent authority to all 57 counties outside of New York City and the five cities that currently have sales tax rates in addition to those already established in law to impose a local sales tax at the greater of either an additional 1 percent or their currently authorized additional rate. This change would eliminate the periodic need for local governments to seek the Legislature's approval to extend these rates;

- Require vacation rental marketplace providers to collect sales tax on vacation rentals that they facilitate;

- Create greater consistency in State and local ethics laws by prohibiting municipal officers from accepting gifts of more than a nominal value, if it could be reasonably inferred that the gift was intended to influence the officer. Also, the definition of conflict of interest is expanded to include contracts involving "familial members"; and

- Change the interest rate charged to local governments and the State on court judgements or accrued claims, from the current fixed rate of 9 percent to a market rate.

New York City

New York City has continued to manage its budget within the context of an uneven recovery, with slower-than-anticipated employment growth offset by strength in the financial markets in City Fiscal Year (CFY) 2021. Amid continued economic uncertainty, the City has leveraged significant federal relief aid to maintain current services, expand public health and education programs and provide short-term revenue relief.

According to the State, the Executive Budget provides a net increase of more than $500 million to the City in CFY 2023, mostly due to increased foundation aid of $346 million and increased expense-based and categorical school aid of $186 million. The City would ultimately receive $106 million more than projected in its current budget for public schools. The Executive Budget also includes $108 million more than the City anticipates in aid for roads and transit, but would permanently divert $200 million of City sales tax revenue to help distressed healthcare providers.

Other proposals that will affect the City's budget include:

- Grants for human services will be $8 million lower in CFY 2022, but on a net basis $42 million higher in CFY 2023, mostly from maintaining the childcare market rate and increasing adoption support;

- General Public Health Work funding to the City would increase by $2.7 million In CFY 2022 and $13.5 million in CFY 2023, as the State is increasing the subsidies to local health departments; and

- Providing small business tax relief will cost the City $10 million in CFY 2022 and $20 million in CFY 2023, but modernizing the tax law to include vacation rentals is expected to bring in $28 million to the City's budget in CFY 2023.

Other proposed legislation that may impact the City includes the following:

- Increasing appropriations for charter school facilities aid and for supplemental basic tuition payments for charter schools by $49 million and $52 million, respectively, some of which may flow to the City;

- As a result of the Budget's proposal to require local social service districts to pay 100 percent of the rates reimbursing the cost of foster care along with the State increasing the rates that must be paid, the City estimates that its costs will increase by $117 million annually;

- The Budget will fund 20 new Safe Options Support Teams statewide that will provide intensive outreach and care coordination for street homeless individuals, including homeless people located in the New York City subway system, as they transition to housing and support services;

- Extending mayoral control of the New York City school system for four years;

- Establishing a new property tax break program replacing the current "421-a" program for developers who offer affordable, newly constructed apartments in the City over the next five years. Affordability is defined by building size and ownership: For rental buildings with 30 or more units, 25 percent of the units must be affordable with specific area median income (AMI) restrictions included. For rental buildings with less than 30 units, 20% of the units must be affordable to those making 90% of AMI. For condos and co-ops, 100% of the units must be affordable to those making 130% of AMI, adjusted for family size. The bill also specifies the affordability and tax benefit periods for each type of development and establishes wages for construction workers hired for projects with 300 units or more in certain prime development areas in Manhattan, Brooklyn and Queens;

- Authorizes the City to establish a program to legalize pre-existing accessory dwelling units;

- Allowing the City to increase the maximum residential floor area ratio of 12.0 to allow for denser residential development;

- Extending the initial application deadline for the NYC Musical and Theatrical Tax Credit from December 31, 2022 to June 30, 2023, and increasing the cap for the credit from $100 million to $200 million to provide one-time aid to eligible productions and revitalize tourism in New York City;

- Committing $2.4 billion of State funding to Amtrak's Gateway project which would build an additional rail tunnel between New York and New Jersey and also rehabilitate the existing tunnel;

- Making permanent an annual $40 million transfer from the Manhattan District Attorney office's deferred prosecution agreements to the State Criminal Justice Discovery Fund to support localities' expenses related to digital evidence transmission technology;

- Authorizing Class B hotels in the City in or near a residential area to convert their units into permanent residences without the need to change their certificates of occupancy and to allow certain office buildings in the City to be converted into Class A multiple dwellings; and

- Extending authorization to use design-build contracts for certain projects in the City until 2027.

Metropolitan Transportation Authority

The Executive Budget also provides $6.6 billion in State operating aid in FY 2023 to the Metropolitan Transportation Authority (MTA), including resources collected by the State and sent directly to the MTA without appropriation. On-budget MTA assistance will increase over 24 percent, from $3.1 billion to over $3.8 billion. This is $337 million more than the MTA budgeted in 2022.

Other proposals that impact the MTA includes:

- Increasing the threshold for mandatory use of design-build contracts at the MTA from $25 million to $200 million for new construction or $400 million for the rehabilitation or replacement of existing assets; and

- Extending the authorization of municipalities in the MTA district to enter into tax-increment financing agreements with the MTA until 2032.

- Procurement actions that include:

    - Raising the threshold for discretionary procurements at the MTA to minority and woman-owned businesses, service-disabled owned businesses and other small businesses from $1 million to $1.5 million;
    - Shortening the time required from publication of an advertisement for bids to the opening of bids from 15 days to 10 days except for public work contracts;
    - Allowing MTA to use existing government contracts; and

    - Allowing the MTA to review its qualified products list once per year instead of twice per year.

- Requiring utility companies to review and approve MTA's designs to relocate utilities, and to relocate them within a reasonable time frame set by the MTA with consultation with the utility;

- Expanding the number of transit workers for which it is a felony to attack and physically injure, and creates the new crime of aggravated harassment of a transit worker in the second degree for on-duty public facing transit workers;

- Expanding authorization for automated enforcement cameras for violations of existing rules regarding bus operations to now include stopping, standing and parking in bus stops, double parking and turning violations. Revenue from these violations would be remitted to the MTA; and

- Increasing penalties and enforcement of toll violations at all MTA bridge and tunnel crossings, Port Authority crossings and for violations of congestion pricing charges in Manhattan.

State Workforce

The Financial Plan indicates that the overall size of the State workforce (excluding the Legislature and the Judiciary) is projected to be 184,167 full-time equivalent (FTEs) employees at the end of SFY 2022-23. This increase is the net result of an estimated 17,776 attritions and 19,713 new hires. The State workforce subject to Executive control at the end of SFY 2022-23 is estimated to have risen by 997 FTEs or 0.8 percent. Major changes, on an All Funds basis, include:

- DOCCS, a net decrease of 1,096 FTEs largely from the planned reduction in prison capacity;

- DOH, a net increase of 560 FTEs mainly due to the takeover of county Medicaid administrative functions;

- CUNY and SUNY, net increases of 540 and 340 FTEs respectively due to increased hiring of full-time faculty;

- Department of Transportation (DOT), a net increase of 338 FTEs reflecting a return to pre-pandemic workforce levels; and

- Office of Information Technology Services (OITS), a net increase of 248 FTEs to meet higher demand for services related to technology infrastructure and security.

The Financial Plan indicates that certain contractual salary increases for State employees in SFY 2022-23 are yet to be determined. All Governmental Funds spending for personal services in SFY 2022-23 would decrease by 2.2 percent to $15.75 billion.

The Executive Budget further proposes to:

- Provide $121 million for one-year bonuses of up to $3,000 for eligible State employees who are frontline healthcare and mental hygiene workers with annual salaries of $125,000 or less who remain in their positions for one year, and include pay differentials for work shifts that are difficult to staff;

- Make longevity bonuses available to employees at the Office for People with Developmental Disabilities;

- Fund scholarships for the New York State addiction services workforce;

- Provide a new fellowship program for technical positions in the State workforce;

- Permit the use of a continuous recruitment process, eliminate requirements to hold open-competitive examinations at the same time as promotion examinations, and allow the transfer of certain non-competitive employees into competitive class positions increasing opportunities for individuals with disabilities and veterans; and

- Establish the following new State entities: Office of Workforce and Economic Development at Empire State Development; Office of the Chief Disability Officer (CDO); and Commission on Prosecutorial Conduct (CPC).

General State Charges

The State's costs associated with employee fringe benefits and certain other expenses are known collectively as General State Charges (GSC). The Financial Plan projects State Operating Funds spending for GSC will total $10.2 billion in SFY 2022-23, an increase of 10.0 percent. The increase assumes higher utilization of health insurance and the impact of medical inflation along with increases in workers compensation costs. The change from the prior year also reflects the use of the federal Coronavirus Relief Fund to pay $618 million in fringe benefit costs in SFY 2021-22. The Financial Plan does not indicate use of federal relief funds for such disbursements in 2022-23.

Overall, spending for employee fringe benefits is projected at $9.7 billion in the coming year, an increase of 10.4 percent. This reflects the State's deferral of $674 million in Social Security tax payments for employees in Executive agencies and the Judiciary from April through December 2020 as permitted under the federal CARES Act. The Financial Plan indicates repayment of $372 million of these taxes in the current year and $302 million in 2022-23.

In SFY 2021-22, the State is making its first deposit to the Retiree Health Benefit Trust Fund. This was established in 2018 for paying health benefits of retirees and dependents. The Executive Budget plans to make a similar deposit of $320 million in 2022-23 and deposits of $375 million each in 2023-24 and 2024-25 as fiscal conditions allow. These deposits act as an asset against New York's Other Post-Employment Benefits (OPEB) liability. The Executive Budget further proposes to increase the maximum allowable deposit for this purpose from 0.5 percent of outstanding OPEB liability to 1.5 percent.

Pension costs are projected to decrease 6.2 percent reflecting a decline in employer contribution rates due to the investment return in the New York State Common Retirement Fund in SFY

2020-21 and the payments of both outstanding Judiciary pension amortizations in SFY 2021-22 and the State's entire SFY 2022-23 pension bill in May 2022.

All Funds spending for GSC, including costs for federally funded State employees, is projected at $10.6 billion for SFY 2022-23.

Public Authorities

Borrowing Authorizations

The Executive Budget increases statutory bond caps (total authorizations to borrow) for 25 existing programs financed through State-Supported debt issued by public authorities. As shown in Figure 20, such bonding authorizations would be increased by $16.9 billion or 10.3 percent over current limits. Nearly 45 percent of the increase is attributed to economic development and housing capital programs, with an increase of $7.6 billion. Health and mental hygiene capital programs would be increased $2.1 billion or 12.2 percent. In addition, the authorization for Special Education and Other Educational Facilities would be modified to permit the funding of project costs for Native American Indian Nation schools.

Figure 20

SFY 2022-23 State-Supported Bond Caps and Authorizations

(in millions of dollars)

Program	Current Cap [1]	SFY 2022-23 Proposed Cap [2]	Proposed Change: Dollars	Proposed Change: Percentage
Housing Capital Programs	7,545.1	12,451.5	4,906.4	65.0%
Economic Development Initiatives	11,279.2	13,938.4	2,659.2	23.6%
Dedicated Highway & Bridge Trust	18,150.0	19,776.9	1,626.9	9.0%
Health Care Initiatives	3,053.0	4,653.0	1,600.0	52.4%
Transportation Initiatives	8,840.0	10,147.9	1,307.9	14.8%
Environmental Infrastructure Projects	7,130.0	8,089.1	959.1	13.5%
SUNY Educational Facilities	15,555.9	16,371.9	816.0	5.2%
Consolidated Highway Improvement Program (CHIPs)	12,260.5	13,053.9	793.4	6.5%
Mental Health Facilities	10,476.8	10,932.6	455.9	4.4%
CUNY Educational Facilities	9,661.0	10,098.6	437.6	4.5%
Prison Facilities	9,139.6	9,502.7	363.1	4.0%
State Office Buildings and Other Facilities	1,308.7	1,592.0	283.3	21.6%
Information Technology	974.3	1,125.1	150.8	15.5%
Statewide Equipment	293.0	393.0	100.0	34.1%
Special Education and Other Educational Facilities	236.0	301.7	65.7	27.8%
SUNY Upstate Community Colleges	1,066.3	1,123.1	56.9	5.3%
Division of State Police	374.6	426.1	51.5	13.7%
Water Pollution Control (State Revolving Fund)	1,030.0	1,085.0	55.0	5.3%
Nonprofit Infrastructure Capital Investment Program	120.0	170.0	50.0	41.7%
Homeland Security and Training Facilities	347.5	383.5	36.0	10.4%
Youth Facilities	876.0	911.7	35.7	4.1%
Higher Education Capital Matching Grants	300.0	330.0	30.0	10.0%
Division of Military & Naval Affairs	172.0	197.0	25.0	14.5%
Library Facilities	299.0	313.0	14.0	4.7%
Food Laboratory	40.7	40.8	0.1	0.3%
Total Public Authority Bond Caps with Changes	**120,529.1**	**137,408.6**	**16,879.5**	**14.0%**
All Other Public Authority Bond Caps	**43,704.8**	**43,704.8**	**-**	**-**
Total Public Authority Bond Caps	**164,233.9**	**181,113.3**	**16,879.5**	**10.3%**
General Obligation Bond Act Authorizations [3]	**18,935.0**	**22,935.0**	**4,000.0**	**21.1%**
Total State-Supported Bond Caps/Authorizations[4]	**183,168.9**	**204,048.3**	**20,879.5**	**11.4%**

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

Note: Totals may not add due to rounding.

1. The current cap reflects the amount previously authorized, some or all of which may already have been issued.
2. The proposed cap reflects the amount authorized in Article VII language and Capital Projects appropriations.
3. This table reflects General Obligation Bond Acts for which there is a remaining authorized but unissued amount and/or remaining debt outstanding balance. The increase in the General Obligation Bond Act Authorizations reflects the modification of the Restore Mother Nature Bond Act authorization, enacted in SFY 2020-21. The Executive proposal increases the amount in the authorization from $3 billion to $4 billion and changes the name to the Clean Water, Clean Air and Green Jobs Bond Act, subject to voter approval.
4. The Executive Budget proposes temporary financing of up to $5 billion through PIT revenue anticipation notes ($3 billion) and line of credit facilities ($2 billion). These amounts are not subject to the limitations of the Debt Reform Act.

Transfers and Other Budget Support

As shown in Figure 21, the Budget proposes a total of $114.9 million in transfers and other uses of funds from public authorities. Of this, $70.1 million is intended to provide State General Fund support. The Budget also includes the transfer of $39.8 million in "excess" reserves of the State of New York Mortgage Agency (SONYMA) Mortgage Insurance Fund (MIF) to the Housing Trust Fund Corporation (HTFC) to pay for certain housing programs off-budget. In addition, the transfer from the New York State Energy Research and Development Authority (NYSERDA) directly to the University of Rochester for the Laboratory for Laser Energetics is increased by 21.2 percent over prior years.

Figure 21

SFY 2022-23 Transfers and Miscellaneous Receipts from Public Authorities
(in millions of dollars)

Public Authority	Amount
Transfers and Receipts to the General Fund:	
Dormitory Authority of the State of New York	22.0
Power Authority of the State of New York	20.0
New York State Energy Research and Development Authority[1]	28.1
Total to General Fund	**70.1**
Transfers for Various Purposes:	
State of New York Mortgage Agency	39.8
Transfers to the Environmental Protection Fund:	
New York State Energy Research and Development Authority	5.0
Total from Public Authorities	**114.9**

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

Note: The NYSERDA transfer to the General Fund includes $23 million from the proceeds of auctions of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (RGGI), and up to $913,000 to help offset debt service requirements related to the remediation of the Western New York Nuclear Service Center. In addition, up to $4 million for DEC for climate change related services, and $150,000 for the Department of Agriculture and Markets is authorized to be transferred to the General Fund, while $1 million is authorized to be transferred directly to the University of Rochester for the Laboratory for Laser Energetics from moneys collected through assessments on gas and electric corporations, an increase of $175,000 or 21.2 percent over prior years.

The Budget proposes several significant new authorizations for the Dormitory Authority of the State of New York (DASNY) including provisions that would:

- Permit DASNY to provide finance, design and construction services to not-for-profit corporations for capital infrastructure projects of $5 million or more;
- Authorize State authorities to enter into design and construction management agreements with DASNY, however design-build contracts would be limited to those State authorities previously authorized to utilize the procurement method;
- Permit DASNY to provide planning, design, procurement and construction management services to recipients of Downtown Revitalization loans or grants;
- Extend DASNY’s general authority to create subsidiaries;
- Authorize DASNY to form subsidiaries specifically for the purposes of providing services to the Office of Cannabis Management or other entities involved with establishing retail dispensaries for operation by social and economic equity applicants—services would include acquisition of real property, planning, design, construction and to enter into leases and provide loans; and

- Permit DASNY to utilize prequalification of bidders for public work contracts. This provision may unnecessarily limit competition by limiting the pool of bidders and may result in lost bidding opportunities to New York State businesses including, Minority and Woman Owned Businesses, Small Businesses and Service-Disabled Veteran-Owned Businesses.

The Executive Budget proposes a 14.2 percent increase in operating aid to the four upstate regional transportation authorities, from $183.4 million in the current year to $209.5 million. Included in that is an additional $2.3 million for the Capital District Transportation Authority to expand services into Montgomery County. Article VII provisions add Montgomery County to the Capital District Transportation District, and make corresponding adjustments to the payment formula for distribution of mass transportation operating assistance. The Executive budget proposal maintains the current level of capital funding for the upstate regional transportation authorities, which includes $20 million for electric buses for non-MTA transit systems and $20 million for maintenance and rehabilitation of Niagara Frontier Transportation Authority's light rail system.

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

Other provisions in the Executive Budget include:

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

- Authorization for NYPA to finance and design, develop, construct, implement, provide and administer energy-related projects, programs and services for any general hospital located in the State;

- Provisions to shift responsibility for paying real property taxes on land acquired under its authority but owned by the State from the Hudson River-Black River Regulating District (HRBRRD) to the State;

- Provisions amending the definition of "procurement contract" for the Thruway Authority to increase the threshold from $15,000 to $50,000 for the purposes of Public Authorities Law Section 2879. This change would eliminate the requirement for board approval and reporting of contracts below the threshold, thus reducing transparency and oversight of such procurements. In addition, the proposal would permit the Thruway Authority to utilize existing government contracts provided an explanation is included in the procurement record of why a competitive procurement or the use of a centralized contract let by the Office of General Services is not in the best interest of the authority; and

- As part of the Building Benchmarking Act of 2022, which is advanced in support of the Climate Leadership and Community Protection Act (CLCPA), authorization for the New York State Energy Research and Development Authority (NYSERDA) to establish building codes, appliance and equipment energy efficiency standards in consultation with the Department of State (DOS). NYSERDA would also be authorized to participate in enforcement in coordination with DOS.

Other Provisions

Ethics

The Executive Budget advances ethics and elections reform provisions, including proposals to:

- Limit the Governor, Lieutenant Governor, Comptroller and Attorney General to two consecutive four-year terms in office. As a standalone budget bill that requires a constitutional amendment, this would only become effective following passage in two successive legislative sessions and subsequent approval by the voters. The earliest it could go into effect would be January 1, 2024. The limit would not apply if one full term or more has passed since that person last held that office. The limit also would not apply to people currently in office, but only to terms beginning in the gubernatorial election year following enactment of the provision;
- Replace the Joint Commission on Public Ethics (JCOPE) with a new Commission on Ethics and Lobbying in Government that would be governed by a five-member board, with staggered four-year terms, selected by a committee comprised of the State's accredited law school deans. Similar to the current JCOPE statute, individuals who in the last two years have been registered lobbyists, statewide elected officials, executive agency commissioners, political party chairmen or state employees would not be eligible to be selected as members of the new commission's board. The proposed legislation expressly states that the selection committee must actively recruit and prioritize a selection of members who bring diverse "lived experience," diverse geographic location among other relevant expertise and skill-sets. In order to stagger terms to ensure continuity, in the first class of the commission, two members shall serve a term of four years, two shall serve a term of two years and one shall serve a term of one year. All subsequent members shall serve a term of four years. No member shall serve more than two full consecutive terms, except that a member who initially filled a vacancy can be selected for an additional two full terms. Members may be removed by majority vote of the commission. Members may not contribute to or fundraise for campaigns for statewide elected offices or candidates for the Legislature;

  In addition, the proposed commission would act by simple majority vote, be subject to Freedom of Information and Open Meetings Laws, be banned from communicating with outside parties regarding potential or ongoing investigations, and hold an annual public hearing to take testimony and solicit public feedback regarding needed changes. The Executive Budget would provide additional funding to JCOPE's $5.6 million in annual funding for this new ethics entity;
- As referenced previously in the Local Governments section of this report, the Budget would amend ethics laws for local officials to be more consistent with State standards with respect to gifts; expand the definition of an interest in a contract to include additional

familial relationships for purpose of determining a prohibited conflict of interest; and expand the requirement for disclosure to include additional familial relationships;

- Provide $10 million for the Public Campaign Finance (PCF) program that will take effect in 2022 to fund the State's matching portion. The Budget also provides $3.3 million in additional funding for the State Board of Elections to support additional PCF staff and IT-related costs; and

- Lower the voter registration deadline from 25 days to 10 days before the election (which would be consistent with the State's Constitutional deadline) and require polling locations on college campuses whenever the college campus contains 300 or more registered voters in that district.

Procurement

The Executive Budget includes several proposals affecting State and public authority procurement including:

- Authorization for the Department of Health to procure new Medicaid Managed Care contracts for the State utilizing a proposed new process. (See the Transparency, Accountability and Oversight Issues section of this report for additional information related to this proposal).

- An extension of the authority for the Office of General Services to let contracts for emergency construction without a formal competitive process for another five years, until 2027. The monetary threshold for this authorization was raised in 2019 from $600,000 to the current threshold of $1.5 million.

- An extension of the Infrastructure Investment Act, authorizing the Design-Build procurement methodology for certain State and New York City entities, for another five years, until 2027.

- A commitment of up to $11 million to provide additional full-time staff within the Department of Economic Development for the MWBE program to improve processing of MWBE certifications and MWBE-related administrative appeals.

- Reintroduction of legislation from last year's Executive Budget to allow the Thruway Authority to accept bids electronically as part of a formal competitive process and to increase the threshold for a "procurement contract" from $15,000 to $50,000. Contracts under this value are not subject to board approval or reporting requirements. (See the Transparency, Accountability and Oversight Issues section of this report for additional information related to this proposal.) The Budget also proposes to allow the Thruway Authority to use an existing government contract without a competitive procurement or the use of a centralized contract let by the Office of General Services ("piggybacking") so long as they document in the procurement record why a competitive procurement or use of a centralized contract let by the Office of General Services was not in the best interest of the authority.

- Increase the Metropolitan Transportation Authority's (MTA) threshold for mandatory use of Design-Build from $25 million to $200 million for new construction and $400 million for rehabilitation or replacement projects.

- Revise provisions related to procurement processes for the MTA and the New York City Transit Authority to:

  - Shorten the time between advertisements for bids and the bid due date from 15 days to 10 days, except for public works contracts. (See the Transparency, Accountability and Oversight Issues section of this report for additional information related to this proposal);

  - Increase the threshold for discretionary procurements to Minority and Women Owned Business Enterprises, Service-Disabled Veteran-Owned Businesses and Small Businesses from $1 million to $1.5 million;

  - Permit use of existing government contracts ("piggybacking") so long as they document in the procurement record why a competitive procurement or use of a centralized contract was not in the best interest of the authority; and

  - Permit a once-yearly review of their Qualified Products Lists (instead of twice).

- Authorization for the Dormitory Authority of the State of New York to establish a prequalification program when awarding a contract for public work. (See the Transparency, Accountability and Oversight Issues and Public Authorities section of this report for additional information related to this proposal.)

Support for Vulnerable Populations

The Budget as amended contains several provisions aimed at improving the quality of care and delivery of services and programs for New York's more vulnerable populations, such as individuals with disabilities, the aging and people in need of addiction recovery and other mental health services. Some of these proposals include:

- $210 million in State resources to fund bonuses for direct care workers providing services in the mental hygiene sector on behalf of the Office for People with Developmental Disabilities (OPWDD), the Office of Mental Health (OMH), and the Office for Addiction Supports and Services (OASAS). An additional $121 million is authorized to pay bonuses to healthcare and mental hygiene workers employed in state operated facilities (See the Mental Hygiene section of this report for additional information related to this proposal);

- The Executive Budget also provides $40.7 million to support minimum wage increases for staff at not-for-profits licensed, certified, or otherwise authorized by OPWDD, OMH, and OASAS (See the Mental Hygiene section of this report for additional information related to this proposal);

- The Executive Budget would increase funding for the Disability Advocacy Program from $2.6 million to $5.3 million, supporting the legal representation of disabled individuals seeking Federal disability benefits under SSI or SSDI; and

- The Budget would amend Social Services Law to remove resources from consideration for Medicaid eligibility and increase the income limit of the Federal Poverty Level for seniors and individuals with disabilities.

These Budget proposals are in addition to a separate bill recently signed into law that creates the Office of the Advocate for People with Disabilities within the Department of State (*see* NY Laws of 2021, chapter 834). In addition, Governor Hochul recently appointed a Chief Disability Officer to head up this advocacy and has pledged State agencies to designate up to 1,200 jobs to be filled by qualified individuals with disabilities.

Equality and Justice Provisions

The Executive Budget includes provisions aimed at equality and justice, including proposals to:

- Create a Gender-Based Violence Training Institute (GBVTI) within the Office for the Prevention of Domestic Violence (OPDV). OPDV will create a mandatory 40-hour training certification for domestic violence advocates, offer train-the-trainer certification, and offer ongoing continuing education opportunities;

- Add both status as a victim of domestic violence and citizenship and immigration status to the protected classes covered by the Human Rights Law;

- Amend civil rights law to require all state agencies that collect data on gender to update applicable documents to provide a gender "x" option and to make gender "x" a choice for individuals filling out data identifying their gender or sex;

- Add an additional $12 million in funding to sustain and expand The Liberty Defense Project which provides legal assistance and representation to immigrants in New York State;

- Include an additional $8 million to enhance the current Office of New Americans (ONA) Program. ONA administers grant programs and oversees a network of community providers that help immigrant New Yorkers with citizenship applications and workforce development;

- Have a goal of awarding 50 percent of all cannabis licenses to social and economic equity applicants, including individuals from impacted communities, MWBEs, distressed farmers, justice-involved individuals, and service-disabled veterans;

- Expand upon the Office of Employee Relations' current responsibility for investigating all complaints of employment-related protected class discrimination in agencies, and provide $2.5 million in additional funding for increased investigations staff;

- Provide $5.8 million in additional funding to the Department of Civil Service (DCS) to continue modernizing the State's exam process. Additionally, the Executive Budget advances legislation that will make the exam process more accessible, resulting in a more diverse and inclusive state workforce; and

- Extend the Hire-A-Vet Tax Credit for an additional three years, expand eligibility to all veterans, remove the distinction between disabled and non-disabled, and allow the credit for part-time employment to increase the number of veterans impacted.

Consumer Protection & Financial Health

In the area of consumer protection, the Executive Budget includes initiatives to:

- Create the New Pharmacy Benefits Bureau within the Department of Financial Services to Reduce Prescription Drug Costs. The new Bureau will begin licensing Pharmacy Benefit Managers (PBMs) and will issue comprehensive regulations to ensure transparency and accountability for PBM practices;

- Create a Tax Exemption for Student Loan Forgiveness Awards. The Budget would exclude forgiven student loans from NYS adjusted gross income; and

- The Budget also would amend Public Officers Law to explicitly state that a State agency may share records to officers or employees of the U.S. Department of Education to process credit for qualifying employment and loan forgiveness under the Public Service Loan Forgiveness Program. The Executive has expressed an intent to automate and expedite this process for eligible applicants in the State.

Contact

Office of the New York State Comptroller
110 State Street, 15th Floor
Albany, New York 12236

(518) 474-4015

www.osc.state.ny.us

Prepared by the Office of Budget and Policy Analysis with assistance from the Office of Operations, Office of Local Government and School Accountability and Office of the State Deputy Comptroller for the City of New York.

Like us on Facebook at facebook.com/nyscomptroller
Follow us on Twitter @nyscomptroller