Report on the State Fiscal Year 2010-11 Enacted Budget

September 2010

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New York State Comptroller

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Executive Summary

As with other states, New York State has struggled with the lasting effects of the nation's longest recession since the Great Depression of the 1930s. As increased demand for social services drove significant new spending and the economic downturn caused revenues to plunge, the gap between spending and revenue grew. Because New York entered the Great Recession with a significant existing structural budget imbalance, the State was in an especially weak position to address the accompanying loss of revenue and increase in spending.

The following summarizes the Comptroller's analysis of the State Fiscal Year (SFY) 2010-11 Enacted Budget:

- Actions taken to close the projected $9.2 billion budget gap for SFY 2010-11 include cuts across all major programmatic areas of spending. While many of these actions are recurring, the Budget also relies on approximately $16.7 billion in non-recurring or temporary resources, which will inevitably contribute to gaps between revenue and spending in future years.

- Of the actions taken to close the projected gap, the Office of the State Comptroller has identified up to $3.4 billion as risky, meaning some resources in this category are likely to either not materialize or come in lower than projected due to overly optimistic estimates or assumptions.

- The SFY 2010-11 Enacted Budget projects All Funds spending to total $136 billion, an increase of approximately $9.0 billion, or 7.1 percent, over SFY 2009-10. When adjusted for payments that were delayed from SFY 2009-10 into SFY 2010-11, projected spending increases $4.9 billion, or 3.8 percent.

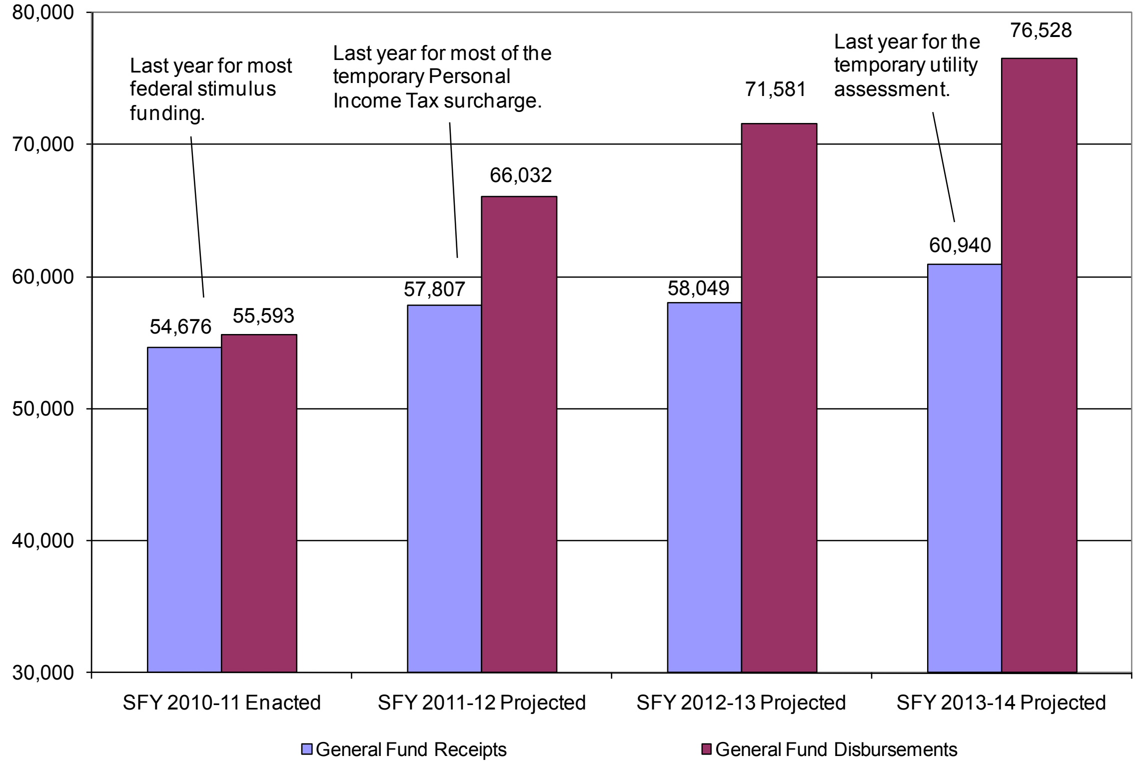
- The SFY 2010-11 Enacted Budget Financial Plan projects All Funds receipts will increase to $134 billion—an increase over SFY 2009-10 of $7.5 billion, or 6.0 percent. This includes a net increase of $4.0 billion, or 8.7 percent, in federal receipts, which is largely composed of stimulus funds.

- Throughout the recession and into the current fiscal year, the State has used these temporary federal funds to plug its annual budget gaps. However, as these funds expire, the structural deficit remains. The budget gap is projected to grow to $15.6 billion in SFY 2013-14.

- The State faces significant out-year budget gaps. Through SFY 2013-14, General Fund spending is projected to grow by $24.3 billion, or 46.6 percent, while revenue is projected to grow by only $8.4 billion, or 16.0 percent.

General Fund Receipts vs Disbursements

(in millions of dollars)



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

- Despite some positive economic signs, the recovery appears to have slowed, with persistent high unemployment causing sustained demand for social services. A stalled economic recovery could create a current year gap and drive even larger out-year deficits.

- Because the Financial Plan was released almost five months into the fiscal year and because there is an unusually large amount of risk associated with actions taken in the Enacted Budget, close fiscal monitoring is critical. Rapid action will be essential to address any gaps caused by revenue shortfalls or higher-than-expected spending.

The State's structural imbalance and dysfunctional budget process contributed to the late enactment of the SFY 2010-11 budget 125 days into the fiscal year. The Budget that was ultimately enacted neither fully addressed the State's structural imbalance nor fixed the broken budget process that contributed to the delay. The Budget was enacted in pieces, and is scattered over nearly two dozen appropriation and language bills, including 12 temporary spending bills. Legislative budget conference committees were never held and the budget was negotiated largely behind closed doors. The need for comprehensive fiscal reform to address these deficiencies could not be more clear.

Comptroller DiNapoli's Strategy for Fiscal Reform would impose fiscal discipline, add full transparency and accountability to the budget-making and enactment process, and fix the broken budget by requiring the State to address out-year budget gaps, attain multi-year budget balance, align spending with available resources, limit debt and curb the use of fiscal gimmicks.[1]

[1] See Comptroller DiNapoli's report, *Strategy for Fiscal Reform*, released March 2010. This report is available on the Internet at www.osc.state.ny.us/reports/budget/2010/fiscalreform_mar2010.pdf.

Financial Plan Overview

From April 2008 through March 2010, State revenue fell short of meeting Financial Plan estimates in 16 out of 24 months. This is not necessarily the result of poor revenue forecasting, but may be attributed to the intensely volatile economic climate. Uncertain economic conditions resulted in upward pressure on certain major categories of spending such as Medicaid, which accounts for almost one-third of all State spending and has grown nearly 50 percent in just eight years. Other states have had similar experiences as they struggle to maintain balanced budgets while available revenues drop or fail to keep pace with rising expenses.

As with most states, New York welcomed the fiscal relief provided by the federal government. However, the State is ill-prepared for the impending end of stimulus funding. In fact, over $5.0 billion in stimulus funds and $9.0 billion in other non-recurring or temporary actions were used to keep the SFY 2009-10 budget in balance—totaling approximately 27 percent of General Fund spending.

For SFY 2010-11, the State faced a $9.2 billion General Fund current services gap. While many of the actions taken to close this gap are recurring, including major spending reductions, the budget relies heavily on temporary measures for balance. These measures include $5.9 billion in remaining stimulus funds and another $10.7 billion in other resources that will phase out over the next few years. Nearly 30 percent of General Fund spending, or $16.7 billion, is supported with non-recurring or temporary funding, most of which will be gone within three years.

The effect of this is illustrated by out-year General Fund gap projections. By SFY 2013-14, only $1.6 billion of the $16.7 billion in non-recurring or temporary resources used to balance the SFY 2010-11 Budget is expected still to be available. The gap is expected to exceed $15.5 billion in that year, equal to 20 percent of projected General Fund spending. The SFY 2010-11 Enacted Budget did little to restructure spending or revenue to prepare for the loss of these temporary resources.

SFY 2010-11 – Enacted Budget Analysis

The SFY 2010-11 Enacted Budget Financial Plan projects All Funds receipts will increase to $134.3 billion—an increase over SFY 2009-10 of $7.5 billion, or 6.0 percent. This includes a net increase of $4.0 billion, or 8.7 percent, in federal receipts, which is largely composed of stimulus funds. All Funds tax collections are projected to increase $4.1 billion, or 7.2 percent, and miscellaneous receipts are expected to decline $543 million, or 2.3 percent, largely due to the loss of non-recurring receipts that were collected in SFY 2009-10.

The SFY 2010-11 Enacted Budget projects General Fund receipts will increase to $54.7 billion—an increase of $2.1 billion, or 4.0 percent, over SFY 2009-10. This includes an increase of $2.9 billion, or 7.9 percent, in tax collections, primarily from the Personal Income Tax, which is projected to increase $1.7 billion, or 7.6 percent. General Fund miscellaneous receipts are expected to decline $991 million, or 25.5 percent, as non-recurring receipts that had been collected in SFY 2009-10 are no longer available.

Adjusted and Unadjusted Comparison of SFY 2009-10 and SFY 2010-11
(in millions of dollars)

Unadjusted for Timing Delays

Receipts	**2009-10**	**2010-11**	**Dollar Change**	**Percent Change**
General Fund (including transfers from other funds)	52,556	54,676	2,120	4.0%
All Governmental Funds	126,748	134,296	7,548	6.0%

Disbursements	**2009-10**	**2010-11**	**Dollar Change**	**Percent Change**
General Fund (including transfers to other funds)	52,202	55,593	3,391	6.5%
All Governmental Funds	126,877	135,887	9,010	7.1%

Adjusted for Timing Delays

Receipts	**2009-10**	**2010-11**	**Dollar Change**	**Percent Change**
General Fund (including transfers from other funds)	52,056	55,176	3,120	6.0%
All Governmental Funds	126,248	134,796	8,548	6.8%

Disbursements	**2009-10**	**2010-11**	**Dollar Change**	**Percent Change**
General Fund (including transfers to other funds)	54,262	53,533	(729)	-1.3%
All Governmental Funds	128,937	133,827	4,890	3.8%

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

All Funds spending is projected to total $135.9 billion in SFY 2010-11, representing an increase of $9.0 billion, or 7.1 percent, over SFY 2009-10. However, if payments that were delayed from SFY 2009-10 into SFY 2010-11 are adjusted out, the year-to-year increase is $4.9 billion, or 3.8 percent.[2]

[2] When adjusting for school aid payment delays, the delayed payment amount is subtracted from the SFY 2010-11 spending estimate and added to the SFY 2009-10 spending total. This has the effect of showing higher spending in the prior fiscal year, making spending—and the growth in spending—appear smaller in the current fiscal year. The Division of the Budget (DOB) states that an additional $2.0 billion in federal stimulus "pass through" funding was expected in SFY 2009-10 but not actually received, which would have lowered the year-to-year increase further. However, adjustments shown by the Office of the State Comptroller are based on actual occurrences and do not include the additional pass-through funding identified by DOB.

General Fund spending is projected to total approximately $55.6 billion in SFY 2010-11, an increase of $3.4 billion, or 6.5 percent, over SFY 2009-10. However, when adjusted for one-time spending delays, General Fund spending declines by $729 million, or 1.3 percent. Some of this decline is due to shifts of spending to other funds, which lowers spending in the General Fund but increases it in other State funds.

For example, in education, General Fund spending is projected to decline $699 million while All Funds spending is projected to increase $609 million. Of the total General Fund decrease, $480 million reflects a shift of spending to State Special Revenue Lottery Funds in anticipation of the receipt of additional lottery revenue, including $380 million expected from non-recurring franchise fees associated with Aqueduct Racetrack. The shift in spending reduces the $9.2 billion General Fund spending gap, but does not reduce spending for all funds combined.

The Financial Plan indicates that approximately $4.6 billion of All Funds spending is attributable to "pass-through" spending that will not recur after the stimulus funding stream ends in SFY 2011-12. This is an increase of $2.3 billion from SFY 2009-10, primarily in Federal Medical Assistance Percentages (FMAP) funding and State Fiscal Stabilization Funds supporting education.[3] However, much of these funds support, at least in part, ongoing costs that are not one-time in nature. For example, over $500 million in recurring school aid is funded with temporary federal stimulus funds.

General Fund Current Services Gap

Evolution of the SFY 2010-11 General Fund Budget Deficit

When the SFY 2009-10 budget was enacted in April 2009, the Division of the Budget (DOB) projected a SFY 2010-11 budget gap of $2.2 billion. This was increased to $4.6 billion in the First Quarterly Update to the Financial Plan issued July 30, 2009, primarily due to lowered revenue projections. This was in addition to the $2.1 billion gap projected for the remainder of SFY 2009-10, creating a two-year gap of $6.7 billion.

In the Mid-Year Financial Plan update released October 30, 2009, DOB increased its estimate of the two-year gap to nearly $10 billion (including $3.2 billion in SFY 2009-10 and $6.8 billion in SFY 2010-11) and announced administrative gap-reducing actions totaling approximately $1.2 billion through March 31, 2010.

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[3] On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA), a recovery package totaling an estimated $787 billion that is designed to stimulate the national economy. The largest portion of stimulus funding reflects increased Medicaid reimbursements or Federal Medical Assistance Percentages (FMAP). Additional federal funding for education purposes totaling $1.3 billion (including $608 million for Education Jobs and $697 million for Race to the Top) was approved after the Enacted Budget was completed, and is not included in Financial Plan totals. Additional spending authority is necessary to disburse these funds.

The Legislature enacted a Deficit Reduction Plan (DRP) that provided $2.7 billion in relief for SFY 2009-10 and $692 million for SFY 2010-11, including the administrative actions announced by the Executive in October. Approximately 66 percent of the DRP was non-recurring in nature.

In the SFY 2010-11 Executive Budget released in January 2010, the two-year deficit projection was increased to $7.4 billion, including $500 million that was not addressed in the December DRP (the Executive Budget rolled this deficit into SFY 2010-11 by delaying tax refunds). The deficit projection was increased in February to $8.2 billion, when the Executive released the 21-day amendments to the Executive Budget.

Finally, the projected gap increased an additional $1.0 billion to $9.2 billion through March. This reflected the results of the Revenue Consensus process, which lowered expected tax collections by $850 million, as well as non-recurring actions that were included in the December DRP that either did not occur at all (such as revenue associated with Aqueduct Racetrack) or did not produce the level of revenue anticipated (such as tax amnesty program revenue, where $250 million was expected but only $54 million was received).

The General Fund ended SFY 2009-10 with a balance of $2.3 billion, $929 million higher than anticipated, primarily due to $2.9 billion in payments and refunds that were delayed from SFY 2009-10. However, while the General Fund had $929 million more than anticipated, DOB delayed $1.1 billion more than anticipated, thus creating a net negative Financial Plan impact of approximately $202 million.

General Fund Gap-Closing Measures for SFY 2010-11

According to the estimates provided in the Enacted Budget Financial Plan, the General Fund is balanced for SFY 2010-11. The Financial Plan indicates that the projected $9.2 billion General Fund current services gap is closed through a combination of new federal stimulus funding, new revenue, spending reductions, spending shifts and non-recurring resources. However, $16.7 billion in resources are temporary in nature.

The gap-closing actions include new revenue totaling $1.0 billion in SFY 2010-11, $5.6 billion in spending reductions, $660 million in non-recurring resources and an additional $804 million in FMAP flexible federal stimulus funding. As a result of payments and refunds delayed at the end of SFY 2009-10, the fiscal year closed with an unrestricted fund balance of $929 million.

General Fund Current Services Gap

(in millions of dollars)

	SFY 2009-10	SFY 2010-11
21 Day Amendment Adjusted Gap	**(1,654)**	**(7,534)**
Defer Deficit	1,654	(1,654)
Current Services Gap	**-**	**(9,188)**
December 2009 DRP		692
Gap to be Closed	**-**	**(8,496)**
Spending Reductions/Savings		
Local Assistance		
School Aid	-	1,497
Lottery Changes	-	180
Other Education/Special Education/Arts	-	142
Medicaid Fraud	-	300
HCRA Offload	-	103
Eliminate Automated Increases	-	99
Other Health Care	-	277
Higher Education	-	224
STAR	-	121
Human Services/Labor/Housing	-	214
Mental Hygiene	-	61
Local Government Assistance	-	325
Other Local Assistance	-	173
State Operations		
Agency Reductions - Early Retirement	-	1,233
Pension Amortzation/Fringe Benefit Changes	-	287
Debt Management		100
Capital Reduction Plan	-	10
FMAP Contingency	-	281
Total Spending Reductions/Savings	**-**	**5,627**
Revenue Actions		
Tax Actions		
Temporarily Eliminate Sales Tax Clothing Exemption	-	330
Cigarette/Tobacco Tax	-	290
Business Tax Credits	-	100
Charitable Contributions	-	100
Film Credit	-	-
Empire Zone Replacement	-	-
Other Tax	-	73
Audits/Recoveries		
Native American Sales Enforcement	-	150
Other Audit Recoveries	-	221
Other Revenue		
Abandoned Property	-	100
Other	-	41
Total Revenue	**-**	**1,405**
Non-Recurring	-	660
Extension of Federal Stimulus (FMAP)	-	804
Total Actions Toward Deficit	**-**	**8,496**
Remaining Gap After Actions	**-**	**-**

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

Non-recurring or Temporary Resources

According to the Financial Plan, only $660 million in non-recurring resources are used to close the $9.2 billion General Fund gap. This includes federal Temporary Assistance for Needy Families (TANF) resources and the timing of certain payments.

However, in addition to the non-recurring actions used in closing the General Fund gap, the budget relies on approximately $16.7 billion in non-recurring or temporary actions to maintain General Fund balance. The use of these resources to pay for recurring expenses exacerbates the structural deficit, making future budgeting more difficult. This is because recurring spending is built into the budget without sufficient recurring revenue to pay for it. Out-year gaps projected in the Financial Plan clearly illustrate a persistent and growing structural problem.

While stimulus funds were used in accordance with strict federal guidelines, the Enacted Budget does not include any long-term reform or restructuring of the Budget to prepare for the time when these temporary funds are no longer available. There is a short window of opportunity, as the majority of the temporary resources phase out over the next three years, to implement meaningful, comprehensive reforms and address the State's long-term structural budget imbalance.

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

	SFY 2010-11
Temporary Personal Income Tax	5,773
Stimulus FMAP Increase	4,054
Stimulus Fiscal Stabilization	1,854
Non-recurring (GEA) School Aid Adjustment	1,497
Use of Refund Reserve	906
DOB Reported Non-recurring Actions	660
Temporary Utility Assessment	557
Aqueduct Franchise Fee	380
Temporary Suspension of Clothing Sales Tax Exemption	330
Elimination of AIM Payments to New York City	302
FMAP Contingency	281
Non Specific Fund Sweeps	231
Abandoned Property	165
Deferred Tax Credits	100
Other (including December DRP) *	(397)
Temporary Resources	**16,693**

* Includes costs associated with prior non-recurring actions, such as $391 million from spin-up of federal education stimulus dollars, as well as other costs/benefits from the December DRP.

Spending Reductions and Other Savings Actions

As shown in the General Fund Current Services Gap table on page 8, the SFY 2010-11 Enacted Budget includes just over $5.6 billion in General Fund spending-related savings and reductions. These include $1.8 billion in school aid and lottery reductions, $1.5 billion of which is temporary. This reduction also includes $779 million in health care cuts and other savings actions (including $300 million in new fraud prevention and recovery funds), $419 million in legislative restorations that were vetoed by the Executive and $224 million in various higher education spending cuts.

The Financial Plan also includes $281 million in non-recurring, local assistance spending cuts that are available to the Director of DOB as a result of a new FMAP Contingency Fund. Other spending reductions include $121 million in STAR programs and $61 million in various mental hygiene programs.

FMAP Contingency Reserve Fund

The Executive Budget had anticipated new, additional FMAP stimulus funding totaling $1.1 billion that had not yet been approved by the federal government. Because this funding still had not been approved by the U.S. Congress when the State Legislature was finalizing the Budget, the Executive proposed and the Legislature enacted a law that created a contingency reserve fund that would be used to account for local assistance appropriation reductions if new FMAP funding did not occur.

The language authorizes the Director of DOB, beginning September 16, to withhold uniform percentage reductions in local assistance payments from all undisbursed General Fund and State special revenue fund aid-to-localities appropriations, up to $1.085 billion. The amount allowed to be cut is up to the shortfall between the actual amount of new FMAP funding approved and the estimated amount of $1.085 billion.

Certain payments are excluded from these reductions, including public assistance payments and Supplemental Security Income (SSI) payments for the aged, blind and disabled; debt service payments; court-ordered payments; payments for CUNY senior colleges (SUNY is exempt because it receives State Operations appropriations); and MTA payments related to the mobility tax.

On March 31, 2011, DOB will calculate the difference between the actual closing balance and the projected 2010-11 Financial Plan closing balance in the General Fund and will disburse any excess by April 15, 2011 to mitigate payment reductions, but not until the Director of DOB certifies that the General Fund made all planned payments (including tax refunds) anticipated in the Enacted Budget Financial Plan, restored all balances in tax stabilization and rainy day reserves to the April 1, 2010 levels, and maintained other designated balances as planned.

The chapter of law that creates the FMAP contingency reserve fund also moves the statutory September 15 school aid payment date to on or before September 30 to provide cash flow relief and to make such payments potentially subject to spending reductions.

Subsequent to budget passage, Congress passed legislation that is expected to provide New York with an additional $804 million in FMAP funds, thereby leaving a reduced shortfall of $281 million. A reduction of $281 million associated with this contingency plan is identified in the Financial Plan only as General Fund relief.

Reserves

The General Fund ended SFY 2009-10 with a closing balance of more than $2.3 billion. The Financial Plan projects that $917 million of this amount in unrestricted reserves will be used to maintain General Fund balance in SFY 2010-11. The Financial Plan also projects that the Community Projects Fund will use $11 million from remaining balances within that Fund for legislative initiatives still available after vetoes.

General Fund Reserves—SFY 2009-10 Actual and SFY 2010-11 Projected

(in millions of dollars)

	Actual March 31, 2010	Enacted SFY 2010-11 August 2010	Difference from 21 Day Amendment Projections
Tax Stabilization Reserve Fund	1,031	1,031	-
Rainy Day Reserve	175	175	-
Contingency Reserve Fund	21	21	-
Unrestricted Refund Reserve	979	73	(906)
Community Projects Fund	96	85	(11)
Total	**2,302**	**1,385**	**(917)**

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

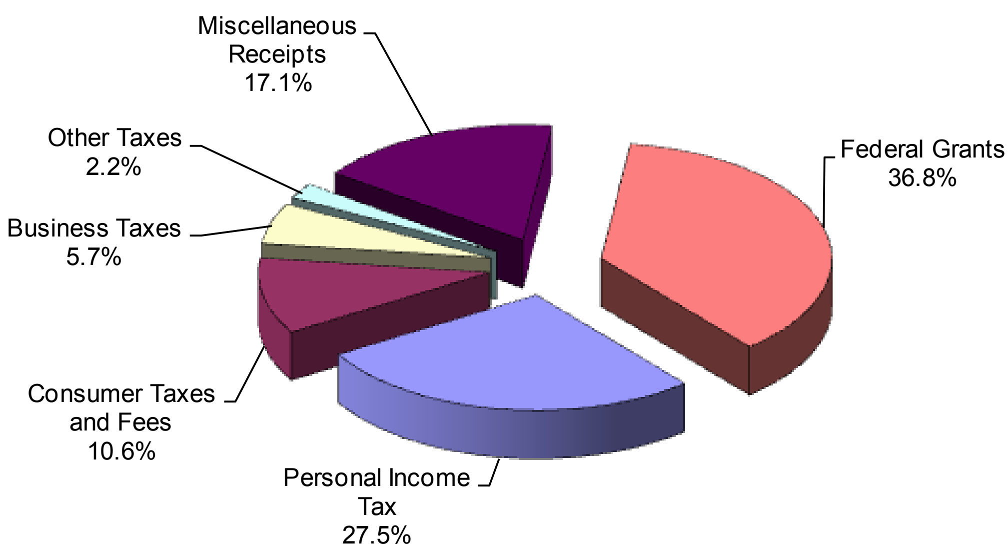
Note: DOB indicates that $73 million of the Refund Reserve may be used for debt reduction, although there is no disbursement for this purpose included in the Financial Plan. Totals may not add due to rounding.

SFY 2010-11 Sources and Uses of Funds

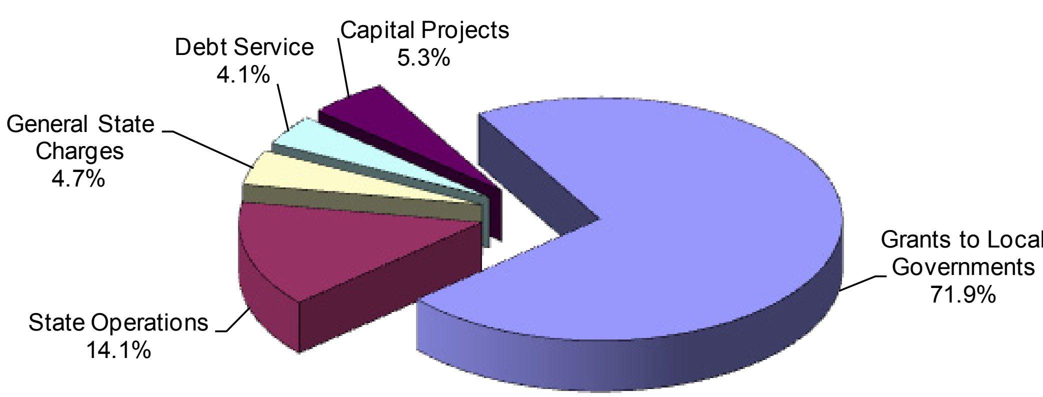
Receipts comprise various taxes, miscellaneous receipts (such as Lottery revenue and various fees) and federal receipts. In SFY 2003-04, taxes made up 42.7 percent of All Funds receipts and federal grants made up 37.7 percent. In SFY 2009-10, taxes made up 45.5 percent of All Funds receipts and federal receipts made up 35.9 percent. The SFY 2010-11 Enacted Budget estimates taxes will make up 46 percent of All Funds receipts (including new tax actions) and federal grants will increase to 36.8 percent. With federal ARRA funds available only through SFY 2012-13, this shift in All Funds revenue sources is temporary.

Approximately 72 percent of all State spending comprises payments to school districts, local governments, hospitals and other service providers in the form of Local Assistance payments. In SFY 2009-10, such payments accounted for approximately 72 percent of the All Funds budget, in line with the historical average, as they do in the SFY 2010-11 Enacted Budget. Capital Projects spending increases from 4.5 percent of the total to 5.3 percent.

SFY 2010-11 All Funds Receipts



SFY 2010-11 All Funds Disbursements



Spending Growth

While General Fund spending is projected to grow by $3.4 billion in SFY 2010-11, much of this growth reflects the shifting of spending that would normally occur in the General Fund to other funds as a result of federal stimulus funding and the use of lottery resources, as well as the impact of payment delays ($2.1 billion was delayed from SFY 2009-10 into SFY 2010-11).[4] Accordingly, an analysis of All Funds spending helps to identify major categories of growth without these distortions.

The $9.0 billion projected increase in All Funds spending is primarily driven by education (58.5 percent of total growth, largely because of the $2.1 billion in delayed payments made at the beginning of the fiscal year), health (17.8 percent of total growth), transportation (11.2 percent of total growth), general State charges (6.7 percent of total growth) and State-supported debt service (6.2 percent of total growth).

These figures reflect unadjusted spending levels on a cash-basis. For instance, spending for lower education (including school aid, STAR, a portion of Medical Assistance and other special education categorical programs) will increase nearly $5.3 billion in All Funds. While this may be literally true, adjusting for payments made in June 2010 (current fiscal year) that were initially scheduled for March (previous fiscal year) changes that growth to approximately $1.2 billion or 3.9 percent year over year.

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

	SFY 2009-10 Actual	SFY 2010-11 Enacted	Dollar Growth	Percentage Growth	Percentage of Total Growth
Economic Development Government Oversight	1,645	1,605	(40)	-2.4%	-0.4%
Parks and Environment	1,146	1,247	101	8.8%	1.1%
Transportation	7,855	8,861	1,006	12.8%	11.2%
Health including DOH Medicaid	42,407	44,010	1,603	3.8%	17.8%
Social Welfare	9,629	9,741	112	1.2%	1.2%
Mental Hygiene	6,907	7,396	489	7.1%	5.4%
Public Protection/Criminal Justice	4,811	4,750	(61)	-1.3%	-0.7%
Higher Education	9,237	9,171	(66)	-0.7%	-0.7%
Education including School Aid	27,702	32,974	5,272	19.0%	58.5%
General Government	3,876	4,045	169	4.4%	1.9%
Local Government Assistance	1,080	791	(289)	-26.8%	-3.2%
Debt Service	4,961	5,516	555	11.2%	6.2%
General State Charges	5,733	6,337	604	10.5%	6.7%
Other	(112)	(557)	(445)	397.3%	-4.9%
Total	**126,877**	**135,887**	**9,010**	**7.1%**	**100.0%**

Source: Division of the Budget.

[4] Payment delays moved over $2.0 billion in spending that was scheduled to occur in SFY 2009-10 to occur in SFY 2010-11 instead. This has the effect of lowering spending in the prior fiscal year, making spending—and the growth in spending—appear larger in the current fiscal year.

Federal Stimulus

Approximately $5.9 billion of New York's ARRA funding is projected to be used for General Fund budget balance in SFY 2010-11, with an additional $4.6 billion being passed through to local governments. Between SFY 2008-09 and SFY 2009-10, approximately $5.5 billion in ARRA funding was used to support spending at the State level and an additional $2.7 billion was used to support spending at the local level (although this spending also passes through the State's Financial Plan).

The State also receives additional benefit through indirect stimulus programs such as the Build America Bond program. According to the SFY 2010-11 Enacted Five-Year Capital Program and Financing Plan (Capital Plan), the use of these federally subsidized taxable bonds is projected to save the State nearly $500 million over the life of the bonds as compared to more traditional financing methods. Stimulus funding is expected to continue through SFY 2011-12. In SFY 2012-13, the State will either have to eliminate spending that has been supported with these temporary resources or replace the revenue sources.

Vetoes

The Executive vetoed nearly 6,700 lines of appropriation, contending that the Legislature had not fully addressed the General Fund deficit. Because appropriations for Public Protection and General Government, Transportation, Economic Development and Environmental Protection, and the 12 previously enacted temporary spending budget bills (which included a portion of Health and Mental Hygiene) were already chaptered into law, all vetoes occurred in the remaining appropriation bills for Education, Labor and Family Assistance and the remaining portion of Health and Mental Hygiene.

Summary of Vetoes

	Appropriation and Reappropriation Total	Number of Vetoes
Health and Mental Hygiene	$ 146,542,036	1,972
Education, Labor & Family Assistance	$ 658,746,262	4,709
Total	**$ 805,288,298**	**6,681**

Approximately $533 million in savings in SFY 2010-11 is attributed to vetoes of new appropriations, including $419 million from school aid, $51 million from the Tuition Assistance Program (TAP) and $56 million from community college aid. In addition,

$190 million in reappropriations was also vetoed, primarily reflecting legislative additions and member items.[5]

The Executive also vetoed the entire Education, Labor and Family Assistance Article VII bill, which provided implementation language for the appropriations contained in the corresponding appropriation bill.[6] This means existing statute will be used to govern spending. The Executive referred to the Legislature's inclusion of a reduction in the Gap Elimination Adjustment (GEA) as a "poison pill," because it essentially negated his veto of the Legislature's school aid restoration. However, as the veto message acknowledges, the bill contained many other amendments to existing law, including those related to the Tuition Assistance Program (TAP), many of which were proposed in the Executive Budget.

Cash Flow

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

Prior to SFY 2009-2010, the General Fund was statutorily prohibited from ending a month with a negative balance. In response to projections that the State would face significant cash flow problems during the fiscal year, the Enacted Budget for SFY 2009-10 included language to allow the General Fund to borrow from other funds in the State's Short Term Investment Pool (STIP) for a period not to exceed four months or until the end of the fiscal year, whichever is shorter, to meet its obligations in the event of a cash shortfall (inter-month borrowing). Previously, temporary loans from other funds in STIP were allowed, but had to be paid back within the same month (intra-month borrowing).

General Fund temporary loans that cross over several months are indicative of a severe cash flow problem. In prior years, the State was able to balance the General Fund by month's end. In SFY 2009-10 and again in SFY 2010-11, this has no longer been the case. In December 2009, for the first time in recent history, the General Fund ended a month with a negative balance, which amounted to $205 million. In order to maintain a reasonable level in STIP, DOB delayed $750 million in payments until January. In March 2010, DOB delayed payments to maintain reserve balances at the end of the 2009-10 fiscal year. In June, DOB again delayed payments to maintain STIP levels.

According to the Financial Plan, the General Fund is expected to end August 2010 with a negative balance of $28 million. However, All Funds balances (which represent

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[5] Note that reappropriated spending can occur through the SFY 2009-10 appropriation lapse period, which ends September 15, 2010.

[6] The State budget comprises appropriation bills, which provide authorizations for State agencies and public authorities to spend, and Article VII bills and language bills, which govern how such appropriations will be administered, implemented and/or financed.

unrestricted STIP funds) will total $4.9 billion. If the Financial Plan stays within current projections, the General Fund and unrestricted STIP levels should be positive throughout the rest of the year. However, both average General Fund and unrestricted STIP monthly levels as a percentage of total spending are still quite low compared to historical levels.

Average Monthly Balances of General Fund and Unrestricted STIP as a Percentage of Total Annual Spending

Risks to the Financial Plan

The SFY 2010-11 Enacted Budget is predicated on a number of actions that may not ultimately provide the level of resources anticipated. This may create the need for Financial Plan adjustments and additional budget action within the current fiscal year. Up to $3.4 billion in risks remain in the SFY 2010-11 Enacted Budget, even with the resolution of the additional federal stimulus funding. These risks are associated with the tenuous state of the economic recovery as well as with the State's ability to achieve the full amount of projected savings or revenue.

While some of these resources will be realized, it is difficult to project what portion will not be realized. Therefore, the full value of each action is presented. A significant portion of the total amount is uncertain, meaning some resources in this category are likely either not to materialize or to come in lower than projected.

For example, the Enacted Budget relies on over $520 million in additional tax audit and Medicaid fraud recoveries. While some revenue will undoubtedly be realized, the full amount projected may be overly optimistic. The workforce savings target, originally $250 million in the Executive Budget, has proven difficult to achieve. Yet this target has been increased to $500 million in the Enacted Budget.

Potential Risks to the Financial Plan
(in millions of dollars)

	2010-11
Various Non-recurring Resources (Including Fund Sweeps)	660
Workforce/State Operations Reductions	500
New Cigarette Taxes (including Native American Sales)	440
Temporary Reduction of Sales Tax Clothing Exemption	330
Additional Medicaid Fraud Recoveries	300
Blanket Fund Sweeps	231
Additional Tax Audit Recoveries	221
Additional Tax Revenue After Consensus	290
Additional Revenue from Unclaimed Funds	165
Additional Tax Collections from Charitable Contributions	100
Debt Service Savings	100
Additional Lottery Revenue from VLT Expansion	45
Total	**3,382**

The following are descriptions of the larger categories of risk in the SFY 2010-11 Enacted Budget.

The Economy

While the economy has shown some signs of improvement and several revenue sources are growing, there is still trepidation over the economic recovery. This Financial Plan is based on a recovering economy and expects significant growth. In fact, revenue projections were revised upwards by $290 million subsequent to the Revenue Consensus Process to reflect a more optimistic outlook.[7] Economic setbacks could easily undermine the revenue and spending assumptions in the Enacted Budget Financial Plan.

Personal Income Tax collections are expected to increase 6.2 percent. However, if non-recurring actions such as refunds delayed in SFY 2009-10 and a one-time

[7] Section 23 of the State Finance Law requires the Executive and the Legislature to reach consensus on All Governmental Funds tax collections, General Fund miscellaneous receipts and Lottery proceeds by March 1. If they do not reach agreement, the Comptroller is charged with providing a revenue estimate in their place. The 2010 Revenue Consensus Process reduced projected collections by $850 million.

payment from New York City that took place last year and the beginning part of this year are adjusted out, Personal Income Tax revenues are projected to grow over 10 percent.

Workforce Reductions

According to the Financial Plan, savings of $500 million will be achieved in State Operations spending, including $250 million each for personal and non-personal services. While there will be lower costs associated with the current early retirement incentives, additional workforce savings may be more difficult to realize.

Medicaid Fraud and Tax Audit Recoveries

The Enacted Budget includes $300 million in increased Medicaid fraud recoveries and another $221 million in tax audit recoveries for SFY 2010-11 and in each out-year through SFY 2013-14, reflecting significant increases over previous projections. This is in addition to projections for $250 million in non-recurring revenue from the tax amnesty program and $15 million in non-recurring Medicaid fraud resources included in the December 2009 DRP.

Tobacco-Related Tax Collections

The Enacted Budget Financial Plan projects $440 million in additional tax revenue associated with the consumption of cigarettes and other tobacco products. This includes $290 million from an additional $1.60 per pack user tax, which brings the total tax to $4.35 per pack, the highest in the nation. Increasing prices on cigarettes may not only lower consumption, it may also increase the incentive to buy cigarettes elsewhere, even illegally. Moreover, the $440 million includes $150 million in revenue associated with tax collections made from Native American sales. Past Financial Plans have often relied on such collections, but have never actually realized any revenue from them.

Blanket Sweep Revenue

The SFY 2010-11 Enacted Budget includes authorization to transfer up to $500 million, at the request of the Director of DOB, from the unencumbered balance of any special revenue fund or account, in addition to all other specific transfers included in the budget proposal and existing law, not including federal, debt service, capital projects or community projects funds. The Financial Plan is assuming approximately $231 million will be moved between funds under this authorization. This type of “blanket sweep” language has been included in the prior three enacted budgets, and it is unclear if this level of additional funds will be available from these dedicated sources.

Abandoned Property

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

In SFY 2010-11, the Enacted Budget Financial Plan relies on a total transfer of $650 million in Abandoned Property revenue, which is approximately $200 million more than has been historically available. This includes $35 million from a change in dormancy periods, which allows unclaimed funds to be considered abandoned in a shorter period. The levels projected in the SFY 2010-11 Financial Plan are likely not sustainable. Cash available to the Fund has been declining at the same time claims paid are rising significantly. It is a priority of the Comptroller to return funds to rightful owners.

Structural Imbalance – Out-Years

The State's chronic structural budget imbalance was made worse by the SFY 2010-11 Enacted Budget. The projected growth in General Fund spending is nearly three times the projected growth in revenues over the four-year period ending March 31, 2014. In All Funds, where the federal stimulus funds have been accounted for, disbursement growth is more than double the increase in revenues for the same period.

The SFY 2010-11 Enacted Budget relies on more than $16 billion in non-recurring or temporary resources, steepening the revenue cliff the State faces in the out-years. In addition, concerns that the economy will not recover as fast as projected or that resources may not materialize as expected heighten the risk that the State will face gaps even larger than current projections.

Projected Spending and Receipts Growth through SFY 2013-14

(in millions of dollars)

	SFY 2008-09 Actual	SFY 2009-10 Actual	SFY 2010-11 Enacted	SFY 2011-12 Projected	SFY 2012-13 Projected	SFY 2013-14 Projected
General Fund Receipts	53,801	52,556	54,676	57,807	58,049	60,940
General Fund Disbursements	54,607	52,202	55,593	66,032	71,581	76,528
All Funds Receipts	119,235	126,748	134,296	133,706	132,740	137,814
All Funds Disbursements	121,571	126,877	135,887	142,246	146,298	153,196

Percentage Growth	SFY 2009-10 Actual	SFY 2010-11 Enacted	SFY 2011-12 Projected	SFY 2012-13 Projected	SFY 2013-14 Projected	Total Growth 2009-10 through 2013-14	Average Annual Growth 2010-11 through 2013-14
General Fund Receipts	-2.3%	4.0%	5.7%	0.4%	5.0%	16.0%	3.8%
General Fund Disbursements	-4.4%	6.5%	18.8%	8.4%	6.9%	46.6%	10.1%
All Funds Receipts	6.3%	6.0%	-0.4%	-0.7%	3.8%	8.7%	2.2%
All Funds Disbursements	4.4%	7.1%	4.7%	2.8%	4.7%	20.7%	4.8%

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

Structural Imbalance: SFY 2011-12 through SFY 2013-14

The SFY 2010-11 Executive Budget (with 21-day amendments) projected a three-year cumulative out-year gap of $29 billion, assuming all revenue and savings actions proposed by the Executive were enacted. The Enacted Budget increased this cumulative out-year gap to $37 billion, reflecting a widening gap between spending growth and revenue growth. This out-year gap also reflects the loss of non-recurring and temporary resources.

The SFY 2010-11 Executive Budget (with 21-day amendments) projected a cumulative five-year current services General Fund gap (prior to any gap-closing actions) of $62 billion, including $1.4 billion from the remaining months of SFY 2009-10. The SFY 2010-11 Enacted Budget Financial Plan revised this projection to $66.3 billion, including a $1.7 billion gap from SFY 2009-10. This reflects the five-year cumulative gap projection prior to any legislative action on the Enacted Budget.

Projected General Fund Budget Growth Comparison
SFY 2010-11 through SFY 2013-14
(in millions of dollars)

	SFY 2010-11 Estimate	SFY 2011-12 Projected	SFY 2012-13 Projected	SFY 2013-14 Projected
Revenues				
Executive Budget Financial Plan	54,801	56,942	57,352	60,105
Enacted Budget Financial Plan	54,676	57,807	58,049	60,940
Disbursements				
Executive Budget Financial Plan	54,268	62,376	68,079	72,502
Enacted Budget Financial Plan	55,593	66,032	71,581	76,528
Structural Gap (before reserve actions)				
Executive Budget Financial Plan	533	(5,434)	(10,727)	(12,397)
Enacted Budget Financial Plan	(917)	(8,225)	(13,532)	(15,588)
Reserve Actions				
Executive Budget Financial Plan	(533)	48	71	-
Enacted Budget Financial Plan	917	48	71	25
Projected Gap (after reserve actions)				
Executive Budget Financial Plan	-	(5,386)	(10,656)	(12,397)
Enacted Budget Financial Plan	-	(8,177)	(13,461)	(15,563)

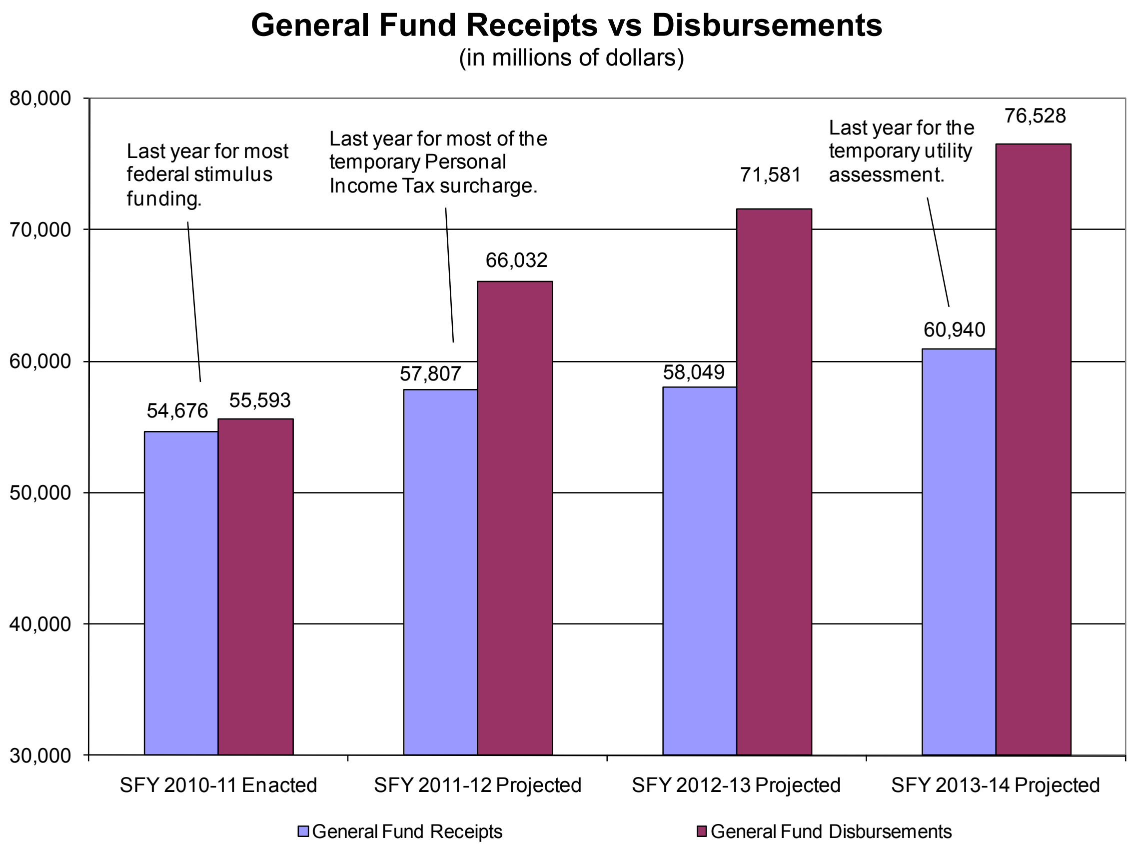
Source: Division of the Budget.

See Appendix E for a table that outlines the out-year impact of specific gap-closing measures included in the SFY 2010-11 Enacted Budget Financial Plan. The table illustrates final actions, including vetoes.

Continuation of a Structural Deficit

In the SFY 2010-11 Enacted Financial Plan, DOB projects General Fund spending will increase through SFY 2013-14 by 46.6 percent over SFY 2009-10, while receipts are projected to increase by just 16 percent. General Fund disbursements are expected to grow 10.1 percent annually on average, compared to only 3.8 percent annual growth for receipts through SFY 2013-14.

If non-recurring actions, including payment and refund delays, are adjusted out of SFY 2009-10 and SFY 2010-11, these figures improve marginally. In SFY 2011-12, when the majority of non-recurring and temporary resources are depleted, General Fund disbursements are expected to grow nearly 19 percent, while revenue is expected to grow just 5.7 percent, resulting in an $8.2 billion gap. In SFY 2012-13, when the temporary Personal Income Tax surcharge expires and another $4.0 billion in revenue evaporates, the projected General Fund gap increases to $13.5 billion.



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

The imbalance results from prior year spending and revenue decisions combined with new temporary actions enacted in SFY 2010-11. Not only will the General Fund lose the use of temporary resources that pay for recurring spending needs, but earlier decisions will continue to exacerbate the problem.

For example, by SFY 2014-15, it is projected that the Dedicated Highway and Bridge Trust Fund (DHBTF) will require more than $1.0 billion in General Fund resources to achieve balance, compared to only $237.2 million in SFY 2008-09, reflecting 324 percent growth. This increase results from spending not only for the originally intended capital purposes, but also from new non-capital spending, such as snow and ice removal, that has been shifted to the Fund over the years. The SFY 2010-11 Enacted Budget provides $699 million in General Fund subsidies for the DHBTF.

Out-year Implications of Vetoes

When the Legislature acted upon all spending bills, the Executive estimated a remaining General Fund gap of approximately $500 million. As a result, the Executive vetoed thousands of appropriations as well as the entire language bill associated with the implementation of the Education, Labor and Family Assistance appropriation bill.

The language bill veto does not prevent appropriations from being implemented, because existing statute provides the governing authority needed. Although the veto of the Education language bill provides some current year General Fund savings ($533 million), it prevents certain gap-closing actions from occurring in future years. As a result, the vetoes are projected to increase out-year gaps by approximately $1.9 billion between SFY 2011-12 and SFY 2013-14.

Overview of SFY 2010-11 Budget Vetoes
(in millions of dollars)

	SFY 2010-11 Enacted	SFY 2011-12 Projected	SFY 2012-13 Projected	SFY 2013-14 Projected
School Aid	419	(652)	(833)	(625)
Higher Education	107	89	64	63
Health Care	4	5	5	5
Arts	2	2	2	2
Housing	1	1	1	1
Capital Projects/Debt Service	-	1	1	1
Total Savings/Costs	**533**	**(554)**	**(760)**	**(553)**

Source: Division of the Budget.

Non-recurring and Temporary Resources

Since SFY 2008-09, the State has dramatically increased its dependence on non-recurring or temporary resources with significant out-year implications. In SFY 2010-11, the Enacted Budget relies on more than $16.7 billion in non-recurring or temporary resources for balance. In SFY 2011-12, only $7.4 billion of this amount will be available to meet spending needs. By SFY 2013-14, only $1.5 billion of these resources will remain.

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

	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14
Temporary Personal Income Tax	5,773	3,964	380	-
Stimulus FMAP Increase	4,054	203	-	-
Stimulus Fiscal Stabilization	1,854	509	-	-
Non-recurring (GEA) School Aid Adjustment	1,497	642	-	-
Use of Refund Reserve	906	-	-	-
DOB Reported Non-recurring Actions	660	-	-	-
Temporary Utility Assessment	557	557	557	557
Aqueduct Franchise Fee	380	-	-	-
Temporary Suspension of Clothing Sales Tax Exemption	330	210	-	-
Elimination of AIM Payments to New York City	302	-	-	-
FMAP Contingency	281	-	-	-
Non Specific Fund Sweeps	231	280	-	-
Abandoned Property	165	150	115	105
Deferred Tax Credits	100	970	970	870
Other (including December DRP) *	(397)	25	34	36
Temporary Resources	**16,693**	**7,510**	**2,056**	**1,568**

* Includes costs associated with prior non-recurring actions, such as $391 million from spin-up of federal education stimulus dollars, as well as other costs/benefits from the December DRP.

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

The Changing Structure of the Financial Plan

General State charges and debt service are among the fastest growing major categories of spending, respectively averaging projected growth of approximately 8.3 percent and 7.1 percent annually over the next four years.[8]

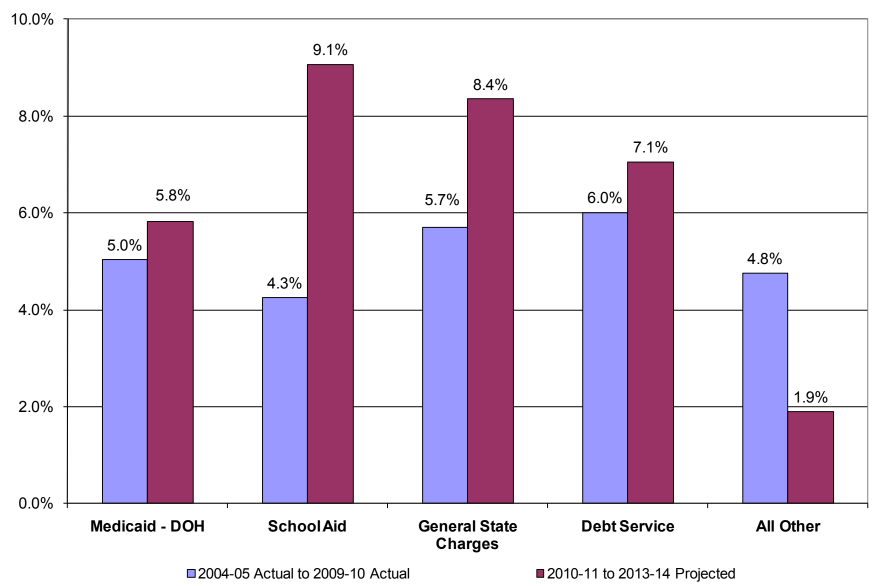
All Government Funds Receipts and Disbursements
(annual percent growth)

	Average Growth SFY 2005-06 through SFY 2009-10	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected	SFY 2013-14 Projected	Average Growth SFY 2009-10 through SFY 2013-14
Receipts:						
Taxes	3.7%	7.2%	6.1%	1.7%	5.1%	5.0%
Miscellaneous Receipts	8.4%	-2.3%	0.9%	-1.3%	0.1%	-0.6%
Federal Grants	5.0%	8.7%	-9.3%	-3.9%	3.8%	-0.2%
Total Receipts	**4.7%**	**6.0%**	**-0.4%**	**-0.7%**	**3.8%**	**2.2%**
Disbursements:						
Grants to Local Governments	4.5%	7.3%	4.7%	3.9%	5.9%	5.5%
State Operations	4.4%	-1.3%	2.1%	2.1%	0.9%	0.9%
General State Charges	5.7%	10.5%	8.3%	7.0%	7.5%	8.3%
Debt Service	6.0%	11.2%	9.4%	5.3%	2.3%	7.1%
Capital Projects	8.1%	26.1%	4.0%	-15.7%	-4.7%	2.4%
Total Disbursements	**4.8%**	**7.1%**	**4.7%**	**2.8%**	**4.7%**	**4.8%**

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

Medicaid, school aid, general State charges and debt service represent over 83 percent of the projected growth in All Funds spending through SFY 2013-14.

All Funds Disbursements by Category
(average annual percentage growth)



Source: Division of the Budget.

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

Debt and Capital

Over the ten-year period ending March 31, 2010, New York's State-Funded debt burden grew from $37 billion to $60.5 billion, an increase of 64 percent.[9] State-Funded debt per capita increased 59.4 percent, from $1,948 to $3,105, over the same period.

With $60.5 billion in State-Funded debt outstanding at the end of SFY 2009-10, New York State's debt burden is surpassed only by the State of California. According to Moody's Investors Service, New York State ranks fifth highest in the country for both debt per capita (3.3 times higher than the national median) and debt as a percentage of personal income (2.6 times the national median).[10]

Moreover, current projections for State-Funded debt indicate that New York's debt burden will continue to grow. The SFY 2010-11 Enacted Budget Five-Year Capital Program and Financing Plan (Capital Plan) projects a total of $22.8 billion in new State-Supported debt issuances over the five-year period between SFY 2010-11 and SFY 2014-15.[11] This amount does not include approximately $3.4 billion in new debt issuances backed with future State Building Aid payments that are planned by the New York City Transitional Finance Authority (TFA). Considering these additional issuances, total State-Funded issuances planned for the next five years increase to $26.2 billion.

Factoring in these new debt authorizations, the State-Funded debt burden will grow to nearly $67 billion by the end of SFY 2014-15, an increase of 95 percent from 1995 (5.0 percent average annual growth) and 63.7 percent from 2003 (5.7 percent average annual growth).

The State's new debt, combined with existing obligations, will increase State-Funded debt service costs to $6.4 billion in SFY 2010-11. State-Funded debt service is projected to grow to nearly $7.7 billion by SFY 2014-15 from $5.9 billion in SFY 2009-10. This reflects an increase of $1.8 billion, or 30.8 percent, from SFY 2009-10 and an increase of 87.8 percent from SFY 2000-01.

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[9] State-Funded debt includes debt supported by any financing arrangement whereby the State agrees to make payments which will be used, directly or indirectly, for the payment of principal, interest, or related payments on indebtedness incurred or contracted by the State itself for any purpose, or by any State agency, municipality, individual, public or private corporation or any other entity for State capital or operating purposes or to finance grants, loans or other assistance payments made or to be made by or on behalf of the State for any purpose. Among other provisions, the definition will apply (i) whether or not the obligation of the State to make payments is subject to appropriation, or (ii) whether or not debt service is to be paid from a revenue stream transferred by the State to another party that is responsible for making such payments.

[10] Moody's Investors Service. *2010 State Debt Medians*. May 2010.

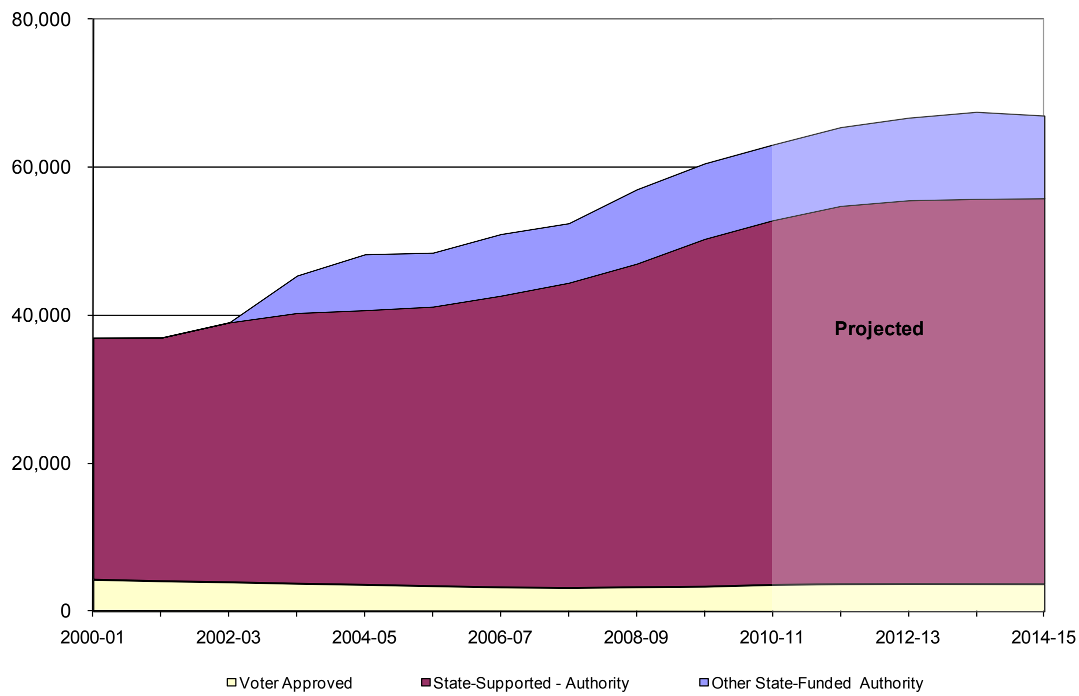
[11] "State-Supported" as defined by Section 67-A of the State Finance Law.

Projected State-Funded Debt Outstanding and Debt Service Levels

State-Funded Debt Outstanding

The projected $67 billion in State-Funded debt outstanding in SFY 2014-15 reflects an increase of $6.5 billion, or 10.7 percent, over SFY 2009-10 or average annual growth of 2.1 percent. The largest share of this growth is $5.1 billion from bonds issued by public authorities on behalf of the State and TFA Building Aid Revenue Bonds for New York City education needs. This debt is commonly referred to as back-door borrowing because it circumvents voter approval.[12] General Obligation debt increases $339 million, or 5.2 percent, over the next five years.

State of New York Projected State-Funded Debt Outstanding
SFY 2000-01 through SFY 2014-15
(in millions of dollars)



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

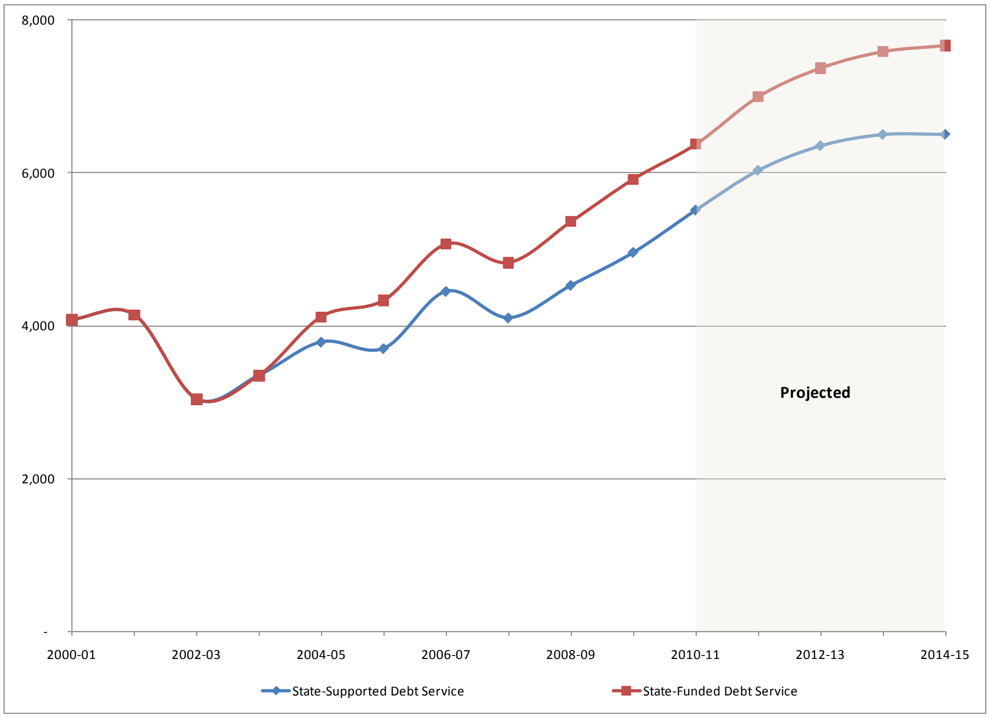
State-Funded Debt Service

In SFY 2009-10, the State spent $5.0 billion for debt service on outstanding State-Supported debt and an additional $899 million for other State-Funded obligations, for a total of $5.9 billion. State-Funded debt service is anticipated to grow to nearly $7.7 billion by SFY 2014-15, a 30.8 percent increase from SFY 2009-10.

[12] Backdoor borrowing relates to debt that is issued by public authorities on behalf of the State, thus by-passing the Constitutional requirement that voters approve all State debt. As of March 31, 2010, approximately $57.1 billion or approximately 94.4 percent of State-Funded debt outstanding was not approved by voters.

Both State-Funded and State-Supported debt service are projected to grow faster annually over the life of the Capital Plan than over the previous ten years. State-Supported debt service is again one of the fastest growing major spending categories within the State's Financial Plan.

Growth in State-Supported and State-Funded Debt Service
SFY 2000-01 through SFY 2014-15
(in millions of dollars)



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

Debt Management and Related Issues

Capital Reduction Program. The Capital Plan projects capital spending financed with debt will be reduced by $1.6 billion over five years from current planned levels, providing debt service savings of more than $200 million through SFY 2013-14.

Build America Bonds and Other Stimulus Financing Options. The State will continue the use of financing programs authorized by the American Recovery and Reinvestment Act, including federally subsidized Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs).

Consolidation of Personal Income Tax Revenue Bond Issuance. The SFY 2010-11 Enacted Budget continues the authorization provided by the Legislature in SFY 2009-10 to allow the Dormitory Authority of the State of New York (DASNY) and the Urban Development Corporation to issue Personal Income Tax Revenue Bonds for any authorized purpose.

Debt Reduction Reserve Fund. The SFY 2010-11 Enacted Budget included the Executive's proposal to transfer $250 million into the Debt Reduction Reserve Fund. While the Financial Plan does not currently include a transfer to the Debt Reduction Reserve Fund this year, the authorization is available if funds become available.

Reserve Debt Service. The SFY 2010-11 Enacted Budget includes language that authorizes the set-aside of funds to pay debt service on General Obligation and State-Supported service contract public authority bonds.

Competitive Sales. The Capital Plan assumes that at least 25 percent, or $1.5 billion, of new bond issuances will be sold competitively in SFY 2010-11 (meaning bonds will be sold to the bidder with the lowest bid meeting the terms of the sale). The remaining 75 percent, or $4.5 billion, will be sold through a negotiated sale (meaning the terms of the sale are part of a negotiated process between the issuer and the underwriter).

Capital Program

Capital spending over the life of the SFY 2010-11 Enacted Budget Capital Plan is estimated at approximately $46.6 billion. Over three-quarters of spending in the SFY 2010-11 Capital Plan is attributed to transportation, education or economic development/government oversight purposes. Transportation continues to comprise the largest share of capital spending, increasing throughout the life of the Capital Plan from 47.4 percent in SFY 2010-11 to 52.1 percent in SFY 2014-15. Education makes up the second largest area of capital spending with 19.7 percent of planned capital spending, over the five-year period.

Capital Spending by Function

(in millions of dollars)

	Actual SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	Average 2010-11 through 2014-15	Total Dollar 2010-11 through 2014-15	Total Percentage 2010-11 through 2014-15
Transportation	4,261	4,790	4,642	4,433	4,406	4,386	4,531	22,657	48.6%
Education/Higher Education	1,917	2,154	1,959	1,741	1,649	1,675	1,836	9,178	19.7%
Economic Dev/Gov Oversight	832	984	1,062	593	576	519	747	3,734	8.0%
Mental Hygiene	378	400	668	755	667	667	631	3,157	6.8%
Parks and Environment	579	703	693	491	463	456	561	2,806	6.0%
Health and Social Welfare	297	452	759	338	255	154	392	1,958	4.2%
Public Protection	316	349	381	368	372	381	370	1,851	4.0%
General Government	54	86	87	123	81	73	90	450	1.0%
Other	156	187	254	177	100	100	164	818	1.8%
Total	**8,790**	**10,105**	**10,505**	**9,019**	**8,569**	**8,411**	**9,322**	**46,609**	**100.0%**

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

Economic Outlook and Revenue

National Economy

The national economy began to grow in the third quarter of 2009 as business spending increased, manufacturing output rose, some job creation began, and consumer spending—which accounts for two-thirds of economic activity—increased. However, recent data indicate that the recovery has slowed, consumer confidence has weakened and the financial markets have become more volatile.

The real Gross Domestic Product (GDP) grew at an annual rate of 1.6 percent during the second quarter of 2010, which is substantially slower than the prior two quarters. IHS Global Insight forecasts that GDP growth will average less than 2.0 percent during the second half of 2010. Consumer spending rose by 3.0 percent in the first quarter of 2010—the largest growth rate since the first quarter of 2007. Although retail sales declined in May, the level of sales is still 8.6 percent above its low in December 2008. The consumer confidence index, which has shown little improvement over the past year, dropped sharply in June 2010.

Growth in private sector employment (which excludes temporary census jobs) has been weak, rising by only 0.7 percent, or 763,000 jobs, between December 2009 and August 2010. The national unemployment rate (seasonally adjusted) was 9.6 percent in August 2010, down from the peak of 10.1 percent in October 2009.

National home prices increased by 0.5 percent in May 2010, and are currently 4.6 percent higher than they were in May 2009. Sales of existing homes increased in the spring as a result of the extension of the federal tax credit for home buyers. After the credit expired, however, existing home sales fell by 27.2 percent in July, and new home sales fell by 12.4 percent—each representing the lowest level on record. Also, the number of foreclosures in July 2010 was 3.6 percent higher compared to one year earlier—but lower by 9.7 percent compared to the prior month.

Inflation is expected to remain low (less than 2.0 percent) until 2012, as the excess capacity in product markets continues, the unemployment rate remains high, wage growth remains very low, and the rise in the value of the dollar makes imports less expensive.

New York State Economy

New York State's economy is slowly improving, but the recovery is fragile and setbacks can be expected—as evidenced already by the decline in private sector employment in May and June, prior to an increase in July. Between April 2008 and December 2009, New York State lost 370,000 jobs, but has since then regained

69,000 jobs, which represent only 19 percent of the jobs lost. The rate of expansion in the State's economy is expected to moderate—like the nation's rate—during the second half of 2010. The unemployment rate in New York eased in July 2010 to 8.2 percent, which was lower than the national rate (9.5 percent). New York City's unemployment rate fell to 9.4 percent. While the unemployment rates in the State and City remain very high, they have improved more than the national rate.

New York State's estimated gross product grew by 3.3 percent in the second quarter of 2010, but the pace of growth is projected to slow and average less than 2.0 percent during the second half of the year. The Empire State Manufacturing Survey shows that business conditions improved again in August and that the employment component remains in the range associated with hiring.

Revenue

After declining by $7.5 billion, or 6.3 percent, in SFY 2009-10, All Funds receipts in SFY 2010-11 are expected to increase by $7.5 billion, or 6.0 percent, to $134.3 billion. General Fund receipts are projected to increase by over $2.1 billion, or 4.0 percent, to $54.7 billion. This includes a net increase of $4.1 billion in tax receipts due mainly to the Personal Income Tax ($2.1 billion), sales and use taxes ($946 million) the corporate franchise tax ($796 million) and cigarette and tobacco taxes ($401 million).

Personal Income Tax

All Funds Personal Income Tax receipts in SFY 2010-11 are now forecast to increase by $2.1 billion, or 6.2 percent, over the prior year. The increase in Personal Income Tax receipts reflects the gradual improvement in the economy, the full-year implementation of the temporary Personal Income Tax increase, the capital gains spin-up from the expectation of higher federal capital gains tax rates, and the $500 million delay in 2009 tax refunds from the last quarter of SFY 2009-10 to the first quarter of SFY 2010-11.

User Taxes and Fees

All Funds consumption tax receipts in SFY 2010-11 are forecast to increase by $1.4 billion, or 11.2 percent. The increase can be attributed mainly to increases in the sales tax as well as cigarette and tobacco taxes. Sales taxes are expected to increase by $946 million, or 9.0 percent, because of the improvement in the economy and the temporary elimination of the sales tax exemption for clothing and footwear. Cigarette taxes are forecast to increase by $401 million, or 29.4 percent, because of the tax increase of $1.60 per pack as well as enforcement of tax collections on Native American sales to non-Native American purchasers.

Business Taxes

All Funds business tax receipts are forecast to increase by $233 million, or 3.1 percent, in SFY 2010-11. The increase in business taxes is due to tax law changes and DOB's forecast that corporate profits will increase by 24.5 percent. The corporate franchise tax is forecast to increase by $796 million, or 31.7 percent, which is offset by declines in the bank tax ($376 million), the insurance tax ($81 million), the petroleum business tax ($54 million), and the corporation and utilities tax ($52 million).

Other Taxes

All Funds other tax receipts in SFY 2010-11 are forecast to increase $176 million, or 12.8 percent, over the prior year. This reflects the expectation that the Estate Tax will increase by $151 million or 17.5 percent because of the improved equities and credit markets as well as a projected increase in the Real Estate Transfer Tax ($27 million, or 5.5 percent).

Payroll Tax

All Funds payroll tax receipts are expected to increase by $137 million, or 11.2 percent, in SFY 2010-11, reflecting the gradual improving economy and a full-year implementation of the tax.

Miscellaneous Receipts

All Funds miscellaneous receipts are forecast to decline by $543 million, or 2.3 percent, in SFY 2010-11, mainly due to the impact of non-recurring and accelerated receipts in SFY 2009-10.

Federal Grants

Federal grants are expected to increase by almost $4.0 billion, reflecting the receipt of American Recovery and Reinvestment Act (ARRA) funds.

Total Receipts
(in millions of dollars)

	Actual SFY 2008-09	Actual SFY 2009-10	Dollar Change	Percent Change	Enacted SFY 2010-11	Dollar Change	Percent Change
General Fund	**53,801**	**52,556**	**(1,245)**	**-2.3%**	**54,676**	**2,120**	**4.0%**
Taxes	38,301	36,997	(1,304)	-3.4%	39,931	2,934	7.9%
Personal Income Tax	23,196	22,654	(542)	-2.3%	24,373	1,719	7.6%
User Taxes and Fees	8,361	8,087	(274)	-3.3%	8,810	723	8.9%
Business Taxes	5,556	5,371	(185)	-3.3%	6,335	964	17.9%
Other Taxes	1,188	885	(303)	-25.5%	1,034	149	16.8%
Miscellaneous Receipts	3,105	3,888	783	25.2%	2,897	(991)	-25.5%
Federal Grants	45	71	26	57.8%	60	(11)	-15.5%
Transfers	12,350	11,600	(750)	-6.1%	11,788	188	1.6%
All Funds	**119,235**	**126,748**	**(7,513)**	**-6.3%**	**134,296**	**7,548**	**6.0%**
Taxes	60,337	57,668	(2,669)	-4.4%	61,796	4,128	7.2%
Personal Income Tax	36,840	34,751	(2,089)	-5.7%	36,898	2,147	6.2%
User Taxes and Fees	14,004	12,852	(1,152)	-8.2%	14,287	1,435	11.2%
Business Taxes	7,604	7,459	(145)	-1.9%	7,692	233	3.1%
Other Taxes	1,889	1,378	(511)	-27.1%	1,554	176	12.8%
Payroll Tax	-	1,228	1,228	-	1,365	137	11.2%
Miscellaneous Receipts	20,064	23,557	3,493	17.4%	23,014	(543)	-2.3%
Federal Grants	38,834	45,523	6,689	17.2%	49,486	3,963	8.7%

Source: Division of the Budget.

Taxes, Fees, Fines, Assessments and Other Revenue

The SFY 2010-11 Enacted Budget estimates revenue of approximately $950 million from new or increased General Fund taxes, fees, and other revenue actions and almost $1.4 billion in new All Fund taxes, fees and other revenue actions. This includes a cigarette tax increase of $1.60 per pack, which is expected to yield approximately $290 million, as well as $150 million from the enforcement of cigarette tax collections from Native American sales to non-Native Americans in All Funds collections.

The Enacted Budget also includes a temporary elimination of the clothing and footwear sales tax exemption, which is expected to provide $330 million in All Funds budget relief this year and $210 million in SFY 2011-12. By delaying certain business tax credits, All Funds will benefit from an additional $100 million this year, expanding to more than $2.8 billion over the next three years. The Enacted Budget also limits Personal Income Tax deductions for charitable contributions for individuals making more than $10 million annually, which will increase All Funds receipts by $100 million.

In addition, $35 million in All Funds receipts is expected from additional Abandoned Property receipts, partially due to a change in dormancy periods, which will allow unclaimed funds to be considered abandoned in a shorter period. Finally, $221 million in additional All Funds relief is expected from new audit revenue from various new tax compliance efforts. The Department of Taxation and Finance will hire additional staff as well as re-direct resources to increase compliance.

Summary of SFY 2010-11 Revenue Actions
(in millions of dollars)

	General Fund	All Funds
Revenue Actions		
New Taxes		
Sales Tax Clothing Exemption	330	330
Itemized Deduction Limitation	100	100
Cigarette/Tobacco Product Increase	30	290
Other	27	27
Credits/Exemptions	(15)	(15)
Loophole Closing		
S Corp Gains Taxable as Non-Resident	29	29
Conform to Federal Bad Debt Provisions	15	15
New or Increased Fees/Fines		
Legal Fees	31	41
Hazardous Waste	-	2
E-Waste	-	1
Freshwater and Mineral Resources Fines	-	1
Tax Enforcement		
Audit and Compliance	221	221
Native American Tax Enforcement	36	150
False Claims	1	1
Other		
Defer Tax Credits	100	100
Abandoned Property Dormancy	35	35
Repeal Private Label Credit Card Law	17	17
Lottery and VLT Actions	-	50
Total Revenue Actions	**957**	**1,395**

Source: Division of the Budget.

Program Area Highlights

Education

The SFY 2010-11 Enacted Budget Financial Plan projects a decline in school aid of $1.13 billion, or 5.2 percent, for the 2010-11 school year. While this is very close to the $1.086 billion decrease in funding proposed in the Executive Budget, individual school district allocations may differ materially. This reduction does not include the impact of new federal aid, which will provide $608 million to school districts through the Education Jobs Fund. These funds were not provided prior to enactment of the Budget, and additional legislative action is required to provide for disbursement of this aid to schools. The reduction also does not include new Race to the Top federal grants.

Most districts based their local budget decisions in May on the Executive Budget aid levels, but uncertainty remains. This is a consequence of the late, piecemeal State Budget, the veto of the entire Education, Labor and Family Assistance (ELFA) Article VII bill, and the availability of new federal funding following budget enactment. Because school aid formulas are specified in statute, as well as in appropriations and accompanying language, the ELFA Article VII bill which adjusts the formula is an integral part of each year's school aid allocation. The Executive, however, vetoed the entire ELFA Article VII bill because it had been amended to include formulaic changes that added approximately $600 million in school aid to his recommended level.

In his veto message, the Executive acknowledged that the bill contained many other amendments to existing law that were necessary (and in many cases proposed in the Executive Budget). In some areas, the veto of the Article VII bill results in increased aid liabilities, leaving the school aid allocation incomplete. While the State Education Department (SED) has released projections of aid for the 2010-11 school year, SED has not released detailed district-by-district computer runs including revised estimates for 2009-10, payment schedules and other details, as these amounts are affected by the lack of an Article VII bill. In addition, because the school aid payments may be reduced as a result of the FMAP contingency reserve fund (see page 10), SED has included the following note on the aid projections: "By Part A, Chapter 313 of the Laws of 2010, the above State Aid amounts (excluding federal funds) may be reduced by approximately 1 percent."

For two years, a portion of the federal stimulus funding (State Fiscal Stabilization Fund) has been used to support State school aid payments, mitigating reductions in aid proposed in Executive budgets. The SFY 2010-11 Enacted Budget relies on $726 million in federal stimulus funding to lessen the impact of the Executive's proposed $1.4 billion "Gap Elimination Adjustment" (GEA). While the funding is beneficial for education and local economies, it is temporary and the State does not have a revenue plan to replace these funds.

On August 10, 2010, an additional federal stimulus package was enacted funding Medicaid (additional FMAP) and a new $10 billion Education Jobs Fund, expected to provide $608 million for New York. The Education Jobs Fund is intended to save or create education jobs and is modeled after the State Fiscal Stabilization Fund. However, it includes new provisions regarding maintenance of effort and requires states to make all funds available to school districts during the 2010-2011 school year. (In contrast, the original funding had more flexibility and could also be used for higher education.)

While the State must make the money from the Education Job Fund available during the school year that has already commenced (2010-11), federal guidelines allow school districts to use these funds through the 2011-12 school year. The Legislature is expected to reconvene to enact appropriations and authorizing legislation for the Education Jobs Fund. Legislative leaders have signed a letter indicating support for the Executive's funding application and their intent to provide this funding "according to the State's primary funding formulae, helping to restore cuts to education and retain teachers." The original aid reduction under the GEA is expected to be further offset by the $608 million in new federal funding. Current SED estimates list these amounts by school district. The Enacted Budget, prior to vetoes, restored approximately $600 million in State support for school aid for the 2010-11 school year.

On August 24, 2010, the federal government announced that New York would receive $697 million in the second round of the federal Race to the Top competitive grant program. However, Race to the Top funds are not general funding and cannot be used to fund basic, ongoing operations, avert layoffs or offset local taxes. The funds are to be used over a four-year period to implement reforms in four areas:

- Adopting internationally benchmarked standards and assessments that prepare students for success in college and the workplace;
- Recruiting, developing, retaining, and rewarding effective teachers and principals;
- Building instructional data systems that measure student success and inform teachers and principals on how to improve practices; and
- Turning around the lowest-performing schools.

School Property Taxes and Mandate Relief

The Enacted Budget provides $3.3 billion for the School Tax Relief (STAR) Program. Two Executive savings proposals were rejected: modifying the STAR "floor" (a maximum annual reduction) and eliminating exemptions for residences valued at $1.5 million or more. However, the Enacted Budget eliminated the New York City Personal Income Tax STAR benefit for incomes over $500,000, an action estimated to save $121 million in SFY 2010-11. Additionally, STAR property tax reimbursements are reduced by $40 million in 2011-12 and thereafter by eliminating property tax exemptions for homeowners statewide with income above $500,000. To implement this new provision, the Department of Taxation and Finance will provide local assessors with a list of homeowners above the income threshold. Reimbursements for STAR property tax exemptions generally grow with rising tax rates, and are expected to increase by $200 million in SFY 2010-11.

A cap on school property tax levies proposed by the Executive in a budget extender bill was not enacted. Although a new provision to require certain school districts to use at least half of any school aid restorations for tax levy relief was included in the Legislature's school aid restoration of $600 million, it was vetoed as part of the ELFA Article VII bill.

The Executive Budget proposed mandate relief measures for schools that were not enacted. The measures included a complete Wicks Law exemption, streamlined reporting and a four-year moratorium on new statutory mandates, with SED required to implement a regulatory review process.

Higher Education

The Enacted Budget includes substantial cuts to higher education, with General Fund support declining by $443 million, or 10.5 percent. A large part of this reduction is timing-related. For example, the deferral of $300 million in payments from 2008-09 until SFY 2009-10 created an artificially high base. Another factor is the $36 million in full annual impact of reductions taken in the SFY 2009-2010 Deficit Reduction Plan. New savings actions in the SFY 2010-11 Enacted Budget include:

- Reduced General Fund support for CUNY and SUNY senior (four-year) colleges of 10 percent on an academic year basis;
- Reduced aid to Community Colleges by $285 per full-time equivalent student (from $2,545 to $2,260); and
- Reduced Tuition Assistance Program (TAP) awards by $75 per award with maximum grants for two-year degree programs reduced by $1,000, and other changes in eligibility criteria.

The Legislature enacted the proposed reductions for SUNY and CUNY senior colleges but restored the Executive's cuts to TAP and the reduction in base aid for community and two-year colleges at SUNY and CUNY. However, the Executive vetoed $51 million in TAP restorations and $56 million for community college aid.

Legislation proposed by the Executive to give SUNY and CUNY autonomy over tuition rates and budgeting was not enacted. The proposal would have allowed annual tuition increases up to two and one-half times the rate of inflation for higher education, as well as differential tuition among campuses. Tuition and certain other revenue and spending would have been moved off the State's budget, and procurement, capital construction and leasing requirements would have been significantly modified, substantially reducing oversight by the Office of the State Comptroller.

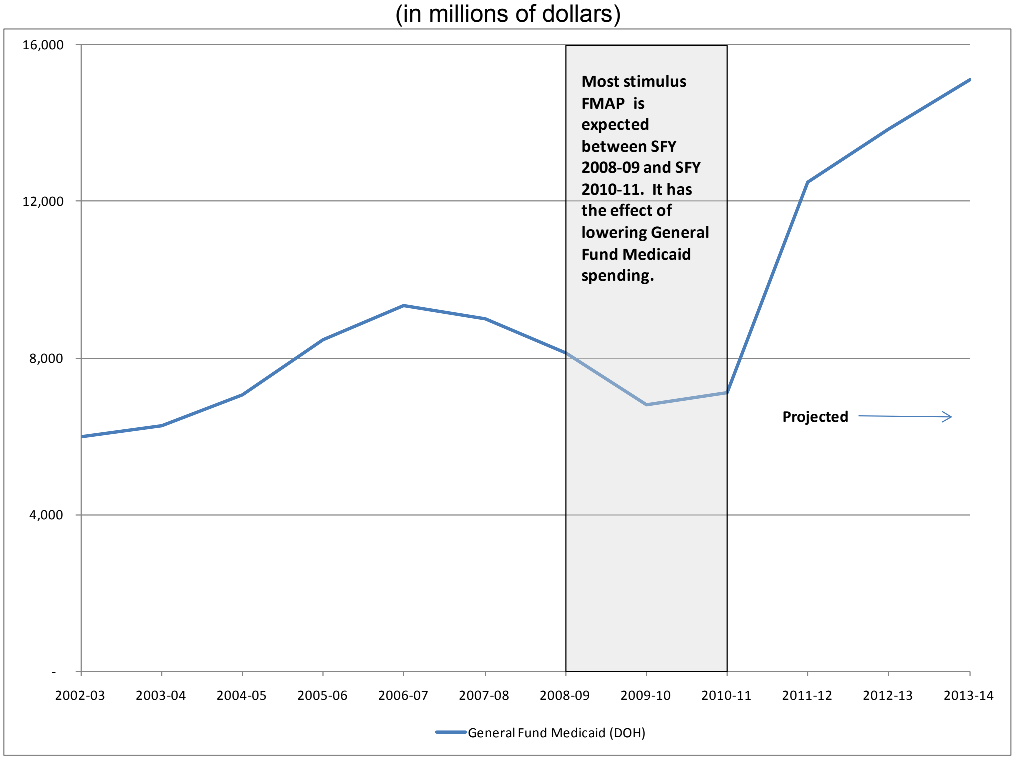
Health

The SFY 2010-11 Enacted Budget implements $788 million out of $835 million in health care savings actions proposed in the Executive Budget. However, the Enacted Budget includes only $440 million out of $1.1 billion in proposed dedicated health care revenue actions. While the savings occur largely outside of the General Fund in dedicated Health Care Reform Act (HCRA) funds, a large portion of the savings is used to provide General Fund budget relief. These savings actions reflect Executive vetoes of $4.6 million in new funding for several community-based programs included in the Enacted Budget for the Department of Health (DOH). In addition, the Executive vetoed $115.3 million in health-related local programs and member items that legislators included in the Enacted Budget for DOH from previous State fiscal years.

The Enacted Budget anticipates using $4.1 billion in enhanced federal Medicaid reimbursement to lower State Medicaid expenditures in SFY 2010-11. This amount includes approximately $3.3 billion provided by a temporary increase in federal Medicaid funding authorized by ARRA, as well as $804 million supplied by a six-month extension of ARRA's temporary Medicaid increase. The Executive Budget had assumed $1.1 billion from the six-month extension. The FMAP Contingency Reserve Fund included as part of the Enacted Budget authorizes DOB to reduce local assistance payments by approximately $281 million, or the difference between $1.085 billion and the actual amount of additional FMAP approved by Congress.

Department of Health Medicaid General Fund Spending

(in millions of dollars)



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

While enhanced federal Medicaid funding has helped to lower State and local Medicaid spending since SFY 2008-09, General Fund expenditures are expected to increase rapidly when the enhanced federal funding runs out after June 2011.

As a result of the loss in federal funding, combined with increased enrollment and service utilization, General Fund spending is projected to increase by $6.7 billion, or 94.7 percent, for DOH Medicaid from SFY 2010-11 to SFY 2012-13.

The Enacted Budget provides $123 million in additional federal funding to plan and implement various health care and health insurance reform initiatives authorized by federal health care reform legislation, including $59 million for high-risk health insurance pools. The Enacted Budget reduces State Medicaid payments to hospitals, nursing homes and home care providers by $210 million, lowers Medicaid managed care premiums by 1.7 percent for State savings of $61 million, and achieves $7.0 million in State Medicaid savings by maximizing drug rebates and eliminating a higher reimbursement rate for specialty pharmacies providing medications and support services to people living with HIV/AIDS. The Enacted Budget delays regional pricing for nursing homes participating in Medicaid until July 2011.

The Enacted Budget increases the Medicaid fraud audit target by $300 million, from $870 million to $1.17 billion, and reinstitutes a system for the Insurance Department to approve certain health insurance premiums before they take effect. This authority was phased out in 2000, but is expected to achieve $70 million in savings by controlling certain health insurance premium increases and reducing the number of uninsured people enrolling in public health insurance programs like Medicaid and Child Health Plus.

The Enacted Budget provides $440 million in new, dedicated health care revenues, including $290 million from an increase in tobacco taxes and $150 million in tobacco tax enforcement on Indian reservations. However, the Enacted Budget rejects Executive proposals to tax the syrup used in soft drinks and other beverages (worth $450 million), allow the sale of wine in grocery stores ($250 million), increase Medicaid provider assessments on hospitals, nursing homes and home care providers ($216 million) and impose HCRA surcharges on certain physician procedures ($24.6 million).

Mental Hygiene

The SFY 2010-11 Enacted Budget implements $151 million in Mental Hygiene spending reductions, which is approximately $13 million more than the $137.8 million in spending reductions proposed in the Executive Budget. However, the Executive vetoed $8.0 million in mental hygiene-related reappropriations from previous State fiscal years for the Office for People with Developmental Disabilities (OPWDD, $6.1 million), the Office of Alcoholism and Substance Abuse Services (OASAS, $969,000) and the Office of Mental Health (OMH, $930,000).

Total mental hygiene savings actions include $90 million in State Operations and $61 million in Local Assistance spending reductions for OMH, OPWDD, OASAS and the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD). State Operations savings include employee attrition, reduced overtime, eliminated positions at OPWDD's Institute for Basic Research in Developmental Disabilities on Staten Island, and reduced inpatient capacity in OMH psychiatric centers through closure of eight wards and reduced support for community programs.

Local Assistance savings include delayed local OMH and OPWDD bed development, slowed spending growth for OMH adult recovery services and OASAS outpatient costs associated with the Rockefeller drug law reform, and reduced prescription drug costs at OMH residential treatment facilities.

Human Services

The SFY 2010-11 Enacted Budget approves $414 million out of $446 million in State Funds savings actions proposed in the Executive Budget for programs funded by the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS).

The Enacted Budget undertakes $145 million out of $180 million in All Funds savings actions proposed in the Executive Budget, after accounting for additional federal Temporary Assistance for Needy Family (TANF) funding expected to be available through the TANF Emergency Contingency Fund. This funding, made available through ARRA for states that experience an increase in caseloads and basic assistance expenditures, finances public assistance that would otherwise be funded with State funds.

The Enacted Budget fully restores funding in OTDA for a scheduled increase in public assistance grants, which the Executive Budget proposed to modify to save $14 million in SFY 2010-11. The Enacted Budget also fully restores funding for adult homeless shelters, which the Executive Budget proposed to reduce by $36 million. The Enacted Budget adopts many of the remaining Executive Budget savings actions involving OTDA, including the elimination of State funding for several welfare programs such as summer youth employment and Wheels for Work, and State Operations efficiencies.

In regard to OCFS, the Enacted Budget did not include an Executive Budget proposal to reallocate federal social services block grant funding to adult protective services and domestic violence programs. This proposal would have generated $18 million in savings for the State. However, the Enacted Budget achieves $40 million in savings by reducing State reimbursement to counties for child welfare expenditures from 63.7 to 62 percent and by asking local social services districts to generate efficiencies in the child welfare system through development of performance measures to improve outcomes for youth and families. The Enacted Budget adopts many of the remaining Executive Budget savings actions involving OCFS, including State Operations efficiencies and downsizing or closing several youth facilities.

Economic Development

The SFY 2010-11 Enacted Budget replaces the Empire Zone Program with the new Excelsior Jobs Program. Firms are ineligible to participate in both programs and must permanently decertify from the Zone program if they are admitted to the Excelsior Jobs Program.

The Excelsior program is intended to support the State's manufacturing and financial industries while also encouraging expansion in targeted growth industries such as clean tech, broadband, information systems, renewable energy, biotechnology and distribution. In addition, eligibility would also include other industries with significant potential for private sector economic growth and development, to be determined pursuant to regulation, as well as regionally significant projects.

Firms would be eligible to receive benefits only after demonstrating that job, investment and/or other development commitments are met. The program has four tax incentive components—a jobs tax credit, an investment tax credit, a research and development tax credit and a real property tax credit. Excelsior benefits would be capped at $50 million per year for new entrants, ultimately rising to a $250 million annual cap upon full implementation over five years. Commitments under the new program would be applicable to the tax year beginning in January 2011.

The Enacted Budget establishes the Small Business Revolving Loan Fund and authorizes the Urban Development Corporation to make low-interest loans to community-based financial institutions, which would then use the funds to make loans to small businesses. The Enacted Budget extends the Empire State Production Film Credit, with an additional $420 million anticipated annually through SFY 2013-2014. The credit will also be available to qualified independent film production companies.

The Enacted Budget rejects the Executive's proposal to consolidate the State's economic development agencies—the Department of Economic Development (DED), a State agency, and the New York State Urban Development Corporation (UDC), a public authority—into the New York Job Development Corporation (JDC), a public authority. Because functions of a State department (DED) were proposed to be transferred to a public authority (JDC), oversight and accountability for programs and expenditures would have been substantially reduced, since public authorities are not subject to the same accountability and transparency requirements that apply to State agencies.

Transportation

The SFY 2010-11 Enacted Budget makes only minor changes to the Executive Budget with respect to transportation funding. Special Revenue Funds appropriations are increased by $12.5 million for the reinstatement of the Department of Transportation (DOT) Accident Damage Recovery account, rather than funding the program through the Dedicated Highway and Bridge Trust Fund (DHBTF). This action results in a corresponding reduction in Capital Project Funds appropriations.

The Enacted Budget adopts a two-year, $7.0 billion capital program, split evenly between the two years. This program is in lieu of a $25.8 billion five-year program proposed by DOT in October 2009, which would have averaged over $5.1 billion per year. The original DOT plan, designed to keep the State's roads and bridges in a state of good repair, was rejected by the Executive as too expensive, given the State's current fiscal challenges.

The Enacted Budget maintains bonding authorization for the Consolidated Highway Improvement Program (CHIPS) at $363 million and for the Marchiselli program at $39.7 million.[13] This spending occurs entirely off-budget and is not included in the Financial Plan. The overall debt cap for CHIPS bonds was raised to $6.29 billion from $5.06 billion.

Dedicated Highway and Bridge Trust Fund

The Enacted Budget increases capital disbursements from the DHBTF, the State's principal fund for highway construction, by $122.1 million, or 17.4 percent, over SFY 2009-10 disbursement levels, for a total of $826 million. However, this increase is principally due to the fact that actual SFY 2009-10 capital disbursements were $115.6 million lower than the estimate contained in the January 2010 Executive's proposed Capital Program and Financing Plan.

In the January 2010 Plan, DOB estimated that capital disbursements would be $819.5 million in SFY 2009-10 rather than the actual level of $703.9 million. This Plan would have lowered SFY 2010-11 capital disbursements to $811.3 million. Therefore, the difference between the proposed and the enacted estimates for DHBTF capital disbursements in the current fiscal year, $14.7 million, is a modest increase in capital disbursements over original projections.

The General Fund subsidy for the DHBTF increases to $699 million in SFY 2010-11, a $339 million, or 94.3 percent, increase over SFY 2009-10. This General Fund subsidy is expected to total $4.4 billion for the period from SFY 2010-11 through SFY 2014-15. The financial condition of the DHBTF continued to deteriorate in the months following the Executive Budget submission in January 2010. This necessitated an increase of $89.8 million in the projected amount of General Fund support that the DHBTF will need through SFY 2014-15, compared with the Executive's proposed budget.

Of the $3.6 billion in dedicated revenues and other resources allocated to the DHBTF in SFY 2010-11, approximately 19.2 percent will come from the General Fund. General Fund transfers made to the DHBTF are projected to exceed Capital Projects disbursements during SFY 2012-13.

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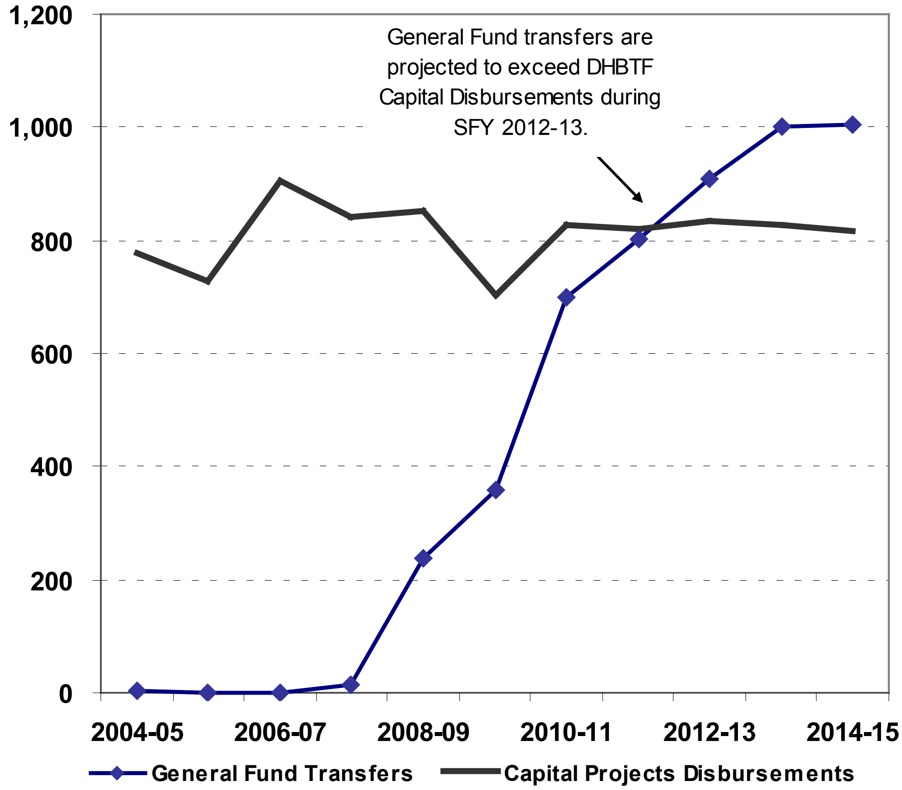
[13] These appropriations were made in the tenth extender bill, Chapter 109 of the Laws of 2010.

Dedicated Highway and Bridge Trust Fund
Capital Disbursements and General Fund Transfers
(in millions of dollars)

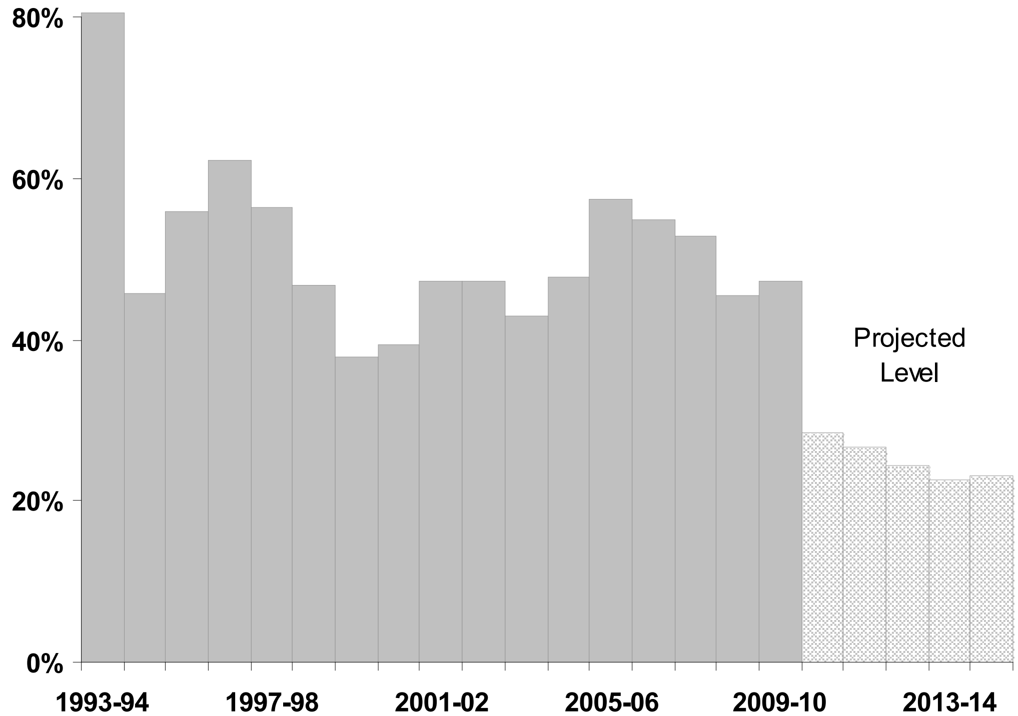


Source: Office of the State Comptroller and the Division of the Budget.

Another indication of the deteriorating condition of the DHBTF is the level of pay-as-you-go (PAYGO) support provided by the DHBTF. This is projected to drop from an average of 51.6 percent for the past five years to 25 percent for the next five years. PAYGO is defined as dedicated receipts as a percentage of total capital and State Operations disbursements.

The PAYGO percentage has varied from a high of 80.5 percent in SFY 1993-94 to a previous low of 37.8 percent in SFY 1999-00. The projected rapid decline in the level of PAYGO support is a clear indication of the inability of the DHBTF to perform its original objective of providing a reliable, dedicated source of funding for the State's highway and bridge capital programs.

Dedicated Highway and Bridge Trust Fund
Pay-As-You-Go Percentages



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

Federal funds are another important source of DHBTF support, providing $349.9 million (9.6 percent) of its resources in SFY 2010-11. However, only a small portion of these funds comes from the federal stimulus ARRA program. Of the $1.1 billion in anticipated ARRA transportation grants to New York, only $40 million appears in the DHBTF capital plan. The rest is appropriated directly to transportation projects through federal capital appropriations.

Environment/Parks/Agriculture

Environment

The SFY 2010-11 Enacted Budget, including appropriations in Chapter 99 of the Laws of 2010 (Chapter 99), reduces All Funds appropriations for the Department of Environmental Conservation by $11.3 million from the Executive Budget proposal. This reduction includes $1.8 million in personal services cuts, including new staff positions proposed in the Executive Budget to assist in the regulation and oversight of horizontal drilling and high-volume hydraulic fracturing of the Marcellus Shale formation in New York State.

The SFY 2010-11 Enacted Budget extends the collection of the waste tire management and recycling fee until December 31, 2013. The Enacted Budget also provides a temporary compliance waiver for Environmental Conservation Law provisions that require the installation of particulate filters on certain heavy duty diesel vehicles operated by State agencies, their contractors, and public and regional authorities. This waiver is estimated to reduce compliance costs to regional transit authorities by $36 million and to the Department of Transportation by $1.4 million.

Chapter 99 appropriates $134 million to the Environmental Protection Fund (EPF), reflecting a $9.0 million reduction from the Executive Budget proposal. In addition, Chapter 99 restores EPF funding for land acquisition. The Enacted Budget also includes a $10 million transfer of funds from the EPF to the General Fund for budget relief. These funds will be replaced with bond proceeds from the Environmental Facilities Corporation. Executive Budget proposals to fund property tax payments on State forest preserve lands and State Parks operations with EPF funds were not adopted.

Chapter 99 increases some revenue sources and establishes several new ones, including a new recycling program for computer and television equipment and MP3 players. Fees and penalties from this program are dedicated to the EPF and are expected to raise $1.0 million in SFY 2010-11 and $500,000 annually thereafter. Chapter 99 also increases hazardous waste generator fees and penalties for violations of State wetland, mineral resources, air quality and water quality regulations to raise a projected $15 million in SFY 2010-11. Approximately $2.1 million of this increase is dedicated to the EPF.

The Executive Budget proposal establishing a 3.0 percent severance tax on natural gas produced through lateral drilling in the Marcellus and Utica Shale formations was not included in the Enacted Budget.

Parks

The SFY 2010-11 Enacted Budget increased All Funds appropriations for the Office of Parks, Recreation and Historic Preservation by $11.5 million over the Executive Budget. The restoration of funding for park operations in Chapter 99 to prevent the closure of 54 State parks and historic sites is responsible for the majority of this increase.

Agriculture

The SFY 2010-11 Enacted Budget increases All Funds appropriations to the Department of Agriculture and Markets by $2.0 million over the Executive Budget, primarily reflecting an increase in local assistance. The Enacted Budget reduces support for the inspection of facilities that process, manufacture or sell kosher foods, the grading of agriculture products and the coordination of the State dog licensing program, for an estimated savings of $3.5 million.

The Enacted Budget directs the Genesee Valley Regional Market Authority to make a $12 million payment to the General Fund, and directs the Authority to use 75 percent of its funding to support the development of regional green markets.

Energy

The SFY 2010-11 Enacted Budget contains All Funds appropriations of $35.5 million for the New York State Energy Research and Development Authority (NYSERDA). Of this amount, $19.2 million is provided for the State's share of costs to remediate the radioactive contamination at the Western New York Nuclear Service Center in West Valley, New York.

Off-Budget Energy Spending

Although NYSERDA receives certain appropriations in the Enacted Budget, as a public authority it primarily operates off-budget and outside of the State budget process. NYSERDA's Board of Directors adopts an agency budget that combines funds appropriated through the State budget process with funds raised from other sources.

For SFY 2010-11, the NYSERDA budget shows several large sources of off-budget revenues. Orders issued by the New York State Public Service Commission for the System Benefit Charge, the Energy Efficiency Portfolio Standard and the Renewable Portfolio Standard require electric utilities to collect funds from customers through a surcharge on electric bills. Funds collected are transferred to NYSERDA to spend primarily on energy efficiency programs, development of renewable electric generation and research. NYSERDA expects to receive $402 million from these surcharges and related revenue in SFY 2010-11.

NYSERDA also projects revenue of $113 million in SFY 2010-11 from the auction of carbon dioxide emission allowances authorized under the Regional Greenhouse Gas Initiative (RGGI). Pursuant to NYSERDA regulations (21 NYCRR Part 507), RGGI collections are spent on programs to promote energy efficiency technologies and electric generation technologies that either do not emit greenhouse gases or significantly reduce emissions of greenhouse gases. This spending is also entirely off-budget and not subject to the State's standard procurement, contracting and expenditure oversight.

NYSERDA projects revenue of $76.4 million in ARRA funds and $10.2 million from other federal grants in SFY 2010-11.

Housing

The SFY 2010-11 Enacted Budget appropriates $465 million for the Division of Housing and Community Renewal (DHCR). This appropriation includes $131 million in ARRA funds for low-income weatherization purposes (as appropriated in Chapter 20 of the Laws of 2010). The Executive vetoed $1.8 million in DHCR reappropriations, as well as an additional $932,000 provided for neighborhood and rural preservation organizations.

The Enacted Budget includes a sweep of approximately $3.5 million from the Housing Finance Agency (HFA) related to the Executive's proposed consolidation of administrative and program functions of DHCR with the housing-related public authorities, including HFA, the State of New York Mortgage Agency (SONYMA), SONYMA's Mortgage Insurance Fund, the New York State Affordable Housing Corporation, the Municipal Bond Bank Agency and the Tobacco Settlement Financing Corporation. Because there are no statutory provisions associated with this consolidation, the impact on agency staffing levels, procurement procedures or reporting requirements is unclear.

Public Protection

Department of Correctional Services

The Enacted Budget includes the closure of the Lyon Mountain (Clinton County) and Butler (Wayne County) minimum security correctional facilities, which along with dormitory consolidations is projected to achieve $7.0 million in savings in SFY 2010-11. DOB projects that once these closures and consolidations are complete, staffing levels will be reduced by 238. The proposed closures of the Moriah (Essex County) and Ogdensburg (St. Lawrence County) correctional facilities were not accepted.

Division of Criminal Justice Services

The Enacted Budget consolidates the operations of the Crime Victims Board, the Office for the Prevention of Domestic Violence, and the Division of Probation and Correctional Alternatives within the Division of Criminal Justice Services (DCJS) for savings of $1.0 million in SFY 2010-11. The Enacted Budget reduces grants to communities for crime prevention, alternatives to incarceration and legal services programs by 10 percent to save $7.2 million. Aid to local probation departments is also reduced by 10 percent, for a savings of $5.2 million.

Office of Homeland Security

The Enacted Budget merges the Office of Homeland Security, the State Emergency Management Office, the State 911 Board, the Office of Cyber Security and Critical Infrastructure Coordination, and the Office of Fire Prevention and Control into a newly created Division of Homeland Security and Emergency Services for savings of $1.5 million in SFY 2010-11. Additional savings of $15.5 million are expected by meeting some of the new agency's operational costs with revenue from the enhanced wireless 911 emergency services (E911) surcharge, rather than from the General Fund.

The Enacted Budget includes $20 million for grants to help counties develop communication networks and consolidate dispatch centers using E911 surcharge revenue. The Enacted Budget also includes $42 million in new debt to be issued over the next five years to expand the State Preparedness Training Center at Oriskany into a first responders' training center.

Division of State Police

The Enacted Budget delays a State Police Training class in SFY 2010-11, for a savings of $17 million.

Local Governments

The SFY 2010-11 Enacted Budget reduces Aid and Incentives for Municipalities (AIM) funding by $15 million for cities, towns and villages outside New York City. The reductions to individual municipalities amount to either 2.0 or 5.0 percent of SFY 2009-10 adopted budget levels, depending on the municipality's reliance on AIM as a revenue source. AIM funding of $302 million for New York City is completely eliminated for SFY 2010-11, but is restored for SFY 2011-12 and thereafter, and statutory language allows New York City to count its SFY 2011-12 AIM payment in the current City fiscal year. The Enacted Budget also eliminates AIM funding for Erie County. AIM funding for SFY 2010-11 totals $735 million.

Funding for Local Government Efficiency Grants is reduced from $10 million to $5.0 million in SFY 2010-11. According to the Executive, this provides sufficient funding for grants that have already been awarded. Additionally, the Enacted Budget will honor in full all grant awards made prior to December 1, 2009 under the Efficiency Incentive Grants for the City of Buffalo and Erie County. It will, however, reduce remaining available funds by 50 percent.

The Enacted Budget also implements the Executive's proposed 10 percent cut to Video Lottery Terminal (VLT) Impact Aid, resulting in a funding level of $25.8 million for SFY 2010-11. The negative local impact of this action is a reduction of $700,000 for local fiscal years ending in 2011. Transit aid is reduced for New York City and for Suffolk, Rockland, Nassau and Westchester counties in accordance with the Executive Budget proposal, with the local impact estimated at $8.6 million for local fiscal years ending in 2011.

General Fund savings in human services are achieved through the creation of an intercept program to recoup delinquent payments associated with the cost of care for children in youth facilities, a reduction in funding for the Flexible Fund for Family Services, a reduction in the State's local reimbursement rate for child welfare expenditures from 63.7 percent to 62 percent, and a reduction in funding for Community Optional Preventive Services.

Additional losses to counties may result from the discontinuation of reimbursement for certain optional services provided under the General Public Health Work program and cuts in probation aid funding. Additional savings are expected to be generated by a new child welfare performance initiative.

Not included in the Enacted Budget are the Executive's local revenue raising proposals, which were expected to raise approximately $175 million in additional local revenues. These included an increase to the local gross receipts tax on utilities, an expansion of the mortgage recording tax to include cooperatives and various increases in fees for public safety services.

However, the Enacted Budget does temporarily eliminate the exemption from State sales tax for clothing and footwear costing less than $110. Eleven counties and two cities (including New York City) currently offer this exemption and could realize additional sales tax revenues if the exemption from local sales taxes was eliminated consistent with the State's action. In addition, the Enacted Budget requires that certain Internet-based travel sites ("room remarketers") collect hotel occupancy taxes, an action expected to generate an additional $10 million for local governments in the first year and $20 million annually thereafter.

The Enacted Budget establishes several procurement reforms that increase the competitive bidding limit for purchase contracts from $10,000 to $20,000, authorize electronic bidding on technology contracts and authorize reverse auctions on technology bids. Actions to promote greater efficiency through shared services and consolidations were also adopted, affecting the operations of town and justice courts, counties and fire districts. Elements of the Executive's proposed mandate relief package, including a four-year moratorium on unfunded mandates and the repeal of the Wicks Law for school districts, were not adopted.

Impact of Contingency Reserve Plan on Local Governments

The Enacted Budget assumes that the State will receive an additional $1.085 billion in SFY 2010-11 from a six-month extension of enhanced Federal Medical Assistance Percentages (FMAP) funding. At the time of budget enactment, the additional FMAP relief had not been passed by Congress and, as a result, the Executive and the Legislature agreed on a contingency reserve plan. Federal legislation providing additional aid was subsequently passed, but it reduced the overall amount that states will receive. New York State is projected to receive $804 million, leaving a potential gap of approximately $281 million.

If the contingency plan is activated to address this shortfall, there will likely be a financial impact on local governments and school districts as a yet-to-be determined percentage of undisbursed funds in certain local assistance accounts (such as education and social services) would be withheld.

New York City

The SFY 2010-2011 Enacted Budget could reduce State assistance to New York City by an estimated $1.1 billion over the course of City Fiscal Year (CFY) 2010 and CFY 2011.

The largest cuts come in the form of reduced education aid ($493 million) and AIM payments ($353 million). The reduction in education aid will not directly impact educational services, because the City will offset most of the loss with City resources that had been set aside for proposed wage increases for teachers and principals. The education bill vetoed by the Executive could result in the loss of $202 million in CFY 2011 because the authority to accrue certain education payments in the current fiscal year was not reauthorized. The Executive and the Legislature have expressed their intention to restore this authority, but have not yet acted.

Other State initiatives will adversely impact New York City by a net of approximately $190 million, with most of the impact in social services and health care. The budgetary impact, however, will be largely offset by State legislation that exempts New York City from the requirements of Governmental Accounting Standards Board (GASB) Statement No. 49 for budgeting purposes, which would have restricted the City's use of capital funds for certain environmental remediation projects. The exemption allows New York City to reallocate $150 million it had set aside for this purpose.

Metropolitan Transportation Authority

In May 2009, New York State approved new taxes and fees to help the Metropolitan Transportation Authority (MTA) balance its operating budget and fund its next five-year capital program. In December 2009, the MTA's finances began to unravel as the State cut funding to help balance its budget, labor costs rose because of an arbitration award and collections from the new payroll tax fell far short of their target. In total, the MTA has needed to close a combined budget gap of $756 million for calendar years 2009 and 2010.

The State budget partially restores the State subsidy for the reduced fare program for New York City's school children. On July 26, 2010, the MTA released a revised four-year financial plan, which shows that the MTA has made considerable progress closing the 2010 budget gap. Nevertheless, the MTA still faces large out-year budget gaps. To balance the budget in those years, the MTA has proposed further cost reductions, and raising fares and tolls by 7.5 percent in January 2011 and January 2013. Last year, the MTA Board approved a new five-year $26.3 billion capital program, but only the first two years are fully funded.

Public Authorities

The SFY 2010-11 Enacted Budget authorizes $113.9 million in transfers from public authorities to provide General Fund support.

SFY 2010-11 Transfers to the General Fund from Public Authorities
(in millions of dollars)

Public Authority	Transfer Amount
Genesee Valley Regional Market Authority	12.0
Environmental Facilities Corporation *	10.0
Housing Finance Agency	3.5
New York Power Authority	65.0
New York State Foundation for Science Technology and Innovation	0.5
Dormitory Authority of the State of New York	22.0
New York State Energy Research Development Authority	0.9
Total	**113.9**

*Bond proceeds will replace funds transferred from the Environmental Protection Fund. Bonds will be issued for eligible projects by the Environmental Facilities Corporation, or either the Dormitory Authority of the State of New York or the Urban Development Corporation, pursuant to the authorization that allows these two authorities to issue Personal Income Tax Revenue bonds for any authorized purpose.

The Executive proposal to dissolve the Genesee Valley Regional Market Authority and transfer its assets and liabilities to the Urban Development Corporation was not accepted. However, the Enacted Budget requires the Authority to transfer $12 million to the General Fund and to use 75 percent of its funding to support the development of regional green markets in cooperation with the Department of Agriculture and Markets.

The Enacted Budget rejects the Executive proposal to consolidate the State's economic development agencies into the New York Job Development Corporation (JDC). The Enacted Budget includes a fund sweep from the Housing Finance Agency (HFA) associated with the Executive's proposed consolidation of the administrative and program operations of the Division of Housing and Community Renewal (DHCR) with those of the State's housing public authorities. This consolidation raises important questions regarding accountability and transparency, because public authorities are not subject to the same requirements that apply to agencies.

The Enacted Budget authorizes the Dormitory Authority of the State of New York (DASNY) to issue up to $20.4 million in bonds to fund project costs associated with the implementation of a State longitudinal data system by the Department of Education.

The SFY 2010-11 Enacted Budget increases bonding authorizations for eleven programs, offset by a bonding cap reduction in one program, for a net increase in bonding authorizations supported through public authority debt of $1.2 billion, or 6.2 percent, over SFY 2009-10 levels. This is an increase of $152.8 million over the

Executive proposal, primarily reflecting the Legislature's rejection of proposed economic development-related bond cap reductions.

In addition, the Enacted Budget increases the bond authorization for the MTA, the Triborough Bridge and Tunnel Authority and the New York City Transit Authority by $6.0 billion. This bond authorization has increased to $34.9 billion since its inception in 1993 at $3.1 billion.

SFY 2010-11 Change in Public Authority Bond Caps
(in millions of dollars)

Program	SFY 2009-10 Cap	SFY 2010-11 Executive Proposed Cap	SFY 2010-11 Enacted Cap	Enacted Change from Current Cap	Enacted Change from Proposed Cap
Library Facilities	56.0	70.0	70.0	14.0	-
Cultural Education Facilities	91.6	79.0	79.0	(12.6)	-
State Longitudinal Data System	-	-	20.0	20.0	20.0
Environmental Infrastructure Projects	867.5	903.7	903.7	36.2	-
Division of Military and Naval Affairs	15.0	18.0	18.0	3.0	-
State Buildings and Other Facilities	155.8	165.8	165.8	10.0	-
Equipment Acquisition (COPS)	564.0	751.3	751.3	187.3	-
Prision Facilities	5,837.8	6,157.7	6,164.1	326.3	6.4
Homeland Security	25.0	67.0	67.0	42.0	-
Youth Facilities	328.5	378.5	379.5	51.0	1.0
Housing Capital Programs	2,428.1	2,530.3	2,532.3	104.2	2.0
Economic Development (2004)	350.0	348.7	350.0	-	1.3
Regional Economic Development (2004)	250.0	238.9	250.0	-	11.2
High Technology and Development	250.0	205.8	250.0	-	44.2
Regional Economic Development/SPUR	90.0	69.0	90.0	-	21.0
Economic Development (2006)	2,318.0	2,288.1	2,318.0	-	29.9
Economic Development Stadium Parking (2006)	75.0	67.5	75.0	-	7.5
Consolidated Highway Improvement Program (CHIPS)	5,860.8	6,278.3	6,286.7	425.9	8.3
Total	**19,563.1**	**20,617.6**	**20,770.4**	**1,207.2**	**152.8**

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

Employer Pension Contribution

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

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

By limiting the volatility of contributions, this program enables the State and local governments to budget annual expenses more easily, and minimizes dramatic fluctuations in pension costs. DOB estimates that the State will amortize approximately $242 million in SFY 2010-11.

State Workforce

The SFY 2010-11 Enacted Budget is projected to reduce the total State workforce by 3,795 Full-Time Equivalent (FTE) positions for a projected total of 191,997 by the end of March 2011. The actual size of the State workforce at the end of March 2010 was 195,792.

The SFY 2010-11 Enacted Budget Financial Plan increases projected General Fund workforce savings associated with the retirement incentive (which was not in the Executive's Proposal) as well as other workforce savings actions from $959 million to $1.2 billion. However, much of this increase in savings is from associated non-personal service costs. Savings associated with the retirement incentive were not included in the Executive's Proposed Budget Financial Plan.

DOB initially projected a reduction of 4,000 FTE employees from the retirement incentive offered in SFY 2010-11 with initial General Fund savings estimates totaling $97 million in SFY 2010-11 and $230 million in SFY 2011-12. To date, approximately 4,600 employees have been accepted for the incentive. However, the Financial Plan does not provide a savings figure for the retirement incentive, but states that additional information by agency will be provided in the Mid-Year Update to the SFY 2010-11 Enacted Financial Plan.

Absent the loss of FTEs attributable to the retirement incentive, the workforce would grow by a net 205 FTEs during SFY 2010-11. Most of this increase is related to the Legislature's rejection of the Executive proposal to move 165 Department of Economic Development employees off-budget to the Empire State Development Corporation.

While the SFY 2010-11 Enacted Budget Financial Plan includes State workforce estimates by agency, it does not provide an allocation by agency of the impact of the retirement incentive and other workforce actions, which will impact agency FTE levels. This information is expected to be provided in the Mid-Year Update to the Financial Plan.

Appendices

Appendix A: Evolution of SFY 2010-11 Budget Bills

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

	Executive Budget January 19, 2010		30-Day Amends February 9, 2010		Executive Resubmittal*		PASSED		Chapter & Date Signed
Appropriation Bills	Senate Bill	Assembly Bill	Senate Bill	Assembly Bill	Senate Bill	Assembly Bill	Senate Bill	Assembly Bill	
Public Protection and General Government	6600	9700	6600-A 2/17/2010	9700-A 2/17/2010	6600-B	9700-C	6600-C 6/21/2010	9700-D 6/18/2010	**Ch 50 6/22/2010**
NYS Theatre Institute							8168 6/16/2010	11438 6/14/2010	**Ch 131 6/18/2010**
Legislature and Judiciary	6601	9701					6601-A 6/30/2010	9701-B 7/1/2010	**Ch 51 7/2/2010**
Debt Service	6602	9702	No	No			6602 3/8/2010	9702 3/17/2010	**Ch 52 3/23/2010**
Education, Labor, Family Assistance	6603	9703	6603-A 2/17/2010	9703-A 2/17/2010	None	None	6603-B 6/28/2010	9703-C 6/28/2010	**Ch 53 7/2/2010**
SUNY, CUNY, SUNY Construction Fund							8241 6/30/2010	11603 7/1/2010	**Ch 148 7/2/2010**
Health and Mental Hygiene	6604	9704	6604-A 2/17/2010	9704-A 2/17/2010	None	None	6604-B 6/28/2010	9704-C 6/28/2010	**Ch 54 7/2/2010**
10th Emergency Bill - HCRA & some local assistance							8089 6/7/2010	11370 6/7/2010	**Ch 108 6/8/2010**
11th Emergency Bill - OASAS, OMH, OMRDD, CQCAPD; OTDA local							8167 6/14/2010	11437 6/14/2010	**Ch 110 6/14/2010**
12th Emergency Bill - Various Dept. of Health (DOH) programs							8284 6/21/2010	11514 6/21/2010	**Ch 133 6/21/2010**
DOH – Rape Crisis Centers							8424 8/3/2010	11612 7/1/2010	**Ch 380 8/13/2010**
Medicaid - Cigarette Tax Adjust. (cleanup)							S8416	A11598 7/1/2010	
Transportation, Economic Dev. & Environment	6605	9705	6605-A 2/17/2010	9705-A 2/17/2010	6605-B	9705-C	6605-C 6/21/2010	9705-D 6/18/2010	**Ch 55 6/22/2010**
EPF and Parks (Governor's Program Bill)							7988 5/28/2010	11308 5/28/2010	**Ch 99 5/28/2010**
FMAP Contingency Fund							67011-A 8/3/2010	41011-A 8/3/2010	**Ch 313 8/4/2010**

***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: Govern how appropriations will be administered and financed.

	Executive Budget January 19, 2010		30-Day Amends February 9, 2010		Executive Resubmittal*		PASSED		Chapter & Date Signed
Article VII/ Language Bills	Senate Bill	Assembly Bill	Senate Bill	Assembly Bill	Senate Bill	Assembly Bill	Senate Bill	Assembly Bill	
Public Protection and General Government	6606	9706	6606-A 2/17/2010	9706-A 2/17/2010			6606-B 6/21/2010	9706-C 6/18/2010	**Ch 56 6/22/2010**
Education, Labor, Family Assistance	6607	9707	6607-A 2/17/2010	9707-A 2/17/2010			6607-B 6/28/2010	9707-C 6/28/2010	**Vetoed 7/7/2010**
SUNY Transfer Authorization (cleanup)							8422 6/30/2010	11604 7/1/2010	**Ch 149 7/2/2010**
Health and Mental Hygiene	6608	9708	6608-A 2/17/2010	9708-A 2/17/2010			6608-B 6/28/2010	9708-C 6/28/2010	**Ch 58 7/2/2010**
Transportation, Economic Dev. & Environment	6609	9709	6609-A 2/17/2010	9709-A 2/17/2010			6609-B 6/21/2010	9709-C 6/18/2010	**Ch 59 6/22/2010**
Revenue and Taxes	6610	9710	6610-A 2/17/2010	9710-A 2/17/2010			6610-C 8/3/2010	9710-D 7/1/2010	**Ch 57 8/11/2010**
Tax Law Amendments							8465 8/3/2010	11678 8/3/2010	**Ch 312 8/4/2010**
Cigarette Tax Increases							8285 6/21/2010	11515 6/21/2010	**Ch 134 6/21/2010**
Cigarette Tax Amendments							8293 6/21/2010	11519 6/21/2010	**Ch 136 6/22/2010**
Agency/ Public Benefit Corp. Consolidations	6613	9713	6613-A 2/17/2010	9713-A 2/17/2010					
Agency/ Public Benefit Corp. Efficiencies	6614	9714	6614-A 2/17/2010	9714-A 2/17/2010					
Ethics and Campaign Finance Reform	6615	9715							

Appendix B: Summary of SFY 2010-11 Appropriations

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

The following summarizes new appropriations by appropriation type. The tables do not include contingency appropriations, reappropriations or member item appropriations. Enacted Budget amounts include appropriations enacted in Section 8 of Chapter 20, Section 2 of Chapter 100, Section 11 of Chapter 108, Sections 15-20 of Chapter 110, Section 11 of Chapter 133, Chapter 99 and Chapter 148 of the Laws of 2010.

Summary of New Appropriations by Appropriation Type
SFY 2010-11 Enacted Budget Compared to SFY 2009-10 Enacted Budget
(in millions of dollars)

	Enacted SFY 2009-10	Enacted SFY 2010-11	Dollar Change From SFY 2009-10	Percent Change From SFY 2009-10
State Operations	40,739	40,943	204	0.50%
Local Assistance	108,886	111,377	2,491	2.29%
Capital Projects	12,800	7,934	(4,866)	-38.01%
Debt Service	9,858	9,288	(570)	-5.78%
Total	**172,283**	**169,542**	**(2,741)**	**-1.59%**

Note: Appropriations for SFY 2009-10 are as enacted, prior to legislative reductions. Totals may not add due to rounding.

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

	Executive Proposed (21-Day) SFY 2010-11	Enacted SFY 2010-11	Dollar Change From Executive	Percent Change From Executive
State Operations	33,372	40,943	7,571	22.69%
Local Assistance	110,421	111,377	956	0.87%
Capital Projects	7,935	7,934	(1)	-0.01%
Debt Service	9,288	9,288	-	0.00%
Total	**161,016**	**169,542**	**8,526**	**5.30%**

Note: Totals may not add due to rounding.

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

Summary of New Appropriations by Appropriation Budget Bill
SFY 2010-11 Enacted Budget Compared to SFY 2009-10 Enacted Budget
(in millions of dollars)

	Enacted SFY 2009-10	Enacted SFY 2010-11	Dollar Change From SFY 2009-10	Percent Change From SFY 2009-10
Public Protection & General Government	11,762	10,996	(766)	-6.51%
Health and Mental Hygiene	66,731	68,554	1,823	2.73%
Education, Labor & Family Assistance	65,990	65,442	(548)	-0.83%
Transportation, Economic Development and Environment	15,195	12,370	(2,825)	-18.59%
Legislature	222	220	(2)	-0.90%
Judiciary	2,526	2,671	145	5.74%
Debt Service	9,858	9,288	(570)	-5.78%
Total	**172,283**	**169,542**	**(2,742)**	**-1.59%**

Note: Appropriations for SFY 2009-10 are as enacted, prior to legislative reductions. Totals may not add due to rounding.

Summary of New Appropriations by Appropriation Budget Bill
SFY 2010-11 Enacted Budget Compared to SFY 2010-11 Executive Proposed
(in millions of dollars)

	Executive Proposed (21 Day) SFY 2010-11	Enacted SFY 2010-11	Dollar Change From Executive	Percent Change From Executive
Public Protection & General Government	11,024	10,996	(28)	-0.25%
Health and Mental Hygiene	67,840	68,554	714	1.05%
Education, Labor & Family Assistance	57,423	65,442	8,019	13.97%
Transportation, Economic Development			-	
and Environment	12,495	12,370	(125)	-1.00%
Legislature	222	220	(2)	-0.90%
Judiciary	2,724	2,671	(53)	-1.95%
Debt Service	9,288	9,288	-	0.00%
Total	**161,016**	**169,542**	**8,526**	**5.30%**

Note: Totals may not add due to rounding.

Appendix C: Summary of SFY 2010-11 Article VII Bill Sections

PUBLIC PROTECTION AND GENERAL GOVERNMENT S.6606/A.9706			
Chapter 56, Laws of 2010			
DESCRIPTION	**EXECUTIVE ARTICLE VII PART**	**ENACTED ARTICLE VII PART**	**COMMENTS**
Merge Crime Victims Board, OPDV and DPCA into DCJS	A	A	
Implement provisions regarding the Office of Victim Services		A-1	
Merge Office of Homeland Security, SEMO, State 911, etc into new Div of Homeland Security and Emergency Services.	B	Omitted	
Implement Comprehensive Emergency Management Planning		B	
Make DCJS admin agency for Rape Crisis Program and remove DOH responsibility	C	Omitted	
Mandate relief and State aid change for local probation departments	D	D	Amended by Legislature
Establish new State agency to oversee indigent defense services	E	E	Amended by Legislature
Authorize county Offices of Conflict Defender for indigent defendants	F	Omitted	
Expand number of offenders who must provide DNA to State database	G	Omitted	
Authorize automated photo policing of work zone and other highway speed limits	H	Omitted	
Reduce Board of Parole from 19 to 13 members	I	Omitted	
Provide flexibility for administration of local jails	J	Omitted	
Increase judiciary civil fees for indigent legal services	K	Omitted	
Amend legal filing fees		K	
Increase flexibility for consolidation of town and village justice courts	L	L	
Require Judiciary to provide local government impact statements for its mandates	M	Omitted	
Enable local governments to obtain Municipal Bond Bank Agency financing for public safety communications systems	N	N	
Abolish State Employee Relations Board and shift its responsibilities to PERB	O	O	
Repeal requirement that contractors collect a fee on sales from OGS contracts	P	P	
Collect surplus funds from Workers Compensation insurance carriers	Q	Q	
Protect injured workers' benefits and require employers to meet future obligations	R	R	
Establish joint OSC-DOB appointing authority for Statewide Financial System Project	S	S	
Permit NYS Health Insurance Program to self-insure	T	T	
Require State employees and retirees to contribute to Medicare Part B premiums	U	U	
Provide State and local governments outside NYC the option to amortize pension costs	V	Omitted	
Merge State Board and State Office of Real Property Services into Tax and Finance	W	W	
Authorize electronic reporting of property assessment information	X	X	
Restructure State aid for local governments to assess real property at full value	Y	Y	
Reduce AIM program funding to local governments	Z	Z	
Reduce State aid to municipalities for video lottery gaming	AA	AA	
Place a four-year moratorium on new unfunded legislative mandates on local governments and schools	BB	Omitted	In Exec July Revenue Part MM
Repeal the multiple bidding requirements (Wicks Law) for schools	CC	Omitted	
Set interest paid on judgments against State and local governments at market rates	DD	Omitted	
Provide local governments with additional flexibility to restructure and share services	EE	EE	
Increase State and local government procurement flexibility	FF	FF	Amended by Legislature
Provide additional oversight and accountability for commissioner-run special districts	GG	Omitted	
Provide local governments with additional revenue options	HH	Omitted	
Allow NYC Transitional Finance Authority to issue Qualified School Construction Bonds as sinking fund bonds	II	Omitted	
Amend transfers, temporary loans, bond caps, and miscellaneous capital/debt provisions	JJ	JJ	
Restrict use of monetary recoveries by District Attorneys in NYC to law enforcement	KK	KK	
Amend law regarding certificates of relief from disabilities and certificates of good conduct		LL	
Amend law relating to re-use of closed prisons		MM	
Amend law relating to county autopsy and toxicological reports		NN	
Amend law relating to convict reports, disabilities and prohibitions requirements		OO	
Amend law regarding NYC GAAP reporting variation		PP	
Reauthorize legislative member stipends		QQ	

EDUCATION, LABOR AND FAMILY ASSISTANCE S.6607/A.9707			
VETOED - Veto Number 16 of 2010			
DESCRIPTION	**EXECUTIVE ARTICLE VII PART**	**ENACTED ARTICLE VII PART**	**COMMENTS**
Implement one-year reduction in school aid; adjust Foundation Aid beginning in SFY 2011-12	A	A	Amended by Legislature; these amendments were the reason for the Governor's Veto.
Enact School District paperwork Reduction and Mandate Reform	B	Omitted	
Modernize special education aid formulas	C	Omitted	
Make NYS Theater Institute and ESP Performing Arts Center self-supporting	D	Omitted	
SUNY Empowerment and Innovation Act	E	Omitted	
Increase standards for non-remedial TAP recipients	F	Omitted	
Amend TAP eligibility requirements as they relate to default	G	G	
Eliminate TAP eligibility for graduate students	H	Omitted	
Create new TAP schedules for independent students under 22 and married students	I	I	
Reduce maximum TAP for some 2-year programs to $4,000	J	J	
Provide TAP awards to students at some insitutions not under SED supervision	K	K	
Reduce TAP awards by $75.	L	Omitted	
Include all private pension and annuity income in TAP eligibility determinations	M	M	
Extend Nursing Faculty Scholarship and Loan Forgiveness programs until 2015	N	N	
Extend Regents Physicians Loan Forgiveness program until end of 2010-11 year	O	O	
Eliminate some State sponsored merit scholarship programs beginning in 2010-11	P	P	
Amend provisions for community college chargebacks	Q	Omitted	
Extend current social worker and mental health professional licensing exemptions	R	Chap 132	
Amend NYHELPs law	S	S	Amended by Legislature
Make technical corrections to DA and Indigent Legal Services Loan Foregiveness program	T	T	Amended by Legislature
Expand investment choices for Optional Retirement Program	U	Omitted	
Eliminate STAR exemption benefit for property worth $1.5 million or more	V	Omitted	Amended version in July Exec Rev-DD
Lower STAR floor from 89 to 82 percent	W	Omitted	In July Exec Rev-BB
Amend NYC Personal Income Tax rates	X	Rev - EE	Amended by Legislature
Enable use of EBT system for foster care and adoption programs	Y	HMH E	
Create Kinship Guardianship Assistance Program	Z	HMH F	
Allow court-ordered child protective investigations only for reasonable cause	AA	Omitted	
Authorize electronic appearances in Family Court proceedings	BB	Omitted	
Clarify scope and financial responsibility for Safe Harbor for Exploited Children Act	CC	HMH G	
Authorize deduction and transfer of payments for certain child care providers	DD	HMH H	
Reduce mandates on local social service districts	EE	Omitted	
Clarify State authority to withhold youth facility reimbursement payments	FF	Chap 111	Amended by Legislature
Modify the scheduled Public Assistance Grant increase	GG	Omitted	
Authorize SSI Federal Cost-of-Living Adjustment pass-through	HH	HMH I	
Authorize State administration of additional State SSI	II	Omitted	
Transfer administration of Nutrition Outreach from DOH to OTDA	JJ	HMH Sec J	
Authorize OTDA to access Tax and Finance Wage Reporting Data	KK	Omitted	

HEALTH AND HUMAN SERVICES S.6608/A.9708			
Chapter 58, Laws of 2010			
DESCRIPTION	**EXECUTIVE ARTICLE VII PART**	**ENACTED ARTICLE VII PART**	**COMMENTS**
Modify Early Intervention and EPIC programs; consolidate or eliminate similar or non-core programs.	A	Chap 109	Amended by Legislature
Eliminate various task forces and merge others to streamline government	A9713/S6613	A	Amended by Legislature
Reform Medicaid reimbursement for hospitals; extend HCRA surcharges, increase assessments for nursing homes, and for home and personal care providers	B	Chap 109	Amended by Legislature
Reform Medicaid reimbursement for Long Term Care (LTC)	C	C and D	Amended by Legislature
Authorize the Insurance Department to approve health insurance premium rate adjustments before they take effect	D	Chap 107	Amended by Legislature
Clarify the use of Federal entitlement benefits by facility directors	E	Chap 111	Amended by Legislature
Enable the use of an electronic benefit transfer system for the foster care and adoption programs.	ELFA Y	E	
Eliminate the requirement that OMH issue a report on services to traditionally underserved populations	F	Chap 111	Amended by Legislature
Establish a Kinship Guardianship Assistance Program	ELFA Z	F	
Authorize electronic appearances in Sex Offender Management and Treatment Act proceedings	G	Omitted	
Clarify the scope and fiscal responsibility associated with the Safe Harbour for Exploited Children Act.	ELFA CC	G	
Extend Community Mental Health Support and Workplace Reinvesment Program	H	Chap 111	Amended by Legislature
Authorize deduction and transfer of payments for certain child care providers	ELFA DD	H	
Clarify OMH's authority to recover exempt income for community residences and family-based treatment programs	I	Chap 111	
Authorize SSI Federal Cost-of-Living Adjustment pass-through	ELFA HH	I	
Amend Mental Hygiene Law in relation to family care payments made by OMH and OMRDD	J	Omitted	
Transfer administration of Nutrition Outreach from DOH to OTDA	ELFA Sec JJ	J	
Ensure quality care in detoxification units	K	Omitted	
Create social services savings plan demonstration project		K	
Transfer Alcohol and Drug Rehabilitation Program from DMV to OASAS	L	Omitted	
Enacting clauses		L	
Eliminate enriched funding for mental hygiene services in the five United Services Counties	M	Chap 111	
Defer Human Services COLA for one year	N	Chap 111	
Authorize DOH to establish certain general hospital payments	O	Chap 111	
Increase Medicaid payments for manged care providers	P	Chap 111	

TRANSPORTATION, ECONOMIC DEVELOPMENT, AND ENVIRONMENTAL CONSERVATION S.6609/A.9709			
Chapter 59, Laws of 2010			
DESCRIPTION	**EXECUTIVE ARTICLE VII PART**	**ENACTED ARTICLE VII PART**	**COMMENTS**
Reauthorize CHIPS and Marchiselli Aid allocations	A	Chap 109	In Extender Art VII
Consoliate the DOT Accident Damage Account with the DHBTF	B	Omitted	
Establish a diesel waiver process for vehicles to be retired within 3 years	C	C	
Eliminate the ability of an IDA to grant a Mortgage Recording Tax exemption	D	Omitted	
Extend the DOT single audit program for one year	E	E	
Eliminate the ability of MTA employees to receive double workers' comp benefits	F	Omitted	
Extend owner controlled insurance to all MTA capital projects	G	Omitted	
Authorize the MTA to conduct a pilot electronic and reverse bidding program	H	Omitted	
Eliminate the ability to sue the MTA when injuries are due to reckless conduct	I	Omitted	
Increase Law Enforcement Motor Vehicle Accident Report threshold to $3,000	J	Omitted	
Allow DMV to mail using bulk rates	K	K	
Consolidate the State's economic development agencies	L	Omitted	
Extend the NYS Higher Education Capital Matching Grant Program	M	M	
Establish a new Small Business Revolving Loan Fund	N	N	Amended by Legislature
Establish the New Technology Seed Fund	O	Omitted	
Make the general loan powers of the NYS UDC permanent	P	P	Amended by Legislature
Authorize support for the NYC Empowerment Zone, the New Technology Seed Fund, and Governor's Island	Q	Omitted	
Allow equine drug testing to be conducted by a State college with an Equine Sciences Program	R	Omitted	
Transfer Tribal State Compact Revenue to the General Fund	S	Omitted	
Eliminate the State's role in dog licensing	T	T	Amended by Legislature
Authorize State agencies to enter into MOU with Cornell U for services	U	Omitted	
Authorize DOH to finance certain activities using cable television assessments	V	V	
Authorize extreme martial arts	W	Omitted	
Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents	X	Omitted	
Extend for one year the distribution formula for Community Services Block Grants	Y	Y	
Streamline the classification of Not-for-Profit Corporations	Z	Omitted	
Include NYC Housing Development Corp under the State Bond Issuance Charge	AA	Chap 19	In Extender Art VII
Authorize NYSERDA to pay up to $913,000 to the General Fund	BB	BB	
Authorize NYSERDA to finance research and climate change programs from gas and electric assessments	CC	CC	
Eliminate the sunset of the Waste Tire Mangement and Recycling fee	DD	DD	
Reduce DEC public notice and report requirements	EE	Omitted	
Reduce amount of real estate transfer tax deposited into the Environmental Protection Fund	FF	Omitted	
Reduce reimbursement rate paid to government agencies that enforce the Navigation Law	GG	Chap 109	In Extender Art VII
Expand the authorized use of the Snowmobile Trail Development and Maintenance Fund	HH	Omitted	
Establish bus lane photo ID device demonstration program	II	II	
Eliminate Genesee Valley Regional Market Authority and transfer functions to ESDC	JJ	JJ	Amended by Legislature
Temporarily suspend enrollment cap on Healthy New York health insurance program	KK	Omitted	
Implement shared service initiatives for the Division of the Lottery and Racing and Wagering Board		LL	
Establish the Excelsior Jobs Program		MM	
Amend law related to Triborough Bridge and Tunnel Authority and NYC Transit Authority bonds		NN	
Create a Legislative Commission on Critical Transportation Choices for the State		OO	

REVENUES S.6610/A.9710 Chapter 57, Laws of 2010				
DESCRIPTION	**EXECUTIVE BUDGET**	**EXECUTIVE JULY 26**	**LEGISLATURE Assembly - JULY 1 Senate - AUGUST 3**	**COMMENTS**
	Original & 21-day	**No Print**	**Senate C Assembly D**	
Impose a 3 percent tax on certain natural gas production	A	Omitted	Omitted	
Clarify limits on Qualified Emerging Transportation Company (QETC) and biofuel production credit		A	A	
Increase the excise tax on cigarettes	B		Chap 134	In Extender Art VII
Include past income in NY source income of nonresidents		B	B	
Impose an excise tax on syrups or simple syrups, bottled soft drinks, powders or base products	C	Omitted	Omitted	
Equalize the tax treatment of corporations and unincorporated businesses for biofuel and QETC tax credits	D	Omitted	Omitted	
Make termination payments, non-compete covenants and other compensation for past services to nonresidents taxable unless exempt under Federal Law	E	Omitted	Omitted	
Treat S-corporation gains and installment income as taxable for non-residents	F	C	C	Amended by Part B of S.8465/A.11678
Amend the definition of resident trusts to reduce tax avoidance	G	D	Omitted	
Require information reporting of payments made in settlement of payment card and third party network transactions	H	E	E	
Authorize the use of statistical sampling techniques for sales tax purposes	I	F	Omitted	
Improve the administration of the Electronic Filing and Electronic Payment programs in relation to payments made in payment card and third party network transactions	J	G	G	
Authorize Tax and Finance to use less costly means to send tax bills and notices	K	H	Omitted	
Reform the Offer in Compromise Program	L	I	Omitted	
Require Tax and Finance to provide recommendations to reform State and local taxes on telecommunication services	M	J	Omitted	
Eliminate the sunset of Quick Draw and eliminate game restrictions	N	Omitted	Omitted	
Extend the hours of VLT operation and repeal the sunset for the program	O	K	K	
Expand the base of the mortgage recording tax to include coop sales	P	L	Omitted	
Provide an income tax (circuit breaker) credit to offset local school taxes	Q	Omitted	Omitted	
Recognize same-sex marriages performed outside of New York	R	QQ	[M]	Legislature included in draft but omitted in bill passed in June/August
Narrow the definition of vendor for sales tax purposes	S	M	N	
Allow the sale of wine in grocery and drug stores	T	Omitted	Omitted	
Authorize an additional credit of $4 million for low income housing	U	N	P	
Extend the Empire State Film Production credit	V	O	Q	Amended by Part C of S.8465/A.11678
Establish the Excelsior Jobs Program	W		TED-MM	
Unknown legislative Part U			Omitted	
Repeal Tax Law regarding a sales tax bad debt credit for private label credit cards		U	W	
Further reform the Empire Zone program	X	P	R	
Amend Tax Law regarding the sales tax vendor credits under Article 28		V	X	
Extend for one year provisions of the 1985 and 1987 bank tax reforms	Y	Omitted	Omitted	
Amend Tax Law regarding deferral of use or payment of certain tax credits		W	Y	
Create the offense of 'tax fraud act"	Z-Sub A	Q-Sub A	S-Sub A	
Define certain terms in Tax Law	Z-Sub B	Q-Sub B	S-Sub B	
Clarify requirements for statements by IDAs and their agents	Z-Sub C	Q-Sub C	S-Sub C	
Amend provisions of State law regarding New York City deduction for bad debts of thrift institutions and banks		X	Z	

REVENUES S.6610/A.9710 (continued)				
Chapter 57, Laws of 2010				
DESCRIPTION	**EXECUTIVE BUDGET**	**EXECUTIVE JULY 26**	**LEGISLATURE Assembly - JULY 1 Senate - AUGUST 3**	**COMMENTS**
	Original & 21-day	**No Print**	**Senate C Assembly D**	
Extend for one year lower Pari-Mutuel tax rates	AA		Omitted	
Apply sales tax to hotel reseller markup, reversing Tax Appeals Tribunal re Marriott		Y	AA	
Permit mixed martial arts events		Z		
Maintain the level of the NY Estate Tax Unified Credit	BB	R	T	
Improve administration of the taxi tax for the MTA	CC & EE	T	V	
Unknown legislative Part BB			Omitted	
Amend law regarding the New York State itemized deduction in New York City		AA	CC	
Amend eligibility for Brownfield Redevelopment Tax Credit	DD	S	Omitted	
Change STAR floor adjustment computation from 89% to 82%	ELFA - W	BB	Omitted	
Limit NYC Personal Income Tax STAR reduction to first $500,000 of income	ELFA - X	CC	EE	Amended by Legislature
Amend the rates and filing threshold for the Metropolitan Commuter Transportation Mobility Tax	FF	Omitted	Omitted	
Limit the STAR exemption to first $500,000 of income starting in SFY 2011-12		DD	FF	Amended by Legislature
Temporarily reduce sales tax clothing exemption		EE	GG	
Limit itemized deductions for certain taxpayers		FF	HH	
Amend Abandoned Property Law regarding uncashed and unclaimed property		GG	II	
Make higher Capital Base Cap of $10 million permanent		HH	Omitted	
Amend Part FF-1 of Chap 57 L of 2008 related to REITS		II	Omitted	
SUNY Empowerment and Innovation Act - SUNY and CUNY tuition control	ELFA-E & Prog Bill 306	KK-Sub A	Omitted	
SUNY Empowerment and Innovation Act - control of buildings		KK-Sub B	Omitted	
SUNY Empowerment and Innovation Act - procurement		KK-Sub C	Omitted	
SUNY Empowerment and Innovation Act - promoting efficiency		KK-Sub D	Omitted	
SUNY Empowerment and Innovation Act - SUNY health care facilities		KK-Sub E	Omitted	
SUNY Empowerment and Innovation Act - reporting requirements		KK-Sub F	Omitted	
Place a four-year moratorium on new unfunded legislative mandates on local governments and schools	PPGG-BB	MM	Omitted	
Authorize reverse auctions for local government procurement		NN	Omitted	
Create school district and local government tax cap		OO	Omitted	
Create FMAP contingency fund		PP	Omitted	
Unknown legislative Part JJ			Omitted	Intentionally omitted
Amend Tax Law regarding investment management services to a partnership			KK	Repealed by Part A of S.8465/A.11678
Unknown legislative Part LL			Omitted	Intentionally omitted
Amend Tax Law regarding captive real estate investment trusts			MM	
Amend Tax Law regarding the definition of REITS		JJ	NN	
Amend Public Service Law in relation to electric corporations			OO	
Amend Education Law regarding school aid			PP	
Amend Education Law to make technical corrections concerning gap elimination			QQ	
Amend Public Authorities Law in relation to SED State Longitudinal Data System			RR	Amends Chap 100 of 2010
Amend Vehicle and Traffic Law to make technical corrections to bus lanes			SS	
Amend Retirement and Social Security Law regarding employer contributions		LL	TT	
Require UDC comprehensive financial plan			UU	
Amend State Finance Law establishing an Educational Assessment Account			VV	
Amend Tax Law regarding taxi sales taxes in NYC			WW	
Reallocate inmates' places of residence for purposes of redistricting			XX	
Amend Tax Law in relation to little cigars			YY	

EMERGENCY EXTENDER BILLS						
Cycle	**GPB***	**Assembly**	**Senate**	**Chapter**	**Type**	**Subjects**
1	230R	A10468	S7276	19	Art VII	Payments, deposits, transfers, DOS special handling fee, NYC HDC, welfare COLA, Medicaid reimbursements for residential health care facilities
	231R	A10469	S7277	20	Approp	State Operations April 1 - April 11
2	234	A10610	S7443	35	Approp	State Operations through April 18
	235	None	None	None	Art VII	Suspends Art 11-A and 11-B of SFL for emergency approps
3	240	A10740	S7529	46	Approp	State Operations through April 25
4	243	A10847	S7605	47	Approp	State Operations through May 2
	244	A10848	S7606	48	Art VII	LGAC
5	246	A10924	S7689	68	Approp	State Operations through May 12
	247	None	None	None	Art VII	Employee Benefit Accrued Liability Reserve Fund
6	250	A11011	S7777	75	Approp	State Operations through May 20
	251	A11012	S7778	83	Art VII	Transitional Care Unit Demonstration Program
7	255	A11102	S7846	80	Approp	State Operations through May 26
	256	A11103	None	None	Art VII	Social work and mental health practitioners, see cycle 11, A.11440
	257	A11104	S7847	79	Art VII	Revenue bonds and debt service fund
	258	A11105	None	None	Art VII	School aid payment schedules
8	261	None	None	None	Approp	Supereceded by GPB 265, Chapter 90
	262	A11174	S7925	89	Art VII	STAR/Quick Draw
	263	None	None	None	Art VII	Parks approps; EPF transfer; amended version Chapter 99
	265	A11182	S7932	90	Approp	State Operations through June 3
	267	A11308	S7988	99	Art VII	Parks approps; Environmental Protection Fund; electronic waste recycling; increase environmental fees and penalties
	268	A11309	S7989	100	Approp	SED State Longitudinal Data System
	269	A11310	S7990	101	Art VII	Charter schools; amended by Chapter 102
9	270	None	None	None	Art VII	TAP
	271	A11313	S8019	106	Approp	State Operations through June 9
10	276	None	None	None	Approp	Supereceded by GPB 279, Chapter 108
	277	None	None	None	Art VII	Supereceded by GPB 280R, Chapter 111
	278	A11369	S8088	107	Art VII	Prior approval of insurance rates
	279	A11370	S8089	108	Approp	State Operations through June 14; HCRA
	280R	A11372	S8090	109	Art VII	EPIC, hospital reimbursement, CHIPS, navigation law, OCFS, school tax relief
11	283R	A11437	S8167	110	Approp	State Operations through June 20; mental health/human services approps
	284	A11438	S8168	131	Mixed	NYS Theater Insitute approp
	285R	A11439	S8169	111	Art VII	Various health and mental health programs, STAR/Quick Draw, loft law in NYC, deposits and transfers, OCFS reimbursements
	286	A11440	S8178	132	Art VII	Licensing of mental health professionals
12	293	A11514	S8284	133	Approp	State Operations through June 28; Medicaid
	294	A11515	S8285	134	Art VII	OTB, tobacco, multiple-dwellings
	296	A11519	S8293	136	Art VII	Tobacco tax chapter amendment
	305	None	None	None	Art VII	FMAP Contingency Fund
	306	None	None	None	Art VII	SUNY Empowerment
	307	None	None	None	Art VII	Balanced Budget Plan
	B 40				Art VII	ELFA resubmission - School aid, TAP
	B 41				Art VII	Revenue resubmission

*GPB: Governor's Program Bill

Appendix D: SFY 2010-11 Agency Mergers and Consolidations

The following chart shows agency mergers and consolidations included in the SFY 2010-11 Enacted Budget.

SFY 2010-11 Agency Mergers and Consolidations

Agency Name	Notes
Office of Indigent Legal Services	New
Authorities Budget Office	Moved to Department of State
Probation and Correctional Services	Merged with Division of Criminal Justice Services
State Emergency Management Office	Merged with Division of Homeland Security and Emergency Services. In addition, programs from Department of Military and Naval Affairs, Office for Technology and Department of State are part of this merger.
Office of Real Property Tax Services	Merged with Department of Taxation and Finance

Appendix E: Out-Year Impact of Gap Closing Measures

This table outlines the out-year impact of specific gap closing measures included in the SFY 2010-11 Enacted Budget Financial Plan. The table illustrates final actions, including vetoes.

SFY 2010-11 Enacted Budget Financial Plan
Gap Closing Measures
(in millions of dollars)

	SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14
21 Day Amendment Adjusted Gap	**(1,654)**	**(7,534)**	**(15,851)**	**(19,650)**	**(21,584)**
Defer Deficit	1,654	(1,654)	-	-	-
Current Services Gap	**-**	**(9,188)**	**(15,851)**	**(19,650)**	**(21,584)**
December 2009 DRP		692	811	876	854
Gap to be Closed	**-**	**(8,496)**	**(15,040)**	**(18,774)**	**(20,730)**
Spending Reductions/Savings					
Local Assistance					
School Aid	-	1,497	544	(7)	(14)
Lottery Changes	-	180	136	136	136
Other Education/Special Education/Arts	-	142	13	13	11
Medicaid Fraud	-	300	300	300	300
HCRA Offload	-	103	131	131	131
Eliminate Automated Increases	-	99	120	120	120
Other Health Care	-	277	374	342	342
Higher Education	-	224	174	152	152
STAR	-	121	200	210	223
Human Services/Labor/Housing	-	214	165	175	176
Mental Hygiene	-	61	74	47	38
Local Government Assistance	-	325	30	29	19
Other Local Assistance	-	173	119	112	114
State Operations					
Agency Reductions - Early Retirement	-	1,233	1,061	838	815
Pension Amortzation/Fringe Benefit Changes	-	287	472	728	853
Debt Management		100	25	34	36
Capital Reduction Plan	-	10	34	72	90
FMAP Contingency	-	281	-	-	-
Total Spending Reductions/Savings	**-**	**5,627**	**3,972**	**3,432**	**3,542**
Revenue Actions					
Tax Actions					
Temporarily Eliminate Sales Tax Clothing Exemption	-	330	210	-	-
Cigarette/Tobacco Tax	-	290	318	312	307
Business Tax Credits	-	100	970	970	870
Charitable Contributions	-	100	135	160	160
Film Credit	-	-	-	(168)	(292)
Empire Zone Replacement	-	-	-	(50)	(100)
Other Tax	-	73	103	140	188
Audits/Recoveries					
Native American Sales Enforcement	-	150	200	200	200
Other Audit Recoveries	-	221	221	221	221
Other Revenue					
Abandoned Property	-	100	95	60	50
Other	-	41	36	36	21
Total Revenue	**-**	**1,405**	**2,288**	**1,881**	**1,625**
Non-Recurring	-	660	-	-	-
Extension of Federal Stimulus (FMAP)	-	804	603	-	-
Total Actions Toward Deficit	**-**	**8,496**	**6,863**	**5,313**	**5,167**
Remaining Gap After Actions	**-**	**-**	**(8,177)**	**(13,461)**	**(15,563)**

Source: Division of the Budget.

Appendix F: Chronology of the SFY 2010-11 Budget

April 1, 2009: Comptroller DiNapoli describes SFY 2009-10 Enacted Budget as a "buy-time" budget. States that budget does not "adequately respond to today's economic realities.

July 30, 2009: DOB releases *SFY 2009-10 First Quarter Financial Plan Update*. DOB projects a deficit of over $2.1 billion for SFY 2009-10 three months after budget is enacted.

October 15, 2009: Executive submits Deficit Reduction Plan (DRP). $3.2 billion plan includes $1.6 billion in administrative actions that can be taken without legislative action.

October 30, 2009: Mid-Year Financial Plan Update released. DOB revises SFY 2009-10 General Fund budget gap upward to $3.2 billion from the $2.1 billion gap projected in July 2009. These adjustments reflect the impact on the budget of continued State and national economic weakness.

November 5, 2009: Quick Start budget process. The Executive, Legislature and Comptroller meet to discuss receipts and disbursement estimates for the current and ensuing fiscal years. There is consensus that the State is facing a period of economic uncertainty with the potential for further negative impact on State revenue. Comptroller DiNapoli projects that SFY 2009-10 General Fund deficit could reach $4.1 billion.

November 20, 2009: Comptroller DiNapoli releases *New York's Cash Flow Crunch*. Report warns of potential cash shortfall in the month of December and provides an overview of potential actions to address such a shortfall.

November 29, 2009: Executive announces $1.6 billion in administrative savings. Executive also states that the DRP previously proposed in October would be updated.

December 3, 2009: Legislature enacts DRP. The Legislature passes a DRP worth approximately $2.7 billion that includes the $1.6 billion in administrative actions outlined by Executive. The DRP leaves a remaining deficit of $500 million unaddressed. Enacted DRP includes $200 million from the franchise fee associated with Video Lottery Terminals at the Aqueduct Racetrack.

December 13, 2009: Division of the Budget announces payment delays. The State delays $750 million in scheduled payments to avoid cash shortfall.

December 16, 2009: Education advocacy coalition announces lawsuit regarding December payment delays.

December 31, 2009: For the first time in modern history, the General Fund ends the month with a negative balance.

January 19, 2010: Executive Budget released. The Executive proposes a $134 billion budget, proposes actions to close a $7.4 billion cumulative budget gap for SFY 2009-10 and SFY 2010-11. The Executive also announces that the $500 million remaining deficit for SFY 2009-10 (unaddressed in December's DRP) would be rolled into SFY 2010-11 by delaying tax refunds.

January 25 through February 10, 2010: Legislative Budget Hearings conducted. The Joint Fiscal Committees of the Assembly and Senate hold public hearings on the Executive Budget.

February 3, 2010: Comptroller DiNapoli releases *Report on the SFY 2010-11 Executive Budget.* Report details how the use of temporary solutions causes the structural deficit to persist.

February 9, 2010: Executive releases 21 day amendments. The updated Financial Plan increases the cumulative deficit for the remaining months of SFY 2009-10 and all of SFY 2010-11 to $8.2 billion. The Executive announces that an additional $880 million in payments will be delayed into SFY 2010, bringing the total delays to nearly $1.4 billion.

February 22, 2010: Comptroller DiNapoli releases *Comptroller's Fiscal Update: Analysis of the 21-Day Executive Budget Amendments.* The Comptroller warns that much of the revenue expected from the December DRP, including revenue associated with Aqueduct Racetrack, Battery Park City and tax amnesty, would probably not materialize before March 31.

March 1, 2010: Revenue Consensus is reached. The Legislature and the Executive agree that the weaker economic outlook should result in estimated receipts that are net $850 million lower for SFY 2009-10 and SFY 2010-11 than the amounts projected in the Executive Budget.

March 9, 2010: Comptroller DiNapoli releases *Strategy for Fiscal Reform: Ending New York's Chronic Budget Crisis*. Report details fiscal and budgetary reforms to change the way budgets are prepared, negotiated, and implemented in order to realign State spending and revenue.

March 10, 2010: Lieutenant Governor Ravitch releases a five year plan to stabilize State finances. The plan includes accounting changes, an oversight board for the State and the ability for the State to borrow approximately $6.0 billion over 5 years to address the structural deficit.

March 17, 2010: Legislature passes the Debt Service budget bill.

March 22, 2010: Senate passes budget resolution. All Funds spending in the resolution is estimated to be $136.2 billion.

March 24, 2010: Assembly passes budget proposal. All Funds spending in the resolution is estimated to be $136.7 billion.

March 29, 2010: First temporary spending bill passes. The Executive proposes and the Legislature passes the first of 12 temporary spending bills to keep government running.

April 1, 2010: State delays payments totaling $2.9 billion to close SFY 2009-10. The net change between additional delays and the increased fund balance is a net loss of over $200 million.

April 5, 2010: Comptroller DiNapoli releases *New York's Deficit Shuffle*. Report details how the State's structural budget imbalance grows as State officials address annual deficits through use of gimmicks and temporary measures.

April 12, 2010: Legislature enacts second temporary spending bill package. Appropriation language specifically holds back scheduled pay raises for certain unionized employees. Raises for Management Confidential employees are withheld for second year.

April 19, 2010: Legislature enacts third temporary spending bill package.

April 22, 2010: Education advocacy coalition files second lawsuit regarding payment delays.

April 26, 2010: Legislature enacts fourth temporary spending bill package.

April 27, 2010: Executive releases additional DRP to address increased deficit. Plan would provide $620 million in actions to address an additional $1.0 billion budget deficit.

May 3, 2010: Legislature enacts fifth temporary spending bill package.

May 10, 2010: Legislature enacts sixth temporary spending bill package. Language included provisions to furlough approximately 100,000 State employees for 1 day per week.

May 12, 2010: Public employee unions sue to block furloughs.

May 12, 2010: Judge issues temporary restraining order to stop furloughs until further notice and to reinstate scheduled raises for unionized workforce.

May 17, 2010: Legislature enacts seventh temporary spending bill package. Furlough language and language withholding raises is removed.

May 18, 2010: Public leaders meeting.

May 24, 2010: Legislature enacts eighth temporary spending bill package. Bill package includes language to delay school aid payments as it is determined that the State also faces a potential cash shortfall in June (because payments were delayed from March).

May 25, 2010: Comptroller DiNapoli releases *Comptroller's Fiscal Update: The Cost of Deficit Financing*. Report projects significant additional costs associated with various deficit financing plans and urges responsible decision-making.

May 25, 2010: Public leaders meeting.

May 28, 2010: Funding bills for the Environmental Protection Fund (EPF) and parks are passed. Due to a threatened State parks shutdown, bills for parks and the EPF are negotiated and passed.

May 28, 2010: A federal judge issued a preliminary injunction blocking New York's Executive from imposing furloughs.

June 2, 2010: Legislature enacts ninth temporary spending bill package.

June 2, 2010: Public leaders meeting.

June 7, 2010: Legislature enacts tenth temporary spending bill package. Bills include language enacting certain agreed to health care and transportation legislation and appropriations.

June 9, 2010: Public leaders meeting.

June 14, 2010: Legislature enacts eleventh temporary spending bill package. The bills include legislation and appropriations for proposed Medicaid actions.

June 16, 2010: Public leaders meeting.

June 18-21, 2010: Legislature passes first budget bills. The Legislature passes appropriations and Article VII language for Public Protection and General Government as well as Transportation, Economic Development and Environmental Conservation.

June 21, 2010: Legislature enacts twelfth temporary spending bill package. The bill provided tobacco tax increases and enforcement measures.

June 25, 2010: Executive states that remaining budget proposals would be included in thirteenth temporary spending bill. The Executive announced that negotiations could continue, but the June 28 temporary spending bill would include all remaining Executive budget proposals.

June 28 through July 1, 2010: The Legislature did not consent to accept the bill submitted by the Executive. The Legislature passes the remaining amended appropriation and Article VII bills, except the outstanding revenue bill, without messages of necessity.

July 2, 2010: Executive begins signing nearly 6,700 vetoes. These actions produce savings of about $530 million in SFY 2010-11 but will cost nearly $1.9 billion over the next three years.

July 7, 2010: Vetoes delivered to Legislature.

July 13, 2010: Executive submits revised Revenue Bill to Legislature. Proposal includes property tax cap, SUNY Empowerment, FMAP contingency, three year moratorium on local unfunded mandates as well as other revenue actions. Legislature does not accept bill.

July 15, 2010: Comptroller releases *Current Status of the State Fiscal Year 2010-11 Budget*. The reports highlights preliminary spending figures as well as an overview of vetoes and non-recurring resources used to finance the budget.

July 23, 2010: Executive announces extraordinary session will be called for July 28, 2010 if budget action is not completed.

August 2, 2010: Agreement reached on FMAP contingency bill. Bill authorizes the creation of a contingency fund in which savings from certain uniformly reduced appropriations can be deposited up to an amount equal to what was expected in the Financial Plan.

August 3, 2010: Legislature completes action on budget.

August 4, 2010: US Senate passes legislation providing New York with additional Medicaid reimbursement (FMAP) and education jobs funding. Bill is worth approximately $1.4 billion to New York ($804 million in FMAP funds and $600 million in education funds).

August 24, 2010: Federal Government announces that New York is one of nine states and District of Columbia to win Race to the Top Funding. This award provides New York with $700 million over four years for certain education programs.

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