



memo

TO: Business Council Members

FROM: Ken Pokalsky

SUBJECT: Budget Overview

DATE: 3/28/12

The following provides an overview of key provisions of the final FY 2013 state budget agreement announced this week, as well as key proposals that were not included in the final budget legislation. This is intended to reflect those issues for which Council members had expressed interest or concern during budget negotiations, but is not meant to be a comprehensive list of all budget provisions.

Please feel free to contact our Government Affairs staff with any questions or comments you have on this summary, or on any other component of the budget agreement.

OVERVIEW

Total state funds (state tax and fee-supported) spending is \$88.8 billion, an increase of \$1.6 billion or 1.9% over FY 2012 spending levels.

All funds spending, including state and federal supported spending, is \$132.6 billion, a decrease of \$135 million or about 1% from FY 2012 levels.

APPROPRIATIONS LEGISLATION

STATE OPERATIONS APPROPRIATIONS – S.6250-D/A.9050-D

Includes:

- Authority for the Division of Budget to interchange, transfer and/or sub-allocate state operations appropriations.
- Provides \$2.830 million for the “I Love NY” program. This is an increase from the \$2.5 million first proposed.



AID TO LOCALITIES - S.6253-E/A.9053-E

Includes:

- \$3.985 million for the county tourism matching funds program, increase from the \$3.815 million first proposed.
- Includes \$713,000 for New York Wine and Grape Foundation.

CAPITAL APPROPRIATIONS – S.6254-D/A.9054-D

Economic Development

Includes:

- \$705 million in total new capital, an increase of \$40 million over the Executive Budget proposal.
 - \$110 million total for SUNY challenge grants.
 - \$250 million for SUNY college for nanoscale and science engineering.
 - \$25 million for VLT gaming at Aqueduct raceway.
 - An added \$20 million for the state Economic Development Fund.
 - \$75 million for the New York Works Economic Development Fund.
- Does not include any specific set aside for funding broadband expansion investments.

Transportation

Includes:

- \$232 million in state funds for bridge and highway projects, and \$917 million in new federal funds.
- \$770 million in state support for the MTA capital plan.
- \$15 million for Peace Bridge improvements.

ARTICLE VII LEGISLATION

REVENUE – S.6259-D/A.9059-D

Includes:

- Two year (instead of five year) extension for motor fuels tax, petroleum business tax, fuel use tax and state and local sales tax exemptions for the purchase of E85 and other alternative fuels. (Part D).
- Makes permanent e-filing mandate for PIT returns done by professional preparers doing more than 10 returns and individuals using tax software, and repeals, effective 12/31/12 certain provisions for segregated accounts for sales tax collections (Part G).
- Authorizes the commercial production credit through the end of 2014 (Part I).
- Limits the availability of the bio-fuel production tax credit to tax years beginning before 2020 (Part K).
- Allows employees hired through professional employer organizations to be subject to reduced MTA mobility tax rates (Part N).
- Extends Gramm-Leach-Bliley transition rules through the end of 2014 (Part R).
- Extends the application date for the “New York Youth Works” tax credit to November 30, 2012; extends the latest employment commencement date to December 31, 2012 (Part T).

Drops:

- Modifications to taxes on loose tobacco and cigars.
- Authorization for DT&F to deny sales tax certificates to taxpayers with any outstanding tax liability to the state.
- Prohibitions on charging bank fees against state-levied bank accounts.
- Senate proposals, including those to: lower corporate franchise and PIT rates on business; provide new job creation credits of up to \$10,000; repeal the 18-A energy assessment; extend the QETC; adopt 90 day standard for determining domiciled PIT taxpayers; provide PIT exemptions for Irene and Lee storm damages; cap increases of PIT revenues at 2% and rebate income above that level; modify the Article 9A definition of “manufacturer”; to include taxpayers with at least 2,500 manufacturing employees; and others.

- Assembly proposal to adopt a reduced personal income tax rate for taxpayers with adjusted gross income under \$30,000 for joint filers, \$22,500 for heads of households; and \$15,000 for individuals.
- Joint Senate and Assembly proposals to create a sixth "certified capital company."

**TRANSPORTATION/ENVIRONMENTAL/ECONOMIC DEVELOPMENT –
S.6258-D/A.9058-D**

Includes:

- One year extension of UDC loan authority, through 7/1/2013 (Part R), Executive Budget had proposed to make permanent.
- Expanded hazardous waste generation fee exemption for recycled hazardous wastes (Part J).
- Extends state Economic Development Fund through 7/1/2013 (Part S).
- Makes agricultural business eligible for the excelsior linked deposit program (Part U).
- Authorizes DASNY to provide design and constructions services to parks and department of environmental protection (Part BB).
- Requires NYSERDA to record declarations of repaid loans under its on-bill financing programs (Part DD).
- Delays compliance with best available retrofit requirements for heavy duty diesel vehicles until 12/31/2013 (Part EE).
- Creates new Western New York Power Proceeds Allocation board (Part GG) to direct proceeds from sale of unallocated expansion and replacement power.
- Creates the New York Works task force, a fifteen member entity to advise on coordination of capital plans of state agencies and authorities (Part HH).

Drops:

- Prohibition on PSC regulation of voice over internet protocol communications.
- New authority for the Urban Development Corporation to make economic development grants.

- Senate and Assembly proposals to begin shifting unclaimed bottle deposits back to the Environmental protection Fund, with \$20 million shifted in FY 2013 to \$114 million by FY 2019.
- Assembly proposal to:
 - Sweep \$200 million from NYSERDA to the general fund.
 - Mandate a public health study of natural gas extraction using horizontal drilling and hydraulic fracturing.
 - Subject regional economic development councils to the state's open meeting law, subject applications submitted through the ESDC consolidated funding application system to the state's freedom of information act, and mandate annual reports to the legislature on the implementation of and effect of CFA-funded projects.

PUBLIC PROTECTION/GENERAL GOVERNMENT – S/6255-D/A.9055-D

Includes:

- Adopts numerous contract procurement changes (Part L) including:
 - OGS authority to enter into centralized contracts for services and printing;
 - OGS centralized contracts for services would be given second priority, after preferred sources, except for state agencies whose head was not appointed by the governor.
 - Raise the competitive bidding threshold for OGS printing contracts to \$85,000 and \$50,000 for state agencies.
 - Allow additional consideration for small businesses and M/WBE firms when awarding contracts for services.
 - Exclude OGS centralized contracts, including orders and transaction under these contracts, from OSC pre-audit review.
 - Allow municipalities and school districts to piggyback off of OGS centralized contracts and other agency contracts for commodities and services, including printed material.
 - Updates the threshold for mandated publication of competitive bidding opportunities to \$50,000 and increases the reporting requirements for single or sole source providers and other contracts let under the non-competitive bidding threshold.

- Extends the electronic bid submission pilot program until 2015.
- Expands the definition of commodity to include electronic information services.
- Delays by three years, until 2015, repayment of UEF borrowing used to finance defaulted workers comp self insured trusts (Part R).

Drops:

- All language amending Executive Order 38, which imposes executive compensation and administrative cost caps on entities with contracts or grants to provide certain services for the state.
- Senate proposal to amend Section 196-d of the Labor Law to codify how catering and banquet facilities handle service charges not meant to be gratuities.

EDUCATION, LABOR AND FAMILY ASSISTANCE - S.6257-E/A.9057-D

Includes:

- Allows school districts to participate in tax increment financing of certain economic development related projects (Part U).
- Requires pharmacies that are part of a chain of eight or more stores to provide interpretation and translation services to limited English proficient customers (Part V).

HEALTH/MENTAL HYGIENE - S.6256-B/A. 9056-B

Includes:

- Reduces growth in the local share of Medicaid payments by 1% annually beginning in 2013-14, eliminating fully all growth by 2015-16 and beginning a phased-takeover of local government administration of the Medicaid program. (Part F).

Drops:

- Executive budget proposal to mandate commercial health insurance to include and reimburse Early Intervention service providers as part of their coverage networks.
- Executive budget provisions for the New York Health Insurance Exchange, establishing a single exchange within the Public Authorities Law.

AGENCY MERGER/CONSOLIDATION – S.6260-C/A.9060-C

Includes:

- Creates a new state Gaming Commission through the merger of the Division of Lottery and Racing/Wagering Board (Part A).
- Elimination of 25 state boards and commissions (Part D) including:
 - State Environmental Board, which had authority to review and approve all Department of Environmental Conservation rule makings.
 - Wetlands appeals board.
 - Upstate and downstate New York tourism councils.
 - Direct marketing advisory councils under the Department of Agriculture and Markets.