Budget Analysis
State Fiscal Year 2008-09

Review of the Executive Budget

February 2008

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State Comptroller

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Introduction

New York State is facing a number of fiscal challenges resulting in part from economic factors beyond the State's control. National economic growth is slowing and the risk of recession is increasing. The State's financial sector, which provides up to 20 percent of total State revenues, has been challenged by the mortgage lending crisis and the contraction in the credit markets.

While revenue growth is weakening, New York State is confronting the spending pressures associated with meeting the needs of its citizens. Recognizing the serious nature of the financial challenges facing the State, the Executive has proposed a spending plan that attempts to maintain key program priorities within that context.

The State Fiscal Year (SFY) 2008-09 Executive Budget proposes All Funds spending to total $124.3 billion in the next fiscal year, an increase of $5.9 billion, or 5.0 percent, over SFY 2007-08. All Funds receipts for SFY 2008-09 are forecast to total $123 billion, an increase of $6.2 billion, or 5.3 percent, over SFY 2007-08. General Fund spending for SFY 2008-09 is proposed to total $56.4 billion, an increase of $2.8 billion, or 5.2 percent, over SFY 2007-08. General Fund receipts for SFY 2008-09 are proposed to total $56 billion, an increase of $2.8 billion, or 5.3 percent, over SFY 2007-08.

The Executive improved the budget process through the "quick start" revenue and spending discussions in November, as well as through statewide budget hearings. However, the Budget as proposed does not fully address the State's structural deficit. It also relies too heavily on debt, and contains risks to the Financial Plan from revenue and spending actions that may not be realized.

Structural Gap

The SFY 2008-09 Executive Budget closes a current services deficit—the difference between the expected revenues and spending obligations under current law—of $4.4 billion. The projected deficit is accompanied by new spending initiatives of $416 million. The Executive proposes to close nearly half of the total deficit through savings actions of $2.3 billion and the balance through the use of $1.5 billion in nonrecurring resources and $1.1 billion in new or increased taxes and fees.

In the future, however, anticipated spending growth outpaces estimated revenues. Over the four-year period covered by the SFY 2008-09 Financial Plan, General Fund disbursements are projected to increase by 33 percent, while revenue is projected to increase by only 20 percent, further widening the out-year budget gaps. As a result, the General Fund deficit is projected to reach $7.2 billion by SFY 2011-12.

The SFY 2008-09 Executive Budget proposes the use of a portion of the prior year surplus, combined with revenue and savings actions, to reduce the out-year deficits. This, however, does not fully address the structural deficit.

Capital and Debt

The proposed Five-Year Capital and Financing Plan includes $11.0 billion in new capital projects, primarily funded with debt, including $9.3 billion for SUNY and CUNY, $900 million for economic development projects and $355 million for various racing proposals. As a result of ongoing and proposed new commitments, total outstanding State-Funded debt is estimated to reach $67.3 billion over the next five years, an increase of 24 percent over the current outstanding total of $54.3 billion.

The continued growth in the level of debt adds to the State's debt service burden—the amount of funding necessary to support the cost of repaying the debt. Debt service is projected to be one of fastest growing major categories of spending in the budget. State Funded debt service is projected to increase by 48.3 percent, from $5.0 billion to $7.5 billion, over the next five years.

Also, on average, over the course of the Five-Year Capital Plan, approximately 18 percent of annual capital spending is estimated to be disbursed by the State's public authorities, occurring outside the Financial Plan and not subject to the same oversight and review as State agency spending.

Revenue and Savings Actions May Not Be Realized

The SFY 2008-09 Executive Budget relies on a number of revenue and savings initiatives that may not produce the financial results anticipated and present a risk to the Financial Plan. For example, there are a number of proposals totaling $676 million that were advanced in prior years but were not enacted, including reductions in health care, public protection and education aid.

Furthermore, several new revenue initiatives may not generate the funds projected, such as $250 million from a new franchise fee associated with the sale of the rights to develop the Belmont Park Race Track and the anticipated $13 million from a new tax on illegal drugs.

The SFY 2008-09 Executive Budget has been developed in a much more public way than in previous years, and, importantly, includes efforts to increase transparency (e.g. centralized Medicaid appropriations and greater use of competitive sales in debt issuance). However, in order to meet the challenge of balancing spending needs against fiscal realities, State Leaders must work together to ensure that the SFY 2008-09 Enacted Budget is both balanced today and sustainable in the future, reduce reliance on debt to pay for current needs, and develop realistic revenue and spending measures.

Section

2

Financial Overview

The Executive proposes a State Fiscal Year (SFY) 2008-09 All Governmental Funds budget of $124.3 billion, an increase of $5.9 billion, or 5.0 percent, over the current fiscal year. General Fund spending, including transfers, is projected at $56.4 billion, an increase of $2.8 billion, or 5.2 percent, over SFY 2007-08. Revenue is projected by the Executive to total $123 billion for All Funds and $56 billion for the General Fund.

Executive Proposed Budget
SFY 2007-08 and SFY 2008-09
(in millions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Change	Percent Change
General Fund Receipts	53,167	55,984	2,817	5.3%
General Fund Disbursements	53,586	56,384	2,798	5.2%
State Operating Funds Receipts	75,656	79,701	4,045	5.3%
State Operating Funds Disbursements	77,902	81,608	3,706	4.8%
All Funds Receipts	116,885	123,040	6,155	5.3%
All Funds Disbursements	118,304	124,253	5,949	5.0%

These estimates do not include approximately $2.5 billion in disbursements planned by the Executive, but not included in the State's SFY 2008-09 fiscal plan. As seen in the following chart, inclusion of this off-budget spending raises the Executive's spending numbers to $120.7 billion for the current fiscal year and to $126.8 billion for SFY 2008-09. Much of this off-budget spending represents public authority payments to grant recipients and, therefore, is not subject to the same contracting and expenditure review processes required of State agency spending.

All Funds Spending Including Off-Budget SFY 2007-08 and SFY 2008-09
(in billions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Change	Percent Change
Reported All Funds	118.30	124.25	5.95	5.0%
Off-Budget Capital Spending	2.19	2.28		
Off-Budget Other Spending	0.22	0.24		
Adjusted All Funds	**120.71**	**126.77**	**6.06**	**5.0%**

Source: New York State Division of the Budget and New York State Energy Research Development Authority

The SFY 2008-09 Executive Budget, updated with the 21-Day Amendments, projects a General Fund current services deficit of $4.4 billion. This reflects the difference between anticipated revenue and spending authorized under current law. In addition, $416 million in proposed new spending for school aid, health care and other purposes raises the total deficit to $4.8 billion. The Executive Budget proposes to close the SFY 2008-09 General Fund gap through spending and revenue actions that total $4.8 billion, including:

- Savings and reductions in several program areas totaling $2.2 billion, including savings of $826 million in health care and $354 million related to the STAR property tax rebate program,
- The use of $1.5 billion in non-recurring resources, including $337 million in reserves, and
- Revenue actions totaling $1.1 billion.

All Funds Financial Plan Update for SFY 2007-08 (Prior to Off-Budget Spending)

All Funds receipts of $116.9 billion are projected for SFY 2007-08. This amount represents a decrease of $2.6 billion below the Enacted Budget Financial Plan issued in April 2007, primarily due to lower than expected tax receipts ($1.1 billion) and federal receipts ($1.3 billion).

All Funds disbursements in SFY 2007-08 are projected at $118.3 billion, a decrease of $1.9 billion below the Enacted Budget Financial Plan. Decreased disbursements are primarily due to lower than anticipated spending for Medicaid and other public health programs, including EPIC and Child Health Plus.

Compared to SFY 2006-07, All Funds receipts for SFY 2007-08 are projected to grow 4.0 percent, from $112.4 billion to $116.9 billion. Disbursements are estimated to increase 4.9 percent, from $112.8 billion in SFY 2006-07 to $118.3 billion for the current fiscal year.

General Fund Financial Plan Update for SFY 2007-08

The SFY 2007-08 Financial Plan has been significantly modified over the course of the fiscal year, reflecting reductions in both anticipated receipts and disbursements.

The Financial Plan Update for SFY 2007-08, released with the 21-Day Amendments, projects total General Fund receipts, including transfers from other funds, at $53.2 billion for the current fiscal year. This projection represents a decline of $505 million below the SFY 2007-08 Enacted Budget Financial Plan of April 2007.

General Fund disbursements, including transfers to other funds, continue to outpace receipts, and are projected at $53.6 billion for SFY 2007-08, a decrease of $98 million below the Enacted Budget Financial Plan. The remaining surplus, held in reserve in the General Fund, is estimated at $1.05 billion, primarily due to lower than anticipated revenues.

Other reserves include: $1.03 billion for the Tax Stabilization Reserve Fund, $175 million for the Rainy Day Fund, which was created in 2007, $21 million for the Contingency Reserve Fund and $354 million for the Community Projects Fund for a total of $2.6 billion available at the end of SFY 2007-08.

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

	SFY 2006-07 Actual	SFY 2007-08 Enacted	SFY 2007-08 3rd Quarter (21 day amends)	Difference Enacted to 3rd Quarter	Difference 3rd Quarter to SFY 2006-07 Actual
Receipts:					
Taxes	38,668	39,264	38,508	(756)	(160)
Personal Income Tax	22,939	22,885	22,638	(247)	(301)
Consumer Taxes and Fees	8,186	8,565	8,489	(76)	303
Business Taxes	6,468	6,679	6,300	(379)	(168)
Other Taxes	1,075	1,135	1,081	(54)	6
Miscellaneous Receipts	2,268	2,485	2,490	5	222
Federal Grants	151	59	71	12	(80)
Sub-Total	**41,087**	**41,808**	**41,069**	**(739)**	**(18)**
Transfers from Other Funds	10,292	11,864	12,098	234	1,806
Total Receipts	**51,379**	**53,672**	**53,167**	**(505)**	**1,788**
Disbursements:					
Grants to Local Governments	34,302	37,158	36,574	(584)	2,272
State Operations	9,319	9,620	9,673	53	354
General State Charges	4,403	4,530	4,563	33	160
Sub-Total	**48,024**	**51,308**	**50,810**	**(498)**	**2,786**
Transfers to Other Funds	3,567	2,376	2,776	400	(791)
Total Disbursements	**51,591**	**53,684**	**53,586**	**(98)**	**1,995**
Operating Surplus/(Gap)	**(212)**	**(12)**	**(419)**		
Reserves					
Tax Stabilization Reserve	1,031	1,031	1,031	-	-
Rainy Day Fund	-	175	175	-	175
Contingency Reserve	21	21	21	-	-
Community Projects Fund	278	353	354	1	76
Debt Reduction Reserve	-	250	-	(250)	-
					-
Prior Year Surplus	1,715	1,203	1,045	(158)	(670)
Total Reserves	**3,045**	**3,033**	**2,626**	**(407)**	**(419)**

Source: New York State Division of the Budget, various documents

Off-Budget Spending In SFY 2007-08

The SFY 2007-08 Financial Plan does not include approximately $2.4 billion in spending and revenue, which occurs off-budget. Of this amount, $2.2 billion reflects off-budget capital spending. This amount is an increase of $900 million over SFY 2006-07, due primarily to the *EXpanding Our Children's Education and Learning* (EXCEL) Program, which authorized the Dormitory Authority of the State of New York (DASNY) to issue new bonds, as well as disburse the proceeds directly to school districts. In SFY 2006-07, DASNY disbursed $297 million for EXCEL, which is projected to increase to $1 billion in SFY 2007-08 when added to the Financial Plan.

In addition to the off-budget spending for capital purposes, the State also utilized public authorities to provide at least $217 million in additional spending in SFY 2007-08 that is not disclosed or included in the Financial Plan. Funding for this spending comes from the revenues generated by the Systems Benefit Charge and Renewable Portfolio Standard programs administered by the New York State Energy Research and Development Authority (NYSERDA) for energy related projects.

All Funds disbursements adjusted for the inclusion of off-budget spending for SFY 2007-08 are projected at $120.7 billion, an increase of 5.7 percent over SFY 2006-07.

Financial Plan for SFY 2008-09

All Funds

The Financial Plan projects All Funds disbursements in SFY 2008-09 at $124.3 billion. This amount represents an increase of $5.9 billion, or 5.0 percent over SFY 2007-08 prior to the inclusion of off-budget spending. The category with the highest rate of growth is capital projects, which is expected to increase 24.4 percent over SFY 2007-08. The $1.5 billion increase in capital spending is primarily due to continued spending for existing economic development, education and transportation projects, as well as new proposals.

Debt service in SFY 2008-09 is projected to increase $342 million, or 8.0 percent, to $4.6 billion over SFY 2007-08. Grants to local governments, which include Medicaid and school aid, are proposed to increase $3.3 billion, or 3.9 percent, to $87.1 billion. State Operations spending in SFY 2008-09 is projected to increase $792 million, or 4.3 percent, to $19.4 billion.

All Funds receipts in SFY 2008-09 are expected to total $123.0 billion, an increase of $6.2 billion, or 5.3 percent, over SFY 2007-08. The bulk of these receipts are taxes, which are forecast to increase from $60.9 billion to $64.5 billion, or 6.0 percent. Miscellaneous receipts, which comprise roughly 17 percent of total receipts, are projected to increase 7.3 percent to $21.7 billion, while federal grants are projected to increase 2.9 percent to $36.9 billion and provide 30 percent of $21.7 billion of total receipts.

General Fund

The Executive Budget proposes SFY 2008-09 General Fund disbursements (including transfers) of $56.4 billion. This amount represents an increase of $2.8 billion, or 5.2 percent, over SFY 2007-08. Grants to local governments, which comprise the largest share of General Fund disbursements, are proposed to increase 13.8 percent from $36.6 billion in SFY 2007-08 to $41.6 billion in SFY 2008-09, largely due to a restructuring of Medicaid budgeting within certain State appropriations.

General Fund receipts are proposed to increase 5.3 percent in SFY 2008-09, to just under $56.0 billion. Reported taxes comprise the majority of General Fund receipts and are projected to increase $2.9 billion, or 7.4 percent, to $41.4 billion in SFY 2008-09.

State Operating Funds

In SFY 2007-08, the Division of the Budget (DOB) began a new method of reporting receipts and disbursements within the Financial Plan. The method, known as State Operating Funds, is intended to provide an overview of State source receipts and disbursements for operating expenses only—federal grants and capital costs are excluded. According to the SFY 2008-09 Executive Budget Financial Plan, State Operating Funds disbursements are projected to increase to $81.6 billion, or 4.8 percent, from SFY 2007-08 estimates. State Operating Funds receipts are projected to increase 5.3 percent to $79.7 billion.

General Fund Closing Balance and Reserves

The Division of the Budget estimates the State will end SFY 2008-09 with a General Fund closing balance of $2.2 billion. This is comprised of $708 million remaining from the prior year surplus, after using $337 million in SFY 2008-09 and the Community Projects Fund, which will decline $63 million, to $291 million. The remainder includes the following funds, which will be unchanged from SFY 2007-08: the Tax Stabilization Reserve Fund at slightly over $1 billion, the Rainy Day Reserve, created by Chapter 1 of the Laws of 2007, at $175 million and the Contingency Reserve Fund at $21 million.

General Fund Reserves – SFY 2006-07 through SFY 2008-09
(in millions of dollars)

	Actual SFY 2006-07	Estimated SFY 2007-08	Dollar Change from SFY 2006-07 to SFY 2007-08	Proposed SFY 2008-09	Dollar Change from SFY 2007-08 to SFY 2008-09
Tax Stabilization Reserve Fund	1,031	1,031	--	1,031	--
Rainy Day Reserve	--	175	175	175	--
Contingency Reserve Fund	21	21	--	21	--
Prior Year Surplus	1,715	1,045	(670)	708	(337)
Community Projects Fund	278	354	76	291	(63)
Debt Reduction Reserve Fund (1)	--	--	--	--	--
Total	**3,045**	**2,626**	**(419)**	**2,226**	**(400)**

(1) Although there was not a fund balance at the end of SFY 2006-07, $250 million was used to retire debt and an additional $250 million was planned for the same purpose in SFY 2007-08, albeit a portion of the spending authority ($229 million) will be moved into SFY 2008-09.

Off-Budget Spending – SFY 2008-09

State spending not included in the State's Financial Plan is projected to total approximately $2.5 billion for SFY 2008-09, of which $2.2 billion is recognized in the Five-Year Capital Program and Financing Plan as Generally Accepted Accounting Principles (GAAP) spending (off-budget).[1] The remaining $350 million is new spending by the Urban Development Corporation (UDC), doing business as the Empire State Development Corporation (ESDC), the State of New York Mortgage Agency (SONYMA) and NYSERDA for various economic development, housing and energy related projects. The $2.5 billion reflects expected cash disbursements for projects approved in prior years ($2.4 billion) and projects newly proposed for SFY 2008-09 ($110 million).

The SFY 2008-09 Executive Budget authorizes a total of $1.1 billion in new off-budget spending overall, which means that significant spending will occur for projects approved this year, as well as in SFY 2009-10 and beyond. Funding for the new projects is proposed to come from proceeds from the sale of three State assets ($900 million from property held by the Jacob Javits Convention Center Development Corporation and $100 million from two mental hygiene related properties—$60 million from a former developmental center in Manhattan that is currently used as office space and $40 million for land in the Bronx) and a sweep of $100 million in excess mortgage insurance reserves from SONYMA. Proceeds totaling $475 million from the land sales will be used for economic development, housing and park improvements. The remaining $525 million is proposed to be held by ESDC until a specific use is identified, although the stated intent is for various transportation projects in Manhattan. The sweep of funds is proposed to be used for a new Housing Opportunity Fund.

Language is included in the budget bills to convey the mental hygiene properties to the ESDC. These asset sales are proposed to occur outside the scope of legal provisions that would normally apply to State asset sales, which require public notice and a competitive bidding process and are primarily administered by the Office of General Services. The Executive's proposal does not define what process will be used for the sale of these assets. The proceeds of the sale will be spent by public authorities through the proposed Upstate Regional Blueprint Fund.

General Fund Deficit

The SFY 2008-09 Executive Budget proposes actions to close a General Fund deficit of $4.4 billion. This deficit—referred to as the current services gap—is an estimate by the Executive of the difference between spending and revenues anticipated under current law for the next fiscal year. Closure of the projected current services gap for SFY 2008-09 is accomplished through a series of actions including $1.1 billion in

[1] Although Financial Plan documents report this spending in one table, it is not included in overall spending figures within the Financial Plan.

revenue actions, $1.5 billion in additional non-recurring resources and $2.2 billion in recurring savings actions. These actions are offset by $416 million in new spending initiatives and are illustrated below.

Executive New Initiatives and Gap Closing Measures as Presented in the SFY 2008-09 Financial Plan Impact on General Fund
(in millions of dollars)

	SFY 2008-09
Current Services Gap	**(4,422)**
New Spending Initiatives	**(416)**
Education (School Aid)	(126)
Health Care	(120)
Human Services	-
Other Education	(32)
Economic Development	(23)
County Cap for Preschool	(20)
Mental Hygiene	(14)
Other	(81)
New Recurring Revenue	**1,109**
Improve Audit and Compliance	280
HMO Taxation	215
Credit Card Nexus	81
LLC Min Partner Fees	75
Capital Base Reduction	73
Decouple from Fed Qualified Production	50
Auto Insurance Purchase	48
Internet Sales Tax	47
Quick Draw Restrictions	36
Malt Beverage Fee	15
Illegal Drug Tax	13
All Other	176
Non-Recurring Actions	**1,476**
Belmont VLTs	250
AIM Delay	164
Bond Financing over PAYGO	173
SONYMA Sweep	100
EPF Sweep	100
Abandoned Property	50
Mental Hygiene/PIA revenue and Cash Mgmt	66
Recover Early Intervention Costs from NYC	60
Reserves	337
Other	176
Savings	**2,253**
Health Care	826
STAR	354
Welfare/TANF	204
Mental Hygiene	212
Criminal Justice	101
GSC	89
Higher Ed	67
Other Education	66
Transportation	64
Other Education	270
21 -Day Amendment Changes	**-**
Revenue Re-estimates	(384)
Other Savings	237
Spending Re-estimates	147
New Gap	**-**

NOTE: Negative numbers increase the gap whereas positive numbers decrease the gap.

Non-Recurring Resources – SFY 2008-09

The proposed Financial Plan estimates that $1.5 billion in non-recurring resources will be used in SFY 2008-09, including $337 million in surplus from prior years.

In addition to the Executive's list of proposed non-recurring resources, the Office of the State Comptroller has identified an additional $1 billion in non-recurring resources resulting from asset sales used to support off-budget spending and not included within the Financial Plan for a total of $2.7 billion in non-recurring revenues. The following table lists non-recurring resources proposed for SFY 2008-09.

All Funds
SFY 2008-09 Executive Budget
Non-Recurring Resources
(in millions of dollars)

Source	Value	
Asset Sales	1,000	*
Reserves	337	
Belmont VLT Fee	250	
Delay of AIM Restoration for New York City	164	
SONYMA Sweep	100	
Additional SONYMA Sweep	100	*
Environmental Protection Fund Sweep	125	
Bond Financing in EPF (additional sweep)	75	
Additional 5 percent Tax Prepayment	95	
Pension Bill Prepayment	86	
Mental Hygiene PIA revenues	66	
Bond Software Costs	71	
Recovery of Early Intervention Overpayments to New York City	60	
Abandoned Property	50	
Other Bond Financing instead of PAYGO	33	
Student Loan Default Fee	27	
Sweep Motor Vehicle Fund	16	
All Other	34	
Total	**2,689**	

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

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Risks to the SFY 2008-09 Financial Plan

Although the SFY 2008-09 Executive Budget is balanced, a series of risks to the Financial Plan exist, both external and internal, totaling over $2.7 billion. These risks include broad economic factors, unanticipated spending needs, revenues that may not materialize and proposals to reduce spending or raise revenues that have been previously proposed but not enacted.

Economy

Particular risks to the SFY 2008-09 Financial Plan include:

- The risk of a further economic slowdown or even recession, which could cause lower tax collections across the board,
- Consequences of the subprime lending crisis, including negative impact on the real estate market, as well as the bond market, and
- Lower than expected earnings and bonuses from Wall Street.

Lottery

The SFY 2008-09 Executive Budget estimates revenues of $514 million from seven Video Lottery Terminal (VLT) facilities in SFY 2008-09. This represents an increase of $39 million over the SFY 2007-08 estimate, which could overstate revenues based on historical performance.

The Executive also includes a proposal to introduce VLTs at Belmont Park Race Track for which no revenue is expected in SFY 2008-09. This proposal authorizes the new facility, establishes a commission rate for VLT revenues and requires a franchise fee estimated to generate $250 million from the company chosen to manage the new venue. This fee has not been imposed on other operators of VLT facilities, but is being counted on to close the SFY 2008-09 projected gap.

Tax Enforcement

The SFY 2008-09 proposed Financial Plan includes approximately $150 million from the enforcement and collection of fuel, sales and cigarette taxes from sales by Native American establishments to non-Native American consumers, as per statutes enacted in 2005.

The previous Administration was unable to enforce statutes enacted in 2005 due to various land claims, as well as casino and constitutional issues among the State, the federal government and Native Americans. The expectation of this revenue may again fall short; therefore, projected revenues may not be fully realized in SFY 2008-09.

Various Tax Audit Recoveries/Actions

The Executive proposes an additional 75 full- time equivalent (FTE) employees to combat tax fraud through the Department of Tax and Finance with an expectation of $230 million in additional revenue. The majority of the recoveries are for business taxes. Recoveries have been below projections for SFY 2007-08. Should associated savings from these activities fall short of expectations, this would negatively impact the Financial Plan.

Debt Service Savings

The Executive recommends various debt management proposals that could increase debt management efficiencies and reduce borrowing costs by a projected $31 million in SFY 2008-09. Some or all of the Executive's proposals are difficult to assess whether such savings estimates are attainable.

Asset Sales

While not considered part of the Financial Plan or Five-Year Capital Program and Financing Plan, the Executive proposes the sale of three State assets, the proceeds of which are proposed to fund off-budget capital spending in housing, parks, economic development and possibly transportation. The Executive projects sale proceeds of $900 million for land next to Javits Center and an additional $100 million from the sale of two other mental hygiene related properties in Manhattan and the Bronx. The property around Javits is stated to be available because the proposed expansion of the Convention Center will not take place as originally planned. However, officials in the City of New York have expressed concern that the sale would preclude any expansion of the Convention Center in the future. Further, all these proposals are subject to real estate market fluctuations.

Not-For-Profit Insurance Conversion Proceeds

The Executive proposed and the Legislature enacted a conversion of not-for-profit insurers HIP and GHI to for-profit status in SFY 2007-08. DOB projects $284 million in proceeds from the conversion of HIP and GHI in the SFY 2008-09 Budget. If funding from the conversion is not available in SFY 2008-09, since the conversion process can be lengthy, funding will be required from another source or spending will have to be reduced.

Health Care

The Medicaid program provides health care for low-income individuals, long-term care for the elderly and services for disabled persons, primarily through payments to health care providers. In New York, Medicaid is financed jointly by federal, State and local governments. The SFY 2008-09 Executive Budget projects Medicaid savings for SFY 2008-09 at approximately $662 million. As reflected in the following chart, $147 million in proposed Medicaid savings assumed by the Executive may be difficult to achieve since several of the proposed cost containment actions have been proposed by the Executive but not enacted in previous years.

Previous Proposals Not Enacted

The Executive Budget proposal includes nearly $700 million in actions previously advanced, but not enacted, including the expansion of Quick Draw ($36 million). More detail is provided in the chart showing Proposals Advanced in Prior Years But Not Enacted. If these proposals are not enacted, additional pressure on the General Fund will result in SFY 2008-09 and subsequent years.

Comparison of
SFY 2007-08 Estimated vs. SFY 2008-09 Proposed
General Fund
(in millions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Difference	Percent Difference
Opening Fund Balance (April 1)	**3,045**	**2,626**	**(419)**	**-13.8%**
Receipts:				
Taxes	38,508	41,358	2,850	7.4%
Personal Income Tax	22,638	24,205	1,567	6.9%
Consumer Taxes and Fees	8,489	8,832	343	4.0%
Business Taxes	6,300	7,127	827	13.1%
Other Taxes	1,081	1,194	113	10.5%
Miscellaneous Receipts	2,490	2,242	(248)	-10.0%
Federal Grants	71	41	(30)	-42.3%
Sub-Total	**41,069**	**43,641**	**2,572**	**6.3%**
Transfers from Other Funds	12,098	12,343	245	2.0%
Total Receipts	**53,167**	**55,984**	**2,817**	**5.3%**
Disbursements:				
Grants to Local Governments	36,574	41,608	5,034	13.8%
State Operations	9,673	8,851	(822)	-8.5%
General State Charges	4,563	3,033	(1,530)	-33.5%
Sub-Total	**50,810**	**53,492**	**2,682**	**5.3%**
Transfers to Other Funds	2,776	2,892	116	4.2%
Total Disbursements	**53,586**	**56,384**	**2,798**	**5.2%**
Changes in Fund Balance	**(419)**	**(400)**		
Closing Fund Balance (March 31)	**2,626**	**2,226**	**(400)**	**-15.2%**
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	-	0.0%
Rainy Day Fund	175	175	-	0.0%
Contingency Reserve Fund	21	21	-	0.0%
Community Projects Fund	354	291	(63)	-17.8%
Debt Reduction Reserve Fund	-	-	-	0.0%
Prior Year Surplus	1,045	708	(337)	-32.2%

Source: New York State Division of the Budget, SFY 2008-09 Executive Budget updated with 21-Day Amendments, dated February 12, 2008

Comparison of
SFY 2007-08 Estimated vs. SFY 2008-09 Proposed
State Operating Funds
(in millions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Change	Percent Change
Opening Fund Balance (April 1)	6,949	5,765	(1,184)	-17.0%
Receipts:				
Taxes	58,842	62,406	3,564	6.1%
Miscellaneous Receipts	16,742	17,253	511	3.1%
Federal Grants	72	42	(30)	-41.7%
Total Receipts	75,656	79,701	4,045	5.3%
Disbursements:				
Grants to Local Governments	53,032	56,522	3,490	6.6%
State Operations	15,361	15,904	543	3.5%
General State Charges	5,203	4,535	(668)	-12.8%
Debt Service	4,292	4,634	342	8.0%
Capital Projects	14	13	(1)	-7.1%
Total Disbursements	77,902	81,608	3,706	4.8%
Other Financing Sources (uses):				
Transfers from Other Funds	19,109	19,399	290	1.5%
Transfers to Other Funds	(18,047)	(18,467)	(420)	2.3%
Bond and Note Proceeds	0	0	0	
Net Other Financing Sources (uses)	1,062	932	(130)	-12.2%
Changes in Fund Balance	(1,184)	(975)		
Closing Fund Balance (March 31)	5,765	4,790	(975)	-16.9%

Source: New York State Division of the Budget, SFY 2008-09 Executive Budget updated with 21-Day Amendments, dated February 12, 2008

Comparison of
SFY 2007-08 Estimated vs. SFY 2008-09 Proposed
All Governmental Funds
(in millions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Change	Percent Change
Receipts:				
Taxes	60,851	64,494	3,643	6.0%
Miscellaneous Receipts	20,193	21,663	1,470	7.3%
Federal Grants	35,841	36,883	1,042	2.9%
Total Receipts	**116,885**	**123,040**	**6,155**	**5.3%**
Disbursements:				
Grants to Local Governments	83,834	87,134	3,300	3.9%
State Operations	18,621	19,413	792	4.3%
General State Charges	5,445	5,466	21	0.4%
Debt Service	4,292	4,634	342	8.0%
Capital Projects	6,112	7,606	1,494	24.4%
Total Disbursements (1)	**118,304**	**124,253**	**5,949**	**5.0%**
Other Financing Sources (Uses):				
Transfers from Other Funds	21,813	22,589	776	3.6%
Transfers to Other Funds	(21,847)	(22,679)	(832)	3.8%
Bond and Note Proceeds	298	457	159	53.4%
Net Other Financing Sources (Uses)	**264**	**367**	**103**	**39.0%**

(1) Does not include off-budget spending of $2.4 billion in SFY 2007-08 and $2.5 billion in SFY 2008-09.
Source: New York State Division of the Budget, SFY 2008-09 Executive Budget updated with 21-Day Amendments, dated February 12, 2008

Proposals Advanced in Prior Years But Not Enacted – Risks to the Financial Plan

PROPOSAL	SFY 2008-09 Impact	Year(s) Rejected
Medicaid		
Expand preferred drug list to include anti-depressants	$5 million	2007-08 2006-07
Eliminate or reduce provider trend factors	$64 million	2007-08 2006-07 2005-06 2004-05
Reform hospital inpatient detox services	$35 million	2007-08 2006-07 2005-06
Modify transportation benefit	$10 million	2007-08 2006-07 2005-06
Reduce pharmacy reimbursement	$33 million	2007-08 2006-07 2004-05 2003-04
HCRA		
Reduce pharmacy reimbursement in EPIC program	$5 million	2007-08 2006-07 2004-05 2003-04
General Government		
Create the power plant security account for National Guard security on nuclear reactors	$11.7 million	2007-08
Gambling		
Ease Quick Draw restrictions - remove sunset, hours and location restrictions	$36 million	2007-08 2006-07 2005-06 2004-05 2003-04 2002-03 2001-02
Economic Development		
Make permanent the general loan power of the New York State Urban Development Corporation	$0.00	2007-08 2006-07 2005-06

PROPOSAL	SFY 2008-09 Impact	Year(s) Rejected
Elementary and Secondary Education		
Payment reforms for school construction in New York City	Unknown	2007-08 2006-07 2005-06
Wicks Law Reform for construction costs	$16 million	2007-08 2006-07 2005-06 2004-05 2003-04 2002-03 2001-02 2000-01 1999-00
BOCES Aid Ratio Computation Adjustments	$31 million	2007-08 2006-07 2005-06 2004-05 2003-04 2002-03 2001-02 2000-01 1999-00
Public Protection		
Expand the use of funds deposited into the Criminal Justice Improvement Account	$15 million	2007-08 2006-07
Revenue		
Extend the cell phone surcharge to prepaid wireless cards	$5 million	2006-07
Human Services		
Close two youth group homes: Gloversville and Great Valley	$467,000	2007-08 2006-07
Localities to rely on Flexible Fund for Family Services (FFFS), instead of specific TANF appropriation to fund child care	$373 million	2007-08 2005-06
Environmental Conservation		
Increase types of beverage containers subject to the container deposit law	$25 million	2007-08
Increase Title V air regulatory fees	$10.6 million	2007-08 2006-07
2008-09 FISCAL IMPACT	**$675.8 million**	

Section
3

Debt and Capital

The Executive's Proposed Five-Year Capital Program and Financing Plan reports information for State-Supported debt and State-Related debt. State-Supported debt includes bonds or notes (including those issued to fund reserve funds and costs of issuance) issued by the State or a State public benefit corporation for which the State is constitutionally obligated or contractually obligated to pay debt service, subject to an appropriation. Not included in this debt are instances where the State has a contingent obligation to pay debt service if the primary source of payments defaults.

State-Related debt includes obligations counted as State-Supported debt, as well as State-Guaranteed debt, moral obligation financings and certain contingent-contractual obligations where State appropriations are available but not expected to be needed for debt service payments.

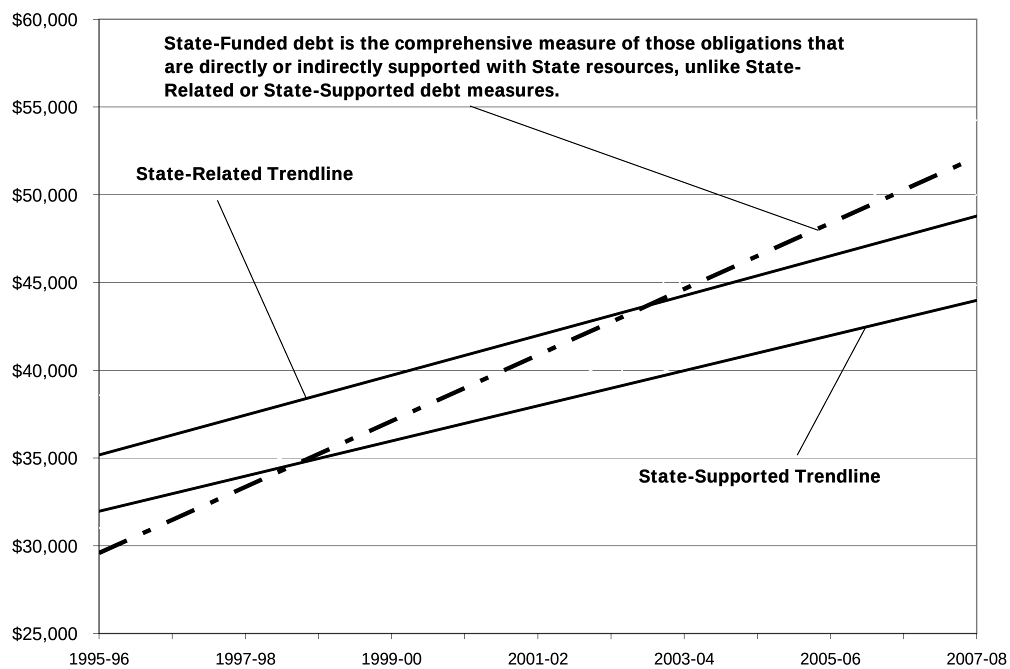
Although State-Related debt is a broader measure of absolute debt levels than State-Supported debt, it is not the most comprehensive when measuring affordability because it includes certain debt where it is unlikely that the State will be required to make debt service payments (such as moral obligation and State-Guaranteed debt) and it excludes certain debt that is wholly supported by State resources, such as the refinanced New York City Municipal Assistance Corporation (MAC) debt issued by the Sales Tax Asset Receivable Corporation (STARC) and the Building Aid Revenue Bonds (BARBs) issued by the New York Transitional Finance Authority (TFA).

To provide a more comprehensive measure of the State's debt burden, the Office of the State Comptroller defined a new measure called State-Funded debt in 2005.[2] This definition includes not only State-Supported debt but also other debt whose payment is supported solely with State resources. State-Funded debt does not include debt where it is unlikely that the State will be required to make debt service payments.

[2] Office of the State Comptroller. *New York State Debt Policy: A Need for Reform.* February 2005.

The consequence of using State-Related debt when measuring affordability is that it masks the true growth in State debt. As illustrated in the following chart, growth trends for State-Related and State-Supported debt are similar; however, the trend for State-Funded debt reveals significantly faster growth.

Trends in Debt Growth
State-Supported, State-Related and State-Funded
SFY 1995-96 through SFY 2007-08
(in millions of dollars)



Source: Office of the State Comptroller

State Debt Outstanding

The Division of the Budget (DOB) estimates that the State will end SFY 2007-08 with nearly $50.0 billion in State-Related debt outstanding, compared with $54.3 billion in State-Funded debt outstanding projected by the Office of the State Comptroller. The following table illustrates the difference between State-Supported debt as defined in statute, State-Related debt as defined by the Executive and, finally, State-Funded debt as defined by the Office of State Comptroller.

State Debt Outstanding – SFY 2007-08
(in millions of dollars)

	State-Supported	State-Related	State-Funded	
State-Supported	44,852	44,852	44,852	(1)
Contingent Contractual				
Secured Hospitals		749		(2)
Tobacco Settlement Financing Corporation (TSFC)		3,840		
Moral Obligation				(3)
HFA		47		
MCFFA		4		
State-Guaranteed				(4)
JDA		37		
Other				
TSFC			3,840	(5)
MBBA Prior Year Claims		464	464	(6)
STARC			2,407	(7)
TFA			2,694	(8)
Total	**44,852**	**49,991**	**54,256**	

(1) As defined by Section 67-a of the State Finance Law.
(2) Issued by Dormitory Authority of the State of New York and the Medical Care Facilities Finance Agency.
(3) Moral Obligation debt was capped in 1976.
(4) The State Constitution unconditionally guaranteed the debt service for certain obligations issued by the New York State Thruway Authority, the Job Development Authority, and the Port Authority of New York and New Jersey. Only State-Guaranteed debt issued by the Job Development Authority remains outstanding.
(5) The State Comptroller counts debt issued by the Tobacco Settlement Financing Corporation (TSFC) as State-Funded due to the foregone tobacco settlement revenues, rather than the contingent obligation.
(6) Obligations issued by the Municipal Bond Bank Agency (MBBA) to finance prior-year school aid claims of eight school districts.
(7) The Sales Tax Asset Receivable Corporation (STARC) issued $2.6 billion to refinance New York City Municipal Assistance Corporation (MAC) debt, and the debt service is funded solely with payments from the State.
(8) The 2006-07 Enacted Budget authorized the Transitional Finance Authority (TFA) of New York City to issue and have outstanding $9.4 billion in bonds that are funded solely with future State Building Aid payments. There were two bond issuances in SFY 2006-07 of TFA Building Aid Revenue Bonds (BARBs) totaling $1.3 billion. The TFA also plans to issue an additional $1.4 billion in City Fiscal Year (CFY) 2008, all of which could occur within SFY 2007-08. As a result, the full amount of the planned issuance for CFY is counted in this table.

Note: Totals may not add due to rounding.

Proposed Five-Year Capital Program and Financing Plan

The Executive's Proposed Five-Year Capital Program and Financing Plan relies heavily on the use of debt, adding to New York's already high debt burden. Under the Plan, New York's State-Supported debt burden is projected to reach $58.3 billion in SFY 2012-13, an increase of $13.5 billion, or 30 percent, over SFY 2007-08 levels. This is an average annual growth of 5.4 percent and is due to projected new State-Supported issuance of $28.8 billion compared to only $15.3 billion in planned retirement.

Nearly 94 percent of this increase is related to appropriation-backed State-Supported debt issued by public authorities (back-door borrowing). This type of debt is expected to increase $12.6 billion, or 30.3 percent over the next five years. Voter-approved, General Obligation (GO) debt outstanding is estimated to increase by $850 million, or 26.1 percent over the same period. The Five-Year Capital Program and Financing Plan does not include any new GO bond acts that would require voter approval.

State-Funded debt outstanding is projected to be $67.3 billion at the end of SFY 2012-13, an increase of over $13.0 billion, or 24.0 percent over the same period from projected SFY 2007-08 levels. Part of this increase is related to the projected issuance of $2.1 billion in TFA BARBs backed solely by future State Building Aid payments between 2008 and 2010.

Projected State-Supported and State-Funded Debt Outstanding
SFY 2008-09 Executive Budget
(in thousands of dollars)

			Proposed Capital Plan					Total Percent Change Cap Plan	Total Dollar Change Cap Plan
	SFY 2007 Actual	SFY 2008 Estimated	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	2008 end -2013 end	2008 end -2013 end
General Obligation	3,302,437	3,250,665	3,357,189	3,607,454	3,891,220	4,024,019	4,100,339	26.14%	849,674
Other State-Supported Public Authority	39,351,598	41,600,976	45,566,874	48,715,433	51,214,753	52,853,779	54,209,945	30.31%	12,608,969
2008-09 Capital Plan (State-Supported)	**42,654,035**	**44,851,641**	**48,924,063**	**52,322,887**	**55,105,973**	**56,877,798**	**58,310,284**	**30.01%**	**13,458,643**
TSFC	4,083,830	3,839,480	3,521,110	3,178,205	2,809,835	2,414,020	1,988,710	-48.20%	(1,850,770)
TFA BARBs	1,300,000	2,694,000	4,069,190	4,727,510	4,666,179	4,588,275	4,502,806	67.14%	1,808,806
STARC	2,456,505	2,406,775	2,355,255	2,301,730	2,245,990	2,187,820	2,127,005	-11.62%	(279,770)
MBBA	484,455	463,685	442,065	419,475	395,775	370,910	344,760	-25.65%	(118,925)
Total Other	**8,324,790**	**9,403,940**	**10,387,620**	**10,626,920**	**10,117,779**	**9,561,025**	**8,963,281**	**-4.69%**	**(440,659)**
Projected Outstanding (State-Funded)	**50,978,825**	**54,255,581**	**59,311,683**	**62,949,807**	**65,223,752**	**66,438,823**	**67,273,565**	**23.99%**	**13,017,984**

Sources: New York State Division of the Budget, New York City Office of Management and Budget, and Office of the State Comptroller
Note: In SFY 2006-07, the TFA issued $1.3 billion in Building Aid Revenue Bonds (BARBs). The New York City Financial Plan, released on January 24, 2008, indicated that the TFA is expected to issue $1.4 billion, $1.4 billion and $700 million of TFA BARBs in City Fiscal Years 2008 through 2010. For purposes of this report, the full $1.4 billion, $1.4 billion and $700 million are assumed to occur from SFY 2007-08 through SFY 2010-11, respectively. No issuances after 2010 are identified at this time.

New Debt Issuances

The average annual level of State-Supported debt issuance over the course of the Five-Year Plan is significantly higher than the prior five-year period. State-Supported debt issuances are expected to average nearly $5.8 billion annually during the proposed Five-Year Plan period as compared to the average annual level of issuances over the prior five-year period of $3.3 billion. This represents nearly $2.4 billion more per year, or a 73 percent increase in the average annual level of issuance.

Furthermore, the issuance figure does not include the $2.1 billion in new debt issuances by TFA BARBs that are backed with State Building Aid. Factoring this in, total State-Funded issuance planned for the next five years increases to $30.9 billion, while only $17.8 billion in State-Funded debt is planned for retirement.

The Five-Year Capital Plan includes over $11 billion in new debt initiatives proposed in the SFY 2008-09 Executive Budget, including:

- $6.5 billion for SUNY capital projects,
- $2.8 billion for CUNY capital projects,
- $900 million for economic development, including $150 million for the Investment Opportunity Program and $50 million for a new Upstate Agricultural Fund (this is a part of the overall $2.3 billion statewide program),
- $250 million to establish Video Lottery Terminals at the Aqueduct Racetrack,
- $105 million to gain clear title to racetracks at Saratoga, Aqueduct and Belmont,
- $110 million for parks and historic sites,
- $141 million for State equipment purchases, including $85 million for software and technology, and
- $42 million for various education needs, including library construction, Records Center expansion and Museum renewal.

The SFY 2008-09 Executive Budget includes language that would ban any future issuance of debt supported solely with State local assistance payments not previously authorized by the Legislature.[3] This type of debt is not included in the SFY 2008-09 Executive Budget reported debt burden. The Office of the State Comptroller has reported this type of debt as a State-Funded debt and counts it as part of the overall State debt burden.

The SFY 2008-09 Executive Budget also includes a number of other actions intended to streamline and improve efficiency and cost effectiveness in debt management, such as increased use of the competitive sale process when issuing bonds.

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[3] The Executive proposes Article VII language (S.6806A/A.9806A) that, if enacted, would ban future debt supported solely by State local assistance payments. However, the language specifically states that this ban does not apply to the $9.4 billion in bonds, notes or other obligations that the New York City Transitional Finance Authority was authorized to issue for school capital construction as part of the SFY 2006-07 Enacted Budget (Part A-3 of Chapter 58 of the Laws of 2006).

Projected State-Supported and State-Funded Debt Issuances
SFY 2008-09 Executive Budget
(in thousands of dollars)

	SFY 2007 Actual	SFY 2008 Estimated	Proposed Capital Plan SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	Total Cap Plan SFY 2009-2013
General Obligation	180,475	297,929	457,100	608,100	655,100	514,100	456,100	2,690,500
Other State-Supported Public Authority	3,507,325	4,395,643	5,911,773	5,546,707	5,055,430	4,840,824	4,727,705	26,082,439
Total State-Supported Issuances	**3,687,800**	**4,693,572**	**6,368,873**	**6,154,807**	**5,710,530**	**5,354,924**	**5,183,805**	**28,772,939**
TFA BARBs	1,300,000	1,394,000	1,394,000	698,000	-			2,092,000
Total State-Funded Issuances	**4,987,800**	**6,087,572**	**7,762,873**	**6,852,807**	**5,710,530**	**5,354,924**	**5,183,805**	**30,864,939**

Sources: New York State Division of the Budget, New York City Office of Management and Budget, and Office of the State Comptroller

Debt Retirements

Projected State-Supported and State-Funded Debt Retirements
SFY 2008-09 Executive Budget
(in thousands of dollars)

	SFY 2007 Actual	SFY 2008 Estimated	Proposed Capital Plan SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	Total Capital Plan SFY 2009-2013
General Obligation	352,072	349,701	350,576	357,836	371,334	381,301	379,780	1,840,827
Other State-Supported Public Authority	1,727,688	1,885,659	1,945,875	2,398,148	2,556,110	3,201,799	3,371,538	13,473,470
Total State-Supported Retirements	**2,079,760**	**2,235,360**	**2,296,451**	**2,755,984**	**2,927,444**	**3,583,100**	**3,751,318**	**15,314,297**
TSFC	193,820	244,350	318,370	342,905	368,370	395,815	425,310	1,850,770
TFA BARBs			18,810	39,680	61,331	77,904	85,470	283,194
STARC	48,145	49,730	51,520	53,525	55,740	58,170	60,815	279,770
MBBA	20,025	20,770	21,620	22,590	23,700	24,865	26,150	118,925
Total Other	**261,990**	**314,850**	**410,320**	**458,700**	**509,141**	**556,754**	**597,745**	**2,532,659**
Total State-Funded Retirements	**2,341,750**	**2,550,210**	**2,706,771**	**3,214,684**	**3,436,585**	**4,139,854**	**4,349,063**	**17,846,956**

Sources: New York State Division of the Budget and Office of the State Comptroller estimates

Debt Service

The increases in debt outstanding are accompanied by large increases in debt service. Annual State-Supported debt service costs are projected to reach $6.4 billion in SFY 2012-13, an increase of $2.1 billion, or 49.1 percent over SFY 2007-08. State-Funded debt service is projected to increase to $7.5 billion in SFY 2012-13, an increase of $2.4 billion, or 48.3 percent over SFY 2007-08. This represents growth of 8.2 percent on an average annual basis.

According to the Executive Financial Plan for SFY 2008-09, debt service is projected to be one of the fastest growing major categories of spending in the State Operating Budget, with an average annual growth rate of 9.3 percent. This increase in debt service is concentrated in the areas of economic development and housing (16.1 percent average annual) and transportation (11.6 percent average annual).

Projected State-Funded Debt Service
SFY 2008-09 Executive Budget
(in thousands of dollars)

			Proposed Capital Plan					Total Percent Change	Total Dollar Change
	SFY 2007 Actual	SFY 2008 Estimated	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	SFY 2009-2013	SFY 2009-2013
General Obligation	498,197	489,370	484,914	497,219	522,882	547,330	556,864	13.79%	67,494
Other State-Supported Public Authority	3,952,937	3,822,528	4,169,371	4,680,447	5,265,549	5,567,689	5,870,204	53.57%	2,047,676
SFY 2008-09 Capital Plan (State-Supported)	**4,451,134**	**4,311,898**	**4,654,285**	**5,177,666**	**5,788,431**	**6,115,019**	**6,427,068**	**49.05%**	**2,115,170**
TSFC	403,051	443,989	503,296	510,539	517,063	524,190	531,310	19.67%	87,321
TFA BARBs		73,320	160,078	247,767	295,796	304,022	308,013	320.09%	234,693
STARC	170,000	170,000	170,000	170,000	170,000	170,000	170,000	0.00%	-
MBBA	45,189	45,186	45,184	45,182	45,189	45,182	45,192	0.01%	6
Total Other	**618,240**	**732,495**	**878,558**	**973,488**	**1,028,048**	**1,043,394**	**1,054,515**	**43.96%**	**322,020**
Projected Debt Service (State-Funded)	**5,069,374**	**5,044,393**	**5,532,843**	**6,151,154**	**6,816,479**	**7,158,413**	**7,481,583**	**48.31%**	**2,437,190**

Sources: New York State Division of the Budget and Office of the State Comptroller estimates

Capital Program

Capital spending over the life of the Plan is estimated in the Executive Budget to be approximately $48.7 billion, or $2.7 billion higher than the SFY 2007-08 Enacted Capital Program and Financing Plan, as updated. Over three-quarters of spending throughout the Plan is attributed to transportation, education or economic development and government oversight purposes. Transportation continues to comprise the largest amount of capital spending, increasing throughout the life of the Plan from 42.6 percent in SFY 2008-09 to 55.8 percent in SFY 2012-13.

Education makes up the second largest area of capital spending in the proposed Capital Program and Financing Plan. Nearly 39 percent of the spending in the first two years of the Plan is attributed to education spending, primarily for *EXpanding our Children's Education and Learning* (EXCEL) purposes. This represents the remaining $1.8 billion authorized for EXCEL in the SFY 2006-07 Enacted Budget.

Capital Spending by Function
SFY 2008-09 Capital Program and Financing Plan
(in millions of dollars)

	Estimated SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13	Average SFY 2008-09 through SFY 2012-13	Total Dollar SFY 2008-09 through SFY 2012-13
Transportation	4,024	4,416	4,801	4,969	4,954	4,998	4,828	24,138
Parks and Environment	586	668	633	591	588	591	614	3,070
Econ. Dev/Gov Oversight	1,024	1,478	1,191	905	655	366	919	4,596
Health/Social Welfare	252	348	286	374	158	77	248	1,242
Education	2,060	2,105	1,914	1,427	1,502	1,634	1,717	8,583
Public Protection	313	395	384	406	399	399	397	1,983
Mental Hygiene	407	603	737	590	602	583	623	3,115
General Government	124	149	182	284	195	194	201	1,003
Other	101	216	263	205	155	120	192	959
Total	**8,892**	**10,377**	**10,391**	**9,752**	**9,208**	**8,960**	**9,738**	**48,688**

Source: New York State Division of the Budget

Capital Spending by Function
SFY 2008-09 Capital Program and Financing Plan
(percent of total)

	Estimated SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13	Average SFY 2008-09 through SFY 2012-13
Transportation	45.3%	42.6%	46.2%	51.0%	53.8%	55.8%	49.9%
Parks and Environment	6.6%	6.4%	6.1%	6.1%	6.4%	6.6%	6.3%
Econ. Dev/Gov Oversight	11.5%	14.2%	11.5%	9.3%	7.1%	4.1%	9.2%
Health/Social Welfare	2.8%	3.4%	2.8%	3.8%	1.7%	0.9%	2.5%
Education	23.2%	20.3%	18.4%	14.6%	16.3%	18.2%	17.6%
Public Protection	3.5%	3.8%	3.7%	4.2%	4.3%	4.5%	4.1%
Mental Hygiene	4.6%	5.8%	7.1%	6.1%	6.5%	6.5%	6.4%
General Government	1.4%	1.4%	1.8%	2.9%	2.1%	2.2%	2.1%
Other	1.1%	2.1%	2.5%	2.1%	1.7%	1.3%	1.9%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100.0%**

Source: New York State Division of the Budget

Financing Sources

The State continues to rely more heavily on debt rather than the use of current resources to finance the Five-Year Capital Program and Financing Plan. On average, the proposed Five-Year Capital Program and Financing Plan projects pay-as-you-go non-federal capital spending to average just 27.1 percent over the Plan period, only marginally higher than the average level of 26.2 percent in the SFY 2007-08 Enacted Budget Five-Year Capital Program and Financing Plan.

The use of public authority backdoor borrowing declines, from 72.4 percent in SFY 2008-09 to 63.7 percent of State funding in SFY 2012-13. This is primarily due to an increase in disbursements related to General Obligation (GO) bond financings from prior bond acts and the projected increase in pay-as-you-go financing over the Five-Year Plan period from 22.0 percent in SFY 2008-09 to nearly 30.0 percent in SFY 2012-13.

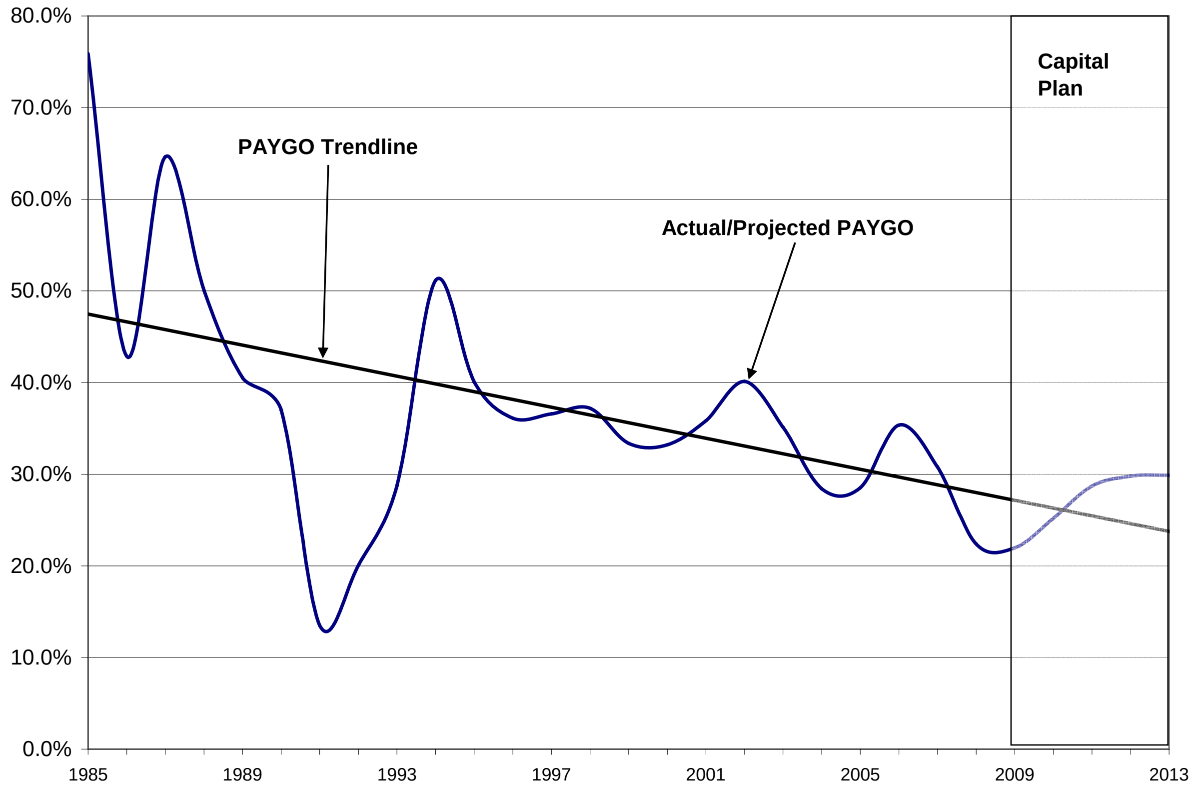
Capital Financing Sources SFY 2007-08 through SFY 2012-13
Proposed Capital Program and Financing Plan
(in millions of dollars)

		Enacted Capital Program and Financing Plan					
	Estimated SFY 2008	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	Average SFY 2008-09 through SFY 2012-13
State Pay-as-You-Go (PAYGO)	1,597	1,845	2,115	2,246	2,178	2,111	2,099
Federal Pay-as-You-Go (PAYGO)	1,885	1,973	1,998	1,931	1,895	1,892	1,938
GO Bonds	311	472	615	661	513	455	543
Authority Bonds	5,099	6,088	5,664	4,915	4,622	4,501	5,158
Total Capital Funding	**8,892**	**10,378**	**10,391**	**9,753**	**9,208**	**8,960**	**9,738**
Less Federal Funding	(1,885)	(1,973)	(1,998)	(1,931)	(1,895)	(1,892)	(1,938)
State Capital Funding	**7,007**	**8,405**	**8,393**	**7,822**	**7,313**	**7,068**	**7,800**
State PAYGO as Percentage of State-Funding	**22.8%**	**22.0%**	**25.2%**	**28.7%**	**29.8%**	**29.9%**	**27.1%**
GO as Percentage of State Funding	**4.4%**	**5.6%**	**7.3%**	**8.4%**	**7.0%**	**6.4%**	**8.6%**
Authority Bonds as Percentage of State Funding	**72.8%**	**72.4%**	**67.5%**	**62.8%**	**63.2%**	**63.7%**	**65.9%**

Source: New York State Division of the Budget

The following chart illustrates the history and projected use of State pay-as-you-go (PAYGO) as a percentage of total State funding for capital projects. New York's use of cash has varied greatly throughout recent history. In 1985, the State financed approximately 75 percent of its non-federal capital program with cash, instead of incurring additional debt. In 1991, only 13.5 percent of the non-federal share was financed with cash.

State Pay-As-You-Go as a Percentage of Total Non-Federal Capital Spending



Sources: New York State Division of the Budget and Office of the State Comptroller

Off-Budget Capital Spending

Spending Accounted for in the Five-Year Capital Program and Financing Plan but not in the Financial Plan

Increasingly, public authorities have been authorized to issue State funded bonds and provide the proceeds directly to projects or recipients without the expenditure control and procurement processes required of State agencies. Examples of such programs include the EXCEL program for school construction, Community Enhancement Facilities Assistance Program (CEFAP) and the Consolidated Highway Improvement

Program (CHIPS). None of the spending for these sources is included in the State Financial Plan. However, disbursement of these funds is included in the Five-Year Capital Program and Financing Plan as capital spending.

Spending ***NOT*** *Accounted for in the Five-Year Capital Program and Financing Plan* ***or*** *the Financial Plan*

The SFY 2008-09 Executive Budget includes $1.1 billion in proposed new spending that is not accounted for in either the State's Financial Plan or the Five-Year Capital Program and Financing Plan. The revenue for this proposed spending comes from three State asset sales and a $100 million sweep of reserves from SONYMA. Article VII bills included with the Executive Budget contain language that conveys three pieces of property, land surrounding the Javits Center in New York City and mental hygiene properties (21.2 acres of land in the Bronx and a building in Manhattan), to the Empire State Development Corporation (ESDC) for disposition and disbursements of the proceeds, which the Executive projects will total $1 billion.

The $1.1 billion in capital spending that is not included in the State's Financial Plan or the Capital Program and Financing Plan will be held in off-budget accounts of the ESDC outside of the usual oversight required of agencies and nearly half ($525 million) has little or no statutorily defined purpose. The stated intended use of these monies is transportation projects, such as the Moynihan Station in New York City, but this is not specified.

According to the Capital Program and Financing Plan, disbursements for capital projects are projected to total $8.9 billion in SFY 2007-08. Approximately 25 percent of these disbursements are related to off-budget capital programs that are counted within the Capital Program and Financing Plan, but not within the State's Financial Plan. Total off-budget capital projects spending, including spending that is not included in either the Capital Plan or the Financial Plan, is expected to average nearly $1.9 billion annually, or 18.5 percent of total capital projects disbursements over the life of the proposed Five-Year Capital Program and Financing Plan.

Off-Budget Capital Spending
(in millions of dollars)

	Estimated SFY 2008	Proposed Capital Program and Financing Plan SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	Average SFY 2008-09 through SFY 2012-13
Capital Funding Before Off-Budget Spending	**6,700**	**8,207**	**8,442**	**8,488**	**7,854**	**7,521**	**8,102**
Plus Off-Budget Not Accounted for in the Financial Plan	2,192	2,171	1,950	1,264	1,353	1,439	1,635
Plus Off-Budget Not Accounted for in the Capital Plan (estimated payout) or the Financial Plan	-	110	275	330	275	110	220
Sub-Total Off-Budget Capital Spending (1)	2,192	2,281	2,225	1,594	1,628	1,549	1,855
Total State Capital Funding	**8,892**	**10,488**	**10,667**	**10,082**	**9,482**	**9,070**	**9,958**
Total On-Budget Capital % Total	**75.3%**	**78.3%**	**79.1%**	**84.2%**	**82.8%**	**82.9%**	**81.5%**
Total Off-Budget Capital % Total	**24.7%**	**21.7%**	**20.9%**	**15.8%**	**17.2%**	**17.1%**	**18.5%**

(1) According to the Division of the Budget, Off-Budget resources not recognized in the Financial Plan or Capital Plan will be disbursed at the same rate as other economic development disbursements contained in the Five Year Capital Program and Financing Plan.

Crosswalk of Financial Plan to Capital Spending
Including All Off-Budget Spending
SFY 2008-09
(in thousands of dollars)

	Financial Plan - Projected Capital Disbursements	Off-Budget Disbursements Reflected in the Capital Plan	Capital Plan - Projected Capital Disbursements	Budget Spending NOT Reflected in the Capital Plan OR the Financial Plan	Total Capital Spending
Economic Development and Government Oversight					
Economic Development	103,405	106,725	210,130	-	210,130
Empire State Development Corporation	981,450	126,935	1,108,385	17,500	1,125,885
Other Economic Development and Government Oversight	159,301	-	159,301	-	159,301
Total Economic Development and Government Oversight	**1,244,156**	**233,660**	**1,477,816**	**17,500**	**1,495,316**
Transportation					
Transportation, Department of	3,655,342	350,000	4,005,342 (1)	52,500	4,057,842
Other Transportation	410,504		410,504	-	410,504
Total Transportation	**4,065,846**	**350,000**	**4,415,846**	**52,500 (2)**	**4,468,346**
Health and Social Welfare					
Health, All Other	292,688	2,100	294,788	-	294,788
Other Health and Social Welfare	53,260		53,260	-	53,260
Total Health and Social Welfare	**345,948**	**2,100**	**348,048**	**-**	**348,048**
Mental Health					
Mental Health, Office of	181,143	185,866	367,009	-	367,009
Mental Retardation and Developmental Disabilities, Office of	76,235	57,100	133,335	-	133,335
Alcohol and Substance Abuse, Office of	95,085	7,548	102,633	-	102,633
Other Mental Hygiene	-	-	-	-	-
Total Mental Hygiene	**352,463**	**250,514**	**602,977**	**-**	**602,977**
Education					
EXCEL	-	750,000	750,000	-	750,000
All Other Education	53,880	4,000	57,880	-	57,880
City University of New York	9,272	439,294	448,566	-	448,566
State University of New York	658,000	141,000	799,000	-	799,000
Other Education (Higher Education Capital Matching Program)	50,000	-	50,000	-	50,000
Total Education	**771,152**	**1,334,294**	**2,105,446**	**-**	**2,105,446**
Parks and Environment	**667,740**	**-**	**667,740**	**-**	**667,740**
Public Protection	**395,468**	**-**	**395,468 (3)**	**-**	**395,468**
General Government	**148,542**	**-**	**148,542**	**-**	**148,542**
All Other	**216,000**	**-**	**216,000**	**40,000 (4)**	**256,000**
Totals	**8,207,315**	**2,170,568**	**10,377,883**	**110,000**	**10,487,883**
Percent of Capital Spending Including ALL Off-Budget Spending	**78.26%**	**20.70%**	**98.95%**	**1.05%**	**100.00%**

(1) The Transportation Disbursement table on page 134 of the Capital Program and Financing Plan shows $4.09 billion.
(2) There are no specific projects planned to be financed with the $525 million at the time the Capital Plan was proposed, but it is planned to be spent on transportation enhancements.
(3) Does not include $1 million for Special Conservation Activities Account in the Department of Correctional Services.
(4) Spending of $400 million for the Housing Opportunity Fund through SONYMA is financed with $300 million from the sale of Javits land and $100 million sweep of SONYMA reserves.

Proposed Debt Management Initiatives – SFY 2008-09

The SFY 2008-09 Executive Budget includes $31 million in projected debt service savings as a result of statutory and administrative debt management actions.

The Executive Proposal calls for an increase in the number of competitive bond sales. Currently, GO bonds issued by the Office of the State Comptroller are primarily issued through a competitive sale process, while most other State-Supported debt issued by public authorities is sold via negotiated sale.

Other changes proposed by the Executive to potentially decrease costs or provide increased flexibility are as follows:

- Authorize each of the five issuers of the Personal Income Tax (PIT) revenue bonds to issue such bonds for any capital program financed with PIT bonds to streamline the issuance process.[4] PIT bonds are backed with Personal Income Tax receipts and are the primary method of bond financing in the Capital Plan. This proposal would allow the State to consolidate smaller issuances and potentially achieve savings on issuance costs.

- Consolidate all State-Supported bond caps into one section of law while also standardizing the language requiring the caps to be "net" caps (project cost only—not including issuance costs, thus allowing for higher issuances). Furthermore, the proposal would consolidate and make standard existing service contract authorizations.

[4] Section 68-a of the State Finance Law authorizes the Dormitory Authority of the State of New York (DASNY), the Urban Development Corporation (UDC, also known as the Empire State Development Corporation – ESDC), the New York State Thruway Authority (TA), the New York State Environmental Facilities Corporation (EFC) and the New York State Housing Finance Agency (HFA) to issue Personal Income Tax revenue bonds on behalf of the State.

Section

4

Revenue and Economic Outlook

Economic Outlook

National Economy

Due to the deteriorating national economy and the increased risk of recession, the Executive has forecast slower growth in the U.S. economy in 2008. Gross Domestic Product is forecast to grow 1.9 percent in 2008, down from 2.2 percent in 2007. Personal income growth is forecast to fall to 4.4 percent in 2008, compared to growth of 6.2 percent in 2007. Wage growth, which was 5.8 percent in 2007, is expected to fall to 3.9 percent in 2008. From 4.6 percent in 2007, the unemployment rate is forecast to rise to 5.1 percent in 2008. Residential fixed investment is forecast to decline by 16.9 percent in 2008 and by 0.7 percent in 2009. Corporate profit growth is expected to slow to 0.5 percent in 2008 and then rise to 5.5 percent in 2009.

Recently, both the Federal Reserve and the federal government have acted in an attempt to bolster the economy. The Federal Reserve cut the federal funds rate from 4.75 percent to 3.0 percent between September 2007 and January 2008, and Congress passed a stimulus package intended to boost consumer spending and economic growth. While these measures may provide economic stimulus, substantial risks remain.

New York State Economy

A weaker national economy and the volatile financial sector is likely to negatively affect the New York State economy. The Executive forecasts State employment growth of 0.5 percent for both 2008 and 2009 after growing 1.2 percent in 2007. Wage growth in 2007 is now estimated to have been 8.3 percent, however slower growth is expected in 2008 (3.3 percent) and growth of 3.6 percent is expected for 2009.

As a result of the continued subprime mortgage problems and the increased credit contraction on financial market activity, growth in finance and insurance sector bonuses is expected to decline 3.7 percent in 2008 after growing by 28.8 percent in 2007. These problems are expected to negatively impact the State's real estate market. The volume of taxable capital gains realized by State taxpayers in 2008 is now projected to decline 9.4 percent after growing by 14.9 percent in 2007.

Selected Out-Year Economic Indicators
Executive Budget
Percent Change

Economic Indicators	2008	2009	2010
New York State Adjusted Gross Income	1.4%	4.1%	5.9%
Capital Gains	-9.4%	6.4%	13.8%
Partnership/S-Corporation Gains	3.7%	6.1%	8.1%
New York State Personal Income	4.3%	4.1%	5.1%
Wages and Salaries	3.3%	3.6%	4.6%
Finance and Insurance Bonuses	-3.7%	0.8%	8.9%
New York State Unemployment Rate	5.1%	5.1%	5.0%
New York State Composite CPI	3.0%	2.5%	2.6%

Source: New York State Division of the Budget, *New York State Financial Plan Projections 2008-09 Executive Budget Supplemented for 21-Day Amendments*

Risks to the Forecast

While the Executive is not forecasting an economic recession for the nation or the State in 2008, the probability of a recession is now higher than it has been in more than three years. The economy could move into a recession for a number of reasons, including the following:

- Larger financial sector write-downs associated with the subprime mortgage crisis could result in a more severe credit contraction than anticipated. This credit contraction could result in even lower business investment than projected and a longer recovery period for residential investment. This could also result in less financial market activity and lower bonus growth.

- Further increases in energy and food prices could result in higher inflation than expected. Higher inflation could reduce the Federal Reserve's ability to stimulate the economy by lowering interest rates.

Receipts

The Executive estimates that in SFY 2007-08, All Funds tax receipts will increase $2.1 billion, or 3.6 percent, over SFY 2006-07. In SFY 2008-09, the Executive forecasts a $3.6 billion, or 6.0 percent, increase in All Funds tax receipts to $64.5 billion. This 6.0 percent increase is due primarily to the revenue actions proposed by the Executive, which are expected to raise tax revenues by $1.2 billion in SFY 2008-09 (see Table of Proposed Revenue Actions at end of section). Also, total tax, fee and other revenue actions are expected to add $2.1 billion in SFY 2008-09.

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

	Actual SFY 2006-07	Estimate SFY 2007-08	Dollar Change SFY 2006-07 to SFY 2007-08	Percent Change SFY 2006-07 to SFY 2007-08	Proposed SFY 2008-09	Dollar Change SFY 2007-08 to SFY 2008-09	Percent Change SFY 2007-08 to SFY 2008-09
Personal Income Tax	34,580	36,402	1,822	5.3%	38,530	2,128	5.8%
Consumption/Use Tax	13,456	13,866	410	3.0%	14,213	347	2.5%
Business Tax	8,606	8,446	(160)	-1.9%	9,582	1,136	13.5%
Other Tax	2,097	2,137	40	1.9%	2,169	32	1.5%
Net Total - All Funds	**58,739**	**60,851**	**2,112**	**3.6%**	**64,494**	**3,643**	**6.0%**

Personal Income Tax

All Funds Personal Income Tax (PIT) receipts are estimated to increase $1.8 billion, or 5.3 percent, in SFY 2007-08, reaching $36.4 billion. PIT receipts are projected to be $38.5 billion in SFY 2008-09, an increase of $2.1 billion, or 5.8 percent. Projected PIT growth in SFY 2008-09 is attributed to lower but continued growth in wages and withholding receipts and the Executive's proposed revenue actions totaling $211 million in SFY 2008-09.

Consumption/User Taxes and Fees

The SFY 2008-09 Executive Budget forecasts an increase in SFY 2007-08 All Funds receipts for consumption and user taxes and fees of $410 million, or 3.0 percent, to $13.9 billion. Receipts are projected to increase by $347 million, or 2.5 percent, in SFY 2008-09 to $14.2 billion. The growth in these taxes is mainly attributed to the proposed tax and fee increases totaling $243 million in SFY 2008-09.

Business Taxes

The Executive Budget forecasts a decrease in SFY 2007-08 All Funds receipts over SFY 2006-07 for business taxes of $160 million, or 1.9 percent, to $8.4 billion. Receipts are projected to increase by $1.1 billion, or 13.5 percent, from SFY 2007-08 to SFY 2008-09 to a total of $9.6 billion. The growth in these taxes is mainly attributed to the proposed revenue tax and fee increases totaling $706 billion in SFY 2008-09.

Other Taxes

All Funds tax receipts for other taxes are projected to increase to $2.1 billion, or 1.9 percent, in SFY 2007-08. In SFY 2008-09, the Executive estimates that receipts will increase $32 million, or 1.5 percent, to $2.2 billion. This increase is attributed to increased estate tax collections partially offset by a decrease in the real estate transfer tax.

New Tax and Fee Action

The Executive has proposed approximately $2.1 billion in net fee and revenue increases in SFY 2008-09 (see table below). Of this amount, $112 million is in administrative actions not requiring legislative approval. There is $481 million in statutory and revenue actions, including an increase in the motor vehicle law enforcement and highway safety fee ($145 million), an increase in the covered lives assessment on insurers ($190 million) and the elimination of certain Quick Draw restrictions ($36 million).

The Executive also proposes to raise tax revenues by nearly $1.2 billion in SFY 2008-09, with the personal income tax increasing by $211 million, user taxes and fees by $243 million and business taxes by $706 million.

Executive Budget Proposed Revenue Actions
(in millions of dollars)

	SFY 2008-09	Fully Effective SFY 2010-11
Administrative Actions	**112**	**13**
Increase ERDA Assessment	2	2
Move SONYMA Excess Balance to the General Fund	100	-
Increase State Records Center Storage Fee	-	1
Eliminate New York City Fringe/Indirect Waiver	10	10
Statutory Actions	**481**	**657**
Raise Cost Recovery Cap to $50 Million	10	10
Increase Power Plant Assessment	12	12
Increase Covered Lives Assessment on Insurers from $850 Million to $990 Million	190	190
Motor Vehicle Law Enforcement and Highway Safety Fee	145	194
Increase Operating Permit Program Fee	19	19
Expand Bottle Bill to Cover Additional Beverage Containers	25	100
Increase Real Property Transfer Fee	22	32
Contract/Vendor Service Fee	8	20
Close Prepaid Wireless Loophole	5	12
Extend Quick Draw and Eliminate Restrictions	36	60
Other Fee and Statutory Changes	9	10
Other Revenue Actions		
Personal Income Tax	**211**	**248**
Amend Definition of "Presence in New York" for Determining Residency (Administrative)	-	15
Require Taxpayers to Pay the Refund Offset Fee Charged by the Federal Government and Other States for New York State Income Tax Debts Owed	1	1
Include the Gain from the Sale of a Partnership Interest of Non-Residents as New York Source Income	-	10
Amend Definition of New York Residency for Taxpayers Living in Foreign Countries	-	5
Increase LLC Minimum Partner Fees	35	35
Improve Audit and Compliance Efforts	175	175
Make Permanent Reporting of Tax Shelters	-	6

	SFY 2008-09	Fully Effective SFY 2010-11
User Taxes and Fees	**243**	**278**
Classify Little Cigars as Cigarettes	4	5
Create a New Classification for Flavored Malt Beverages to be Taxed at $2.54 per Gallon	15	18
Combine Highway Use Tax, Motor Fuel Tax, Petroleum Business Tax and Sales Tax Into One Petroleum Business Tax	13	56
Provide a Hemisphere Travel Initiative Compliant License to All New York Residents.	53	10
Vehicle License Reader Enforcement	8	15
Improve Audit and Compliance Efforts	30	30
Increase Voluntary Disclosure and Compliance Efforts	30	-
Require Certain Internet Retailers to Collect Sales Tax	47	85
Sales Tax Vendor Registration Fee (all Current Vendors Would Have to Reregister)	12	12
Repeal Credit Card Bad Debt Provisions	7	9
Limit Sales Tax Exemptions for Sales Made by Non-Profit Companies	8	15
Require Businesses that Own Planes, Vessels and Motor Vehicles Purchased Out of State, but Used Instate to be Charged the Use Tax	4	6
Require a Tax Stamp for Marijuana and Controlled Substances Possessed in New York	13	17
Business Taxes	**706**	**640**
Increase Percentage to Compute First Installment of Business Tax Payment from 25 Percent to 30 Percent	90	-
Classify Credit Card Companies Doing a Specified Level of Business in the State as Taxpayers Under the Bank Tax	95	75
Improve Audit and Compliance Efforts	25	25
Increase Voluntary Disclosure and Compliance Efforts	20	-
Eliminate the Maximum Amount of Tax Calculated Under the Corporate Franchise Tax Capital Base	98	70
Change the Fixed Dollar Minimum Tax Based on Payrolls to a Fixed Dollar Minimum Tax Based on Gross Receipts	40	40
Impose Caps on Brownfield Program Credits (the Executive Did Not Provide an Estimate)	-	-

	SFY 2008-09	Fully Effective SFY 2010-11
Business Taxes (Cont'd.)		
Decouple from the Federal Qualified Production Activities Income Deduction	56	56
Allow the Investment Tax Credit for Financial Services Companies to Expire	35	75
Make Permanent Reporting of Tax Shelters	-	11
Reclassify For-Profit Health Maintenance Organizations from Paying Tax Under the Corporate Franchise Tax to Paying Under the Insurance Tax	247	288
STAR	**354**	**165**
Increase STAR Exemption Floor from 5 Percent to 10 Percent	110	120
Delay by One Year the Increase in the Middle Class STAR Rebate – New York City Personal Income Tax	209	-
Repeal New York City STAR PIT Credit for High Income Taxpayers	20	30
Authorize the Tax Department to Offset Tax Debts, Child Support and Other Debts Against STAR Rebates	15	15
Total Revenue Actions	**1,514**	**1,331**
Revenue Reductions	**(10)**	**(24)**
Reduce Utility Assessment	(1)	(1)
Tax Credit for Purchase of Alternative Fuel (Bio-Heat)	-	(1)
Increase the Empire State Film Production Credit	(5)	(15)
Extend Handicapped Accessible Taxicab Credits for Two Years	-	(3)
Increase the Amount of Low-Income Housing Tax Credits Available	(4)	(4)
Net Fee and Revenue Increases	**2,097**	**1,977**

Note: Some totals may not add due to rounding.

Section

5

Structural Imbalance – Out-Years

According to the SFY 2008-09 Executive Budget, based on current services and current law, the State faces a $4.4 billion budget deficit in SFY 2008-09, which is projected to increase to $9.5 billion in SFY 2011-12.[5] This current services deficit illustrates how projected spending trend growth exceeds trend growth for projected revenue available to pay for such spending. Simply put, the State spends money faster than it takes in money reflecting a structural imbalance. The SFY 2008-09 Executive Budget addresses the SFY 2008-09 deficits with various initiatives, including the use of non-recurring resources, but does not provide a plan to eliminate out-year deficits.

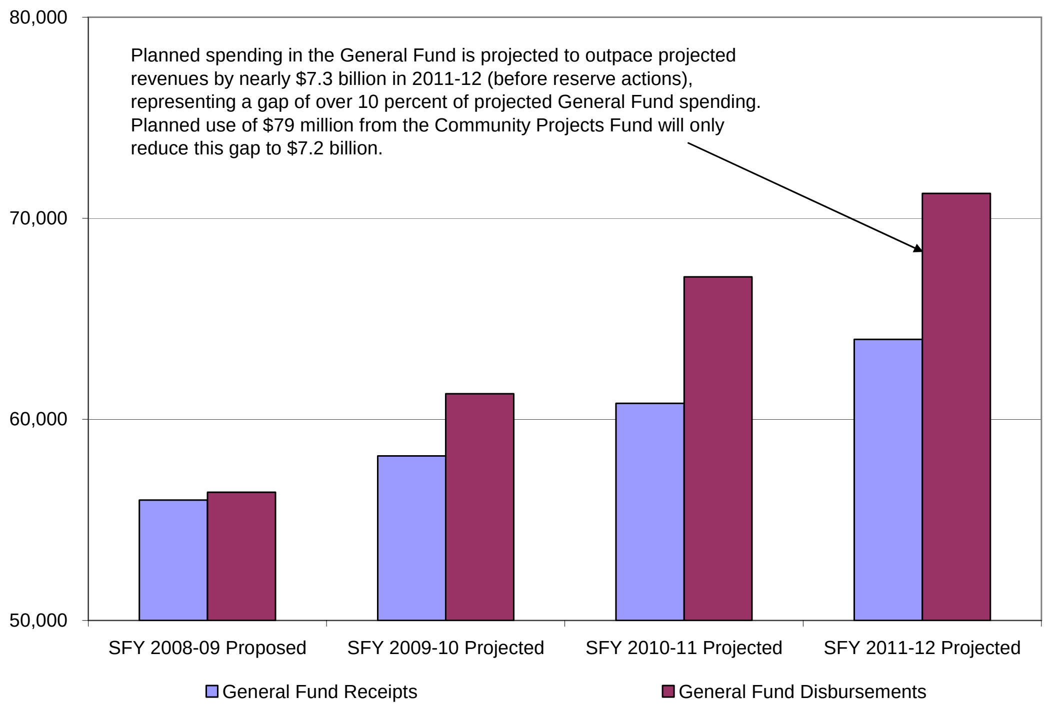
In order to eliminate the gap in SFY 2008-09 and reduce subsequent gaps, the Executive recommends $1.1 billion in various revenue actions including new fees, loophole closures and realignments, $2.2 billion in various savings generating actions and the use of $1.5 billion in non-recurring resources. These actions are offset by $416 million in new spending initiatives in SFY 2008-09. The Financial Plan update submitted with the 21-Day Amendments identified additional anticipated costs as well as savings. According to the Executive, these actions will reduce out-year General Fund gaps to $3.6 billion in SFY 2009-10, $6.1 billion in SFY 2010-11 and $7.2 billion in SFY 2011-12.

The Executive's proposed General Fund new spending initiatives of $416 million in SFY 2008-09 are projected to grow to $1.4 billion in SFY 2011-12—an increase of 246 percent or average annual growth of 59.1 percent. This growth is offset with proposed savings and recurring revenue actions totaling $3.7 billion in SFY 2008-09 that grow to $4.1 billion in SFY 2011-12—an increase of 21.7 percent or 7.2 percent average annual growth.

[5] Chapter 1 of the Laws of 2007 requires the Executive Budget to provide three out-year projections instead of the traditional two.

The following chart illustrates the growth in the structural deficit of the General Fund (before reserve actions) over the next four years. The gap between receipts and disbursements grows from slightly under 1.0 percent of spending in SFY 2008-09 to nearly 10 percent of spending in SFY 2011-12.

General Fund Receipts vs. Disbursements
SFY 2008-09 through SFY 2011-12
(in millions of dollars)



Source: New York State Division of the Budget, *2008-09 Executive Budget Supplemented 21-Day Amendments*

Out-Year Deficits – SFY 2009-10 through SFY 2011-12

The SFY 2008-09 Executive Budget includes actions to close the projected $4.4 billion current services deficit. The actions proposed by the Executive will also reduce but not close out-year deficits, which are expected to reach $7.2 billion by SFY 2011-12.

General Fund Gaps SFY 2008-09 through SFY 2011-12
Before and After the Impact of the
SFY 2008-09 Executive Budget
(in billions of dollars)

	SFY 2008-09	SFY 2009-10	SFY 2010-11	SFY 2011-12
Current Services Gap	**(4,422)**	**(6,154)**	**(7,697)**	**(9,454)**
New Spending Initiatives	**(416)**	**(874)**	**(1,497)**	**(1,438)**
Education (School Aid)	(126)	(207)	(512)	(178)
Health Care	(120)	(281)	(373)	(443)
Human Services	-	(88)	(180)	(278)
Other Education	(32)	(55)	(66)	(62)
Economic Development	(23)	(22)	(22)	(25)
County Cap for Preschool	(20)	(45)	(80)	(120)
Mental Hygiene	(14)	(35)	(48)	(51)
Other	(81)	(141)	(216)	(281)
New Recurring Revenue	**1,109**	**1,267**	**1,254**	**1,260**
Improve Audit and Compliance	280	250	250	250
HMO Taxation	215	250	250	250
Credit Card Nexus	81	65	65	65
LLC Min Partner Fees	75	75	75	75
Capital Base Reduction	73	58	58	58
Decouple from Fed Qualified Production	50	50	50	50
Auto Insurance Purchase	48	65	65	65
Internet Sales Tax	47	73	85	98
Quick Draw Restrictions	36	60	60	60
Malt Beverage Fee	15	18	18	18
Illegal Drug Tax	13	17	17	17
All Other	176	286	261	254
Non-Recurring Actions	**1,476**	**(21)**	**(21)**	**(21)**
Belmont VLTs	250	-	-	-
AIM Delay	164	-	-	-
Bond Financing over PAYGO	173	(21)	(21)	(21)
SONYMA Sweep	100	-	-	-
EPF Sweep	100	-	-	-
Abandoned Property	50	-	-	-
Mental Hygiene/PIA revenue and Cash Mgmt	66	-	-	-
Recover Early Intervention Costs from NYC	60	-	-	-
Reserves	337	-	-	-
Other	176	-	-	-
Savings	**2,253**	**2,495**	**2,274**	**2,832**
Health Care	826	957	895	1,418
STAR	354	380	165	175
Welfare/TANF	204	204	204	204
Mental Hygiene	212	243	277	280
Criminal Justice	101	131	136	139
GSC	89	61	66	67
Higher Ed	67	99	101	103
Other Education	66	73	76	79
Transportation	64	45	47	48
Other Education	270	302	307	319
21 -Day Amendment Changes	**-**	**(289)**	**(452)**	**(359)**
Revenue Re-estimates	(384)	(519)	(523)	(527)
Other Savings	237	130	129	129
Spending Re-estimates	147	100	(58)	39
New Gap	**-**	**(3,576)**	**(6,139)**	**(7,180)**

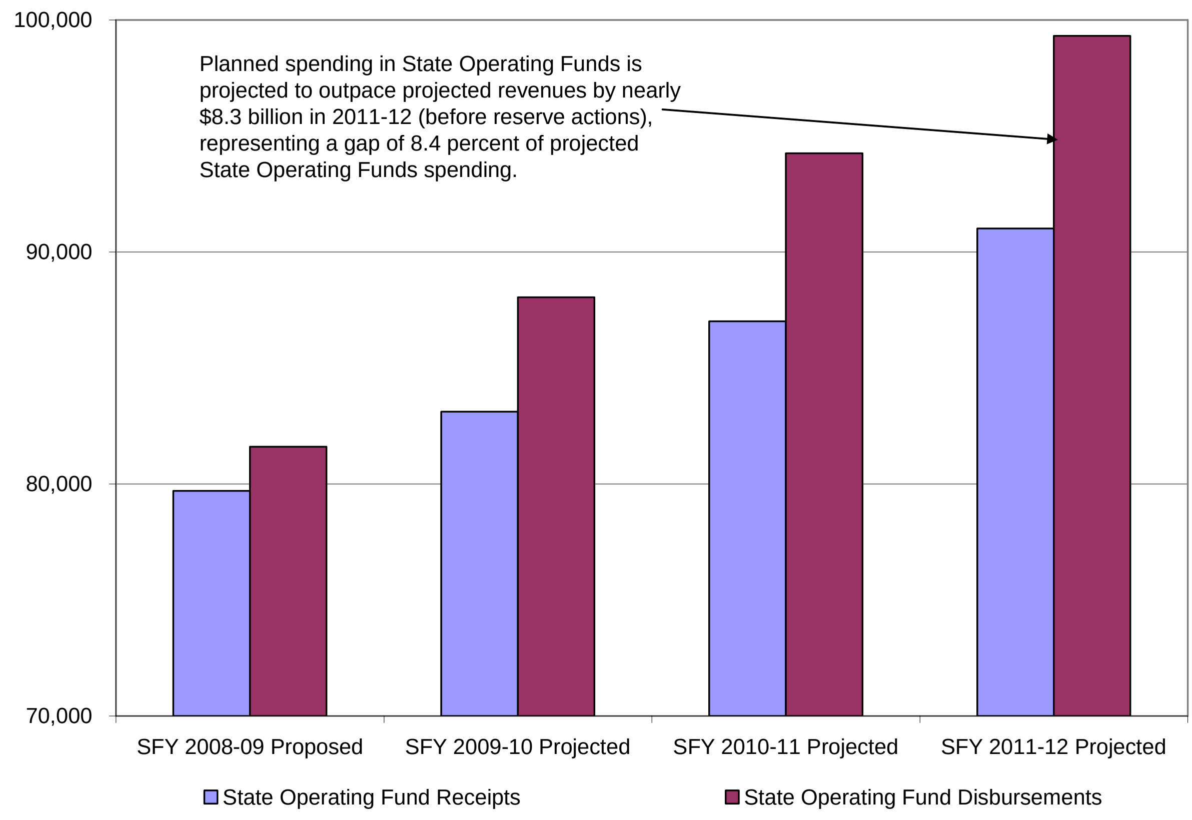
NOTE: Negative numbers increase the gap whereas positive numbers decrease the gap.

Creation of a Structural Deficit

Over the four-year period covered by the SFY 2008-09 proposed Financial Plan, the Executive projects General Fund spending will increase by 32.9 percent, while receipts are expected to increase by just 20.3 percent. General Fund disbursements are expected to grow 7.4 percent annually on average, compared to only 4.7 percent for receipts. In fact, in SFY 2009-10 and SFY 2010-11, disbursements in the General Fund are expected to grow more than twice as fast as revenue.

This imbalance in the General Fund between spending growth and revenue also extends to the Executive's projections for State Operating funds. The Executive defines State Operating funds as All Governmental Funds less federal grants and capital.[6] However, even by this measure, spending will grow significantly faster than revenue.

State Operating Funds Receipts vs. Disbursements
SFY 2008-09 through SFY 2011-12
(in millions of dollars)



[6] First introduced in the Mid-Year Update to the SFY 2007-08 Financial Plan.

The imbalance results from prior year spending decisions combined with proposed new spending for SFY 2008-09, all of which outpaces projected revenues. For example, the Financial Plan assumes that Health Care Reform Act (HCRA) funds will require $466 million from the General Fund in SFY 2011-12, the first year a General Fund subsidy is required. In addition, the SFY 2008-09 proposed Financial Plan depends on $284 million in new insurance conversion proceeds in SFY 2008-09 and $534 million in SFY 2009-10, even though the conversion has not yet occurred and may face roadblocks similar to the Empire conversion in 2002. It appears HCRA will be solvent through SFY 2008-09 without these new proceeds, but additional General Fund monies may be required in SFY 2009-10 and beyond, depending on how the conversions work.

Dedicated Highway and Bridge Trust Fund

By SFY 2011-12, the Executive projects that the Dedicated Highway and Bridge Trust Fund (DHBTF) will require $706 million in General Fund resources to achieve balance. The DHBTF was created as a self sufficient, pay-as-you-go transportation fund in 1992. However, in 1993, bonds were authorized to meet the DHBTF program needs, and have since been used to meet existing commitments, as well as new spending that has been added since its creation (such as snow and ice removal). The increasing debt service has forced such actions as moving revenue and spending from the Department of Motor Vehicles into the DHBTF in order to keep up with required debt service coverage ratios. Beginning in SFY 2008-09, the DHBTF is proposed to utilize General Fund subsidies.

New York City Municipal Assistance Corporation

In SFY 2004-05, the State authorized New York City to refinance remaining Municipal Assistance Corporation debt (approximately $2.5 billion with annual debt service payments of approximately $500 million), initially issued in the late 1970s to alleviate the financial crisis facing the City at that time. The original debt was scheduled to be completely paid off in 2008. The State not only authorized the City to refinance this debt with new 30-year bonds, but also authorized the City to assign and pledge a new, annual $170 million revenue stream from the State, thus shifting the obligation to the State. The State will make these payments until 2034 for a City obligation that would have been paid off in 2008. In spite of this 30-year financial commitment from the State and the City, the savings that accrued to New York City spanned three years.

As noted above, the solutions the State has relied on to meet immediate spending needs have long-term, expensive consequences. The State's practice of issuing debt to solve its structural problems is unsustainable, as debt service consumes a greater share of annual resources. The Executive Budget includes proposals that provide short-term relief that may have long-term implications. For example, the SFY 2008-09 Executive Budget utilizes $200 million from the Environmental Protection Fund (EPF) in order to balance the General Fund. Of this amount, $125 million is a straight sweep of the Fund, while the remaining $75 million will be replaced with bond proceeds, thus creating additional costs in out-years for budget relief today.

In SFY 2008-09, the Executive Budget proposes to issue nearly $200 million in bonds for spending that would normally be covered with current cash resources. While debt is an essential tool for financing capital needs, the annual out-year impact of additional debt service may be significant, particularly when used for purposes intended to be paid with cash. In this case, out-year debt service costs will increase over $20 million as a result of the additional bonding in SFY 2008-09.

The proposal advanced in conjunction with the Executive Budget with the most significant long-term implications is the "monetization" of the State Lottery. This proposal is intended to finance an endowment fund for higher education and possibly K-12 education. While no detailed proposal has been presented, a Request for Proposals was issued by the Division of the Budget (DOB) on January 31, 2008. Currently the Lottery subsidizes General Fund education spending with over $2 billion annually.

History of Non-Recurring Resources

Over the five-year period beginning in SFY 2002-03, New York State used $16.9 billion in one-time revenues to finance ongoing operations. The use of non-recurring resources to finance recurring expenses worsens the ongoing structural deficit in that non-recurring resources should only be used for non-recurring expenses, such as paying down debt or pay-as-you-go capital spending. The SFY 2008-09 Executive Budget utilizes $2.7 billion in non-recurring resources, although $1.1 billion will be spent off-budget for capital projects.

Non-Recurring Resources
SFY 2002-03 through SFY 2006-07
(in millions of dollars)

2002-03	3,704
2003-04	5,881
2004-05	2,580
2005-06	3,573
2006-07	1,158
Five-Year Total	**16,896**

Source: Office of the State Comptroller

The Changing Structure of the Financial Plan

Debt service is the fastest growing spending area in the proposed budget, averaging growth of approximately 9.3 percent annually.[7] Debt service is the one area of spending that cannot statutorily be changed. Once the State has committed to a new debt issuance, it must make the payments. The following table illustrates that the growth in debt service under the proposed Financial Plan will require other spending areas to decline as a percentage of total spending.

Comparison of
All Government Funds Receipts and Disbursements
Annual Percent Growth

	Average Growth SFY 2002-03 through SFY 2007-08	Proposed SFY 2008-09	Proposed SFY 2009-10	Proposed SFY 2010-11	Proposed SFY 2011-12	Average Growth SFY 2008-09 through SFY 2011-12
Receipts						
Taxes	5.7%	6.0%	5.8%	4.9%	5.5%	5.5%
Miscellaneous Receipts	12.6%	7.3%	-1.4%	2.3%	-1.4%	1.7%
Federal Grants	4.4%	2.9%	3.2%	3.3%	3.3%	3.2%
Total Receipts	**5.9%**	**5.3%**	**3.8%**	**4.0%**	**3.7%**	**4.2%**
Disbursements						
Grants to Local Governments	5.9%	3.9%	7.1%	6.2%	5.4%	5.7%
State Operations	4.4%	4.3%	2.4%	3.7%	1.8%	3.0%
General State Charges	10.2%	0.4%	7.4%	5.0%	6.3%	4.8%
Debt Service	1.8%	8.0%	11.3%	12.2%	5.6%	9.3%
Capital Projects	9.2%	24.4%	2.5%	0.9%	-8.3%	4.9%
Total Disbursements	**5.7%**	**5.0%**	**6.3%**	**5.7%**	**4.2%**	**5.3%**

Source: New State Division of the Budget

Growth Compared to Economic Indicators

The Executive Budget uses comparisons to various economic indicators to illustrate growth in spending. The table below shows ten years of spending data (note that spending information for State Operating Funds is not available prior to SFY 2006-07) as well as spending projections (not including off-budget spending) for the life of the proposed Financial Plan. In addition, ten years worth of personal income growth and annual inflation figures are provided for comparison. As illustrated below, proposed average annual spending growth in all three categories exceeds average growth in both personal income and inflation.

[7] Represents State-Supported debt as defined by Section 67-A of the State Finance Law.

Spending Growth SFYs Ending 1998-2008
and Over the Life of the Plan
as Compared to Personal Income

		General Fund (Including Transfers)	State Operating Funds (1)	All Funds	Personal Income Growth (2)
1998		4.4%	NA	4.9%	5.4%
1999		6.2%	NA	6.9%	6.3%
2000		1.9%	NA	3.8%	4.7%
2001		6.8%	NA	8.9%	7.0%
2002		3.8%	NA	6.6%	2.5%
2003		-8.8%	NA	4.7%	-0.3%
2004		11.8%	NA	9.3%	2.4%
2005		3.7%	NA	3.4%	6.7%
2006		6.6%	NA	3.6%	6.8%
2007		11.0%	NA	8.1%	7.4%
2008		3.9%	6.0%	4.9%	8.3%
2009		5.2%	4.8%	5.0%	4.9%
2010		9.6%	7.9%	6.3%	4.9%
2011		8.5%	7.0%	5.7%	5.0%
2012		6.2%	5.4%	4.2%	4.9%
Average	SFY 1998-2008	4.7%	NA	5.9%	5.2%
Average	SFY 2009-2012	7.4%	6.3%	5.3%	5.0%

(1) Growth history prior to SFY 2007-08 is not available.
(2) Source: Global Insight

Risks to the Out-Year Financial Plan

The Office of the State Comptroller has identified a number of additional potential risks over the next three fiscal years, any one of which could create pressure for the State's long-term fiscal health.

Video Lottery Terminal Support for Schools

The Executive's Budget estimates revenues of $514 million from seven Video Lottery Terminal (VLT) facilities in SFY 2008-09—an increase of $39 million over what is estimated for SFY 2007-08. In addition, the Executive is expecting $250 million in a one-time franchise fee for the development of VLTs at Belmont Park expected to open in SFY 2009-10. Based on historical collections, current projections may be overstated.

Help America Vote Act

Due to New York's delays in implementing the Help America Vote Act (HAVA), the federal government may require New York to return approximately $50 million of $190 million in federal funding targeted for the purchase of new machines.

Not-For-Profit Insurance Conversion Proceeds

The Executive proposed and the Legislature enacted a conversion of not-for-profit insurers HIP and GHI to for-profit status in SFY 2007-08. DOB projects $284 million in proceeds from the conversion of HIP and GHI in the SFY 2008-09 Budget. If funding from the conversion is not available in SFY 2008-09, since the conversion process can be lengthy, funding will be required from another source or spending will have to be reduced.

Proposals Advanced in Prior Years but Not Enacted

In total, the Executive Budget includes proposals advanced in prior years but not enacted valued at nearly $680 million, including revenue measures such as changes to the administration of Quick Draw ($36 million). If these proposals are again not enacted, additional pressure on the General Fund will result in SFY 2008-09 and subsequent years.

Section

6

Local Governments

The SFY 2008-09 Executive Budget preserves planned increases in the Aid and Incentives for Municipalities (AIM) revenue sharing program for most municipalities, caps growth in county expenditures for pre-school special education, provides new revenue generating authorizations for local governments, and advances a mandate relief package and other initiatives promoting local government efficiency—with the goal of helping to alleviate New York's high property tax burden.

However, the SFY 2008-09 Executive Budget also shifts public assistance and other costs from the State to New York City and counties, funds only half of the promised AIM restoration to New York City, restructures the Video Lottery Terminal (VLT) aid program, reduces support for certain municipalities and reduces funding for the Consolidated Highway Improvement Program (CHIPS).

The Executive claims the *net* impact on local governments is positive ($1.8 billion on a local fiscal year basis). Nearly $1.5 billion is attributed to increased school aid, which from a school district perspective represents a reduction from current law, $215 million represents the continuation of already planned increases to AIM for local fiscal years ending in 2009 ($200 million on a SFY basis) and $189 million reflects additional revenue that must be generated at local option. Additionally, a proposed $9 million reduction in CHIPS funding is not considered within this local impact, as the Executive contends that this was a one-time increase in SFY 2007-08.

Aid and Incentives for Municipalities (AIM)

The Executive Budget provides $920 million for AIM in SFY 2008-09, an overall increase of $200 million in revenue sharing for cities, towns and villages. Of this, New York City would receive $164 million, which reflects a restoration to 50 percent of the revenue sharing funds promised in SFY 2007-08. Other cities would receive an additional $53.2 million, or an increase of 8.5 percent, while towns and villages would receive an increase of $2.8 million, an increase of 4 percent.

SFY 2008-09 Executive Budget AIM Allocations
(in millions of dollars)

	SFY 2007-08 Total AIM	SFY 2008-09 AIM Increase	SFY 2008-09 Per Capita Increase	SFY 2008-09 Total AIM	SFY 2008-09 Dollar Change	SFY 2008-09 Percent Change
City	628.38	47.42	5.76	681.56	53.18	8.5%
Town	49.97	1.81	0.03	51.81	1.84	3.7%
Village	20.72	0.89	0.04	21.65	0.93	4.5%
New York City	20.00	143.94	0.00	163.94	143.94	719.7%
Counties	0.00	0.00	0.00	0.00	0.00	--
Total	**719.07**	**194.06**	**5.83**	**918.96**	**199.89**	**27.8%**

Eligible cities (excluding New York City) and large towns and villages would receive increases ranging from 3 percent to 9 percent based upon their level of fiscal distress, which is measured using four fiscal distress indicators: full valuation per capita, population loss, real property tax capacity and poverty rate. If all four indicators are met, the municipality receives a 9 percent increase; if three are met, 7 percent; and if one or two are met, 5 percent. All other cities, large towns and villages receive a minimum 3 percent increase in aid. Small towns and villages also receive 3 percent increases.

In an effort to equalize the distribution of aid between municipalities, the Executive Budget also continues a 2007-08 aid adjustment formula that provides an additional 4.5 percent in AIM funding. This provides an additional $5.8 million for 26 municipalities.

Overall, 96.3 percent of the State's cities, towns and villages would receive either a 3 percent or 5 percent increase in AIM over last year's allocation. There are 57 municipalities that would receive from 7 percent to 13.5 percent increases in AIM.

Recently, the Office of the State Comptroller released a report on the State's AIM revenue sharing program that identified equity issues with the current formula. That formula relies on outdated municipal classifications and does not take into consideration similar structural, demographic and financial characteristics in differently categorized municipalities. This issue should be examined as part of the State's multi-year commitment to increase AIM funding and should be part of a longer term effort to address the equity issues associated with revenue sharing.

Mandate Relief

The SFY 2008-09 Executive Budget proposes Wicks Law reform similar to that passed by the Assembly in 2007. The proposal raises the minimum threshold for multiple contracts from $50,000 to $3 million in New York City, $1.5 million in Nassau, Suffolk and Westchester counties, and $500,000 in all other counties. The proposal also includes other provisions, including the establishment of project labor agreements. However, with the exception of New York City, estimates of potential savings are not included in local impact figures.

The Executive also proposes a number of other mandate relief items, including procurement reforms and increased flexibility to create health insurance cooperatives.

Revenue Actions

The SFY 2008-09 Executive Budget proposes a number of new revenue enhancers for local governments, including a county option to raise mortgage recording fees, a city/village option to collect local gross receipt taxes on cellular telephone services and authorization for certain cities and counties to implement red light camera programs. Additionally, the Executive Budget includes plans for the collection of sales tax via the Internet. Because most of these proposals would be enacted at local option, the estimated benefit of $189 million may be overstated as it assumes statewide participation.

Local Government Efficiency Grant Program

The proposed Local Government Efficiency Grant (LGEG) program restructures the current Shared Municipal Services Incentives (SMSI) program and provides financial incentives for municipalities to consolidate and share services. Funding is increased to $30 million and all grants would be made on a competitive basis, with the exception of the new High Priority Planning Grants and Municipal Merger Incentive.

Pre-School Special Education Cap

The SFY 2008-09 Executive Budget proposes a cap on growth in county pre-school special education expenditures. The cap would be phased in with 4 percent in the first year, 3.5 percent in the second year and 3 percent thereafter.

The Executive estimates a positive county impact of $12 million in 2008, growing to $31 million in 2009, from this proposal. In addition, the proposal also contains a cost shift component with regard to evaluations and administration. Under this action, counties would still be responsible for 40.5 percent of the cost of evaluations and 40.5 percent of the cost for Committee on Pre-school Education administration. However, school districts, instead of the State, would then be responsible for reimbursing the county for the remaining 59.5 percent of these costs.

Public Assistance

The various public assistance proposals included in the Executive Budget would result in a net cost of $105.6 million to New York City and county governments in 2009. The majority of this impact ($88 million) is tied to proposed increases to the local share of the Family Assistance and Safety Net programs and a cost shift to counties for all secure and non-secure youth detention facility expenses. While the public assistance program cost shifts would take effect on April 1, 2008 (in the counties' 2008 fiscal year), the Executive's local impact estimates fail to recognize the immediate negative impact for counties in their current budgets. This discrepancy is due to the accounting method used. The SFY 2008-09 Executive Budget's local impact estimates are developed on a cash basis (when payments are actually made) rather than on the more common accrual basis (when the obligation for payment is actually incurred).

New Reporting Requirements

The SFY 2008-09 Executive Budget proposes a number of expanded reporting requirements to improve local government transparency and accountability. Specifically, municipalities would be required to post financial reports on their websites, including their most recent budget, independent audit and multi-year financial plan. All cities, towns and villages that meet the AIM program's criteria for fiscal distress would also be required to obtain and disclose an annual independent audit, as well as to prepare corrective action plans in response to any audit findings. Approximately 83 localities that are not now receiving independent audits would be mandated to contract for audit services.

The Executive also proposes that the State Comptroller collect and report on new fiscal performance data in an effort to enable local governments to assess comparative efficiency, identify opportunities to consolidate or share services and make informed projections for financial plans required under the AIM program. Under the proposal, local governments would be required to implement the new reporting structure by December 31, 2008, while already in their 2008 fiscal year.

Section

7

New York City

The SFY 2008-09 Executive Budget proposes to increase education aid to New York City by $539 million for the 2008-09 school year, which is $390 million less than anticipated in the City's Financial Plan. The Executive also proposes a number of initiatives that would increase the City's costs by a net $175 million during City Fiscal Years 2008 and 2009, with most of the impact reflecting a proposed partial restoration of payments to the City under the Aid and Incentives to Municipalities (AIM) program.

Impact of the Executive's Proposed Budget on New York City's Financial Plan
(in millions of dollars)

	FY 2008	FY 2009
Education Aid	24	(390)
Other Proposals		
AIM Payments	(164)	--
Social Services	(15)	(64)
Pre-School Special Education	(5)	(21)
Tax Administration	(3)	(11)
Mandate Relief	6	16
Other Actions	12	74
Total	**(169)**	**(6)**

Sources: New York State Division of the Budget and Office of the New York State Comptroller, Office of the State Deputy Comptroller for New York City analysis

Education Aid

In 2007, the State and New York City agreed to increase funding to the Department of Education by $5.4 billion over four years as part of the resolution of the Campaign for

Fiscal Equity (CFE) litigation. The Executive has proposed increasing State school aid by $539 million for the upcoming school year, which is $122 million less than promised last year.[8] The City had anticipated a much larger increase because it had assumed the increase would be calculated from a higher base year.

The Executive proposes an 18-month lag in Building Aid reimbursement for approved capital projects. This proposal, which has not received legislative approval in the past, could result in delayed school construction projects. Also, the Executive Budget proposes to cap Building and Transportation Aid to New York City at the levels appropriated by the State Legislature in exchange for a $179 million unrestricted grant.

Other Initiatives

The following Executive Budget proposals could also affect the City's Financial Plan.

- Eliminate State funding for juvenile detention ($20 million) and increase the local share of public assistance costs by 2 percent ($30 million). For example, the City's share of Family Assistance would rise from 25 percent to 27 percent, and Safety Net Assistance would rise from 50 percent to 52 percent.

- Require localities to fund the cost of evaluating children for pre-school special education services ($21 million).

- Increase the amount the State charges the City for administering the personal income tax by $10 million. Last year, the State increased this charge from $40 million to $70 million.

- Restructure in-patient and out-patient Medicaid reimbursement rates, which could result in a $40 million loss to the Health and Hospitals Corporation in its fiscal year 2009.

Mandate Relief

The Wicks Law requires the City to issue separate bids for electrical, plumbing and heating and cooling work for construction projects that cost more than $50,000.

[8] This estimate has been adjusted to exclude State funding of debt service on $1.8 billion in *EXpanding Our Children's Education and Learning* (EXCEL) bonds issued by the Dormitory Authority of the State of New York for capital projects in the City (as part of the resolution of the Campaign for Fiscal Equity—CFE—litigation) and funding of debt service on a $206 million loan from the New York State Municipal Bond Bank against State education aid owed to New York City from prior years. These State aids do not benefit New York City's budget.

Debt

The Executive proposes, on the recommendation of the Mayor, that the City be permitted to issue any combination of Transitional Finance Authority (TFA) and General Obligation (GO) bonds as long as the total does not exceed the State constitutional debt limit by more than $13.5 billion. This proposal would permit the City to realize savings from diversifying its financing vehicles. It would also allow the City to effectively exceed the constitutional debt limit through the use of TFA debt without amending the State Constitution.

Section
8

Public Authorities

While several public authorities receive operating and/or capital appropriations in the State Budget, the budgets of public authorities are not presented for legislative review and adoption. Public authorities operate as separate corporations governed by appointed boards of directors, and each authority adopts its own budget. With increasing regularity, State resources are being directed to public authorities and spent off-budget, consequently reducing public accountability and oversight.

The SFY 2008-09 Executive Budget proposes a number of key actions as part of the proposed $2.3 billion statewide infrastructure and economic development program, including $1.1 billion in other off-budget spending not reflected in the Capital Plan for programs to be administered by the Urban Development Corporation (UDC), doing business as the Empire State Development Corporation (ESDC), and the State of New York Mortgage Agency (SONYMA).[9] The Executive would also rely on public authorities for budget relief in the form of a $100 million sweep from the SONYMA Mortgage Insurance Fund, $33 million in transfers from the New York Power Authority (NYPA) and $15 million in increased State Cost Recovery fees. Additionally, the Executive proposes to increase bonding authorizations for a number of programs supported through public authority debt by $5.6 billion, or 19.6 percent, over SFY 2007-08.

Of the $1.1 billion in off-budget spending, $900 million is associated with the sale of three State assets, including $900 million from the sale of land near the Javits Center and $100 million from the sale of two mental health properties owned by the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Mental Health (OMH). The $100 million from the release of reserves held by the SONYMA Mortgage Insurance Fund would be spent directly from non-State accounts and are

[9] For more information on the $2.3 billion statewide economic development program, and a breakdown of sources and uses, see the Economic Development section of this report.

consequently not reflected in the spending estimates contained in the Executive's Five-Year Capital Program and Financing Plan. Further, the Executive has indicated that ESDC may transfer the land sale proceeds to another State agency or public authority for program administration.

It should be noted that under current law, projects advanced by ESDC and SONYMA are subject to Public Authorities Control Board (PACB) approval. For SFY 2008-09, the Executive proposes to create a policy advisory panel to make recommendations to SONYMA's board regarding Housing Opportunity Fund projects. The advisory panel would be made up of six members—the chief executive officer of SONYMA and the commissioners of the Division of Housing and Community Renewal, State Office of Temporary and Disability Assistance, OMH, OMRDD, and the Office of Alcoholism and Substance Abuse Services.

Sources and Uses of $1.1 Billion in New Off-Budget Initiatives
(in millions of dollars)

Source	Amount	Program	Program Administrator
Javits Center Land Sale	525.0	Transportation Enhancements on Manhattan's West Side	ESDC
Javits Center Land Sale	45.0	Downstate Waterfront Park Improvements	ESDC
Javits Center Land Sale	30.0	Hudson River Rail	ESDC
Javits Center Land Sale	300.0	Housing Opportunity Fund	SONYMA
SONYMA Reserves	100.0	Housing Opportunity Fund	SONYMA
OMRDD and OMH Land Sale	100.0	Upstate Regional Blueprint Fund	ESDC
Total	**1,100.0**		

Source: New York State Division of the Budget

Bonding Limits

As public authorities reach their statutory limit on the amount of bonds that can be issued for a specific capital program, legislation is needed to increase the limit or cap. The Executive Budget annually proposes increases in these authorizations in order to finance capital programs. The SFY 2008-09 Executive Budget proposes $5.6 billion in new bond authorizations. Of this, current bonding limits for existing programs would increase approximately $4.3 billion, or 15.2 percent. The remaining $1.3 billion would support new programs: $900 million for economic development programs and $355 million for costs associated with acquiring clear title to New York Racing Association (NYRA) real property and Video Lottery Terminals.

Contained within the new $900 million bond authorization for economic development programs is $150 million for a proposed Investment Opportunity Fund to be administered by ESDC. The Executive calls for the creation of an Investment Opportunity Fund Capital Approval Board to consider and review each project receiving material financial assistance from the Investment Opportunity Fund. The

Board would consist of three voting members appointed by the Director of the Division of the Budget, the Temporary President of the Senate and the Speaker of the Assembly. One non-voting member each would be appointed by the Minority Leader of the Senate and the Minority Leader of the Assembly.

Capital projects to be funded by ESDC currently go through the PACB for approval. However, under the Executive's proposal, Investment Opportunity Fund projects would bypass PACB approval, thereby reducing existing oversight of such projects.

SFY 2008-09 Change in Public Authority Bond Authorizations*
(in millions of dollars)

Program	Current Cap	Current Cap Adjusted To Net	SFY 2008-09 Proposed Cap	Proposed Change from Current Cap Dollar	Proposed Change from Current Cap Percent
SUNY Educational Facilities	7,461.0	7,311.8	8,411.8	1,100.0	15.0%
SUNY Dormitory Facilities	800.0	800.0	1,150.0	350.0	43.8%
SUNY Upstate Community Colleges	301.0	301.0	466.0	165.0	54.8%
CUNY Education Facilities	5,904.0	5,785.9	5,995.9	210.0	3.6%
Library Facilities	28.0	28.0	42.0	14.0	50.0%
Cultural Education Storage Facilities	60.0	60.0	87.6	27.6	46.0%
Environmental Infrastructure Projects	492.5	492.5	713.0	220.5	44.8%
Water Pollution Control	541.0	541.0	570.6	29.6	5.5%
Division of State Police Facilities	102.1	102.1	108.1	6.0	5.9%
State Buildings and Other Facilities	83.3	83.3	125.3	42.0	50.4%
Equipment Acquisitions (COPs)	293.0	293.0	434.0	141.0	48.1%
Office for Technology Facilities	99.5	99.5	120.5	21.0	21.1%
Prison Facilities	5,185.0	5,081.3	5,505.0	423.7	8.3%
Housing Capital Programs	2,042.0	2,001.2	2,146.2	145.0	7.2%
Mental Health Facilities	5,857.0	5,739.9	7,209.9	1,470.0	25.6%
2008 Economic Development Initiatives	0.0	0.0	900.0	900.0	-
NYRA Real Property and Video Lottery Terminals	0.0	0.0	355.0	355.0	-
Total	**29,249.4**	**28,720.5**	**34,340.9**	**5,620.4**	**19.6%**

Source: New York State Division of the Budget
* The Executive proposes that bonds can be issued by any authorized issuer (the Empire State Development Corporation, the Dormitory Authority of the State of New York, the Environmental Facilities Corporation or the Housing Finance Agency).

Between SFY 2003-04 and SFY 2007-08, bond caps for State programs financed by public authority bonds were statutorily increased by $23 billion, representing a 46.2 percent increase in total bond authorizations over four years. If the Executive's proposed bond caps are enacted, bond authorizations would have increased by $27.9 billion, or 56 percent, over five years.

Change in Public Authority Bond Authorizations
SFY 2003-04 through SFY 2008-09
(in millions of dollars)

	Dollar Amount	Dollar Change	Percent Change
SFY 2003-04	49,815.8	-	-
SFY 2004-05	54,545.1	4,729.3	9.5%
SFY 2005-06	65,056.8	15,241.0	30.6%
SFY 2006-07	71,010.3	21,194.5	42.5%
SFY 2007-08	72,810.6	22,994.8	46.2%
SFY 2008-09 (Proposed)	77,723.9	27,908.1	56.0%

It should also be noted that State public authorities plan to issue $15.1 billion in new debt for capital programs in 2008, compared to $12.2 billion in 2007, representing an increase of $2.9 billion or 23.8 percent.

Budget Relief

The SFY 2008-09 Executive Budget includes several additional proposals to shift money from public authorities to provide budget relief.

SONYMA - $100 million in revenue from the SONYMA Mortgage Insurance Fund would be swept to the General Fund for budget relief. Though the amounts vary, this sweep is an annual occurrence.

NYPA - $33 million in funds from the New York Power Authority (NYPA) would support the Power for Jobs (PFJ) program and the operation and maintenance of State parks. The Executive extends the PFJ and Energy Cost Savings Benefit (ECSB) programs for one year, until June 30, 2009, and authorizes NYPA to contribute $25 million to the General Fund to both support the PFJ program and reimburse the State for costs associated with the gross receipts tax credit offered to utilities during SFY 2008-09.[10]

The Executive creates a new long-term Electricity Cost Discount (ECD) program, which would replace the PFJ and ECSB programs after they expire. The ECD program would be administered by NYPA and would allow businesses and not-for-profit corporations accepted into the program to be guaranteed discounts for up to seven years. PFJ and ECSB participants that are in compliance with their contractual obligations, but not accepted into the ECD program, would continue to receive a benefit under the ECD program, which would be phased-out over two years. The ECD

[10] The Power for Jobs program authorizes the NYPA to provide discounted power to participating businesses. The low-cost power is delivered by utility companies, which tally up the discounts they provide each year and subtract the amount from their taxes owed to the State (gross receipts tax credit). NYPA then reimburses the State for the reduced tax revenue.

program would be fully funded by NYPA, effectively eliminating the need for the annual transfer mentioned above.

The Executive also proposes to authorize NYPA to transfer $8 million to the Office of Parks, Recreation and Historic Preservation for the operation and maintenance of certain State parks in the vicinity of the Niagara and Saint Lawrence-FDR hydroelectric projects.

State Cost Recovery Fees - $15 million increase in the maximum amount of State cost recovery fees would be assessed on public authorities for centralized State services provided on their behalf. The Executive increases the cap for public authorities currently subject to the fee by $10 million, to $50 million. The Executive also proposes to expand the collection of State cost recovery fees to local industrial development agencies, with a $5 million annual cap.

Section

9

Education

On a school year basis, the Executive proposes an increase of nearly $1.5 billion, which would raise overall school aid by 7.4 percent from approximately $19.6 billion in SFY 2007-08 to $21 billion in SFY 2008-09. On a SFY basis, State support for education would total $23.1 billion, an increase of nearly $1.4 billion, or 6.3 percent more than in SFY 2007-08.

Of the total school year school aid amount, the Executive proposes $14.5 billion in Foundation Aid, $2 billion in Building Aid, $1.5 billion in Transportation Aid, $672 million in Excess Cost Aid, $594 million in BOCES Aid and $1.7 billion in other aids. New York City, which educates about 40 percent of the State's public school children, would receive $8.2 billion, or 39 percent, of total school aid. [11]

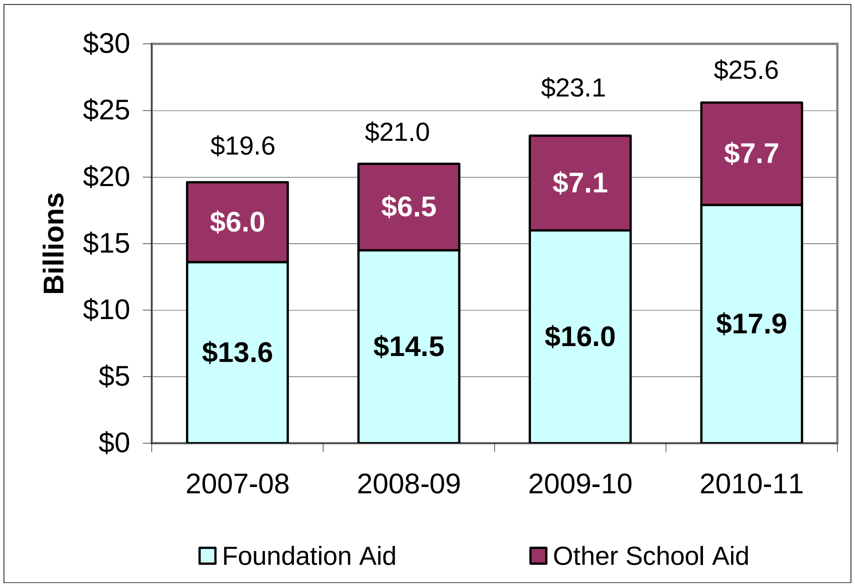
Foundation Aid

In an effort to reduce the State structural deficit, the SFY 2008-09 Executive Budget scales back the phase-in of the SFY 2007-08 enacted four-year Educational Investment Plan (Plan). In SFY 2007-08, the Enacted Budget redesigned the traditional school aid formula and pledged an estimated $7 billion total Foundation Aid increase by school year 2010-11.

Citing changes in statewide demographics, budgetary constraints and changes to the formula itself, the SFY 2008-09 Executive Budget reduces the planned school year 2008-09 Foundation Aid level of $1.25 billion by $350 million. As a result, Foundation Aid would increase $899 million, or 6.6 net percent, over school year 2007-08.

[11] State Education Department. As of SFY 2007-08, most recent data available.

Proposed School Aid Funding
School Years 2007-08 through 2010-11



Source: New York State Division of the Budget

Total Foundation Aid funding would be allocated across all school districts with 202 high needs school districts receiving a total of $1.04 billion more and five school districts receiving $871,000 less than in SFY 2007-08.[12] New York City would be the hardest hit, receiving $122 million less than projected by the Executive and $390 million less than anticipated by the City.

The Executive proposes $179 million in new academic achievement grants for New York City to compensate for its reduced share of Foundation Aid. However, the Executive Budget Proposal makes the spending of these grants contingent upon the approval of a modification of New York City's building aid formula, designed to align it with the rest of the State. In addition, the SFY 2008-09 Executive Budget includes a stipulation that effectively links New York City's use of these grants for operating aid to fluctuations in cost-based aids. Under the proposal, the New York City school district could use these grants to fund operating costs unless the district needs them to fund additional expenses in cost-based aid categories, such as Transportation and Building Aid.

The SFY 2008-09 Executive Budget proposes several revisions to Foundation Aid designed to save the State money, including changing the basis for Foundation Aid calculations from the prior (or base) year to the year prior to the base year, reducing the minimum annual Foundation Aid increase a school district can receive from 3 percent to 2 percent and reducing the annual maximum increase a school district can

[12] New York State Division of the Budget .

receive from 25 percent to 15 percent. These adjustments are estimated to save the State $61 million in SFY 2008-09.

The SFY 2008-09 Executive Budget proposes additional school year formula funding for several aid categories.

School Year Appropriations
2007-08 and 2008-09
(in millions of dollars)

Aid Category	SFY 2007-08	SFY 2008-09	Dollar Change
Transportation	1,412.9	1,521.0	108.1
Education Grants	97.4	196.4	99.0
Universal Pre-Kindergarten	363.3	452.3	89.0
Special Services	132.2	171.3	39.1
Excess Cost Aid-High Cost	412.3	437.5	25.2
Full-Day Kindergarten	1.6	3.2	1.6

Source: New York State Division of the Budget

However, other program reductions would offset a portion of this increased funding, including reducing school year BOCES Aid by $31.4 million and reducing minimum reimbursements to school districts, shifting an estimated $46 million in SFY 2008-09 special education evaluation costs to the school districts and eliminating $20 million in Supplemental Public Excess Cost Aid that was included in school year 2007-08.

School Tax Property Relief Program (STAR)

The SFY 2008-09 Executive Budget proposes a series of reductions in planned STAR rebates and other STAR actions, which would reduce taxpayer anticipated SFY 2008-09 benefits by $354 million from the amount projected in the SFY 2007-08 Enacted Budget for SFY 2008-09. The Executive proposes to:

- Reduce the phase-in of Basic Middle Class Rebates ($169 million),
- Limit the reduction in homeowners' exemption to no more than 10 percent from the prior year ($110 million),
- Eliminate STAR income credits for New York City residents who earn more than $250,000 ($60 million), and
- Expand allowable offsets to tax debts to include child support payment defaults and other debts ($15 million).

While the Executive STAR proposal would preserve a benefit to taxpayers of $388 million in SFY 2008-09, these reductions eliminate a significant portion of the property tax relief anticipated from the SFY 2007-08 Enacted Budget. As a result, STAR is proposed to increase by a net of $34 million.

Special Education – Local Costs

The SFY 2008-09 Executive Budget proposes a 4 percent cap on local pre-school special education costs for counties outside of New York City. The cap is associated with $20 million in estimated local savings for SFY 2008-09

The savings would be offset by increased costs to school districts through a shift of an estimated $46 million in pre-school special education evaluation and Committee on Pre-school Special Education (CPSE) administration costs to school districts in SFY 2008-09. If school districts cannot reallocate State or federal funds from alternate programs to pay for these costs, these expenses would eliminate savings from the proposed cap and may need to be recouped through increases in local property taxes.

Lottery Monetization

The Executive proposes to create a kindergarten through grade 12 trust fund for primary and secondary education through "monetization" of the lottery. This \would involve a lease or other transaction through which the State will receive an advance payment in return for forgoing receipt of future lottery revenues, excluding revenues from video lottery terminals (VLTs).

The SFY 2008-09 Executive Budget does not provide an estimate of the proceeds expected from this monetization initiative and no financial impact is anticipated in SFY 2008-09. However, in public statements the Executive indicated the transaction would generate at least enough revenue to continue to provide the $2 billion the lottery currently contributes to school aid annually.

Video Lottery Terminal Revenues

The SFY 2008-09 Executive Budget continues reliance on Video Lottery Terminal (VLT) monies to support education. This presents a risk to school aid funding as VLT revenue has not historically met projections. For SFY 2008-09, the Executive is expecting $514 million in VLT funds for school aid. In comparison, the SFY 2007-08 Enacted Budget expected $586 million in VLT revenues. However, the Division of the Budget steadily reduced VLT projections throughout the year to $475 million, approximately 19 percent less than originally estimated.

Given past shortfalls, projections that the VLT facility at Aqueduct will not open until SFY 2009-10 and the $250 million in estimated non-recurring revenue from the sale of development rights at Belmont, there is significant risk that the Executive's forecasted SFY 2008-09 VLT funds will not materialize. This could require a transfer of General Fund monies to fill the resulting gap in lottery funding for school aid.

Quick Draw

The SFY 2008-09 Executive Budget proposes removing Quick Draw restrictions, including provisions related to hours and location of operations, and adding a progressive jackpot feature to the game. This is projected to increase Quick Draw revenues by $36 million in SFY 2008-09. The Legislature has repeatedly rejected previous budget proposals to lift Quick Draw restrictions.

Building Aid

Building and Reorganization Aid funding for the 2008-09 school year would be increased by $174.1 million, or 9.5 percent. In a move purported to align aid levels with school districts' current wealth and need, the SFY 2008-09 Executive Budget proposes to change Building Aid legislation by requiring school districts, beginning in SFY 2008-09, to use the current year Building Aid ratio rather than continuing the long-standing practice of utilizing the most beneficial aid ratio.

The SFY 2008-09 Executive Budget includes proposed school year *Expanding Our Children's Education and Learning* (EXCEL) debt service payments, comprised of $109 million for New York City and $26 million for the rest of the State, in formula based aid. Unlike Building Aid, expenses associated with issuing EXCEL bonds are incurred by the Dormitory Authority of the State of New York (DASNY), not school districts. As a result, the $135 million in proposed debt service payments will be paid directly to the Dormitory Authority, resulting in an over-estimate of total aid paid directly to school districts.

Healthy Schools Act

A new initiative proposed in the SFY 2008-09 Executive Budget includes $9 million in school year funding for the Healthy Schools Act to provide free meals for those currently eligible for reduced price meals, improve nutrition and strengthen physical education in school districts.

Roosevelt School District

The SFY 2008-09 Executive Budget proposes to maintain the Roosevelt School District's $6 million Academic Improvement Grant in SFY 2008-09 and supplement this aid with additional funds. On January 28, 2008, the Executive signed a bill that increases the annual grant amount by $6 million to $12 million. In addition, the signed legislation provides a one time $8 million State grant for the 2007-08 school year intended to eliminate Roosevelt's accumulated deficit and extends an annual $4 million advance directly related to salary expenses and related benefits, which expired in SFY 2007-08, to SFY 2010-11 with a phase out by SFY 2014-15.

Charter School Transition Aid

The SFY 2008-09 Executive Budget proposes $21 million in Transitional Aid, an increase of $900,000 for 15 school districts to help offset the fiscal impacts of charter schools in their district.

Section

10

Higher Education

The Executive Budget for SFY 2008-09 proposes All Funds appropriations of $11.6 billion for SUNY and $4.8 billion for CUNY for a total of $16.4 billion. This amount represents a total increase of $5.8 billion over SFY 2007-08 of which SUNY would receive an increase of $4.2 billion and CUNY would receive an increase of $1.6 billion. While the SFY 2008-09 Executive Budget proposes maintaining SUNY and CUNY tuition at the present levels, base aid for SUNY and CUNY community colleges would be reduced by $50 per full-time equivalent (FTE) student, representing a decrease of $11.4 million and potentially driving the need for tuition increases at these community colleges.

The Executive has also proposed a $9.3 billion Five-Year Capital Plan for SUNY and CUNY for a variety of critical maintenance, strategic and green initiatives and a new Board to oversee such funds. In addition, the SFY 2008-09 Executive Budget contains a proposal to create a higher education endowment through the "monetization" of the State lottery. Under this proposal, the State would receive an advance payment by foregoing future lottery revenue, excluding revenue from video lottery terminals (VLTs).

Capital Investments

The SFY 2008-09 Executive Budget proposes to create the University Capital Projects Review Board (UCPRB). As proposed, the Board would be comprised of three voting members, the Director of the Division of the Budget (DOB), the Temporary President of the Senate and the Speaker of the Assembly or their designees and one non-voting member each appointed by the minority leaders of the Senate and the Assembly. The purpose of the Board is to consider and review capital funding requests from the Boards of Trustees of SUNY and CUNY.

Under the Executive's proposal, $2.6 billion of the $9.3 billion would be associated with strategic initiatives to be overseen by the UCPRB. Following enactment of the strategic initiatives appropriations, the SUNY and CUNY Boards of Trustees would prepare a related project schedule. The schedules would then be submitted to the UCPRB for consideration. Unanimous approval of the entire project schedule by the UCPRB would be required before any project is approved.

At this time, it is unclear if the UCPRB would replace oversight currently provided by the Public Authority Control Board (PACB).

The details of the proposed capital plan framework for SUNY and CUNY are as follows:

SUNY/CUNY Proposed Capital Plan
(in millions of dollars)

SUNY	
Strategic Initiatives	1,600
Critical Maintenance (5 appropriations/$550 million each)	2,750
University Hospitals and Residents Hall Projects	1,020
Community College Projects (50 percent State Share)	526
Spending Authority to Enable Use of Non-State Funds	500
Greening of SUNY Pilot Initiative	75
SUNY Total	**6,471**
CUNY	
Critical Maintenance (5 appropriations/$286 million each)	1,420
Strategic Initiatives	860
Community College Projects (50 percent State Share)	260
CUNY Total	**2,540**
PROGRAM TOTAL	**9,011**

Source: New York State Division of the Budget

Lottery Monetization

The Executive proposes to create a higher education endowment through "monetization" of the lottery. This proposal would involve a lease or other transaction through which the State would receive an advance payment in return for forgoing receipt of future lottery revenues, excluding revenue from video lottery terminals. The SFY 2008-09 Executive Budget does not include details related to this proposal, and there is no associated financial impact on the Financial Plan for SFY 2008-09.

However, in late January 2008, DOB issued a Request for Proposals (RFP) seeking a financial advisor to assist in analyzing options related to the monetization. The proposed term of this advisory contract is between 3 months and 15 months. The SFY 2008-09 Executive Budget does not offer any detail related to the transaction and does not provide an estimate of the proceeds expected from this monetization initiative or the anticipated cost of the RFP.

SUNY/CUNY

The SFY 2008-09 Executive Budget proposes a gross operating budget of $3.4 billion for SUNY and $1.7 billion for CUNY for a total of $5.1 billion. This represents a total increase of $94.6 million over SFY 2007-08 of which SUNY would receive an additional $42.0 million and CUNY would receive an additional $52.6 million. The Executive does not anticipate tuition increases at SUNY or CUNY senior universities in SFY 2008-09.

The SFY 2008-09 Executive Budget proposes to reduce total State aid for SUNY community colleges by a net $77,000 to $451.1 million and increase aid to CUNY community colleges by a net $1.7 million to $174.5 million. The SFY 2008-09 Executive Budget includes a $50 per FTE student reduction in funding for base operating aid at SUNY and CUNY community colleges totaling $8.3 million and $3.1 million, respectively.

New Initiatives

The Executive has proposed several new higher education programs for SFY 2008-09 including:

- Veterans Benefit - $2 million to provide combat veterans a public/private tuition benefit equal to the cost of SUNY tuition.

- Nursing Programs - $2 million in additional funding for both SUNY ($1 million) and CUNY ($1 million) to expand nursing education programs.

- Office of Diversity and Educational Equity - $200,000, or 67 percent, increase in funding to $500,000 for this SUNY office for the development and dissemination of demonstrably effective model programs for English language learners.

- Stony Brook Collaborative Research Alliance - $250,000 to support initial planning for a strategic research partnership between Stony Brook University, Cold Spring Harbor Laboratory and Brookhaven National Laboratory to create a life sciences and biomedical research cluster.

SUNY/CUNY Procurement

The Executive proposes to eliminate existing SUNY and CUNY contracting requirements, which would allow them to bypass Office of the State Comptroller review. Article VII language submitted to support this action would remove Office of the State Comptroller contract approval oversight from virtually all SUNY/CUNY contracts. If approved, SUNY and CUNY would self-regulate their procurement and contracting practices.

Section

11

Health Care

The Legislative Health Budget Subcommittee includes the Department of Health (DOH), Medicaid and the State Office for Aging. The SFY 2008-09 Executive Budget advances a wide array of health care savings and spending proposals for DOH Medicaid and various public health programs that would increase net State Operating spending by $730 million, or 4.6 percent, in SFY 2008-09 for DOH. The SFY 2008-09 Executive Budget also extends the Health Care Reform Act (HCRA) for three years and recommends $77 million in net HCRA savings resulting from new spending initiatives offset by spending reductions and new revenue. In addition, the SFY 2008-09 Executive Budget proposes a financially neutral initiative to provide increased budgetary transparency for Medicaid, the largest program in the State's All Funds Budget (see table below).

Estimated Governmental Medicaid Expenditures
(in billions of dollars)

	SFY 2006-07 Estimated Final	SFY 2007-08 Revised	SFY 2008-09 Proposed*
Total	**46.5**	**44.9**	**45.9**
Federal	23.1	22.3	22.7
State**	15.6	15.3	16.0
Local	7.8	7.3	7.2
**State Funds Comprised of:			
▪ DOH General Fund	11.7	11.6	12.5
▪ Other State Agencies General Fund and Other State Support	2.8	3.0	3.0
▪ Other DOH State Support (mostly HCRA)	1.1	0.7	0.5

Source: New York State Division of the Budget
* In the absence of new cost control measures, Medicaid spending would reach $47.2 billion in SFY 2008-09.

The SFY 2008-09 Executive Budget proposes a $753 million increase in net State Operating spending for the Medicaid program in DOH. This increase reflects projected year-to-year program growth of approximately $1.4 billion. Total projected savings of $764 million is partially offset by $102 million in new spending, for a total net State Operating savings of $662 million.

DOH Medicaid Savings Proposals
Executive Budget
(in millions of dollars)

Provider Type and Proposal	General Fund Savings/ (Cost)	State Operating Funds Savings/ (Cost)	Gross Savings/ (Cost)*
HCRA			
Covered Lives Assessment	90.0	0.0	0 .0
Increase HCRA financing of General Fund costs	40.0		
Finance childhood obesity, immunization and newborn screening programs from insurance industry assessment	21.5	0.0	0.0
Implement EPIC mandatory generic and prior authorization	19.0	0.0	0.0
Reduce public hospital worker recruitment and retention funding	12.0	0.0	0.0
Sub-Total	**182.5**	**0.0**	**0.0**
Pharmacy/Medicare Part D Federal Maximization			
Maximize Medicare Part D savings	57.0	57.0	57.0
Reduce reimbursement from AWP minus 14 percent to AWP minus 17 percent for brand name drugs	33.0	33.0	66.0
Carve-out Family Health Plus pharmacy from managed care	27.0	27.0	54.0
Expand clinical drug review program (administrative)	14.0	14.0	28.0
Expand preferred drug list (administrative)	13.0	13.0	26.0
Control early refills of drugs	6.0	6.0	12.0.
Expand preferred drug list to include anti-depressants	5.0	5.0	10.0
Include preferred drug list drugs in clinical drug review program	4.0	4.0	8.0
Explore 340B pricing opportunities	4.0	4.0	8.0
Enhance drug utilization review programs	4.0	4.0	8.0
Implement specialty pharmacy program for high cost drugs	4.0	4.0	8.0
Medication therapy management	1.0	1.0	2.0
Academic detailing/physician education	1.0	1.0	2.0
Sub-Total	**173.0**	**173.0**	**289.0**
Hospitals/Ambulatory Care			
Implement recommendations of Commission on Health Care Facilities in the 21st Century (Berger Commission)	53.0	53.0	106.0
Rebase inpatient hospital rates	41.0	41.0	82.0

Provider Type and Proposal	General Fund Savings/ (Cost)	State Operating Funds Savings/ (Cost)	Gross Savings/ (Cost)*
Hospitals/Ambulatory Care (Cont'd.))			
Reimburse hospitals for detox services on per-diem costs	35.0	35.0	70.0
Reduce trend factor by 35 percent	28.0	28.0	56.0
Shift Graduate Medical Education (GME) payments from inpatient to outpatient	11.0	11.0	22.0
Eliminate payment of "never" events, i.e., serious and costly errors that should never happen	10.0	10.0	20.0
Require diagnosis and procedure code on admission	7.0	7.0	14.0
Shift services from inpatient to outpatient setting	2.0	2.0	4.0
Eliminate specialty rates for mental health clinic services	2.0	2.0	4.0
Implement selective contracting for certain services	1.0	1.0	2.0
Sub-Total	**190.0**	**190.0**	**380.0**
Managed Care			
Reduce Medicaid managed care and FHP premiums by 0.5 percent	15.0	15.0	30.0
Reduce Medicaid managed care and FHP premiums related to elimination of facilitated enrollment activities	8.0	8.0	16.0
Reduce Managed long-term care premium increases by 50 percent	8.0	8.0	16.0
Expand mandatory SSI enrollment	2.0	2.0	4.0
Expand enrollment of severely and persistently mentally ill individuals into Medicaid managed care	1.0	1.0	2.0
Sub-Total	**34.0**	**34.0**	**68.0**
Increase Anti-Fraud Audit Target	**160.0**	**160.0**	**320.0**
Nursing Homes			
Eliminate rebasing transition payments for SFY 2006-07 and SFY 2007-08	85.0	85.0	170.0
Reduce trend factor by 35 percent	22.0	22.0	44.0
Implement Berger Commission recommendations	10.0	10.0	20.0
Sub-Total	**117.0**	**117.0**	**234.0**
Other Long-Term Care			
Certified home health agency efficiencies (e.g., reduce administrative and general costs, freeze base year at 2005 cost level)	20.0	20.0	40.0
Reduce personal care services trend factor by 35 percent	8.0	8.0	16.0
Implement personal care services utilization demonstration program for New York City	6.0	6.0	12.0
Reduce home care trend factor by 35 percent	6.0	6.0	12.0
Reduce administrative and general costs for long-term care home health care program	5.0	5.0	9.0
Sub-Total	**45.0**	**45.0**	**89.0**

Provider Type and Proposal	General Fund Savings/ (Cost)	State Operating Funds Savings/ (Cost)	Gross Savings/ (Cost)*
Other Medicaid Proposals			
Enhance provider enforcement actions in OASAS and OMRDD	14.0	14.0	28.0
Implement transportation broker contracts for non-emergency transportation services	10.0	10.0	20.0
Eliminate payment for COLA for early intervention providers	8.0	8.0	16.0
Improve case management for diabetes and asthma patients	7.0	7.0	14.0
Improve Medicaid utilization review system	5.0	5.0	10.0
Improve prenatal registration and care coordination	1.0	1.0	2.0
Sub-Total	**45.0**	**45.0**	**90.0**
TOTAL SAVINGS	**946.5**	**764.0**	**1,470.0**
New Spending			
Increase outpatient hospital care	(31.0)	(31.0)	(62.0)
Increase reimbursement for ambulatory surgery	(26.0)	(26.0)	(52.0)
Increase by $1 dispensing fee for use of generic and brand name drugs on preferred drug list	(9.0)	(9.0)	(18.0)
Increase primary care enhancements	(7.0)	(7.0)	(14.0)
Increase reimbursement for physician services in inpatient settings	(5.0)	(5.0)	(10.0)
Increase reimbursement for physician services in clinic settings	(5.0)	(5.0)	(10.0)
Increase reimbursement for office-based physician services	(5.0)	(5.0)	(10.0)
Decrease from $3 to $1 co-payments for use of brand name drugs on preferred drug list	(4.0)	(4.0)	(8.0)
Increase reimbursement for hospital emergency room visits	(3.0)	(3.0)	(6.0)
Ensure coverage for medically needy enrollees	(2.6)	(2.6)	(5.2)
Increase reimbursement for non-hospital clinic services	(2.0)	(2.0)	(4.0)
Remove asset test for Medicare savings program	(2.0)	(2.0)	(4.0)
Extend coverage to foster care children from age 18 to age 21	(0.3)	(0.3)	(0.5)
Sub-Total	**(101.9)**	**(101.9)**	**(203.7)**
TOTAL NET SAVINGS	**844.6**	**662.1**	**(1,266.3)**

*Gross savings include General Fund, other State support and federal savings. These savings impact the health care industry as a whole.
Source: New York State Division of the Budget

However, in previous years approximately $147 million of previously advanced proposals contained in the Executive's SFY 2008-09 savings recommendations were modified or not enacted, including proposals to reduce pharmacy reimbursement, inpatient hospital detoxification costs and inflationary adjustments for hospitals, nursing homes and other providers. The SFY 2008-09 Executive Budget proposes to invest Medicaid savings achieved by updating inpatient hospital reimbursement methodologies in rate increases for outpatient, ambulatory surgery, and clinic and emergency room services.

The SFY 2008-09 Executive Budget would increase total spending under the HCRA program by $28 million, or 0.6 percent, to $5.1 billion and increase total receipts by $98 million, or 2.0 percent, to nearly $5.0 billion. The Executive Budget includes $19 million in State dollars to fully fund the expansion of the State's Child Health Plus program approved last year, but rejected for funding by the federal government. Increases to Child Health Plus family participation contributions would generate $12 million to partially offset the additional State costs.

Similar to previous years, the SFY 2008-09 Executive Budget also proposes to use HCRA resources to finance State Medicaid costs, offloading to the General Fund an additional $185 million achieved through proposed HCRA savings actions. In total, the Executive proposes to pay for nearly $2 billion in General Fund Medicaid costs by using HCRA resources in SFY 2008-09.

Health Care Reform Act (HCRA) Savings Plan
Executive Budget
(in millions of dollars)

	SFY 2008-09	SFY 2009-10
Cost Containment		
Finance childhood obesity, immunization and newborn screening programs from insurance assessment	21.5	21.5
Implement EPIC mandatory generic and prior authorization	19.0	45.0
Eliminate funding for nursing home quality improvement	17.5	17.5
Increase Child Health Plus family contribution levels	12.0	25.0
Phase out public hospital workforce recruitment and retention grants	12.0	24.0
Reduce EPIC pharmacy reimbursement from AWP minus 15 percent to AWP minus 17 percent	7.0	9.0
Eliminate Medicare asset test EPIC enrollees	5.0	5.0
Enroll eligible EPIC enrollees in qualified individual Medicare savings program	2.0	7.0
Revise CHP expansion estimates	2.0	(18.0)
Reduce Family Health Plus premium increase by 0.5 percent	2.0	0.0
Sub-Total	**100.0**	**136**
New Resources		
Increase covered lives assessment	190.0	190.0
Increase payer/provider compliance audit target	30.0	30.0
Conform tax treatment of “little cigars”	2.0	3.0
Additional conversion proceeds	0.0	250.0
Sub-Total	**222.0**	**473.0**
New Spending		
Offload HCRA savings to General Fund	(184.5)	(180.5)
Continue Health Facility Restructuring program	(20.0)	(20.0)
Expand eligibility for CHP with State-only funding	(19.0)	(52.0)
Impact of for-profit HMO tax reclassification on Family Health Plus, Child Health Plus and Healthy New York programs	(16.0)	(16.0)
Contracts for higher payer/provider compliance audit target	(3.0)	(3.0)
Increase EPIC dispensing fee for generic drugs	(2.0)	(2.0)
Administrative costs for EPIC drug discount card	(1.0)	(3.0)
Sub-Total	**(245.5)**	**(276.5)**
TOTAL ACTIONS	**76.5**	**332.5**

Source: New York State Division of the Budget

Certain Executive Budget proposals to improve HCRA’s financial condition could present a risk to the Financial Plan:

- It remains unclear if or when HCRA programs will benefit from the proposed conversion of not-for-profit insurers HIP and GHI to for-profit status. The Executive Budget recommends use of $284 million in HIP/GHI conversion proceeds in SFY 2008-09, which are proposed to increase to $534 million and $584 million in SFY 2009-10 and SFY 2010-11, respectively. However, the City of New York has sued to block the conversion due to anticipated increases in insurance rates resulting from the conversion.[13] HIP and GHI insure about 93 percent of the City's workforce. If the conversion goes forward, the City has requested a share of the proceeds, which could negatively impact HCRA. In addition, the City's lawsuit could depress the price for the conversion's initial public stock offering and reduce the value of proceeds expected to accrue to HCRA.

- The Executive Proposal of a $190 million, or 22.4 percent, increase in the HCRA covered lives assessment on insurance carriers follows an increase in the assessment of $75 million, or 9.7 percent, in SFY 2007-08. Small businesses have expressed concerns about the impact of the proposed increase on the cost of employee health care premiums. Higher costs could increase the number of uninsured New Yorkers at the same time the State is seeking to achieve universal health coverage.

- In the past, reductions in Elderly Pharmaceutical Insurance Program (EPIC) pharmacy reimbursement similar to those proposed by the Executive for SFY 2008-09 were modified or not enacted.

The Executive's Medicaid transparency restructuring initiative is largely a response to federal requirements that the State clearly identify its share of All Funds Medicaid spending in the appropriations of DOH, which is the designated "Single State Agency" responsible for New York's Medicaid program. In the past, the federal share of Medicaid has been appropriated in DOH, but the *State* share was appropriated in various agencies participating in the Medicaid program, including DOH, the Office of Alcoholism and Substance Abuse Services (OASAS), the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), the State Education Department and the Office of Children and Family Services. For SFY 2008-09, the Executive Budget proposes to include the State share of Medicaid for OASAS, OMH and OMRDD State Operations in DOH's General Fund Medicaid appropriations. The Executive Budget contains $2.7 billion in such appropriations for these agencies' State Operations activities, which include the operation of OMH psychiatric centers, OMRDD developmental centers and the fringe benefits of employees working in these facilities.

The SFY 2008-09 Executive Budget states that the Medicaid restructuring initiative is Financial Plan neutral because it shifts to DOH resources that are currently budgeted in OASAS, OMH and OMRDD, as well as in General State Charges for employee fringe benefits. However, in establishing a new mental hygiene account to which the DOH State share appropriations would be transferred back to OASAS,

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[13] *The City of New York v. Group Health Incorporated et al.*, U.S. District Court for the Southern District of New York, Case Number: 1:06-cv-13122-RJS-RLE

OMH and OMRDD, the Executive directs the State Comptroller to make temporary loans to the new account to enable the facilities to meet payroll and maintain daily operations until the account receives the monthly transfers it needs from DOH's General Fund appropriation.

Because these transfers only occur on the 15th of each month, the temporary loans that the agencies require could make unavailable substantial State resources for significant periods of time and also result in lower State interest earnings on these resources. In addition, large temporary loan balances at the end of SFY 2008-09 and subsequent State fiscal years could be diverted to address shortfalls in other State accounts.

Section

12

Mental Hygiene

The Legislative Mental Hygiene Budget Subcommittee includes the Office of Alcoholism and Substance Abuse Services (OASAS), the Office of Mental Health (OMH), and the Office of Mental Retardation and Developmental Disabilities (OMRDD). For these agencies, the Executive Budget for SFY 2008-09 recommends All Funds spending of $6.8 billion, which reflects year-to-year growth of $251 million, or 3.8 percent. State Operating Funds spending would increase $107 million, or 2.6 percent, to $4.2 billion in SFY 2008-09. This increase reflects a number of new initiatives, including a four-year effort to reduce institutionalized populations, as well as savings proposals that partially offset projected program growth.

The Executive proposes a four-year plan to downsize and potentially close OMRDD's developmental centers and make the land available for economic development. The first step of the plan involves moving approximately 80 individuals currently residing at the Western New York Developmental Center in West Seneca (Erie County) to more integrated community settings. The SFY 2008-09 Executive Budget would provide $15.6 million in capital appropriations to support the development of new State-operated community residential opportunities intended to facilitate the downsizing.

The Executive Budget projects $364 million in State Operating Funds program growth in SFY 2008-09, much of it resulting from increases in existing OMRDD programs and mandates, as well as State Operations growth including inflationary increases related to energy and pharmacy expenses and additional costs of the Sex Offender Management and Treatment Act (SOMTA). The SFY 2008-09 Executive Budget proposes a $7.1 million increase for SOMTA, for total funding of $40.3 million. This program provides for the post-release civil confinement and supervision of dangerous sex offenders in OMH facilities and community settings. SOMTA mandates treatment and relies on civil confinement as a last resort for highest risk offenders. Lower risk offenders are subject to strict parole supervision and treatment in the community.

In addition to program growth, the Executive recommends $28 million in new initiatives, including proposals to expand community mental health residential programs by 2,100 new beds, develop 21 recovery centers for people with chemical dependence and expand compulsive gambling prevention programs. The Executive partially offsets this growth in spending by recommending savings of $285 million obtained by generating higher third party revenue for patients in State facilities, reducing overtime and energy and pharmacy efficiencies.

Section

13

Human Services

The Legislative Human Services Budget Subcommittee considers appropriations for 13 agencies and offices, including the Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS). Public assistance is provided through OTDA, in large part with an annual $2.4 billion federal block grant in Temporary Assistance for Needy Families (TANF); child welfare services are provided through OCFS. Of this amount, the SFY 2008-09 Executive Budget allocates $1.01 billion to the Flexible Fund for Family Services (FFFS). Each locality must prioritize its needs in determining which support services to fund, as well as the funding levels for these services from its FFFS allocation.

Several sources of funding for the Child Care Block Grant (CCBG) are available in the Executive Budget, including the General Fund, allocations from localities and federal TANF and child care development fund monies. The SFY 2008-09 Executive Budget does not include a separate TANF allocation for the CCBG, but does include $540 million for the CCBG from remaining funding sources.

Under the Executive Proposal, localities would have increased flexibility in decisions regarding funding levels for programs supported by the FFFS, but will be challenged in balancing available funding against competing demands. The final amount of the CCBG would be determined later in the year as localities allocate a portion of their share of FFFS to child care. In order to maintain CCBG funding at the SFY 2007-08 level, localities would need to independently allocate $366 million in TANF FFFS for the CCBG, since they control how such funds are spent.

The SFY 2008-09 Executive Budget extends the methodology established in 2007 for FFFS funding of OTDA preventative services to OCFS, to link eligibility for funding from the FFFS with performance based criteria. In addition, several non-OTDA programs formerly funded by TANF would be shifted to the appropriate administering agency with General Fund appropriations. For SFY 2008-09, funding for these programs would be maintained at $112 million. The savings generated by shifting the cost of these programs from TANF to the General Fund is used to provide $718 million from TANF for the Earned Income Tax Credit, reflecting a $115 million increase, or 19 percent.

The SFY 2008-09 Executive Budget also includes a number of measures that would either shift social services costs from the State to localities or retain savings for the State that have traditionally been realized by localities. For example, the local share of public assistance, for both the federally funded Family Assistance (FA) and the New York State Safety Net Assistance (SNA) programs, would increase by two percent. The local share would increase to 27 percent for FA and 52 percent for SNA, reflecting a shift of $40.5 million from the State to the counties.

Additionally during SFY 2008-09, the Executive expects savings of $7.5 million in federal funding generated from moving two-parent households from FA to SNA. This savings had previously been considered the counties' share, but under the Executive Proposal would be retained by the State.

The local share for the cost to counties of operating youth detention facilities would double—to 100 percent—reflecting a State savings of $35.4 million. The Executive also proposes to close seven youth detention facilities and downsize one facility, which would result in a decrease of 254 full-time equivalent positions (238 currently filled) and State savings of $3.4 million in SFY 2008-09 and $16.3 million once fully annualized in SFY 2009-10.

SFY 2008-09 Proposed Youth Detention Facility Closures

Youth Detention Facility Closures	County	# of Beds	# of Children	# of FTEs	SFY 2008-09 (savings in thousands of dollars)	SFY 2009-10 (savings in thousands of dollars)
Pyramid	Bronx	57	29	90	1,001	4,802
Lansing*	Tompkins	50	45	32	439	2,106
Brace Residential Center	Delaware	25	5	25	410	1,969
Auburn Residential Center	Auburn	24	2	25	374	1,791
Great Valley Residential Center	Cattaraugus	25	12	25	374	1,790
Cass	Albany	25	0	25	367	1,768
Adirondack Wilderness Challenge	Clinton	25	15	25	336	1,612
Gloversville Group Home	Fulton	10	0	7	93	443
Total		**241**	**108**	**254**	**3,394**	**16,281**

*Downsized from 100 beds
Source: New York State Division of the Budget

Section

14

Economic Development

The Legislative Economic Development Budget Subcommittee includes the Department of Economic Development (DED), the Racing and Wagering Board, the New York State Foundation for Science, Technology and Innovation, and Energy Capital. The SFY 2008-09 Executive Budget includes a new $2.3 billion economic development program, including $1.0 billion targeted to an upstate revitalization fund and $1.3 billion for other statewide initiatives, including transportation and housing investments in New York City.

The Empire State Development Corporation (ESDC) is the lead agency for New York's economic development program. Other program components are administered by the Department of Economic Development (DED) and the New York State Foundation for Science, Technology and Innovation, formerly known as the New York Office of Science, Technology and Academic Research (NYSTAR).

Department of Economic Development

The Executive Budget for SFY 2008-09 proposes $63.3 million in All Funds spending for DED, an increase of $4.2 million, or 7.1 percent. Of this amount, the Executive proposes an additional $4 million for expanded and strategic marketing efforts through the "I Love NY" tourism advertising program and $3.5 million for a new business marketing program to encourage and stimulate business development and economic activity in the upstate region.

In addition, $2.3 million is proposed to assist upstate businesses in pursuit of export markets and to develop a direct foreign investment program to increase the State share of cross border investment projects.

Empire State Development Corporation

For SFY 2008-09, the Executive Budget proposes $981.1 million All Funds spending for ESDC, an increase of $545.3 million, or 125.1 percent. This increase is attributed to capital programs outlined in the proposed revitalization agenda. The SFY 2008-09 Executive Budget proposes capital projects for ESDC totaling $900 million for SFY 2008-09, an increase of $549.6 million, or 156.8 percent.

New York State Foundation for Science, Technology and Innovation

The SFY 2008-09 Executive Budget proposes to decrease All Funds spending for the New York State Foundation for Science, Technology and Innovation by $8.8 million, or 14.6 percent, to $52.1 million. This change primarily reflects the elimination of $6.5 million in federal funds.

The Executive proposes to shift federal funding for the Training and Business Assistance program off-budget and eliminate the appropriation for this purpose. This action artificially lowers spending levels for All Funds. In addition, the SFY 2008-09 Executive Budget proposes $4 million in new funding for the Supercomputer consortium.

Statewide Economic Development

The $2.3 billion economic development agenda proposed by the SFY 2008-09 Executive Budget includes new programs and substantial funding increases for housing, transportation and parks. The new spending totals $1.3 billion for downstate and statewide targeted initiatives and $1 billion for upstate revitalization efforts.

The program would be funded with $1.02 billion in revenue generated from a combination of new debt, sale of property around the Javits Center ($900 million) and sale of mental hygiene properties ($100 million), use of SONYMA reserves ($100 million), new auto insurance fees ($100 million) and new General Fund spending ($87 million). The program details of the Executive Proposal are summarized in the following table.

Proposed Statewide Economic Development
(in millions of dollars)

Downstate and Statewide Initiatives	
Downstate Transportation Improvements: Transit Projects, including Moynihan Station	525.0
Housing Opportunity Fund: Development of Supportive, Affordable and Workforce Housing	300.0
Downstate Revitalization Fund: Business and Local Development in Distressed Communities	200.0
Local Assistance Grants: Dedicated to Economic and Community Development	60.0
Investment Opportunity Fund: Assistance for "Economically Beneficial" Projects	50.0
Hudson River Park and Governor's Island Development	45.0
Downstate Regional Projects: Infrastructure and Community Preservation	35.0
Parks Capital: Preservation and Development of Parks and Recreational Facilities	30.0
Arts and Cultural Development: Capital Investment Grants	28.0
Other ESDC Job and Investment Programs: EDP, Jobs Now, UCDP and MWBDLP	13.5
FSTI High Tech Development Programs: Centers for Advanced Technology, Faculty Development and Technology Transfer	10.0
Expand Broadband Access	8.0
Venture Capital: Investment in Emerging Technologies	2.0
Total Downstate and Statewide	**1,306.5**
Upstate Revitalization	
Upstate Regional Blueprint Fund: Construction and Enhancement of Development Ready Sites and Industrial Parks, Small Business Loans for Machinery and Equipment, Real Estate and Other Needs, Programs, Tools and Facilities to Link Idea Creation and Job Creation	350.0
City-by City Initiatives: Critical Development Projects in Upstate Cities	115.0
Investment Opportunity Fund: Assistance for "Economically Beneficial" Projects	100.0
Housing Opportunity Fund: Development of Supportive, Affordable and Workforce Housing	100.0
State and Local Bridge Preservation Fund	100.0
Parks Capital: Preservation and Development of Parks and Recreational Facilities	80.0
Upstate Agribusiness Fund: Construct Wholesale Farmer's Market in New York City, Other Investments in Food Processing, Access to Markets and Development of Alternative Fuels	50.0
Other ESDC Job and Investment Programs: EDF, Jobs Now, UCDP and MWBDLP	38.0
Hudson River Rail Corridor Improvements	30.0
Arts and Cultural Development: Capital Investment Grants	12.0
FSTI High Tech Development Programs: Centers for Advanced Technology, Faculty Development and Technology Transfer	12.0
Expand Broadband Access	7.0
Business Marketing Program: Promotion of Upstate Business to Encourage Investment	3.5
Venture Capital: Investment in Emerging Technologies	3.0
Total "Upstate Revitalization"	**1,000.5**
Economic Development Total	**2,307**

Source: New York State Division of the Budget

The following provides a brief overview of the components of the Executive's proposal for economic development initiatives:

Upstate Regional Blueprint Fund

The Upstate Regional Blueprint Fund would be allocated $350 million for projects intended to capitalize on each region's unique assets and potential to spur economic development. Projects in distressed communities and those with significant matching funds and regional support would be given priority. Application, eligibility requirements and criteria, as well as project approvals, would be the responsibility of the recently created Upstate Empire State Development Corporation, a subsidiary of ESDC.

Downstate Regional Revitalization Fund

The Downstate Regional Revitalization Fund is allocated $200 million to support investment in distressed downstate communities. Funding would be available to for-profit businesses, not-for–profit corporations, public benefit corporations, municipalities, and research and academic institutions, with preference given to projects having measurable benefits or substantial community support. Application and eligibility requirements would be determined by the ESDC and projects approved by the ESDC Board of Directors. Grants could be made on a competitive basis, in response to requests for proposals and through direct application at the discretion of the corporation.

Arts and Cultural Capital Grants Program

The new Arts and Cultural Capital Grants Program would be allocated $40 million to support the preservation and expansion of cultural institutions. Projects include capital improvements of facilities primarily involved with the arts, humanities or interpretive sciences. Projects would be limited to $250,000 or more and be required to demonstrate the economic and social benefit of State funding as included in a spending plan approved by the Director of the Division of the Budget.

Economic and Community Development Program

The Economic and Community Development Program would be allocated $60 million to support projects to facilitate the development and preservation of New York State's educational, recreational, tourism and infrastructure resources. Funding would be available for projects of $250,000 or more and be required to demonstrate the economic and social benefit of State funding as included in a spending plan approved by the Director of the Division of the Budget.

Investment Opportunity Fund

The new Investment Opportunity Fund would be allocated $150 million to provide assistance for projects providing economic benefits to one or more regions of the State or localities suffering from disproportionate levels of poverty, unemployment, population or job loss or other indicators of economic distress. Of this amount, $100 million would be allocated for upstate projects and $50 million would be allocated for downstate projects.

Under the proposal, a five-member board would be created to review and approve potential fund investments. As proposed, any projects supported by the Fund would bypass approval by the Public Authorities Control Board (PACB), reducing oversight and accountability in the process.

Parks and Recreation Fund

The State Parks Infrastructure Fund (SPIF) would be allocated $110 million to revitalize New York State's parks and historic sites. The new funding would come from public authority bonds and would pay for a mix of projects ranging from repair and maintenance of existing parks facilities to creation of new recreational facilities.

Housing Opportunity Fund

A new Housing Opportunity Fund to be controlled by the State of New York Mortgage Agency (SONYMA) would be allocated $100 million in a transfer of funds from SONYMA reserves.[14] The Executive also proposes to allocate $300 million in revenues from the sale of certain State assets to the Fund.

Upstate Agriculture Economic Development Fund

The Upstate Agricultural Economic Development Fund would be allocated $50 million in ESDC bond proceeds to support growth of food and the agriculture industry. The Fund would be under the joint supervision of ESDC and the Commissioner of the Department of Agriculture and Markets.

[14] The primary source of revenues for the Fund is the New York State Mortgage Recording Tax.

Section

15

Transportation

The Legislative Transportation Budget Subcommittee includes the Department of Transportation (DOT), the Department of Motor Vehicles (DMV), the Thruway Authority and the Metropolitan Transit Authority (MTA). All Funds appropriations for transportation-related initiatives under the Executive's Proposed Budget total over $9.2 billion for SFY 2008-09, including over $5.3 billion in capital projects, nearly $3.7 billion in aid to localities and $172.2 million in State operations costs. The total represents an increase of $509.6 million, or nearly 5.8 percent, over SFY 2007-08.

The State faces funding shortfalls for road and bridge projects due to high inflation in the construction industry, as well as an outpacing of spending over revenue in the State's Dedicated Highway and Bridge Trust Fund (DHBTF). The SFY 2008-09 Executive Budget proposes several initiatives that attempt to address this funding shortfall.

Transportation Appropriation Requests
SFY 2008-09
(in millions of dollars)

Agency	State Operations	Aid to Localities	Capital Projects	Total	SFY 2007-08 Dollar Change
DOT	49.0	3,045.5	4,637.6	7,732.1	375.9
DMV	123.2	17.3	221.5	362.0	22.8
Thruway	0.0	0.0	2.0	2.0	0
MTA	0.0	636.0	487.0	1,123.0	110.9
Total	**172.2**	**3,698.8**	**5,348.1**	**9,219.1**	**509.6**

Source: New York State Division of the Budget

Capital Plan

DOT's Five-Year Capital Plan, adopted in 2005 and modified yearly, currently provides $18.7 billion for capital transportation needs through SFY 2009-10. The SFY 2008-09 Executive Budget increases spending for the two remaining years of the Plan by an additional $587 million, or 3.1 percent, with $300 million in additional federal support and $287 million in funding provided for the State and Local Bridge Maintenance Program. This increase would bring the Five-Year Capital Plan for DOT to $19.3 billion. Legislation passed in 2007 requires DOT to present a new Five-Year Capital Plan by March 31, 2008.

The Executive proposes to use capital appropriations in the DMV budget for departmental operations, an action that has been taken every year since 2003. For SFY 2008-09, this amount would total $221.5 million, an increase of $21.1 million, or 10.5 percent, over SFY 2007-08.

State Aid for Local Highways

State support for local highway and bridge capital programs is provided through the Consolidated Highway Improvement Program (CHIPS) and the Municipal Streets and Highways Program (Marchiselli Aid). CHIPS provides support for highways and bridges that are not part of the State Highway System. Marchiselli Aid provides local governments with State aid to match federal highway grants.

The SFY 2008-09 Executive Budget provides a total of $342.8 million for both programs in SFY 2008-09. Funding for CHIPS is $303.1 million, a $9.4 million, or 3.0 percent, decrease from SFY 2007-08, while Marchiselli Aid would be maintained at $39.7 million. CHIPS and Marchiselli Aid spending is financed off-budget, using proceeds from bonds issued by the Thruway Authority and repaid with revenues from the DHBTF.

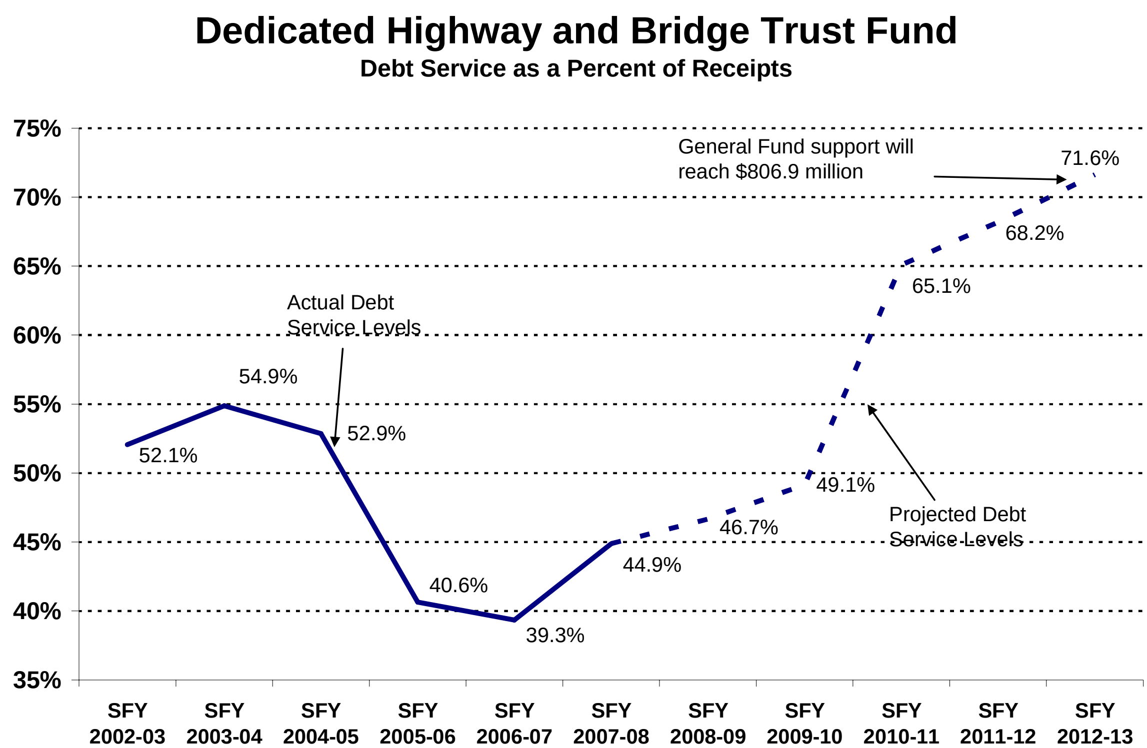
Dedicated Highway and Bridge Trust Fund

Highway and bridge construction and rehabilitation in New York is projected by the Executive to total $2.1 billion in SFY 2008-09, an increase of $153 million, or approximately 8.0 percent. These proposed obligations—known as the "letting level"—are funded through the DHBTF, which receives support from six different transportation related taxes and fees. The DHBTF also acts as a conduit for federal funds, General Obligation Bonds, miscellaneous receipts and proceeds from the sale of bonds issued by the Thruway Authority for the State's bridge and highway programs.

The Executive proposes a $134 million transfer from the General Fund in SFY 2008-09 to cover a projected funding gap. By SFY 2012-13, it is projected that General

Fund support for the DHBTF will total $806.9 million. The Executive also proposes $38.9 million in additional revenue for the DHBTF as a result of the proposed restructuring of the State's fuel taxes.

The General Fund transfer indicates that dedicated tax revenues have not been able to keep pace with funding needs. In addition to the growing cost of capital construction projects, the DHBTF also faces rapid increases in debt service costs, which have climbed from $756 million in SFY 2005-06 (the year of a bond refunding that lowered short-term debt service costs) to an estimated $966 million in SFY 2008-09, or 46.7 percent of all anticipated DHBTF tax and miscellaneous revenues. As shown below, by SFY 2012-13 debt service costs will increase to $1,552 million, or 71.6 percent, of combined tax and miscellaneous revenues.[15]



[15] Actual debt service levels are taken from reports prepared by the Office of the State Comptroller. Projected debt service levels are estimates prepared by the Division of the Budget.

These funding issues confirm the importance of accurate and timely information on the finances of the DHBTF. In 2006, the Legislature enacted a State Finance Law amendment requiring the Division of the Budget (DOB) to provide the Office of the State Comptroller and the Legislature with expanded information regarding the DHBTF.[16] The Division of the Budget has objected to certain provisions of the law related to the level of detail required. Similar to last year, the SFY 2008-09 Executive Budget includes an Article VII proposal to amend the DHBTF reporting requirement to reduce the amount of project detail and conform DHBTF reports to be sent to the Office of the State Comptroller to those provided to the Legislature.

Local Bridge Preservation Program

The Executive proposes to expand the existing State Bridge Preservation Program by creating a new companion program for local bridge preservation. The Local Bridge Preservation Program would provide assistance for restoring and preserving bridges that are in fair-to-good condition. Existing programs focus on bridges that are in greater need of repair. The goal of the new program is to fund early corrective maintenance and repairs.

The SFY 2008-09 Executive Budget includes $140 million for the combined State and Local Bridge Preservation Program in SFY 2008-09 and $147 million in SFY 2009-10. The SFY 2008-09 allocation would provide $50 million for bridge maintenance contracts, $13 million for capital contracts and engineering, $13 million for 10 new DOT bridge maintenance crews, $3 million for 64 new DOT design, inspection and management staff, and $1 million for 13 new DOT staff to manage the local bridge program. The remaining $60 million would be distributed as grants for the maintenance of locally-owned bridges.

Municipalities would be required to pay 20 percent of project costs, although certain municipal costs and CHIPS aid may be used in lieu of direct municipal payment. Funding for the expanded program is proposed to come from increased fees on motor vehicle insurance policies issued in New York State, with receipts deposited in the DHBTF.

Continued Expansion of the DOT Workforce

The SFY 2008-09 Executive Budget includes a significant increase in DOT staffing, continuing an expansion that began in SFY 2007-08, with a net increase in SFY 2008-09 of 322 full-time equivalent positions (FTEs), with 522 new fills being offset by 200

[16] Part Q of Chapter 61 and Part Z of Chapter 62 of the Laws of 2006, amending State Finance Law, Section 22-c (Capital Program and Financing Plan), Section 24 (Budget Bills) and Section 89-b (Dedicated Highway and Bridge Trust Fund). Part M of Chapter 59 of the Laws of 2007 postponed the effective date of reporting requirements until April 1, 2008.

attritions. The most significant increase is related to the new State and Local Bridge Preservation Program, with 339 new employees, mostly for bridge inspection teams and maintenance crews. The Department would also continue its policy of replacing certain contract employees with public employees, this year adding 30 new maintenance and 25 new information technology and bridge inspection staff.

Metropolitan Transportation Authority

The Executive proposes appropriating to the Metropolitan Transportation Authority (MTA) an additional $338 million in 2008, $169 million in 2009, $236 million in 2010, and $251 million in 2011 from the State Metropolitan Mass Transportation Operating Assistance Account and from the Dedicated Tax Fund. These resources—which were anticipated in the MTA's February 2008 Financial Plan—combined with fare and toll increases that are expected to take effect shortly and other actions would reduce the MTA's projected budget gaps to $216 million in 2009, $1.2 billion in 2010 and $1.3 billion in 2011. The MTA anticipates additional intergovernmental aid and higher fares and tolls as part of its plan to balance the 2010 budget.

Section

16

Agriculture/Environment/Housing

The Legislative Agriculture, Environment and Housing Budget Subcommittee considers appropriations for 13 agencies and offices, including the Office of Parks Recreation and Historic Preservation (OPRHP), the Department of Environmental Conservation (DEC), the Division of Housing and Community Renewal (DHCR), the Department of Agriculture and Markets (Ag & Markets) and the New York State Energy Research and Development Authority (NYSERDA). The Executive Budget for SFY 2008-09 proposes to increase All Funds appropriations to OPRHP by $96.8 million, or 32.4 percent, to $395.6 million and decrease All Funds appropriations to DEC by $31.4 million, or 2.6 percent, to $1.2 billion.

Significant, new capital appropriations are proposed to upgrade State Parks along with new capital appropriations to increase affordable housing support and support for agriculture. The Executive Budget also proposes to sweep $200 million in funding from the Environmental Protection Fund (EPF) to the General Fund, offset in part by new debt.

Office of Parks Recreation and Historic Preservation

The Executive Budget for SFY 2008-2009 proposes an All Funds appropriation of $395.6 million for OPRHP, an increase of $96.8 million, or 32.4 percent, over SFY 2007-08. The increase in proposed spending is attributed to a proposed addition of $110 million in revenue from Empire State Development Corporation (ESDC) authority bonds, to the State Parks Infrastructure Fund (SPIF), for new or expanded park facilities and programs, and the conversion of Camp Cass into a training center for parks police. As a result, the Executive proposes a full-time equivalent position (FTE) increase of 32. Of these, 20 staff would work in new park facilities and 12 staff would be associated with Camp Cass.

New Parks Capital

The SFY 2008-09 Executive Budget allocates $110 million in capital monies to revitalize the State's parks and historic sites, which would be funded through SPIF with new ESDC debt. The new funds would pay for a mix of projects ranging from repair and maintenance of existing parks facilities to creation of new recreational facilities.

In addition to projects in State Parks facilities, the funds would also provide $8 million for improvements to DEC facilities, $8 million for development of a walkway over the Hudson River at Poughkeepsie and $3.5 million for improvements to the State Fairgrounds in Syracuse.

Off-Budget Parks Spending

In addition to the funding appropriated through SPIF, the Executive proposes to grant $45 million for the development or improvement of a park at Governor's Island and the Hudson River Park. This funding will come from the sale of surplus property acquired for expansion at the Javits Center and would be processed through the ESDC off-budget and outside the State's standard statutory procurement, contract and expenditure oversight.

Department of Environmental Conservation

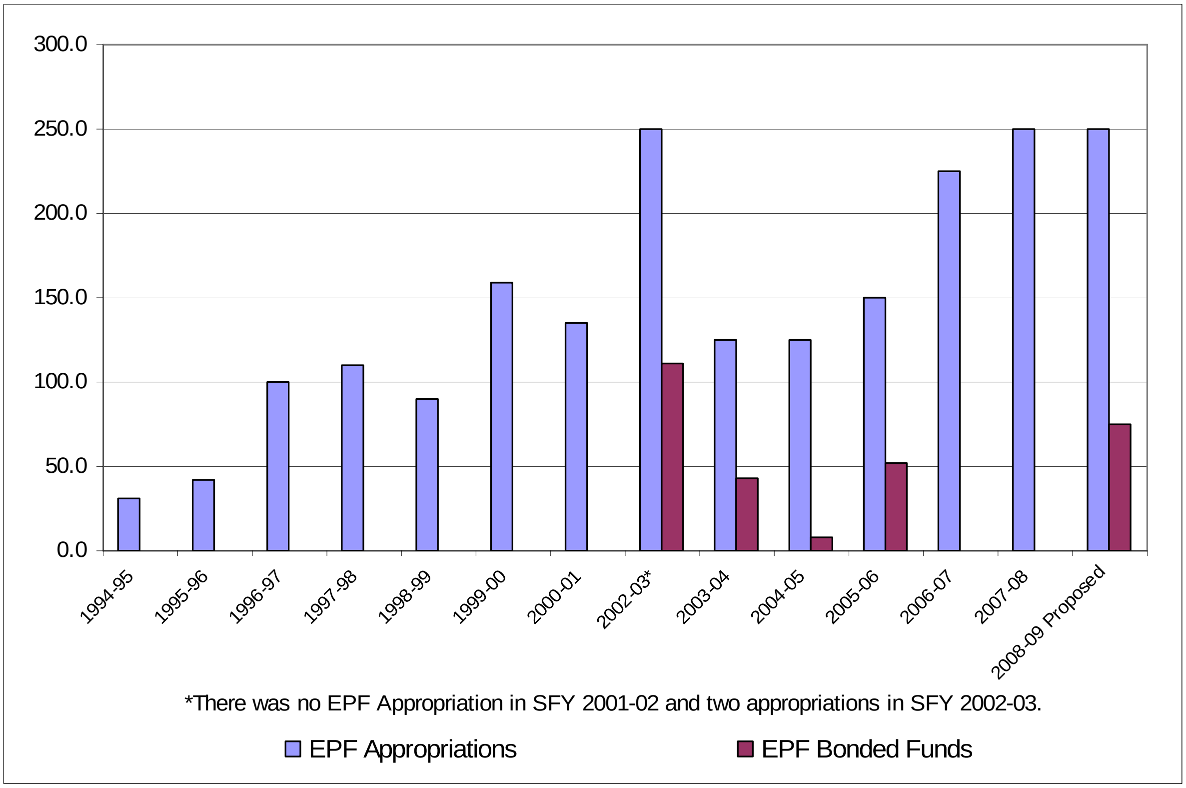
The SFY 2008-09 Executive Budget proposes an appropriation of $1 billion in All Funds spending for DEC, a decrease of $31.3 million, or 2.6 percent, from SFY 2007-08. A portion of this decrease is attributed to one-time settlements appropriated in SFY 2007-08, including $26 million in natural resource damage settlements and a $5.4 million settlement with employees involved in law enforcement. The Department's FTEs are projected to increase by four over SFY 2007-08 to 3,752.

Environmental Protection Fund

In accordance with Chapter 258 of the Laws of 2007, the SFY 2008-09 Executive Budget appropriates $250 million to environmental programs through the EPF. The Executive proposes to add several new categories of environmental projects that would be eligible for funding through the program, including agricultural waste management; environmental justice projects to improve air quality in low income, minority communities; and solar energy initiatives.

The Executive proposes to sweep $125 million from the EPF to the General Fund in SFY 2008-09. Furthermore, the Executive proposes to sweep an additional $75 million to the General Fund and authorizes new Environmental Facilities Corporation (EFC) debt to be issued for $75 million in projects that are determined to be bondable.

History of Environmental Protection Fund Appropriations and Bonding
(in millions of dollars)



Proposed Legislation

The SFY 2008-09 Executive Budget proposes to amend the State Brownfields Program, New York's container deposit law (the bottle bill), Clean Air Act permit fees and pesticide registration fees.

Brownfields – The Executive advances two different proposals, both of which cap available tax credits. The Executive's proposal would also increase tax credits for parties who perform more thorough cleanup of toxic wastes.

Bottle Bill – Proposed amendments to the container deposit law would increase the types of beverage containers subject to deposit and reclaim deposits into the EPF that are not redeemed. The container deposit law amendments are projected to generate $25 million in SFY 2008-2009 and $100 million annually thereafter.

Clean Air Act Title V Permit Fees – The proposal would increase revenues generated by a projected $10.6 million in SFY 2008-2009.

Pesticide Registration – The proposal would make permanent registration fees at their current level.

Division of Housing and Community Renewal

The SFY 2008-09 Executive Budget proposes All Funds spending for DHCR totaling $329.5 million, a net decrease of $10.1 million, or 3.1 percent, from SFY 2007-08. This is associated with a $13.3 million reduction in legislative initiatives under aid to localities, including a $3 million reduction in aid to Neighborhood Preservation Corporations and a $1.6 million reduction in aid to Rural Preservation Corporations.

The Executive proposes two significant increases in funding. Administration appropriations are proposed to increase $2 million to cover increased DHCR office lease costs in New York City and $2 million would be used to upgrade the DHCR information technology infrastructure to track housing information.

Housing Opportunity Fund

The Executive proposes to create a Housing Opportunity Fund (Fund) account under the control of the State of New York Mortgage Agency (SONYMA). The SFY 2008-09 Executive Budget would provide $400 million for this purpose. The source of revenue includes $300 million from the sale of surplus properties adjacent to the Javits Center and $100 million from the transfer of SONYMA reserves. The Executive provides for the SONYMA board of directors to transfer additional revenue to the Fund account. The primary source of revenues for the Fund is the New York State Mortgage Recording Tax.

A Policy Advisory Panel created by the proposed legislation would be authorized to create a plan for spending the Fund subject to approval by the Director of the Division of the Budget. The Fund would be used to support the creation, preservation and rehabilitation of affordable, supportive and workforce housing. In addition to direct expenditures on housing, the Fund could be used to construct infrastructure necessary to facilitate housing development.

Department of Agriculture and Markets

The Executive Budget for SFY 2008-2009 proposes an appropriation of $179.9 million in All Funds spending Ag and Markets, a decrease of $3.3 million, or 1.8 percent, from SFY 2007-2008. This decrease is largely associated with funding for local initiatives and a change in inspection practices of food establishments. Overall, FTEs would decrease by 15 resulting from a decrease of 21 staff associated with the inspection of food establishments and the addition of 6 FTEs for grant implementation activities, enhanced internal controls, activities to promote community gardens, inspectors to control golden nematodes, and the control, storage and transportation of ammonium nitrate.

The Executive proposes to authorize the Commissioner of Ag and Markets to establish a risk-based inspection frequency for establishments that sell food based on the establishment size, type of food and other factors that could affect public health. A similar risk based inspection system proposed in the SFY 2007-2008 Executive Budget was not enacted.

Agriculture Economic Development Fund

The Executive proposes to create an Agriculture Economic Development Fund (AEDF) under the joint supervision of ESDC and the Commissioner of Ag and Markets. The AEDF would be funded through $50 million in bond revenues appropriated in the ESDC budget. The Executive proposes that associated funds could be used for:

- Development of facilities associated with a wholesale farmers market in the Hunts Point region of the Bronx (up to $30 million),
- Support for local efforts to identify new economic development strategies and opportunities based on agricultural production,
- Local or regional business services for new or expanding agricultural economic development projects,
- New farmer attraction and existing farmer retention programs,
- Feasibility studies of new crop production and/or new markets for existing crops,
- Capital costs associated with agricultural economic development projects, and
- Capital for low-cost financing programs for agricultural economic, development projects.

The ESDC and Agriculture and Markets would be authorized to promulgate regulations to frame a competitive award process for these projects.

New York State Energy Research and Development Authority

The Executive Budget for SFY 2008-2009 proposes an appropriation of $32 million in All Funds spending for the New York State Energy Research and Development Authority (NYSERDA), an increase of $2.4 million, or 8.1 percent.

The Executive proposes $2.0 million for planning costs and five FTEs associated with the development of a State Energy Plan Update.

Off-Budget NYSERDA Spending

Although NYSERDA receives appropriations from the New York State Budget as an authority, it primarily operates outside of the State budget process. For SFY 2008-2009, the NYSERDA proposed budget shows several large sources of off-budget revenues. Orders issued by the New York State Public Service Commission for the System Benefit Charge and the Renewable Portfolio Standard require New York State 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 projects revenues of $239.3 million from these surcharges.

The NYSERDA budget also projects $35 million in revenue from auction of pollution allowances authorized under the federal Clean Air Interstate Rule and the Regional Green House Gas Initiative (RGGI). Collections related to RGGI would be spent on programs to promote energy efficiency technologies that either do not emit greenhouse gases or significantly reduce emissions of greenhouse gases.[17] This spending is also entirely off-budget and not subject to the State's standard procurement, contracting and expenditure oversight.

[17] As authorized by draft regulations (21 NYCRR Part 507).

Section

17

Public Protection

The Legislative Public Protection Budget Subcommittee includes the Department of Correctional Services, the Division of State Police, the Division of Parole and the Judiciary along with other agencies involved in crime prevention, prosecution, the incarceration and habilitation of offenders, and aid to victims. The SFY 2008-09 Executive Budget provides a total of $5.1 billion for public protection, a $408.6 million decrease, or 7.5 percent below SFY 2007-08. This reduction is largely attributed to $394 million in nonrecurring Federal Disaster funds and associated General Fund program support within the Division of Military and Naval Affairs. The Executive Budget also provides $2.5 billion for the Judiciary, a $116.0 million increase, or 4.8 percent above 2007-08.

Department of Correctional Services

The Department of Correctional Services (DOCS) is responsible for the confinement and rehabilitation of approximately 62,250 inmates at 70 State correctional facilities. The SFY 2008-09 Executive Budget proposes to increase All Funds DOCS spending by a net $67.2 million, or 2.3 percent, to $3 billion.

Due to a declining crime rate and the Legislature's enactment of early release statutes for non-violent offenders, including Rockefeller Drug Law reform, shock incarceration and work release programs, New York's inmate population has decreased by more than 9,000, or 13 percent, since 1999. This trend is expected to continue. As the number of people in prisons has decreased, a change in the demographic of the prison population has occurred, which has affected the types of correctional facilities needed. Over the past eight years, State prisons have experienced a 47 percent decrease in minimum security inmates and 18 percent increases in both medium and maximum security inmates. An Article VII proposal to create a Temporary Commission on Prison Capacity in SFY 2007-08 was not enacted, but in 2007, DOCS performed an internal review associated with potential prison closures.

Department of Correctional Services
(in millions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Change	Percent Change
General Fund	2,479.3	2,512.0	32.6	1.3
Special Revenue - Federal	36.8	38.3	1.5	4.1
Special Revenue - Other	1.5	20.0	18.5	1,275.9
Capital Projects	300.0	320.0	20.0	6.7
Internal Service Fund	79.7	74.2	(5.5)	-6.9
Enterprise Fund	44.3	44.3	-	-
All Funds	**2,941.6**	**3,008.8**	**67.1**	**2.3**

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

The Executive Budget for SFY 2008-09 reflects reduced spending in anticipation of the proposed January 2009 closure of one medium security prison (Hudson Correctional Facility) and three minimum security camps (Camp Macgregor, Camp Pharsalia and Camp Gabriels). Savings of $10.4 million are associated with these closures in SFY 2008-09 and $33.5 million in SFY 2009-10, in addition to $30.0 million in capital cost savings over the next five years. The Executive indicates that the 584 employees of these facilities will be offered positions within other DOCS facilities or other State agencies.

Offsetting the savings generated from the proposed facility closures will be an expansion in sex offender and mental health programs, which includes:

- $36.0 million in SFY 2008-09 capital funding for mental health programs, including the opening of 5 mental health treatment units throughout the State and a 100-bed residential mental health unit at the Marcy Correctional Facility,
- $6.0 million in General Fund spending dedicated to the expansion of mental health services, and
- $2.5 million in General Fund spending, reflecting the annualized cost of implementing the Sex Offender Management and Treatment Act of 2007.

Division of State Police

The Division of State Police is charged with patrolling the State's highways and performing additional investigative police services. The SFY 2008-09 Executive Budget proposes to decrease All Funds spending for the State Police by a net $67.0 million, or 9.1 percent, over SFY 2007-08. The majority of the reduction is attributed to non-recurring appropriations from the SFY 2007-08 Enacted Budget, including $50.0 million in capital expenses to complete Troop G headquarters in Colonie, New York and $10.0 million in Special Revenue - Other spending to purchase equipment related to the Statewide Wireless Network.

Division of State Police
(in millions of dollars)

	SFY 2007-08 Estimated	SFY 2008-09 Proposed	Dollar Change	Percent Change
General Fund	478.7	426.1	(52.6)	-11.0%
Special Revenue - Federal	12.7	7.2	(5.5)	-43.0%
Special Revenue - Other	181.5	223.3	41.8	23.0%
Capital Projects	62.2	11.5	(50.7)	-81.5%
All Funds	**735.1**	**668.1**	**(67.0)**	**-9.1%**

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

The Executive proposes to raise the Motor Vehicle Law Enforcement Fee collected on motor vehicle liability insurance policies from $5 to $20. Under the proposal, $5 of the proposed increase is projected to offset General Fund spending for the State Police by providing $48.4 million in SFY 2008-09 and $64.5 million in SFY 2009-10. The remaining $10 of the increase will provide $96.8 million in new support to the Dedicated Highway and Bridge Trust Fund in SFY 2008-09 and $129 million in SFY 2009-10.

The Executive Budget recommends maintaining current State Police staffing levels at 5,989 FTEs, which includes 4,939 sworn police officers. The Executive proposes to redeploy 200 troopers from school resource posts and video lottery center assignments to support local police departments in the elevated crime regions served by Operation IMPACT. Vacated posts within school districts and video lottery centers may be filled at the option of local police forces with their own resources.

Division of Parole

The SFY 2008-09 Executive Budget proposes $226.3 million in All Funds spending for the Division of Parole (Parole), an increase of $2 million. The Executive Proposal includes $7 million to fund Parole's supervisory function associated with the Sex Offender Management and Treatment Act. To support this initiative and to increase oversight of parolees in the community, the Executive Budget proposes the addition of 119 FTEs for a total of 2,273 in SFY 2008-09. Of these, 29 staff ($2.1 million) would be dedicated to reentry initiatives such as community housing, employment and addiction services programs. The SFY 2008-09 Executive Budget also provides $6 million to temporarily house sex offenders released from prison.

Judiciary

The SFY 2008-09 Executive Budget proposes to increase judicial salaries retroactive to April 1, 2006, at a cost of $119 million.

The Executive's Article VII legislation would increase judicial salaries as well as the salaries of most county district attorneys.[18] This legislation sets a State Supreme Court Justice salary at $165,200 retroactive to April 1, 2006 and provides an additional 2.5 percent increase effective April 1, 2008. New York State Judges last received a pay raise in 1999.

Statewide Wireless Network (SWN)

The Statewide Wireless Network (SWN) is intended to replace the obsolete communications infrastructure for New York by implementing a statewide radio network for State public safety and public service agencies. SWN is intended to provide interagency and intergovernmental communications—or interoperability, to allow emergency personnel to communicate with one another. Local governments may opt into the system, but will need to purchase and finance their own equipment. The Office for Technology (OFT) awarded a $2.0 billion contract in September 2005 to M/A-COM to design and build the SWN, with completion scheduled for 2010.

In 2005 and in 2007, the Office of the State Comptroller sent letters to the Executive recommending actions to mitigate risks to the SWN contract, which included establishing strong leadership over the entire project and appointing a Quality Assurance Group. Furthermore, the Office of the State Comptroller is committed to a rigorous series of audits and scrutiny of payments associated with SWN.

In addition to the not-to-exceed $2.0 billion price for the SWN infrastructure, other costs will also be incurred:

- SWN Systems Operations Centers (SOCs) estimated at $40 million,
- Land acquisition for SWN of approximately $1 million,
- Radio equipment estimated at $260 million for State agencies ($100 million in equipment acquisition and $160 million in financing costs), and
- Radio equipment estimated at $530 million for local governments to access SWN at their option ($200 million in equipment costs and $330 million in financing costs).[19]

Furthermore, State agencies and SWN authorized users who choose to purchase Computer Aided Dispatch systems (CADs) and pagers will be individually responsible for those costs, as well as for the cost to extend SWN to achieve in-building and/or in-tunnel coverage should this enhanced coverage be desired. While estimates are not available, these extra costs could be substantial, particularly the costs to achieve in-building and/or tunnel coverage.

[18] The proposal does not cover the district attorneys of the five New York City counties.

[19] Office of the State Comptroller. "Additional Costs." *Statewide Wireless Network*. December 21, 2006:42-44.

Thus far, SWN has been funded with a portion of the enhanced wireless 911 emergency services (E911) surcharge monies deposited into the Public Safety Communications Account (PSCA). OFT and the Division of the Budget (DOB) have acknowledged that the E911 surcharge revenue may not cover all of the annual SWN lease payments.[20] The SFY 2008-09 Executive Budget recommends extending the cell phone surcharge to pre-paid wireless cards, raising $5 million for the State in SFY 2008-09, with $3 million going to the PSCA and $2 million to the General Fund. Full annual revenue from this action beginning in SFY 2009-2010 would total $12 million for the State and $3 million for the counties and New York City.

The SFY 2008-09 Executive Budget appropriates E911 surcharge revenues as follows: $20.6 million for SWN operating costs, representing approximately an $11 million decrease (nearly 35 percent) from SFY 2007-08, and a new capital appropriation of $40 million for State agency subscriber equipment, SOC development and land acquisition. New reporting requirements enacted in 2007 will result in the Office of the State Comptroller issuing the first annual report, compiling all SWN costs incurred or anticipated by State agencies, public authorities and localities, in March 2008.

[20] Receipts for the E911 surcharge totaled $152.1 million for SFY 2005-06 and $149.3 million for SFY 2006-07.

Section

18

General Government

The Legislative General Government Budget Subcommittee considers appropriations for 19 agencies, as well as Local Assistance. The SFY 2008-09 Executive Budget proposes a workforce for General Government agencies of 16,459 FTEs, an increase of 381, or 2.4 percent, over the SFY 2007-08 workforce of 16,078. These positions comprise 21 percent of the Executive Budget's total All Funds workforce and are supported by various revenue sources, including increased fees and other revenue raising actions. The following summarizes the agencies within General Government with significant proposed changes.

Division of Alcoholic Beverage Control

The Executive Budget for SFY 2008-09 provides $17.6 million in All Funds support for the Division of Alcoholic Beverage Control (ABC), an increase of $518,000, or 3.0 percent, over the 2007-08 Enacted Budget. This increase reflects salary adjustments and non personal service increases, as well as a one-time increase of $200,000 to the State Law Revision Commission. The increase in Commission funding reflects support for a statutorily mandated review of the Alcoholic Beverage Control Law. A final report of recommended changes is due by September 2008.

The Executive proposes to change the tax on flavored malt beverages from the current beer rate of $.11 per gallon to the liquor rate of $2.54 per gallon. If enacted, this measure would increase the cost of a 12-ounce six pack of these beverages by $1.37, generating $15 million in SFY 2008-09 and $18 million when fully annualized.

The SFY 2008-09 Executive Budget also proposes to permanently extend the seven-day alcohol license sales law, currently scheduled to expire on May 15, 2008. The law has generated approximately $2 million in annual revenues from Sunday alcohol purchases.

Department of Audit and Control

The SFY 2008-09 Executive Budget allocates $358.8 million in All Funds support for the Department of Audit and Control, reflecting an increase of $5.2 million, or 1.5 percent over SFY 2007-08. This increase primarily reflects $6.3 million for increased operating costs and additional staff, a $1.8 million increase for special accidental death benefits for the survivors of police and paid firefighters, and $5.1 million for the retirement system.

These increases are offset by an $8.0 million decrease in appropriations for the Indigent Legal Service Fund, reflecting a proposal by the Executive to reserve a portion of the resources in this fund for distribution in SFY 2009-10 for a new Office of Indigent Defense Services.

Included in the proposed increase in State Operations is funding for 114 new FTEs, including positions related to administrative initiatives, auditing activities for the State and Local Accountability Program, the Retirement System and the Division of Pension and Cash Management.

Banking

The SFY 2008-09 Executive Budget provides $101.9 million in All Funds support for the Banking Department, representing an increase of $3.7 million, or 3.8 percent, over SFY 2007-08.

The SFY 2008-09 Executive Budget includes $3.5 million, or a $2 million increase, in local assistance matching grants related to the Governor's Halt Abusive Lending Transactions Taskforce to provide financial support for Housing and Urban Development (HUD) counseling to groups and legal aid societies to assist homeowners facing delinquencies or foreclosures.

Division of the Budget

The SFY 2008-09 Executive Budget provides $99.3 million in All Funds support, a net decrease of 9.2 percent from current levels of $109.3 million. The decrease reflects a reduction of $10 million in new appropriation authority for the Statewide Financial System (SFS), for a new appropriation of $40 million. This funding is intended to be used for the SFS by the Division of the Budget (DOB) and the Office of the State Comptroller. The SFS has received appropriations of $50 million during each of the past two budget years.

The Statewide Financial System Program is a joint initiative between DOB and the Office of the State Comptroller and is intended to fund DOB's new Financial Management System (FMS) and the Comptroller's new Central Accounting System

(FOCAS) projects. Prior year appropriations included language that required mutual agreement of the Director of DOB and the Comptroller on a joint implementation plan for the integrated development of the two systems, and required that the Legislature and the Judiciary be included in the governance structure established for the development of the SFS to ensure that their needs are met. The SFY 2008-09 Executive Budget does not include this language and instead provides authorization to suballocate these funds to any other State department, agency or public authority. It is unclear how this new language will affect the SFS.

The Executive proposes to increase the number of FTEs over the SFY 2007-08 Budget by 20, for a total of 385 FTEs. The proposed increase includes 15 FTEs to staff the SFS and 5 FTEs for new information technology positions intended to reduce reliance on consultants. The additional positions are proposed to be funded through the movement of $40 million from contractual service lines to personal service lines.

Commission on Public Integrity

The SFY 2008-09 Executive Budget provides $5.8 million All Funds support for the Commission on Public Integrity. This Commission was established pursuant to Chapter 14 of the Laws of 2007, resulting from the merger of the State Ethics Commission and the Temporary State Commission on Lobbying. The appropriation is an increase of $833,000, or 16.8 percent, over the combined SFY 2007-08 budgets of the two formerly separate agencies. This change includes an increase of 5 additional staff for a total of 62 FTEs.

Consumer Protection Board

The SFY 2008-09 Executive Budget provides $5.1 million in All Funds support for the Consumer Protection Board, reflecting an increase of $660,000, or 14.9 percent, over the SFY 2007-08 Enacted Budget.

The Executive proposes a workforce of 39 FTEs, reflecting an overall increase of 7 FTEs over SFY 2007-08. The Executive provides $320,000 in General Fund support, including five FTEs for a new Office of Airline Consumer Advocates, which is mandated by Chapter 472 of the Laws of 2007 to ensure the health and safety of New York’s traveling public. Also proposed is $205,000 to fund two FTEs to enhance the Board’s Product Recall Program and respond to increased consumer concerns regarding unsafe products, especially lead-based toys.

Insurance Department

The SFY 2008-09 Executive Budget provides $317.4 million in All Funds support for the Insurance Department, reflecting an increase of $17.2 million, or 5.7 percent, over the SFY 2007-08 Enacted Budget. This proposed increase includes $100 million in

General Fund support for the Department to support costs associated with Timothy's Law, which was enacted in late 2006. Under this statute's provisions, the State is required to fully reimburse employers with 50 or fewer employees for the costs associated with providing broad-based mental health insurance coverage.

A proposed increase of $2 million in the Department's overall personal service appropriations is provided to support the additional 24 FTEs. This increase reflects $800,000 for 12 FTEs for the administration of Timothy's Law, $1.2 million for 5 FTEs for activities related to the "Partnership for Coverage" initiative and 7 FTEs to support activities related to the Commission to Modernize the Regulation of Financial Services.

The SFY 2008-09 Executive Budget proposes various fee and revenue actions projected to generate an estimated $100 million in revenue. The actions include raising:

- Violations to the Insurance Law from $500 to $10,000,
- Charges for conducting insurance business without a license from $1,000 to $10,000,
- Charges for failure of an insurer to comply with Worker's Compensation Law from $2,500 to $10,000, and
- Charges for inspection and coverage of physical damage for private passenger auto from $500 to $5,000.

The SFY 2008-09 Executive Budget proposes to amend the Insurance Law to increase other fines and penalties, generating $1 million for the General Fund.

Department of Law

The SFY 2008-09 Executive Budget provides $249.6 million in All Funds support. This reflects an increase of $9.6 million or 4 percent over the SFY 2007-08 Budget.

The Executive proposes an increase of 61 FTEs, or 3.1 percent, over SFY 2007-08 levels, including: 26 FTE investigators and auditors in the Medicaid Fraud Control Unit, 9 FTEs to support Medicaid Fraud prosecution efforts, 12 FTEs for Project Sunlight, a consolidated public information database, 10 FTEs for the Real Estate Finance Bureau to assist in reviewing plans to build or convert existing buildings to co-ops and condominiums, and 4 FTE investigatory staff for Nowhere to Hide, a program designed to hold landlords accountable when they allow criminal activity on their property. The increased benefit expected from the new staff dealing with Medicaid Fraud is considered part of the Office of Medicaid Inspector General's anticipated savings.

Office of General Services

The SFY 2008-09 Executive Budget provides $498.5 million in All Funds support for the Office of General Services, reflecting an increase of $10.6 million, or 2.2 percent over the SFY 2007-08 Enacted Budget.

The SFY 2008-09 Executive Budget proposes an additional 25 FTEs of which 19 represent in-sourcing to achieve a savings of $1.2 million, while 6 are for a local government procurement initiative to be funded with the Shared Municipal Services Incentive Program.

The Executive projects $8 million in new revenue in SFY 2008-09 from a proposal to require a surcharge on the purchase price charged to entities (State agencies, local governments, public authorities and not-for-profits) using centralized contracts. This proposal is projected to generate $20 million in subsequent fiscal years.

The Executive proposes to make permanent the Procurement Stewardship Act, which sunsets June 2008, and proposes to increase the Procurement Advisory Council by 6, for a total of 25 members.

Office of Real Property Services (ORPS)

The SFY 2008-09 Executive Budget provides All Funds support of $66.9 million, an increase of $1.3 million, or 1.9 percent, over SFY 2007-08. The net change primarily reflects a restructuring of local assistance funding in an effort to reform local property tax administration based on the recommendations of the Commission on Local Government Efficiency and Competitiveness. The Executive recommends a staffing level of 384 positions, a decrease of 8 positions due to agency restructuring.

The SFY 2008-09 Executive Budget proposes to increase the Real Property Transfer Tax to generate $30 million in new revenue to support new local assessment incentives and technology investments, consolidate funding for most agency Local Assistance programs within the Agency's Special Revenue account and ensure adequate support for agency operating expenses. The fee is proposed to be modified from a flat charge of $75 for residential property purchases and $165 for commercial property purchases to a priced-based assessment, with the increases targeted to higher priced real estate sales and ranging up to $400 for residential property sales over $1 million, and $575 for commercial property sales over $1 million.

Department of State

The SFY 2008-09 Executive Budget provides $157.6 million in All Funds support for the Department of State, reflecting a net decrease of $17.5 million, or 10 percent, over SFY 2007-08. This net change results from eliminations, including $19.4 million in nonrecurring program additions and $4.6 million for Civil Legal Services, as well as funding for the State Ethics Commission, which was merged into the Commission on Public Integrity in accordance with Chapter 14 of the Laws of 2007.

These decreases are proposed to be offset by $9 million in proposed departmental increases, including the creation of a new $3 million Office of Indigent Defense Services to monitor delivery of indigent defense services statewide and appropriations for the New York State Commission on Uniform State Laws, which would be transferred from DOB to the Department of State along with the restored Law Revision Commission.

The SFY 2008-09 Executive Budget recommends 38 new FTEs, including 20 FTEs for Licensing Enforcement to increase compliance for the new and existing business licensing requirements of Chapters 61 and 437 of the Laws of 2007, 15 FTEs as part of the new Office of Indigent Defense Services to assess and oversee the efficacy of indigent legal defense and 3 FTEs for the Law Revision Commission.

Department of Taxation and Finance

The SFY 2008-09 Executive Budget provides $449.3 million in All Funds support for the Department of Taxation and Finance, reflecting an increase of $13.5 million, or 3.1 percent, over the SFY 2007-08 Enacted Budget.

The Executive proposes a $9.4 million increase in the General Fund for the full year cost of 200 FTEs added in SFY 2007-08 and a SFY 2008-09 increase of 75 FTEs, including 45 in audit and 30 in criminal enforcement. This reflects a 1.6 percent increase over SFY 2007-08 staffing levels for the Department's Audit, Collection and Enforcement program and is projected to generate additional revenue totaling $175 million.

The SFY 2008-09 Executive Budget also proposes an Electronic Transaction Initiative to provide the Department with the authority to require e-filing for certain tax related documents, which is projected to save $6.3 million in SFY 2008-09. The Executive also proposes a $5 million increase in Internal Services Funds for higher bank contract costs to process paper tax returns.

Help America Vote Act (HAVA)

Enacted by the United States Congress in 2002, the Help America Vote Act (HAVA) requires that all states establish a statewide voter registration database (SVRD), provide at least one voting machine accessible to persons with disabilities in each polling place and replace all lever or punch card voting machines.[21]

[21] See Public Law 107-252, October 29, 2002, 107th Congress. Help America Vote Act.

By accepting federal HAVA funds, New York agreed to replace all lever voting machines in the State by July 2006. New York not only delayed until June 2005 to enact implementing legislation, but it is also the last state in the country to actually procure new voting machines.

On December 7, 2005, the Office of the State Comptroller sent a letter to the Division of the Budget (DOB), the Board of Elections (BOE) and the Office of General Services (OGS) expressing concern that the State take full advantage of available federal funding for HAVA, as well as protect its citizens' votes. The Comptroller's Office stated its intention to work cooperatively with all parties to execute the necessary contracts in a timely manner in conformance with HAVA.

On January 7, 2006, the Office of the State Comptroller sent a follow-up letter, again offering to assist both BOE and OGS in conducting fair procurements, after an announcement that the United States Department of Justice (DOJ) intended to sue New York State. Subsequently, DOJ did sue the State, but on April 28, 2006 accepted BOE's plan to achieve full compliance with HAVA requirements for the SVRD by Spring 2007 and for voting machines by the 2007 elections.

The SVRD was implemented, but BOE was forced to return to court in late 2007 after failing to procure new voting machines by the deadline and failing to put forth an acceptable revised plan to meet HAVA requirements. After the federal judge threatened to appoint a special master to implement HAVA in New York, BOE submitted a new timeline to the Court, which was accepted and requires at least one machine accessible to voters with disabilities in every polling site for the Fall 2008 elections and the replacement of all lever machines by Fall 2009.

The Office of the State Comptroller expedited its review of the procurements, as requested by BOE, but ensured that both the procurement process and the resultant contract awards were in accordance with Section 163 of the State Finance Law. Under the revised timetable accepted by the Court and ordered on January 16, 2008, the Office of the State Comptroller was required to act on the contracts by February 25, 2008. On February 20, 2008, the Comptroller's Office approved all five contracts submitted for voting machines.

Due to New York's delays, the federal government may require New York to return approximately $50 million of $190 million in federal funding targeted for the purchase of new machines, which poses a risk to the financial plan. HAVA requires that interest accumulated on the federal funds be put back into the program; as of December 31, 2007, New York had accumulated a total of $29.3 million in interest on the unspent federal funds.

The SFY 2008-09 Executive Budget appropriates $10 million from the accumulated interest for the purchase of voting machines that are accessible to voters with disabilities and reappropriates $190 million in HAVA funds for the purchase of new voting machines.

General State Charges

Fringe benefit payments for State employees are paid out of the General State Charges program. Appropriations included in the General State Charges section of the Public Protection and General Government budget detail spending for the fringe benefits of employees who are paid using the General Fund, while fringe benefit lines included in individual agency Special Revenue Funds are used to pay for the benefits accruing to State employees who are paid from such funds. General State Charges spending is projected to total over $3 billion in SFY 2008-09 from the General Fund and nearly $5.5 billion in All Funds.

The General State Charges program does not report total All Funds spending for individual fringe benefit programs, such as employee health insurance or workers' compensation. Only General Fund amounts are given. Special Revenue Fund contributions for these fringe benefit programs are not detailed in any Executive Budget document. The following table gives the total estimated All Funds fringe benefit payments—program by program—contained in this year's Executive Budget proposal.

SFY 2008-09 Projected General State Charges
By Individual Fringe Program
(in millions of dollars)

Program	General Fund	Special Revenue Funds	All Funds	Year-to-Year Change	Percent Change
Health Insurance	1,132.2	1,339.7	2,471.9	29.0	1.2%
Social Security	368.0	427.4	795.4	15.7	2.0%
Workers' Compensation	176.9	111.6	288.5	16.5	6.1%
Pension Contributions	918.1	17.9	936.0	36.6	4.1%
Employee Benefit Funds	43.7	34.6	78.3	0.8	1.1%
Dental Insurance	45.5	26.4	71.9	0.9	1.3%
Unemployment Benefits	9.1	5.2	14.3	1.1	8.3%
Survivors' Benefits	7.4	4.3	11.7	(0.3)	-2.3%
Vision Benefits	6.4	4.8	11.2	(0.7)	-5.7%
Miscellaneous Benefits	2.9	0.0	2.9	0.0	0.0%
Sub-Total Fringe	2,710.2	1,971.9	4,682.1	99.7	2.1%
Taxes on Public Lands	212.4	0.0	212.4	7.0	3.4%
Judgments against State	100.9	0.0	100.9	14.8	17.2%
Public Officers Indemnification	19.5	0.0	19.5	0.6	3.2%
Miscellaneous Expenses	9.1	0.0	9.1	1.3	16.7%
Sub-Total Fixed	341.9	0.0	341.9	23.7	7.4%
Total General State Charges	**3,052.1**	**1,971.9**	**5,024.0**	**123.4**	**2.5%**

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

DOB makes a number of adjustments to these figures to reach its Financial Plan disbursement estimate of $5,465.5 million for SFY 2008-09. The principal adjustment is the addition of $447 million to pay for the fringe benefits of employees of the State's court system. The total is then reduced by $24.5 million to reflect a cash re-estimate of actual disbursements for Court of Claims judgments against the State. In addition, the 21-Day Amendments include a Financial Plan shift of an $88 million payment for State employees' pension costs from SFY 2008-09 to SFY 2007-08. The earlier payment will lower the apparent spending growth from SFY 2007-08 to SFY 2008-09.

The SFY 2008-09 Executive Budget includes a restructuring of fringe benefit appropriations related to the Executive's Medicaid transparency proposal. Although the transfers included in this proposal will make the sources of fringe benefit funds somewhat more difficult to track, these transactions should ultimately be spending neutral.

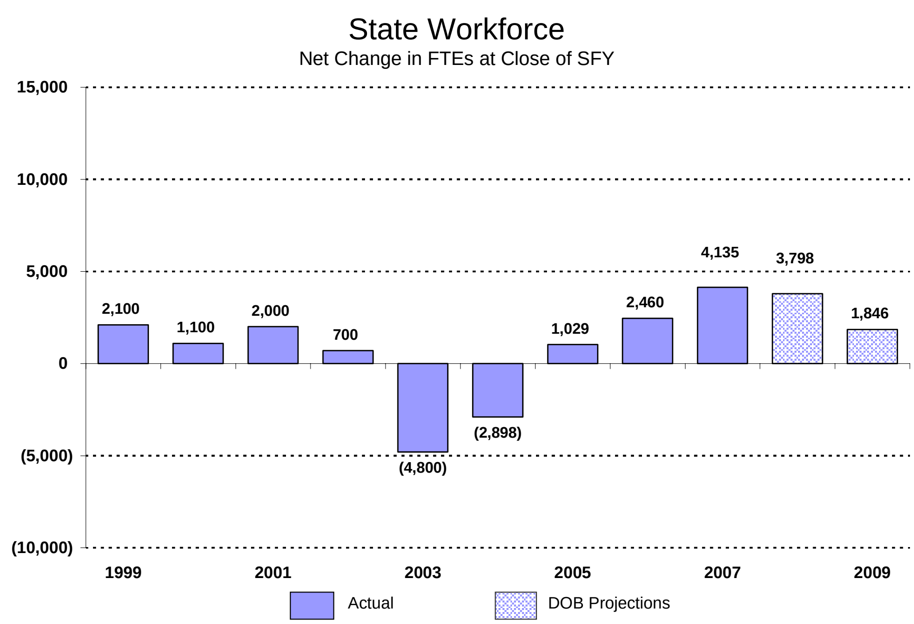
Section

19

State Workforce

The Division of the Budget (DOB) estimates that a total of 199,324 full-time equivalent (FTE) State workers will be employed at the end of SFY 2007-08, and that the total will grow to 201,170 by the end of SFY 2008-09. The Executive anticipates 3,262 new fills, offset by 1,416 attritions for a net increase of 1,846. This net growth would represent a 0.93 percent increase in FTEs year-over-year, but a significant drop in the rate of growth when compared with SFY 2007-08 growth of 3,798 FTEs.

The following chart shows actual net year-to-year changes in the State workforce from the end of SFY 1998-99 through the end of SFY 2006-07, as well as DOB estimates for SFY 2007-08 and SFY 2008-09.



Source: New York State Division of the Budget

Executive Budget workforce estimates do not include legislative or judicial employees. Office of State Comptroller payroll figures indicate that, as of January 2008, the Judiciary had 18,015 FTEs while the Legislature had 3,617 FTEs.

Proposed Workforce Changes

	March 2008	March 2009	Change
AGENCIES WITH INCREASES			
TRANSPORTATION	10,271	10,593	322
HEALTH	5,784	6,040	256
MEDICAL INSPECTOR GENERAL	526	753	227
MENTAL HEALTH	17,094	17,257	163
MENTAL RETARDATION & DEVELOPMENTAL DISABILITIES	22,488	22,640	152
CITY UNIVERSITY	11,315	11,455	140
PAROLE	2,154	2,273	119
AUDIT AND CONTROL	2,529	2,643	114
MOTOR VEHICLES	2,829	2,943	114
EDUCATION DEPARTMENT	3,174	3,287	113
TAXATION AND FINANCE, DEPARTMENT OF	4,966	5,041	75
ROSWELL PARK CANCER INSTITUTE	1,872	1,947	75
STATE INSURANCE FUND	2,661	2,736	75
LAW, DEPARTMENT OF - ATTORNEY GENERAL	1,971	2,032	61
STATE, DEPARTMENT OF	889	927	38
PARKS, RECREATION AND HISTORIC PRESERVATION	2,244	2,276	32
GENERAL SERVICES	1,751	1,776	25
INSURANCE	944	968	24
ALCHOLISM AND SUBSTANCE ABUSE	990	1,010	20
BUDGET	365	385	20
TECHNOLOGY	682	702	20
QUALITY OF CARE AND ADVOCACY FOR DISABLED	106	124	18
ECONOMIC DEVELOPMENT	215	230	15
CIVIL SERVICE	573	584	11
STATE UNIV CONSTR FUND	125	135	10
CONSUMER PROTECTION	32	39	7
HOMELAND SECURITY	186	192	6
AUTHORITY BUDGET OFFICE	0	5	5
PUBLIC INTEGRITY	57	62	5
STATE UNIVERSITY	40,627	40,632	5
ENVIRONMENTAL CONSERVATION	3,748	3,752	4
INTEREST ON LAWYER ACCOUNT	9	13	4
HUMAN RIGHTS	206	208	2
MILITARY AND NAVAL AFFAIRS	652	654	2
NATIONAL COMMUINITY SERVICE	9	11	2
VETERANS AFFAIRS	112	113	1
AGENCIES WITH DECREASES			
CHILDREN AND FAMILY SERVICES	4,105	3,862	(243)
CORRECTIONAL SERVICES	31,756	31,603	(153)
AGRICULTURE AND MARKETS	581	566	(15)
REAL PROPERTY SERVICES	392	384	(8)
CAPITAL DEFENDER	7	0	(7)
AGING, OFFICE FOR THE	147	141	(6)
LABOR	3,547	3,543	(4)
NET CHANGE			**1,846**

Source: New York State Division of the Budget

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