Preliminary Report on the State Fiscal Year 2013-14 Enacted Budget

April 2013

Thomas P. DiNapoli
New York State Comptroller

Additional copies of this report may be obtained from:

Office of the State Comptroller
Public Information Office
110 State Street
Albany, New York 12236
(518) 474-4015

Or through the Comptroller's website at: www.osc.state.ny.us

Table of Contents

Executive Summary

New York State's Enacted Budget for the 2013-14 State Fiscal Year (SFY) reflects a continuing effort by the Executive and the Legislature to restrain spending, while holding projected gaps for the next three years to more manageable levels than has been the case over most of the past decade. For the third consecutive year, all budget bills were enacted before the start of the new fiscal year, providing a positive signal to the bond markets and taxpayers.

The economic and fiscal structure underlying New York's budgets has been buffeted over the past six years by a deep recession, painfully slow recovery and two extreme weather events. Actual tax revenues for five fiscal years ending with SFY 2011-12 were lower than projected at the time of budget enactment. During the fiscal year that ended March 31, 2013, the Executive reduced tax revenue projections for the combined 2012-13 and 2013-14 fiscal years by $1.5 billion. The just-completed fiscal year also brought word from Washington that federal Medicaid reimbursement for developmentally disabled services would be reduced by $1.1 billion in SFY 2013-14.

While timeliness of budget adoption has improved, transparency and openness were compromised in the process leading to enactment this year. Legislative budget subcommittees began their work deliberating the budget publicly, but the results of negotiations were not made publicly available until the budget bills were printed. Major new budget provisions, some of which will have cost implications for years to come, were not publicly discussed until the budget bills were printed, and some details remain elusive at this point. Such provisions include $385 million in new public authority debt for State and local facilities and $750 million in public authority debt associated with federal TIFIA loans.

New York's fiscal challenges remain serious. The Office of the State Comptroller's major concerns regarding the adopted budget include the significant use of temporary and non-recurring resources, risks to certain assumptions for revenues and savings, and the further expansion of the State's ability to use public authority borrowing rather than voter-approved debt for capital needs.

The Division of the Budget (DOB) is required to issue an updated Financial Plan, reflecting actions taken in the SFY 2013-14 Enacted Budget, within 30 days of enactment. The Office of the State Comptroller will release a comprehensive review of the Enacted Budget Financial Plan once it is made available by DOB.

The Senate and Assembly have released estimates of receipts and disbursements in the Enacted Budget. Both project All Funds disbursements at approximately $141.3 billion, an increase of 4.2 percent from the latest estimate from SFY 2012-13. Excluding some $7.6 billion in temporary federal funding related to Superstorm Sandy and new federal aid associated with the Patient Protection and Affordable Care Act from both SFY 2012-13 and SFY 2013-14, All Funds spending is expected to rise by roughly 0.8 percent in SFY 2013-14.

The Enacted Budget relies on more than $4 billion in temporary and non-recurring resources, excluding $5.1 billion in extraordinary federal assistance for Superstorm Sandy expenses. Just under $3.5 billion of such resources were in place before the enactment of the new Budget – temporary changes to the Personal Income Tax (PIT), deferred business tax credits and other tax actions that are scheduled to expire in future years. At least $467 million in new, temporary resources – most prominently, a $250 million transfer from the State Insurance Fund (SIF) – are identifiable in the bills approved by the Legislature.[1] The Executive Budget included another $423 million in new, temporary resources that are not apparent in the Enacted Budget legislation – proceeds from a nonprofit insurer conversion, use of abandoned property resources, and debt service savings – but that are assumed to have been included. A definitive picture regarding the level of such resources in the Enacted Budget will emerge with release of the updated Financial Plan.

Before budget action, the State faced a projected $1.4 billion gap for SFY 2013-14, according to DOB. The Enacted Budget includes actions intended to address that gap with a combination of spending restraint (including new reductions in agency operations), new and extended revenue actions, and temporary resources. The gap for SFY 2014-15 is now projected to be slightly higher than previously estimated, up to $2.2 billion, according to Senate and Assembly estimates. Both houses project that the gaps in the following two fiscal years are lower than estimates based on the Executive Budget proposal, at $2.8 billion and $3.1 billion, respectively. The decline in those years is primarily attributable to a three-year extension of higher PIT rates for high-income earners. Those higher rates are now scheduled to expire in SFY 2016-17, meaning that projected gaps in the following years are likely to remain significantly higher. The State continues to face a structural imbalance between recurring revenue and recurring spending.

As mentioned above, the Enacted Budget restrains spending growth after several years in which funding for many programs has been reduced or held flat. While the purpose of budgets is to make policy choices regarding the allocation of limited resources, the adopted plan leaves questions as to the potential impacts of these choices on certain major service categories. For example, to partially offset the loss of federal reimbursements, funding for nonprofit agencies and programs serving the developmentally disabled is reduced by $90 million, with the impact on services uncertain. In addition, certain reforms needed to obtain additional federal Medicaid revenue have not yet been finalized.

The Enacted Budget includes a variety of actions that may not provide the level of receipts or savings anticipated:

---

[1] The SFY 2013-14 Enacted Budget authorizes the transfer of $1.75 billion from assessment reserves held by the State Insurance Fund to the Chair of the Workers' Compensation Board for transfer to the General Fund, including $250 million in SFY 2013-14, $1.0 billion in SFY 2014-15, and $250 million each in SFY 2015-16 and SFY 2016-17. The Budget also gives the Director of the Budget discretion to transfer "any and all" remaining funds to either the General Fund or back to the State Insurance Fund.

- The consensus forecast of the Executive and the Legislature, reached in early March, estimated that tax receipts will be $200 million higher than the Executive Budget combined projections for SFY 2012-13 and SFY 2013-14. Given continuing uncertainty in the economy, there is risk that SFY 2013-14 tax receipts will fail to reach projections used in the Enacted Budget Financial Plan, as has happened in each of the past five years, and likely happened in SFY 2012-13.[2]

- The Enacted Budget makes no specific provisions to deal with the impact of federal budgetary sequestration, which Federal Funds Information for States has estimated could reduce aid for various programs by $290 million in the first six months of the State fiscal year.[3] DOB has indicated that the impact of such cuts will be largely programmatic and will not require legislative action. For example, reduction in federal aid for special education will reduce the level of such aid to school districts rather than require additional State aid.

- The Enacted Budget also assumes $600 million in newly available federal Medicaid funding and $500 million in State Medicaid actions to offset the loss of $1.1 billion in federal assistance for services for the developmentally disabled. Negotiations with the federal government regarding $250 million of the anticipated aid are not concluded.

The Enacted Budget includes several new provisions that expand a longstanding reliance on State-funded public authority debt – also known as backdoor borrowing – to meet capital investment needs in transportation, environmental protection and other areas.

From a long-term perspective, the most notable of these provisions is the creation of a new debt structure, a revenue bond financing program in which public authorities would issue bonds supported by the dedication of one percentage point of the State sales tax. The new credit complements the PIT Revenue Bond financing program, which is currently the primary mechanism used to finance the State's capital investments. The PIT bond program was created by legislation in 2001. DOB has estimated $26.5 billion in PIT bonds outstanding – just less than half of all State-Supported debt – as of the end of SFY 2012-13. Debt service on that borrowing was projected to reach $2.3 billion during the year, representing nearly 38 percent of total State-Supported debt service costs. The PIT bonds are highly rated and attractive to investors, but the total of such debt outstanding is reaching levels where some municipal bond investors have sought alternative credit structures to maintain portfolio diversity. DOB expects that approximately $1 billion in debt will be issued annually under the newly authorized program.

Both the PIT bond structure and the new sales-tax credit allow use of public authority borrowing to pay for roads, bridges, environmental and other projects without seeking

---

[2] Final actual results from SFY 2012-13 will be released by the Office of the State Comptroller in mid-April.
[3] See the Office of the State Comptroller's report, *Comptroller's Fiscal Update: Review of the SFY 2013-14 Executive Budget Amendments and Impact of Federal Sequestration,* released in March 2013.

voter approval as the State Constitution requires for State General Obligation bonds. Because borrowing in recent decades has been achieved primarily through PIT bonds and other public authority credits, nearly 95 percent of total outstanding State-Funded debt has not been approved by voters. The new debt structure provides an additional vehicle that will allow the State to avoid seeking voter-approval for billions of dollars in new borrowing in the years ahead.

The Debt Reform Act of 2000, enacted because of concern over rising levels of borrowing, imposed limits on both the total level of State-Supported debt outstanding and the annual level of payments on such debt. In the Executive Budget Financial Plan, DOB estimated that the available capacity under the cap on outstanding debt would decline to $120 million at the end of SFY 2014-15, and to just $82 million the following year, which reflects just 1.8 percent of the average annual State-Supported debt issuances over the past five years. The SFY 2013-14 Enacted Budget creates a new, self-supporting State University of New York (SUNY) dormitory credit funded directly by rental revenue that will not be subject to State appropriation, unlike financing of SUNY dormitories in the past. The Dormitory Authority of the State of New York (DASNY) is authorized to issue such bonds, up to $944 million. Because this new borrowing will be off-budget, it will not be considered State-Supported debt and will not be counted under the existing limits, essentially creating a backdoor circumvention of the debt caps.

The new Budget omits one major Executive Budget proposal related to future capital projects – legislation that would have authorized State agencies and authorities to use private financing for public infrastructure. The proposed design-build-finance legislation would have allowed the State to bypass traditional public financing procedures and limitations. It could have given private owners of major infrastructure projects the ability to set tolls and other charges, and to make broad decisions regarding the use of assets that have traditionally been considered public.

The Enacted Budget continues and extends provisions, first enacted in 2011, that impose statutory limits on the growth of State Department of Health spending on Medicaid. The Medicaid limitation includes new language allowing the Budget Director to authorize additional spending "to account for increased or expedited department of health state funds Medicaid expenditures as a result of a natural or other type of disaster, including a governmental declaration of emergency."

The Budget includes more than two dozen tax, fee, and other revenue-related provisions that are preliminarily projected to increase receipts by a net $407 million in SFY 2013-14 and by more than $5 billion net cumulatively through SFY 2016-17. Twelve of these changes will provide increased revenue to the State over the next four years, offset to varying degrees with enacted tax credits and other actions. One of the most significant tax law revisions that increase State revenues this year is the extension of a temporary limitation on charitable deductions by high-income earners. In addition, extension through 2017 of the high-income tax rates and related changes will increase revenue by an estimated $450 million in SFY 2014-15, and $1.8 billion and $2.6 billion in the following two years, but will have no impact in the current fiscal year.

After several years of reductions or comparatively modest increases in aid to public schools, the SFY 2013-14 Enacted Budget provides an increase of 4.9 percent, or just under $1 billion, from the 2012-13 school year amounts, for a total allocation of $21.2 billion for General Support for Public Schools for the 2013-14 school year.

Unrestricted aid for most municipalities through the Aid and Incentives for Municipalities (AIM) program remains flat in SFY 2013-14. Funding for AIM, at $715 million, remains $50 million below its peak level in SFY 2008-09 (excluding New York City).[4]

The Executive Budget included several proposals intended to reduce costs or reporting requirements for local governments. One proposal would have given the Comptroller and the Board of the New York State Teachers' Retirement System (NYSTRS) the option to implement a new "flat rate" contribution plan for counties, cities, towns, villages and school districts. The Comptroller expressed concerns with the proposal's potential impact on the actuarial soundness of the Common Retirement Fund. The Enacted Budget omits that proposal and includes a new Alternate Contribution Stabilization Program for the New York State and Local Retirement System (NYSLRS) as a variation of the existing Contribution Stabilization Program created in 2010, as well as a separate plan for NYSTRS. The programs allow participating employers to reduce the cash impact of current increases in pension contributions, while repaying the deferrals with interest as rates decline, and, in the case of NYSLRS, contributing to a reserve account to dampen future rate increases.

The SFY 2013-14 Executive Budget included several other proposals affecting municipalities that were not adopted in the Enacted Budget. One proposal would have allowed counties to renew their existing sales tax authority without action by the Legislature. A second would have extended the statute governing binding arbitration awards while limiting the total value of employee compensation increases in arbitration awards to 2 percent, in cases where the local government is deemed fiscally distressed as evidenced by a comparatively high property tax rate and declines in fund balance. A third proposal advanced by the Executive but omitted from the Enacted Budget would have eliminated all statutory reporting requirements for local governments, subject to review of the Mandate Relief Council. The Office of the State Comptroller expressed concerns regarding this last proposal, given that currently required financial reports from local governments are essential to ongoing monitoring of fiscal conditions in more than 3,000 jurisdictions statewide.

The Enacted Budget increases bonding caps for 14 State-Supported borrowing programs, and adds four new State-Supported bonding caps for the New York State Storm Recovery Capital Fund, the Office of Information Technology Services, the

---

[4] AIM funding for municipalities outside New York City was reduced in each year between SFY 2008-09 and SFY 2011-12, for a cumulative reduction of $50 million, and has been held flat since. AIM for New York City was eliminated in SFY 2010-11.

Transportation Infrastructure Finance and Innovation Act Loans, and State and Municipal Facilities Program, for a total increase of $3.6 billion in bond cap authorizations. The Enacted Budget authorizes $287.4 million in transfers and miscellaneous receipts from public authorities to provide General Fund and other budget support, and includes several provisions to expand the use of public authorities' debt in New York for various purposes.

Other changes in the Enacted Budget include increases to unemployment insurance and workers' compensation benefits, both with accompanying changes in financing structures that received minimal public scrutiny before adoption. The Budget also includes actions without direct impacts on State spending or revenues, including an increase in the minimum wage and revisions to the New York Secure Ammunition and Firearms Enforcement Act of 2013 (NY SAFE ACT).

Financial Plan Overview

New York State ended its 2012-13 fiscal year with a General Fund balance of nearly $1.6 billion, some $200 million less than anticipated when the budget year began. Tax receipts lagged projections for much of the fiscal year, but the unexpected $340 million settlement of a civil action partially offset the lower tax revenue. Preliminary legislative projections for the SFY 2013-14 Enacted Budget indicate growth in State Operating Funds receipts of approximately 2.5 percent, somewhat modest by historical levels but above the expected inflation rate for the coming year. Risks to the Financial Plan include continued uncertainty in the economy, and lack of specific actions to address the loss of federal aid. Tax changes enacted as part of this year's budget reduce out-year gaps to more manageable levels.

SFY 2012-13 – Preliminary Year-End Results

As in the previous five years, receipts and disbursements throughout SFY 2012-13 were volatile and subject to various extraneous forces, both good and bad. For the second year in a row, extreme weather played a significant role in financial planning, and the effects of weather-related disruptions are projected to continue over the life of the SFY 2013-14 Enacted Budget.

Figure 1

Overall Projections for Receipts and Disbursements SFY 2012-13
(in millions of dollars)

	Enacted - April	First Quarter Update - July	Mid-Year Update - November	Third Quarter Update - January	Third Quarter Update - February
General Fund					
Receipts	58,900	58,895	59,069	58,841	59,062
Disbursements	58,868	59,208	59,382	59,154	59,375
State Operating Funds					
Receipts	85,041	85,128	85,190	84,930	85,142
Disbursements	88,919	89,408	89,420	89,431	89,621
All Funds					
Receipts	133,272	133,443	133,351	134,826	135,038
Disbursements	133,393	133,979	133,857	135,452	135,642

Source: Division of the Budget

In September 2012, the State received a previously unanticipated civil-action settlement of $340 million, which helped boost lower-than-anticipated revenues. December and January Personal Income Tax (PIT) collections were significantly higher than anticipated because of non-recurring actions taken by the federal government that caused a shift in when many taxpayers realized certain income, and thus when taxes were actually paid. This shift also caused reductions in anticipated collections in February and March, and will likely affect levels in the next two years. This shift in tax collections was not fully anticipated when projections were updated in January, and are better reflected in projections updated in February as illustrated in Figure 1.

SFY 2012-13 Reserves

Preliminary unaudited results show the General Fund ended SFY 2012-13 with a closing balance of just over $1.6 billion, or $136 million higher than anticipated in the last Financial Plan Update released in February. Figure 2 illustrates actual reserves for SFY 2011-12 and reserves for SFY 2012-13 as projected in the SFY 2012-13 Enacted Budget Financial Plan and the February Financial Plan Update, as well as actual results.

The SFY 2012-13 Enacted Budget projected a net increase of $32 million in the General Fund closing balance, from $1.787 billion in SFY 2011-12 to $1.819 billion. No deposits to restricted reserves were planned, although $45 million was projected to be used from the Community Projects Fund. Most reserves are restricted in how they can be used, but the Refund Reserve is unrestricted, although the Division of the Budget (DOB) often identifies the intended use. The SFY 2012-13 Enacted Budget Financial Plan projected a net increase of $77 million in unrestricted reserves. This included an increase of $139 million to support costs associated with labor contract agreements, offset by a $62 million decrease due to funds being spent to support General Fund spending.

Figure 2

General Fund Reserves SFY 2012-13 Plan and Actual Year-End Results

(in millions of dollars)

	2011-12 Actual	2012-13 Projected - April 2012	2012-13 Projected - February 2013	2012-13 Actual
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	1,131	1,131
Rainy Day Reserve	175	175	175	175
Contingency Reserve Fund	21	21	21	21
Community Projects Fund	102	57	57	93
Refund Reserve				
Unrestricted	358	435	90	190
Total	**1,787**	**1,819**	**1,474**	**1,610**

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

By the end of SFY 2012-13, General Fund reserves declined $176.8 million to $1.61 billion from the opening balance. Of this decline, $167.7 million was from unrestricted reserves and $9.1 million was from the Community Projects Fund. DOB indicated in the First Quarter Update to the SFY 2012-13 Enacted Budget Financial Plan that most of the reserves that were intended for labor costs would be used in SFY 2012-13. In addition, DOB prepaid approximately $203 million in debt service initially expected to be paid in SFY 2013-14. This is approximately $20 million more than the amount that was identified to be pre-paid in the February Financial Plan Update.

SFY 2013-14 – Preliminary Enacted Budget Analysis

To date, DOB has not released an updated Financial Plan to account for all actions included in the SFY 2013-14 Enacted Budget. The Senate and the Assembly have released summaries of the Enacted Budget, including Financial Plan-related projections. These projections are summarized in Figure 3, along with DOB's projections for the Executive proposal. Updated DOB projections, which will reflect the Enacted Budget and which will be used to monitor revenue and spending results throughout the year, will be included in the upcoming SFY 2013-14 Enacted Budget Financial Plan, expected within the next few weeks.

Figure 3

Receipts and Disbursements – DOB Projections of Executive Proposal and Legislative Projections of Enacted Budget
(in millions of dollars)

	SFY 2012-13 Estimate	SFY 2013-14 Enacted	Dollar Growth	Percentage Growth
General Fund Receipts				
Division of the Budget (Proposed)	59,062	61,055	1,993	3.4%
Senate	59,062	61,069	2,007	3.4%
Assembly	59,062	61,331	2,269	3.8%
General Fund Disbursements				
Division of the Budget (Proposed)	59,375	60,888	1,513	2.5%
Senate	59,375	61,335	1,960	3.3%
Assembly	59,375	61,158	1,783	3.0%
State Operating Funds Receipts				
Division of the Budget (Proposed)	85,142	87,145	2,003	2.4%
Senate	85,142	87,159	2,017	2.4%
Assembly	85,142	87,326	2,184	2.6%
State Operating Funds Disbursements				
Division of the Budget (Proposed)	89,621	89,823	202	0.2%
Senate	89,621	90,395	774	0.9%
Assembly	89,621	90,132	511	0.6%
All Funds Receipts				
Division of the Budget (Proposed)	135,038	140,942	5,904	4.4%
Senate	135,038	140,956	5,918	4.4%
Assembly	135,038	140,704	5,666	4.2%
All Funds Disbursements				
Division of the Budget (Proposed)	135,642	141,061	5,419	4.0%
Senate	135,642	141,332	5,690	4.2%
Assembly	135,642	141,282	5,640	4.2%

Sources: Division of the Budget, New York State Senate, New York State Assembly

On February 28, the Legislature and the Executive agreed to add $200 million in available revenue for the remainder of SFY 2012-13 and all of SFY 2013-14. (State Finance Law requires parties to agree on All Funds tax receipts, General Fund miscellaneous receipts and Lottery receipts by March 1 of each year.[5]) These revised estimates, along with certain other offsetting actions, are reflected in the projections from the Legislature shown in Figure 3.

All Funds

The SFY 2013-14 Executive Budget projected that All Funds receipts would increase 4.4 percent to $140.9 billion. Within this increase, tax collections were projected to rise 4.8 percent, primarily in PIT collections, which were expected to increase 5.7 percent. The Executive proposal projected federal receipts would increase 8.6 percent, with much of the increase associated with Superstorm Sandy and the Affordable Care Act. Miscellaneous receipts were expected to decline 4.4 percent, primarily because of the proposed accounting treatment of debt service funds associated with State University of New York (SUNY) dormitories (which was accepted in the Enacted Budget) as well as revenues received in SFY 2012-13 that will not recur.

The Enacted Budget includes significant changes to revenues compared to the Executive Budget, but most of those changes are not anticipated to take effect until SFY 2014-15 and beyond. In SFY 2013-14, a major change made in the Enacted Budget occurs in capital projects funds. The Executive Budget proposed to sweep $750 million out of certain SIF reserves in SFY 2013-14, including $500 million for the proposed Transformative Capital Fund and $250 million for the General Fund, to be used for debt management purposes. The Enacted Budget omits the Transformative Capital Fund and instead authorizes the transfer of $1.75 billion from assessment reserves held by the SIF to the Chair of the Workers' Compensation Board for transfer to the General Fund, including: $250 million in SFY 2013-14 for debt management or fiscal uncertainties; $1.0 billion in SFY 2014-15 for budget gap reduction; and $250 million each in SFY 2015-16 and SFY 2016-17, also for budget gap reduction. The Budget also gives the Director of the Budget discretion to transfer "any and all" remaining funds to either the General Fund or back to SIF.

The Assembly projects that All Funds tax collections will increase by 5.0 percent, or $3.3 billion, in SFY 2013-14 and the Senate projects All Funds tax growth of 4.8 percent or $3.2 billion. The Assembly identifies a reduction of $411 million in All Funds miscellaneous receipts from the Executive's proposal.

The SFY 2013-14 Executive Budget Financial Plan projected All Funds spending would increase 4.0 percent, to $141.1 billion, compared to All Funds receipts, which were expected to increase 4.4 percent to $140.9 billion, both from estimated SFY 2012-13 totals. This also includes temporary federal funding related to Superstorm Sandy and additional funds associated with the Affordable Care Act. According to Senate projections, All Funds receipts will increase to just under $141 billion, essentially in line with Executive projections. The Assembly projects All Funds receipts will reach $140.7 billion, or $238 million lower than projected in the Executive proposal. The variance between the Assembly and the Executive is primarily due to miscellaneous receipts

[5] See Section 23(6) of the State Finance Law.

($411 million below the Executive proposal), offset by higher projected tax collections ($143 million higher).

All Funds spending in the Enacted Budget is projected to increase to $141.3 billion, representing an increase of $5.7 billion, or 4.2 percent, over SFY 2012-13 estimates. The $5.7 billion increase includes extraordinary projected spending from federal funds associated with Superstorm Sandy and the Affordable Care Act. If this spending is removed from the Legislative spending projections, All Funds spending would increase roughly 0.8 percent compared to the prior year.

Projections for All Funds spending from the Senate and Assembly are higher than those in the Executive proposal by $271 million and $221 million respectively. Based on Assembly projections, the variance with the Executive proposal is primarily attributable to an increase in local assistance grants ($364 million) offset by a reduction in capital spending ($118 million lower). The increase is driven primarily by education spending, which includes an increase of $436 million from the Executive proposal on a school year basis, and by health, mental hygiene and Medicaid spending, with various increases above the Executive exceeding $120 million.

General Fund

The Executive proposal projected General Fund receipts (including transfers from other funds) would grow 3.4 percent, with the majority of growth occurring in PIT collections. Disbursements were projected to increase 2.5 percent. DOB expected the General Fund to end the year with a balance of $1.641 billion, an increase of 11.3 percent or $167 million from the estimated SFY 2012-13 balance. The most significant increase in the General Fund closing balance was the addition of $250 million from SIF, which was intended to be used for debt management purposes.

The Assembly estimates that General Fund receipts will increase 3.8 percent and spending will increase 3.0 percent, leaving a General Fund balance of $1.647 million at the end of SFY 2013-14, including the $250 million transfer from SIF. The Senate projects receipt growth similar to the Executive, but projects General Fund disbursements will increase 3.3 percent. The Senate includes the entire SIF transfer of $1.75 billion as a reserve within the General Fund in SFY 2013-14, though the Enacted Budget language does not implement the transfers from SIF until future fiscal years.

Non-Recurring and Temporary Resources

The SFY 2013-14 Executive Budget included approximately $10.0 billion in non-recurring ("one-shot") and temporary resources, including $1.4 billion in new proposed actions, $3.4 billion in existing actions, and another $5.1 billion in resources associated with Superstorm Sandy.

The SFY 2013-14 Enacted Budget appears to reduce this figure to $9.47 billion, primarily because $500 million in proposed SIF transfers to the General Fund is delayed until SFY 2014-15. More than half of the $9.47 billion reflects federal disaster assistance associated with storm recovery and rebuilding. Figure 4 shows temporary and non-recurring resources of $467 million explicitly added in the Enacted Budget (largely reflecting Executive proposals, with modifications in certain cases), $423 million from the Executive Budget Financial Plan assumed to be included in the Enacted Budget, $3.4 billion in existing temporary resources, and $5.1 billion in disaster assistance.

Figure 4

SFY 2013-14 Temporary and Non-Recurring Resources
(in millions of dollars)

	SFY 2013-14
Enacted	
PIT Surcharge Extension	-
State Insurance Fund	250
Mortgage Insurance Reserves	104
Dormitory Authority of New York State	22
New York Power Authority	20
Environmental Protection Fund	15
Regional Greenhouse Gas Initiative	25
Indigent Legal Services Sweep	11
MMTOA for Debt Service (1)	20
Subtotal	*467*
Part of Executive Proposal	
Insurance Conversion Proceeds	175
Abandoned Property	120
Debt Service Savings (2)	128
Subtotal	*423*
Currently in Law But Temporary	
Temporary PIT Changes (3)	1,998
Deferred Tax Credits	870
Temporary Utility Assessment	509
Extension of High Income Charitable Contribution Limit	70
Subtotal	*3,447*
Extraordinary Temporary Funding	
Temporary Federal Disaster Assistance	*5,140*
Total Temporary and Non-Recurring Resources	**9,477**

(1) Metropolitan Mass Transportation Operating Assistance Account with the Mass Transportation Operating Assistance Fund

(2) Does not include $183 million debt service payment moved from SFY 2013-14 to SFY 2012-13.

(3) Projections for the temporary PIT surcharge were not updated in the Proposed Financial Plan. This projection based on actual collections versus plan.

Sources: Division of the Budget, New York State Assembly, Office of the State Comptroller

The SFY 2013-14 Enacted Budget Financial Plan has not yet been released. Additional temporary or non-recurring resources – such as the intended use of reserves – may be identified when the Plan becomes available. The Enacted Budget also includes temporary and non-recurring spending actions. For example, in addition to the temporary nature of the disaster recovery spending, the Enacted Budget creates a new, three-year, $350 annual rebate program for taxpayers with children under the age of 17.

Risks to the Financial Plan

The SFY 2013-14 Enacted Budget is predicated on a number of actions that may not ultimately provide the actual level of receipts or savings anticipated. The Comptroller's *Report on the State Fiscal Year 2013-14 Executive Budget* included an overview of the more serious risks associated with the proposed Financial Plan.[6] The majority of these identified risks apply to the Enacted Budget as well. There will be more detail available when DOB releases an updated Financial Plan that reflects the Legislative actions taken. However, the most significant risks are as follows:

- **Revenue projections and savings estimates may be too optimistic.**

  - **Tax receipts may not come in as expected**. The consensus forecast from the Executive and the Legislature estimated that tax receipts for the remainder of SFY 2012-13 and SFY 2013-14 would be $200 million higher than the Executive's projections. Actual tax collections have been below initial projections in each of the last five years and preliminary results indicate that collections will probably not reach the initial tax projections this year either. Over the past five years, nearly $9 billion in expected revenue did not materialize.

  - **Other revenue may not materialize as projected.** Until the Enacted Budget Financial Plan is released, the entirety of revenues upon which the budget relies will not be known. However, revenue sources that have been used to balance previous enacted budgets but have not appeared as anticipated include health insurance conversion money ($175 million estimate in the SFY 2013-14 Executive Budget) and Native American casinos ($133 million estimate for the State and local governments in the Executive Budget).

  - **Sequester cuts have not been accounted for.** The Enacted Budget does not contain reductions in accordance with federal sequestration, which could reduce funding across several programs, including disaster assistance. According to Federal Funds Information for States, in the current federal fiscal year, the State faces the possible loss of up to $290 million in federal aid due to sequestration, with an additional potential loss of nearly $150 million to New York's local governments and other recipients of federal assistance within the State.[7] DOB estimates that if these automatic cuts occur as projected over the next nine years, the cost to the State and its local governments would be approximately $5.0 billion, beginning in March 2013. DOB has indicated that the most significant threat posed to the State by sequestration is programmatic – meaning that services may be reduced, but State budget balance will not be affected. The impact on local governments and school districts is less clear. For example, reduction in federal aid for special education will reduce the level of such aid to school districts, rather than require additional State aid.

---

[6] See the Office of the State Comptroller's Report on the State Fiscal Year 2013-14 Executive Budget, pages 23-26. www.osc.state.ny.us/reports/budget/2013/review_of_executive_budget.pdf.

[7] See the Office of the State Comptroller's report, *Impact of the 'Fiscal Cliff' on New York State*, December 2012.

- It is unclear how certain additional Medicaid revenue will be obtained. The Legislature largely accepted the Executive's proposed plan to close an anticipated $1.1 billion gap due to the loss of federal reimbursements. This plan includes $250 million in additional federal revenue associated with changes to the State's mental hygiene system, but negotiations with the federal government have not concluded. Also, the plan counts on $200 million in projected Medicaid under spending in SFY 2012-13, which would be used for Medicaid in SFY 2013-14. State Medicaid expenditures were $185 million below projections through January 2013.

- **There is still significant risk associated with economic conditions.**

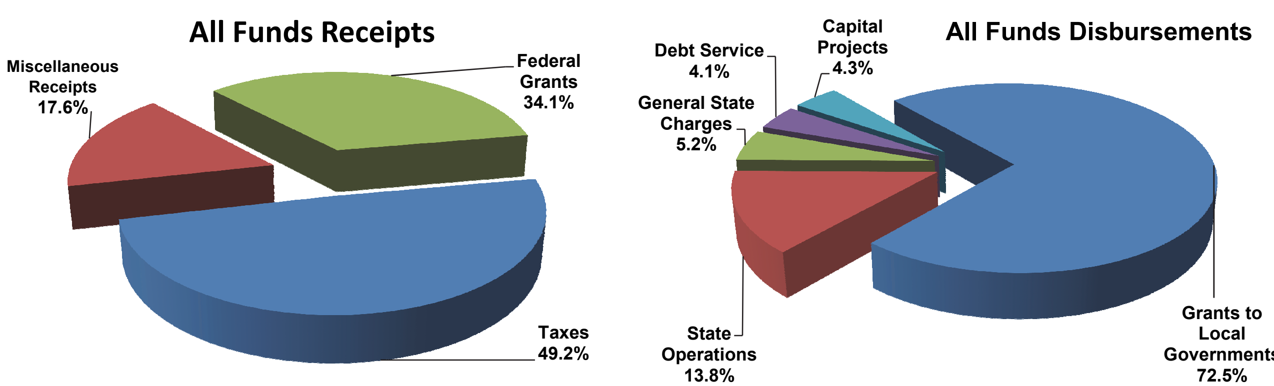
    - **While parts of the economy are clearly improving, others are less robust.** The risks associated with the economy revolve around the elements that have been slower to show recovery. For instance, unemployment remains high. Another economic slowdown could have the effect of further increasing human services costs, while at the same time reducing revenues. Projections included in the Enacted Budget, including tax receipts and Medicaid caseloads, could significantly change based on economic conditions.

Sources and Uses of Funds

In SFY 2003-04, taxes made up 42.3 percent of All Funds Receipts, and federal grants made up 37.5 percent. Ten years later, as shown in Figure 5, it is projected that in the SFY 2013-14 Enacted Budget, taxes will make up 49.2 percent of All Funds receipts and federal grants will decline to 34.1 percent of the total. However, federal receipts include non-recurring disaster assistance totaling over $5.0 billion. If that non-recurring funding is removed, the percentage of the Budget made up of federal receipts declines to 31.6 percent and the share derived from taxes increases to more than 50 percent.

Figure 5

SFY 2013-14 All Funds Receipts and Disbursements



Source: Office of the State Comptroller and New York State Senate

State spending mostly comprises payments to school districts, local governments, hospitals and other service providers in the form of Local Assistance Payments. In SFY 2003-04, such payments made up 73.4 percent of the total. In SFY 2013-14, local assistance grants are projected to account for approximately 72.6 percent of the All Funds budget, in line with the historical average.

Out-Year Gaps

The SFY 2013-14 Executive Budget provided actions to eliminate a $1.4 billion current services deficit in SFY 2013-14 while reducing cumulative out-year gaps originally projected at $14.8 billion to $9.8 billion. According to the Legislature, the cumulative out-year gaps are further reduced by the SFY 2013-14 Enacted Budget to between $8.0 billion and $8.1 billion. Contributing to this identified reduction is the extension of temporary PIT rate increases for high-income earners, along with other PIT changes, originally enacted as part of a broader package in December 2011. The action adds approximately $4.85 million in new, although temporary, resources between SFY 2014-15 and SFY 2016-17.

The additional PIT revenue is offset by the phase-out of the utility tax surcharge known as the 18-a surcharge, which reduces revenues from the Executive Budget by a total of $191 million between SFY 2015-16 and SFY 2016-17.[8] According to the Assembly, the projected gap for SFY 2014-15 increases by $126 million from the Executive Budget estimate, even though an additional $500 million is deposited to the General Fund from a sweep of SIF reserves. This is due, in part, to the fact that most of the new tax rebates and credits included in the SFY 2013-14 Enacted Budget begin to take effect in SFY 2014-15.

As shown in Figure 6, both the Senate and the Assembly project the out-year gap in SFY 2014-15 to exceed the estimate in the proposed Executive Budget. However, both Houses of the Legislature project a smaller gap by SFY 2015-16 and in the following year.

Figure 6

Out-Year Gap Estimates
(in millions of dollars)

	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2016-17
Executive Proposal	-	(2,093)	(3,563)	(4,161)
Assembly	-	(2,219)	(2,823)	(3,089)
Senate	-	(2,100)	(2,800)	(3,100)

Sources: Division of the Budget, New York State Senate, and New York State Assembly

[8] The 18-a surcharge was scheduled to expire on March 31, 2014. The Executive proposed extending the surcharge through March 31, 2019. The Enacted Budget extends the surcharge until March 31, 2018, and ramps down the amount starting in SFY 2015-16. See Subdivision 6 of Section 18-a of the Public Service Law and Part BB of the Revenue Article VII Bill, Chapter 59 of the Laws of 2013.

Debt and Capital

The SFY 2013-14 Enacted Budget adopts several of the major debt-related proposals in the Executive Budget, including several new provisions that expand and extend the State's reliance on public authority debt – or backdoor borrowing – to meet the State's spending needs. These include:

- authorization for $750 million in debt to be issued related to federal Transportation Infrastructure Financing and Innovation Act (TIFIA) loans;
- authorization of $385 million in new debt to be issued by public authorities for State and local facilities;
- the creation of a new sales tax revenue-backed debt structure and associated bonding authority; and
- the movement of SUNY dormitory debt and debt service off-budget and out from under the State's debt caps, thereby creating room under the debt caps.

However, several debt-related proposals proposed by the Executive are omitted from the Enacted Budget. These include a new $720 million Transformative Capital Program and a new $165 million Executive-controlled Economic Development Fund. In addition, a design-build-finance proposal which would have authorized public-private partnerships is not adopted by the Legislature.

The proposed design-build-finance Article VII legislation would have authorized all State agencies and public authorities (excluding SUNY and CUNY) to use private financing for public infrastructure projects, allowing the State to bypass traditional public financing procedures and limitations. The Enacted Budget omits this proposal. In December 2011, the Legislature enacted an Executive Budget Bill that created the Infrastructure Investment Act.[9] The Act authorized the Thruway Authority, the Department of Transportation (DOT), the Office of Parks, Recreation and Historic Preservation (Parks), the Department of Environmental Conservation (DEC), and the New York State Bridge Authority to use design-build procurement for the construction, replacement or repair of highways, bridges, dams, flood control projects, canals and parks, or to correct health and safety defects or comply with federal and State laws. This law remains.

The Enacted Budget also omits the proposed Transformative Capital Fund, related appropriations, and a SFY 2013-14 bond cap of $720 million for the Fund. The Executive proposal included $500 million in pay-as-you-go spending (PAYGO) from the Fund between SFY 2013-14 and SFY 2015-16, financed with a $500 million SIF transfer. The Enacted Budget redirects the proposed $500 million transfer from the Transformative Capital Fund to the General Fund for budget gap reduction in SFY 2014-15.

[9] See Part F, Chapter 56 of the Laws of 2011.

The Executive proposal included $450 million for a Storm Recovery Account within the Transformative Capital Fund. The final Budget creates the New York State Storm Recovery Capital Fund and moves the Executive's proposed $450 million Storm Recovery spending to that Fund.

The SFY 2013-14 Enacted Budget adds two new programs that were not part of the Executive proposal. It creates a new State and Municipal Facilities Capital Account, and provides an associated $385 million appropriation and debt authorization for the same amount. This new program will allow State public authorities to issue debt on behalf of the State for as-yet unidentified State and local capital purposes.

The Enacted Budget also includes authorization for the Urban Development Corporation (UDC) or DASNY to issue up to $750 million in new debt related to federal TIFIA loans. The State has applied for funds from this federal program for the construction of a new bridge to replace the current Tappan Zee Bridge in the Hudson River Valley. This is the only project under consideration for such a loan at this time, but DOB has indicated that this funding mechanism may be considered for other projects in the future.

The following summarizes the major changes to the Executive's debt and capital proposals included in the SFY 2013-14 Enacted Budget, including the changes identified above. (For additional detail, see the *Comptroller's Report on the State Fiscal Year 2013-14 Executive Budget*.)

Executive Proposals Accepted or Modified

The SFY 2013-14 Enacted Budget includes:

- funding for a new New York State Storm Recovery Capital Fund at the amount proposed by the Executive for the Storm Recovery Account, with an appropriation and bond cap of $450 million.

- the Executive's proposal to allow SUNY to assign its dormitory rental revenue to DASNY. This has the effect of pulling SUNY's dormitory capital plan off-budget and outside of the State debt caps. This authorization includes a bond cap of $944 million, which reflects SUNY's capital plan.

- the Executive's proposal to create a new Sales Tax Revenue Bond, to be supported with New York State's sales tax revenue.

- $150 million in funding for a new round of Regional Economic Development Council grants.

- modifications to bondable appropriations proposed by the Executive, which were reduced or eliminated as follows:

    - $165 million in reduced appropriations for New York Works economic development projects.

- $75 million in reduced appropriations for New York Works transportation projects. The Executive had proposed a total of $300 million for this purpose, including $200 million for New York Works and $100 million for regional economic development. The Enacted Budget instead includes $225 million for New York Works projects specifically identified by purpose, including aviation and transit, and increases the Consolidated Local Street and Highway Improvement Program (CHIPS) funding by $75 million.

- $32.4 million in bondable appropriations were eliminated for the State Police Pistol Database to be housed within the Division of the State Police. Instead, the Enacted Budget authorizes $27.7 million in new debt for the Office of Information Technology Services, identified as intended to fund the Database. However, the new appropriation does not specifically identify this additional funding as being for the Database.

Proposals Added to the Enacted Budget

The Enacted Budget includes:

- new language to create the State and Municipal Facilities Program, with an appropriation and bond cap of $385 million. Minimal detail is currently available as to the projects this appropriation is intended to finance.

- authorization for $750 million in new debt to be issued by DASNY or the UDC. DOB has indicated that this language would provide the State with a financing mechanism that could be used for TIFIA loans.

Executive Proposals Omitted

The Enacted Budget omits:

- the design-build-finance authorization proposed by the Executive.

- an appropriation for Transformative Projects or the creation of the Transformative Capital Fund. While the Executive's proposal included an appropriation and corresponding bond cap of $720 million, over the five years of the Capital Plan, DOB planned to issue over $2.2 billion in new debt for the program.

The SFY 2013-14 Five-Year Capital Program and Financing Plan, which incorporates changes contained in the Enacted Budget, has not yet been released by the Executive. The updated Plan will provide detail as to the timing of new debt issuances (which affects how much debt capacity the State has under its bond caps) as well as debt outstanding, debt service and capital spending projections.

Revised projections in the new Capital Plan will likely be similar to those included in the Executive Budget. The SFY 2013-14 Executive Budget and proposed Five-Year Capital Program and Financing Plan would have increased State-Supported debt approximately

$6.3 billion, including approximately $3.0 billion in debt issued for existing authorizations, and $3.3 billion in new bonding authorization. State-Funded debt was projected to increase by $7.3 billion, including obligations paid with State resources but issued outside of the bond caps enacted under the Debt Reform Act of 2000. The Debt Reform Act of 2000, enacted because of concern over rising levels of borrowing, imposed limits on both the total level of State-Supported debt outstanding and the annual level of payments on such debt. In the Executive Budget Financial Plan, DOB estimated that the available capacity under the cap on outstanding debt would decline to $120 million at the end of SFY 2014-15, and to just $82 million the following year, which reflects just 0.18 percent of the average annual State-Supported debt issuances over the past five years.

The projected increase in State-Supported debt does not include approximately $944 million of debt expected to be issued by DASNY on behalf of SUNY for dormitory facilities over the life of the plan. Formerly counted as State-Supported debt, as previously noted, the Executive proposed and the Legislature enacted an accounting maneuver in which SUNY assigns the revenue it receives from dormitory rentals to DASNY and DASNY pledges this revenue to debt service on the new credit. The new credit will drop the general revenue pledge that was included with previous bonds. These accounting actions will not only remove the debt and debt service from bonds issued for SUNY dorms from the bond cap (thus creating room for additional new debt); but will also remove the dormitory rental revenue from the State treasury and the capital spending from the State Capital Plan.

Economic Outlook

National Economy

The outlook for the national economy has brightened as the recovery in the housing sector has strengthened. Nevertheless, uncertainties over automatic federal budget cuts and other fiscal policies, coupled with overseas weaknesses, pose significant risks. National economic growth came to a virtual halt in the fourth quarter of 2012, in large part due to a sharp fall in defense spending, highlighting the vulnerability of the economy to reductions in government spending. For the full 2012 calendar year, growth in Gross Domestic Product (GDP) strengthened to 2.2 percent (from 1.8 percent in 2011) despite the pause in the fourth quarter, with residential investment growing for the first time in seven years (by 12.1 percent). According to the March 2013 forecast from IHS Global Insight, GDP growth is expected to slow to 1.8 percent in 2013 because the expiration of the temporary payroll tax cut will reduce consumers' disposable income and therefore their spending, but growth is then expected to strengthen to 2.9 percent in 2014 and 3.2 percent in 2015.[10]

Consumer expenditures have shown great resilience despite softness in the labor markets. Consumers continue to replace their old automobiles and other commodities, as the number of new auto sales grew at the fastest rate in 28 years in 2012 (by 13.4 percent). According to IHS Global Insight, total consumption spending is expected to rise by 2 percent in 2013 (virtually the same as the 1.9 percent increase in 2012) as the expiration of the temporary payroll tax cut will reduce household income. Growth in consumption is then expected to strengthen to 2.5 percent in both 2014 and 2015.

Business investment and exports have softened (reflecting weakened overseas demands), with exports falling in the fourth quarter of 2012 for the first time since the end of the Great Recession. According to IHS Global Insight, growth in business investment is projected to slow to 3.7 percent in 2013 from 7.7 percent in 2012, but then rebound to 7.3 percent in 2014 and 7.5 percent in 2015.

The recovery in the housing market has begun. In 2012, housing starts and new home sales grew at the fastest pace since 1983 (although both measures remained far below prerecession levels). Likewise, existing home sales have reached the highest level since the beginning of the recent recession, while the median home price has begun to rise after several years of decline. IHS Global Insight expects that existing home sales will rise by 7.3 percent in 2013 and 11.7 percent in 2014, while median home prices will grow by 6.6 percent in 2013 but then decline by 1.8 percent in 2014 as the pool of remaining foreclosures constrains prices. The housing recovery will have a multiplier impact on the rest of the economy, as each home built is estimated to

[10] IHS Global Insight is an econometric forecasting service that is used by many private and public sector entities as the basis for their own forecasts.

create five jobs in home-related industries such as construction, home furnishing, real estate and home financing.

In 2012, employment in the private sector grew by 2.2 percent, the fastest annual rate in 13 years. Since the end of the Great Recession, national private sector employment has increased by 6.4 million jobs or 5.9 percent, recovering 72 percent of the jobs lost during the recession, while the public sector has shed 627,000 jobs (a decline of 2.8 percent). IHS Global Insight projects that employment in the private sector will rise by 1.8 percent in 2013, 2 percent in 2014 and 2.2 percent in 2015. The unemployment rate is expected to fall from the current level of near 8 percent to 6.5 percent by the end of 2015, at which point the Federal Reserve is expected to begin raising interest rates.

As the President and Congress failed to reach agreement on fiscal policies to address the federal budget deficit, automatic spending cuts began on March 1, 2013. The baseline forecast by IHS Global Insight assumes that an agreement is reached to reduce the federal deficit by the end of the second quarter of 2013 (replacing the automatic spending cuts) which will reduce GDP growth this year by 0.3 percentage points. A continued stalemate over budget cuts and the debt limit, however, could weaken financial markets and consumer confidence, further depressing the rate of economic growth. The global economy remains weak, as economies in Europe and Asia are in recession. Although the European sovereign debt crisis has eased, the recent unrest in Cyprus indicates that other risks remain. Geopolitical tensions in the Middle East, especially in Syria and Iran, also present the risk of a surge in energy prices.

New York State Economy

The economic recovery in New York State has been more robust than the national recovery. New York's inflation-adjusted Gross State Product (GSP) grew at an annual average of 2.7 percent between 2009 and 2011, exceeding the 2.1 percent average annual gain for the nation. New York's rate of GSP growth ranked 13th fastest among the 50 states during this period. Nevertheless, IHS Global Insight estimates that growth in New York State's economy slowed to 1.7 percent in 2012 but will then strengthen to 2 percent in 2013, again exceeding the national rate of growth.

Recently revised data show that between November 2009 and January 2013, private employment in New York State increased by 426,000 jobs, with the State gaining more jobs than it lost during the recession. In 2012, private employment in New York State rose by 1.8 percent to reach a record 7.3 million, surpassing the previous record set in 2008. This pace of job growth, however, was somewhat slower than the national rate and ranked 22nd among the 50 states. Across the State's major employment sectors, business services and leisure and hospitality together accounted for half of the job gains, with education and health care accounting for another 22 percent. By contrast, government and manufacturing were the only two sectors with job declines. Employment in financial activities showed virtually no change, as job losses on Wall Street were offset by gains in other parts of the financial sector. IHS Global Insight forecasts that the rate of job growth in the State's private sector will slow to 1.4 percent in 2013 and 1.5 percent in 2014, which is less than the projected national growth.

In 2012, employment grew in 12 of the State’s 14 metropolitan statistical areas. Private sector employment grew the fastest in New York City (2.6 percent), followed by Long Island and Albany (at 2.2 percent and 2.1 percent, respectively). The downstate metropolitan areas (New York City, Long Island and Lower Hudson Valley) accounted for 84 percent of the job gains in the State.

Wall Street continues to restructure as it works through the fallout from the financial crisis and adapts to a new regulatory environment. Wall Street remains a major driver of New York State’s economy, and still contributes a significant portion of the State’s tax revenues. The Office of the State Comptroller estimates that revenue derived from the securities industry accounted for almost 14 percent of all State tax revenue in SFY 2011-12, down from more than 20 percent in SFY 2007-08. Profits at the broker/dealer operations of New York Stock Exchange member firms (the industry’s traditional measure of profitability) rebounded in 2012, with the firms reporting profits of $23.9 billion, three times larger than last year. The Office of the State Comptroller estimates that Wall Street cash bonuses for the 2012 bonus season rose by 8 percent, driven in part by bonuses deferred from prior years.

The housing recovery in New York is underway (with the pace faster in upstate areas), though the recovery is not as strong as in southern and western states where housing is a bigger part of the economy and the downturn was more severe. The slower recovery in New York also reflects the prolonged impact of foreclosures on the housing market due to the State's judicial requirements which protect homeowners in the process. According to the Federal Housing Finance Agency, home prices in New York reached the lowest levels since 2004 in the second quarter of 2012, then rebounded by 0.7 percent through the fourth quarter of 2012, compared to a 1.9 percent increase nationwide. IHS Global Insight projects that median home prices in New York State will grow by 1.0 percent in 2013 and 1.1 percent in 2014, while home sales are projected to grow by 12.6 percent and by 7.0 percent, respectively.

Revenue

Preliminary estimates for the impact of the SFY 2013-14 Enacted Budget on revenues include increased All Funds tax receipts of up to $143 million over the Executive's proposal, and $3.3 billion over preliminary results for SFY 2012-13. All Funds tax receipts in SFY 2013-14 are projected by the Legislature to total approximately $69 billion, an increase of almost 5.0 percent over the prior year.

The Enacted Budget modifies several Executive Budget proposals and includes a variety of revenue extenders, loophole-closing actions, tax enforcement actions and other revenue actions, partially offset by expanded tax credits and exemptions. The projected revenue impacts presented below are preliminary, based on reported information from the Executive, the Senate, and the Assembly. The SFY 2013-14 Enacted Budget Financial Plan, expected to be released in late April, should contain DOB's official estimates for the year for each of these actions.

Executive Proposals Accepted or Modified

The SFY 2013-14 Enacted Budget includes several tax-related proposals advanced by the Executive that were accepted as proposed or adopted with some modifications. The majority of these have multi-year fiscal impacts. Among other actions, the Enacted Budget:

- Extends the MTA regional business tax surcharge for five years,
- Extends the limitation on charitable contributions by high-income taxpayers with adjusted gross incomes above $10 million for three years,
- Closes the royalty income loophole,
- Increases the civil penalty for possessing unstamped cigarettes from $150 to $600 per carton,
- Extends for one year the current distribution percentages for net machine income earned at the Monticello Video Lottery Terminal (VLT) facility,
- Extends the enhancements to the rehabilitation credit for historic homes by five years,
- Extends and expands the New York film production tax credit and adds a relocation television production credit,
- Establishes the New York Innovation Hot Spots program,
- Extends the historic commercial properties rehabilitation credit,
- Establishes the Charge New York electric vehicle recharging equipment credit, Extends tax modernization provisions for three years,
- Suspends drivers licenses of delinquent taxpayers when past-due taxes of more than $10,000 are owed,
- Allows the Department of Taxation and Finance to garnish wages of delinquent taxpayers without filing warrants with the Department of State or County Clerks until April 1, 2015,

- Extends and phases-out the temporary utility assessment on electric, gas, water and steam utilities,
- Extends for three years the $2.50 new tire fee for waste management,
- Extends State surcharges to new offenses and establishes minimum fines for traffic violations involving texting and cell phone use, and
- Authorizes STAR re-registration and establishes a statewide antifraud protection program.

Proposals Added to the Enacted Budget

The SFY 2013-14 Enacted Budget includes several new tax-related proposals added by the Legislature. Among other actions, the Enacted Budget:

- Phases in, over three years, an exemption for small businesses and farms of 5.0 percent of net income,
- Phases in, over five years, a tax rate reduction for manufacturers amounting to 25 percent when fully phased-in,
- Provides a tax credit to any business that hires, for at least one year, a veteran honorably discharged from active service after September 11, 2001,
- Provides a middle-income tax credit of $350 beginning in October 2014 for three years to families with one or more children under the age of 17 and with incomes between $40,000 and $300,000,
- Expands and extends the New York Youth Works tax credit program,
- Establishes a minimum wage reimbursement credit for businesses that hire students between the ages of 16 and 19,
- Extends for three years the high-income tax rates and indexing of the standard deduction that were enacted in 2011, and
- Creates the New York State Innovation Capital Fund to provide seed and early stage funding to help develop new business formation.

Executive Proposals Omitted

The SFY 2013-14 Enacted Budget omits several tax-related proposals proposed by the Executive. The Enacted Budget deletes the provisions in the Executive Budget which would have:

- Established tax-free sales at Taste-NY facilities,
- Updated criteria for refusal and revocation of a sales tax certificate of authenticity,
- Expanded the cigarette and tobacco retailer registration process by allowing the Department of Taxation and Finance to refuse to issue certificates of registration to retailers with unpaid tax delinquencies,
- Allowed local governments to extend existing sales tax rates without the approval of the State Legislature, and

- Allowed businesses that sell lottery tickets, occupy less than 2,500 square feet of space, and have no license for on-premise alcohol consumption to offer Quick Draw.

Figure 7

Preliminary Estimate of SFY 2013-14 Enacted Budget Revenue-Related Changes
(in millions of dollars)

	2013-14	2014-15	2015-16	2016-17	Total
MTA Business Tax Surcharge	-	-	-	-	-
Film Tax Credit	-	-	-	(181)	(181)
Hot Spot	-	-	-	-	-
High Income Charitable Contribution	70	140	-	-	210
Royalty Income	-	28	28	28	84
Historic Commercial Rehab Cred	-	-	-	(40)	(40)
Alt Fuel Recharging Cred	-	(1)	(1)	-	(2)
Extend Tax Modernization	6	22	22	22	72
IDA Sales Tax Reform	7	13	13	13	46
Uncompressed Natural Gas	-	-	-	-	-
Emergency Volunteer Ambulance	-	-	-	-	-
Increase Unstamp Cig Fine	9	12	12	12	45
Driver's Lic Susp	26	6	6	6	44
Wage Garnishment	10	10	10	10	40
Monticello VLT provisions	(3)	-	-	-	(3)
Pari-Mutuel extender	-	-	-	-	-
Hist Homeowner Rehab Credit	-	-	-	(2)	(2)
Diesel Fuel Tax	-	-	-	-	-
Highway Use Farm Exemption	-	-	-	-	-
Small Bus Tax Exempt	-	(35)	(60)	(60)	(155)
Manufacturers Tax Reduction	-	(30)	(50)	(50)	(130)
Veteran's Credit	-	-	-	(37)	(37)
18-a Surcharge Ext (from current law)	255	509	445	382	1,591
Family Tax Credit	-	(410)	(410)	(410)	(1,230)
Youth Credit	-	-	(6)	(6)	(12)
Minimum Wage Reimburse	-	-	(24)	(45)	(69)
PIT Extension	-	450	1,800	2,600	4,850
Teen Education PIT Checkoff	-	-	-	-	-
Linked Deposit Expansion	-	-	-	-	-
Small Business Revolving Loan Fund	-	-	-	-	-
Innovation Capital Fund	-	-	-	-	-
Extend Waste Tire Fee	9	24	24	9	66
Vehicle and Traffic Violation Changes	16	25	25	25	91
Racing Industry Reforms	2	2	2	2	8
STAR Re-registration	-	-	-	-	-
Total	**407**	**765**	**1,836**	**2,278**	**5,286**

Source: Division of the Budget, New York State Senate, New York State Assembly, Office of the State Comptroller

Program Area Highlights

Education

On a school year (SY) basis, the SFY 2013-14 Enacted Budget provides $21.2 billion for General Support for Public Schools (GSPS) for the 2013-14 school year, an increase of $992 million, or 4.9 percent, over SY 2012-13. The impact of this increase on a State Fiscal Year basis has not yet been made publicly available by DOB, but will be included in the updated Financial Plan, expected to be released within the next few weeks.

The Enacted Budget drives more in aid to schools in SY 2013-14 than did the Executive Budget, which proposed total "school aid" spending of $20.8 billion, an increase of almost $611 million, or 3.0 percent, over the prior year. This was the amount allowed under the Personal Income-growth based school aid growth cap. However, the Executive had also proposed an additional $203 million that was described as one-time "fiscal stabilization funding," to be distributed pursuant to an agreement between the Governor and Legislature. This kept the proposed school aid allocation nominally within the school aid growth cap, and did not increase the out-year projections for school aid spending in the Executive Budget Financial Plan. The Enacted Budget also remains within the 3.0 percent cap, but does so by describing $382 million of the $992 million increase in GSPS aid as being a "one-time fiscal stabilization amount". However, since each year's allowable growth in aid is based on the prior year's total GSPS funding, this "one-time" aid will likely become a recurring part of the base for cap purposes.

The Enacted Budget GSPS funding increases are also distributed differently than the school aid proposed in the Executive Budget, including:

- $171.4 million increase in Foundation Aid, utilizing a method that drives this aid mostly to New York City and the Big Four dependent districts of Buffalo, Rochester, Syracuse and Yonkers. The Executive Budget had proposed keeping this flat in SY 2013-14.

- $517.5 million in Gap Elimination Adjustment (GEA) reduction, instead of the $321.6 million proposed by the Executive. The "formula" for driving the reductions is also substantially different. Instead of a two-part formula driving aid to lower-wealth districts, it has a ten-part formula, with tiers from A through J.

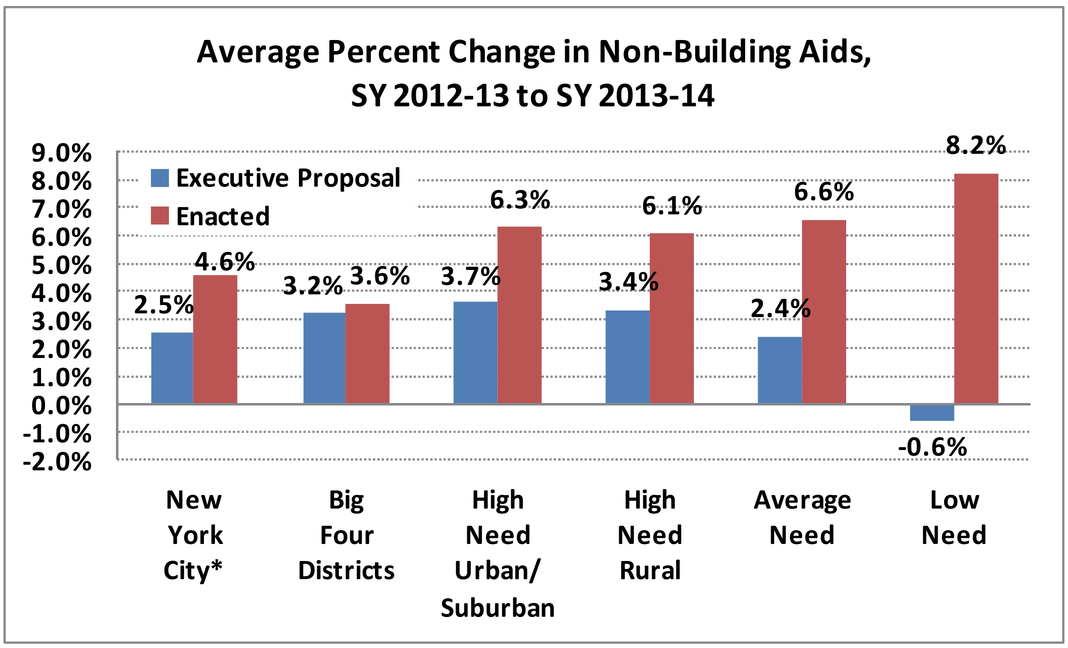
- $18.5 million in additional High Tax Aid, instead of the Executive's proposed reduction of $50 million. The Executive Budget had proposed re-writing the formula in a way that would have substantially reduced this aid to many wealthy districts and increased it for some lower-wealth districts. The Enacted Budget calls for aid to be held at the greater of either last year's amount or the amount proposed in the Executive Budget.

- Expense-based aids grow by $229 million. This is a substantially smaller increase than projected in the Executive Budget, due to newer data about both SY 2012-13 and SY 2013-14. This number typically changes between the Executive Budget, which is based on November data, and the Enacted Budget, which is based on February data.

- $50 million in additional performance grants, as proposed in the Executive Budget.

Excluding building aids, changes in proposed distributions of formula-driven aid to particular districts in the Enacted Budget range from a 4.8 percent decrease to a 35.6 percent increase, with an overall Statewide increase of 5.1 percent, compared to the Executive's Budget which ranged from a 34.7 percent decrease to a 24.5 percent increase, with an overall statewide increase of 2.8 percent. While the changes increased aid to all types of districts over the Executive's proposal, the Enacted Budget gave a greater increase to New York City and to average- and low-need districts, the latter two of which had received much smaller increases or even reductions in the Executive aid runs.

Figure 8



* Does not include the impact of the penalty for APPR non-compliance.

Source: State Education Department

The Enacted Budget also includes $75 million that was allocated in the Executive Budget for New NY Education Reform Commission grants, with some modifications. These grants – considered outside the GSPS total – include $25 million for pre-kindergarten education, $20 million for extending the school day, $15 million for community schools, $11 million for stipends for high-performing teachers, and $4 million for continuation and expansion of the early college high school program.

The Enacted Budget makes several changes to both existing and proposed new annual professional performance review (APPR) requirements. Although the Budget contains language that withholds aid increases to districts that do not have APPRs in place by September 1, 2013, as recommended by the Executive, it also prevents this from happening in future years. In the case of New York City and the handful of other districts that lost aid increases in SY 2012-13 (about $257 million in NYC's case), if no APPR is in place by May 29, 2013, the Commissioner of Education is instructed to impose one on the district through an arbitration proceeding by June 1, 2013. School districts with an APPR already in place that do not implement a new agreement by September 1st of each year are required to extend the existing agreement until a new agreement is reached. Many districts had made one-year APPR agreements between management and union employees that are now permanent until renegotiated.

The Enacted Budget also addresses the issue of fraud in preschool special education programs that were the subject of recent audits by the Office of the State Comptroller that identified $13 million in disallowed costs and several instances of fraud. The Enacted Budget contains appropriations, at levels initially proposed in the Executive Budget, to increase private and local oversight, including: $2 million for program/fiscal audits of individual preschool special education providers by external audit firms; $2 million to develop a system to collect and analyze data related to their preschool special education programs; and $1 million in competitive grants for municipalities to enhance oversight of these programs. The Enacted Budget also requires the Education Department to provide guidelines on fiscal audits of preschool special education providers. It also allowed municipalities to retain 100 percent of preschool provider audit recoveries (an increase from the 75 percent proposed in the Executive Budget).

The Enacted Budget contains a number of additional grants to specific districts or to be distributed by the Legislature to districts later, including: $6.9 million in Supplemental Valuation Impact Grants in SY 2013-2014 to school districts who faced an extraordinary decrease in their taxable property valuation; $11.4 million in aid appropriated to specific school districts; and $15.1 million in aid to be distributed by the Senate to school districts, public libraries and not-for-profit institutions.

School Tax Relief (STAR) Program

The Enacted Budget includes modifications to the School Tax Relief (STAR) Program. A recent Office of the State Comptroller audit of the STAR program found duplicate and improper exemptions going to individuals or entities.[11] The Enacted Budget aims to curtail these abuses by requiring all homeowners who receive a "basic STAR exemption" to re-register their property by April 1, 2014.

A locality's assessor will be able to look at, and if necessary revoke, a homeowner's STAR exemption dating back to April 1, 2010 (a modification of the Executive Budget's longer look-back period). The Enacted Budget adopts the Executive's proposal on

[11] For more information, see the Office of the State Comptroller's Audit of the School Tax Relief (STAR) Program, 2012-MS-6, available at www.osc.state.ny.us/localgov/audits/swr/2013/star/global.pdf.

imposing a local $500 “processing fee” for improperly granted STAR exemptions occurring on assessment rolls as of April 1, 2013.

Higher Education

The SFY 2013-14 Enacted Budget provides an All Funds appropriation of $9.6 billion for the State University of New York (SUNY), a net increase of $54.1 million over the Executive Budget, and an All Funds appropriation of $3.8 billion for the City University of New York (CUNY), a net increase of $13.1 million over the Executive Budget. The Enacted Budget increases base aid for Community Colleges for SUNY by $21.5 million and CUNY by $9.3 million, to increase support by $150 per full-time equivalent student.

The Enacted Budget includes the Executive’s proposed capital funding of $55 million each for a new round of SUNY 2020 grants and a new CUNY 2020 grant program. These funds are proposed to be used for competitive grants to colleges and universities within both systems based on economic impact, advancement of economic goals, innovation and collaboration.

The Enacted Budget accepts the Executive’s proposed Article VII legislation to allow DASNY to continue to finance the SUNY Residence Hall Program; however, debt service costs would no longer be paid through a State appropriation. Under the current program, debt service is paid from moneys received from the rental of dormitories with a general obligation pledge from SUNY as a back-stop. Under the new legislation, DASNY would issue bonds under a new credit backed solely by dormitory fees with no State appropriations required, thus making debt service spending for SUNY dormitories off-budget and excluding new debt from the statutory debt limit. Capital spending for SUNY dormitories would continue to be off-budget.

The Enacted Budget increases funding for SUNY hospitals by $27.8 million over the Executive’s proposed $60 million in support. The Enacted Budget requires the SUNY Chancellor to develop a sustainability plan for SUNY Downstate Medical Center and allows the hospital to bypass the State’s procurement requirements for certain contracts.[12]

Health

The Enacted Budget provides $87.9 million in additional net State and federal funding for various State Department of Health (DOH) programs, including Medicaid, increasing All Funds spending by less than 1.0 percent to $46.4 billion in SFY 2013-14. The Enacted Budget provides $56.2 million in additional State funds to restore support for a number of Medicaid services and initiatives targeted for reduction in the Executive Budget proposal. The Enacted Budget offsets these additions to the Executive Budget with projections of lower Medicaid spending in SFY 2013-14, additional federal health care reform revenue

[12] On April 1, 2013, a Kings County Supreme Court justice issued a temporary restraining order (TRO) stopping the State Department of Health and the SUNY Board of Trustees from closing Long Island College Hospital (LICH), whose operating losses have contributed to cash shortfalls at SUNY Downstate, which owns LICH. The Court will hold a hearing on the proposed closure on May 2, 2013. The TRO and court hearing may complicate compliance with the Enacted Budget action requiring a sustainability plan for SUNY Downstate.

and reduced funding for supportive housing services. The Enacted Budget also provides $65.9 million in additional State funds and $22 million in additional federal funds for various new or existing public health programs in SFY 2013-14.

Of the State Medicaid restorations, the Enacted Budget provides $34.3 million to omit the proposed elimination of spousal refusal. The Enacted Budget also provides $16.5 million to maintain prescriber authority to order prescription drugs for Medicaid recipients, $2.1 million to allow local pharmacies in a managed care network to fill prescriptions otherwise filled by mail-order pharmacies, $1.8 million to maintain reimbursement levels for pharmacies participating in the Medicaid fee-for-service system, and $1.5 million for various other restorations. This additional spending is offset by an increase of $31.2 million in projected Medicaid savings, $20 million in additional federal revenue accruing to the State because of the Affordable Care Act and a $5.0 million reduction in spending for supportive housing services for Medicaid recipients.

The Enacted Budget extends the Medicaid global spending cap for one additional year through March 2015 but, because of the offsets to the Medicaid restorations included in the final budget, does not change the global spending levels recommended for the Medicaid program in the Executive Budget. The Enacted Budget caps DOH Medicaid spending at $16.4 billion in SFY 2013-14 and $17 billion in SFY 2014-15. Language added to the Budget allows DOB to increase the caps in case of disaster or governmental declaration of emergency.

The Enacted Budget also reflects adoption of the Executive's plan to address the loss of $1.1 billion in federal revenue resulting from federal action to lower Medicaid payment rates for the State's developmental centers and other State-operated facilities. Part of this plan transfers $730 million in Medicaid spending for developmental disability services into the global spending cap in SFY 2013-14 and provides for restoration of funding for the 2.0 percent across-the-board reduction in most Medicaid payments, which started in April 2011. The Executive Budget proposed to restore the 2.0 percent reduction starting in March 2014; the Enacted Budget delays the start of the restoration one month to April 2014.

Of the additional funding for new or existing public health programs, the Enacted Budget restores $18 million of a proposed $40 million reduction in funding for 89 public health programs and does not adopt the Executive Budget proposal to consolidate them into six funding streams. The Enacted Budget also provides $16.2 million in State funds and $22 million in federal funding to retain rate-setting functions for the Child Health Plus program within the State Department of Financial Services, as well as $12.7 million to restore funding to purchase medical malpractice policies for physicians to prior year levels. The Executive Budget proposed to limit the number of policies purchased using State funds to physicians in high-risk specialties and reduce program funding accordingly.

The Enacted Budget saves a net $790,000 by not implementing Executive Budget proposals to reform the Early Intervention program for infants and toddlers with disabilities. In addition to these actions, the Enacted Budget provides a total of $19.8 million for various other health initiatives, including $6.0 million for health insurance coverage for home and personal care workers, $5.0 million to provide health insurance for residents of the State who retired from the New York City Off-Track Betting Corporation, $2.0 million for spinal cord injury research and $1.0 million for infertility services, treatments and procedures.

Under the Enacted Budget, the SUNY Chancellor has until June 1, 2013 to submit a plan to restructure and stabilize the finances of SUNY Downstate Medical Center in Brooklyn, which has requested additional State assistance. The Enacted Budget also authorizes SUNY Downstate and other public hospitals to draw down new federal funds to reform their health care delivery systems.

In addition, the Enacted Budget includes a series of proposals to bypass the competitive bidding process and procurement review by the Office of the State Comptroller on several major health-related contracts, including hiring managed care plans to provide services to the developmentally disabled and to Medicaid recipients who are also eligible for the Medicare program.

Human Services

The Enacted Budget provides $32.9 million in additional net State and federal funding for the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA) in SFY 2013-14, increasing All Funds appropriations for both agencies by less than 1.0 percent over the Executive Budget proposal to $9.5 billion in SFY 2013-14.

The Enacted Budget also provides $8.6 million in additional State funding for the Department of Labor (DOL) to support various employment and training programs, as well as $1.3 million in additional State funding for various community services programs operated by the State Office for the Aging (SOFA). These additional amounts increase All Funds appropriations for DOL and SOFA by less than 1.0 percent over the Executive Budget proposal, to nearly $6.4 billion and $243.0 million, respectively.

For OTDA, the Enacted Budget reduces federal Temporary Assistance for Needy Families (TANF) funds for transfer to OCFS for child care subsidies by $21 million, but adds $21.0 million in TANF funds for various employment and economic support programs that have received funding in the past, including $7.3 million for access to child care subsidies for working families in New York City, the Capital Region, and Monroe and Oneida counties, $4.1 million for technology-assisted learning programs and $2 million for the nurse-family partnership, which improves pregnancy outcomes for low-income, first-time mothers and their children. The Enacted Budget also restores $2.1 million in General Fund support for homeless intervention, supportive housing, adult basic literacy and education, and disability advocacy programs.

The Enacted Budget includes $30.8 million in additional State funding for OCFS compared to the Executive Budget. This includes $21 million to replace the reduction in transfers in federal TANF subsidies from OTDA to OCFS, $1.0 million in additional child care subsidies, and net funding of $825,000 to continue operation of the agency's facilities for juvenile delinquents sent for residential placement by the family courts. The Executive Budget proposed to expand an initiative enacted in SFY 2012-13 that placed youth from New York City who required a non-secure level of care in facilities closer to home. The proposal to expand this initiative to include youth from counties outside of the City also authorized OCFS to close all of its non-secure facilities with limited public notice. The Enacted Budget omits the proposal to expand the initiative and maintains State support for the OCFS juvenile justice facilities. Much of the rest of the additional OCFS funding provided in the Enacted Budget supports various community service programs that have received funding in the past.

In addition to restoring or providing new funding for various DOL employment and training programs, the Enacted Budget adopts with modifications the Executive's proposal to reform the State's unemployment insurance (UI) benefit system. The reforms will gradually increase the taxable wage base for employers paying into the system, as well as the maximum weekly benefit for claimants. Changes to the Executive proposal included in the Enacted Budget protect eligible low-wage or seasonal workers from losing access to UI benefits and mitigate work search requirements that claimants must meet to qualify for benefits.

Mental Hygiene

The Enacted Budget provides $54 million in additional net State funding for Mental Hygiene programs, increasing appropriations by less than 1.0 percent over the Executive Budget proposal to $9.1 billion in SFY 2013-14.

Of the additional State funding, $30 million reflects a partial restoration of a proposed $120 million reduction for providers of developmental disability services included in the Executive Budget proposal. The Enacted Budget directs the Commissioner of the Office for People with Developmental Disabilities to develop a plan, subject to DOB approval, to mitigate the impact of the funding reduction on individuals receiving services. Except for the $30 million restoration, the Enacted Budget does not change the Executive's plan to address the loss of $1.1 billion in federal Medicaid revenue resulting from federal action to lower Medicaid payment rates for State developmental centers and other State-operated facilities starting on April 1, 2013.

The Executive's plan proposed $500 million in State savings and $600 million in federal revenue actions to replace the $1.1 billion in SFY 2013-14. The State savings included $200 million in lower-than-projected Medicaid payments in SFY 2012-13. State Medicaid expenditures associated with this savings action were $185 million below the latest projections through January 2013. The federal revenue actions in the Executive's plan included $250 million associated with reforms to the State's developmental disability services system. However, negotiations between the State and the federal government on these reforms have not been concluded.

Much of the rest of the additional Mental Hygiene funding included in the Enacted Budget reflects full restoration of support for the 15 adult psychiatric centers operated by the Office of Mental Health (OMH). The Executive Budget proposed to permanently authorize OMH to close or consolidate these facilities with limited public notice. The Enacted Budget omits this proposal, reinstitutes 12-month notification of proposed closures or consolidations, and provides $25 million in funding for staffing and supplies to maintain their operation in SFY 2013-14.

The Enacted Budget also reduces funding for community mental health residential services by $5.0 million, which is the portion of facility savings the Executive Budget proposed to reinvest in SFY 2013-14.

Economic Development

The Enacted Budget omits the Executive proposal to expand the "design-build" authorization in the Infrastructure Investment Act of December 2011 to all State public authorities, State agencies and any State department, division, board, commission, bureau, office, committee, or council (excluding SUNY and CUNY).[13] The authorization for DASNY to enter into design and construction management agreements with the Department of Environmental Conservation and the Office of Parks, Recreation, and Historic Preservation is extended for one year.

As has occurred in several previous years, the Executive Budget proposal to grant permanent general loan powers to the New York State Urban Development Corporation (UDC) is modified to extend the sunset of this provision by one year. The Enacted Budget does not adopt the proposal to provide permanent general grant-making powers to UDC. Currently, UDC has the ability to make grants only when they are tied to specific, statutory programs.

The Enacted Budget modifies the Executive proposal to establish the New York Innovation Hot Spots Program. UDC will administer the program and will designate qualified applicants as New York State Incubators, making them and their client entities eligible to receive grants and other assistance, such as marketing assistance and entrepreneurship training. Some Incubators will be further designated as Innovation Hot Spots, making them and their client entities eligible for tax benefits under the program. Incubators and Innovation Hot Spots will provide various support services to fledgling businesses, such as management guidance, technical assistance, consulting, mentoring and business plan development. In addition, these businesses will be eligible for State tax benefits, as well as sales and use tax credits or refunds for their purchases, for a period of five years. Provisions added in the Enacted Budget require annual submissions to UDC from the Incubators or Innovation Hot Spots regarding strategic plans and lists of businesses served, as well as other information UDC may require. In addition, UDC will have the authority to audit the Incubators, Innovation Hot Spots and client entities.

Five Innovation Hot Spots may be designated by UDC in SFY 2013-14 and another five may be chosen in SFY 2014-15. Designees are required to have an affiliation with at least one college, university or independent research institution and must demonstrate that their programs are consistent with regional economic development strategies.

[13] See Chapter 56 of the Laws of 2011.

The proposal includes a $1.25 million appropriation for the Department of Economic Development (DED) in SFY 2013-14 to fund loans, grants and expenses related to the operation of the Innovation Hot Spots and Incubators.

A new marketing and tourism program, Market NY, includes a $7.0 million appropriation for competitive funding of tourism marketing plans though DED. While proposed language establishing Taste-NY facilities was omitted and a $2.0 million appropriation for DED to fund program implementation costs was excluded, the Market NY appropriation was increased by $2.0 million and provides for the promotion of goods and products produced in New York.

The Enacted Budget modifies the provisions proposed by the Executive related to Industrial Development Authority (IDA) operations by restricting the awarding of financial incentives to retail projects, and requiring recovery of benefits, as well as requiring additional reporting. In addition, IDAs will be required to remit recovered State sales and use tax funds to the Commissioner of Taxation and Finance within 30 days of receipt. The Commissioner of Taxation and Finance is also authorized to audit IDAs, their agents and project operators.

The New York State Innovation Venture Capital Fund is established in the Enacted Budget. The fund will be administered by UDC and will provide initial financial support for new business formation and development. Since this program will be administered off-budget, appropriation language is not included in the Enacted Budget. However, according to the Executive, the $50 million program will be funded by $40 million from the Power Authority of the State of New York (NYPA) and $10 million from underutilized UDC programs. Some anticipated shifting of funds would require federal approval.

The Innovation NY Network, as proposed by the Executive, will not require taxpayer support, and therefore has no statutory or appropriation language associated with it. This program will build a collaborative network of academics, venture capitalists, business leaders and others to provide guidance and support to emerging entrepreneurs.

The Enacted Budget provides a $56 million capital appropriation related to an agreement with the Buffalo Bills professional football franchise, $54 million of which would support an estimated $130 million in improvements to Ralph Wilson Stadium. An additional appropriation of $4.4 million is included through UDC to provide operating support. Furthermore, as part of the Executive's commitment to provide $1.0 billion in funding to support economic development in the City of Buffalo, the Enacted Budget includes $75 million in capital appropriations as well as Excelsior Jobs tax credits for the Buffalo Innovation Cluster. An appropriation of $5.0 million was added for UDC to support the regional hosting of the National Football League Super Bowl, which will be played in New Jersey, in 2014.

Continued funding for the Regional Economic Development Councils (REDCs) of $150 million is included in the Enacted Budget, along with Excelsior Jobs tax credits. In addition, according to the Executive, $50 million will be provided by NYPA for the Open for Business initiative and $95 million is proposed to support various ongoing economic development initiatives such as the Empire State Economic Development Fund, the

Minority- and Women-Owned Business Development and Lending Program, the Entrepreneurial Assistance Program, and continued High Technology Funding. However, $165 million for the New York Works Economic Development Fund Program was omitted.

Capital funding of $55 million for a new round of SUNY 2020 Challenge Grants is included in the Enacted Budget, as well as an additional $55 million in capital funding for a new City University of New York (CUNY) 2020 Grants Program. Accompanying this is Article VII legislation to increase the bonding authorization for the Challenge Grant program by $110 million.

The Enacted Budget establishes the New York State Storm Recovery Capital Fund, but omits the proposal to create a broader Transformative Capital Fund. The Storm Recovery Capital Fund will be created with a $450 million capital appropriation in the budget of the Division of Homeland Security and Emergency Services for costs associated with recovery from Superstorm Sandy or any future natural disaster expected to be eligible for federal reimbursement. The Executive anticipates that a significant portion of these expenditures will be reimbursed with federal funds. The appropriations are accompanied by a new bond cap authorization of $450 million.

The Enacted Budget amends both the Linked Deposit Program and the Small Business Revolving Loan Fund. The Linked Deposit Program is expanded to include biotechnology, information and communication technology, advanced materials, energy efficiency and renewables and other businesses. The Small Business Revolving Loan Fund will now provide funds to lending organizations to make short-term financing available to Minority- and Women-Owned Business Enterprises and other small businesses providing construction or professional services for State procurement purposes.

Workers' Compensation

The Enacted Budget includes the Executive proposal to change the Workers' Compensation System, with amendments. The Enacted Budget increases the minimum weekly benefit from $100 to $150 for injuries that occur after May 1, 2013. Provisions related to establishing annual rates, assessments, and administrative costs have been rewritten and, among other changes, now allow insurance carriers to pass the entire amount of Workers' Compensation Board assessments on to employers. The Enacted Budget also accepts the Executive proposal to close the Fund for Re-Opened Cases.

A proposal to close the State Insurance Fund's assessment reserve fund and transfer a portion of these funds to the State over a period of years was also adopted. The Enacted budget also includes a new provision to allow DASNY to issue bonds on behalf of employers who wish to self-insure their workers' compensation programs.

Lottery and Gambling

The SFY 2013-14 Enacted Budget omits the Executive proposal to implement Phase I Casino Gambling. The Executive's 30-day amendments included provisions requiring any applicant for a gaming facility license to enter into a labor peace agreement with labor organizations actively engaged in representing or attempting to represent gaming or hospitality industry workers in the State. This portion of the proposal was accepted.

On March 14, 2012, the Legislature passed Governor's Program Bill 30, a constitutional amendment which would provide authorization for casino gambling at no more than seven facilities in New York State. Constitutional amendments require the passage of a concurrent resolution by two separately elected legislatures and subsequent adoption by the voters. Therefore, the earliest this amendment could take effect would be after the November 2013 General Election.

The Enacted Budget omits provisions removing the remaining restrictions on the Lottery's Quick Draw game, which currently require that the premises where tickets are sold must be larger than 2,500 square feet and that no one under 21 years of age may participate in the game on premises where alcoholic beverages are sold.

As a result of a series of racehorse injuries and fatalities at New York tracks, the Executive convened the Task Force on Racehorse Health and Safety in 2012. In order to fund the recommendations of the Task Force, the Enacted Budget allocates 1.0 percent of purse enhancements at Video Lottery Terminal (VLT) facilities to promoting and ensuring the health and safety of horses in New York. The Executive estimates this proposal would provide an additional $1.5 million for the racing regulation account annually. Any unused portion would be returned to be used for purse enhancements. In addition, provisions are added to establish the New York Task Force on Jockey Health and Safety to investigate health and safety issues of jockeys who regularly race at thoroughbred tracks in the State. Additional language directs the franchised corporation to make $25,000 available for costs associated with producing a report of the task force findings and recommendations. The report is required to be completed within 90 days.

The Enacted Budget creates a new account to be used for the administration of the Gaming Commission. The Gaming Commission was established in the SFY 2012-13 Enacted Budget through the merger of the Division of the Lottery and the Racing and Wagering Board. The Executive indicates that the new account is required because administrative expenses cannot be paid from the State Lottery Fund or from racing regulation funds. The new Commission commenced operations on February 1, 2013.

Provisions were added to provide medical assistance to retirees and those who were active employees of New York City Off-track Betting Corporation with vested pension time or credit as of December 7, 2010, the day when the Corporation's operations ceased. Up to $5.0 million will be provided annually for the costs of this provision.

Transportation

The Enacted Budget omits the Executive proposal to allocate $100 million in transportation funds through the Regional Economic Development Councils.

Instead, the Enacted Budget increases the Consolidated Local Street and Highway Improvement Program (CHIPS) bonding authorization by $75 million to $438 million. This is the first increase in this authorization since SFY 2008-09. Bonding for the Marchiselli program remains the same at $39.7 million. Spending for both these programs occurs entirely off-budget and is not included in the State Financial Plan. Bonds for these programs are issued by the Thruway Authority under a service contract agreement with the State and are repaid using the resources of the Dedicated Highway and Bridge Trust Fund, which in turn receives deposits from dedicated motor vehicle fees, fuel taxes, General Fund transfers, and various other sources.

The Enacted Budget also provides $10 million for aviation purposes, $10 million for freight-related capital projects, and $5.0 million for non-MTA transit systems. The Enacted Budget also redirects $200 million in New York Works funding as follows: $155 million to accelerate regionally significant Department of Transportation projects and $45 million for engineering services.

The Enacted Budget includes $24 million in State support for the Thruway Authority, but adds Article VII language to require the Authority to report to the Legislature the specific costs assumed by the State.

Environment, Parks and Agriculture

Environment

Capital appropriations in the Department of Environmental Conservation (DEC) budget include $40 million in New York Works funds to support remediation of contaminated sites through the Environmental Restoration Program, as well as maintenance of DEC facilities and grants to repair or upgrade waste water infrastructure.

The compliance date for the Diesel Emission Reduction Act of 2006 is extended from December 31, 2013 to December 31, 2014 in the Enacted Budget. The compliance date for this program, which requires the use of low-sulfur diesel fuel and retrofit of engines in heavy duty vehicles and equipment with best available emission control equipment, has been set back every year since 2008.

Provisions to increase penalties for violations of the New York State Container Deposit Law (Bottle Bill) are included in the Enacted Budget, but Executive Budget proposals that would have restricted options for redemption of containers and placed new requirements on beverage dealers and bottle redemption centers have been omitted. The Enacted Budget also streamlines State hunting and fishing licensing and reduces fees associated with these licenses.

The Enacted Budget increases appropriations to the Environmental Protection Fund (EPF) by $19 million over SFY 2012-13 levels to $153 million. This is the first year-over-year increase in appropriations to the EPF since funding was cut by $78 million in SFY 2010-11. The $19 million in additional funds is sourced from revenues generated by unclaimed bottle deposits returned to the State under the Bottle Bill.

The Enacted Budget includes a sweep to the General Fund of $15 million from the EPF. The swept funds will be replaced by revenues from bonds issued by the Environmental Facilities Corporation to support projects funded through the EPF.

Parks

The Enacted Budget allocates $52 million in capital appropriations to support Parks maintenance and improvement projects and $47 million in capital funding from the New York Works program in support of Parks infrastructure projects, including $2.5 million for the Olympic Regional Development Authority, with $500,000 of that amount targeted to the Belleayre Ski Center.

Agriculture

An Executive Budget proposal to create sales-tax-free Taste of New York shops to sell New York State food and beverage products is not included in the Enacted Budget. The Budget does include provisions allowing State agencies to make purchases of up to $200,000 in New York State food products without a formal competitive bidding process.

Energy

The Enacted Budget includes $25 million in capital appropriations for the New York State Energy Research and Development Authority (NYSERDA) to support grants through the New York State Cleaner Greener Communities program. The Enacted Budget also contains a sweep to the General Fund of $25 million in revenues generated through the auction of allowances under the Regional Greenhouse Gas Initiative (RGGI). This is an increase of $10 million over the RGGI sweep proposed in the Executive Budget.

The Enacted Budget includes an Executive Budget proposal to provide the Public Service Commission (PSC) with additional authority to oversee emergency response planning and implementation by New York's electric and gas utilities. Enacted provisions include the authority to levy significant civil penalties and to revoke a utility's certificate to operate if the utility fails to provide safe and adequate service.

The Enacted Budget extends the State's Temporary Conservation Assessment on utilities under Section 18-a of the Public Service Law through SFY 2017-18. Amendments to the assessment program included a schedule to reduce utility payments over the remaining life of the assessment.

The Enacted Budget restores $505,000 for the Public Utility Law Project, which provides assistance to New York's utility customers, in the Department of State.

Housing

The Enacted Budget omits the Executive Budget proposal to transfer the Homeless Housing Assistance Program from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal (DHCR).

The Enacted Budget includes and increases to $104 million the Executive Budget proposal to transfer excess revenues from the Mortgage Insurance Fund (MIF) to the General Fund. Also included are transfers to the Housing Trust Fund Corporation (HTFC) and the Housing Finance Agency to provide off-budget support for a variety of housing programs. In total, the Enacted Budget increases MIF transfers by $14 million to $164 million.

The Executive Budget proposal to combine New York's Neighborhood and Rural Preservation programs is omitted from the Enacted Budget and continues them as separate programs. These programs are funded in part with funds appropriated on-budget through DHCR and off-budget through HTFC using excess MIF revenues.

Enhanced tax credits for renovation of commercial, multifamily and single family residential historic buildings, due to expire in tax year 2015, are extended through tax year 2019. Tax credits for renovation of single family historic structures are already treated as a refundable overpayment of tax. The Enacted Budget extends this treatment to tax credits for commercial and multifamily residential structures.

Public Protection

The Enacted Budget accepts the Executive's proposal to reduce the one-year notification requirement for certain correctional facility closures to 60 days, and to close the Bayview prison in Manhattan and the Beacon prison in Dutchess County.

The Enacted Budget modifies the Executive's proposal to restructure $11.4 million in funding for Alternative to Incarceration programs as a competitive grant program by requiring these funds to be distributed either pursuant to existing contracts or a plan submitted by the Division of Criminal Justice Services (DCJS).

The Enacted Budget omits the Executive's proposed Article VII legislation to limit plea bargaining of certain violations of the Vehicle and Traffic Law, such as speeding tickets, and lowers the proposed $80 surcharge on the violations to which speeding tickets are commonly pled to $25. The Enacted budget also increases the State surcharge for certain moving violations by $8. The Enacted Budget accepts the Executive proposal to increase fines for using a cell phone or texting while driving.

The Enacted Budget eliminates $32.4 million in bondable appropriations for the State Police Pistol Database to be housed within the Division of State Police. Instead, the Enacted Budget authorizes $27.7 million in new debt for the Office of Information Technology Services. These funds have been identified as being provided to fund the

Database. However, the new appropriation does not specifically identify this additional funding as being for the Database.

Local Governments

The SFY 2013-14 Enacted Budget holds funding for the Aid and Incentives for Municipalities (AIM) program flat at $715 million in unrestricted aid and $79 million in grants and tax credits. New York City will again not receive AIM funding. The Legislature accepts the Executive's proposals for changes to the administration of the local government grant programs to increase the required local match for planning and study grants from 10 percent to 50 percent. Local governments may obtain refunds or credits of the extra matching funds upon implementation of a plan. The Enacted Budget also changes the administration of the grant programs and the maximum award amounts per municipality and per grant. The Enacted Budget appropriates $1.5 million for a new Village Per Capita Aid to be distributed based on population data from the 2010 Census. No village will receive less than $100.

As in SFY 2012-13, the Enacted Budget authorizes an advance, or "spin-up," of the City of Albany's Payment in Lieu of Taxes (PILOT) from $15 million to $22.85 million. For SFY 2013-14, this increase will be accomplished by reducing the planned PILOT for SFY 2031-32 from $15 million to $7.15 million.

CHIPS and the Marchiselli Program together are funded at $477.8 million. CHIPS is funded at $438.1 million for SFY 2013-14, a $75 million increase over SFY 2012-13. Funding for the Marchiselli Program is maintained at $39.7 million, as proposed by the Executive.

The Enacted Budget increases Video Lottery Terminal Assistance to $27.2 million from $25.9 million. The Executive Budget proposal called for flat funding for this program.

Miscellaneous assistance to local governments includes: $1.5 million each for Madison and Oneida counties as compensation for real property taxes owed by the Oneida Indian Nation of New York; $250,000 for Syracuse for a shared services project with Onondaga County; and funding for four villages that do not receive AIM funding ($75,000 for Mastic Beach, $27,000 for Woodbury, $19,000 for South Blooming Grove, and $2,000 for Sagaponack). The Enacted Budget also provides $5.0 million dollars to the City of Salamanca as compensation for revenues to be paid by the Seneca Nation. In SFY 2011-12, Salamanca received $2.5 million, but the SFY 2012-13 Enacted Budget did not include a fund transfer for the City. This year's $5.0 million is intended to provide funding for both SFY 2012-13 and SFY 2013-14.

The Enacted Budget omits a number of Executive Budget proposals, including: the elimination of statutory local reporting requirements; changes to binding arbitration for local governments in fiscal distress; and elimination of the requirement for State Legislative approval for the reauthorization of sales tax agreements in cases where no changes are made.

Local Government Pension Funding Option

Alternate Contribution Stabilization Program - New York State and Local Retirement System

The Enacted Budget establishes an Alternate Contribution Stabilization Program (ACSP) available to cities, counties, towns, villages, BOCES, and school districts, as well as four public hospitals operated in Nassau, Westchester, and Erie counties. This program is a variation of the existing Contribution Stabilization Program (CSP), which allows governments to lessen the cash impact of current increases in pension contributions, while repaying the deferrals with interest as well as contributing to a reserve account to dampen future rate increases.

Eligible participating employers would have the opportunity to make a one-time election in the 2013-14 fiscal year to the ASCP. Like the CSP, once a participating employer elects and amortizes under the ACSP, it cannot withdraw from the program. However, it does not have to amortize each year. There is no requirement to defer payments in any year. There is no penalty for prepayment of amortized amounts.

The CSP remains available to all participating employers except those that opt for the ACSP. Employers which have amortized under the CSP have the option to switch to the ACSP, but once they have elected the ACSP, they may not return to the CSP.

Figure 9

Local Government Pension Funding Option

Employees' Retirement System			
	Actuarial Rate	**Graded Rate**	**Alternate Rate**
2011	11.9%	9.5%	NA
2012	16.3%	10.5%	NA
2013	18.9%	11.5%	NA
2014	20.9%	12.5%	12%
2015	TBD	13.5%	12%
2016	TBD	14.5%	12.5%
2017	TBD	15.5%	13%
Police and Fire Retirement System			
2011	18.2%	17.5%	NA
2012	21.6%	18.5%	NA
2013	25.8%	19.5%	NA
2014	28.9%	20.5%	20%
2015	TBD	21.5%	20%
2016	TBD	22.5%	20.5%
2017	TBD	23.5%	21%

Relative to the existing CSP program, the new program will increase by an additional 0.5 percent, 1.5 percent and 2.0 percent of payroll, the amount of a pension bill that may be deferred during the 2014, 2015, and 2016 billing cycles. However, in return, when rates decline, participants in the alternate program will see their rates decline by only 0.5 percentage points of payroll. Rates for participants in the existing program can go down by up to 1.0 percentage point of payroll.

Participants in the current CSP may amortize deferred amounts over a period of up to 10 years. The ACSP would increase the permissible period of amortization by two years to up to 12 years.

Interest rates charged on deferrals in the existing and alternate program are comparable. For the duration of any year's amortized amount, CSP participants are charged an interest rate comparable to a 10-year taxable municipal bond. ACSP participants will be charged a rate comparable to a 10-year Treasury bond adjusted to a 12-year duration plus one percent.

Relative to the existing CSP program, the ACSP allows governments to defer more in the early years of the program, pushes out the peak in rates, pays the deferrals over a slightly longer period, but may result in an accelerated rate of repaying deferred amounts and contributions to a reserve account.

Stable Contribution Option - New York State Teachers Retirement System

The Enacted Budget also establishes a program for participating employers in the New York State Teachers' Retirement System (NYSTRS). (The current CSP was not available to participating employers in NYSTRS.) Subject to the authorization of the NYSTRS Board, the new program permits employers to opt into a 12-year temporary program during the period from July 1, 2013 to June 30, 2014, which will potentially allow the deferral of a portion of pension contributions in each of the next seven year's bills. Beginning in year six, participants would begin paying off over five years of deferrals in five annual installments. Beginning in year eight, participants would pay off any deferrals from years six and seven in five installments.

The initial contribution rate for participants (beginning with the 2013-14 billing cycle) is 14 percent of payroll. The NYSTRS Board may increase rates to 16 percent of payroll after two years and up to 18 percent of payroll after year four. (Amounts between the stable rate and the actual rate would be deferred and amortized.)

Both the ACSP and the Stable Rate plan available to employers of NYSTRS differ fundamentally from the proposal in the Executive Budget, which was discussed more fully in the Office of the State Comptroller's *Report on the SFY 2013-14 Executive Budget*.[14]

[14] See the Office of the State Comptroller's *Report on the State Fiscal Year 2013-14 Executive Budget* at www.osc.state.ny.us/reports/budget/2013/review_of_executive_budget.pdf.

New York City

The SFY 2013-14 Enacted Budget increases State assistance to New York City by $394 million in City Fiscal Year (CFY) 2014, resulting largely from an increase in State education aid ($364 million). The increase in education aid is contingent on the City implementing a new teacher evaluation system by September 1, 2013.

The increase in education aid is $140 million more than assumed in the City's four-year financial plan. The City also had assumed that the State would withhold $250 million in education aid because the City failed to reach agreement with the union that represents its teachers on a new teacher evaluation system by the January 17, 2013 deadline. While the State will withhold $250 million for the current school year, the Enacted Budget permits the City to receive the $250 million in subsequent years. Consequently, the City could receive $390 million more in education aid in CFY 2014 than anticipated in its four-year financial plan.

Metropolitan Transportation Authority

The SFY 2013-14 Enacted Budget provides the Metropolitan Transportation Authority (MTA) with an increase of $296 million in financial assistance over the amount appropriated for SFY 2012-13. The increase is $40 million more than anticipated by the MTA and reflects improving economic conditions that are expected to boost dedicated transit tax revenues. The Enacted Budget also includes funds to offset the revenues lost to the MTA from changes in the MTA Payroll Mobility Tax, which were implemented in April 2012.

Public Authorities

The SFY 2013-14 Executive Budget estimated that $5.1 billion in capital spending in SFY 2013-14 will be financed using public authority bond proceeds. The Enacted Budget Financial Plan and Five-Year Capital Program and Financing Plan, expected to be released within the next few weeks by DOB, will provide a revision to that estimate based on actions taken in the Enacted Budget.

The Enacted Budget increases bonding caps for 14 State-Supported programs, and adds four new State-Supported bonding caps for the New York State Storm Recovery Capital Fund, the Office of Information Technology Services, the Transportation Infrastructure Finance and Innovation Act Loans and State and Municipal Facilities Program. As shown in Figure 10, the net increase in bonding authorizations for public authorities is $3.6 billion, an increase of 33 percent over the change enacted in SFY 2012-13. In addition, the Enacted Budget amends the bond cap language for the Division of State Police, allowing financing of capital projects not limited to facilities.

Figure 10

SFY 2013-14 Change in State-Supported Public Authority Bond Caps
(in millions of dollars)

Program	SFY 2012-13 Cap	SFY 2013-14 Executive Proposed Cap	SFY 2013-14 Enacted Cap	Enacted Change from Current Cap	Enacted Change from Proposed Cap
SUNY Educational Facilities	10,304.0	10,422.0	10,422.0	118.0	-
SUNY Upstate Community Colleges	623.0	663.0	663.0	40.0	-
CUNY Education Facilities	6,843.2	6,853.2	6,853.2	10.0	-
Library Facilities	98.0	112.0	112.0	14.0	-
NY-SUNY 2020	110.0	220.0	220.0	110.0	-
Environmental Infrastructure Projects	1,118.8	1,265.8	1,265.8	147.0	-
Division of State Police	114.1	166.3	133.6	19.5	(32.7)
Division of Military & Naval Affairs	24.0	27.0	27.0	3.0	-
State Buildings and Other Facilities	205.8	220.8	220.8	15.0	-
Prison Facilities	6,816.9	7,133.1	7,133.1	316.2	-
New York State Transformative Capital Fund	-	1,170.0	-	-	(1,170.0)
New York State Storm Recovery Capital Fund	-	-	450.0	450.0	450.0
Office of Information Technology Services	-	60.0	87.7	87.7	27.7
Housing Capital Programs	2,740.7	2,844.9	2,844.9	104.2	-
Economic Development Initiatives	710.6	1,156.6	1,003.6	293.1	(153.0)
Consolidated Highway Improvement Program (CHIPs)	7,106.0	7,516.9	7,591.9	485.9	75.0
Transportation Initiatives	15.0	315.0	240.0	225.0	(75.0)
Transportation Infrastructure Finance and Innovation Act Loans	-	-	750.0	750.0	750.0
State and Municipal Facilities Program	-	-	385.0	385.0	385.0
Total	**36,830.0**	**40,146.6**	**40,403.6**	**3,573.6**	**257.0**

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

The Enacted Budget expands the authorization for DASNY and UDC to finance not only Peace Bridge projects, but also transportation capital projects, and increases the bond cap 1500 percent to reflect this expansion. This expansion, shown in Figure 10 under the title Transportation Initiatives, would authorize the financing of capital costs of State and local highways, parkways, bridges, the New York State Thruway, Indian reservation roads, and transportation infrastructure projects including aviation, non-MTA mass transit and rail service preservation projects. Capital appropriations to the Department of Transportation totaling $180 million include these projects, along with an additional appropriation for $45 million for engineering purposes.

The Enacted Budget authorizes $260.4 million in transfers and miscellaneous receipts from public authorities to provide General Fund support. Additional General Fund relief is provided by transferring $20 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 proposal anticipates a $7.0 million transfer to the HCRA Resources Fund from DASNY.

Figure 11

SFY 2013-14 Transfers and Miscellaneous Receipts from Public Authorities
(in millions of dollars)

Public Authority	Amount	
Transfers and Receipts to the General Fund:		
Housing Finance Agency	3.5	
New York Power Authority	90.0	*
Dormitory Authority of the State of New York	22.0	
New York State Energy Research Development Authority	0.9	
State of New York Mortgage Agency	104.0	
New York State Energy Research and Development Authority (RGGI funds)	25.0	**
Environmental Facilities Corporation	15.0	**
Total to General Fund	**260.4**	
Transfers to the General Debt Service Fund:		
MTA - Metropolitan Mass Transportation Operating Assistance Fund (MMTOA)	20.0	
Transfers to the Health Care Reform Act (HCRA) Resources Fund:		
Dormitory Authority of the State of New York	7.0	
Total from Public Authorities	**287.4**	

Source: Division of the Budget

*Only $20 million is anticipated as a receipt to the General Fund and is, therefore, included in the Financial Plan. The remaining $70 million, to be used for the Open for Business initiative and the Innovation Venture Capital Fund, is not included in the Financial Plan and is considered off-budget.
**Bond proceeds will replace funds transferred from the Environmental Protection Fund (EPF) and the Regional Greenhouse Gas Initiative (RGGI). Bonds will be issued for eligible projects by EFC, or either DASNY or UDC, pursuant to the authorization that allows these authorities to issue PIT revenue bonds for any authorized purpose.

A sweep of up to $90 million in funds from NYPA is proposed with language allowing the funds to be transferred to the General Fund, "or as otherwise directed in writing by the director of the budget."[15] The Executive indicates that $50 million would be used to support the Open for Business initiative, $20 million for the new New York State Innovation Venture Capital Fund and the remaining $20 million for General Fund relief.

The Executive's 30-day amendments omitted a proposal to provide a blanket authorization for any public benefit corporation to make voluntary contributions to the General Fund at any time as long as the transfers are approved by the corporations' governing boards. Language permitting public authorities to make voluntary contributions to the General Fund was first enacted in SFY 2011-12. (The provision enacted in SFY 2011-12 was 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.)

[15] See S.2607/A.3007 Education, Labor and Family Assistance, Part HH, Section 17(i).

The Enacted Budget omits the proposal to move the administration of the Homeless Housing and Assistance Program from OTDA to DHCR, specifically the Homeless Housing Assistance Corporation (HHAC). The proposed expansion of the investment authority of the State of New York Mortgage Agency (SONYMA), the Mortgage Insurance Fund (MIF) and the New York State Housing Finance Agency (HFA) to include investment securities and ancillary bond facilities is also omitted. The Enacted Budget amends specific language to transfer excess SONYMA MIF reserves totaling $164 million, an increase of $14 million over the Executive Proposal. The transfers include $104 million to the General Fund, an increase of $4 million over the Executive proposal, and $60 million to the Housing Trust Fund Corporation (HTFC) or the Housing Finance Agency (HFA) to fund the Neighborhood Preservation Program, the Rural Preservation Program, the Rural Rental Assistance Program, rehabilitation of Mitchell Lama housing projects, the Community Investment Fund Program, the Low Income Housing Trust Fund Program, the Urban Initiatives Program and the Rural Area Revitalization Program.

As part of the plan to avert a toll increase on the New York State Thruway, the Enacted Budget provides financial assistance to the New York State Thruway Authority. As part of this assistance package, the State would assume the costs of the Division of State Police Troop T which patrols the Thruway, and would also provide a $24 million appropriation for additional costs of the Authority for goods and services. Provisions added in the Enacted Budget require the Thruway Authority to provide reporting to the Legislature on the agreement, any amendments to the agreement and costs paid pursuant to the agreement. The Enacted Budget also exempts the Thruway Authority from the State cost recovery assessment imposed pursuant to Section 2975 of the Public Authorities Law.

In the SFY 2012-13 Enacted Budget, DASNY was authorized to enter into design and construction management agreements with DEC and OPRHP. The Enacted Budget modifies the proposal by extending the sunset date of these provisions by one year, which will allow current agreements to continue beyond April 1, 2013.

A capital appropriation of $25 million is included in NYSERDA's budget to fund grants for energy efficiency and renewable energy projects through the Cleaner, Greener Communities Program. The Enacted Budget also provides authorization for the Environmental Facilities Corporation to issue bonds to fund these capital grants and increases the bond cap for environmental infrastructure projects.

The Enacted Budget accepts the proposal to extend the authorization for DASNY to issue Mental Health bonds under the existing PIT Revenue Bond Program, and provides authorization for all other authorized issuers to issue these bonds as well. In addition, the proposal is modified to extend the authorization for DASNY and UDC to issue PIT bonds for any other authorized PIT Revenue Bond issuer by two years instead of making the authorization permanent. The Enacted Budget accepts the Executive proposal to create a new borrowing program backed with sales tax revenues, similar to the PIT program. The bonds would be issued by DASNY, UDC or the Thruway Authority and will provide the State with another vehicle to bypass voter approval of borrowing.

The Enacted Budget establishes the Rural and Urban Community Investment Fund Program with a $1.9 million appropriation in the Division of Housing and Community Renewal. The program will be developed and administered by the Housing Trust Fund Corporation and will provide assistance to eligible applicants for the creation, preservation or improvement of affordable housing or the commercial, retail or community facilities component of mixed use affordable residential developments. Sixty percent of the funds awarded will be allocated to urban areas of the State and 40 percent to rural areas. The language also requires annual reporting to the Legislature on the program.

The Executive's 30-day amendments added provisions requiring gas stations to implement wiring and other changes to enable access to emergency power sources during storms and other disasters. The Enacted Budget makes modifications to require the changes only in downstate areas. NYSERDA will administer a program to provide funding for the costs of implementation and must conduct a study to evaluate whether the program should be extended to other parts of the State.

The Enacted Budget directs NYSERDA, in consultation with the Department of Public Service and the Division of Homeland Security and Emergency Services to develop recommendations regarding establishing microgrids in the State. A report to the Legislature and the Executive on the findings is due in one year.

Appendices

Appendix A: Evolution of SFY 2013-14 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	2600 22-Jan-2013	3000 22-Jan-2013	2600-A 13-Feb-2013	3000-A 13-Feb-2013	2600-B 22-Feb-2013	3000-B 22-Feb-2013	2600-C 9-Mar-2013	3000-C 8-Mar-2013	2600-D 24-Mar-2013	3000-D 24-Mar-2013	S.2600-E 3/27/2013	A.3000-E 3/28/2013	3/29/2013	Ch 50 4/10/2013
Leg & Judiciary	2601 22-Jan-2013	3001 22-Jan-2013							2601-A 20-Mar-2013	3001-A 20-Mar-13	S.2601-A 3/26/2013	A.3001-A 3/28/2013	3/29/2013	Ch 51 4/10/2013
Debt Service	2602 22-Jan-2013	3002 22-Jan-2013							2602-A 16-Mar-2013	3002-A 16-Mar-13	S.2602-A 3/20/2013	A.3002-A 3/20/2013	3/29/2013	Ch 52 4/10/2013
Local Assistance	2603 22-Jan-2013	3003 22-Jan-2013	2603-A 13-Feb-2013	3003-A 13-Feb-2013	2603-B 22-Feb-2013	3003-B 22-Feb-2013	2603-C 10-Mar-2013	3003-C 8-Mar-2013	2603-D 24-Mar-2013	3003-D 24-Mar-2013	S.2603-E 3/27/2013	A.3003-E 3/28/2013	3/29/2013	Ch 53 4/10/2013
Capital Projects	2604 22-Jan-2013	3004 22-Jan-2013	2604-A 13-Feb-2013	3004-A 13-Feb-2013	2604-B 22-Feb-2013	3004-B 22-Feb-2013	2604-C 9-Mar-2013	3004-C 8-Mar-2013	2604-D 21-Mar-2013	3004-D 21-Mar-2013	2604-E 3/24/2013	A.3004-E 3/28/2013	3/29/2013	Ch 54 4/10/2013

***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, and revenue collected.

Article VII/ Language 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		
Public Protection / General Government (PPGG)	2605 22-Jan-2013	3005 22-Jan-2013	2605-A 13-Feb-2013	3005-A 13-Feb-2013	2605-B 22-Feb-2013	3005-B 22-Feb-2013	2605-C 9-Mar-2013	3005-C 8-Mar-2013	2605-D 20-Mar-2013	3005-D 20-Mar-2013	S.2605-D 3/24/2013	A.3005-D 3/28/2013	3/28/2013	Ch 55 3/28/2013
Health & Mental Hygiene (HMH)	2606 22-Jan-2013	3006 22-Jan-2013	2606-A 13-Feb-2013	3006-A 13-Feb-2013	2606-B 22-Feb-2013	3006-B 22-Feb-2013	2606-C 10-Mar-2013	3006-C 8-Mar-2013	2606-D 23-Mar-2013	3006-D 23-Mar-2013	S.2606-D 3/26/2013	A.3006-D 3/28/2013	3/28/2013	Ch 56 3/28/2013
Education, Labor, Housing & Family Assistance (ELFA)	2607 22-Jan-2013	3007 22-Jan-2013	2607-A 13-Feb-2013	3007-A 13-Feb-2013	2607-B 22-Feb-2013	3007-B 22-Feb-2013	2607-C 11-Mar-2013	3007-C 8-Mar-2013	2607-D 24-Mar-2013	3007-D 24-Mar-2013	S.2607-D 3/27/2013	A.3007-D 3/28/2013	3/29/2013	Ch 57 3/29/2013
Transportation, Environment, and Economic Development (TED)	2608 22-Jan-2013	3008 22-Jan-2013	2608-A 13-Feb-2013	3008-A 13-Feb-2013	2608-B 22-Feb-2013	3008-B 22-Feb-2013	2608-C 9-Mar-2013	3008-C 8-Mar-2013	2608-D 20-Mar-2013	3008-D 20-Mar-2013	S.2608-D 3/24/2013	A.3008-D 3/28/2013	3/29/2013	Ch 58 3/29/2013
Revenue	2609 22-Jan-2013	3009 22-Jan-2013	2609-A 13-Feb-2013	3009-A 13-Feb-2013	2609-B 22-Feb-2013	3009-B 22-Feb-2013	2609-C 11-Mar-2013	3009-C 8-Mar-2013	2609-D 24-Mar-2013	3009-D 24-Mar-2013	S.2609-D 3/27/2013	A.3009-D 3/28/2013	3/28/2013	Ch 59 3/28/2013

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

Appendix B: Summary of SFY 2013-14 Article VII Bill Sections

Public Protection and General Government Chapter 55 of the Laws of 2013			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Authorize the Governor to close the Bayview and Beacon correctional facilities in State fiscal year 2013-14 with 60 days' notice.	A	A	
Transfer the former Fulton Correctional Facility to the Thomas Mott Osborne Memorial Fund.	B	B	
Limit plea bargaining of traffic tickets, extend State surcharges to new offenses, and establish minimum fines for traffic violations involving texting and cell phone use.	C	C	Amended.
Ratify the National Crime Prevention and Privacy Compact, allowing the State to participate in the National Fingerprint File program.	D	D	
Extend various criminal justice and public safety programs.	E	E	Amended.
Continue provisions relating to the disposition of certain monies recovered by county district attorneys.	F	F	
Provide the New York State Comptroller and the New York State Teachers' Retirement System Board statutory authority to make a long-term stable pension contribution option available to local governments and school districts.	G	Omitted.	Substituted by ELFA Part BB.
Amend the Civil Service Law in relation to the reimbursement of Medicare premium charges.	H	Omitted.	
Create a new account to finance an Administration Program in the New York State Gaming Commission.	I	I	Amended.
Redirect a portion of purse money to fund costs associated with recommendations by the Task Force on Racehorse Health and Safety.	J	J	Amended.
Modify the Local Government Efficiency Grant Program and the Citizens Re-Organization Empowerment Grant Program.	K	K	Amended.
Eliminate certain reporting requirements imposed on school districts and local governments.	L	Omitted.	
Authorization for transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps.	M	ELFA Part HH	
Support consolidation of IT Functions and Services into the Office of Information Technology Services (ITS).	N	N	
Workers Compensation reform.	O	ELFA Part GG	
Increase agencies' discretionary authority to purchase food grown, harvested, produced or processed in New York State up to $200,000.	P	P	Amended.
Authorize school districts and Boards of Cooperative Educational Services to participate in the Intrastate Mutual Aid Program.	Q	Q	
Promote continuity of care for individuals and enable direct care employees to have increased flexibility for employment opportunities.	R	Omitted.	
Authorize certain State agencies and authorities to use design-build contracts and design-build-finance contracts for their capital projects.	S	Omitted.	
PILOT payments to the City of Albany	T	T	
Indigent legal services pilot program.	U	Omitted.	
Create an immunity from liability for mobile carriers that issue emergency messages on behalf of the NY-TEXT messaging system.	V	V	Amended.
Extend by five years (to 2018) provisions related to extended fire insurance coverage.		W	
Legislative stipends for leadership service.		X	
Eliminate the earnings limitation for retired police officers employed as school resource officers		Y	
Extend by one year (to June 30, 2014) provisions related to review of Nassau County tax assessments.		Z	

Health and Mental Hygiene Chapter 56 of the Laws of 2013			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Make statutory changes related to implementing Medicaid Redesign Team recommendations.	A	A	Amended.
Extend provisions of the Public Health, Social Services and Mental Hygiene Laws to preserve previously enacted Medicaid savings.	B	B	Amended.
Revise the methodology for distributing Indigent Care Pool ("ICP") funds to general hospitals, including Federal Disproportionate Share Hospital ("DSH") payments.	C	C	Amended.
Amend State law to conform to the requirements of the federal Affordable Care Act.	D	D	Amended.
Change the State's health care system by: reforming the Early Intervention and the General Public Health Work programs; establishing a new outcome-based contracting and planning initiative for public health programs; streamlining and rationalizing the health planning process; promoting primary care through scope of practice changes; supporting innovative models of care and financing; and rationalizing the State-funded excess medical malpractice insurance pool.	E	E	Amended.
Require that the Methadone Registry include client dosage information to assist in facilitating disaster management.	F	F	Amended.
Clarify that OASAS can continue to fund provider programs via direct contracts or through the State Aid Funding Authorization process.	G	G	Amended.
Continue criteria and appropriate prior notice to ensure the efficient operation of hospitals by the Office of Mental Health; extend the community reinvestment program.	H	H	Amended.
Authorize the Office of Mental Health (OMH) to continue to recover Medicaid exempt income from providers of community residences.	I	I	Amended.
Modify the organizational structure at the Office of Mental Health (OMH) by vesting statewide appointing authority with the Commissioner of OMH.	J	J	Amended.
Clarify the date when annual examinations and notice of rights are provided to sex offenders confined in a secure treatment facility.	K	Omitted.	
Change the State and local response to violent incidents involving persons with mental illness through the establishment of mental health incident review panels.	L	L	Amended.
Eliminate certain reports prepared by the Office of Mental Health (OMH) and the Office for People with Developmental Disabilities (OPWDD).	M	M	Amended.
Establish a one-year deferral of the Human Services Cost-of-Living Adjustment.	N	N	
Modify provisions related to Mental Hygiene Stabilization Fund.	O	O	
Provide medical assistance to certain retirees of the New York City Off Track Betting Corporation		P	
Modify provisions related to SUNY Downstate Medical Center.		Q	

Education, Labor and Family Assistance Chapter 57 of the Laws of 2013			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Amend Education Law and make other changes related to authorizing School Aid and implement other education-related programs.	A	A	Amended.
Establish a new financing structure for the State University of New York's Residence Hall Program.	B	B	Amended.
Extend and amend the New York State Higher Education Capital Matching Grant Program.	C	C	Amended.
Create the Next Generation NY Job Linkage Program.	D	D	Amended.
Authorize the pass-through of any Federal Supplemental Security Income (SSI) Cost of Living Adjustment which becomes effective on or after January 1, 2014.	E	E	
Transfer the administration of the Homeless Housing and Assistance Program from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal.	F	Omitted.	
Combine and streamline delinquency prevention programs administered by the Office of Children and Family Services (OCFS).	G	G	Amended.
Expand the Juvenile Justice Close to Home Initiative.	H	Omitted.	
Merge the Office of the Welfare Inspector General into the Office of the State Inspector General.	I	Omitted.	
Authorize STAR Re-registration and Anti-Fraud Program.	J	J	Amended.
Merge and reform the Neighborhood and Rural Preservation Programs.	K	Omitted.	
Expand the investment powers of the State of New York Mortgage Agency and the Housing Finance Agency.	L	Omitted.	
Provide for the utilization of Mortgage Insurance Fund reserves.	M	M	Amended.
Transfer of the State Data Center from the Department of Economic Development to the Department of Labor.	N	N	Amended.
Reform the Unemployment Insurance Benefit System.	O	O	Amended.
Increase the minimum wage.	P	P	Amended.
Reform Interest Arbitration awards for fiscally distressed local governments, and extend current provisions expiring July 1, 2013.	Q	Omitted.	
Effectuate phase one of casino development.	R	R	Amended.
Provisions related to dental health certificates for children.		S	
Provisions related to performance of medical services.		T	
Create graduation, achievement and placement program.		U	
Provisions related to charges for non-resident students.		V	
Provisions related to gifts for honor and remembrance of veterans fund.		W	
Strengthen PSC oversight powers and authority.		X	Substituted in place of TED Part O.
Provisions related to repowering of existing power generation facilities.		Y	
Provisions related to self-employment assistance program.		Z	
Provisions related to social work licensing.		AA	
Provisions related to stable contribution program for certain public employees.		BB	Substituted in place of PPGG Part G.
Provisions related to success initiatives for childhood development programs.		CC	
Establish a rural and urban community investment fund program		DD	
Increase state assistance to eligible cities and municipalities in which a video lottery gaming facility is located		EE	
Amend the NY-SAFE Act.		FF	
Provisions related to Workers' Compensation.	PPGG Part O	GG	
Authorization for transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps.	PPGG Part M	HH	

Transportation and Economic Development Chapter 58 of the Laws of 2013			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Provide the annual authorization for the CHIPS and Marchiselli programs.	A	A	Amended.
Continue the redistribution of the statewide collected transmission tax between the upstate (PTOA) and downstate (MMTOA) transit accounts in an equitable manner.	B	B	Amended.
Impose license sanctions for violations of the cell phone (mobile telephone) and texting (portable electronic device) laws by commercial motor vehicle operators and conform State law to federal law regarding cell phone use and texting by such operators.	C	C	Amended.
Permit the Department of Motor Vehicles to serve the public on Saturdays.	D	D	Amended.
Provide financial assistance for the New York State Thruway Authority and eliminate the need for a commercial toll hike.	E	E	Amended.
Enact the Cleaner Greener New York Act of 2013 to increase revenues deposited to the Environmental Protection Fund by redirecting unclaimed bottle deposit receipts and by strengthening enforcement of the Bottle Bill to prevent fraud.	F	F	Amended.
Make permanent the waste tire management and recycling fee.	G	G	Amended.
Make permanent the general loan powers of the New York State Urban Development Corporation.	H	H	Amended.
Extend the authorization for the Dormitory Authority of the State of New York to enter into certain design and construction management agreements.	I	I	Amended.
Provide general grant-making power for the New York State Urban Development Corporation.	J	Omitted.	
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 to offset debt service related to the Western New York Nuclear Service Center (West Valley).	K	K	
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's climate change program, from an assessment on gas and electric corporations.	L	L	
Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.	M	M	
Extend the Temporary State Energy and Utility Service Conservation Assessment, to provide continued revenues in support of necessary expenses of the State, including the purchase of utility services.	N	Revenue Part BB	
Implement recommendations made by the Moreland Commission on Utility Storm Preparation and Response, related to strengthening the oversight and enforcement mechanisms of the Public Service Commission to ensure that public utility companies are held accountable and responsive to regulators and customers.	O	Omitted.	
Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents.	P	P	
Facilitate an online corporate filing system and reduce costs and regulatory burdens on the State's businesses.	Q	Omitted.	
Simplify and streamline hunting and fishing license applications.	R	R	Amended.
Require on-site backup power for certain retail gasoline outlets.	S	S	Amended.
Establishes microgrid recommendation group.		T	
Postpone diesel retrofit requirements by one year (to December 31, 2014)		U	
Increase maximum airport improvement grants from $300,000 to $1 million.		V	

Revenue Chapter 59 of the Laws of 2013			
Description	**Executive Art. VII Part**	**Enacted Art. VII Part**	**Comments**
Extend the MTA business tax surcharge for five years.	A	A	
Extend for five years and modify provisions related to the New York Film Production tax credit.	B	B	Amended.
Establish the New York Innovation Hot Spots Program.	C	C	Amended.
Extend the high income charitable contribution deduction limitation for three years.	D	D	
Close the royalty income loophole.	E	E	
Extend and enhance the historic commercial properties rehabilitation tax credit.	F	F	Amended.
Establish the Charge NY electric vehicle recharging equipment tax credit.	G	G	Amended.
Make tax modernization provisions permanent.	H	H	Amended.
Establish Tax-Free Sales and the Sale of Alcoholic Beverages at Taste-NY Facilities.	I	Omitted.	
Modify IDA provisions related to State sales tax exemption benefits.	J	J	Amended.
Make technical amendments to the tax classification of uncompressed natural gas.	K	K	
Equalize fuel tax treatment for volunteer ambulance services, fire companies, fire departments and rescue squads.	L	L	
Update Criteria for Refusal and Revocation of a Sales Tax Certificate of Authority.	M	Omitted.	
Expand the cigarette and tobacco retailer registration clearance process.	N	Omitted.	
Increase the civil penalty for possessing unstamped cigarettes.	O	O	
Suspend delinquent taxpayers' driver's licenses.	P	P	Amended.
Amend wage garnishment provisions.	Q	Q	Amended.
Allow local governments to extend existing sales tax rates without State legislative approval.	R	Omitted.	
Eliminate certain Quick Draw restrictions.	S	Omitted.	
Extend Monticello Casino and Raceway video lottery terminal venue distribution rates.	T	T	
Make certain tax rates and authorization for account wagering permanent.	U	U	Amended.
Extend the sunset date of the enhanced tax credit including refundability provisions by five more years through tax year 2019.	V	V	
Amend diesel fuel tax laws.	W	W	Amended.
Amend farm vehicle exemption to highway use tax.	X	X	
Amend income calculation for small businesses and small farms		Y	
Reduce tax rates for qualified manufacturers for two years.		Z	
Provisions related to hire a veteran tax credit		AA	
Extend the temporary State energy and utility conservation assessment (18-a).	TED Part N	BB	
Create $350 tax rebate program for middle income families with children for three years.		CC	
Expand the New York Youth Works tax credit program.		DD	
Add a minimum wage reimbursement credit		EE	
Extend certain Personal Income Tax provisions, including the high-income tax rates, for three years.		FF	
Establish a New York State Teen Health Education Fund		GG	
Expand eligibility for businesses participating in the Excelsior Linked Deposit Program.		HH	
Amend Small Business Revolving Loan Fund		II	
Creates a New York State Innovation Venture Capital Fund		JJ	

Source for all Article VII Bill Sections Summary Charts: Office of the State Comptroller; Division of the Budget