Report on the State Fiscal Year 2011-12 Enacted Budget

May 2011

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Executive Summary

For many years, budgets in New York State, in addition to being enacted after the start of the fiscal year, have been characterized by overly optimistic revenue estimates, unrealistic spending targets, and excessive reliance on temporary or non-recurring revenues. Consequently, budgets fell out of alignment soon after enactment and projected out-year deficits ballooned. As a result, the State was forced to focus its efforts on maintaining current year budget balance, while paying insufficient attention to its longer term fiscal health.

The State Fiscal Year (SFY) 2011-12 Enacted Budget includes actions intended to close a projected $10 billion budget gap in the current year and, unlike past budgets, makes significant progress in addressing the State's structural deficit without relying heavily on new taxes, fees or one-shot revenues, or borrowing money to pay for operating expenses. Although challenges persist and risks remain, the Enacted State Budget moves the State significantly closer to long-term structural balance.

Careful monitoring of receipts and disbursements throughout the year will be necessary to ensure that the Financial Plan remains in balance and that the out-year budget gaps do not grow larger. For example, actual tax collections have been below initial projections every year since SFY 2007-08. Over that period, more than $8.3 billion in projected revenue was unrealized. In addition, details are not yet available as to how savings included in the Financial Plan will be realized, including cuts of $1.5 billion from agency redesigns and workforce reductions, $2.3 billion in Medicaid savings (of which $1.0 billion is still to be specified) and $100 million from facility closures. In fact, the Financial Plan acknowledges that in some cases, such as Medicaid, there can be no assurance the savings will be achieved in the current fiscal year. Furthermore, while the State's economy has shown positive signs, the recovery is still vulnerable to disruptions related to oil and food prices, further declines in real estate values, and other factors.

Major findings in this Report include:

- The SFY 2011-12 Enacted State Budget is substantially less reliant than in recent years on temporary or non-recurring revenues, resulting in substantially reduced out-year gaps. In SFY 2010-11, the Enacted Budget relied on at least $16.7 billion in non-recurring or temporary resources for balance – approximately 30 percent of General Fund spending. In contrast, only $8.4 billion of temporary or non-recurring resources is used in SFY 2011-12 to meet spending needs.

- The Enacted Budget makes significant progress in reducing the State's projected cumulative four-year structural deficit, from $63.3 billion to $9.8 billion.

Despite the reduction in the out-year gaps, a mismatch in receipts and disbursements remains over the multiyear Plan period, with General Fund disbursements projected to grow by 22.7 percent and General Fund receipts expected to grow by only 10.9 percent.

- The Financial Plan projects significant growth in revenue for SFY 2011-12. Tax revenues are projected to grow by 6.7 percent, including growth of 13 percent or $944 million in current year Estimated Personal Income Tax collections. Revenue projections in recent years have proven excessive. However, the current year revenue estimates, while optimistic, could be attainable, barring significant unforeseen economic disruptions.

- The Enacted Budget's savings targets are aggressive, but the Budget also includes substantial administrative mechanisms to help attain the targets, particularly in Medicaid and facility closures.

- There are numerous risks embedded in the SFY 2011-12 Enacted State Budget. These risks relate to the tenuous economic recovery and global instability, as well as to the State's uncertain ability to achieve the full amount of projected savings or revenue within the current year. In certain cases, projections such as those for tax revenue growth may prove overly optimistic. In other cases, savings targets in areas such as Medicaid and the State workforce may be difficult to achieve.

The $10 billion projected current year gap was closed largely with spending reductions. The impact of spending reductions on services and on the economy is uncertain. School aid cuts are being seen in current school budgets, some of which include layoffs and reduced services. The economic impact of correctional facility closures is undetermined and will occur in the future, but could be regionally significant. Similarly, job losses, health-related facility closures, decreased equipment purchases and other possible impacts from reductions in Medicaid reimbursements are also undetermined, but the reductions will undoubtedly have consequences.

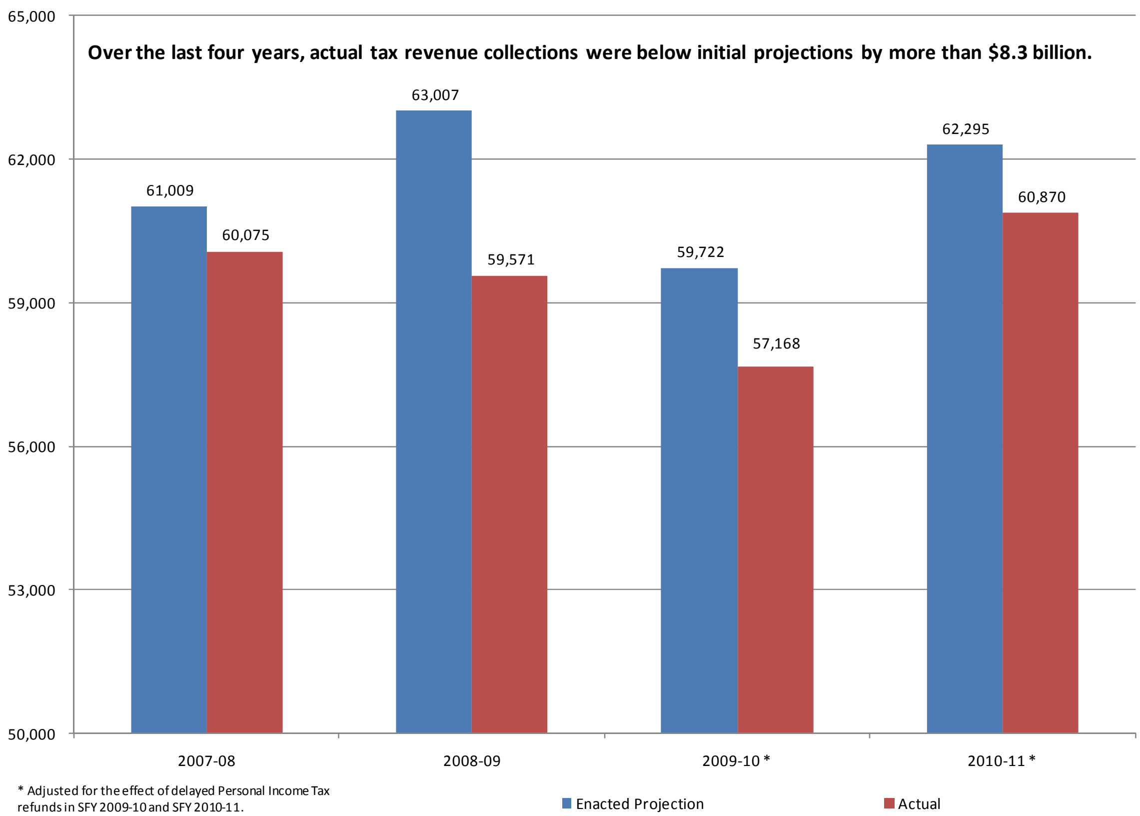
Recurring spending has consistently exceeded recurring revenues in recent years, and has grown more quickly. The SFY 2011-12 Enacted Budget makes substantial progress towards reversing this trend, but addressing the State's persistent structural deficit will require a long-term commitment to aligning recurring revenues and spending. While the Enacted Budget sets the State on a more sustainable fiscal course, enactment of comprehensive fiscal reform will help to ensure that these positive actions continue.[1]

[1] See Comptroller DiNapoli's *Strategy for Fiscal Reform*, released in March 2010 and summarized in Appendix E.

Financial Plan Overview

The severity of the recent major recession and the fragile economic recovery have made forecasting difficult for states. The State Fiscal Year (SFY) 2010-11 State Budget, enacted four months late on August 3, 2010, relied on tax revenue projections for budget balance that proved overly optimistic. The Mid-Year Update to the Financial Plan, released by the Division of the Budget (DOB) in November 2010, lowered initial All Funds tax revenue projections by $343 million. These projections were further reduced in February 2011 by $690 million, for a total reduction in projected tax revenue of more than $1.0 billion over just 6 months. In fact, since SFY 2007-08, actual All Funds tax revenue collections were more than $8.3 billion lower than initial projections made at the time of budget enactment.

Comparison of Initial Tax Revenue Projections to Actual Year-End Collections
SFY 2007-08 through SFY 2010-11
(in millions of dollars)



Source: Office of the State Comptroller.[2]

In a recent report by the Pew Center on the States and the Nelson A. Rockefeller Institute of Government, *States' Revenue Estimating – Cracks in the Crystal Ball*, the

[2] All data in this report is provided by the Office of the State Comptroller except where noted otherwise.

authors found that the accuracy of revenue projections suffered more during economic downturns – so much so that 70 percent of all state revenue forecasts in 2009 were at least 5 percent too high. The report found that for SFY 2008-09, New York's initial tax collection projections were approximately 5.5 percent higher than actual collections. Offsetting these results were federal receipts, which were 8.0 percent more than initially anticipated, primarily due to nearly $2.0 billion in stimulus funds received in the last quarter of the fiscal year.

Revenue projections in the Financial Plan provide the foundation for the State's spending plan for the year. Shortfalls in collections cause unanticipated deficits, which necessitate corrective action. The $8.3 billion shortfall in tax collections over the last four years was compensated with reduced spending, federal stimulus, and other non-recurring or temporary resources or actions to maintain budget balance. For example, in SFY 2009-10, nearly $2.1 billion in school aid payments and $500 million in Personal Income Tax refunds were delayed into SFY 2010-11 because funds were not available at the end of the year to make the payments (actual revenue collections were $3.8 billion lower than initial projections). These delays were in addition to $2.7 billion in mid-year budget reductions that were enacted in December 2009.

Tenuous economic conditions, including two major recessions over the past decade, result in upward pressure on certain major categories of spending, such as Medicaid – which accounts for almost one-third of all State spending and has grown nearly 50 percent in just eight years. Other states have had similar experiences as they struggle to maintain balanced budgets while available revenues drop or fail to keep pace with rising expenses.

The SFY 2011-12 Financial Plan indicates that the Enacted Budget closes a projected $10 billion General Fund gap primarily with recurring spending reductions, and makes progress towards addressing the State's structural imbalance between recurring revenue and recurring spending. However, ongoing monitoring of actual revenue results, relative to projections, is critical. If recurring tax revenues and miscellaneous receipts fail to keep up with initial projections, additional actions may be needed yet again to regain budget balance.

SFY 2010-11 – Year-End Analysis

Results from SFY 2010-11 are adjusted for timing-related transactions that were initially intended to occur in the last quarter of SFY 2009-10 but were delayed to the first quarter of SFY 2010-11 due to a lack of resources. This includes the delay of $500 million in Personal Income Tax (PIT) refunds and $2.06 billion in school aid payments from SFY 2009-10 to SFY 2010-11. The delayed payment of $500 million in Personal Income Tax refunds in SFY 2009-10 artificially increases revenue in SFY 2009-10 and lowers revenue in SFY 2010-11. An adjustment is necessary so that year-to-year comparisons are not misleading.

Similarly, school aid disbursements are adjusted to account for the $2.06 billion payment delayed in SFY 2009-10 until SFY 2010-11. These adjustments are not made in cash reporting documents, which reflect actual results regardless of changes in the timing of payments.

Adjusted and Unadjusted Comparison of SFY 2009-10 and SFY 2010-11

(in millions of dollars)

Unadjusted	**2009-10**	**2010-11**	**Dollar Difference**	**Percentage Difference**
General Fund				
Receipts	52,556	54,447	1,891	3.6%
Disbursements	52,202	55,373	3,171	6.1%
State Operating Funds				
Receipts	75,847	78,792	2,945	3.9%
Disbursements	80,659	84,417	3,758	4.7%
All Funds				
Receipts	126,749	133,321	6,572	5.2%
Disbursements	126,878	134,825	7,947	6.3%

Adjusted for Timing Issues	**2009-10**	**2010-11**	**Dollar Difference**	**Percentage Difference**
General Fund				
Receipts	52,056	54,947	2,891	5.6%
Disbursements	54,262	53,313	(949)	-1.7%
State Operating Funds				
Receipts	75,347	79,292	3,945	5.2%
Disbursements	82,719	82,357	(362)	-0.4%
All Funds				
Receipts	126,249	133,821	7,572	6.0%
Disbursements	128,938	132,765	3,827	3.0%

Note: See *SFY 2010-11 – Year-End Analysis* on page 6, for an explanation of adjustments made.

All Funds

The SFY 2010-11 Budget was enacted on August 3, 2010 – more than four months into the fiscal year. The Enacted Budget Financial Plan, issued August 20, projected All Funds revenue growth of 6.0 percent, including tax revenue growth of 7.2 percent over SFY 2009-10. Actual tax collections in SFY 2010-11 (unadjusted for the delay of PIT refunds in SFY 2009-10), actually grew only 5.6 percent year-over-year.

Adjusting for PIT refunds delayed from SFY 2009-10 into SFY 2010-11, tax collections were projected to grow 9.0 percent. Year-end results indicate that adjusted All Funds tax collections increased only 7.4 percent, meaning that actual collections were $926.3 million, or 1.5 percent, below the initial August projections.[3]

[3] As previously noted, tax revenue projections were reduced by over $1.0 billion. However, year-end results were marginally better than final projections.

SFY 2010-11 All Funds spending of $134.8 billion was approximately $1.1 billion lower than initially projected. Capital spending (which is often subject to timing issues) ended the year $2.0 billion below initial projections, while Local Assistance ended the year $949 million above initial projections (Medicaid spending projections were increased over $1.0 billion between August 20 and November 1 driven, in part, by increased caseload resulting from the recent recession). A portion of the spending variance is likely attributable to the timing of payments, especially capital payments and other payments funded with federal receipts. This means that some spending initially anticipated for SFY 2010-11 could occur in SFY 2011-12 or later.

SFY 2010-11 Enacted Budget All Funds Disbursements
Adjusted for Timing
(in millions of dollars)

All Funds Disbursements	2009-10	2010-11	Dollar Difference	Percentage Difference
Local Assistance	93,599	96,573	2,974	3.2%
State Operations	19,430	19,084	(346)	-1.8%
General State Charges	5,734	6,361	628	10.9%
Debt Service	4,962	5,615	653	13.2%
Capital Projects	5,213	5,132	(81)	-1.6%
Total Disbursements	**128,938**	**132,765**	**3,828**	**3.0%**

Note: See *SFY 2010-11 – Year-End Analysis* on page 6, for an explanation of adjustments made.

General Fund

The General Fund ended SFY 2010-11 with a closing balance of $1.376 billion, which is approximately $19.1 million higher than projected in the March Financial Plan Update (released with the SFY 2011-12 Executive Budget 30-day amendments) and $8.9 million below initial projections from August 2010.

General Fund receipts were $229 million below initial projections from August and $344 million over projections in the March Financial Plan Update, primarily because of Personal Income Tax collections ($479 million below initial projections, but $345 million higher than March projections) and Transfers from Other Funds ($305 million higher than initial projections and $319 million higher than last projections, primarily from a year-end transfer of $267 million from the Health Care Reform Act (HCRA) undistributed fund). These were partially offset by lower–than-anticipated Business Tax collections ($435 million below initial projections and $385 million below March projections).

General Fund spending, including Transfers to Other Funds, totaled $55.4 billion, which was $324 million higher than projected in the March Financial Plan Update, but

$220 million below initial projections made in August. The variance from the March Update was primarily due to transfers to debt service (some debt service for SUNY was prepaid) and capital projects funds. The variance from the initial Plan release in August was in Local Assistance, primarily in school aid and social welfare (combined to total $396 million). This was offset by spending for Medicaid that was higher than originally anticipated ($269 million). All other spending totaled $176 million below initial projections.

SFY 2011-12 – Enacted Budget Analysis

For SFY 2011-12, the State faced a projected $10.0 billion General Fund current services gap. Most of the actions taken in the Enacted Budget to close this gap are recurring, including significant spending reductions. However, the Budget relies on billions of dollars in temporary resources for balance. The majority of these have also been part of prior budgets, including the remaining $1.1 billion in federal stimulus funding and $4.1 billion in temporary Personal Income Tax (PIT) provisions aimed at high incomes. A total of $8.4 billion, or 14.7 percent, of General Fund spending is supported with temporary or non-recurring resources in SFY 2011-12. This is a reduction from $16.7 billion in SFY 2010-11.

The primarily recurring nature of the gap-closing plan significantly reduces projected out-year General Fund gaps. By SFY 2014-15, only $355 million of the non-recurring or temporary resources used to balance the SFY 2011-12 Budget is expected still to be available. Recurring actions and re-estimates make up more than 80 percent of the gap-closing plan over the next four years, up from approximately 40 percent over four years from the SFY 2010-11 gap-closing plan. As a result, only 15 percent of the cumulative four-year projected gap for SFY 2011-12 remains, compared to 56 percent of the cumulative four-year projected gap for SFY 2010-11.

The SFY 2011-12 Enacted Budget Financial Plan projects All Funds receipts will decline to $131.7 billion, which is a $2.1 billion, or 1.5 percent, reduction from SFY 2010-11 (after adjustment for PIT refunds delayed from SFY 2009-10 into SFY 2010-11). This includes a decline of $6.0 billion, or 12.2 percent, in federal receipts, which primarily reflects the end of stimulus funding. All Funds tax collections are projected to increase $3.6 billion, or 5.9 percent, and miscellaneous receipts are expected to increase $259 million.

The SFY 2011-12 Financial Plan projects General Fund receipts will increase to $57.3 billion, reflecting an increase of $2.3 billion, or 4.3 percent, over SFY 2010-11 after adjusting for PIT refund delays. This includes an increase of $2.5 billion, or 6.4 percent, in tax collections, driven by growth in PIT receipts, which are projected to increase $1.6 billion, or 6.6 percent. General Fund miscellaneous receipts are expected to remain essentially level at $3.1 billion.

All Funds spending is projected to total $131.7 billion in SFY 2011-12, which is a decline of $1.1 billion, or 0.8 percent, from SFY 2010-11 (adjusted for $2.06 billion in school aid payments delayed from the end of SFY 2009-10 into the beginning of SFY 2010-11). The majority of the decline is in Local Assistance, which is projected to decline $1.2 billion, and State Operations, which is projected to decline $660 million. A portion of these reductions are offset by increases in General State Charges (up $471 million) and debt service on State-Supported debt (up $240 million).

General Fund spending is projected to total approximately $56.9 billion in SFY 2011-12, an increase of $3.6 billion, or 6.8 percent, over SFY 2010-11 (adjusted for school aid payment delays). This increase is largely in Local Assistance, which is projected to increase 10.6 percent, or $3.7 billion. This General Fund increase largely reflects the loss of federal stimulus funding. Federal stimulus funding had the effect of lowering General Fund spending, because stimulus funds were spent outside of the General Fund in special revenue funds and supplanted General Fund spending.

For example, stimulus funding had a disproportionate impact on General Fund Medicaid spending by supplanting General Fund spending. As stimulus funding is phased out, General Fund Medicaid spending is projected to grow 39.2 percent, or $2.7 billion, while All Funds Medicaid spending, which includes federal funds, is expected to decline $920 million or 2.4 percent.

Adjusted and Unadjusted Comparison of SFY 2010-11 and SFY 2011-12
(in millions of dollars)

Unadjusted	**2010-11**	**2011-12**	**Dollar Difference**	**Percentage Difference**
General Fund				
Receipts	54,447	57,293	2,846	5.2%
Disbursements	55,373	56,923	1,550	2.8%
State Operating Funds				
Receipts	78,792	83,014	4,222	5.4%
Disbursements	84,417	86,769	2,352	2.8%
All Funds				
Receipts	133,321	131,688	(1,633)	-1.2%
Disbursements	134,825	131,698	(3,127)	-2.3%

Adjusted for Timing Issues	**2010-11**	**2011-12**	**Dollar Difference**	**Percentage Difference**
General Fund				
Receipts	54,947	57,293	2,346	4.3%
Disbursements	53,313	56,923	3,610	6.8%
State Operating Funds				
Receipts	79,292	83,014	3,722	4.7%
Disbursements	82,357	86,769	4,412	5.4%
All Funds				
Receipts	133,821	131,688	(2,133)	-1.6%
Disbursements	132,765	131,698	(1,067)	-0.8%

Source: Office of the State Comptroller and the Division of the Budget.
Note: See *SFY 2010-11 – Year-End Analysis* on page 6, for an explanation of adjustments made.

General Fund Gap-Closing Measures

According to the estimates provided in the Enacted Budget Financial Plan, the General Fund is balanced for SFY 2011-12. The Financial Plan anticipates a $100 million deposit to the Rainy Day Fund as well as maintenance of a reserve of $346 million for future costs associated with prior-year labor agreements. The Financial Plan indicates that the projected $10 billion General Fund current services gap will be closed primarily with recurring spending reductions.

General Fund Current Services Gap
(in millions of dollars)

	SFY 2011-12
Current Services Gap to be Closed	**(10,001)**
Medicaid Re-Estimates	**541** *
Revenue Re-Estimates	**387**
Spending Reductions/Savings	
Local Assistance	6,499
Medicaid	*2,203*
School Aid	*2,767*
Other	*1,529*
State Operations	1,497
Total Spending Reductions/Savings	**7,996**
Revenue Actions	
Tax Actions	200
Other Revenue	124
Total Revenue	**324**
Non-Recurring Resources	
Metropolitan Transportation Authority	200
Debt Management/Capital Financing	200
HCRA Re-Estimate	155
New York Power Authority/Authority Sweeps	150
Various Recoveries	75
Other	80
Total Non-Recurring Resources	**860**
Other	
Pre-Paid Debt Service (SUNY)	154
Health Insurance Conversion Delay	(150)
HEAL Re-Estimate	160
Cigarette Tax Enforcement	(103)
Other	(68)
Deposit to Rainy Day Fund	(100)
Total Other	**(107)**
Total Actions Toward Deficit	**10,001**
Remaining Gap After Actions	**-**

* Includes $66 million in additional federal stimulus funding from certain accelerated payments.

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

The enacted gap-closing actions include approximately $8.0 billion in spending reductions, $928 in revenue and Medicaid re-estimates and other temporary actions, $860 million in non-recurring resources, and $324 million in revenue enhancements.

Spending Reductions and Other Savings Actions

As shown in the General Fund Current Services Gap table, the majority of the SFY 2011-12 gap-closing plan relies on approximately $8.0 billion in General Fund spending-related savings and reductions. These include cuts of $2.8 billion in school aid, $2.2 billion in Medicaid and $1.5 billion in State Operations, including an unspecified amount associated with workforce reductions (although the Executive Budget Financial Plan estimated workforce savings of $450 million).

An additional $1.5 billion in actions that reduce spending in the General Fund are incorporated, including various lottery actions (which offset General Fund spending but not State spending overall) and $325 million in Local Government Assistance (primarily reflecting the elimination of AIM funding for New York City), $284 million in various human services/labor and housing reductions, and $328 million in various mental hygiene program reductions.

Non-Recurring or Temporary Resources

The Financial Plan identifies $860 million in non-recurring resources used to close the $10 billion General Fund gap. However, in addition to these identified gap-closing actions, the budget relies on approximately $7.5 billion in additional non-recurring or temporary actions to maintain General Fund balance. While the majority of these non-recurring and temporary actions are carried over from previously enacted budgets, the continued reliance on these resources to pay for recurring expenses contributes to projected deficits in future years. Cumulative out-year gaps projected in the Financial Plan through SFY 2014-15 persist, but have been reduced significantly, from $63.3 billion prior to legislative budget actions, to $9.8 billion.

Use of Non-Recurring or Temporary Resources
To Eliminate the General Fund Current Services Gap
(in millions of dollars)

	SFY 2011-12
Temporary PIT Provisions for High Incomes	4,076
Deferred Tax Credits	970
DOB Reported Non-Recurring Actions	860
Temporary Utility Assessment	537
Stimulus Fiscal Stabilization	463
Stimulus FMAP (Medicaid) Increase	449
Temporary Suspension of Clothing Sales Tax Exemption	210
Tax Modernization/Voluntary Compliance	200
HEAL Re-Estimate	160
Prepaid SUNY Debt Service	154
Abandoned Property	110
Special Education	98
Member Item Fund Deposit Repeal	85
Total Temporary and Non-Recurring Resources	**8,372**

Reserves

The General Fund ended SFY 2010-11 with a closing balance of nearly $1.4 billion. The Financial Plan projects that the General Fund will end SFY 2011-12 with a balance of more than $1.7 billion. The growth is primarily due to $346 million which is reserved for labor costs associated with previous labor agreements and a $100 million deposit to the Rainy Day Reserve Fund.

General Fund Reserves—SFY 2010-11 Actual and SFY 2011-12 Projected
(in millions of dollars)

	SFY 2010-11 Actual	SFY 2011-12 Enacted	Difference
Statutory Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	-
Rainy Day Reserve Fund	175	275	100
Contingency Reserve Fund	21	21	-
Community Projects Fund	136	51	(85)
Refund Reserve			
Prior Year Labor Agreements	-	346	346
Debt Management	13	13	-
Total	**1,376**	**1,737**	**361**

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

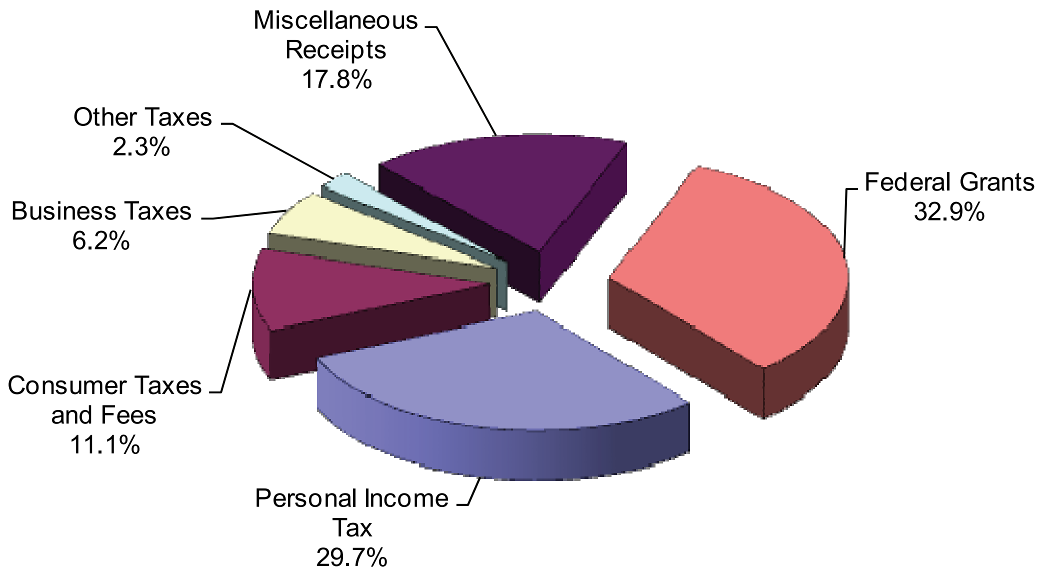
The $346 million associated with the set-aside for labor costs and the $13 million associated with debt management are unrestricted and can be used for other purposes. The purposes stated by DOB in the Financial Plan illustrate intent, but are not legally required.

Sources and Uses of Funds

Receipts consist of various taxes, miscellaneous receipts (such as Lottery revenue and various fees) and federal receipts. In SFY 2001-02, taxes made up 51.4 percent of All Funds receipts and federal grants made up 34.5 percent. In SFY 2010-11, taxes made up 45.9 percent of All Funds receipts and federal receipts made up 36.8 percent. This increase in Federal receipts reflects federal stimulus funding totaling more than $6.3 billion. The SFY 2011-12 Enacted Budget estimates taxes will make up 49.3 percent of All Funds receipts and federal grants will decline to 32.9 percent, reflecting the decline of stimulus funding.

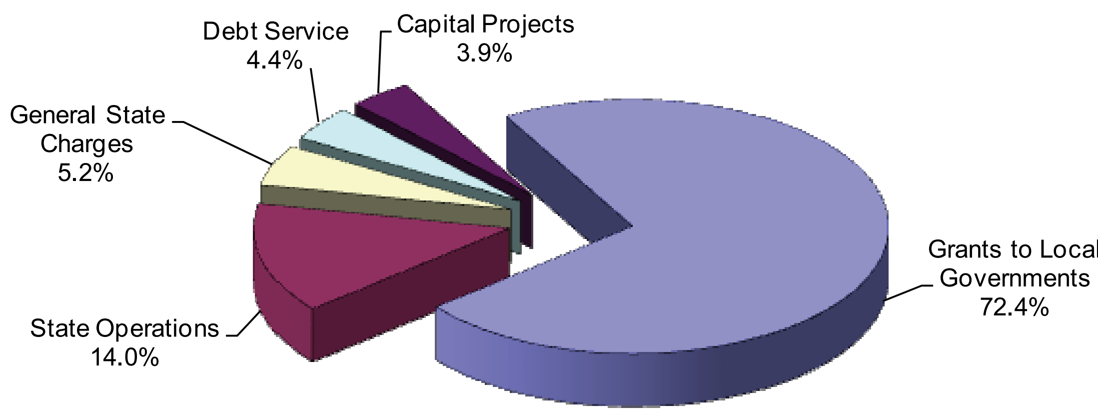
In SFY 2011-12, payments to school districts, local governments, hospitals and other service providers in the form of Local Assistance payments make up approximately 72 percent of all State spending. In SFY 2010-11, such payments accounted for approximately 73 percent of the All Funds budget, after accounting for the non-recurring $2.06 billion in delayed payments from SFY 2009-10.

SFY 2011-12 All Funds Receipts



Source: Division of the Budget.

SFY 2011-12 All Funds Disbursements



Source: Division of the Budget.

Spending Growth

According to the Financial Plan, All Funds spending is projected to decline 2.3 percent or $3.1 billion, as illustrated in the table below. Note that 88 percent of the overall decline is in education spending, which is projected to decline by nearly $2.8 billion.

Growth in All Funds Disbursements by Program Area - Unadjusted

(in millions of dollars)

	SFY 2010-11 Actual	SFY 2011-12 Enacted	Dollar Difference	Percentage Difference	Percentage of Total Difference
Economic Development Government Oversight	1,689	1,468	(221)	-13.1%	7.1%
Parks and Environment	883	817	(65)	-7.4%	2.1%
Transportation	5,239	5,292	53	1.0%	-1.7%
Health (including DOH Medicaid)	44,055	43,585	(470)	-1.1%	15.0%
Social Welfare	9,530	9,532	2	0.0%	-0.1%
Mental Hygiene	7,021	6,972	(49)	-0.7%	1.6%
Public Protection/Criminal Justice	4,193	3,936	(257)	-6.1%	8.2%
Higher Education	8,085	8,138	53	0.7%	-1.7%
Education	32,798	30,044	(2,755)	-8.4%	88.1%
General Government	3,706	3,556	(150)	-4.1%	4.8%
Local Government Assistance	775	767	(9)	-1.1%	0.3%
Other	(276)	(277)	(0)	0.1%	0.0%
General State Charges	6,362	6,833	471	7.4%	-15.1%
Debt Service	5,615	5,855	240	4.3%	-7.7%
Capital Projects	5,151	5,182	31	0.6%	-1.0%
Total	**134,825**	**131,698**	**(3,126)**	**-2.3%**	**100.0%**

Source: Division of the Budget.

However, as previously noted, spending in SFY 2010-11 is artificially inflated because of school aid payment delays that occurred at the end of SFY 2009-10. The following table illustrates how projected spending declines when adjusted for this non-recurring action. Education still makes up the majority of the decline, at 65 percent, but the distribution more accurately illustrates the projected declines.

Growth in All Funds Disbursements by Program Area - Adjusted

(in millions of dollars)

	SFY 2010-11 Actual (adjusted)	SFY 2011-12 Enacted	Dollar Difference	Percentage Difference	Percentage of Total Difference
Economic Development Government Oversight	1,689	1,468	(221)	-13.1%	20.7%
Parks and Environment	883	817	(65)	-7.4%	6.1%
Transportation	5,239	5,292	53	1.0%	-5.0%
Health (including DOH Medicaid)	44,055	43,585	(470)	-1.1%	44.0%
Social Welfare	9,530	9,532	2	0.0%	-0.2%
Mental Hygiene	7,021	6,972	(49)	-0.7%	4.6%
Public Protection/Criminal Justice	4,193	3,936	(257)	-6.1%	24.1%
Higher Education	8,085	8,138	53	0.7%	-4.9%
Education (adjusted for payment delay)	30,738	30,044	(695)	-2.3%	65.2%
General Government	3,706	3,556	(150)	-4.1%	14.1%
Local Government Assistance	775	767	(9)	-1.1%	0.8%
Other	(276)	(277)	(0)	0.1%	0.0%
General State Charges	6,362	6,833	471	7.4%	-44.2%
Debt Service	5,615	5,855	240	4.3%	-22.5%
Capital Projects	5,151	5,182	31	0.6%	-2.9%
Total	**132,765**	**131,698**	**(1,066)**	**-0.8%**	**100.0%**

Source: Division of the Budget.

Cash Flow

Since April 2000, the month-end General Fund balance has dipped below $1.0 billion only nine times. Seven of those times have occurred since April 2009.

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

General Fund temporary loans that cross over several months suggest cash flow difficulties. In prior years, the State balanced the General Fund by month's end. In SFY 2009-10 and again in SFY 2010-11, this was longer the case. In December 2009, for the first time in recent history, the General Fund ended a month with a negative balance, which totaled $205 million. In order to maintain a reasonable level in STIP, DOB delayed $750 million in payments until January. In March 2010, DOB delayed payments to maintain reserve balances at the end of the 2009-10 fiscal year. In June 2010, DOB again delayed payments to maintain STIP levels.

According to the Financial Plan, the General Fund is expected to end June 2011 with a positive balance of $489 million and August 2011 with a positive balance of $946 million, representing the only two times during the fiscal year that the General Fund is projected to end the month below $1.0 billion. However, cash flow pressures are still expected by DOB within certain months.

All Funds balances (which represent unrestricted STIP funds) for June and August are projected to total $4.1 billion and $5.8 billion respectively. If current Financial Plan projections are met, even if the General Fund balance were to fall into negative territory, unrestricted STIP levels should be sufficient to address any temporary shortfalls.

Risks to the Financial Plan

While the SFY 2011-12 Enacted Budget includes actions to close the projected General Fund current services gap of more than $10 billion, a number of assumptions used to achieve that goal may prove optimistic or unattainable. Risks to the Financial Plan relate to the tenuous economic recovery and international political instability, as well as to the State's uncertain ability to achieve the full amount of projected savings or revenue within the current year.

Projecting with certainty what portion of anticipated resources may not be realized is impossible. However, some resources in each category are likely either not to materialize or to come in lower than projected. The following are descriptions of the larger categories of risk in the SFY 2011-12 Enacted Budget.

The Economy

While the economy has shown some improvement and several revenue sources are growing, concerns over the pace and sustainability of the economic recovery remain. The SFY 2011-12 Financial Plan estimates are based on a recovering economy and significant expected growth. In fact, revenue projections were revised upwards by $387 million subsequent to the Revenue Consensus forecast.[4] Economic setbacks, such as an oil price shock, turmoil in the financial markets, or a natural or man-made disaster could undermine the revenue and spending assumptions in the Enacted Budget Financial Plan.

The Financial Plan projects Personal Income Tax collections to increase 7.9 percent. However, this growth includes temporary provisions based on high incomes and the timing of refunds in SFY 2009-10. When these factors are removed, recurring PIT collections are actually expected to grow 12.4 percent.

Adjusted and Unadjusted Growth in Personal Income Tax Collections

(in millions of dollars)

	Actual **2009-10**	Actual **2010-11**	Projected **2011-12**
Reported Personal Income Tax	34,751	36,209	39,058
Dollar Growth		*1,458*	*2,849*
Percentage Growth		*4.2%*	*7.9%*
Refund Timing	(500)	500	-
Adjusted for Timing	34,251	36,709	39,058
Dollar Growth		*2,458*	*2,349*
Percentage Growth		*7.2%*	*6.4%*
Less Temporary High Income Provisions	4,067	5,577	4,076
Adjusted For Timing and Temporary Provisions	30,184	31,132	34,982
Dollar Growth		*948*	*3,850*
Percentage Growth		*3.1%*	*12.4%*

[4] Section 23 of the State Finance Law requires the Executive and the Legislature to reach consensus on All Governmental Funds tax collections, General Fund miscellaneous receipts and Lottery proceeds by March 1. If they do not reach agreement, the Comptroller is charged with providing a revenue estimate in their place. The 2011 Revenue Consensus process increased projected collections by $155 million.

Workforce Reductions

According to the Financial Plan, savings of $1.5 billion will be achieved in State Operations spending. Much of the reduction is based on undefined workforce reductions, which are expected to occur through salary and/or benefit changes, workforce reductions or other undefined measures. It is unclear if this level of savings can occur within the current fiscal year.

Tax Modernization/Voluntary Compliance

The Enacted Budget proposes a number of provisions designed to increase administrative efficiencies and improve systems to enhance revenue collections in the Department of Taxation and Finance, as well as compliance initiatives through modernization, expected to net $200 million annually. However, realizing the full $200 million within the current fiscal year could be difficult.

Lottery Expansion and Administrative Efficiencies

The Enacted Budget relies on $147 million in revenue from various lottery proposals. The level of additional revenue associated with these proposals is dependent on successful and timely implementation.

Public Authority Transfers

The Enacted Budget's proposed gap-closing plan includes non-recurring revenue from transfers of "voluntary contributions" from the New York Power Authority (NYPA) of $100 million, and $50 million from unspecified other authorities that are authorized to make "voluntary contributions" to the General Fund. While NYPA has a history of making voluntary contributions to the State, the source of the additional $50 million is not identified.

Tribal State Compact

The Enacted Budget Financial Plan includes funding from Native American casinos of $126 million in SFY 2011-12, of which $92.7 million is expected to benefit the General Fund. In SFY 2010-11, the State received only $4.6 million due to the timing of payments from Tribal nations. It is not known if current trends will continue next year, thereby making additional gap-closing actions necessary.

Abandoned Property

Pursuant to the State Finance Law, all moneys in the Abandoned Property Fund in excess of $750,000 are transferred to the General Fund by the end of each fiscal year. For SFY 2011-12, the Executive anticipates a transfer of $755 million, which reflects, in part, a proposal to reduce the dormancy period for certain abandoned property. This level is approximately $170 million more than what could be expected from the

Abandoned Property Fund based on historical trends, even factoring in the additional revenue expected from reducing the dormancy period for certain property. While receipts to the Abandoned Property Fund have modestly increased in the current year, claims paid are also rising significantly.

Medicaid Re-Estimates

After the original Executive Budget submission and before the Medicaid Redesign Team (MRT) completed its work, the savings target for Medicaid was lowered by $541 million to $2.3 billion. This reduction resulted from Medicaid spending re-estimates for SFY 2011-12 by DOB. These re-estimates included lowering projected State Medicaid spending by $475 million, due to caseload growth that was slower than previously forecast and changes in provider spending patterns. These re-estimates also reflected a $66 million increase in anticipated federal matching funds to be achieved by pre-paying certain Medicaid claims before enhanced FMAP funding expires in June 2011.

While growth of actual and eligible participants has slowed, the economic recovery remains tenuous. As witnessed during the last recession, Medicaid enrollment and associated costs can increase quickly when the economy declines.

Furthermore, $640 million of the $2.3 billion in Medicaid savings in the Enacted Budget is contingent on providers making reductions on their own. However, the Commissioner of Health is authorized to make whatever reductions are necessary to achieve the savings target. While some savings will be realized, this projection is included as a risk because much of the reduction is undefined, and because that level of savings may be difficult to attain within the fiscal year

In fact, the Financial Plan notes that "although the Enacted Budget includes the statutory tools necessary to implement the Medicaid cost controls assumed in the Financial Plan, there can be no assurance that these controls will be sufficient to achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in DOH State Funds Medicaid spending."[5] In effect, the Financial Plan then acknowledges this risk.

[5] *New York State Enacted Budget Financial Plan for Fiscal Year 2012*, page 21.

Structural Imbalance

While the SFY 2011-12 Enacted Budget reduced the State's projected structural imbalance, the projected growth in General Fund spending is still more than double the projected growth in revenues over the four-year period ending March 31, 2015. In All Funds, disbursement growth is almost double the increase in revenues for the same period.

Projected Disbursements and Receipts Growth through SFY 2014-15
Adjusted for Timing Issues
(in millions of dollars)

	SFY 2010-11 Actual Adjusted	SFY 2011-12 Enacted	SFY 2012-13 Projected	SFY 2013-14 Projected	SFY 2014-15 Projected
General Fund Receipts	54,947	57,293	57,642	59,876	60,937
General Fund Disbursements	53,313	56,923	59,930	62,570	65,400
State Operating Funds Receipts	79,292	83,014	85,027	88,274	90,075
State Operating Funds Disbursements	82,357	86,879	90,900	94,242	97,490
All Funds Receipts	133,821	131,688	129,768	134,859	141,733
All Funds Disbursements	132,765	131,698	131,999	137,249	145,863

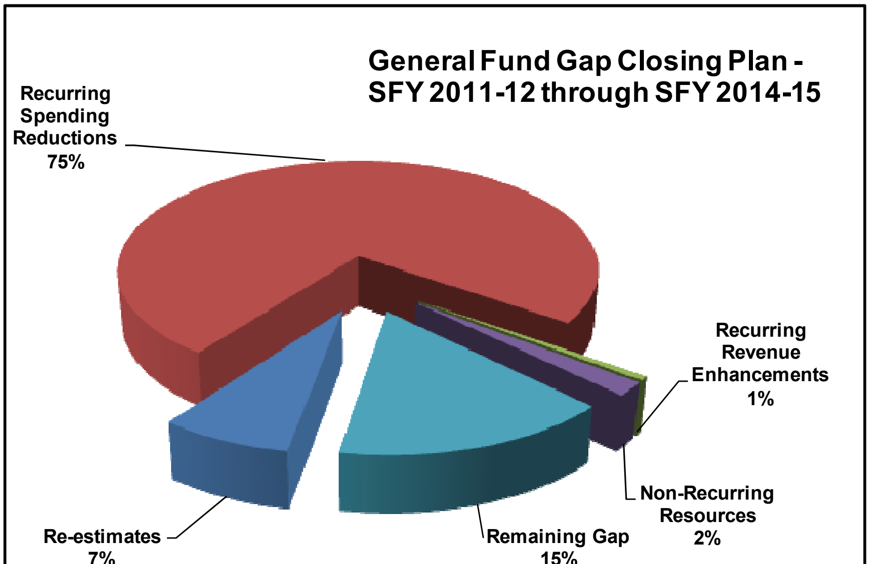
Percentage Growth	SFY 2010-11 Actual Adjusted	SFY 2011-12 Enacted	SFY 2012-13 Projected	SFY 2013-14 Projected	SFY 2014-15 Projected	Total Growth 2011-12 through 2014-15	Average Annual Growth 2011-12 through 2014-15
General Fund Receipts	5.6%	4.3%	0.6%	3.9%	1.8%	10.9%	2.6%
General Fund Disbursements	-1.7%	6.8%	5.3%	4.4%	4.5%	22.7%	5.2%
State Operating Funds Receipts	5.2%	4.7%	2.4%	3.8%	2.0%	13.6%	3.2%
State Operating Funds Disbursements	-0.4%	5.5%	4.6%	3.7%	3.4%	18.4%	4.3%
All Funds Receipts	6.0%	-1.6%	-1.5%	3.9%	5.1%	5.9%	1.4%
All Funds Disbursements	3.0%	-0.8%	0.2%	4.0%	6.3%	9.9%	2.4%

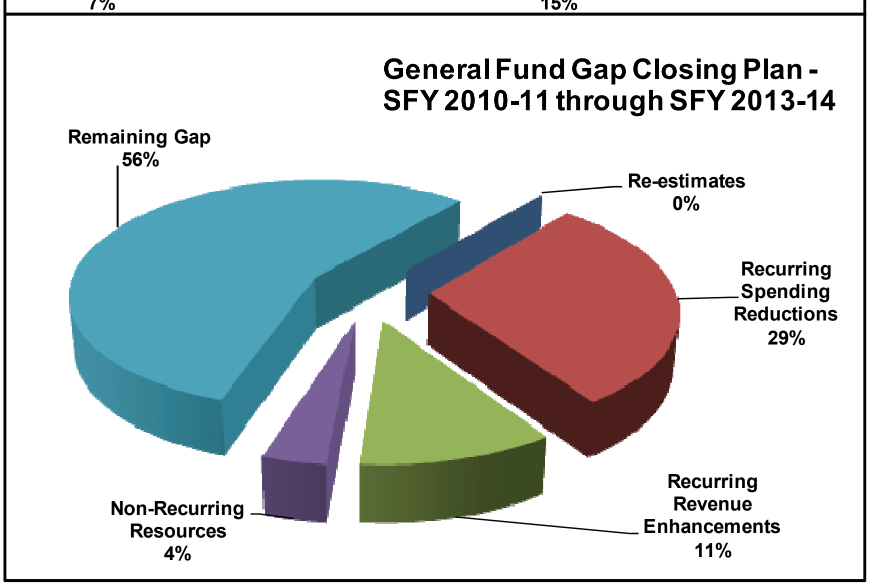
Source: Office of the State Comptroller and the Division of the Budget.

The SFY 2011-12 Enacted Budget still relies on $8.4 billion in non-recurring and temporary resources, although most of these are holdovers from previous budgets. Consequently, recurring spending is projected to grow more than twice as fast as recurring revenue. However, total recurring gap-closing measures in the Enacted Budget make up approximately 75 percent of the total gap closure through SFY 2014-15. An additional 7.0 percent is attributable to re-estimates for revenue and Medicaid. While this significantly lowers the long-term structural imbalance that has persistently plagued the State, there is still a need for additional recurring actions.

Structural Imbalance: SFY 2011-12 through SFY 2014-15

The SFY 2011-12 Executive Budget (with 30-day amendments) projected a cumulative four-year current services General Fund gap (prior to any gap-closing actions) of $63.3 billion. This reflects the four-year cumulative gap projection prior to any legislative action on the Enacted Budget. The gap-closing plan included in the Enacted Budget is primarily made up of recurring spending reductions along with recurring re-estimated Medicaid and revenue projections. As a result, the projected cumulative structural deficit declines from $63.3 billion to $9.8 billion. In SFY 2010-11, the Enacted Budget relied significantly less on recurring gap-closing actions; consequently, the cumulative out-year gap, projected at $66.3 billion prior to legislative action, was only lowered to $37.2 billion.



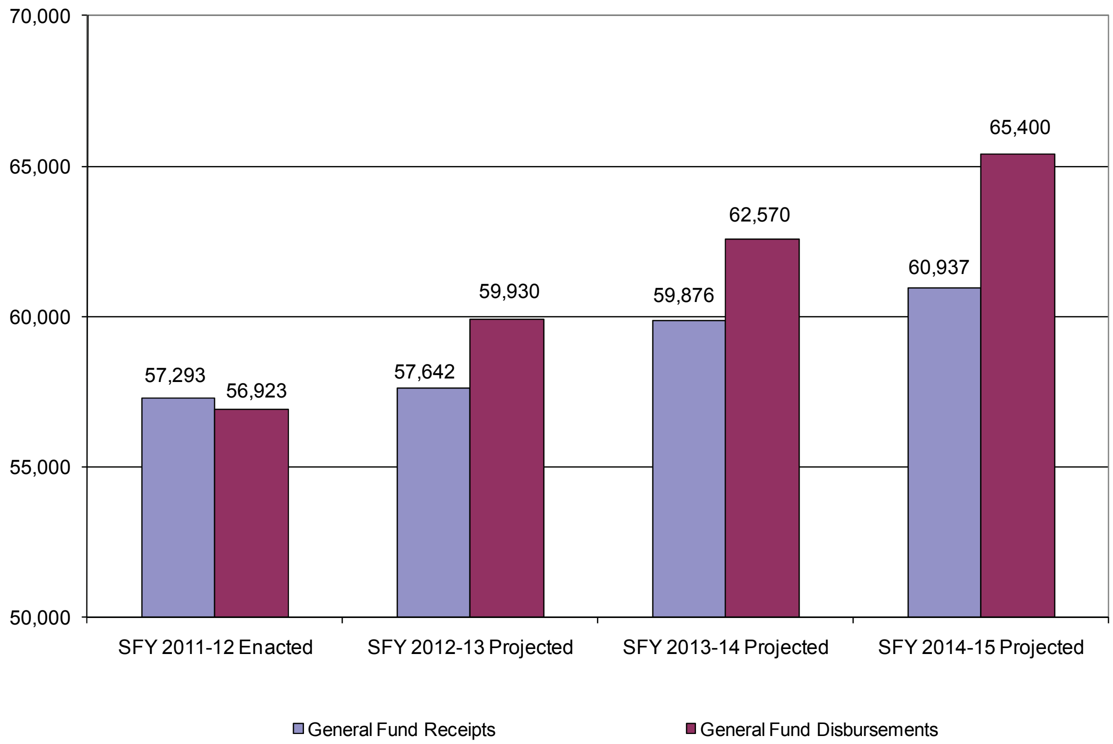


See Appendix D for a table that outlines the out-year impacts of specific gap-closing measures included in the SFY 2011-12 Enacted Budget Financial Plan.

Continuation of a Structural Deficit

In the SFY 2011-12 Enacted Budget Financial Plan, General Fund spending is projected to increase 22.7 percent through SFY 2014-15 from SFY 2010-11, while receipts are projected to increase by just 10.9 percent. General Fund disbursements are expected to grow 5.2 percent annually on average, compared to only 2.6 percent average annual growth for receipts through SFY 2014-15.

General Fund Receipts vs. Disbursements
(in millions of dollars)



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

This structural imbalance results from prior year spending and revenue decisions, combined with remaining temporary actions from previous years. In SFY 2010-11, at least $16.7 billion in temporary resources were relied on for budget balance. In the SFY 2011-12 Enacted Budget, $8.4 billion is utilized.

Commitments made in previous years will continue to increase projected out-year spending. For example, by SFY 2014-15, the Dedicated Highway and Bridge Trust Fund (DHBTF) is projected to require nearly $670 million in General Fund resources to meet expenses, compared to only $237.2 million in SFY 2008-09 – 182 percent growth. This increase has been caused by the expansion of spending over the years from the originally intended capital purposes, to include non-capital spending, such as snow and ice removal. The SFY 2011-12 Enacted Budget provides $450 million in General Fund subsidies for the DHBTF. It is worth noting, however, that projected General Fund transfers for the DHBTF are significantly less than previous projections, primarily because of enacted reductions in State Operations spending for the Department of Motor Vehicles and the Department of Transportation.

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

Non-Recurring and Temporary Resources

In SFY 2010-11, the Enacted Budget relied on at least $16.7 billion in non-recurring or temporary resources for balance – approximately 30 percent of General Fund spending. In SFY 2011-12, $8.4 billion in non-recurring and temporary resources is required for spending needs. By SFY 2014-15, only $355 million of these resources will remain.

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

	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15
Temporary PIT Provisions for High Incomes	4,076	649	-	-
Deferred Tax Credits	970	970	870	-
DOB Reported Non-Recurring Actions	860	2	-	-
Temporary Utility Assessment	537	557	291	-
Stimulus Fiscal Stabilization	463	-	-	-
Stimulus FMAP (Medicaid) Increase	449	(254)	-	-
Temporary Suspension of Clothing Sales Tax Exemption	210	-	-	-
Tax Modernization/Voluntary Compliance	200	150	-	-
HEAL Re-Estimate	160	(94)	(160)	-
Prepaid SUNY Debt Service	154	-	-	-
Abandoned Property	110	125	70	55
Special Education	98	-	-	-
Member Item Fund Deposit Repeal	85	-	-	-
Insurance Conversion Proceeds	-	250	300	300
Total Temporary and Non-Recurring Resources	**8,372**	**2,355**	**1,371**	**355**

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

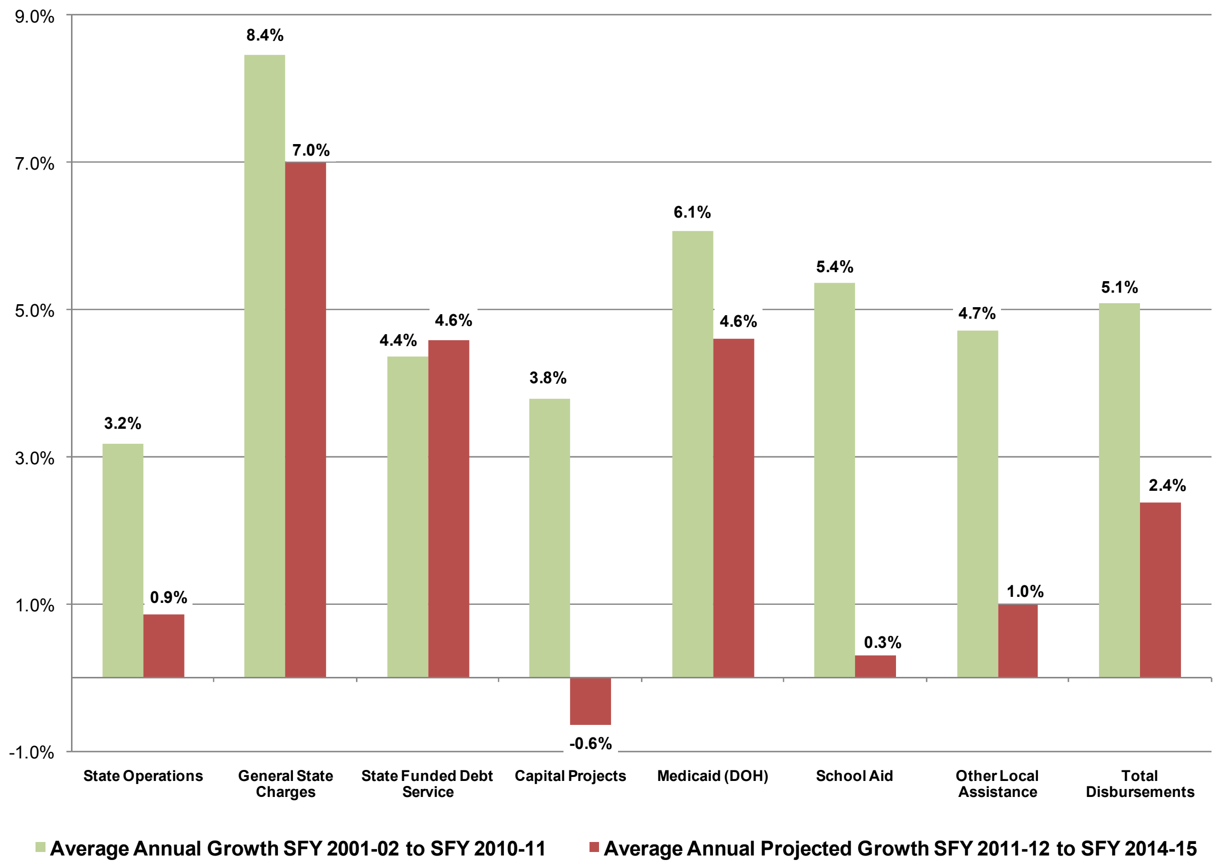
The Changing Structure of the Financial Plan

General State Charges and Debt Service are among the fastest growing major categories of spending, respectively averaging projected growth of approximately 7.0 percent and 4.6 percent annually over the next four years.[6] Medicaid is also expected to average 4.6 percent annual growth. These are the only three major areas that are projected to grow faster than total disbursements (2.4 percent). As a result, the share of the total budget taken up by these three areas will increase. The

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

following chart illustrates how resources are expected to be disbursed through SFY 2014-15.

All Government Funds Disbursements – Average Annual Growth



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

This chart illustrates that the growth in these three categories of spending is outpacing growth in other parts of the budget. One of these areas – Debt Service – is primarily fixed and difficult to lower, and growth in the other two categories is largely driven by economic factors. Medicaid spending will average approximately 30.2 percent of the All Funds budget through SFY 2014-15, up from 28.8 percent. At the same time, Debt Service and General State Charges will also increase as a percentage of the total, while State Operations, capital projects and school aid each decline as a share of the total.

Debt and Capital

The Enacted Budget reduces the total amount of capital spending (including off-budget capital spending, in which bond proceeds are expended directly by public authorities) to $43.3 billion over the next five years, compared to $46.6 billion in the last Five-Year Capital Program and Financing Plan over a comparable five-year period. The specific areas in which spending is projected to occur also change from Plan to Plan.

Significant borrowing over the past decades has depleted much of the State's debt capacity. While the Enacted Budget does not significantly rely on debt to finance the structural deficit, the State continues to be heavily reliant on debt to address its considerable ongoing capital needs. As a result, available State-Supported debt capacity is projected to decline from $5.0 billion in SFY 2010-11 to $1.1 billion in SFY 2013-14. However, personal income projections fluctuated significantly throughout the Great Recession and the subsequent recovery, so projected available capacity could increase or decline.

The Enacted Budget continues to use debt, although in a more limited way than previous budgets, to provide General Fund relief and thus reduce the General Fund current services deficit. For example, $200 million in capital spending for SFY 2011-12 that was planned to be financed with current resources in the SFY 2010-11 Enacted Budget is instead being financed with bonds.

The Enacted Budget also authorizes the State to issue $100 million in bonds to partially finance the Metropolitan Transportation Authority (MTA) capital plan. These bond proceeds would replace $100 million that would otherwise have been financed with MTA current resources (PAYGO). This transaction is intended to partially offset the effects on the MTA of $200 million in fund sweeps from the Metropolitan Mass Transit Operating Assistance Fund (MMTOA) to benefit the General Fund. Each of these proposals was included in the Executive Budget and accepted by the Legislature.

Debt Outstanding and Debt Service

The Enacted Budget's SFY 2011-12 Five-Year Capital Program and Financing Plan includes $43.3 billion in projected capital spending, of which $7.6 billion would be spent off-budget and outside the Financial Plan and Central Accounting System. In SFY 2010-11, DOB instituted a Capital Reduction Program that was intended to reduce capital spending by $1.6 billion, or 3.3 percent, over five years. This reduction was advanced, in part, to prevent the State from reaching the statutory cap on State-Supported debt outstanding.

While the Enacted Budget Capital Program and Financing Plan reduces total capital spending further than anticipated in the Capital Reduction Plan, the largest reductions are projected to occur in the out-years. Even with the reduction in debt-financed capital spending, DOB still projects that available capacity under the cap on State-Supported debt outstanding issued after April 1, 2000 will total only $1.2 billion in SFY 2012-13 and $1.1 billion in SFY 2013-14.[7]

The statutory cap on outstanding debt does not include approximately $10.4 billion in additional debt projected to be outstanding at the end of SFY 2010-11 that was authorized outside the narrow definition of State-Supported debt included in the Debt Reform Act of 2000, most of which was issued to finance non-capital costs, including deficit financing and budget relief.

These obligations are included in the Comptroller's more comprehensive definition of State-Funded debt. The Comptroller's definition includes obligations that are not counted under the Debt Reform Act cap on State-Supported debt outstanding, such as bonds issued by the Sales Tax Asset Receivable Corporation or the Tobacco Settlement Financing Corporation.[8]

The Enacted Budget partially rejected the Executive's proposal to "reprogram" $340 million in previously authorized but unissued bonds for economic development purposes to support: a new economic development program ($130 million); an Economic Transformation Program that will make available funds for municipalities affected by facility closures ($100 million); State funds to support projects included in the MTA capital plan ($100 million); and the State's commitment to the New York City Empowerment Zone ($10 million).

Instead, the Legislature reprogrammed $99.5 million in existing bonding authority for an additional data center and reduced the new economic development bonding authority proposed by the Executive by $50 million by decreasing the amount available to communities affected by correctional and youth facility closures. Other proposed changes to existing economic development bonding authority were rejected in the Enacted Budget.

The Enacted Budget also includes a proposal from the Executive Budget whereby the State will finance its annual debt service payment on State-Supported MTA debt ($165 million) with funds swept from the Metropolitan Mass Transportation Operating Assistance Account (MMTOA).

The SFY 2011-12 Enacted Budget Five-Year Capital Program and Financing Plan projects that State-Supported debt will increase $4.5 billion, or 8.7 percent, from SFY 2010-11 through SFY 2015-16. State-Funded debt is projected to increase 9.8 percent or $6.1 billion over the same time frame, as indicated in the following table.

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[7] The cap on State-Supported debt outstanding, enacted as part of the Debt Reform Act of 2000, was phased in over a nine year period. When fully phased in, the cap on debt outstanding will be equal to 4.0 percent of personal income. See Article 5-B of the State Finance Law for additional details.

[8] Not all State-Funded debt appears in the Capital Program and Financing Plan and is, therefore, illustrated separately in the tables of this section. See the Comptroller's *Debt Impact Study* for more information on State-Funded debt, at www.osc.state.ny.us/reports/debt/debtimpact2010.pdf.

Projected State-Funded Debt Outstanding
SFY 2010-11 through SFY 2015-16
(in thousands of dollars)

	Projected SFY 2010-11	Enacted Capital Plan SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16	Total Percent Change Capital Plan SFY 2010-11 through SFY 2015-16	Total Dollar Change Capital Plan SFY 2010-11 through SFY 2015-16
2011-12 Capital Plan (State-Supported)	51,631,803	54,275,970	55,513,027	56,129,781	56,227,008	56,138,819	8.73%	4,507,016
Total Other State Funded	10,401,167	10,893,523	11,472,086	12,093,305	12,582,280	11,985,087	15.23%	1,583,921
Projected Outstanding (State-Funded)	62,032,970	65,169,493	66,985,113	68,223,086	68,809,288	68,123,906	9.82%	6,090,937

Overall, new State-Supported debt issuances are projected to be slightly lower, at $22.6 billion, over the next five years, compared to $22.8 billion in the previous Plan, as last updated in November 2010.

New York City's Transitional Finance Authority (TFA) is expected to issue approximately $4.2 billion in new Building Aid Revenue Bonds (BARBs) through SFY 2014-15, bringing the projected five-year issuance level of State-Funded debt to $26.8 billion. This is a slight increase of $157 million from the previous Plan. The annual average State-Funded debt issuance is projected to be $5.6 billion, as compared to $5.4 billion in the previous five years.

Currently, more than 94 percent of State-Funded debt outstanding was issued by public authorities and, therefore, was not subject to voter approval. Over the life of the proposed Capital Plan, public authorities are projected to issue nearly $25.2 billion in debt, as compared to projected issuances of $1.6 billion in voter-approved General Obligation bonds. The SFY 2011-12 Enacted Budget does not include any proposed new bond acts to be put before the voters.

Projected State-Funded Debt Issuance
SFY 2010-11 through SFY 2015-16
(in thousands of dollars)

	Projected SFY 2010-11	Enacted Capital Plan SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16	Total Capital Plan SFY 2011-12 through SFY 2015-16
Total State-Supported Issuances	**4,356,185**	**6,073,598**	**4,806,399**	**4,274,250**	**3,826,160**	**3,628,397**	**22,608,804**
TFA BARBs	572,000	935,000	1,050,000	1,130,000	1,040,000	-	4,155,000
Total State-Funded Issuances	**4,928,185**	**7,008,598**	**5,856,399**	**5,404,250**	**4,866,160**	**3,628,397**	**26,763,804**

Note: Issuance projections for Transitional Finance Authority Building Aid Revenue Bonds are only available through 2014-15.

Projected State-Funded Debt Service
SFY 2010-11 through SFY 2015-16
(in thousands of dollars)

		Enacted Capital Plan					Total Percent Change Capital Plan	Total Dollar Change Capital Plan
	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2010-11 through SFY 2015-16	SFY 2010-11 through SFY 2015-16
2011-12 Capital Plan (State-Supported)	**5,614,669**	**5,872,679**	**6,349,730**	**6,515,368**	**6,568,156**	**6,650,134**	**18.44%**	**1,035,465**
Total Other State Funded	**860,491**	**965,330**	**1,020,606**	**1,088,755**	**1,163,022**	**1,235,789**	**43.61%**	**375,298**
Projected Debt Service (State-Funded)	**6,475,160**	**6,838,009**	**7,370,336**	**7,604,123**	**7,731,178**	**7,885,923**	**21.79%**	**1,410,763**

Note: Totals may not add due to rounding

Under the SFY 2011-12 Enacted Budget Capital Program and Financing Plan, State-Funded debt service is expected to reach $7.9 billion by SFY 2015-16. State-Funded debt service is anticipated to grow approximately 21.8 percent between SFY 2010-11 and SFY 2015-16, or 4.0 percent annually on average, making it one of the only major categories of spending in the State budget in which average growth over the next five years actually increases at a faster rate compared to the average growth of the previous ten years.[9]

Capital Program and Financing Plan

The Five-Year Capital Program and Financing Plan projects capital spending will total $43.3 billion through SFY 2015-16. Of this, 47.8 percent of annual spending on average will address transportation needs, down from 48.6 percent in the last Plan. Education and Higher Education (including the remaining $402 million in bonding authority for the Expanding Our Children's Education and Learning or EXCEL program) will increase as a share of total spending, from 19.7 percent to 21.5 percent.

Since SFY 2001-02, capital spending supported by State cash resources (pay-as-you-go or PAYGO) has averaged approximately 32.3 percent of State-funded capital spending, which is slightly less than the average annual percentage of 37.3 percent since 1985. Over the SFY 2011-12 Five-Year Capital Program and Financing Plan, spending from PAYGO is projected to increase to 37.7 percent, although most of the increase is projected to occur in the last three years.

[9] Note that for the purpose of comparing average annual growth of State-Funded debt service to the rest of the State budget, debt service from $4.5 billion in tobacco bonds issued in SFY 2003-04 is *not* included in State-Funded debt service because the revenue for tobacco bonds is and was off-budget, and was not included in the State's Financial Plan. State-Funded debt service figures throughout the rest of this report do include such revenue, as that revenue was used to support health care spending that is now part of the Financial Plan before the funding stream was assigned to the Tobacco Settlement Financing Corporation.

Capital Spending SFY 2010-11 through SFY 2015-16*

(in millions of dollars)

	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16	Average 2011-12 through 2015-16	Total Dollar 2011-12 through 2015-16	Total Percent 2011-12 through 2015-16
Transportation	4,428	4,475	4,149	4,101	4,097	3,848	4,134	20,670	47.8%
Education/Higher Education	1,897	2,008	2,118	1,809	1,750	1,636	1,864	9,321	21.5%
Economic Dev/Gov Oversight	1,158	934	487	583	530	515	610	3,049	7.0%
Mental Hygiene	273	538	721	642	647	647	639	3,195	7.4%
Parks and Environment	728	758	554	479	471	467	546	2,729	6.3%
Health and Social Welfare	353	569	473	415	140	139	347	1,736	4.0%
Public Protection	258	327	336	311	311	310	319	1,595	3.7%
General Government	67	82	63	59	70	70	69	344	0.8%
Other	121	129	162	119	108	100	124	618	1.4%
Total	**9,283**	**9,820**	**9,063**	**8,518**	**8,124**	**7,732**	**8,651**	**43,257**	**100.0%**

* Note that spending for SFY 2011-12 does not reflect a projected spending delay of $234 million, because such delay is not itemized within spending areas.

Management Initiatives

The Enacted Budget includes various debt management initiatives intended to achieve savings and/or create efficiencies in SFY 2011-12. These include:

- **Consolidation of PIT Revenue Bond Issuances.** The SFY 2011-12 Enacted Budget continues the authorization to allow the Dormitory Authority of the State of New York (DASNY) and the Urban Development Corporation to issue PIT Revenue Bonds for any authorized purpose for an additional two years.

- **Authorization to Issue PIT Revenue Bonds for Mental Health.** The Enacted Budget extends the authorization for DASNY to issue Mental Health bonds under the PIT bond structure for one year.

- **Debt Reduction Reserve Fund.** The SFY 2011-12 Enacted Budget includes an authorization to transfer $250 million into the Debt Reduction Reserve Fund. However, the Financial Plan does not currently include cash for a transfer to the Debt Reduction Reserve Fund this year. The transfer is authorized if funds become available.

- **Competitive Sales.** The Capital Plan assumes that 50 percent, or approximately $3.0 billion, of proposed new bond issuances will be sold competitively in SFY 2011-12. The remaining 50 percent will be sold through negotiated sale.

- **Replace PAYGO With Debt.** In an effort to reduce spending from the General Fund as part of the Executive's gap-closing plan, DOB will finance $200 million of planned capital spending in SFY 2011-12 with bonds instead of previously planned current resources (PAYGO). The proposed Financial Plan identifies the $200 million as a non-recurring resource.

- **Offset Otherwise Dedicated Resources to Make a SFY 2011-12 State-Supported Debt Service Payment.** The State will use $165 million from MMTOA to pay the State's SFY 2011-12 contractual obligations to MTA service contract bond holders. This obligation has been previously supported with General Fund resources.

- **Reduce the Amount of State-Supported Debt Authorized to Be in Variable Rate Mode and the Amount Authorized for Interest Rate Exchange or Similar Agreements.** The SFY 2011-12 Enacted Budget includes a provision that reduces the amount of State-Supported debt that can be in variable rate mode from 20 percent to 15 percent of the total amount of State-Supported debt outstanding. The SFY 2011-12 Enacted Budget also includes a provision that reduces the total notional amount of interest rate exchange or similar agreements that can be outstanding at any time from 20 percent to 15 percent of the total amount of State-Supported debt outstanding.

  The limitations on these authorizations were initially set at 15 percent in the SFY 2001-02 Enacted Budget but were increased to 20 percent in the SFY 2007-08 Enacted Budget. The Enacted Five-Year Capital Program and Financing Plan indicates that the State is currently well under the 15 percent caps and is projected to remain significantly under the caps through the Plan period.

Economic Outlook and Revenue

National Economy

After growing by 2.9 percent in 2010, the national Gross Domestic Product (GDP) grew by only 1.8 percent in the first quarter of 2011. The slowdown is attributable to a number of factors, including bad weather that limited construction, and declines in consumer and government spending. Although the Blue Chip consensus forecast reduced the expected growth rate for GDP in 2011 because of the results of the first quarter, GDP is still expected to grow by 2.7 percent in 2011 and 3.2 percent in 2012.

While consumer spending increased sharply in the fourth quarter of 2010, growing by 4.0 percent, growth in the first quarter fell to 2.7 percent. Because of weak growth at the start of the year, personal consumption expenditures increased by only 1.7 percent in 2010. The Blue Chip consensus expects personal consumption expenditures to increase by 2.9 percent in 2011 and 2.8 percent in 2012, as employment continues to grow.

Business investment and exports benefited from the declining value of the dollar and the recovery of the global economy. Business investment in equipment and software grew by 15.3 percent in 2010—the largest increase since 1984, although investment in office buildings and plants remained weak. While growth in nonresidential fixed investments fell to only 1.8 percent in the first quarter of 2011, stronger growth is expected to return as businesses continue to rebuild their inventories in response to higher demand.

Weakness in the labor market continues to be a source of concern. After losing 8.8 million private sector jobs during the recession, the nation added 2.1 million jobs through April 2011. While the pace of private sector employment growth has accelerated over the last three months, the overall rate of growth is well below the average of past economic expansions. This slow rate of job growth has been insufficient to reduce the unemployment rate quickly. By April 2011, the unemployment rate stood at 9.0 percent—only 1.1 percentage points below the October 2009 peak of 10.1 percent. The Blue Chip consensus forecasts that the unemployment rate will remain high, averaging 8.7 percent in 2011 and 8.2 percent in 2012.

The housing market continues to be depressed by the high rate of foreclosure filings and delinquencies, coupled with a tight credit market. Housing prices renewed their decline in the middle of 2010, and IHS Global Insight expects prices to drop 6.4 percent in 2011, while home sales volume is not expected to show sustainable recovery until 2012. Although the economic recovery appears to be strengthening, some risks remain. Most notably, the economic recovery could be slowed by rising oil prices. Also, continued declines in federal, state and local government spending could reduce economic growth.

New York State Economy

New York State's economy began to grow in the third quarter of 2009, after four consecutive quarters of contraction. Gross State Product (GSP) is expected to have grown by 2.2 percent in 2010, after declining by 3.9 percent in 2009. Much of the growth was fueled by New York City's economy and the financial services industry. IHS Global Insight expects GSP to grow by 2.4 percent in 2011 and by 2.8 percent in 2012.

Overall employment losses in New York also ended in December 2009. Through March 2011, the State has gained 122,700 private sector jobs, or growth of 1.8 percent, while government jobs declined by 28,200, or 1.9 percent. Job gains have been concentrated in education and health care, professional and business services, and leisure and hospitality. New York's unemployment rate declined by three-quarters of a percentage point since December 2009 to 8.0 percent in March 2011. IHS Global Insight expects the State's unemployment rate will decline to 7.3 percent in 2012.

Wages grew by approximately 4.5 percent in 2010, after falling by 7.0 percent in 2009. Helping to drive the wage growth in 2010 was the recovery of the financial sector. IHS Global Insight expects wages in New York to increase by 4.1 percent in 2011 and 5.8 percent in 2012.

In 2010 the sales volume for existing homes in the State declined by 3.1 percent and the median price for existing homes was flat. While existing home sales are expected to rise in 2011 by 2.5 percent, prices are forecast to decline by 2.5 percent in 2011, and are not expected to rise until 2012. There were 50,369 foreclosure filings in 2009 and another 43,913 in 2010. Continued foreclosure filings and delinquencies will hold down the housing market in the State.

Revenue

After increasing by $6.6 billion, or 5.2 percent, in SFY 2010-11, the Financial Plan projects All Funds receipts in SFY 2011-12 will decline by $1.6 billion, or 1.2 percent, to $131.7 billion, largely caused by the loss of federal stimulus funds. General Fund receipts are projected to increase by more than $2.8 billion, or 5.2 percent, to $57.3 billion. This includes a net increase of $3.0 billion in tax receipts due mainly to the Personal Income Tax ($2.1 billion), user taxes and fees ($310 million), and business taxes ($822 million). This will be partially offset by a decline in other taxes ($207 million).

Personal Income Tax

All Funds Personal Income Tax receipts in SFY 2011-12 are forecast to increase by $2.9 billion, or 7.9 percent, over the prior year. This reflects $1.4 billion in growth in PIT settlements on 2010 tax returns (payments with requests for extensions and final returns). This increase is driven, in part, by the strengthening of the economy and financial markets in 2010, the deferral of some business tax credits, and the increase in capital gains realizations caused by the continuation of the lower federal tax rates in December 2010. It also reflects the $500 million shift of refunds from SFY 2009-10 into SFY 2010-11, which has the effect of artificially lowering SFY 2010-11 receipts.

Current-year estimated payments are projected to increase by $944 million, and withholding by $562 million. The continued expansion of the economy in 2011 is driving projections for increased collections, but is partially offset by the expiration of the Personal Income Tax temporary increase on high income earners in the last quarter of the fiscal year (January 2012).

User Taxes and Fees

All Funds consumption tax receipts in SFY 2011-12 are forecast to increase by $467 million, or 3.3 percent. The increase is attributed mainly to increases in the sales tax, as well as in cigarette and tobacco taxes. Sales taxes are expected to increase by $377 million, or 3.3 percent, because of the improvement in the economy and strong growth in tourism, which will be partially offset by the return of the sales tax exemption for clothing and footwear that costs up to $55 per item. Cigarette taxes are forecast to increase by $70 million, or 4.3 percent, because of the full-year impact of the $1.60 per pack tax increase enacted in June 2010.

Business Taxes

All Funds business tax receipts are forecast to increase by $894 million, or 12.3 percent, in SFY 2011-12. The increase in business taxes is due to the improving economy and the deferral of some business tax credits, with increases expected in the corporate franchise tax ($617 million, or 21.7 percent), the bank tax ($138 million, or 11.7 percent), the corporation and utilities tax ($79 million, or 9.7 percent), the insurance tax ($44 million, or 3.3 percent), and the petroleum business tax ($16 million, or 1.5 percent).

Other Taxes

All Funds other tax receipts in SFY 2011-12 are forecast to decline $167 million, or 9.2 percent. The drop in other taxes reflects the expected decline in the estate tax of $203 million, or 16.7 percent. The decline can be attributed to an unprecedented number of receipts from large estates in SFY 2010-11 that is not expected to continue in the current fiscal year. This will be partially offset by the projected increase in the real estate transfer tax of $41 million, or 7.1 percent, due to the improving commercial real estate market.

Payroll Tax

All Funds payroll tax receipts are expected to increase by $63 million, or 4.6 percent, in SFY 2011-12, reflecting the improving economy and wage growth.

Miscellaneous Receipts

All Funds miscellaneous receipts are forecast to increase by $259 million, or 1.1 percent, in SFY 2011-12, mainly due to the growth in SUNY Income Fund revenues, which is partially offset by the decline in non-recurring resources.

Federal Grants

Federal grants are expected to decline by $6.0 billion, reflecting the expiration of certain American Recovery and Reinvestment Act (ARRA) funds.

Total Receipts
(in millions of dollars)

	Actual SFY 2009-10	Actual SFY 2010-11	Dollar Change	Percent Change	Enacted SFY 2011-12	Dollar Change	Percent Change
General Fund	**52,556**	**54,447**	**1,891**	**3.6%**	**57,293**	**2,846**	**5.2%**
Taxes	36,997	39,205	2,208	6.0%	42,237	3,032	7.7%
Personal Income Tax	22,654	23,894	1,240	5.5%	26,001	2,107	8.8%
User Taxes and Fees	8,087	8,795	708	8.8%	9,105	310	3.5%
Business Taxes	5,371	5,279	(92)	-1.7%	6,101	822	15.6%
Other Taxes	885	1,237	352	39.8%	1,030	(207)	-16.7%
Miscellaneous Receipts	3,888	3,095	(793)	-20.4%	3,098	3	0.1%
Federal Grants	71	54	(17)	-23.9%	60	6	11.1%
Transfers	11,600	12,093	493	4.3%	11,898	(195)	-1.6%
All Funds	**126,748**	**133,321**	**6,573**	**5.2%**	**131,688**	**(1,633)**	**-1.2%**
Taxes	57,668	60,870	3,202	5.6%	64,976	4,106	6.7%
Personal Income Tax	34,751	36,209	1,458	4.2%	39,058	2,849	7.9%
User Taxes and Fees	12,852	14,206	1,354	10.5%	14,673	467	3.3%
Business Taxes	7,459	7,279	(180)	-2.4%	8,173	894	12.3%
Other Taxes	1,378	1,817	439	31.9%	1,650	(167)	-9.2%
Payroll Tax	1,228	1,359	131	10.7%	1,422	63	4.6%
Miscellaneous Receipts	23,557	23,148	(409)	-1.7%	23,407	259	1.1%
Federal Grants	45,523	49,303	3,780	8.3%	43,305	(5,998)	-12.2%

Source: Division of the Budget.

New Taxes, Fees, Assessments and Other Revenue Actions

The SFY 2011-12 Enacted Budget estimates revenue of approximately $273 million from new or increased General Fund taxes, fees, and other revenue actions, and $324 million in new All Fund taxes, fees, and other revenue actions. This includes tax modernization initiatives that are projected to provide an additional $200 million through the enhanced collection of the Personal Income Tax.

The Enacted Budget also includes a provision that will increase All Funds receipts by $38 million by allowing video lottery gaming facilities to offer free play credits that will increase play at the facilities. In addition, $65 million in All Funds receipts is expected from additional abandoned property receipts by reducing dormancy periods, which will allow unclaimed funds to be considered abandoned in a shorter time period.

Summary of SFY 2011-12 Revenue Actions
(in millions of dollars)

	General Fund	All Funds
Revenue Actions		
New or Increased Fees		
Statewide Central Registrar Clearance	-	5
Tobacco Registration Fees for Retailers	3	3
Tax Enforcement		
Offset Certain Tax Debts Against Lottery Winnings	5	5
Tax Modernization Initiatives	200	200
Other		
Provide "Free-Play Allowance" to All Tracks	-	38
Increase the Number of 75 Percent Instant Games	-	4
Increase Prize Payout on Multi-Jurisdictional Games	-	-
Allow Multi-State Progressive Video Lottery Games	-	4
Reduce Certain Abandoned Property Dormancy Periods	65	65
Total Revenue Actions	273	324

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Program Area Highlights

Education

The Enacted Budget reduces general support for school aid from $20.9 billion to $19.6 billion, which is a reduction of $1.3 billion or 6.1 percent on a school year (SY) basis. The Enacted Budget adds approximately $250 million over the aid level proposed in the Executive Budget. This is a combination of a Gap Elimination Adjustment (GEA) restoration of approximately $230 million and an additional $20 million for funding Teacher Resource and Computer Centers (both on a school year basis).

Overall, the Enacted Budget adds $272 million for education programs for SFY 2011-12. In addition to providing approximately $161 million in GEA restoration and $14 million in Teacher Centers on a fiscal year basis, the Enacted Budget makes a number of other changes that restore or add aid to educational programs in SFY 2011-12. The Executive's proposal to change the manner in which the State pays for summer school special education was rejected, and $57 million ($86 million on a school year basis) has been restored to this program, for a total of $291 million in SFY 2011-12.

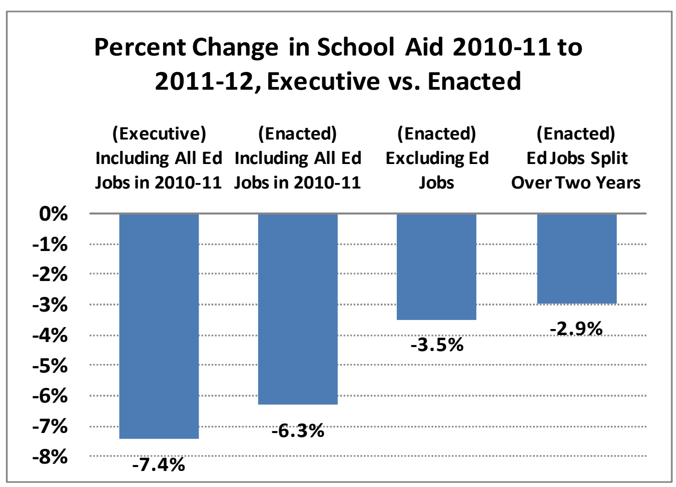
Other restorations and additions include $7.0 million for testing programs, and $3.0 million in funding for non-public schools.

The Enacted Budget also rejects the Executive's proposal to reclassify State Supported Schools for the Blind and Deaf as private schools for

Measuring Aid Reductions

The size of the aid reductions looks different depending on what is included in the measure. The Executive Budget showed a net school aid reduction of $1.5 billion, or 7.3 percent, statewide in school year 2011-12 (7.4 percent for computerized aids shown in the school aid runs). This reduction assumed that all federal Education Jobs Act (Ed Jobs) appropriations would be spent in the 2010-11 school year, although districts had two school years to spend the revenue.

School aid runs released with the Enacted Budget did not include any Ed Jobs appropriations in either year. As a result, the final cuts to school aid appeared lower – $697 million, or about 3.5 percent, statewide, instead of 6.3 percent had the Ed Jobs funds been included in the 2010-11 amounts. Neither the Executive nor the Enacted Budget attempted to apportion the impact of Ed Jobs funds according to how districts planned to spend the money. Since many districts planned to save some or all of the Ed Jobs aid for use in 2011-12, the effect of this would be on average to further mitigate total cuts. When the reductions are calculated by apportioning Ed Jobs spending over the two years as planned by districts as of January 2011, the statewide reduction is 2.9 percent.



NOTE: Data in chart and analysis above are based on school aid runs, which do not contain certain smaller aid categories, including grant programs.

students with disabilities. However, this requires no additional revenue in SFY 2011-12, because the Enacted Budget includes the Executive's proposal to change the funding structure for these schools to a reimbursement basis. This creates a lag in funding, which brings the cost to the State down from $112 million in SFY 2010-11 to $20 million in SFY 2011-12, for a one-time savings of $98 million.

Although the Enacted Budget does create two new competitive grant programs totaling $500 million, as proposed by the Executive, the Legislature has clarified that no funds would be available in SFY 2011-12 (as assumed in the Executive's Financial Plan) and places certain limits on the amount to be disbursed in SFY 2012-13.

In the Executive's 30-Day Amendments, two-year appropriations were proposed for schools through SFY 2012-13, consistent with the Executive's five-year plan to limit aid growth to an index of personal income growth (approximately 4.0 percent, currently). The Executive's proposed language presumed another year of flat funding for Foundation and Universal Pre-Kindergarten Aids, but proposed a smaller GEA than in SY 2011-12. The Enacted Budget allows for flexibility among restoring more of the GEA, phasing in Foundation Aid sooner, and other actions.

The Enacted Budget allows school districts to access excess revenues in their Employee Benefit and Accrued Liability Reserve (EBALR) funds to cushion the effects of the remaining funding reductions. It also requires that the State Comptroller certify the excess funds available to districts to offset reductions in State aid. The Enacted Budget modifies the Executive's proposal by adding language to allow Boards of Cooperative Educational Services (BOCES) to distribute any excess EBALR revenues to component districts. On April 12, State Comptroller DiNapoli certified that 95 school districts had excess EBALR funds totaling $148.2 million that they could use to partially offset $190.6 million in State aid cuts.

Finally, the Enacted Budget rejects the Executive Budget proposals to restructure building aid, transportation aid and aid for BOCES. As all of these aid categories are expense-driven, none of these changes would have impacted spending in SFY 2011-12.

School Tax Relief (STAR) Program

The SFY 2011-12 Enacted Budget includes the Executive's proposed School Tax Relief (STAR) appropriation of $3.3 billion in SFY 2011-12, as well as its proposed limit on growth of exemption benefits to 2.0 percent annually. This mirrors an existing provision that limits exemption decreases when property values escalate rapidly, and is projected to save the State $125 million in SFY 2011-12.

The Enacted Budget also includes a mechanism for STAR recipients to repay erroneous back payments, although it is limited to repayments of 10, rather than 20, prior years' payments. This is projected to save $100,000 in SFY 2011-12, and is meant in part to allow taxpayers to repay credits before the Department of Taxation and Finance expands its auditing for fraud, as is being implemented administratively by the Executive. The new audits are expected to net $50 million for the State in SFY 2012-13.

Higher Education

The SFY 2011-12 Enacted Budget provides General Fund State support for the State University of New York (SUNY) and the City University of New York (CUNY) of $2.8 billion, including $1.6 billion for SUNY and $1.2 billion for CUNY. The Enacted Budget proposal does not include an increase in tuition. Additionally, the Legislature eliminated $40 million in appropriation authority from the Senior College Revenue Offset account related to a 5.0 percent tuition increase authorized by the CUNY Board of Trustees in November 2010.

The Enacted Budget includes a partial restoration totaling $60 million for the General Fund subsidy for the three SUNY teaching hospitals at Brooklyn, Stony Brook and Syracuse. The Executive had proposed to fully eliminate this subsidy, an action which would have saved $135 million in SFY 2011-12 or $154 million on an academic year basis.

The Enacted Budget also provides for $350 million in spending authority to support the operation of the Long Island College Hospital (LICH), should its proposed acquisition by SUNY Brooklyn Downstate Medical Center be approved. This proposal includes the assumption by SUNY of $152 million of LICH debt which will be classified as State-Supported debt and subject to the statutory caps on debt service and debt outstanding. The Financial Plan assumes that the $17 million in annual debt service will be paid from patient revenues. However, should these revenues be insufficient to meet the debt obligations, the General Fund could be adversely impacted.

The Enacted Budget includes an $18.1 million, or 39 percent, restoration of funding for Base Operating Aid for SUNY and CUNY community colleges. This results in a restoration of $88 per Full-Time Equivalent (FTE) student, bringing funding per FTE to $2,122. The Executive Budget proposed a 10 percent reduction or $226 per FTE over SFY 2010-11, from $2,260 to $2,034 per FTE, which would have resulted in $46.3 million in savings. The amount restored for this purpose for SUNY community colleges is approximately $13 million, while $5.1 million in aid to CUNY community colleges is restored. The Enacted Budget also provides $653,000 and $544,000 for SUNY and CUNY Child Care Centers, respectively.

The Enacted Budget includes the Executive's proposed increase for the Tuition Assistance Program (TAP) of $19 million, or 2.3 percent, on an All Funds basis, primarily due to enrollment growth. The Enacted Budget also provides for continuation of certain TAP provisions included in the SFY 2010-11 Enacted Budget, with certain modifications. These provisions involve the inclusion of pension and annuity income when determining TAP eligibility, limiting the maximum TAP award to $4,000 for students in two-year degree programs (modified to exclude public community colleges), continuing the TAP award schedule for students who are married with no children, and eliminating TAP eligibility for graduate students and all students in default on student loans. The Enacted Budget also accepts, with certain modifications, the provisions related to minimum academic standards for non-remedial TAP recipients proposed by the Executive and adds funds to provide TAP awards for students attending religious institutions not under the supervision of the State Education Department.

The Regents Physician Loan Forgiveness Program, Patricia K. McGee Nursing Faculty Scholarship, Nursing Faculty Loan Forgiveness Incentive Program and Regents Licensed Social Worker Loan Forgiveness Program are extended through 2016. The Enacted Budget also restores $3.8 million for the Long Island Veterans' Home.

The Enacted Budget also includes modifications to allow SUNY and CUNY colleges, hospitals and Construction Funds (SUCF and CUCF) to enter into certain contracts (including goods from group purchasing organizations or GPOs) without the prior approval of the State Comptroller or Attorney General thereby reducing oversight, transparency and accountability. The Office of the State Comptroller retains its post-audit function.

Contracts That No Longer Require Office of the State Comptroller Approval

Contracting Agency	Services	Goods	Construction and Construction Related Services	Printing	Goods from GPO's
SUNY		X	X	X	
CUNY		X	X	X	
SUNY Hospital		X	X	X	X
SUCF	X	X	X		
CUCF	X	X	X		

Health

The SFY 2011-12 Enacted Budget adopts much of the Executive's plan to restructure the State Medicaid program, including $2.7 billion in State share savings out of nearly $2.9 billion assigned to and recommended by a Medicaid Redesign Team (MRT) established by Executive Order.

The Enacted Budget also caps, subject to federal approval, the year-to-year growth rate of State Department of Health (DOH) Medicaid spending at approximately 4.0 percent starting in April 2012. This cap would be based on the ten-year rolling average of the medical component of the Consumer Price Index. However, the Enacted Budget Financial Plan for SFY 2011-12 offers no assurance that these actions will achieve anticipated savings or limit program growth, explicitly acknowledging the risks associated with obtaining timely federal approvals and cooperation from health care industry stakeholders.

The Enacted Budget caps State DOH Medicaid spending at $15.3 billion in SFY 2011-12 and $15.9 billion in SFY 2012-13, and gives the State Health Commissioner largely unrestricted authority to preserve those caps. The spending caps for both State fiscal years exclude payments for Medicaid services provided at State facilities operated by the Office of Mental Health, the Office for People with Developmental Disabilities and the Office of Alcoholism and Substance Abuse Services.

The Enacted Budget Financial Plan expects overall Medicaid spending, including federal, State and local expenditures, to total $52.6 billion in SFY 2011-12, which would be $218 million, or 0.4 percent, lower than SFY 2010-11. However, projected State DOH Medicaid spending in SFY 2011-12 would be nearly $3.4 billion, or 28.4 percent, higher than SFY 2010-11, primarily because of the expiration of enhanced federal Medicaid reimbursement at the end of June 2011.

MRT initiatives adopted in the Enacted Budget include:

- A uniform 2.0 percent reduction in Medicaid payments, capped at $702 million in State savings through SFY 2012-13, which, at the discretion of DOB and DOH, may be achieved through alternative methods such as non-reimbursable provider assessments.

- A medical indemnity fund to pay future health care costs of birth-related neurological injuries, after a finding of negligence by a judge, jury or settlement. The purpose of the fund is to reduce premium costs for medical malpractice insurance coverage. The fund is initially financed with a $30 million Health Care Reform Act (HCRA) appropriation in SFY 2011-12 and subsequently replenished by a 1.6 percent assessment on hospital obstetrical services revenue. This assessment is expected to raise $30 million annually and is adjusted for average medical inflation. The Enacted Budget rejects the Executive Budget proposal to establish a $250,000 cap on damage awards for pain and suffering in medical malpractice cases.

- Expansion of Medicaid managed care to many previously exempted populations, to be phased in over three years. These populations include persons living with AIDS outside of New York City (DOH has required managed care for enrollees with HIV/AIDs living in the City since September 2010), nursing home residents, the homeless and residents of State-operated psychiatric hospitals. The Enacted Budget prohibits “dual-eligibles,” or persons enrolled in Medicaid and Medicare, from participating in Medicaid managed care, unless they are enrolled in a Medicare managed care plan. However, under federal health reform legislation, New York will be receiving up to $1.0 million in federal funding to develop better ways to coordinate care for this population.

- Utilization thresholds for the personal care program, including an 8-hour weekly limit on shopping, meal preparation and light housekeeping services.

- Elimination of provider inflation adjustments, except for nursing homes that primarily serve children under 21.

- Elimination of State-only funded Medicaid “wrap-around” coverage of drugs that are available to Medicaid/Medicare dual-eligibles through their Medicare Part D prescription drug plans. These drugs include anti-depressants, atypical anti-psychotics, anti-retrovirals for persons living with HIV/AIDS, and immuno-suppressants for organ and tissue transplants.

Spending levels for SFY 2011-12 and SFY 2012-13 are marginally higher than the proposed Executive Budget expenditure limits for both State fiscal years. This reflects the Legislature’s rejection of a number of MRT initiatives, such as:

- Eliminating spousal refusal, which allows a spouse or parent to refuse financial support for a spouse or child to enable them to obtain Medicaid.

- Increasing or establishing co-payments for Medicaid, Family Health Plus and Child Health Plus.

- Eliminating the “prescriber prevails” provision in prior authorization procedures for prescription drugs in fee-for-service Medicaid, whereby if the provider insists, the State must ultimately authorize requests for non-preferred drugs. While the Enacted Budget maintains this provision, fewer enrollees will be accessing prescription drugs through fee-for-service Medicaid, because the Budget also shifts pharmacy benefits back to Medicaid managed care starting later this year.

If DOB determines that State DOH Medicaid expenditures are exceeding or expected to exceed aggregate limits in any month, the Enacted Budget requires the State Medicaid Director, DOB and the State Health Commissioner to develop a plan to keep spending under the cap, seeking input from the Legislature and various health care organizations in the process. Before the plan takes effect, the State Health Commissioner must post it on DOH’s website and provide written copies to the Legislature 30 days before implementation.

Other health-related actions adopted in the Enacted Budget include:

- The acceptance of $36 million in Elderly Pharmaceutical Insurance Coverage (EPIC) savings actions, to provide EPIC coverage only when a participant is in the Part D coverage gap and end EPIC payments for Part D co-payments and deductibles, as well as drugs not covered by Part D plans. The Enacted Budget restores $22.3 million in EPIC payments for Medicare Part D premiums of lower income EPIC participants, including those with individual annual incomes up to $23,000 if unmarried and joint annual incomes up to $29,000 if married. The Executive Budget proposed to eliminate such payments for all EPIC participants.

- A plan to mitigate industry losses from nursing home rebasing and implement statewide pricing by January 2012.

- A $40 million reduction in Executive Budget capital reappropriations for continuation of the Healthcare Efficiency and Affordability Law for New Yorkers (HEAL-NY). This program provides payments and grants for capital projects designed to enhance the operation of health care facilities, close or restructure underutilized capacity and upgrade information and healthcare technologies. The Executive's Medicaid Redesign Team identified use of HEAL capital funds as a tool to provide operational and restructuring assistance to safety net hospitals, nursing homes and clinics deciding whether to close, merge or restructure.

- $7.8 million in restorations for the Roswell Park Cancer Institute.

- $6.8 million in restorations to mitigate reductions at the four nursing homes for veterans and their dependents owned and operated by DOH: Oxford in Chenango County, St. Albans in Queens, Batavia in Genesee County and Montrose in Westchester County.

- Home care worker wage parity for Medicaid-reimbursed home and community-based long-term care starting March 2012 in New York City and March 2013 in Westchester, Nassau and Suffolk counties.

Mental Hygiene

The SFY 2011-12 Enacted Budget adopts nearly all of the Executive's Mental Hygiene budget recommendations, decreasing State-funded spending by $91 million, or 1.2 percent, to $7.7 billion. It lowers All Funds spending, including federal funds and capital projects, by $75 million, or 0.9 percent, to $8.2 billion. This funding supports the operations of five State agencies: the Office for People with Developmental Disabilities, the Office of Mental Health (OMH), the Office of Alcoholism and Substance Abuse Services, the Commission on Quality of Care and Advocacy for Persons with Disabilities, and the Developmental Disabilities Planning Council.

The Enacted Budget rejects the Executive proposal to replace the one-year notice requirement with a two-week notice requirement before closing, consolidating or transferring inpatient hospital wards. However, the Enacted Budget authorizes the State Mental Health Commissioner to close up to 600 beds in SFY 2011-12, provided the Commissioner gives 30 days' notice to the Legislature and posts the notice on the OMH website.

The Enacted Budget also requires the Commissioner to give 60 days' notice to the Legislature and county chief executive officers before the closure, consolidation or merger of any State psychiatric hospitals. In deciding which hospitals to close, consolidate or merge, the Commissioner is required to consider the types of services provided by the hospital, the long-term need for those services and other specified criteria.

Human Services

The SFY 2011-12 Enacted Budget restores and, in one case, provides sizable new funding totaling nearly $116 million for programs within the offices of Children and Family Services (OCFS) and Temporary and Disability Assistance (OTDA). These include:

- $34.6 million for reduced State OCFS support for room and board costs of children placed in residential schools when their needs cannot be met in their school district. The Executive Budget proposed to shift the entire State share to school districts.

- $22.4 million for federal social services block grant funding that counties have used for various local programs, including senior centers in New York City. The Executive proposed to shift this funding to OCFS child welfare programs.

- $15.5 million for the OTDA summer youth employment program, for which the Executive Budget provided no funding in SFY 2011-12.

- $15 million for a new OTDA program to prevent evictions and address homelessness in New York City.

Other restorations include funding for various Temporary Assistance for Needy Families (TANF) initiatives, prevention, employment and training programs, and rejection of full family sanctions when the head of a household receiving public assistance fails to comply with program work requirements. Offsetting these increases are $24 million in projected savings from a further reduction of the State share for Safety Net Assistance expenditures and flexible funding for family services administered by counties.

The Enacted Budget also makes significant changes to Executive Budget initiatives to reform the OCFS juvenile justice system. While the Enacted Budget authorizes OCFS to proceed with plans to reduce the capacity of its youth facilities by 376 beds in SFY 2011-12, the agency must consider specific criteria in determining which, if any, facilities to close, give the Legislature 60 days' notice and post the notice on its website before making any significant service reductions, public staffing reductions and/or transferring facility operations to private or not-for-profit entities. The Executive had proposed to permanently eliminate the 12-months' notice previously required to achieve the closures. This change in notification requirements sunsets at fiscal year end. The Enacted Budget also requires OCFS to provide the Legislature and local social services districts with an annual report on the total cost and operating capacity of OCFS youth facilities.

The Enacted Budget accepts the total appropriations of $84.5 million proposed in the Executive Budget for funding local detention centers and community-based programs for troubled youth. However, it modifies the Executive proposals to redirect State funding from local detention centers to community-based programs for troubled youth. The Executive proposed to eliminate automatic 49 percent State reimbursement of local detention costs starting July 2011, create a new capped detention program providing 50 percent State funding for youth posing a threat to public safety, and create a new program providing 62 percent State funding to replace and enhance existing alternatives to detention and OCFS residential placements. The Enacted Budget creates a capped appropriation, but allows local officials to use it for 49 percent State reimbursement of local detention center costs or 62 percent State funding for local alternatives to detention.

Finally, the Enacted Budget increases from $5 to $25 the fee for child abuse background checks for individuals who work alone with children. The Executive proposal was to increase the fee to $60.

The Enacted Budget accepts the Executive proposal to delay implementation of the third phase of a three-year, 30 percent increase in public assistance grants from July 2011 to July 2012.

Economic Development

The SFY 2011-12 Enacted Budget authorizes the establishment of ten Regional Economic Development Councils through Executive Order for the purpose of coordinating and distributing all economic development resources from State agencies and authorities. In addition, the councils would review all existing economic development agreements.

Funding for economic development initiatives will be awarded competitively from $200 million in existing funding and tax credits. The Enacted Budget provides $130 million in redirected economic development capital funds and an estimated $70 million in tax credits through an enhanced Excelsior Jobs Program. The criteria to be used by the Regional Economic Development Councils to evaluate competing economic development proposals have not yet been specified.

The Enacted Budget adopts changes to the Excelsior Jobs Program enacted in SFY 2010-11. The tax benefit period is extended from five years to ten years for eligible firms. Benefits are capped at $50 million annually for new entrants, ultimately rising to a maximum $250 million annual cap upon full implementation over ten years. The cap then declines by $50 million annually through 2024.

In addition, the Enacted Budget changes the calculations and caps for the jobs tax credit and research and development tax credit and clarifies that participants may access both existing Research and Development (R&D) tax credits and the Excelsior R&D tax credits. The real property tax credit calculations are modified to be based on the value of the property after improvements have been made. The Enacted Budget also authorizes utilities to offer discounted gas or electric rates to program participants.

The Enacted Budget establishes the Economic Transformation and Facility Redevelopment Program, to provide $50 million in capital funding to communities affected by correctional and youth facility closures. Participants are eligible to receive benefits only after demonstrating that job, investment and/or other development commitments are met. The program has five tax incentive components—a jobs tax credit, an investment tax credit, a job training tax credit, a real property tax credit and a sales tax credit.

Modifications to the existing Linked Deposit Program, which provides loans to New York State businesses for various eligible projects such as facility modernization and expansion or new product development, were enacted. The lifetime maximum loan amount is increased from $1.0 million to $2.0 million. In addition, a provision was added to allow a linked loan to be renewed for an additional four years.

The Enacted Budget merges the New York State Foundation for Science, Technology and Innovation (NYSTAR), which administers programs to expand university-based research and technology, with the Department of Economic Development (DED). The savings that were originally expected due to elimination of duplicative functions are reflected in the State agency redesign savings projections in the Financial Plan.

The Enacted Budget adopts language requiring the Urban Development Corporation (UDC) to submit a comprehensive financial plan to DOB for approval. Additional provisions require UDC to establish certain accounts and subaccounts, provide quarterly reporting on these accounts, adhere to interchange and transfer protocols and remit excess funds to the State Comptroller for deposit to the General Fund.

Lottery and Gambling

The Enacted Budget rejects the Executive’s proposed Supplemental Regulatory Fee of 2.75 percent of all purses at harness and thoroughbred tracks, foregoing new revenue of $7.6 million in SFY 2011-12. The Enacted Budget authorizes a free-play allowance program, expanding instant lottery games and authorizing multi-jurisdictional video lottery gaming, but rejects the proposal to ease restrictions on Quick Draw operations. These proposals are expected to increase revenue by $46 million in SFY 2011-12. The Enacted Budget Financial Plan also anticipates $100 million in All Funds savings from lottery sales efficiency actions.

Transportation

The SFY 2011-12 Enacted Budget makes no significant changes to the Executive Budget with respect to transportation funding. The Legislature accepts the Executive's proposed appropriations for State Operations, Aid to Localities and Capital Projects.

State Transportation Capital Spending

The Enacted Budget reflects the continuation of the two-year, $7.0 billion capital program that began in SFY 2010-11. This $3.5 billion in annual funding is approximately $1.6 billion per year less than the $25.8 billion five-year program proposed by the Department of Transportation (DOT) in October 2009, which would have averaged more than $5.1 billion per year.

The original DOT plan, designed to keep the State's roads and bridges in a state of good repair, was rejected by Governor Paterson as too expensive, given the State's fiscal challenges. Governor Cuomo proposed to continue transportation capital funding at this level. As a result, planned disbursements from the State's transportation capital plan are approximately $1.5 billion lower than the annual amount estimated by DOT in October 2009 to be necessary to maintain New York's roads and bridges in a state of good repair.

Support for Local Highways and Bridges

The Enacted Budget maintains bonding authorization for the Consolidated Highway Improvement Program (CHIPS) at $363 million and for the Marchiselli program at $39.7 million, which is the same as SFY 2010-11. This spending occurs entirely off-budget. The funds are raised through bonds issued by the New York State Thruway Authority. For this reason, CHIPS and Marchiselli spending is not included in the State's Financial Plan.

Dedicated Highway and Bridge Trust Fund

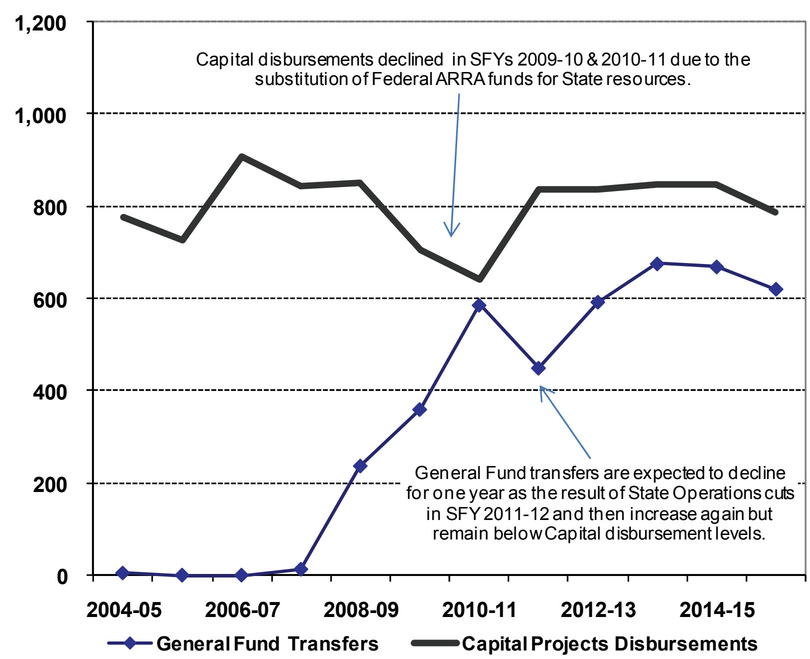
The Enacted Budget increases estimated capital disbursements from the Dedicated Highway and Bridge Trust Fund (DHBTF) -- the State's principal fund for highway construction -- by $192.4 million, or 29.9 percent, over actual SFY 2010-11 disbursement levels, for a total of $835.1 million. However, disbursements from the Fund for the support of departmental operations are projected to decline by $67.3 million, or 5.1 percent, to $1.3 billion. This is less than the 10 percent reduction that was projected in the proposed Executive Budget. Debt service disbursements are projected to reach $1.4 billion, a 2.2 percent increase over the prior year. It is important to note, however, that this increase builds on the debt service increase that occurred in SFY 2010-11, which totaled $336.2 million, or 32.6 percent. This resulted from the decision made in 2005 to restructure the debt of the DHBTF in such a way that the State deferred the payment of principal on a large part of its debt service for five years.

Although the State lacks a five-year transportation capital plan, the Executive's budget documents are required to provide five-year projections for major capital programs, including a summary of DHBTF receipts and disbursements. The five-year plan for the DHBTF included in the Executive's Enacted Budget includes a number of significant changes from the proposed Executive Budget's plan. Total receipts for the period between SFY 2011-12 and SFY 2015-16 are $90.6 million lower than the February estimate, while disbursements are reduced $48.7 million. In addition, receipts in SFY 2010-11 were $98.4 million lower than projected while disbursements were $134.3 million lower. These adjustments appear to be related to a reduction in the use of Federal Funds, possibly due to slower-than-anticipated use of ARRA funds.

Since the General Fund is now used to fill any shortfalls in the DHBTF, the end of year adjustments in the DHBTF resulted in a $29.7 million increase in the General Fund subsidy for the DHBTF, for a total of $586.6 million in SFY 2010-11. The projected five-year total for General Fund transfers to the DHBTF between SFY 2011-12 and SFY 2015-16 is $3.01 billion.

The Enacted Budget makes some progress with respect to the burden of General Fund transfers to the DHBTF. Until this year, these transfers were becoming the main source of capital spending because DHBTF resources were increasingly "dedicated" to debt service and normal State agency operations. However, as a result of the reduced amount of State Operations spending from the DHBTF, additional funds will be available for capital purposes. As the following graph shows, Capital Projects disbursement from the DHBTF will remain somewhat higher than General Fund transfers for the next several years.

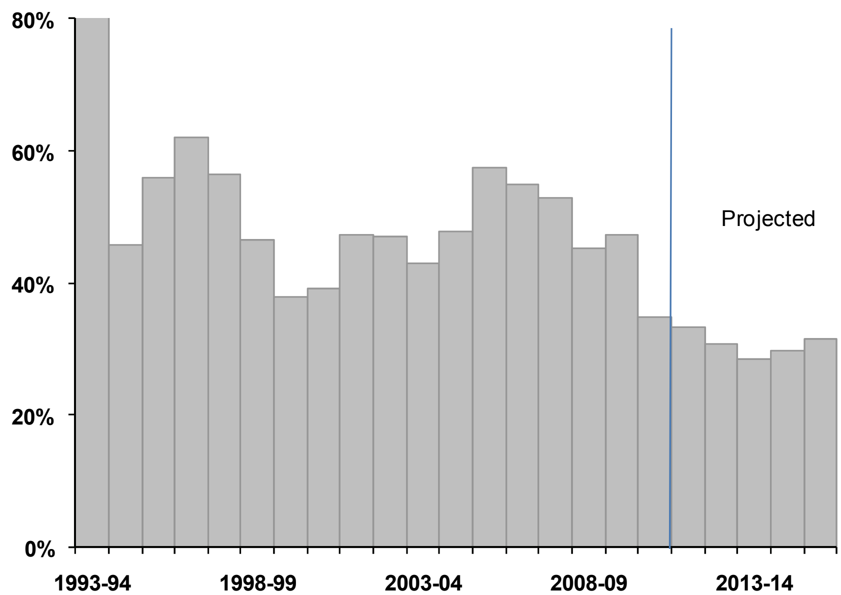
DHBTF General Fund Transfers and Capital Projects Disbursements
(in millions)



The Dedicated Highway and Bridge Trust Fund, enacted in 1991, was intended to be the primary funding source for the construction and rehabilitation of State-owned roads and bridges. However, since its inception, a growing portion of the Fund has been diverted to pay for State operating costs, as well as debt service. As a result, DHBTF resources have not been sufficient to pay for capital costs. In fact, capital outlays from the DHBTF have in nominal terms remained essentially flat since 1994 and have declined steadily in real terms because of inflation.

As the following chart illustrates, the DHBTF will be characterized by a low level of PAYGO (Pay-As-You-Go) for the foreseeable future. PAYGO is here defined as dedicated revenue as a percentage of combined Capital and State Operations disbursements.

DHBTF Pay-As-You-Go Percentages



Environment and Parks

Department of Environmental Conservation

The SFY 2011-12 Enacted Budget adds $400,000 to Department of Environmental Conservation (DEC) appropriations proposed in the Executive Budget to create a new conditional shellfish program and to restore funds to the Cornell University integrated pest management program.

The Enacted Budget abolishes the fee for saltwater fishing licenses for two years at a projected cost of $1.9 million in forgone revenues. The Enacted Budget also extends until December 31, 2012 the compliance deadline for subdivision 3 of section 10-0323 of the New York State Environmental Conservation Law requiring the installation of particulate filters and the use of low sulfur diesel fuel in heavy duty diesel engines. No savings are projected from this deadline extension. The Enacted Budget also extends the DEC's authority to collect augmented pesticide registration fees for three years. The Executive Budget had proposed to permanently increase these fees.

Tug Hill Commission

The Enacted Budget rejects the Executive Budget proposal to eliminate the Tug Hill Commission, an agency that provides planning and natural resource management assistance in the Tug Hill region (portions of Jefferson, Lewis, Oneida and Oswego counties), and restores $1.1 million in funding to support continued operations of the Commission.

Environmental Protection Fund

The Enacted Budget appropriates $134 million in capital funds for the Environmental Protection Fund, as proposed in the Executive Budget, but adds individual allocations totaling $1.8 million to fund projects at the Buffalo Waterfront, Hoyt Lake, the Niagara River Greenway, Olmstead Park, Hyde Park, the Darwin Martin House, Graycliff Manor and the Belleayre Ski Center.

Office of Parks, Recreation and Historic Preservation

The Enacted Budget for SFY 2011-12 restores $3.0 million for the Office of Parks, Recreation and Historic Preservation. This restoration includes $2.9 million to reimburse municipal enforcement of navigation laws and $100,000 for operations at historic properties.

Agriculture

The Enacted Budget for SFY 2011-12 rejects the Executive Budget proposal to distribute State assistance to programs in support of agriculture through a competitive grant process. In addition, the Enacted Budget restores $4.0 million for certain agriculture-related purposes proposed to be cut in the Executive Budget.

The Enacted Budget authorizes purchase of equipment to allow customers of farmers' markets to use electronic benefit transfer cards. The Enacted Budget also authorizes the Department of Agriculture and Markets to create a revolving loan fund to support the creation of regional farmers markets, although no funding is appropriated for this purpose.

Energy

The Enacted Budget for SFY 2011-12 includes the new Recharge New York Power Program proposed in the Executive Budget, but with modifications. The Enacted Budget extends the expiration date for the Power for Jobs program to June 30, 2012, after which contracts for low cost power provided under the Recharge New York

Program would go into effect. This program allocates 910 megawatts (MW) of low cost power from New York Power Authority (NYPA) hydropower stations and market power purchased by NYPA to create and retain jobs. The hydroelectric power would be reallocated from domestic and rural customers of National Grid, New York State Electric & Gas (NYSEG) and Rochester Gas & Electric (RG&E).

A bill mitigation payment will be made to these utilities to offset increases in electric bills for their customers. The Recharge New York Power Program would require NYPA to make a payment of $100 million to the utilities in the years 2011 through 2013. The payment would decline to $70 million, $50 million and $30 million in 2014, 2015 and 2016, respectively, then remain at $30 million in perpetuity. Beginning in 2012, $8.0 million of the bill mitigation payments will be set aside for agricultural producers who receive electric service at the residential rate. In addition, affected customers will receive energy efficiency services to assist in reducing expenses related to energy use.

Under the new program, at least 350 MW is allocated for economic development in the National Grid, NYSEG and RG&E electric service territories, 200 MW is set aside to attract new investment, and 100 MW is set aside for not-for-profit institutions. NYPA is required to make payments to the State to offset continuing tax credits due to a one-year extension of the expiring Power for Jobs program, including $7.5 million for SFY 2010-11 and $6.0 million for SFY 2011-12. The new program would be administered off-budget by NYPA.

The SFY 2011-12 Enacted Budget contains All Funds appropriations of $35.5 million for the New York State Energy Research and Development Authority (NYSERDA). Of this amount, $19.2 million is provided for the State's share of costs to remediate the radioactive contamination at the Western New York Nuclear Service Center in West Valley, New York.

Housing

The SFY 2011-12 Enacted Budget adds $6.0 million in new appropriations for the Neighborhood Preservation Program and the Rural Preservation Program. The Neighborhood Preservation Program will receive $2.5 million and the Rural Preservation Program will receive $3.5 million in new funds. The Enacted Budget will not distribute these funds through a competitive grant process as proposed in the Executive Budget.

The Enacted Budget reduces the Executive Budget appropriation in support of the Public Housing Modernization program by $6.4 million and reallocates this funding as follows:

- $3.2 million to the Housing Trust Fund;
- $2.2 million to the Housing Program Fund; and,
- $1.0 million to the Access to Home Program.

The Housing Program Fund will be used to provide technical assistance to municipalities and not-for-profit corporations in administering downtown revitalization projects.

The Enacted Budget also expands the eligible uses of funds transferred from the State of New York Mortgage Agency in support of the greater Catskills flood remediation program. These funds can now be used to purchase and demolish homes valued under $250,000 that are affected by water intrusion that are within two miles of an underground New York City aqueduct .

Public Protection

Department of Corrections and Community Supervision

The SFY 2011-12 Enacted Budget includes the merger of the Department of Correctional Services and the Division of Parole into the new Department of Corrections and Community Supervision. The merger is projected to produce savings of $6.0 million in SFY 2011-12.

The SFY 2011-12 Enacted Budget grants the Executive the discretion, in consultation with the Legislature and with 60 days' notification, to reduce the number of beds in medium and minimum security facilities by 3,700. This proposal is associated with savings of $72 million in SFY 2011-12. Economic development assistance of $50 million will be made available to communities impacted by prison closures or consolidations, in addition to tax credits to spur new business.

Division of Criminal Justice Services

The SFY 2011-12 Enacted Budget rejects the consolidation of the Office of Victim Services, the Office for the Prevention of Domestic Violence and the State Commission of Corrections into the Division of Criminal Justice Services proposed by the Executive.

General Government

Department of Financial Regulation

The Enacted Budget accepts the Executive's proposed merger of the operations of the Department of Insurance, the Banking Department and certain consumer protection programs of the Consumer Protection Board into the Department of Financial Regulation.

The Enacted Budget provides for the transfer of the functions, duties and staff of the Consumer Protection Board into a new Consumer Protection Division in the Department of State for an estimated savings of approximately $200,000.

Governor's Office of Regulatory Reform

The Enacted Budget accepts the Executive Budget proposal to eliminate the Governor's Office of Regulatory Reform, which is expected to save approximately $1.5 million in SFY 2011-12.

Local Governments

Aid and Incentives for Municipalities

The SFY 2011-12 Enacted Budget reduces Aid and Incentives for Municipalities (AIM) by $14.6 million, which is a 2.0 percent cut from SFY 2010-11 levels for cities, towns and villages. Total AIM payments are reduced by $13.2 million to cities other than New York City and by $1.4 million to towns and villages. New York City continues to be excluded from receiving any AIM funding, which is a $302 million reduction from SFY 2009-10 levels. In SFY 2011-12, AIM funding totals $715 million, a reduction of $50 million since its peak in SFY 2008-09.

Other Municipal Aid

The SFY 2011-12 Enacted Budget restores $6.3 million in Video Lottery Terminal (VLT) Aid to 15 municipalities targeted by the Executive for aid elimination, which is 45 percent of the amount received in SFY 2008-09. In addition, the Enacted Budget includes funding for the City of Saratoga Springs and for Saratoga County. These entities were last provided VLT Aid in SFY 2008-09. This brings total funding for the program to $25.9 million.

The Executive Budget had proposed eliminating the Small Government Assistance program for a savings of $2.1 million. This program benefited three counties and 26 school districts affected by the State Forest Property Tax exemptions. The Enacted Budget partially restores funding to the three counties at 98 percent ($217,000).

Additionally, the Executive Budget had proposed eliminating $3.9 million in Miscellaneous Financial Assistance, which provided targeted aid to both Oneida and Madison counties. In the Enacted Budget, these counties will receive 50 percent of their SFY 2010-11 Miscellaneous Financial Assistance disbursements aid ($1.96 million).

As noted in the Transportation section, local transportation aid is preserved at SFY 2010-11 levels, including $363.1 million for the Consolidated Highway Improvement Program (CHIPS) and $39.7 million for the Marchiselli Program.

Incentive Grants

The Enacted Budget accepts the Executive's proposal to provide $79 million to fund four programs to promote and create incentives for the consolidation and dissolution of local governments. The Local Government Efficiency Grants Program, originally enacted in SFY 2008-09, is funded at $4.0 million and will provide competitive grants for functional consolidation, shared or cooperative services and regional services.

In addition, three new local programs are established. Citizen Empowerment Tax Credits will promote local government consolidation or dissolution by providing a bonus equal to 15 percent of the new local government tax levy—at least 70 percent of which must be used to provide direct relief to property taxpayers. The Citizens Reorganization Empowerment Grants will provide grants for up to $100,000 for local governments to cover costs associated with studies, plans and implementation efforts related to reorganization activities. These programs are funded at $35 million. The Local Government Performance and Efficiency Program, funded at $40 million, will provide one-time awards of up to $25 per capita (capped at $5.0 million) to local governments that achieve efficiencies and performance improvements. The Department of State is responsible for administering these programs and developing evaluation criteria.

Mandate Relief

The Mandate Relief Redesign Team (MRRT) was created by Executive Order and issued its first preliminary report on March 1, 2011. This report was characterized as a first step and the MRRT is continuing to examine ways to address mandates that place significant cost burdens on local governments, including school districts. The MRRT expects to provide quarterly updates on its progress and this effort will culminate with the presentation of final MRRT recommendations by the end of the SFY 2011-12.

New York City

According to DOB, the Enacted Budget for SFY 2011-12 reduces aid to New York City by nearly $505 million, which is $119 million less than proposed in the Executive Budget. Although the Enacted Budget rescinds $137 million in proposed cuts in education aid, New York City will still receive $480 million less in City Fiscal Year (CFY) 2012 than in the prior year. The Enacted Budget also rejects the proposed cap on State support for education capital projects, which would have significantly reduced the capital program for New York City's public schools. DOB excludes from its estimates the elimination of $302 million in payments to New York City under the Aid and Incentives to Municipalities (AIM) program, which were to be restored in CFY 2012 according to the SFY 2010-11 Enacted Budget.

New York City's November 2010 four-year financial plan had anticipated a large increase in State education aid, which magnified the budgetary impact of the State Budget on New York City. In February 2011, the City allocated $1.4 billion in City funds for CFY 2012 to mitigate the potential impact of the new State budget. Most of the resources were allocated to ease the expected loss in anticipated education aid ($1.0 billion) and the elimination of AIM payments ($302 million).

On May 6, 2011, the City released a revised four-year financial plan, which estimates that the Enacted Budget will adversely affect the City's budget by $1.2 billion in CFY 2012, or $192 million less than estimated in February 2011. The Enacted Budget did not restore any funding to the AIM program for New York City, and the State has not yet acted on the City's proposals to change certain post-employment benefits for police officers and firefighters, or to create a new pension tier for new City employees.

Since November 2010, the City has increased funding for education by nearly $1.7 billion in CFY 2012 to offset the expected loss of State and federal aid. The Mayor, however, still plans to move forward with his November 2010 proposal to reduce the number of pedagogical positions at the Department of Education by 6,166 between June 2011 and June 2012, including 4,166 layoffs, as part of his efforts to balance the CFY 2012 budget.

The New York City Health and Hospitals Corporation estimates that the Enacted Budget will reduce its revenues by more than $130 million annually, and could adversely affect services.

Metropolitan Transportation Authority

The Enacted Budget diverts an additional $200 million in dedicated transit tax revenue for use in the State's operating budget, expanding a practice that began in 1995. The impact on the operating budget of the Metropolitan Transportation Authority (MTA) will be reduced to $100 million in 2011 because the State provided the MTA with an additional $30 million in dedicated funds in SFY 2010-11, and also relieved the MTA of its obligation to fund $70 million in capital projects that the Legislature had requested in the past—thereby permitting the MTA to free up $70 million in operating funds that it had set aside to finance capital projects on a pay-as-you-go basis.

The MTA has indicated that it will work to absorb the $100 million cut in State aid without reducing services, but it has not yet identified the specific actions it plans to implement.

Public Authorities

The SFY 2011-12 Five-Year Capital Program and Financing Plan estimates that $4.7 billion in capital spending in SFY 2011-12 will be financed using public authority bond proceeds. The Enacted Budget increases bonding caps for ten programs. A new bonding cap is added for economic development initiatives, funded by decreases in the bonding caps for ten other economic development programs. The net increase in bonding authorizations for public authorities is $1.3 billion.

SFY 2011-12 Change in Public Authority Bond Caps

(in millions of dollars)

Program	SFY 2010-11 Cap	SFY 2011-12 Executive Proposed Cap	SFY 2011-12 Enacted Cap	Enacted Change from Current Cap	Enacted Change from Proposed Cap
SUNY Dormitory Facilities	1,230.0	1,561.0	1,561.0	331.0	-
Library Facilities	70.0	84.0	84.0	14.0	-
Environmental Infrastructure Projects	903.7	915.7	915.7	12.0	-
Division of Military and Naval Affairs	18.0	21.0	21.0	3.0	-
State Buildings and Other Facilities	165.8	205.8	205.8	40.0	-
Equipment Acquisition (COPS)	751.3	784.3	784.3	33.0	-
OFT Facilities	120.5	120.5	21.0	(99.5)	(99.5)
Prison Facilities	6,164.1	6,490.5	6,490.5	326.4	-
Youth Facilities	379.5	429.5	429.5	50.0	-
Housing Capital Programs	2,532.3	2,636.5	2,636.5	104.2	-
Community Enhancement Facilities (CEFAP)	425.0	407.0	423.5	(1.5)	16.5
Strategic Investment Program	225.0	225.0	215.7	(9.3)	(9.3)
Regional Economic Development	1,200.0	1,195.1	1,189.7	(10.3)	(5.4)
NYS Economic Development (2004)	350.0	290.0	345.8	(4.3)	55.8
Regional Economic Development (2004)	250.0	243.0	243.3	(6.7)	0.3
High Technology and Development	250.0	176.7	249.0	(1.0)	72.3
Regional Economic Development/SPUR	90.0	88.3	89.8	(0.3)	1.4
Economic Development 2006	2,318.0	2,318.0	2,310.4	(7.6)	(7.6)
Economic Development Stadium Parking (2006)	75.0	48.5	75.0	-	26.5
2008 and 2009 Economic Development Initiatives	1,310.0	1,270.8	1,269.5	(40.6)	(1.3)
2011 Economic Development Initiatives	-	230.6	180.6	180.6	(50.0)
Consolidated Highway Improvement Program (CHIPS)	6,286.7	6,695.2	6,695.2	408.5	-
Total	**25,114.9**	**26,437.0**	**26,436.5**	**1,321.7**	**(0.4)**

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

As described previously, the Enacted Budget merges the New York State Foundation for Science, Technology and Innovation (NYSTAR) with the Department of Economic Development (DED). The Enacted Budget also repeals the New York State Theatre Institute's enabling legislation and transfers all rights and properties to the Office of General Services (OGS). Additional provisions authorize OGS to transfer real and personal property to the Sage Colleges for use in bringing arts in education to children.

The Enacted Budget includes statutory authority for UDC to create a subsidiary, empowered to form limited liability companies, for the purpose of administering the federal New Markets Tax Credit Program.

The Enacted Budget authorizes $211.4 million in transfers and miscellaneous receipts from public authorities to provide General Fund support. Additional General Fund relief is provided by transferring $165 million from the Metropolitan Mass Transportation Operating Assistance (MMTOA) account to the General Debt Service Fund to pay debt service typically paid from the State's General Fund.

In addition, the Enacted Budget includes General Fund relief of $25 million from delayed repayment of the NYPA asset transfer enacted in SFY 2009-10 and receipt of

$6.0 million from NYPA to offset tax credits related to the one-year extension of the Power for Jobs program.

SFY 2011-12 Transfers and Miscellaneous Receipts from Public Authorities
(in millions of dollars)

Public Authority	Amount
Transfers to the General Fund:	
Housing Finance Agency	3.5
New York Power Authority	100.0
Dormitory Authority of the State of New York	22.0
New York State Energy Research Development Authority	0.9
MTA - Metropolitan Mass Transportation Operating Assistance Fund (MMTOA)	35.0
Unspecified Public Authorities	50.0
Transfers to the General Debt Service Fund:	
MTA - Metropolitan Mass Transportation Operating Assistance Fund (MMTOA)	165.0
Total Transfers from Public Authorities	**376.4**

The Enacted Budget increases the maximum for State cost recovery from State public authorities from $55 million to $60 million. In addition, the Enacted Budget repeals the $5.0 million State cost recovery imposed on Industrial Development Agencies and requires reimbursement of any payments made by or on behalf of these entities.

The Enacted Budget also provides blanket authorization for any public benefit corporation to make voluntary contributions to the General Fund at any time as long as the transfer is approved by the corporation's governing board. This language is similar in concept to the "blanket sweep" language first enacted in SFY 2007-08, which provides DOB discretion to sweep funds from any special revenue accounts to the General Fund for budget relief.

State Workforce

The SFY 2011-12 Enacted Budget is projected to reduce the total State workforce by 10,308 Full-Time Equivalent (FTE) positions, including lump reductions of 1,762 in attrition and 9,748 layoffs, which the Executive characterizes as the number of layoffs that "may be necessary in the absence of negotiated workforce savings." These cuts would be offset by a net increase of 1,202 FTEs across all agencies. The Enacted Budget no longer includes the Executive's original stated savings goal of $450 million related to workforce savings. However, any workforce savings are presumably included in the overall $1.5 billion State Operations savings target included in the SFY 2011-12 Enacted Budget Financial Plan.

If all these FTE cuts were to be made, the projected total State workforce at the end of March 2012 would drop to 178,203, or 5.5 percent less than the actual size of the

State workforce at the end of March 2011, when it totaled 188,511.[10] This SFY 2010-11 end of year figure itself represents a 7,281 or 3.7 percent reduction from the SFY 2009-10 close-out level of 195,792. Therefore, the cumulative two-year reduction in the State workforce would amount to 17,589 FTEs or approximately 9.0 percent, if all potential layoffs and anticipated attritions were to take place.

The Enacted Budget accepted certain proposed agency consolidations. The following chart shows specific agency mergers and consolidations proposed by the Executive and how they are addressed in the SFY 2011-12 Enacted Budget.

Executive Budget Proposal	Enacted Budget
Merger of the Department of Banking, Department of Insurance, and the Consumer Protection Board into the new Department of Financial Services.	• The Enacted Budget modifies the merger proposal. The new Department of Financial Services will serve as an oversight agency for the financial services industry. • The Enacted Budget provides for separate divisions of Banking and Insurance, headed by separate deputy superintendents, with separate assessments and programs for appropriations, so as to maintain a regulatory firewall between separate entities, while still allowing for administrative efficiencies through back office and support consolidation. • The Enacted Budget rejects merging the Consumer Protection Board with the Department of Banking and the Department of Insurance, and instead folds it in to the Department of State.
Merger of the Department of Correctional Services and the Division of Parole into the Department of Corrections and Community Supervision.	• The Enacted Budget modifies the proposal to allow the merger of the Department of Correctional Services and the Division of Parole into the Department of Corrections and Community Supervision (DCCS) and reduce the number of Board of Parole members from nineteen to thirteen.
Merger of the Office of Victim Services, the Office for the Prevention of Domestic Violence and the State Commission on Corrections into the Division of Criminal Justice Services.	• The Enacted Budget rejects the proposal to merge these entities.
Merger of the Foundation for Science, Technology and Innovation (NYSTAR) into the Empire State Development Corporation.	• The Enacted Budget modifies the Executive's proposal to Merge NYSTAR into Empire State Development Corporation by creating a separate division within Department of Economic Development called the Division of Science, Technology and Innovation.

In addition, by Executive Order the Executive created the Spending and Government Efficiency (SAGE) Commission, charged with recommending ways to eliminate at least 20 percent of State agencies, authorities and other entities, and identify government efficiency improvements.

[10] This total does not include employees of the legislative and judicial branches of the New York State government.

Employer Pension Contribution

The SFY 2011-12 Enacted Budget permitted the State and local governments to opt into a program to lessen the volatility of required pension contributions by permitting employers to amortize a portion of increased contributions in return for a permanent commitment to fund contribution stabilization accounts to offset future rate increases.

In times of rising rates, this program allows the State and local governments to amortize a portion of their pension costs over a ten-year period. In times of declining rates, State and local governments would be required to pay off any prior amortizations and create savings accounts to offset potential future rate increases.

By limiting the volatility of contributions, this program enables the State and local governments to budget annual expenses more easily, and minimizes dramatic fluctuations in pension costs. The State amortized $249 million in SFY 2010-11 and the Financial Plan anticipates that the State will amortize approximately $635 million in SFY 2011-12.

Appendices

Appendix A: Summary of SFY 2011-12 Appropriations

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

The following summarizes new appropriations by appropriation type. The tables do not include contingency appropriations, reappropriations or member item appropriations. Note that comparisons to SFY 2010-11 show extraordinary growth rates due to the inclusion of two-year appropriations in education aid and Medicaid in SFY 2011-12.

Summary of New Appropriations by Appropriation Type
SFY 2011-12 Enacted Budget Compared to SFY 2010-11 Enacted Budget
(in millions of dollars)

	Enacted SFY 2010-11	Enacted SFY 2011-12	Dollar Change From SFY 2010-11	Percent Change From SFY 2010-11
State Operations	40,943	46,013	5,070	12.38%
Local Assistance	111,377	179,209	67,832	60.90%
Capital Projects	7,934	7,556	(379)	-4.77%
Debt Service	9,288	8,880	(409)	-4.40%
Total	**169,542**	**241,656**	**72,114**	**42.53%**

Note: Appropriations for SFY 2010-11 are as enacted, prior to legislative reductions. Totals may not add due to rounding.

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

	Executive Proposed (30-Day) SFY 2011-12	Enacted SFY 2011-12	Dollar Change From Executive	Percent Change From Executive
State Operations	45,660	46,013	353	0.77%
Local Assistance	177,093	179,209	2,116	1.19%
Capital Projects	7,630	7,556	(74)	-0.97%
Debt Service	8,880	8,880	-	0.00%
Total	**239,262**	**241,656**	**2,394**	**1.00%**

Note: Totals may not add due to rounding.

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

Summary of New Appropriations by Appropriation Subject Area
SFY 2011-12 Enacted Budget Compared to SFY 2010-11 Enacted Budget
(in millions of dollars)

	Enacted SFY 2010-11	Enacted SFY 2011-12	Dollar Change From SFY 2010-11	Percent Change From SFY 2010-11
Public Protection & General Government	10,996	14,953	3,957	35.98%
Health and Mental Hygiene	68,554	116,750	48,196	70.30%
Education, Labor & Family Assistance	65,442	83,496	18,054	27.59%
Transportation, Economic Development and Environment	12,370	14,807	2,437	19.70%
Legislature	220	220	-	-0.90%
Judiciary	2,671	2,551	(120)	5.74%
Debt Service	9,288	8,880	(409)	-4.40%
Total	**169,542**	**241,656**	**72,114**	**42.53%**

Note: Appropriations for SFY 2010-11 are as enacted, prior to legislative reductions. Totals may not add due to rounding.

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

	Executive Proposed (30 Day) SFY 2011-12	Enacted SFY 2011-12	Dollar Change From Executive	Percent Change From Executive
Public Protection & General Government	14,922	14,953	31	0.21%
Health and Mental Hygiene	115,513	116,750	1,236	1.07%
Education, Labor & Family Assistance	82,756	83,496	740	0.89%
Transportation, Economic Development			-	
and Environment	14,250	14,807	557	3.91%
Legislature	220	220	-	-0.90%
Judiciary	2,721	2,551	(170)	-6.25%
Debt Service	8,880	8,880	-	0.00%
Total	**239,262**	**241,656**	**2,394**	**1.00%**

Note: Totals may not add due to rounding.

Appendix B: Evolution of SFY 2011-12 Budget Bills

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

Appropriation Bills	Executive Budget		21-Day Amends		30-Day Amends		One House Bills		Executive Resubmittal *		PASSED		DELIVERED TO GOVERNOR	Chapter & Date Signed
	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly		
State Operations	2800 1-Feb-2011	4000 1-Feb-2011	2800-A 25-Feb-2011	4000-A 25-Feb-2011	2800-B 4-Mar-2011	4000-B 4-Mar-2011	2800-C 12-Mar-2011	4000-C 12-Mar-2011	2800-D 29-Mar-2011	4000-D 29-Mar-2011	2800-E** 3/29/2011	4000-E** 3/30/2011	3/30/2011	Ch. 50 4/11/2011
Leg & Judiciary	2801 1-Feb-2011	4001 1-Feb-2011									2801-A 3/30/2011	4001-A 3/30/2011	3/30/2011	Ch 51 3/31/2011
Debt Service	2802 1-Feb-2011	4002 1-Feb-2011									2802 3/16/2011	4002 3/16/2011	3/24/2011	Ch 52 3/25/2011
Local Assistance	2803 1-Feb-2011	4003 1-Feb-2011	2803-A 25-Feb-2011	4003-A 25-Feb-2011	2803-B 4-Mar-2011	4003-B 4-Mar-2011	2803-C 12-Mar-2011	4003-C 12-Mar-2011	2803-D 30-Mar-2011	4003-D 30-Mar-2011	2803-E 3/30/2011	4003-E 3/30/2011	3/30/2011	Ch 53* 4/11/2011
Capital Projects	2804 1-Feb-2011	4004 1-Feb-2011	2804-A 25-Feb-2011	4004-A 25-Feb-2011			2804-B 12-Mar-2011	4004-B 12-Mar-2011	2804-C 30-Mar-2011	4004-C 30-Mar-2011	2804-D** 3/30/2011	4004-D** 3/30/2011	3/30/2011	Ch 54 4/11/2011

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

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

Article VII/ Language Bills	Executive Budget		21-Day Amends		30-Day Amends		One House Bills		Executive Resubmittal*		PASSED			Chapter & Date Signed
	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly	Senate	Assembly		
Public Protection / General Government	2807 1-Feb-2011	4007 1-Feb-2011	2807-A 25-Feb-2011	4007-A 25-Feb-2011			2807-B 12-Mar-2011	4007-B 12-Mar-2011			2807-C** 3/30/2011	4007-C** 3/30/2011	3/30/2011	Ch 57 3/31/2011
Education, Labor & Family Assistance (ELFA)	2808 1-Feb-2011	4008 1-Feb-2011	2808-A 25-Feb-2011	4008-A 25-Feb-2011			2808-B 12-Mar-2011	4008-B 12-Mar-2011	2808-C 30-Mar-2011	4008-C 30-Mar-2011	2808-D** 3/30/2011	4008-D** 3/30/2011	3/30/2011 +	Ch 58 3/31/2011
Health & Mental Hygiene (HMH)	2809 1-Feb-2011	4009 1-Feb-2011	2809-A 25-Feb-2011	4009-A 25-Feb-2011	2809-B 4-Mar-2011	4009-B 4-Mar-2011	2809-C 12-Mar-2011	4009-C 12-Mar-2011	2809-D 30-Mar-2011	4009-D 30-Mar-2011	2809-D** 3/30/2011	4009-D** 3/30/2011	3/30/2011	Ch 59 3/31/2011
Transportation & Economic Development	2810 1-Feb-2011	4010 1-Feb-2011	2810-A 25-Feb-2011	4010-A 25-Feb-2011			2810-B 12-Mar-2011	4010-B 12-Mar-2011			2810-C** 3/29/2011	4010-C** 3/29/2011	3/30/2011	Ch 60 3/31/2011
Revenue	2811 1-Feb-2011	4011 1-Feb-2011	2811-A 25-Feb-2011	4011-A 25-Feb-2011			2811-B 12-Mar-2011	4011-B 12-Mar-2011			2811-C** 3/30/2011	4011-C** 3/30/2011	3/30/2011	Ch 61 3/31/2011
Agency Mergers	2812 1-Feb-2011	4012 1-Feb-2011	2812-A 25-Feb-2011	4012-A 25-Feb-2011			2812-B 12-Mar-2011	4012-B 12-Mar-2011			2812-C** 3/29/2011	4012-C** 3/29/2011	3/30/2011	Ch 62 3/31/2011
												+ LRS Indicates passage on 3/30/2011. Actual Assembly passage may have occurred on 03/31 @ 1:08am		
Program Bills														
#1 - Property Tax Cap	2706	3982									2706 1/31/2011			
#2 - Recharge NY Power Progam	3164	5021									3164 3/8/2011			
SFY 2010-11 DEFICIENCY														
Deficiency - Approps SFY 2010-11	2806 1-Feb	4006 1-Feb												
Deficiency - Language SFY 2010-11	2805 020/01	4005 1-Feb												

*see Vetoes 1-22 ** Passed with Message of Necessity

Appendix C: Summary of SFY 2011-12 Article VII Bill Sections

PUBLIC PROTECTION AND GENERAL GOVERNMENT			
Chapter 57 of the Laws of 2011			
Description	**Executive Article VII Part**	**Enacted Article VII Part**	**Comments**
Extend various criminal justice programs that would otherwise sunset.	A	A	Amended by Legislature
Make changes to provisions relating to the disposition of certain monies recovered by New York City county district attorneys and make those provisions permanent.	B	B	Amended by Legislature
Eliminate the prison closure notification requirement and modify the type of plan to be developed in the event of a prison closure.	C	C	Amended by Legislature
Eliminate cell surcharge subsidy to a revolving loan fund.	D	D	Amended by Legislature
Change the compensation for the commissioners of the State Liquor Authority, other than the Chairman, from an annual salary to per diem.	E	E	
Eliminate certain election law printing and publication requirements.	F	Omitted	
Provide for the close-out of most private group self-insured workers' compensation trusts.	G	G	Amended by Legislature
Change the compensation for commissioners of the State Civil Service Commission, other than the President, from an annual salary to per diem.	H	H	
Reduce Aid and Incentives for Municipalities (AIM) funding for cities, towns and villages and eliminate AIM for New York City.	I	I	
Eliminate Video Lottery Terminal Aid to all eligible municipalities other than Yonkers.	J	J	Amended by Legislature
Create the Citizen Empowerment Tax Credit, the Citizens Re-organization Empowerment Grants and the Local Government Performance and Efficiency Program, and streamline the Local Government Efficiency Grant Program.	K	K	Amended by Legislature
Clarify the State's obligation to make payments with respect to certain lands.	L	L	
Lapse aged State and local reappropriations.	M	Omitted	
Authorize transfers, temporary loans and amendments to miscellaneous capital/debt provisions, including bond caps.	N	Omitted	Moved to ELFA Part BB
Repeal the Community Projects Fund.	O	Omitted	
Authorize SUNY Downstate Medical debt takeover for L.I. College Hospital.	P	P	Made retroactive to March 1, 2011
Legislative stipends.		Q	
Indigent legal services fund attorney loan forgiveness program.		R	
Amend Retirement and Social Security Law to permit SUNY Upstate Medical to assume the pension obligations of the Community General Hospital of Greater Syracuse.		S	

EDUCATION, LABOR AND FAMILY ASSISTANCE			
Chapter 58 of the Laws of 2011			
Description	**Executive Article VII Part**	**Enacted Article VII Part**	**Comments**
Amend Education Law to realign School Aid and make other changes necessary to implement education-related programs in the Budget.	A	A	Amended by Legislature
Expenses for textbooks, school library materials, software programs and computer equipment.	A-1	A-1	
Authorize competitive grants to reward school districts with the most improvement in student performance and/or management efficiencies.	B	B	Amended by Legislature
Eliminate the statutory authorization for the New York State Theatre Institute and provide for the transfer of its rights and property to the Office of General Services.	C	C	Amended by Legislature
SUNY empowerment - Capital facilities at SUNY and community colleges.	D - Subpart A	D - Subpart A	Amended by Legislature
SUNY empowerment - Procurement at SUNY.	D - Subpart A	D - Subpart A	Amended by Legislature
SUNY empowerment - SUNY health care facilities.	D - Subpart C	D - Subpart C	Amended by Legislature
SUNY empowerment - Reporting requirements.	D - Subpart D	Omitted	
Reduce the maximum Tuition Assistance Program (TAP) award for students matriculated in certain two-year degree programs to $4,000.	E	E	Amended by Legislature
Include pension and annuity income for TAP eligibility determinations.	F	F	
Amend the eligibility requirements for TAP related to students in default on certain student loans.	G	G	
Continue TAP schedule for students who are married with no children.	H	H	
Increase academic standards for non-remedial TAP recipients.	I	I	Amended by Legislature
Eliminate TAP eligibility for graduate students.	J	J	
Extend the Regents Physician Loan Forgiveness Program until the end of the 2015-16 school year.	K	K	
Extend Patricia K. McGee Nursing Faculty Scholarship and the Nursing Faculty Loan Forgiveness Incentive programs until June 30, 2016.	L	L	
Extend the Regents Licensed Social Worker Loan Forgiveness Program until June 30, 2016.	M	M	
Establish STAR Program cost containment measures.	N	N	Amended by Legislature
Align Committee on Special Education (CSE) maintenance cost shares.	O	O	Amended by Legislature
Establish the Primary Prevention Incentive Program.	P	Omitted	
Establish Juvenile Justice reforms.	Q - Subpart A	Q - Subpart A	Amended by Legislature
Supervision and treatment services for juveniles program.	Q - Subpart B	Q - Subpart B	Amended by Legislature
Modify the fee structure for Statewide Central Registry (SCR) clearance checks.	R	R	Amended by Legislature
Authorize the pass-through of any Federal Social Security Income (SSI) Cost of Living Adjustment which becomes effective on or after January 1, 2012.	S	S	
Strengthen compliance with Public Assistance Work Requirements.	T	Omitted	
Delay the scheduled Public Assistance Grant increase to July 1, 2012.	U	U	
Preservation Program into a single, competitive, performance-based program.	V	Omitted	
Make permanent the Unemployment Insurance (UI) Interest Assessment Surcharge.	W	W	Only extended to December 31, 2013
Amendments authorizing the New York State Mortgage Agency to transfer certain monies - Catskill flood remediation. program		X	Amended by Legislature
Annual OCFS reports.		Y	
Eligibility requirements for student financial aid.		Z	
Effectiveness of certain provisions of agency merger bills.		AA	
Authorize transfers, temporary loans and amendments to miscellaneous capital/debt provisions, including bond caps.	PPGG Part N	BB	Amended by Legislature with additional provisions
Regarding requirements for operators of commercial motor vehicles.		CC	

HEALTH AND MENTAL HYGIENE			
Chapter 59 of the Laws of 2011			
Description	**Executive Article VII Part**	**Enacted Article VII Part**	**Comments**
Modify Elderly Pharmaceutical Insurance Coverage (EPIC), Early Intervention, and General Public Health Work, and various other changes.	A	A	Amended by Legislature
Suspend implementation of a new nursing home reimbursement method and extend the reimbursement cap, authorize certain Medicaid payments and extend authorization to collect nursing home assessment revenue.	B	B	Amended by Legislature
Extend the Health Care Reform Act (HCRA) for three years.	C	C	Amended by Legislature
Extend various provisions of the Public Health, Social Services and Mental Hygiene laws, including continued authorization of previously enacted Medicaid savings initiatives.	D	D	Amended by Legislature
Amend the Medicaid eligibility status of individuals served in Institutions for Mental Diseases (IMD).	E	E	
Establish a one-year deferral of the Human Services Cost of Living Adjustment.	F	F	
Provisions related to programs and services operated by the Office of Mental Health.	G	G	Amended by Legislature
Medicaid Redesign Team recommendations.	H	H	Amended by Legislature

TRANSPORTATION, ECONOMIC DEVELOPMENT, AND ENVIRONMENTAL CONSERVATION			
Chapter 60, Laws of 2010			
Description	**Executive Article VII Part**	**Enacted Article VII Part**	**Comments**
Provide the annual authorization for the Consolidated Local Street and Highway Improvement Program (CHIPS) and Marchiselli programs.	A	A	
Permanently extend Department of Transportation Single Audit Program.	B	B	
Permanently extend suspension of drivers' licenses for certain alcohol-related charges.	C	C	
Permanently extend suspension/revocation of drivers' licenses for certain drug-related offenses.	D	D	
Make permanent provisions relating to the Motor Vehicle Financial Security Act.	E	E	Amended by Legislature
Conform the Vehicle and Traffic Law to federal requirements, governing operators of commercial motor vehicles and medical certification requirements.	F	Omitted	
Make permanent the general loan powers of the New York State Urban Development Corporation.	G	G	Extended to July 1, 2012
Modify the Linked Deposit Program to increase the lifetime maximum per eligible business from $1 million to $2 million.	H	H	
Extend the New York State Higher Education Capital Matching Grant Program.	I	I	
Clarify the State Governmental Cost Recovery System.	J	J	Amended by Legislature
Permanently establish the distribution formula for the Community Services Block Grant Program.	K	K	
Permanently establish the authority of the Secretary of State to charge increased fees for expedited handling of documents.	L	L	Extended to March 31, 2013
Dissolve the Tug Hill Commission.	M	Omitted	
Eliminate the salary for the Chair of the State Athletic Commission.	N	Omitted	

TRANSPORTATION, ECONOMIC DEVELOPMENT, AND ENVIRONMENTAL CONSERVATION			
Chapter 60, Laws of 2010			
Eliminate the Governor's Office of Regulatory Reform (GORR).	O	O	
Authorize and direct the Comptroller to receive for deposit to the credit of the General Fund a payment of up to $913,000 from the New York State Energy Research and Development Authority.	P	P	
Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation climate change program, from assessments on gas and electric corporations.	Q	Q	
Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.	R	R	
Make permanent the current time frames for review of pesticide product registration applications and pesticide product registration fees.	S	S	Extended to July 1, 2014
Authorize the Commissioner of Agriculture and Markets to establish a competitive grant program to fund agricultural research, marketing and education initiatives.	T	Omitted	
Implement components of the Governor's Share NY Food initiative.	U	U	
Repeal Article 4-A of the Navigation Law regarding reimbursements paid to certain governmental entities.	V	Omitted	
Facilitate a transfer of Tribal State Compact Revenue to the General Fund and amend the distribution of the local share of such revenues associated with the Niagara Falls Casino.	W	W	Amended by Legislature
Establish a surcharge on purses at harness and thoroughbred racetracks.	X	Omitted	
Extend the renewal period for certain disciplines licensed by the Department of State.	Y	Y	
Authorize the Tax Modernization Project.	Z	Omitted	
Saltwater recreational fishing license provision repeal.		AA	Repeal effective December 31, 2013
Low sulfur diesel requirements postponed until 2014.		BB	
Creates Recharge New York program with economic development provisions; energy efficiency and cost savings provisions.		CC	Amended version of free-standing Art VII bill
Urban Development Corporation required to make comprehensive financial plan.		DD	
New market tax credits program created in the Urban Development Corporation.		EE	

REVENUE			
Chapter 61 of the Laws of 2011			
Description	**Executive Article VII Part**	**Enacted Article VII Part**	**Comments**
Reduce the dormancy period of miscellaneous abandoned property.	A	A	Includes expanded OSC reporting requirements
Extend tax shelter reporting provisions through July 1, 2015.	B	B	Extended to July 1, 2015
Provide the Department of Economic Development with continuing authority to monitor Empire Zone Program compliance and to decertify non-complying businesses.	C	Omitted	
Authorize an offset of lottery winnings with outstanding State tax liabilities.	D	D	
Extend the financial services investment tax credit to certain broker-dealers for four years from October 1, 2011 to October 1, 2015.	E	E	
Authorize additional credits of $4 million for the Low-Income Housing Credit.	F	F	
Modify the Excelsior Jobs Program.	G	G	Amended by Legislature
Limit the exemption provided for town or county cooperative insurance corporations under the Insurance Franchise Tax.	H	Omitted	
Conform the New York State Insurance and Tax laws to the Federal Dodd-Frank Act excess lines tax provisions.	I	I	No participation in a national compact on excess lines taxes
Extend Gramm-Leach Bliley provisions for two years and make Bank Tax Extender permanent.	J	J	
Amend certain fuel definitions.	K	K	
Extend the alternative fuels tax exemptions for one year.	L	L	
Simplify the distribution of motor vehicle fees.	M	M	
Eliminate restrictions on the operation of Quick Draw.	N	Omitted	
Authorize a Free Play Allowance Program.	O	O	
Allow two additional 75 percent Instant Lottery Games.	P	P	
Allow for a higher prize pay-out on multi-jurisdictional Lottery Games.	Q	Q	Amended by Legislature
Authorize multi-jurisdictional Video Lottery gaming.	R	R	
Extend for one year lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races.	S	S	
Vending machine fees.		T	
Electronic filing of individual income tax returns and real property tax filings.		U	
Tax benefits for the redevelopment of closed prison facilities.		V	

AGENCY MERGERS			
Chapter 62 of the Laws of 2011			
Description	Executive Article VII Part	Enacted Article VII Part	Comments
Merge the operations of the Department of Insurance, the Banking Department and the consumer financial protection programs of the Consumer Protection Board into the Department of Financial Regulation.	A	A	Amended by Legislature
Merge the operations of the Office for the Prevention of Domestic Violence, Office of Victim Services, and the State Commission of Correction into the Division of Criminal Justice Services.	B	Omitted	
Merge the Department of Correctional Services and the Division of Parole into the new Department of Corrections and Community Supervision.	C - Subpart A	C - Subpart A	Amended by Legislature
Conforming technical corrections.	C - Subpart B	C - Subpart B	
Merge the Foundation for Science, Technology and Innovation (NYSTAR) and the existing high technology and research and development programs into the Empire State Development Corporation.	D	D	Amended by Legislature
Formulation of a concurrent resolution of the legislature regarding gubernatorial reorganization of government agencies and functions.		E	

Appendix D: Out-Year Impact of Gap-Closing Measures

This table outlines the out-year impact of specific gap-closing measures included in the SFY 2011-12 Enacted Budget Financial Plan.

SFY 2011-12 Enacted Budget Financial Plan
Gap-Closing Measures
(in millions of dollars)

	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15
Current Services Gap to be Closed	**(10,001)**	**(14,945)**	**(17,429)**	**(20,903)**
Medicaid Re-Estimates	**541** *	**650**	**850**	**850**
Revenue Re-Estimates	**387**	**455**	**460**	**448**
Spending Reductions/Savings				
Local Assistance	6,499	9,739	11,857	13,469
Medicaid	*2,203*	*3,397*	*4,025*	*4,755*
School Aid	*2,767*	*4,752*	*6,238*	*7,133*
Other	*1,529*	*1,590*	*1,594*	*1,581*
State Operations	1,497	1,578	1,595	1,589
Total Spending Reductions/Savings	**7,996**	**11,317**	**13,452**	**15,058**
Revenue Actions				
Tax Actions	200	150	-	-
Other Revenue	124	143	91	21
Total Revenue	**324**	**293**	**91**	**21**
Non-Recurring Resources				
Metropolitan Transportation Authority	200	-	-	-
Debt Management/Capital Financing	200	-	-	-
HCRA Re-Estimate	155			
New York Power Authority/Authority Sweeps	150	-	-	-
Various Recoveries	75	-	-	-
Other	80	2	-	-
Total Non-Recurring Resources	**860**	**2**	**-**	**-**
Other				
Pre-Paid Debt Service (SUNY)	154	-	-	-
Health Insurance Conversion Delay	(150)	(25)	-	-
HEAL Re-Estimate	160	(94)	(160)	-
Cigarette Tax Enforcement	(103)	-	-	-
Other	(68)	(32)	(100)	(79)
Deposit to Rainy Day Fund	(100)	-	-	-
Total Other	**(107)**	**(151)**	**(260)**	**(79)**
Total Actions Toward Deficit	**10,001**	**12,566**	**14,593**	**16,298**
Remaining Gap After Actions	**-**	**(2,379)**	**(2,836)**	**(4,605)**

* Includes $66 million in additional federal stimulus funding from certain accelerated payments.

Source: Division of the Budget.

Appendix E: Comptroller DiNapoli's Strategy for Fiscal Reform

Comptroller DiNapoli's Strategy for Fiscal Reform proposes a new framework for how State budgets would be proposed, negotiated and implemented. It provides a new discipline for revenue and spending estimates, and requires that financial plans address out-year deficits, along with other reforms to enhance transparency and move the State toward structural balance.

In conjunction with moving the State to GAAP-based budgets, these reforms will permanently end the practice of balancing each year's budget with temporary fixes and fiscal gimmicks. These reforms can be accomplished through many methods, including statutory or Constitutional amendments, and controls in bond covenants.

- **Require a three-year gap-closing plan**: Rather than merely making projections for the out-years, the Executive would be required to identify preliminary actions necessary to close any out-year gaps, modeled after New York City's successful multiyear budget planning methods.

- **Strengthen consensus forecasting:** The Legislature and Executive would be required to reach a consensus on all revenues and other resources available for spending, and the forecast would be binding. The Comptroller would be required to review and comment on this forecast, and if agreement were not reached by March 1, the Comptroller would provide the forecast. By limiting spending to available means, this would impose a long-absent discipline.

- **Increase reserves:** In any year with a surplus, 50 percent (after the required 0.2 percent deposit to the Tax Stabilization Reserve Fund, or TSRF), must be put into the Rainy Day Fund. Deposits to the Fund would end when it reaches 5 percent of General Fund spending ($2.8 billion based on current figures and $3.8 billion when combined with the TSRF). Since SFY 1999-00, the State has failed to require such deposits. Instead, the $4.0 billion in surplus from SFY 1999-00 was simply used to increase recurring spending. The reserve funds were not replenished.

- **Restrict the use of one-shots:** Using non-recurring revenues to pay for ongoing expenses would be prohibited. One-shots or temporary resources with duration of three years or less could be used only to pay debt or finance non-recurring expenses (e.g., emergency spending or capital).

- **Require negotiation of budget publicly through conference committees:** This would require the joint committees to meet publicly to negotiate the State budget, allowing for public discussion and oversight. This would provide structure for open budget deliberations, give voice to individual legislators and improve public awareness.

- **Strengthen capital planning:** Establishing a Capital Asset/Infrastructure Council to create and regularly update a comprehensive inventory and needs assessment of capital assets and infrastructure would provide a much-needed, long-term capital planning mechanism to enable policy makers to prioritize competing needs.

- **Enact true debt reform:** A constitutional amendment banning backdoor borrowing by authorities would restore voter control over debt, impose a binding cap, and prohibit use of debt for non-capital purposes. New York has substantial capital needs that are unmet. The State used substantial debt capacity on non-capital projects. In fact, New York pays more than a $1.0 billion a year in debt service unrelated to our infrastructure.

- **Enhance transparency in budget documents:** Provisions requiring the Executive to report three years of expected cash disbursements, by agency, for major programs would highlight the future budget impact of current year actions. Prohibiting the use of "blanket sweeps" would prevent the undisclosed use of dedicated funds for purposes contrary to established statutory purposes.

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