



State Fiscal Year 2008-09 Enacted Budget *Preliminary Overview*

April 2008

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New York State Comptroller**

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Introduction

The Enacted Budget for State Fiscal Year (SFY) 2008-09 was passed by the Legislature in its entirety by April 9, 2008, despite tremendous economic uncertainty, declining revenue projections and the transition to a new Executive at a critical time in the budget process. However, transparency with regard to budget process and content was sacrificed in order to accomplish this.

The Joint Budget Conference subcommittee process, designed in part to provide public disclosure of budget negotiations, did not function effectively. In addition, several of the budget bills were printed prior to the conclusion of the budget negotiations, resulting in bills that were incomplete. These bills were later amended in the final budget bills that were passed in each House, making it difficult to determine the end results.

This report provides a preliminary assessment of projected spending and revenue based on the SFY 2008-09 Enacted Budget. This report also provides additional detail about budget actions to enhance public information on the Budget. A more comprehensive analysis of the SFY 2008-09 Enacted Budget is in progress, and a report will be issued after the SFY 2008-09 Enacted Budget Financial Plan is released by the Division of the Budget. However, important issues related to affordability and sustainability can be identified based on the information currently available.

Preliminary Spending Projections

Throughout the SFY 2008-09 budget process, revenue estimates were revised downward. The Executive lowered estimates for SFY 2008-09 General Fund receipts by \$350 million in the Updated Financial Plan released with the 21-Day Amendments on February 22, and the Legislature and the Governor further lowered estimated General Fund receipts by \$300 million for SFY 2008-09 as part of the revenue consensus process on February 29. The Enacted Budget for SFY 2008-09 includes an across-the-board reduction in spending (with exceptions), in recognition of declining revenue and a deteriorating economy.

At this time, the SFY 2008-09 Financial Plan has not yet been updated to reflect the Enacted Budget. Accordingly, this Report uses preliminary estimates, which are subject to change. All Funds spending projections for the SFY 2008-09 Enacted Budget range from \$121.4 billion by the Assembly to \$121.7 billion by the Executive and Senate.

Affordability and Sustainability

Early recognition of the fiscal realities facing the State can provide an opportunity to minimize the impact of the current economic challenges on New York's citizens. However, despite uncertain economic and revenue forecasts, the State is projected to

continue to spend more money than it takes in. The SFY 2008-09 Executive Budget projected large out-year current services budget gaps, reaching \$9.5 billion by SFY 2011-12 absent additional revenue or spending reductions. A preliminary review of spending and revenue initiatives in the Enacted Budget suggests that out-year gaps could be at least as large as projected in the Executive Budget.

The SFY 2008-09 Enacted Budget is balanced on optimistic assumptions for revenue proposals that may not materialize, new debt and one-shots—including the use of reserves. The SFY 2008-09 Enacted Budget includes over \$1.5 billion in revenue estimates and other proposals that either in the past have not produced the anticipated revenue or prospectively may not be able to do so. Coupled with this is the prospect of continued volatility in the financial markets, which may reduce revenue to the State.

The SFY 2008-09 Enacted Budget closes a General Fund budget gap of almost \$5 billion with revenue and savings actions, and by relying on nearly \$2.5 billion in non-recurring resources to meet its spending needs. This includes over \$175 million in costs that were planned to be paid for with cash that instead will be paid for with new debt. Spending growth continues to outpace revenue growth. Until the State balances its critical needs with realistic revenue sources, the State's structural imbalance will continue, as will the increasingly large out-year budget gaps.

In addition, spending in SFY 2007-08 was \$2.2 billion lower than anticipated in the Updated Financial Plan released in February. It is unclear how this will impact SFY 2008-09 or whether any of this spending will occur this year. Preliminary Financial Plan information available for the Enacted Budget does not account for any additional spending in SFY 2008-09 as a result of this issue.

Increasing Debt Burden

The SFY 2008-09 Enacted Budget includes more than \$11 billion in new debt to be issued over the next several years, driving up out-year spending and making debt service one of the fastest growing categories of State spending. This trend reduces the availability of funds to meet future spending needs, as tomorrow's tax dollars are being committed to meet today's spending desires.

Despite the continued escalation in debt, the need for investment in many critical components of the State's infrastructure remains, including deteriorating dams, bridges and water systems across the State. The State lacks a comprehensive capital assessment and planning process to effectively prioritize capital needs and ensure the prudent use of debt. Furthermore, the State does not integrate economic investment decisions as part of a comprehensive planning process to foster real growth in New York. Until such a process is implemented, achieving the proper balance between meeting critical current needs and investing in the capital projects necessary to ensure economic growth will continue to challenge the State, and the State's debt capacity will instead be targeted to other purposes.

For example, the SFY 2008-09 Enacted Budget includes \$105 million in new public authority debt to be used to acquire clear title to the State's racetracks from the New York Racing Association. In addition, the Enacted Budget includes \$250 million in new public authority debt to be issued in conjunction with expansion plans for the Aqueduct facility. A separate \$250 million one-time franchise fee will also be paid to the State in SFY 2008-09 by a future Aqueduct developer. The State is incurring a long-term liability of \$250 million. At the same time the State is receiving a one-shot of the same amount to be used for SFY 2008-09 budget relief. The State must avoid using fiscal actions such as these in order to effectively address the structural budget issues it currently faces.

New York State faces significant fiscal challenges going forward. The SFY 2008-09 Enacted Budget relies on increasing debt, non-recurring resources and revenue that may not materialize to meet growing spending needs. The volatility that the State experienced in SFY 2007-08 will likely continue through SFY 2008-09, and the State must be prepared to respond quickly and effectively to balance critical spending needs with available resources for the current year and into the future.

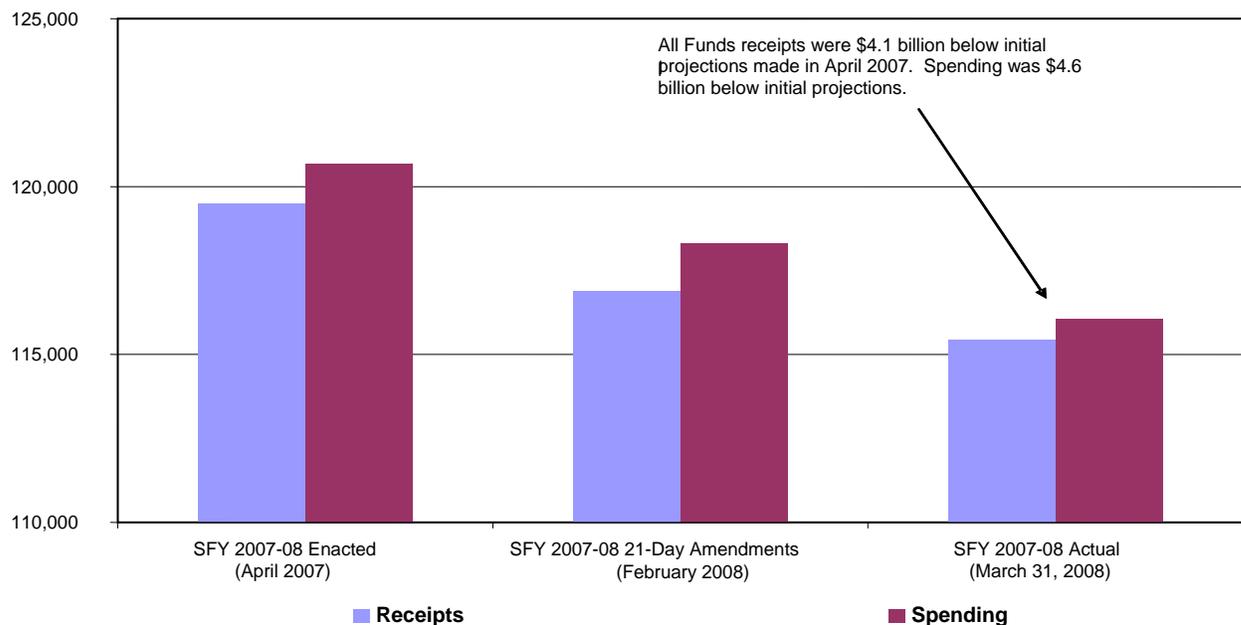
Financial Overview

SFY 2007-08 – Preliminary Year-End Results

All Funds

Revenue collections and spending outlays in State Fiscal Year (SFY) 2007-08 were volatile throughout the year and ended significantly below updated Financial Plan projections issued with the Executive's 21-Day Amendments to the SFY 2008-09 Executive Budget released on February 21, 2008 (February Plan).

**All Funds
Receipts and Spending
SFY 2007-08**
(in millions of dollars)



All Funds revenue collections through SFY 2007-08 demonstrate these variances. Final All Funds revenue collections of \$115.4 billion were \$4.1 billion below Enacted Financial Plan (Enacted Plan) projections released in April 2007 and \$1.5 billion below the February Plan projections. Although tax collections were nearly \$1.1 billion below Enacted Plan projections, they were slightly above February Plan projections (\$20 million). Miscellaneous Receipts were \$761 million below Enacted Plan projections and \$552 million below February Plan projections. Federal receipts were \$2.2 billion below Enacted Plan projections and \$932 million below February Plan projections. Within taxes, business taxes were \$688 million below Enacted Plan projections and \$215 million below February Plan projections. The decline is due to the slowdown in the national economy.

All Funds spending for SFY 2007-08 of \$116 billion was \$4.6 billion below Enacted Plan projections and \$2.2 billion below February Plan projections. Spending was lower primarily in Capital Projects (\$1.1 billion) and Local Assistance (\$639 million).

**Cash Financial Plan
All Funds
SFY 2007-08**
(in millions on dollars)

	SFY 2006-07 Actual	SFY 2007-08 Enacted	SFY 2007-08 February Plan	SFY 2007-08 Actual	Difference Enacted to Actual	Difference February Plan to Actual	Difference SFY 2007-08 Actual to SFY 2006-07 Actual
Receipts:							
Taxes	58,739	61,960	60,851	60,871	(1,089)	20	2,132
Personal Income Tax	34,580	36,820	36,402	36,564	(256)	162	1,984
Consumer Taxes and Fees	13,456	14,186	13,866	13,993	(193)	127	537
Business Taxes	8,606	8,919	8,446	8,231	(688)	(215)	(375)
Other Taxes	2,097	2,035	2,137	2,083	48	(54)	(14)
Miscellaneous Receipts	18,078	20,402	20,193	19,641	(761)	(552)	1,563
Federal Grants	35,579	37,128	35,841	34,909	(2,219)	(932)	(670)
Total Receipts	112,396	119,490	116,885	115,421	(4,069)	(1,464)	3,025
Disbursements:							
Local Assistance	80,725	85,654	83,834	83,195	(2,459)	(639)	2,470
State Operations	17,527	18,726	18,621	18,221	(505)	(400)	694
General State Charges	5,223	5,386	5,445	5,476	90	31	253
Debt Service	4,451	4,134	4,292	4,104	(30)	(188)	(347)
Capital Projects	4,838	6,775	6,112	5,060	(1,715)	(1,052)	222
Total Disbursements	112,764	120,675	118,304	116,056	(4,619)	(2,248)	3,292

General Fund

General Fund receipts for SFY 2007-08 of \$53.1 billion were \$73 million below February Plan projections and \$578 million below Enacted Financial Plan projections. Business Tax collections were significantly below the Plan throughout the year, although General Fund Tax collections in total were \$113 million below February Plan projections and \$869 million below the May 2007 Enacted Financial Plan projections. Unlike All Funds collections, General Fund Federal receipts and Miscellaneous receipts did not significantly vary from the Financial Plan throughout the year.

General Fund spending of \$53.4 billion was \$201 million below February Plan projections and \$299 million below Enacted Financial Plan projections. Local Assistance payments were \$2.1 billion above SFY 2006-07 but below the SFY 2007-08 Enacted Plan projections by \$746 million and February Plan projections by \$162 million. Spending for State Operations increased \$260 million above SFY 2006-07, which was \$41 million below Enacted Plan projections and \$94 million below February Plan projections. Additional spending information will be available when the Division of the Budget updates the Financial Plan to reflect the SFY 2008-09 Enacted Budget.

**Cash Financial Plan
General Fund
SFY 2007-08
(in millions of dollars)**

	SFY 2006-07 Actual	SFY 2007-08 Enacted	SFY 2007-08 February Plan	SFY 2007-08 Actual	Difference Enacted to Actual	Difference February Plan to Actual	Difference SFY 2007-08 Actual to SFY 2006-07 Actual
Receipts:							
Taxes	38,668	39,264	38,508	38,395	(869)	(113)	(273)
Personal Income Tax	22,939	22,885	22,638	22,759	(126)	121	(180)
Consumer Taxes and Fees	8,186	8,565	8,489	8,555	(10)	66	369
Business Taxes	6,468	6,679	6,300	6,018	(662)	(283)	(451)
Other Taxes	1,075	1,135	1,081	1,063	(72)	(18)	(12)
Miscellaneous Receipts	2,268	2,485	2,490	2,458	(27)	(32)	190
Federal Grants	151	59	71	69	10	(2)	(82)
Sub-Total	41,087	41,808	41,069	40,922	(886)	(147)	(165)
Transfers from Other Funds	10,292	11,864	12,098	12,172	308	74	1,880
Total Receipts	51,379	53,672	53,167	53,094	(578)	(73)	1,715
Disbursements:							
Grants to Local Governments	34,302	37,158	36,574	36,412	(746)	(162)	2,110
State Operations	9,319	9,620	9,673	9,579	(41)	(94)	260
General State Charges	4,403	4,530	4,563	4,620	90	57	217
Sub-Total	48,024	51,308	50,810	50,611	(697)	(199)	2,587
Transfers to Other Funds	3,567	2,376	2,776	2,774	398	(2)	(793)
Total Disbursements	51,591	53,684	53,586	53,385	(299)	(201)	1,794
Operating Surplus/(Deficiency)	(212)	(12)	(419)	(291)	(279)	128	(79)
<i>Reserves</i>							
Tax Stabilization Reserve	1,031	1,031	1,031	1,031	-	-	-
Rainy Day Fund	-	175	175	175	-	-	175
Contingency Reserve	21	21	21	21	-	-	-
Community Projects Fund	278	353	354	340	(13)	(14)	62
Debt Reduction Reserve	-	250	-	-	(250)	-	-
Prior Year Surplus	1,715	1,203	1,045	1,187	(16)	142	(528)
Total Reserves	3,045	3,033	2,626	2,754	(279)	128	(291)

Note: Totals may not add due to rounding.

Reserves

As a result of lower than expected spending, the General Fund ended SFY 2007-08 with a closing balance of nearly \$2.8 billion, or \$128 million higher than anticipated in February. The following table illustrates actual reserves for SFY 2007-08 and projected reserves for SFY 2008-09.

General Fund Reserves
SFY 2007-08 through SFY 2008-09
(in millions of dollars)

	Actual SFY 2007-08	Executive Proposed SFY 2008-09	Enacted (1) SFY 2008-09	Change from SFY 2007-08 to Enacted SFY 2008-09	Change from Executive Proposal to Enacted
Tax Stabilization Reserve Fund	1,031	1,031	1,031	-	-
Rainy Day Reserve Fund	175	175	175	-	-
Contingency Reserve Fund	21	21	21	-	-
Prior Year Surplus	1,187	708	964	(223)	256
Community Projects Fund	340	291	277	(63)	(14)
Debt Reduction Reserve Fund (2)	-	-	-	-	-
Total	2,754	2,226	2,468	(286)	242

(1) Preliminary estimates, which may change as a result of future revenue or spending actions.

(2) In SFY 2006-07, \$250 million was used from this Fund to retire debt. An additional \$250 million was planned for the same purposes in SFY 2007-08; however, only \$127 million was transferred and used to retire debt.

Most reserves are restricted in how they can be used, but the Prior Year Surplus (also known as the Refund Reserve) is unrestricted. For SFY 2008-09, the Executive Budget proposed using \$337 million of the Prior Year Surplus, which was included in the SFY 2008-09 Enacted Budget, to address additional costs related to labor contract ratifications. The SFY 2008-09 Executive Budget also earmarked \$708 million of the Prior Year Surplus for subsequent labor contract ratifications.

The increase in available Prior Year Surplus primarily reflects additional funds in the General Fund from SFY 2007-08.

SFY 2008-09 – Enacted Budget Preliminary Analysis

To date, the Division of the Budget has not released an updated Financial Plan, which accounts for all actions included in the SFY 2008-09 Enacted Budget. This plan is expected to be issued later this month. On April 9, 2008 the Assembly Ways and Means Committee issued preliminary Financial Plan information, providing both receipts and disbursement projections, which are summarized below.

The SFY 2008-09 Enacted Budget, according to preliminary Assembly estimates, projects All Funds receipts to increase to \$121 billion, representing a \$5.6 billion, or 4.8 percent, increase. Spending is projected to increase to \$121.4 billion on an All Funds basis, representing an increase of \$5.4 billion, or 4.6 percent, over SFY 2007-08. According to preliminary Division of the Budget (DOB) estimates, All Funds spending will be slightly higher at \$121.7 billion. Further, the Assembly estimates that General Fund spending is projected to total approximately \$56.3 billion, an increase of \$2.9 billion, or 5.4 percent, over SFY 2007-08. General Fund receipts are projected to total \$55.8 billion, an increase of \$2.8 billion, or 5.2 percent, over SFY 2007-08.

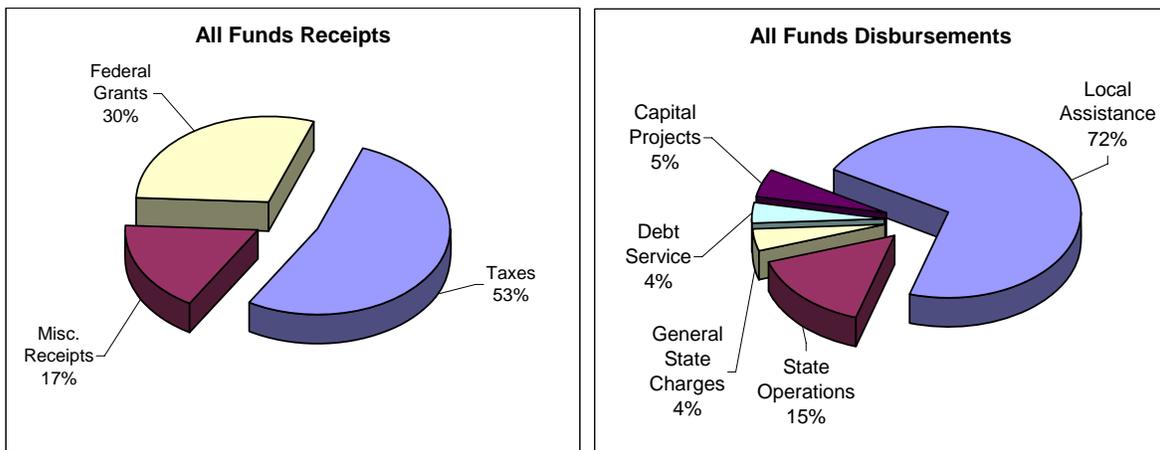
After making adjustments to reflect lower than anticipated spending in SFY 2007-08, which had the effect of lowering the base of total spending as well as individual program areas, All Funds spending for SFY 2008-09 is projected to be approximately \$500 million lower than the Executive Budget February Plan projections.

SFY 2008-09 – Sources and Uses

Receipts are comprised of various taxes, miscellaneous receipts (such as Lottery revenue and various fees) and federal receipts. In SFY 2003-04, taxes made up only 42.7 percent of All Funds Receipts, and federal grants made up 37.7 percent. The SFY 2008-09 Enacted Budget projects taxes will make up 53 percent of All Funds receipts and federal grants will decline to 30.2 percent of the total.

State spending is comprised mostly of payments to school districts, local governments, hospitals and other service providers in the form of Local Assistance Payments. In SFY 2008-09, such payments are projected to account for approximately 72 percent of the All Funds budget, in line with the historical average.

All Funds Receipts and Disbursements SFY 2008-09



Source: Office of the State Comptroller and New York State Assembly Preliminary Financial Plan

Two Percent Reduction

On March 18, 2008, the Executive proposed an \$800 million reduction (approximately \$400 million in the General Fund) in operating spending in all agencies and Local Assistance, not including education and certain entitlement programs. The Financial Plan figures presented in this Preliminary Overview reflect the Executive’s initial budget proposal, 21-Day Amendments, implementation of the 2 percent reduction and legislative actions, including partial restoration of the 2 percent reduction.

According to the Executive, the reduction in spending would total approximately \$270 million from certain Local Assistance programs with the remainder coming from State Operations. In a Budget Bulletin released April 21, 2008, the Division of the Budget states that in order to achieve the desired savings level, 3.35 percent of State operations in the General Fund and other Special Revenue funds (approximately \$530 million in State Operating Funds) would have to be implemented through management actions to be determined by agency heads and approved by the Division of the Budget.

Risks to the Financial Plan

The SFY 2008-09 Enacted Budget is predicated on a number of actions that may not ultimately provide the actual level of receipts anticipated. The table below outlines over \$1.5 billion in revenue and spending risks that could create the need for Financial Plan adjustments.

Risks to the SFY 2008-09 Financial Plan
(in millions of dollars)

	Value
Tax Audit Revenue	355
HIP/GHI Conversion	284
Aqueduct Development Fee	250
Remaining Wellpoint Conversion	220
Sales Tax Collections from Native American Sales	150
Asset Sales	100
Additional Medicaid Audit Recoveries	75
Internet Retail Sales Tax ("Amazon" Tax)	50
VLT Revenues	39
Debt Service	31
Total	1,554

In addition, an economic slowdown that is worse than anticipated or longer than anticipated could have the effect of increasing human services costs, while at the same time reducing revenues. The State also faces an additional risk associated with the downward adjustments made to the SFY 2007-08 Financial Plan throughout the year. At this time, it is undetermined how much, if any, of the \$2.2 billion in spending that was expected in SFY 2007-08 but did not occur will actually be spent in SFY 2008-09 or in subsequent years.

Non-Recurring Resources

The SFY 2008-09 Executive Budget included approximately \$3.0 billion in non-recurring resources. Although the SFY 2008-09 Enacted Budget reduced the total amount of non-recurring resources by approximately \$500 million to \$2.5 billion, the overall level remains high. In addition, some of these resources will be used to fund various recurring expenses. Non-recurring resources added to the Enacted Budget include \$150 million from various dedicated fund balance sweeps and a \$70 million sweep of Elderly Pharmaceutical Insurance Coverage (EPIC) resources.

Non-Recurring Resources SFY 2008-09 (in millions of dollars)

Source	Proposed Executive Budget	Enacted Budget
Asset Sales	1,000 *	100
Delay STAR	354	354
Reserves	337	337
VLT Franchise Fee	250	250
Additional Fund Sweeps	-	150
Abandoned Property	50	150
Environmental Protection Fund Sweep	125	125
SONYMA Sweep	100	100
Additional SONYMA Sweep	100 *	100 *
Power Authority of New York State Resources	33	93
Additional 5 percent Tax Prepayment	95	95
Pension Bill Prepayment	86	86
Delay of AIM Restoration for New York City	164	82
Bond Financing in EPF (additional sweep)	75	75
Bond Software Costs	71	71
EPIC Sweep	-	70
Mental Hygiene PIA revenues	66	66
Recovery of Early Intervention Overpayments to New York City	60	60
All Other	34	34
Use Bond Financing instead of PAYGO	33	53
Sweep Motor Vehicle Fund	16	16
Total	3,049	2,467

* Note: Funds will be diverted and spent off-budget.

Off-Budget Spending

The SFY 2008-09 Enacted Budget includes \$100 million in new off-budget spending for various housing programs, financed with funds swept from the State of New York Mortgage Agency (SONYMA). The Executive proposed \$1.1 billion in new off-budget spending financed from the SONYMA fund sweep and three asset sales (including the sale of surplus Javits Center property and two mental hygiene parcels). The SFY 2008-09 Enacted Budget does not include the sale of the Javits property; however, it uses the proceeds from the two mental hygiene asset sales to finance costs associated with fringe benefits on-budget within the Financial Plan.

Structural Imbalance – Out-Years

The SFY 2008-09 Enacted Budget closes a General Fund deficit of almost \$5 billion. Preliminary review of revenue and spending initiatives in the Enacted Budget for SFY 2008-09 suggest that out-year budget deficits could be at least as large as projected in the Executive Budget and potentially larger if the State faces a prolonged economic downturn and some of the revenues identified in this report do not materialize. The Executive's Proposed Budget projected current services gaps of \$6.2 billion in SFY 2009-10, \$7.7 billion in SFY 2010-11 and \$9.5 billion in SFY 2011-12.

The General Fund budget gap illustrates the fact that State spending growth exceeds State revenue growth. For SFY 2007-08, General Fund revenue grew by 3.3 percent over SFY 2006-07, while spending grew by 3.5 percent in the same period. Preliminary estimates for SFY 2008-09 project that revenue will grow by 5.2 percent, while spending will grow by 5.4 percent.

While these figures may not appear to be significantly different for SFY 2007-08 and SFY 2008-09, recent projections indicate that recurring revenue will grow significantly slower than recurring spending. In fact, although updated gap projections have not been made available by the Division of the Budget, the Executive's February projections had revenue growing annually through SFY 2011-12 at an average of only 4.7 percent compared to 7.4 percent for spending. Historically, this difference has been made up with non-recurring resources, debt and reserves.

This trend is not sustainable and results in the reliance on one-shots, debt and other non-recurring resources to address the State's operating deficit. This report identifies \$1.5 billion in risk that could negatively impact the Financial Plan and nearly \$2.5 billion in non-recurring resources that will have to be made with other actions in out-years.

Debt and Capital

The SFY 2008-09 Executive Budget and proposed Five-Year Capital Program and Financing Plan relied heavily on debt to meet existing and new commitments, adding to New York's already high debt burden. The SFY 2008-09 Enacted Budget does not reduce, but adds to the new debt initiatives contained in the Executive Budget proposal.

The SFY 2008-09 Enacted Budget includes approximately \$11.5 billion in new debt initiatives, representing an increase of approximately \$375 million over the Executive Budget proposal. New debt initiatives for SUNY and CUNY's multi-year capital plans and other capital projects, totaling approximately \$9.3 billion, make up more than 80 percent of the total, while various economic development and housing programs comprise nearly 15 percent of the total.

The SFY 2008-09 Five-Year Capital Program and Financing Plan, which incorporates changes contained in the Enacted Budget, has not yet been released by the Executive. However, using the Executive's proposed Five-Year Capital Program and Financing Plan updated for 21-Day Amendments as a base, and incorporating the new debt authorized in the SFY 2008-09 Enacted Budget:

- State-Funded debt outstanding is projected to exceed \$67 billion by SFY 2012-13,
- State-Funded debt service is expected to reach approximately \$7.5 billion by SFY 2012-13, and
- State-Funded debt service is anticipated to grow approximately 50 percent between SFY 2007-08 and SFY 2012-13, making it one of the fastest growing spending areas in the State budget.

Chapter 18 of the Laws of 2008 authorized the issuance of \$250 million in bonds on behalf of the State to be used to enhance and expand the Aqueduct Race Track for the purposes of allowing Video Lottery Terminals (VLTs) to be housed within the facility. The bond proceeds are intended to be used for design, acquisition, construction and equipment associated with the expansion. In addition, Chapter 18 authorized an additional \$105 million to be issued for the purpose of obtaining clear title to the three thoroughbred racetracks historically operated by the New York Racing Authority (NYRA)—Saratoga, Belmont and Aqueduct.

The State is also receiving \$250 million in non-recurring revenues to be paid by a future operator of the Aqueduct VLT franchise by March 31, 2009, which will be used as budget relief in SFY 2008-09.

The following table compares new debt initiatives contained in the Executive Budget proposal to new debt initiatives contained in the Enacted Budget for SFY 2008-09.

New Debt Initiatives
Executive Proposal and Enacted Budget
SFY 2008-09
(in millions of dollars)

Description	Executive Proposed	Enacted	Difference from Executive
Transportation	-	60.0	60.0
Local Highway Improvement (CHIPs)	-	60.0	60.0
Parks and Environment	110.0	125.0	15.0
New York State Parks Capital	110.0	95.0	(15.0)
Hudson River Park	-	20.0	20.0
Governor's Island	-	10.0	10.0
Economic Development and Housing	1,255.0	1,710.0	455.0
New York State Capital Assistance Programs	-	350.0	350.0
New York State Economic Development Assistance Program	-	350.0	350.0
Aqueduct Video Lottery Terminal Facility	250.0	250.0	-
Upstate City by City	115.0	145.0	30.0
Upstate Regional Blueprint	250.0	120.0	(130.0)
Clear Title to NYRA Racetracks	105.0	105.0	-
Investment Opportunity Fund	150.0	50.0	(100.0)
Luther Forest Infrastructure	-	45.0	45.0
Upstate Agriculture Fund	50.0	40.0	(10.0)
Downstate Revitalization	200.0	35.0	(165.0)
Economic and Community Development	60.0	35.0	(25.0)
Downstate Regional Economic Development	35.0	35.0	-
Additional Low-Income Housing Trust Fund	-	31.0	31.0
Arts and Cultural Capital Grants	40.0	30.0	(10.0)
Additional Affordable Housing	-	20.0	20.0
New York State Economic Development Fund	-	20.0	20.0
Additional Homes for Working Families	-	10.0	10.0
Homeless Housing	-	6.5	6.5
Rural Revitalization	-	6.0	6.0
Additional Public Housing	-	5.0	5.0
Main Street Program	-	5.0	5.0
Infrastructure Development Demonstration	-	5.0	5.0
Additional Housing Opportunities	-	4.0	4.0
Access to Home Program	-	4.0	4.0
Urban Initiatives	-	3.5	3.5
Education	9,363.7	9,346.0	(17.7)
State University of New York	6,485.6	6,338.8	(146.8)
City University of New York	2,836.5	2,965.6	129.1
Education Museum Renewal	15.0	15.0	-
Education Library Construction	14.0	14.0	-
Education Records Center Expansion	12.6	12.6	-
Public Protection	6.0	6.0	-
State Police Facilities Rehabilitation	6.0	6.0	-
General Government	348.0	210.6	(137.4)
State Equipment (Includes IT and Software)	141.0	141.0	-
Information Technology and Related Research	84.0	-	(84.0)
State Equipment	60.0	-	(60.0)
Office of General Services Various	42.0	45.5	3.5
Office For Technology - Interim Data Center	11.0	11.0	-
Office For Technology - Broadband	10.0	10.0	-
Hearing Rooms (Legislative Office Building)	-	3.1	3.1
TOTAL NEW DEBT	11,082.7	11,457.6	374.9

As shown in the New Debt Initiatives table, debt initiatives for a number of programs, primarily in the economic development and housing areas, were either not included or reduced in the Enacted Budget. These reductions were more than offset by a number of new programs, including two that total \$700 million—the New York State Capital Assistance Program (\$350 million) and the New York State Economic Development Assistance Program (\$350 million)—in which grants or loans are based on plans submitted to the Division of the Budget by the Leaders of the Assembly and the Senate, respectively.

The SFY 2008-09 Enacted Budget includes \$50 million for the new Investment Opportunity Fund (Fund), a \$100 million reduction from the SFY 2008-09 Executive Budget. As proposed by the Executive, the Enacted Budget includes a new five-member board to review and approve potential investments by the Fund. However, the projects and the bonds issued to support the projects are expressly excluded from approval by the Public Authorities Control Board (PACB), thus eliminating the Comptroller's review and comment role and reducing oversight and accountability in the process.

Revenue and Economic Outlook

Economic Outlook

Since the release of the SFY 2008-09 Executive Budget in January, the forecast of the national economy has continued to weaken. In January, the Blue Chip consensus forecast for 2008 was for real gross domestic product (GDP) to increase by 2.2 percent over 2007. The latest consensus forecast, published on April 10, 2008, is for real GDP to increase by only 1.4 percent. More than half of the members of the Blue Chip panel believe that the economy has already entered or will be in a recession in 2008. However, even if a recession is avoided in the first two-quarters of 2008, the growth rate will be close to zero.

The weakness in the economy has spread well beyond the housing sector as consumer spending growth has slowed sharply, the unemployment rate has increased and nonresidential construction is expected to decline. Congress passed a stimulus package intended to increase consumer spending as a way to bolster the economy.

The Federal Reserve has attempted to stimulate the economy by continuing to reduce the federal funds rate. After reducing the rate by 125 basis points in January to 3.0 percent, the Federal Reserve reduced the rate an additional 75 basis points in March to 2.25 percent. A number of forecasters, including Global Insight, are expecting the Federal Reserve to take the federal funds rate down further by the middle of the year.

The weaker national economy and the financial market volatility are likely to negatively impact the New York State economy. Employment in the financial sector is projected to decline by at least 20,000 jobs. New York Stock Exchange member firms recently released their full year 2007 profit results; their losses were \$1.3 billion. For the second half of 2007 these firms reported losses of \$20.2 billion. This was nearly as much as they made in all of 2006—\$20.9 billion. The job losses coupled with the poor profitability are likely to result in significantly lower bonuses this year.

Risks to the Forecast

While the major economic forecasting groups are projecting a mild recession lasting for the first half of 2008 with real GDP growing in the second half of the year, the recession could last longer than expected for a number of reasons, including:

- Further increases in energy and food prices could result in higher inflation than expected. Higher inflation could reduce the Federal Reserve's ability to stimulate the economy by lowering interest rates.
- While employment growth in New York is expected to be positive this year, if job losses in the financial services industry are higher than expected, New York's total employment growth may be negative for the year.

Tax Receipts

The SFY 2007-08 Enacted Budget increased All Funds tax receipts by \$2.1 billion, or 3.6 percent, over SFY 2006-07. The increase in SFY 2007-08 is attributed to an increase of \$1.98 billion in the personal income tax and \$536 million in consumption/use tax. This increase is offset by a decrease in business taxes of \$375 million and other taxes of \$14 million.

All Funds tax receipts are expected to increase by \$3.2 billion, or 5.3 percent, to \$64.1 billion in SFY 2008-09. This increase is primarily due to the revenue actions taken as part of the Enacted Budget, which are forecast to raise tax revenue by almost \$1.2 billion in SFY 2008-09. However, there are serious downside risks to this number due to revenue initiatives included in the Budget that may not materialize and lower than anticipated revenue collections as a result of a weakening economy.

Total Tax Receipts – All Funds (in millions of dollars)

	Actual SFY 2006-07	Actual SFY 2007-08	Dollar Change	Percent Change	Proposed* SFY 2008-09	Dollar Change	Percent Change
General Fund	38,668	38,395	(273)	-0.7%	40,878	2,483	6.5%
All Funds Tax	58,740	60,871	2,131	3.6%	64,106	3,235	5.3%

* Assembly estimates

In SFY 2007-08, General Fund tax receipts decreased by \$273 million, or 0.7 percent, over SFY 2006-07, primarily reflecting the impact of the STAR rebate program. General Fund tax receipts are expected to increase by \$2.5 billion, or 6.5 percent, to \$40.9 billion in SFY 2008-09.

New Tax and Fee Actions

Overall, the Enacted Budget increases tax and fee revenue in SFY 2008-09 by almost \$1.6 billion. Of this amount, \$250 million is from a franchise fee to be received from the future operator of Aqueduct Race Track, \$69 million is from the enhanced eight-year driver license fee and \$1.2 billion is from increased taxes. The major portion of the tax increases will be from:

- \$429 million in tax loophole closures,
- \$265 million from a \$1.25 per pack increase in the cigarette tax (total \$2.75),
- \$203 million in program fee increases,
- \$95 million from increasing the first installment payment of business taxes from 25 percent to 30 percent,
- \$85 million from increased LLC fees, and
- \$50 million from the “Amazon tax” sales tax presumption.

Program Area Highlights

Education

The SFY 2008-09 Enacted Budget increases school aid by nearly \$1.8 billion, or 8.9 percent, to \$21.4 billion in school year 2008-09. This includes \$14.9 billion in Foundation Aid, an increase of \$1.2 billion, or 8.8 percent, over school year 2007-08.

The Enacted Budget provides New York City with \$8.3 billion in total school aid, \$644 million, or 8.4 percent, more than in school year 2007-08. This includes \$6.2 billion in Foundation Aid, an increase of \$622 million, or 11.2 percent, over last school year.

The Enacted Budget includes the Executive's proposal to reduce anticipated SFY 2008-09 STAR benefits by \$354 million due to a reduction in the phase-in of Basic Middle Class STAR Rebates (\$169 million), a change to the annual exemption limit (\$110 million), elimination of STAR income credits for New York City residents with income greater than \$250,000 (\$60 million) and expansion of offsets to include child support defaults (\$15 million).

The Enacted Budget includes a proposed reduction in the year-two Foundation Aid phase-in amount, from 42.5 percent to 37.5 percent, and in the maximum annual Foundation Aid increase, from 25 percent to 15 percent. However, the Executive's proposals to move the base year to one year earlier and reduce the minimum annual increase from 3 percent to 2 percent were not enacted.

The Executive's proposals to cut \$31 million in BOCES Aid, shift \$46 million in SFY 2008-09 pre-school special education costs to school districts, institute a \$9 million Healthy Schools Initiative and provide \$179 million in academic achievement grants offset by fluctuations in cost-based aids to New York City were not enacted.

Higher Education

The SFY 2008-09 Enacted Budget includes restorations of the Executive's proposed higher education reductions, including \$15.4 million for the Tuition Assistance Program, \$38.4 million for SUNY operating assistance and \$19.6 million for CUNY operating assistance. Restorations are also provided for higher education opportunity programs. SUNY and CUNY tuition is expected to remain at current levels.

The Enacted Budget also includes nearly \$6.0 billion for SUNY and CUNY capital programs, including \$4.1 billion for SUNY and \$1.8 billion for CUNY. This does not include out-year maintenance. Of these amounts, \$1.7 billion of the SUNY allocation and over \$1.1 billion of the CUNY allocation is provided for strategic capital projects at senior colleges. The proposed new University Capital Projects Review Board was not enacted.

The Executive proposal to fund an endowment for public and private higher education, as well as primary education, through monetization of the State Lottery was not enacted. The Enacted Budget does establish an endowment for SUNY and CUNY without a specific source of revenue.

The Enacted Budget does not include an Executive proposal to eliminate existing SUNY and CUNY contracting requirements, which would have allowed these institutions to bypass Office of the State Comptroller review. If approved, SUNY and CUNY would have been able to self-regulate their procurement practices.

Health

The SFY 2008-09 Enacted Budget increases Medicaid State Funds spending by \$166 million, or 1.1 percent, over SFY 2007-08 to \$15.3 billion, primarily due to restorations of Executive proposed spending reductions, offset by spending re-estimates to reflect lower than anticipated spending in SFY 2007-08. Total Medicaid spending is projected to be \$45.6 billion in SFY 2008-09. The Enacted Budget modifies the Executive's proposal to change inpatient hospital rates. Reductions in hospital reimbursement rates are delayed until December 1, 2008.

The Enacted Budget includes \$25 million to fully fund the expansion for Child Health Plus from 250 to 400 percent of poverty, to cover uninsured children from low and moderate income families.

The Enacted Budget extends the Health Care Reform Act (HCRA) for three years and relies on \$284 million from HIP/GHI conversion proceeds, which may not materialize in SFY 2008-09. The Enacted Budget also provides HCRA with \$265 million in additional revenue from a \$1.25 per pack increase in cigarette taxes.

Mental Hygiene

The SFY 2008-09 Enacted Budget increases Mental Hygiene State Funds spending by \$325 million, or 7.5 percent, over SFY 2007-08 to \$4.7 billion and includes \$40 million for the Sex Offender Management and Treatment Act.

Under the Enacted Budget, the State will proceed with a four-year plan to downsize and potentially close Office of Mental Retardation and Developmental Disabilities (OMRDD) developmental centers and make the land available for economic development. The Enacted Budget provides \$16 million in capital appropriations to support development of new community residential opportunities to facilitate the downsizing.

The Enacted Budget provides \$49 million for the last year of a three-year cost of living adjustment (COLA) for mental hygiene non-profit providers and extends the COLA through SFY 2011-12.

Human Services

The SFY 2008-09 Enacted Budget includes language and funding to keep open two of the seven youth detention facilities proposed for closure by the Executive. Great Valley Residential Center in Cattaraugus County and the Pyramid Reception Center in the Bronx will continue to operate. The Executive's proposal to shift certain State social services costs to counties was not enacted.

The Enacted Budget extends an existing methodology linking eligibility for funding from the Flexible Fund for Family Services (FFFS) to performance based criteria for certain services provided through the Office of Children and Family Services. Additionally, the Enacted Budget reduces the appropriation of Temporary Assistance for Needy Families (TANF) for the FFFS to \$654 million from the proposed \$1.01 billion, in order to provide \$356 million specifically for daycare.

Economic Development

The Enacted Budget provides new funding for economic development initiatives totaling nearly \$1.3 billion, to be financed through bonds issued by the Urban Development Corporation and the Dormitory Authority of the State of New York. Funding is allocated as follows:

Downstate

- \$ 35 million – Downstate Revitalization Fund
- \$ 35 million – Downstate Regional Projects
- \$ 30 million – New York City Waterfront Development
- \$100 million Subtotal

Upstate

- \$145 million – Upstate City-by-City
- \$120 million – Upstate Regional Blueprint Fund
- \$ 45 million – Luther Forest Infrastructure
- \$ 40 million – Upstate Agricultural Economic Development Fund
- \$350 million Subtotal

Statewide

- \$350 million – Economic Development Assistance Program (Senate)
- \$350 million – Capital Assistance Program (Assembly)
- \$ 50 million – Investment Opportunity Fund
- \$ 35 million – Economic & Community Development
- \$ 30 million – Arts & Cultural Projects
- \$ 20 million – Empire State Economic Development Fund
- \$835 million Subtotal

\$1.29 billion Total

Investment Opportunity Fund projects and financing are specifically excluded from review by the Public Authorities Control Board, eliminating the Comptroller's review and comment role. Instead, the Enacted Budget includes the Executive's proposed creation of a new Investment Opportunity Fund Capital Approval Board, comprised of five members including the Director of the Division of the Budget, the Temporary President of the Senate and the Speaker of the Assembly or their designees as voting members, and one non-voting member each appointed by the minority leaders of the Legislature. Projects must be approved unanimously by the three voting members.

Funding for projects through the Economic Development Assistance Program and the Capital Assistance Program will be made based on an itemized list submitted to the Director of the Budget by the Leaders of the Senate and Assembly, respectively. The funding is considered approved within ten business days unless there is a determination that a project does not demonstrate reasonable economic and social benefit. The approved project list is then subject to approval in the respective House of the Legislature.

The Enacted Budget includes new financial reporting requirements for the Empire State Development Corporation (ESDC) for SFY 2008-2009.

Transportation

The SFY 2008-09 Enacted Budget reduces capital projects funding for transportation by \$135.4 million, reflecting the elimination of the Executive's proposed \$139.8 million for a new local component to the State Bridge Maintenance program, offset by legislative increases primarily for regional transportation needs.

The Executive's proposed increase in the State surcharge on motor vehicle insurance policies and plan to increase motor fuel taxes through consolidation were not enacted. As a result, a \$215 million General Fund transfer will be needed to meet Dedicated Highway and Bridge Trust Fund obligations in SFY 2008-09, an increase of \$81 million over the Executive Budget proposal.

In addition, the Enacted Budget increases the Consolidated Highway Improvement Program (CHIPS) bonding authorization for SFY 2008-09 by \$60 million to \$363 million. This spending occurs entirely off-budget and is not included in the State Financial Plan.

Agriculture/Environment/Housing

The SFY 2008-09 Enacted Budget provides \$95 million for new Parks capital funding, a reduction of \$15 million from the Executive Budget. Of this amount, \$75.5 million is for capital improvements at State Parks, while the remaining funds are for State Fairground and campground improvements, as well as a Hudson River walkway.

Additionally, the Enacted Budget provides \$30 million in bonded funds for park development projects on Governor's Island and the Hudson River Park.

The Enacted Budget provides an appropriation of \$255 million for the Environmental Protection Fund (EPF), \$5 million more than the Executive Budget proposal. The Enacted Budget also includes a 90-day waiting period on new Brownfields program applications and a three-year extension of the pesticide fee schedule. The Executive's proposed bottle bill expansion and Clean Air Title V permitting fee increases were not enacted.

The Enacted Budget includes \$200 million for housing programs operated by the Division of Housing and Community Renewal and the New York Housing Trust to support low-income and affordable housing, assist victims of subprime lending practices, and purchase flood prone homes in some Catskill and Southern Tier counties. Funding is provided through a transfer of \$100 million from State of New York Mortgage Association (SONYMA) Mortgage Insurance Fund reserves and \$100 million in bonding.

The Enacted Budget also includes \$40 million in new debt for an Agricultural Economic Development Fund (as part of the new Economic Development Program), which is \$10 million less than the Executive proposal.

Public Protection

The Executive proposal to close four correctional facilities was not enacted. The SFY 2008-09 Enacted Budget instead provides \$10.7 million for operation of the facilities.

The current \$5 motor vehicle insurance fee was extended through 2009 with no increase as proposed in the Executive Budget. The Enacted Budget provides \$48.4 million in additional General Fund support for the State Police to replace the portion of the fee increase that would have supported State Police activities. The Executive's proposal to redeploy 92 school resource officers to high crime Operation IMPACT communities was also not enacted.

Enacted Budget appropriations from the enhanced wireless 911 emergency service (E911) surcharge revenues for Statewide Wireless Network (SWN) costs include \$20.6 million for SWN operating costs, representing approximately an \$11 million decrease (nearly 35 percent) from SFY 2007-08, and \$40 million in new Capital funding for State agency subscriber equipment, the development of Systems Operations Centers and land acquisition. The Executive's proposal to extend the cell phone surcharge to pre-paid wireless cards was not enacted.

The Enacted Budget does not include authorization for retroactive judicial salary increases, but provides appropriation authority with language authorizing adjustments to compensation pursuant to a subsequent chapter of the law specifying salary adjustments.

General Government

The SFY 2008-09 Enacted Budget includes a new centralized contract fee, which provides that the Office of General Services (OGS) must require contractors to add 0.5 percent to the price of centralized contracts. Proposals to make permanent the Procurement Stewardship Act (PSA), which expires in June 2008, and increase the membership of the State Procurement Council were not enacted.

The SFY 2008-09 Enacted Budget includes a \$190 million reappropriation of Help America Vote Act (HAVA) funds for the purchase of new voting machines and a \$10 million appropriation from the accumulated interest on these funds for the purchase of machines that are accessible to voters with disabilities.

Local Governments

The SFY 2008-09 Enacted Budget increases Aid and Incentives for Municipalities (AIM) funding by \$11.6 million above the Executive's proposal for municipalities outside of New York City, and continues the requirement that municipalities receiving 5 percent or higher increases adhere to certain fiscal accountability requirements. AIM funding for municipalities outside New York City totals \$767 million, an increase of \$68 million, or 9.7 percent, over SFY 2007-08.

The SFY 2008-09 Enacted Budget provides \$29.4 million in new funding for the Local Government Efficiency Grant (LGEG) program, which restructures the Shared Municipal Services Incentives (SMSI) Program and provides financial incentives for municipalities to consolidate and share services. This reflects an increase of \$4.4 million over SFY 2007-08 and \$600,000 less than proposed by the Executive.

The Enacted Budget includes Wicks Law reform, which increases the threshold for requiring separately bid contracts for local and school district construction projects from \$50,000 to: \$3 million for projects in New York City; \$1.5 million for projects in Nassau, Suffolk and Westchester counties; and \$500,000 in all other counties. Projects with a Project Labor Agreement are provided an exemption from Wicks.

While the Enacted Budget includes a 2 percent reduction in many Local Assistance programs, the Executive's proposed State cost shifts to counties and New York City for public assistance programs and youth detention facilities were not accepted. Funding for the Consolidated Highway Improvement Program (CHIPS) under the Enacted Budget is increased \$60 million, including a restoration of the Executive's proposed \$9 million reduction.

New York City

The SFY 2008-09 Enacted Budget increases education aid to New York City by \$644 million for the 2008-2009 school year, which is consistent with the increase promised last year as part of the resolution of the Campaign for Fiscal Equity litigation. Other initiatives will increase the City's costs, however, by a net \$92 million over this fiscal year and next. Most of the adverse impact (\$82 million) comes from only a partial restoration in funding to the City under the AIM program in SFY 2007-08. New York City's January 2008 Financial Plan had assumed a full restoration as it was promised by the previous Governor last year. In addition, the City is concerned that a higher State fee charged to health insurance carriers will be passed along to consumers in the form of higher health insurance premiums, including those paid by the City of New York.

Other notable actions taken by the State include making permanent (as assumed in the City's January Financial Plan), the 1 percent sales tax that was set to expire on July 1, 2008, which is expected to generate approximately \$1.2 billion annually for the City. In addition, the State raised the minimum threshold for capital projects that require separate bids for electrical, plumbing, and heating and air conditioning work (the Wicks Law) from \$50,000 to \$3 million, which is expected to reduce the cost of these projects.

Also, the City continues to benefit from State initiatives implemented in prior years. These include the State cap that limits the annual growth in the local share of Medicaid to 3 percent and the State takeover of the local share of the Family Health Plus program. The State estimates that these measures together will benefit the City by \$522 million in City Fiscal Year 2009 alone. The State has not yet acted on the City's proposal to raise the borrowing authority of the Transitional Finance Authority.

Metropolitan Transportation Authority

The SFY 2008-09 Enacted Budget increases State aid to the Metropolitan Transportation Authority (MTA) for calendar year 2008 by \$105 million, which is \$53 million less than assumed in the MTA's Financial Plan. This reduction reflects the MTA's share of statewide administrative cost savings. The funding shortfall will increase the size of the MTA's projected budget gap for calendar year 2009 to \$269 million. While the MTA has not indicated how it intends to close the 2009 budget gap, it has delayed planned service enhancements in light of lower-than-expected collections from real estate transaction taxes.

In addition, the MTA has proposed a new five-year \$29.5 billion capital program. While the MTA has identified some sources of funding for the proposed capital program, the funding shortfall has grown from \$9.3 billion to \$13.8 billion now that the State has not approved the City's proposed congestion pricing initiative.

Public Authorities

The SFY 2008-09 Enacted Budget includes \$100 million of the Executive's proposed \$1.1 billion in off-budget spending not reflected in the Capital Plan. The Enacted Budget relies on public authorities in SFY 2008-09 for \$248.9 million in budget relief in the form of a \$100 million sweep from the State of New York Mortgage Association (SONYMA) Mortgage Insurance Fund, \$93 million in transfers from the New York Power Authority (NYPA), \$55 million in State Cost Recovery fees, reflecting a \$15 million increase over SFY 2007-08, and \$913,000 from the New York State Energy Research and Development Authority. The Enacted Budget also authorizes transfers of \$35 million from NYPA in SFY 2009-10 and SFY 2010-11.

The Enacted Budget will also use an additional \$100 million from the SONYMA Mortgage Insurance Fund to support various housing programs administered by the New York State Housing Finance Agency, Long Island Housing Partnership and the New York State Housing Trust Fund Corporation.

The Enacted Budget increases bonding authorizations for 17 programs supported through public authority debt by \$6.1 billion, or 15.2 percent, over SFY 2007-08. Between SFY 2003-04 and SFY 2008-09, bond caps for all State programs financed by public authority bonds were statutorily increased by \$29 billion, representing a 61 percent increase in total bond authorization for the five-year period.

Appendices

Appendix A: SFY 2008-09 Budget Bills

	Governor's Executive Budget January 22, 2008		21-Day Amendments February 21, 2008		Governor's Resubmittal (See Note)		PASSED		Expected Chapter
	Senate	Assem.	Senate	Assem.	Senate	Assem.	Senate	Assem.	
Appropriation Bills									
Public Protection & General Government (PPGG)	6800	9800	6800-A	9800-A	6800-C	9800-C	6800-D 04/04/08	9800-D 04/04/08	Ch 50
Legislature and Judiciary	6801	9801	6801-A	9801-A			6801-B 04/09/08	9801-B 04/09/08	Ch 51
Debt Service	6802	9802	6802A	9802-A			6802-A 03/12/08	9802-A 03/12/08	Ch 52
Education, Labor and Family Assistance (ELFA) *	6803	9803	6803-A	9803-A	6803-C	9803-C	6803-D 04/09/08	9803-D 04/09/08	Ch 53
Health and Mental Hygiene (HMH)	6804	9804	6804-A	9804-A	6804-C	9804-C	6804-D 03/31/08	9804-D 03/31/08	Ch 54
Transportation, Economic Development & Environmental Conservation (TED)	6805	9805	6805-A	9805-A	6805-C	9805-C	6806-D 04/04/08	9805-D 04/04/08	Ch 55

* The ELFA appropriation bill includes amendments to previously enacted appropriation bills (PPG, HMH and TED).

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

Appropriation Bills: Provide authorizations for State agencies and public authorities to spend.

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

Language Bills									
Article VII	Senate	Assem.	Senate	Assem.	Senate	Assem.	Senate	Assem.	Expected Chapter
Public Protection and General Government (PPGG)	6806	9806	6806-A	9806-A			6806-C 04/04/08	9806-C 04/04/08	Ch 56
Education, Labor and Family Assistance (ELFA) Temporary Loans, Sweeps & Transfers	6807	9807	6807-A	9807-A			6807-C 04/09/08	9807-C 04/09/08	Ch 57
Health, Mental Hygiene (HMH)	6808	9808	6808-A	9808-A			6808-C 04/01/08	9808-C 04/01/08	Ch 58
Transportation, Economic Development and Environmental Conservation (TED)	6809	9809	6809-A	9809-A			6809-C 04/04/08	9809-C 04/04/08	Ch 59
Taxes/Revenue	6810	9810	6810-A	9810-A			Merged into ELFA language	Merged into ELFA language	Ch 60

Appendix B: Appropriation Summary

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

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

Summary of New Appropriations SFY 2008-09 – By Spending Category Enacted Compared to SFY 2007-08 (in millions of dollars)

	Enacted SFY 2007-08	Enacted SFY 2008-09	Dollar Change From SFY 2007-08	Percent Change From SFY 2007-08
State Operations	33,740	31,975	(1,765)	-5.23%
Local Assistance	91,457	98,946	7,489	8.19%
Capital Projects	8,431	15,288	6,858	81.34%
Debt Service	9,302	9,298	(4)	-0.04%
Total	142,930	155,507	12,578	8.80%

Note: Totals may not add due to rounding.

Summary of New Appropriations SFY 2008-09 – By Spending Category Enacted Compared to Executive Proposal (in millions of dollars)

	Executive Proposed (21-Day) SFY 2008-09	Enacted SFY 2008-09	Dollar Change From Executive	Percent Change From Executive
State Operations	31,734	31,975	241	0.76%
Local Assistance	98,342	98,946	604	0.61%
Capital Projects	15,333	15,288	(45)	-0.29%
Debt Service	9,298	9,298	-	0.00%
Total	154,707	155,507	800	0.52%

Note: Totals may not add due to rounding.

The following charts summarize new appropriations by Budget Bill.

**Summary of New Appropriations SFY 2008-09 – By Appropriation Budget Bill
Enacted Compared to SFY 2007-08**
(in millions of dollars)

	Enacted SFY 2007-08	Enacted SFY 2008-09	Dollar Change From SFY 2007-08	Percent Change From SFY 2007-08
Public Protection	11,536	10,413	(1,123)	-9.73%
Health and Mental Hygiene	54,835	59,347	4,512	8.23%
Education, Labor & Family Assistance	53,064	60,362	7,298	13.75%
Transportation, Economic Development and Environment	11,566	13,433	1,867	16.14%
Legislature*	221	228	7	3.17%
Judiciary*	2,405	2,426	21	0.87%
Debt Service	9,302	9,298	(4)	-0.04%
Total	142,930	155,507	12,578	8.80%

* The appropriations for the Legislature and Judiciary are contained within a single Budget Bill.
Note: Totals may not add due to rounding.

**Summary of New Appropriations SFY 2008-09 – By Appropriation Budget Bill
Enacted Compared to Executive Proposal**
(in millions of dollars)

	Executive Proposed (21 Day) SFY 2008-09	Enacted SFY 2008-09	Dollar Change From Executive	Percent Change From Executive
Public Protection	10,190	10,413	223	2.19%
Health and Mental Hygiene	59,081	59,347	266	0.45%
Education, Labor & Family Assistance	59,885	60,362	477	0.80%
Transportation, Economic Development and Environment	13,504	13,433	(71)	-0.52%
Legislature*	228	228	-	0.00%
Judiciary*	2,521	2,426	(95)	-3.77%
Debt Service	9,298	9,298	-	0.00%
Total	154,707	155,507	800	0.52%

*The appropriations for the Legislature and Judiciary are contained within a single Budget Bill.
Note: Totals may not add due to rounding.

Appendix C: Summary of Article VII Bill Sections SFY 2008-09

Public Protection and General Government (PPGG) Article VII (S.6806-C A.9806-C)

Subject	Executive Budget	Enacted C Print	Comments
Empire Plaza Arts Commission powers	A	A	Adopted as proposed
Executive Mansion Trust Board composition	B	Omitted	
Create Office of Indigent Defense Services	C	Omitted	
Witness Protection Program	D	D	Local match eliminated
Judicial salary increases	E	Omitted	
Procurement provisions	F	F	Centralized contract fee adopted; amendment to make PSA permanent eliminated; change in Procurement Council membership eliminated
State Commission on Investigation extender	G	G	Amended by Legislature; one year extender
Extend wireless phone surcharge to prepaid cell phones	H	Omitted	
Civil Service cost recovery for supervision of local provisional employee reductions	I	I	Amended by Legislature to remove proposed \$600,000 cap
Expand Criminal Justice Improvement Acct	J	Omitted	
Nuclear power plant security reimbursement	K	Omitted	
Medical parole statute	L	Omitted	
Vehicle insurance fee increase	M	M	\$15 increase rejected; existing \$5 fee extended to July 1, 2009
Modify IOLA board member responsibilities	N	Omitted	
AIM program reforms	O	O	Eliminates consolidation incentive aid; includes Office of the State Comptroller data reporting requirements and independent audit/corrective action plan requirements; spinups added
Local government revenue options	P	Omitted	
"Wicks Law" Reform - Public works procurement practices	Q	ELFA - MM	Moved to ELFA Article VII bill, raises threshold from \$50k to: \$3m New York City; \$1.5m LI and Westchester; \$500k elsewhere. PLA triggers Wicks exemption.
State aid to municipalities where video lottery facilities are located	R	Omitted	
New York City Financial Control Board extender and changes to its authority	S	Omitted	
Reform local property tax admin	T	Omitted	
Enact Local Govt Efficiency Commission recs	U	Omitted	
Loans, transfers, bond caps	V	ELFA - RR	Moved to ELFA Art VII bill
NYSHIP amnesty program	W	W	Adopted as proposed
District Attorney loan forgiveness program		X	New to Enacted Budget
Fees imposed for youthful offender finding		Y	New to Enacted Budget
Assembly member in-lieu-of payments		Z	Extended through 2010
Legislative payments provisions		AA	Extended through June 2009
Suballocation of legislative funds		BB	New to Enacted Budget
OCA criminal record search fees		CC	New to Enacted Budget
Criminal conviction fee surcharges		DD	New to Enacted Budget
Motor vehicle violation fee surcharges		EE	New to Enacted Budget

Education, Labor and Family Assistance (ELFA) Article VII (S.6807-C A.9807-C)

Subject	Executive Budget	Enacted C Print	Comments
Contracts for Excellence accountability	A	A	Amended by Legislature
Foundation Aid phase-in	B	B	Adopted as proposed
Healthy Schools Act	C	Omitted	
SUNY and CUNY regulatory flexibility	D	Omitted	
Monetize Lottery	E	Omitted	
Modify TAP eligibility criteria	F	Omitted	
Recoup physicians license renewal costs	G	G	Adopted as proposed
SLATE Act enforcement	H	Omitted	
Extend Regents Professional Opportunity and Health Care Professional Opportunity scholarships through SFY 2008-09 school year	I	I	Adopted with minor scholarship eligibility change.
SERB member pay to be per diem	J	Omitted	
Extend UI surcharge through 2009	K	K	Adopted as proposed
Create Univ Capital Projects Review Board	L	Omitted	
HESC access to T&F info	M	M	Adopted as proposed
Tuition assistance for veterans	N	N	Amended to expand Vietnam Vets aid
Optional Retirement Program Investment options	O	Omitted	
Clarify 2007 provision relating to SUNY/CUNY/CC optional retirement program	P	P	Adopted as proposed
Permit middle class STAR rebate offsets	Q	Q	Adopted as proposed
Eliminate New York City STAR for high income	R	R	Adopted as proposed
Delay middle class STAR increase	S	S	Adopted as proposed
Create SERB arbitration fee	T	Omitted	
Eliminate State reimbursement for local detention facilities	U	Omitted	
OTDA access to T&F data	V	Omitted	
STAR floor adjustment from 5 percent to 10 percent	W	W	Adopted as proposed
SSI COLA pass-through	X	X	Adopted as proposed
Modify State and local welfare cost shares	Y	Omitted	
Child support service fees	Z	Z	Adopted with slight modifications
OCFS and OTDA reporting requirements	AA	AA	Adopted as proposed
OCFS demo project		BB	New to Enacted Budget
Family Court Act alternatives to detention		DD	New to Enacted Budget
OCFS caseworker ratio reports		EE	New to Enacted Budget
OCFS juvenile justice youth services reports		FF	New to Enacted Budget
Environmental projects improvements		GG	New to Enacted Budget; SUNY/CUNY to identify capital projects that improve the environment
Higher ed high need nursing aid		HH	New to Enacted Budget
Prohibit OCFS from closing Great Valley and Pyramid centers		II	New to Enacted Budget
Municipal special aid and incentives		KK	New to Enacted Budget - New York City: \$81.9m before 6/13/2009 and \$245.8m before 12/15/2009; \$328m before 12/15 every year thereafter
New York State higher education endowment		LL	New to Enacted Budget

Education, Labor and Family Assistance Article VII (S.6807-C A.9807-C) Continued

Subject	Executive Budget	Enacted C Print	Comments
"Wicks Law" Reform - Public works procurement practices	PPGG - Q	MM	Moved from PPGG Art VII bill, raises threshold from \$50k to: \$3m New York City; \$1.5m LI and Westchester; \$500k elsewhere. PLA triggers Wicks exemption.
New York State Mortgage Agency (SONYMA) transfers		NN	New to Enacted Budget; \$100 million added for housing projects
Technical amendments to Health/Mental Hygiene Article VII bill		OO	New to Enacted Budget; also establishes medical home demo program in Nassau and Onondaga; repeals cap on State payments for local Medicaid administration
UDC investment opportunity fund	TEDE - V	PP	Moved from TEDE Art VII bill
Upstate Regional Blueprint Fund	TEDE - CC	QQ	Creates two new funds controlled by Legislative Leaders
Loans, transfers, bond caps	PPGG - V	RR	Moved from PPGG Art VII bill
Restructure LLC joint venture fees and taxes	Rev - S	AA-1	Amended by Legislature
Require New York State taxpayers to pay fees charged by Fed and other states for offsetting tax refunds	Rev - N	BB-1	Adopted as proposed
Tax shelter voluntary compliance initiative	Rev - Z (Subpart A)	CC-1	Amended by Legislature
Tax penalty extender	Rev - Z (Subpart D)	DD-1	Extended to July 1, 2011
Certain banks to be subject to Article 32 tax	Rev - Y	EE-1	Amended by Legislature
Captive REIT taxation	Rev - U	FF-1	Amended by Legislature
Capital base cap tax rate	Rev - J	GG-1	Amended by Legislature
Federal adjusted gross income addition	Rev - I	HH-1	Adopted as proposed
Extend MTA business tax surcharge	Rev - R	II-1	Adopted as proposed
Increase first estimated business tax payment from 25 percent to 30 percent	Rev - V	JJ-1	Adopted as proposed
Non-profits required to collect sales tax on on-line and mail orders	Rev - L	KK-1	Adopted as proposed
T&F reregistration program	Rev - Z (Subpart E)	LL-1	Amended by Legislature
Classify little cigars as cigarettes	Rev - CC	MM-1	Amended by Legislature
Off-premises alcoholic beverage consumption		NN-1	New to Enacted Budget
"Amazon tax" - sales tax presumption	Rev - X	OO-1	Adopted as proposed
Multiple dwelling owner obligations; STAR	Rev - A	PP-1	Amended by Legislature
Tobacco snuff taxation		QQ-1	New to Enacted Budget
Cigarette tax increase		RR-1	New to Enacted Budget
New York City sales taxes	Rev - BB	SS-1	Amended by Legislature
ABC tax enforcement	Rev - Z (Subpart C)	TT-1	Amended by Legislature
Electronic filing of certain tax documents		UU-1	New to Enacted Budget
Brownfields Cleanup Program		VV-1	New to Enacted Budget; proposed reform (Rev - Parts D & E) rejected; 90-day moratorium imposed
Increase film production tax credits	Rev - W	WW-1	Amended by Legislature; credit increased to 30 percent; aggregate amounts increased in out-years
Low-income housing credit increase	Rev - M	XX-1	Adopted as proposed
Investment tax credits		YY-1	New to Enacted Budget
Extend taxi and limo disability access credit	Rev - Q	ZZ-1	Adopted as proposed
Bioheat tax credits	Rev - AA	AAA-1	Adopted as proposed; heating fuel tax credit of up to \$0.20 per gallon
Real estate finance bureau fund		BBB-1	New to Enacted Budget
DED responsibilities regarding Empire Zone wage tax credit		CCC-1	New to Enacted Budget

Health and Mental Health (HMH) Article VII (S.6808-C A.9808-C)

Subject	Executive Budget	Enacted C Print	Comments
Public Health cost savings measures	A	A	Restorations to the EPIC program and various other modifications and deletions
Extend HCRA for three years	B	B	Reduces increase in covered lives assessment; various restorations and other modifications
Medicaid - health insurance access & cost containment	C	C	Various restorations, modifications, deletions and additions.
Make permanent OASAS responsibility for <u>gambling programs</u>	D	D	Adopted as proposed
Permit higher reimbursement for Medicare/Medicaid dual eligibles	E	E	Adopted as proposed
Extend Comprehensive Psychiatric Emergency Program to July 2012	F	F	Adopted as proposed
Limit Medicaid reimbursement for hospital outpatient mental health services to \$67.50 per visit	G	Omitted	
Authorize OASAS, OMH, OMRDD to participate in financing integrated housing by voluntary <u>agencies</u>	H	H	Adopted as proposed
Extend human services COLA eligibility updates for three years	I	I	Changes method for determining or calculating the COLA for periods from April 2008 through March 2012

Transportation, Economic Development and Environment (TEDE) Article VII (S.6809-C A.9809-C)

Subject	Executive Budget	Enacted C Print	Comments
CHIPS and Marchiselli	A	A	Amended by Legislature; \$60 million CHIPS add
EPF uses	B	B	Amended by Legislature; \$125 million transfer; Exec Budget language removed
Bus consortium	C	Omitted	
Extend DOT single audit prog	D	D	Amended by Legislature; one-year extender
DHBTF reporting language	E	Omitted	
Commercial license disqualifications	F	Omitted	
WHTI license & ID card fees	G	G	Adopted as proposed
DMV violations bureau Buffalo	H	Omitted	
DOT plans deposit return	I	Omitted	
Local Bridge Program	J	Omitted	
Highway Law disincentive	K	Omitted	
Traffic congestion mitigation fund	L	Omitted	
Ag & Markets violations	M	Omitted	
Ag & Markets food-based inspec	N	Omitted	
PA centralized services assessment	O	O	Amended by Legislature to raise tax assessment \$15 million to \$55 million, \$5 million over Executive Budget
Recovery of IDA costs	P	Omitted	
Sec State expedited handling fees	Q	Q	Amended by Legislature; one-year extender
CSBG conformity	R	R	Amended by Legislature; one-year extender
utility and cable assessments	S	S	Adopted as proposed
NYSERDA transfer \$913,000 to GF	T	T	Adopted as proposed
NYSERDA assessments	U	U	Adopted as proposed
Create Investment Opportunity Fund	V	ELFA - PP	Moved to ELFA Art VII bill
UDC loan powers	W	W	Amended by Legislature; one-year extender
Insurance Law violations	X	Omitted	
Power for Jobs extension	Y	Y	Amended by Legislature; one-year extender; electricity discount program rejected
Create Housing Opportunity Fund	Z	Omitted	
Seneca Casino local share	AA	Omitted	
Javits Center amendments	BB	Omitted	
Omnibus Econ Dev Invest Act	CC	ELFA - PP	Moved to ELFA Art VII bill
PASNY deposit \$8 million to OPRHP	DD	DD	Adopted as proposed
Clean Air Act fees	EE	Omitted	
Pesticide registration fees	FF	FF	Amended by Legislature; three-year extender
Bottle Bill expansion	GG	Omitted	
Require comprehensive ESDC fin plan		HH	New to Enacted Budget
Neighborhood preservation contracts		II	New to Enacted Budget; contract limit increased to \$104,500
Business Marketing Program		JJ	New to Enacted Budget
ESDC sunset extender		KK	New to Enacted Budget
Power Authority restitutionary programs		LL	New to Enacted Budget
Extend Community Projects Fund		MM	New to Enacted Budget
I Love NY report		NN	New to Enacted Budget
Municipal landfill gas management program		OO	New to Enacted Budget; colleges to be considered municipalities

Revenue Article VII (original S.6810 A.9810), merged into ELFA)

Subject	Executive Budget	Enacted Budget	Comments
Multiple dwelling owner obligations, STAR	A	ELFA PP-1	Moved to ELFA Art VII Bill
Make seven-day alcohol license law permanent	B	Omitted	
Tax malt beverages at low-liquor rate	C	Omitted	
Brownfields Cleanup Program tax credit reform	D	ELFA VV-1	Executive proposal rejected; Legislature imposes 90-day moratorium
Reform Brownfields Cleanup Program	E		
Repeal private label credit card law	F	Omitted	
Require tax stamp on illegal drugs	G	Omitted	
Petroleum/motor fuel tax consolidation	H	Omitted	
Decouple from Fed QPAI deduction	I	ELFA HH-1	Moved to ELFA Art VII Bill
Reduce corp franchise tax capital base rate	J	ELFA GG-1	Moved to ELFA Art VII Bill
Include for-profit HMOs as insurance corps subject to Art 33 premiums tax	K	Omitted	
Require non-profit organizations to collect sales tax on on-line and mail orders	L	ELFA KK-1	Moved to ELFA Art VII Bill
Additional \$4 million low-income housing credits	M	ELFA XX-1	Moved to ELFA Art VII Bill
Require New York State taxpayers to pay fees charged by Fed and other states for offsetting tax refunds	N	ELFA BB-1	Moved to ELFA Art VII Bill
Clarify T&F Commissioner powers under Highway Use Tax law	O	Omitted	
Amend determination of residency status in Tax Law and New York City Admin. Code	P	Omitted	
Extend taxi and limo disability access credit	Q	ELFA ZZ-1	Moved to ELFA Art VII Bill
Extend MTA business tax surcharge	R	ELFA II-1	Moved to ELFA Art VII Bill
Restructure LLC joint venture fees and taxes	S	ELFA AA-1	Moved to ELFA Art VII Bill
Include NY real property gains as NY income	T		
Eliminate remaining REIT loopholes	U	ELFA FF-1	Moved to ELFA Art VII Bill
Increase first estimated business tax payment from 25 to 30 percent	V	ELFA JJ-1	Moved to ELFA Art VII Bill
Increase film production tax credits	W	ELFA WW-1	Moved to ELFA Art VII Bill
"Amazon tax" - sales tax presumption	X	ELFA OO-1	Moved to ELFA Art VII Bill
Classify certain credit card companies as taxpayers under Art 32	Y	ELFA EE-1	Moved to ELFA Art VII Bill
Comprehensive program to encourage voluntary disclosure and to increase compliance	Z	Subparts B, F, G Omitted	Part Z Subpart A became ELFA Part CC-1 Part Z Subpart C became ELFA Part TT-1 Part Z Subpart D became ELFA Part DD-1 Part Z Subpart E became ELFA Part LL-1
Bioheat tax credits	AA	ELFA AAA-1	Moved to ELFA Art VII Bill
Continues New York City sales tax to 8/1/2008	BB	ELFA SS-1	Moved to ELFA Art VII Bill
Classify little cigars as cigarettes	CC	ELFA MM-1	Moved to ELFA Art VII Bill
Belmont Park video lottery authorization	DD	Omitted	
Narrow the use tax exemption	EE	Omitted	

Appendix D: Timeline for the SFY 2008-09 Enacted Budget

- **October 30, 2007: Mid-Year Financial Plan Update released.** The Division of the Budget (DOB) revises the SFY 2007-08 tax revenue forecast downward by \$500 million and revises the SFY 2008-09 General Fund budget gap upward by \$651 million, to \$4.3 billion from the \$3.6 billion gap projected in July 2007. These adjustments reflect the impact of State and national economic weakness on the budget.
- **November 5, 2007: Quick Start budget process.** The Governor, Legislature and Comptroller meet to discuss receipts and disbursement estimates for the current and ensuing fiscal years. Consensus is that the State is facing a period of economic uncertainty with the potential to negatively impact State revenue.
- **January 22, 2008: Executive Budget released.** The Executive proposes a \$124 billion budget, proposes actions to close a \$4.6 billion budget gap for SFY 2008-09, and revises SFY 2007-08 revenue and spending estimates downward by over \$2 billion each from the Enacted Financial Plan to reflect the continuing economic decline and a reduction in federal grants.
- **January 28 through February 13, 2008: Budget Hearings conducted.** The Joint Fiscal Committees of the Assembly and Senate hold public hearings on the Executive Budget.
- **February 21, 2008: Executive 21-Day Amendments released.** The Executive revises revenue estimates significantly downward. Projected SFY 2007-08 Personal Income Tax receipts are lowered by \$150 million and overall SFY 2008-09 General Fund receipts are lowered by \$350 million. Additional cost savings measures totaling over \$235 million are proposed for SFY 2008-09.
- **February 26, 2008: Economic and Revenue Consensus Process begins.** The Assembly expresses belief that the country is in a recession and projects All Funds net revenue for SFY 2007-08 and SFY 2008-09 to be \$615 million less than the Executive, reflecting weaker personal and corporate income tax collections. The Senate projects All Funds net revenue for SFY 2007-08 and SFY 2008-09 to be \$133 million more than the Executive's estimates.
- **February 29, 2008: Revenue Consensus is reached.** The Legislature and the Governor agree that the weaker economic outlook reached in economic consensus should result in estimated General Fund receipts that are net \$250 million lower for SFYs 2007-08 and 2008-09 than the amounts projected in the Executive Budget.
- **March 12, 2008: Governor Spitzer resigns effective March 17.**

- **March 14, 2008: Joint Budget Conference Committee members named.** Legislature releases list of members appointed to the General Conference Committee and each of the Joint Budget Subcommittees for SFY 2008-09.
- **March 17, 2008: Lieutenant Governor David A. Paterson sworn in as Governor.** Senate and Assembly complete passage of one house budget bills through the week.
- **March 18, 2008: Legislative Leaders sign joint certificate.** Certificate authorizes Joint Conference Committee on the Budget, effective until the earlier date of when final budget subcommittee reports are submitted or March 31, 2008.
- **March 18, 2008: Governor advances \$800 million in across the board spending cuts at public five-way Leaders' Meeting.** The Governor proposes an across-the-board 2 percent reduction in State operating and Local Assistance spending, excluding education and certain other entitlement programs.
- **March 27, 2008: Governor and Legislative Leaders announce Budget framework.** After several days of closed door negotiations, Leaders announce agreement on a tentative framework for a \$124 billion budget.
- **March 28, 2008: General Conference Committee meets.** Joint Budget Conference subcommittees are provided with table targets and begin meeting.
- **March 31, 2008: Joint certificate authorizing Joint Budget Conference Committee lapses. Legislature begins passage of major spending bills.** Health and Mental Hygiene passes first (March 31), followed by Public Protection and General Government (April 4), and Transportation, Economic Development and Environmental Conservation (April 4). Certain major actions proposed by Executive in these bills remain unaddressed.
- **April 9, 2008: Final 2008-09 budget bills pass both Houses.** The Education, Labor and Family Assistance budget bills are passed. The bills include chapter amendments and other provisions affecting each of the other budget bills passed earlier in the week. After a base adjustment to reflect lower than expected revenue and spending estimates for SFY 2007-08 and SFY 2008-09, All Funds spending is projected by DOB to total \$121.7 billion for SFY 2008-09.
- **April 9, 2008: Preliminary SFY 2007-08 closeout figures released.** Comptroller DiNapoli releases preliminary year-end revenue and spending numbers that show General Fund receipts up \$1.7 billion while spending was up \$1.8 billion, or 3.5 percent, over SFY 2006-07.

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