Report on the State Fiscal Year 2013-14 Enacted Budget and Financial Plan

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New York State Comptroller

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Executive Summary

After many years of structural budgetary imbalance, New York State has made strides toward achieving equilibrium between recurring revenues and ongoing expenditures. The State Fiscal Year (SFY) 2013-14 Enacted Budget continues such steps and reduces out-year gaps, relative to earlier projections. However, the Enacted Budget shows that, even after real progress, long-term structural balance remains elusive.

The SFY 2011-12 Budget was accompanied by statutory provisions intended to limit annual growth in school aid and Medicaid – the State's two largest programs – relative to levels otherwise provided by law. On the revenue side of the ledger, tax changes first enacted in December 2011 and extended as part of this year's budget provide an estimated $1.9 billion in additional resources during the current fiscal year, while reducing total projected out-year budget gaps by more than one-third. Collectively, these provisions improve the State's short-term budget outlook dramatically, compared to just a few years ago. Yet, significant budget gaps remain on the horizon and the State continues to face fiscal issues that could increase these gaps further.

Revenue changes that were extended as part of the SFY 2013-14 Budget remain temporary. The budget relies on more than $1.77 billion in other, newly enacted non-recurring resources, including a $250 million transfer from the State Insurance Fund (SIF). Other provisions that support the State's ability to maintain fiscal balance but are temporary in nature include authority granted to the Commissioner of the Department of Health to reduce spending and take other actions in order to remain within a cap on State-funded Medicaid expenditures, which expires at the end of SFY 2014-15.

During SFY 2012-13, the State benefitted from a number of positive revenue developments, including major settlements and actions at the federal level that caused a shift in the timing of Personal Income Tax (PIT) receipts. Despite the shift in PIT collections, SFY 2012-13 marked the sixth year in row that actual tax collections failed to meet the projections used to build the State's Financial Plan. However, final disbursements in SFY 2012-13 were also significantly below initial projections.

In SFY 2005-06, before the most recent national recession, the State's reserves totaled $3.3 billion. The State ended SFY 2012-13 with General Fund reserves totaling approximately $1.6 billion. A marginally higher balance of $1.7 billion is projected for the end of the current fiscal year, while reserves for the remainder of the Plan period are projected to remain relatively flat. As the overall budget grows over time, a constant level of reserves leaves the State with limited flexibility to address potential unforeseen fiscal issues caused by changes in the economy or other factors.

Risks to the current year's Financial Plan include uncertainty regarding the federal budget, which may once again be subject to sequestration or other limits on expenditures including aid to state and local governments. As always, developments in the global and national economies pose risks to the New York State economic and revenue outlook. In the SFY 2013-14 Enacted Budget Financial Plan, the Division of the Budget (DOB) recognizes many of the risks that the Office of the State Comptroller has highlighted in recent years, including projected revenue from health insurance company conversions and ongoing negotiations with the federal government regarding aid for mental hygiene programs.

In April, the Office of the State Comptroller issued its *Preliminary Report on the State Fiscal Year 2013-14 Enacted Budget*. This report provides additional information and analysis based on the Enacted Budget Financial Plan released by DOB in May, on actions taken by the Legislature during the final days of the regular 2013 Legislative Session, and on other developments including the federal government's budgetary outlook. Key points include:

- Since enactment of the SFY 2013-14 Budget, a regulatory settlement between the Department of Financial Services and Bank of Tokyo-Mitsubishi UFJ and agreements with Native American tribes related to casinos are expected to increase projected receipts by more than $500 million, but certain risks to projected revenues – including federal receipts – have increased.

- The Enacted Budget Financial Plan includes approximately $4.9 billion in temporary resources in SFY 2013-14, excluding extraordinary federal disaster assistance of $5.1 billion. Newly authorized temporary resources include a $250 million transfer from SIF in SFY 2013-14, with further SIF transfers totaling $1.5 billion or more expected in coming years.

- Excluding such temporary resources, General Fund receipts are projected to grow an average of 2.9 percent annually through SFY 2016-17. This is significantly below the projected average annual growth in General Fund spending of 5.1 percent.

- The Enacted Budget Financial Plan indicates that overall spending growth from State Operating Funds in SFY 2013-14 will be 1.6 percent – below the 1.9 percent growth in projected inflation as measured by the Consumer Price Index (CPI). However, if SFY 2012-13 and SFY 2013-14 disbursements are adjusted to reflect certain prepayments and changes to debt service for State University dormitories, year to year growth would be 2.5 percent. Such adjusted figures and other key elements of the Enacted Budget Financial Plan appear in Figure 1.

- Projected out-year budget gaps remain, including $2 billion in SFY 2014-15 and $2.9 billion in each of the following two years. If temporary tax provisions were allowed to expire, coupled with the loss of other temporary measures, future gaps could reach $6 billion or more.

- After several years of reductions or comparatively modest increases in aid to public schools, the SFY 2013-14 Enacted Budget provides an increase of 4.9 percent, or just under $1 billion, from the 2012-13 school year amounts, for a total allocation of $21.2 billion for General Support for Public Schools for the 2013-14 school year. General Support for Public Schools is projected to increase to $24 billion in SY 2016-17. An additional $75 million in performance grants for New NY Education Reform Initiatives is projected annually through SY 2016-17.

- The SFY 2013-14 Enacted Budget includes new or extended revenue provisions that could total $5.5 billion over the next four years. However, in addition to revenue increases, this total includes targeted tax credits that are estimated by DOB to exceed $1.8 billion through SFY 2016-17. These credits include a family tax credit of $350 annually (for tax years 2014 through 2016) for families with one or more children under the age of 17 and with incomes between $40,000 and $300,000, a minimum wage reimbursement credit for businesses that hire students between the ages of 16 and 19, and a credit for businesses that hire and employ veterans.

- Legislation enacted during the 2013 Legislative Session included the restoration of funding for the care of developmentally disabled persons. This could have potential Financial Plan impact in SFY 2013-14 of up to $90 million. In addition, the Legislature established a new program, Start-Up NY, which allows new businesses to partner with State and City Universities, as well as certain private institutions, in a fundamentally tax free environment, including sales tax, PIT and corporate taxes. While DOB does not expect this to affect revenues in SFY 2013-14, growth in future revenue could be affected as new companies take advantage of this program.

Figure 1

Key Elements – SFY 2013-14 Enacted Budget and Financial Plan Adjusted to Reflect Timing and Programmatic Changes

	SFY 2012-13	SFY 2013-14 Enacted	Dollar Growth	Percentage Growth
Unadjusted All Funds Receipts	**133,177**	**140,405**	**7,228**	**5.4%**
Total Taxes	*66,302*	*69,351*	*3,049*	*4.6%*
Total Miscellaneous Receipts	*24,036*	*23,621*	*(415)*	*-1.7%*
Less SUNY Dorm Fees in SFY 2012-13	(202)	-	-	-
Adjusted Miscellaneous Receipts	*23,834*	*23,621*	*(213)*	*-0.9%*
Federal	*42,839*	*47,433*	*4,594*	*10.7%*
Less Disaster Assistance	(577)	(5,100)		
Adjusted Federal	*42,262*	*42,333*	*71*	*0.2%*
Adjusted All Funds Receipts	**132,398**	**135,305**	**2,907**	**2.2%**
Unadjusted All Funds Disbursements	**133,097**	**140,533**	**7,436**	**5.6%**
Local Assistance	*95,429*	*101,944*	*6,515*	*6.8%*
Less School Aid Pre-Payment	(107)	107		
Less Disaster Assistance	(577)	(5,100)		
Adjusted Local Assistance	*94,745*	*96,951*	*2,206*	*2.3%*
State Operations	*19,182*	*19,548*	*366*	*1.9%*
Personal Services	13,012	13,010	(2)	0.0%
Non-Personal Services	6,170	6,538	368	6.0%
General State Charges	*6,676*	*7,401*	725	10.9%
Debt Service	*6,138*	*5,743*	*(395)*	*-6.4%*
Less SUNY Dorms	(202)	-	-	-
Less Pre-Payment	(204)	204	-	-
Adjusted Debt Service	*5,732*	*5,947*	*215*	*3.8%*
Capital	*5,672*	*5,897*	*225*	*4.0%*
Adjusted All Funds Disbursements	**132,007**	**135,744**	***3,737***	***2.8%***
Other Measures				
State Funded Department of Health Medicaid (Including Administration)	15,878	16,230	352	2.2%
School Aid (School Year - not subject to timing adjustment)	20,236	21,303	1,067	5.3%
Adjusted State-Supported Debt Service	5,732	5,947	215	3.8%
Adjusted State-Funded Debt Service (1)	7,032	7,123	91	1.3%
General Fund Closing Balance	*1,610*	*1,709*	*99*	*6.1%*
Rainy Day Reserves	1,306	1,306	-	0.0%
Other Restricted Reserves	114	89	(25)	-21.9%
Unrestricted Reserves	190	314	124	65.3%
Rainy Day Reserves as Percentage of General Fund Spending	2.2%	2.1%		

(1) Debt Service for SUNY Dormitories is included in the State-Funded debt definition. As such, only the pre-payment is adjusted.

Note: See text for discussion on adjustments. These amounts do not reflect actual receipts or disbursements or Financial Plan projections. Unless otherwise noted, the figures provided throughout the remainder of this report reflect unadjusted amounts.

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

SFY 2013-14 Financial Plan Overview

According to DOB, the SFY 2013-14 Enacted Budget holds overall spending growth from State Operating Funds below the projected 1.9 percent growth in inflation as measured by the CPI for the third year in a row. However, DOB made certain prepayments for debt service and school aid in SFY 2012-13 that otherwise would have been paid in SFY 2013-14. This artificially inflates SFY 2012-13 disbursements and artificially lowers SFY 2013-14 disbursements, making year-over-year growth appear lower.

Additionally, the Enacted Budget included a provision to restructure the way in which debt for SUNY dormitories is issued, thus taking the debt service costs off-budget. This action has the effect of making debt service spending and growth appear smaller, and also creates room under the State's statutory debt caps, since such debt will no longer be counted against the caps. A significant portion of the State's debt service costs has previously been associated with bonds issued for SUNY dormitories.

If SFY 2012-13 and SFY 2013-14 disbursements from State Operating Funds are adjusted to reflect debt service and school aid prepayments, as well as debt service for SUNY dorms, year-to-year growth would be 2.5 percent, above the projected 1.9 percent growth in inflation as measured by the CPI. State-Supported debt service would grow by 3.8 percent rather than declining by 6.4 percent. School aid from State Operating Funds would grow by 2.6 percent, rather than the 1.5 percent projected without such adjustments.

All Funds Disbursements

Spending from All Governmental Funds is projected to increase 5.6 percent in SFY 2013-14 to $140.5 billion. This includes approximately $5.1 billion in extraordinary federal assistance for disaster aid and $600 million in new federal funding associated with the Affordable Care Act. If the federal spending associated with disaster aid as well as the prepayments and removal of SUNY dorm debt service are excluded from the growth calculation, All Funds spending growth would total 2.8 percent.

Figure 2

Detailed Spending Growth from State Operating Funds
SFY 2012-13 Actual to SFY 2013-14 Enacted
(in millions of dollars)

Adjusted State Operating Funds Disbursements	SFY 2012-13	SFY 2013-14 Enacted	Dollar Growth	Percentage Growth
Local Assistance				
School Aid (Adjusted for timing of payments)	20,056	20,578	522	2.6%
DOH Medicaid inc. Admin	15,878	16,230	352	2.2%
Other Education	5,232	5,508	276	5.3%
Transportation	4,303	4,745	442	10.3%
Social Welfare	3,088	3,023	(66)	-2.1%
Mental Hygiene	3,602	2,833	(769)	-21.4%
Higher Education	2,629	2,825	195	7.4%
Other Health	2,040	2,222	182	8.9%
Local Government Assistance	754	764	9	1.2%
Economic Development Government Oversight	395	390	(6)	-1.4%
Public Protection/Criminal Justice	239	282	43	18.1%
General Government	161	161	(0)	-0.2%
Homeland Security	98	90	(9)	-8.8%
Parks and Environment	9	13	4	42.7%
Other	(35)	6	42	-117.5%
Disaster Assistance	20	2	(18)	-88.5%
Total Local Assistance	*58,471*	*59,671*	*1,200*	*2.1%*
State Operations				
Personal Service	12,402	12,357	(45)	-0.4%
Non-Personal Service	5,281	5,467	186	3.5%
Total State Operations	*17,683*	*17,824*	*141*	*0.8%*
General State Charges	**6,436**	**7,089**	**653**	**10.1%**
Debt Service (Adjusted for timing of payments and SUNY Dormitories)	**5,732**	**5,947**	**215**	**3.8%**
Capital Projects	**8**	**5**	**(3)**	**-34.2%**
Adjusted Disbursements from State Operating Funds	**88,330**	**90,536**	**2,206**	**2.5%**

Note: See text for discussion on adjustments. These amounts do not reflect actual receipts or disbursements or Financial Plan projections. Unless otherwise noted, the figures provided throughout the remainder of this report reflect unadjusted amounts.

Source: Division of the Budget

As shown in Figure 3, actual disbursements in SFY 2012-13 totaled $133.1 billion. This figure includes certain payments originally planned for SFY 2013-14 that were made during the preceding year. The rate of growth in spending from SFY 2012-13 to the Enacted Budget also reflects significantly lower-than-anticipated actual spending in SFY 2012-13, even after factoring in such prepayments. All Funds spending was $2.5 billion below projections from the Financial Plan Update released in February 2013, with much of the difference described by DOB as timing-related. This has a significant impact on projected growth for SFY 2013-14 in that Figure 3 reflects not only negotiated changes to the Executive proposal, but also any changes that would be associated with timing issues. (Not all timing-related changes resulted in spending being moved into SFY 2013-14; some disbursements have been moved to later years.) Figure 3 illustrates how projected spending growth increased from 4.0 percent in the Executive proposal to 5.6 percent in the Enacted Plan.

Figure 3

Comparison of Projected All Funds Revenue and Disbursement Growth
Executive Proposal and Enacted

(in millions of dollars)

	SFY 2012-13 3rd Quarter Update (Amended) February	SFY 2013-14 Proposed	Dollar Growth	Percentage Growth	SFY 2012-13 Actual	SFY 2013-14 Enacted	Dollar Growth	Percentage Growth
Receipts:								
Personal Income Tax	40,125	42,420	2,295	5.7%	40,227	42,543	2,316	5.8%
Consumption and Use Taxes	14,630	15,167	537	3.7%	14,616	15,116	501	3.4%
Business Taxes	8,181	8,460	279	3.4%	8,463	8,638	175	2.1%
Other Taxes	2,986	3,058	72	2.4%	2,995	3,054	60	2.0%
Total Taxes	*65,922*	*69,105*	*3,183*	*4.8%*	*66,300*	*69,351*	*3,051*	*4.6%*
Miscellaneous Receipts	24,985	23,889	(1,096)	-4.4%	24,036	23,621	(415)	-1.7%
Federal Grants	44,131	47,948	3,817	8.6%	42,838	47,433	4,595	10.7%
Total Receipts	**135,038**	**140,942**	**5,904**	**4.4%**	**133,174**	**140,405**	**7,231**	**5.4%**
Disbursements:								
Grants to Local Governments	96,904	102,117	5,213	5.4%	95,429	101,944	6,515	6.8%
State Operations	19,825	19,531	(294)	-1.5%	19,182	19,548	366	1.9%
General State Charges	6,866	7,406	540	7.9%	6,675	7,407	732	11.0%
Debt Service	6,132	5,833	(299)	-4.9%	6,138	5,743	(395)	-6.4%
Capital Projects	5,915	6,174	259	4.4%	5,672	5,897	225	4.0%
Total Disbursements	**135,642**	**141,061**	**5,419**	**4.0%**	**133,097**	**140,539**	**7,442**	**5.6%**

Source: Division of the Budget

Figure 4 illustrates All Funds spending growth from SFY 2012-13 to the current year, in detail by category. More than half of the projected growth in SFY 2013-14 is in the category of Disaster Assistance, with almost all of that federally funded.

Nearly 26 percent of the growth, or $1.9 billion, is due to Medicaid and of that, $1.5 billion is federally funded, including new spending associated with the Affordable Care Act. This net increase also includes a decline of $733 million in the Mental Hygiene category, partially reflecting reduced federal Medicaid reimbursement for State-supported facilities providing services to the developmentally disabled. Transportation is projected to increase $741 million, including $261 million in capital spending, $199 million in mass transit aid and $204 million to compensate the Metropolitan Transportation Authority for lost Mobility Tax revenue associated with actions taken in December 2011, offset by various decreases.

Other increases include school aid, which is projected to increase $721 million in SFY 2013-14, of which $412.8 million is from federal funds. General State Charges are projected to increase $731 million, primarily due to increased employee health insurance and health care costs.

Figure 4

All Funds Spending Growth by Category
(in millions of dollars)

SFY 2012-13 Actual	**133,097**	**Percentage of Total Growth**
Disaster Assistance	5,113	68.7%
DOH Medicaid	1,899	25.5%
Transportation	741	10.0%
General State Charges	731	9.8%
School Aid	721	9.7%
Education	590	7.9%
General Government	327	4.4%
Higher Education	154	2.1%
Economic Development Government Oversight	138	1.8%
Health	115	1.5%
Local Government Assistance	9	0.1%
Social Welfare	(20)	N/A
Public Protection/Criminal Justice	(54)	N/A
Parks and Environment	(73)	N/A
Debt Service	(395)	N/A
Other	(691)	N/A
Mental Hygiene	(733)	N/A
Homeland Security	(1,131)	N/A
SFY 2013-14 Enacted	**140,539**	**100.0%**
Less Disaster Assistance	(5,113)	
SFY 2013-14 Enacted Adjusted	**135,426**	

Note: Declines in spending are not included as a percent of total spending growth and the Percent of Total Spending Growth column adds to more than 100 percent due to negative numbers for certain categories.

Source: Division of the Budget

All Funds Receipts

All Funds receipts are projected to increase 5.4 percent, or $7.2 billion, primarily due to an increase of 10.7 percent, or nearly $4.6 billion, in federal receipts. The latter reflects increased funding for disaster assistance, new funding associated with the Affordable Care Act and other factors, including lower federal funding for facilities caring for the developmentally disabled and built-in offsets to deal with potential timing issues related to federal funding. This growth also reflects lower-than-initially anticipated federal funding in SFY 2012-13.

Tax receipts are projected to increase 4.6 percent, primarily in PIT collections, which are projected to increase 5.8 percent. This growth largely reflects residual effects of the federal tax increase from January that temporarily, but significantly, increased collections in December and into calendar year 2013 as taxpayers filed 2012 returns. Collections for SFY 2013-14 reflect a higher-than-anticipated settlement of 2012 liabilities (as reflected in growth of $1.9 billion, or 60.4 percent, in extensions, also known as prior year estimated payments). In the Enacted Budget Financial Plan, DOB lowered its projections for growth in PIT withholding collections to $1.2 billion or 3.8 percent. This represents a reduction of $300 million compared to Executive Budget figures.

Consumption and Use taxes are projected to increase 3.4 percent, or $501 million, primarily in sales tax receipts, which are projected to increase 4.5 percent. Business taxes are projected to increase 2.0 percent, or $173 million, after growing 7.4 percent in SFY 2012-13. Significant growth is expected in Corporate Franchise Tax collections, largely due to audit recoveries. Corporate Franchise Tax collections declined in SFY 2012-13 by 5.3 percent or $167.7 million from the previous year. After growth of 37.4 percent or $520.2 million in SFY 2012-13, Bank Tax collections are projected to decline 11.4 percent or $218 million, largely reflecting a decline in projected audit recoveries.

Miscellaneous receipts are projected to decline $415 million or 1.7 percent, largely due to non-recurring settlement funding received in SFY 2012-13. Increased revenue is expected in various special revenue funds including Health Care Reform Act (HCRA) and State University of New York (SUNY) income. These increases are more than offset by the loss of revenue associated with SUNY dormitories, which will be assigned directly to the Dormitory Authority of the State of New York (DASNY), outside of the State Treasury, for debt service on bond issuances for SUNY dorms.

General Fund Disbursements

Disbursements from the General Fund, including transfers to other funds, are projected to increase 3.7 percent, or $2.2 billion, to $61.2 billion in SFY 2013-14, compared to the Executive's proposed increase of 2.5 percent or $1.5 billion. The Enacted Budget restores approximately $177 million in General Fund reductions proposed by the Executive and includes new spending from both the Executive and the Legislature totaling $643 million.

The most significant change in projected General Fund spending occurs in transfers to other funds. The largest of these is a new transfer of $1.8 billion to mental hygiene funds to make up for reduced federal revenue. In addition, transfers from the General Fund for SUNY operating costs are projected to increase $631 million to $971 million as spending will now occur in a university income fund instead of the General Fund.

Grants to local governments are projected to increase 1.3 percent or $498 million, primarily in the categories of Higher Education (increased $195 million) and School Aid (increased $180 million). These increases are offset with lower General Fund spending for Mental Hygiene (decreased $590 million), although much of this decline is offset by higher transfers as previously noted. The Enacted Budget includes a small increase in assistance for villages, but otherwise no change in unrestricted assistance for municipalities.

State Operations spending is projected to decline 3.7 percent, primarily because of lower spending for Personal Services (decreased $449 million). This decline also reflects the shift of costs for SUNY operations to a special revenue fund as previously noted. As a result, General Fund Personal Service disbursements for SUNY are reduced by $679 million.

General Fund Receipts

General Fund receipts are projected to increase 4.2 percent. This increase is largely attributable to 6.0 percent projected growth in PIT, which reflects direct deposits to the School Tax Relief (STAR) fund and the Revenue Bond Tax Fund (RBTF). Debt service on Revenue Bonds is paid from the RBTF. The amount not needed for such debt service is transferred back to the General Fund.

For the first time, Sales Tax revenue previously collected in the General Fund will be diverted to the Sales Tax Revenue Bond Fund (STRBF) to pay debt service on new bonds backed with Sales Tax revenue. Since the early 1990s, the State has deposited revenues into the Local Government Assistance Tax Fund (LGATF) from the State's 4 percent sales and use tax at the rate of 1 percent to pay debt service on bonds issued by the New York Local Government Assistance Corporation (LGAC). Legislation enacted as part of the SFY 2013-14 Budget provides that the Sales Tax Revenue Bond Fund will also receive revenues from the State's sales and use tax at the rate of 1 percent. When LGAC bonds are fully retired in 2025, the STRBF will receive sales and use tax revenues at the rate of 2 percent. Revenues that are not needed for debt service will be transferred back to the General Fund.

Given this change, General Fund Consumption and Use tax collections are projected to decline 28.1 percent, or $2.6 billion, but transfers to the General Fund are projected to increase $3.7 billion or 31.4 percent. All Funds Sales Tax collections (which are not adjusted for transfers between funds) are projected to increase 4.5 percent or $541 million.

Figure 5 compares projected growth in General Fund receipts from the Executive Budget to the Enacted Budget. The Executive proposal did not include projected issuance of any Sales Tax Revenue Bonds in SFY 2013-14, so the transfer to the General Fund is significantly lower in the Executive’s proposal. The Enacted Budget Capital Program and Financing Plan indicates that $1.1 billion in new Sales Tax bonds are expected to be issued in SFY 2013-14, resulting in approximately $39.2 million in debt service costs during the year.

Figure 5

Comparison of Projected General Fund Receipt and Disbursement Growth Executive Proposal and Enacted

(in millions of dollars)

	SFY 2012-13 3rd Quarter Update (Amended) February	SFY 2013-14 Proposed	Dollar Growth	Percentage Growth	SFY 2012-13 Actual	SFY 2013-14 Enacted	Dollar Growth	Percentage Growth
Receipts:								
Personal Income Tax	26,818	28,396	1,578	5.9%	26,884	28,488	1,604	6.0%
Consumption and Use Taxes	9,127	9,492	365	4.0%	9,112	6,548	(2,564)	-28.1%
Business Taxes	6,038	6,244	206	3.4%	6,253	6,375	123	2.0%
Other Taxes	1,064	1,154	90	8.5%	1,034	1,069	36	3.4%
Total Taxes	*43,047*	*45,286*	*2,239*	*5.2%*	*43,282*	*42,480*	*(802)*	*-1.9%*
Miscellaneous Receipts	3,724	3,101	(623)	-16.7%	3,504	3,096	(408)	-11.6%
Federal Funds	60	2	(58)	-96.7%	62	2	(60)	-96.8%
PIT Excess from RBTF	8,312	8,739	427	5.1%	8,328	8,840	512	6.1%
Sales Tax Excess from LGAC/STRBF	2,416	2,546	130	5.4%	2,416	5,440	3,024	125.2%
Other Transfers from Other Funds	1,503	1,381	(122)	-8.1%	1,190	1,398	208	17.5%
Total Receipts	**59,062**	**61,055**	**1,993**	**3.4%**	**58,782**	**61,256**	**2,474**	**4.2%**
Disbursements:								
Grants to Local Governments	39,776	40,035	259	0.7%	39,760	40,258	498	1.3%
State Operations	8,094	7,455	(639)	-7.9%	7,856	7,564	(292)	-3.7%
General State Charges	4,589	4,964	375	8.2%	4,550	4,953	404	8.9%
Transfers to Other Funds:								
Debt Service	1,644	1,334	(310)	-18.9%	1,647	1,328	(319)	-19.4%
Capital Projects	868	1,256	388	44.7%	916	1,227	311	34.0%
Other	4,404	5,844	1,440	32.7%	4,232	5,827	1,595	37.7%
Total Disbursements	**59,375**	**60,888**	**1,513**	**2.5%**	**58,960**	**61,157**	**2,197**	**3.7%**

See text for description of RBTF, LGAC and STRBF

Source: Division of the Budget

General Fund Current Services Gap

According to the estimates provided in the Enacted Budget Financial Plan, the General Fund gap-closing plan contains actions to keep the General Fund in balance for SFY 2013-14. Figure 6 compares the Executive's gap-closing plan to the plan included in the Enacted Budget. The $1.35 billion General Fund current services gap projected in the Executive Proposal was increased by $945 million with various actions taken in the Enacted Budget, including the following (figures represent the difference between Executive and Enacted Plans):[1]

- $391 million to restore various proposed Executive Budget reductions in Local Assistance ($282 million) and State Operations ($109 million); and
- $554 million in new spending added to the Executive Budget proposal by the Legislature ($376 million) and Executive ($178 million).

[1] See Figure 10 below for out-year projections for gap-closing actions.

[2] Rockefeller Institute News Release, April 24, 2013 and "Time Bandits? State Income Taxes Surge in April," May 8,

This additional spending is offset by new resources including:

- $647 million in additional non-recurring resources, primarily in education;
- $250 million in re-estimates, primarily in projected tax collections; and
- $48 million in various other actions in both receipts and disbursements.

Figure 6

Current Services Gap Closing Plan
SFY 2013-14 Executive Budget to SFY 2013-14 Enacted Budget
(in millions of dollars)

	Proposed	Enacted	Difference
Current Services Gap - SFY 2013-14	**(1,352)**	**(1,352)**	**-**
Non-Recurring and Temporary Resources and Costs	**693**	**1,340**	**647**
State Insurance Fund	250	250	-
Utility Assessment	255	255	-
High Income Charitable Contributions	70	70	-
Debt Management	311	350	39
Social Services and Housing	104	104	-
Set Aside for Debt Reduction	(250)	(250)	-
Education - Fiscal Stabilization Aid	(143)	-	143
Education - Prepayment and Other	-	347	347
Tax Modernization	6	6	-
Fund Sweeps	7	57	50
Reserves (including timing related disaster assistance)	83	151	68
Recurring Revenue	**35**	**35**	-
Delinquent Tax Collection - Wage Garnishment/Driver License Suspension	35	35	-
State Operations Reductions	**434**	**325**	**(109)**
Executive and Independent Agencies	265	157	(108)
Fringe Benefits/Fixed Costs	169	168	(1)
Local Assistance Reductions	**533**	**251**	**(282)**
Cost of Living Adjustments and Trend Factors - Human Services	71	71	-
Education Annual Professional Performance Review	240	-	(240)
Various Public Health and Aging	161	110	(51)
Other Social Services and Housing	-	(12)	(12)
Other Education	61	82	21
New Spending	**(89)**	**(89)**	**-**
Thruway Authority	(84)	(84)	-
Capital - Imapct on Debt Service	(5)	(5)	-
Legislative Additions in Enacted Budget	**-**	**(376)**	**(376)**
New Executive Budget Initiatives	**-**	**(178)**	**(178)**
Re-estimates	**(120)**	**130**	**250**
All Other	**(134)**	**(86)**	**48**
Remaining Gap In Enacted Budget Financial Plan	**-**	**-**	**-**

Source: Division of the Budget

Risks to the Financial Plan

The SFY 2013-14 Enacted Budget is predicated on a number of actions that may not ultimately provide the actual level of receipts or savings anticipated. While some of these risks are new to this Budget – such as those associated with sequestration – other risks are recurring and especially relevant in a volatile economic environment. The most significant risk is that revenue projections and savings estimates may be too optimistic:

- *Tax receipts may not come in as expected.* All Funds tax collections are projected to rise by 4.6 percent, although that level of growth was reduced slightly from the Executive Budget projection.

- *The Enacted Budget makes no provision for potential cuts in federal aid due to sequestration or other federal deficit-reduction actions.* DOB indicates that any such loss of aid would result directly in reduced pass-through funding to local governments, nonprofit organizations and other entities. While this may only minimally change the Financial Plan, important services could be affected.

- *It is unclear how certain Medicaid savings actions or expected revenues will be achieved.* For example, part of the $1.1 billion Federal Revenue Reduction Plan (FRRP) enacted in the Budget to deal with lower federal reimbursement for services provided to persons with developmental disabilities was a $90 million spending reduction. This cut was restored in subsequent legislation. According to the legislation, spending will be restored if projected administrative savings are insufficient and direct spending for patients will be reduced. However, the source of administrative savings is unknown, as are other parts of the FRRP.

Risks to projected revenues also include potential changes in the broader economy, where growth remains soft and difficult to forecast. Overall, risks are mitigated, to some extent, by receipts not included in the Enacted Budget but received since the start of the fiscal year. In June, the State received $250 million as a result of a regulatory settlement with the Bank of Tokyo Mitsubishi-UFJ, Ltd.

The State also received $30 million from Native American tribes, with additional future revenues anticipated. While the Enacted Budget Financial Plan included $133.2 million ($104 million in the General Fund) from Native American casinos, DOB has indicated that this revenue is offset by an adjustment for transactional risks. DOB has indicated that new revenue and anticipated past revenue from agreements between the State and the Seneca, Oneida and Mohawk tribes could exceed what is currently in the Plan.

For a more thorough discussion of risks to the Financial Plan, see the Office of the State Comptroller's *Preliminary Report on the State Fiscal Year 2013-14 Enacted Budget*, released in April 2013.

Structural Imbalance

Recent budgets, including the SFY 2013-14 Enacted Budget, have improved the structural imbalance that has plagued the State for decades. Despite such progress, the Enacted Budget Financial Plan is not balanced on a structural basis, and spending growth is still projected to outpace revenue growth in three of the four years of the Financial Plan.

Figure 7 illustrates projected receipts and disbursements from SFY 2012-13 through SFY 2016-17. For both the General Fund and State Operating Funds, projected spending growth in SFY 2013-14 is the lowest of any year in the Plan.

Figure 7

Actual and Projected Receipts and Disbursements, SFY 2012-13 through SFY 2016-17
(in millions of dollars)

	SFY 2012-13 Actual	SFY 2013-14 Enacted	SFY 2014-15 Projected	SFY 2015-16 Projected	SFY 2016-17 Projected
General Fund Receipts	58,783	61,256	62,884	65,583	68,703
General Fund Disbursements	58,960	61,157	64,923	68,458	71,609
State Operating Funds Receipts	85,074	87,250	90,094	93,451	97,298
State Operating Funds Disbursements	88,844	90,225	94,123	98,156	101,516
All Funds Receipts	133,177	140,405	143,405	148,145	154,030
All Funds Disbursements	133,097	140,539	145,550	150,845	156,773

Enacted

Percentage Growth	SFY 2013-14 Enacted	SFY 2014-15 Projected	SFY 2015-16 Projected	SFY 2016-17 Projected	Total Growth 2013-14 through 2016-17	Average Annual Growth 2013-14 through 2016-17
General Fund Receipts	4.2%	2.7%	4.3%	4.8%	16.9%	4.0%
General Fund Disbursements	3.7%	6.2%	5.4%	4.6%	21.5%	5.0%
State Operating Funds Receipts	2.6%	3.3%	3.7%	4.1%	14.4%	3.4%
State Operating Funds Disbursements	1.6%	4.3%	4.3%	3.4%	14.3%	3.4%
All Funds Receipts	5.4%	2.1%	3.3%	4.0%	15.7%	3.7%
All Funds Disbursements	5.6%	3.6%	3.6%	3.9%	17.8%	4.2%

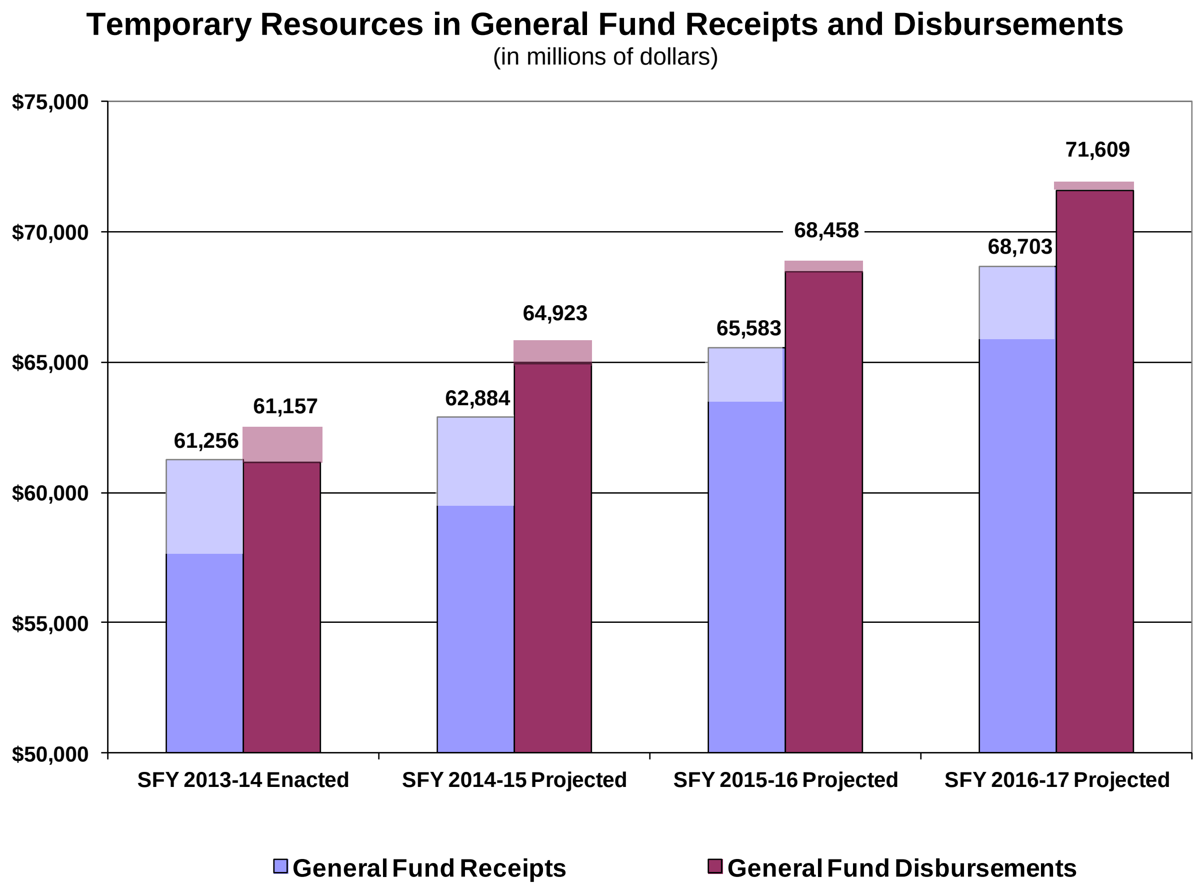
Source: Division of the Budget, Office of the State Comptroller

Over several decades, the State has largely managed structural imbalances through the use of non-recurring resources, a practice which persists today. The continued use of non-recurring resources delays decisions that could bring about structural balance and leaves the State more susceptible to disruptive spending cuts and tax increases when unexpected revenue shortfalls arise.

The Enacted Budget Financial Plan projects that General Fund receipts will grow an average of 4.0 percent annually in the four fiscal years from 2013-14 through 2016-17. Average annual growth in spending during that period is projected at 5.0 percent.

Adjusting the Financial Plan projections for use of non-recurring resources shows the lack of structural balance even more starkly. If non-recurring State-funded resources are excluded, growth in receipts over the period averages 2.9 percent, compared to spending growth of 5.1 percent. Figure 8 shows projected General Fund Receipts and Disbursements during each of the four years included in the Financial Plan. Shaded areas at the top of each bar in the chart represent non-recurring resources.

Figure 8



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

The Enacted Budget Financial Plan includes non-recurring resources totaling $5.1 billion for federal disaster assistance. The Plan also includes nearly $1.8 billion in new non-recurring or temporary resources included as part of the Enacted Budget that are used to finance recurring expenditures. Finally, the Enacted Budget also relies upon non-recurring resources added in previous budgets that total $3.1 billion, which are expected to decline to $87 million by SFY 2016-17.

Figure 9

Non-Recurring Resources – SFY 2013-14 through SFY 2016-17
(in millions of dollars)

	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2016-17	Total
Enacted					
Debt Service Savings (1)	350	83	(32)	24	**425**
Education Pre-payment and APPR (2)	347	-	-	-	**347**
Temporary Utility Assessment (extended)	255	472	396	358	**1,481**
State Insurance Fund	250	1,000	250	250	**1,750**
Insurance Conversion Proceeds	175	300	300	300	**1,075**
Abandoned Property	120	125	125	125	**495**
Mortgage Insurance Reserves	104	-	-	-	**104**
Fund sweeps	57	60	60	59	**236**
Regional Greenhouse Gas Initiative	25	-	-	-	**25**
Dormitory Authority of New York State	22	-	-	-	**22**
New York Power Authority	20	-	-	-	**20**
MMTOA for Debt Service (3)	20	-	-	-	**20**
Environmental Protection Fund	15	-	-	-	**15**
Indigent Legal Services Sweep	11	-	-	-	**11**
PIT Surcharge Extension	-	500	1,993	2,445	**4,938**
Job Growth Package	-	(65)	(115)	(196)	**(376)**
Middle Class Family Tax Credit	-	(410)	(410)	(410)	**(1,230)**
Subtotal	*1,771*	*2,065*	*2,567*	*2,955*	***9,358***
Currently in Law But Temporary					
Temporary PIT Changes (4)	1,947	1,318	78	-	**3,343**
Deferred Tax Credits	870	-	-	-	**870**
Temporary Utility Assessment	255	-	-	-	**255**
Extension of High Income Charitable Contribution Limit	70	140	140	70	**420**
Tax Modernization	6	22	22	17	**67**
Subtotal	*3,148*	*1,480*	*240*	*87*	***4,955***
Extraordinary Temporary Funding					
Temporary Federal Disaster Assistance	*5,100*	*2,075*	*1,015*	*500*	***8,690***
Total Temporary and Non-Recurring Resources	**10,019**	**5,620**	**3,822**	**3,542**	**23,003**

(1) Includes $204 million debt service payment moved from SFY 2013-14 to SFY 2012-13.

(2) Note that the Executive proposal included $240 million annually through the life of the plan associated with Annual Professional Performance Review (APPR). In addition, a prepayment of a disbursement previously planned for SFY 2013-14 of approximately $107 million was made in SFY 2012-13.

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

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

Source: Division of the Budget

Effects of the Gap Closing Plan on Out-Years

The amended SFY 2013-14 Executive Budget projected cumulative current services General Fund gaps, over four years, of $16.2 billion. The Executive proposal added $1.1 billion in new recurring initiatives over the life of the Plan, thus increasing the current services gap to $17.3 billion. The Executive's proposed gap-closing plan included approximately $4.0 billion in recurring gap-closing measures, or 23.2 percent of the whole. Non-recurring actions made up approximately 20.2 percent of the gap-closing plan, while nearly 58 percent of the out-year projected gap was not addressed in the Executive proposals.

The Enacted Budget Financial Plan also includes cumulative current services General Fund gaps of $16.2 billion. However, the Enacted Budget projects nearly $3.6 billion in new recurring spending, increasing the four-year gap total to $19.8 billion. The gap-closing plan in the Enacted Budget Financial Plan relies upon nearly $8.1 billion in non-recurring resources to address gaps, or 40.9 percent of the total. Recurring actions (including re-estimates) comprise 19.7 percent of the gap-closing plan, while 39.4 percent of the projected gaps are not addressed. While the Enacted Plan lowers out-year gaps, it does so primarily with non-recurring actions. Most of those temporary actions are not slated to end until after the current Plan ends. Absent any changes to revenue or expenditure policies, projected gaps for fiscal years starting in 2017 will be billions of dollars higher than those included in the Financial Plan.

The table presented in Figure 10 outlines the recurring and non-recurring gap-closing measures included in the SFY 2013-14 proposed and Enacted Budget Financial Plan, and indicates the share of the total gap each measure addresses.

Figure 10

SFY 2013-14 Proposed and Enacted Budget Financial Plan Gap-Closing Measures
(in millions of dollars)

	Proposed SFY 2013-14 through SFY 2016-17	Enacted SFY 2013-14 through SFY 2016-17
Total Cumulative Gap to be Closed	**(16,195)**	**(16,195)**
Additions to Gap		
Recurring Additions/Restorations/Initiatives	**(812)**	**(3,236)**
Recurring Revenue Reductions	**-**	**-**
Other	**(331)**	**(339)**
Total After Gap Additions	**(17,338)**	**(19,770)**
Re-estimates	**-**	**868**
% of Total After Gap Additions	*0.0%*	*4.4%*
Recurring Spending Reductions	**2,987**	**3,166**
% of Total After Gap Additions	*17.2%*	*16.0%*
Recurring Revenue Enhancements	**1,040**	**(147)**
% of Total After Gap Additions	*6.0%*	*-0.7%*
Temporary or Non-Recurring Recources/Cost	**3,494**	**8,093**
% of Total After Gap Additions	*20.2%*	*40.9%*
Other Actions	**-**	**-**
% of Total After Gap Additions	*0.0%*	*0.0%*
Remaining Gap	**(9,817)**	**(7,790)**
% of Total After Gap Additions	*56.6%*	*39.4%*

Source: Division of the Budget

Spending Reductions and Restorations

The SFY 2013-14 Enacted Budget adds approximately $67 million in net new General Fund spending in SFY 2013-14 compared the Executive Budget. This amount represents $576 million in various spending reductions, offset by $643 million in new spending added by both the Legislature and the Executive. In SFY 2016-17, the spending added in SFY 2013-14 is projected to increase to nearly $1.1 billion, offset by spending reductions of $1.2 billion for a net decrease of $165 million.

New or Increased Taxes and Fees

The Enacted Budget includes $35 million in recurring new or increased General Fund taxes and fees in SFY 2013-14. However, actions included in the Budget are projected to increase revenues by over $2.1 billion in SFY 2016-17, including tax increases and credits. The largest component of the increase reflects the three year extension of the temporary PIT changes made in December 2011, which were initially scheduled to expire December 31, 2014. The PIT surcharge collections are expected to increase by approximately $4.9 billion in the General Fund over three years beginning in SFY 2014-15 (the Office of the State Comptroller projects that approximately $2 billion will be received in SFY 2013-14 from the current program).

In addition, the Enacted Budget extends the Article 18-a utility surcharge for an additional three and one-half years. It is phased out over that period – a change from the Executive proposal, which extended the program but did not phase it out. This is projected to produce $255 million in SFY 2013-14 (which reflects the half-year value), increasing to $358 million in SFY 2016-17.

Between SFY 2014-15 and SFY 2016-17, the temporary increase in PIT will be partially offset by a total of approximately $1.2 billion in $350 tax rebates for families who have at least one dependent child under the age of 17 and make between $40,000 and $300,000 a year. In addition, the Enacted Budget includes various tax credits for businesses and owners of historic properties that are projected to total nearly $600 million between SFY 2014-15 and SFY 2016-17. Additional details on new or increased revenues can be found in the Economic Outlook and Revenue section of this report.

Non-Recurring or Temporary Resources

The use of non-recurring or temporary resources to meet recurring expenses exacerbates the structural deficit, making future budgeting more difficult. The Enacted Budget includes $1.3 billion in non-recurring or temporary resources for the SFY 2013-14 gap-closing plan, compared to $686 million in the Executive proposal. Figure 11 illustrates the detailed Enacted Budget Financial Plan gap-closing plan.

Figure 11

General Fund Gap-Closing Plan SFY 2013-14 through SFY 2016-17

(in millions of dollars)

	SFY 2013-14	SFY 2014-15	SFY 2015-16	SFY 2016-17
Current Services Gap Reported in Mid-Year Update	**(982)**	**(3,590)**	**(4,370)**	**-**
Receipt Revisions	(865)	(599)	(630)	-
Disbursement Revisions	495	210	(201)	-
Current Services Gap After Revisions	**(1,352)**	**(3,979)**	**(5,201)**	**(5,663)**
Non-Recurring and Temporary Resources and Costs	**1,340**	**1,827**	**2,323**	**2,603**
State Insurance Fund	250	1,000	250	250
Utility Assessment	255	472	396	358
High Income Charitable Contributions	70	140	140	70
Debt Management - including Prepayment	350	83	(32)	24
Debt Reduction/Management	(250)	-	-	-
Education Prepayment and APPR	347	-	-	-
Social Services and Housing - Mortgage Insurance Fund Transfer	104	-	-	-
Temporary Personal Income Tax Extension	-	500	1,993	2,445
Temporary Job Growth Tax Package	-	(65)	(115)	(196)
Temporary Family Tax Credit	-	(410)	(410)	(410)
Tax Modernization	6	22	22	17
Fund Sweeps	57	60	60	59
Reserves	151	25	19	(14)
Recurring Revenue	**35**	**15**	**5**	**(202)**
Delinquent Tax Collection - Wage Garnishment/Driver License Suspension	35	15	5	5
Film Credit	-	-	-	(165)
Historic Properties	-	-	-	(42)
State Operations Reductions (including restorations)	**325**	**313**	**320**	**313**
Executive and Independent Agencies	157	187	196	191
Fringe Benefits/Fixed Costs	168	126	124	122
Local Assistance Reductions (including restorations)	**251**	**341**	**398**	**905**
Cost of Living Adjustments and Trend Factors - Human Services	71	85	88	95
Various Public Health and Aging	110	98	92	114
Other Social Services and Housing	(12)	203	182	196
Other Education	82	20	79	218
Federal Revenue Reduction Plan	-	(65)	(43)	282
New Spending From Executive Proposal	**(89)**	**(111)**	**(210)**	**(402)**
Thruway Authority	(84)	(86)	(87)	(89)
Capital - Imapct on Debt Service	(5)	(25)	(87)	(277)
Empire State Development Housing	-	-	(36)	(36)
Joint Legislative Additions	**(376)**	**(440)**	**(522)**	**(553)**
New Executive Budget Additions	**(178)**	**(159)**	**(98)**	**(98)**
Re-estimates including Revenue Consensus	**130**	**242**	**226**	**270**
All Other	**(86)**	**(63)**	**(97)**	**(93)**
Remaining Gap In Enacted Budget Financial Plan	**-**	**(2,014)**	**(2,856)**	**(2,920)**

Source: Division of the Budget

Reserves

The SFY 2013-14 Enacted Budget Financial Plan utilizes $151 million in unrestricted reserves including $25 million from the Community Projects Fund, $26 million for spending related to costs for prior year labor agreements and $100 million that was available because of the timing of payments in SFY 2012-13.

The State ended SFY 2012-13 with $136 million in additional, unanticipated funds (as projected in the Executive's amended Financial Plan issued in February 2013). Figure 12 below compares restricted and unrestricted reserve levels within the General Fund

Figure 12

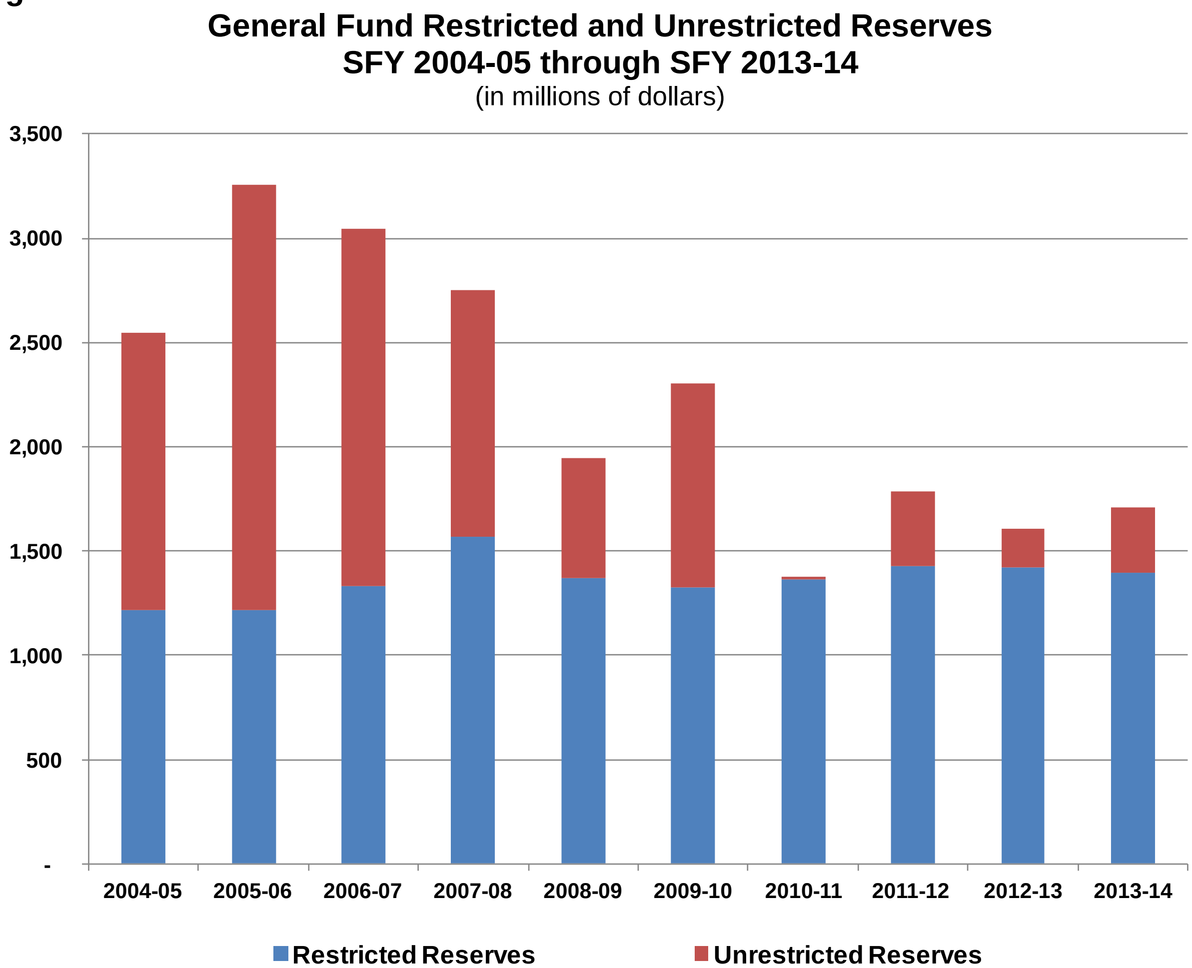
Closing General Fund Balance and Reserves – Actual and Projected Year End
SFY 2012-13 through SFY 2016-17
(in millions of dollars)

	SFY 2012-13 Actual	SFY 2013-14 Enacted	SFY 2014-15 Projected	SFY 2015-16 Projected	SFY 2016-17 Projected
Restricted Reserves					
Tax Stabilization Reserve Fund	1,131	1,131	1,131	1,131	1,131
Rainy Day Reserve Fund	175	175	175	175	175
Contingency Reserve Fund	21	21	21	21	21
Community Projects Fund	93	68	33	-	-
Unrestricted					
Prior Year Labor Agreements	77	51	61	75	89
Debt Reduction	13	263	263	263	263
Unrestricted Timing-Related	100	-	-	-	-
Total General Fund Reserves	**1,610**	**1,709**	**1,684**	**1,665**	**1,679**

Source: Division of the Budget

Figure 13 illustrates the actual and projected restricted and unrestricted General Fund reserves between SFY 2004-5 through SFY 2013-14. Note that unrestricted reserve levels in SFY 2009-10 and SFY 2010-11 were significantly affected by the delay of $2.06 billion in school aid payments and $500 million in PIT refunds from the last quarter of SFY 2009-10 to the first quarter of SFY 2010-11.

Figure 13



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

Economic Outlook

Actual year-end tax collections have failed to reach the initial targets used to build the budget in each of the last six years. One factor includes the difficulty of forecasting economic conditions during a time of significant instability. While there are a number of signs indicating that the economy is improving, including housing starts and auto sales, important risks remain, including those associated with the health of the European economy and the effects of federal sequestration.

PIT collections across the nation experienced a significant increase in December and January and again in April, as 2012 liabilities are either settled or extended. But this growth cannot be considered a lasting trend, and as such, gains are directly related to people avoiding the federal tax increase enacted in January. The temporary increase in collections primarily came from individuals who pay quarterly estimated payments and had the ability to accelerate wage and non-wage income into 2012 and thus pay the lower rates then applicable. Commenting on such temporary increases in states across the nation, the Nelson A. Rockefeller Institute of Government noted that the short-term spike will likely make forecasting more difficult in upcoming years.[2]

While unemployment has declined both in New York and nationally, it still remains high compared to historical levels. The unemployment rate is an imperfect measure of the economy's performance, reflecting lack of employment only among those people who are still actively looking for a job. According to the Bureau of Labor Statistics, if the number of people marginally attached to the labor force were added to the official unemployment rate, the national rate would increase from 7.5 percent in April 2013 to 13.9 percent. In New York, the rate would increase from 8.5 percent to 14.7 percent.[3]

National Economy

The volatility of economic indicators is not new, but it has become much more difficult for economic and budget forecasters to deal with. Forecasts included with monthly Blue Chip Economic Indicators reports illustrate that Gross Domestic Product projections for 2012 and 2013 are significantly lower than when those projections began. Figure 14 illustrates how consensus projections for Real Gross Domestic Product have declined since 2012 projections were first available in January 2011. The final projection for 2012 is more than 30 percent lower than the last (which is also the current estimate). Similarly, the July projection for 2013 is 30.8 percent lower than the first projection from January 2012.

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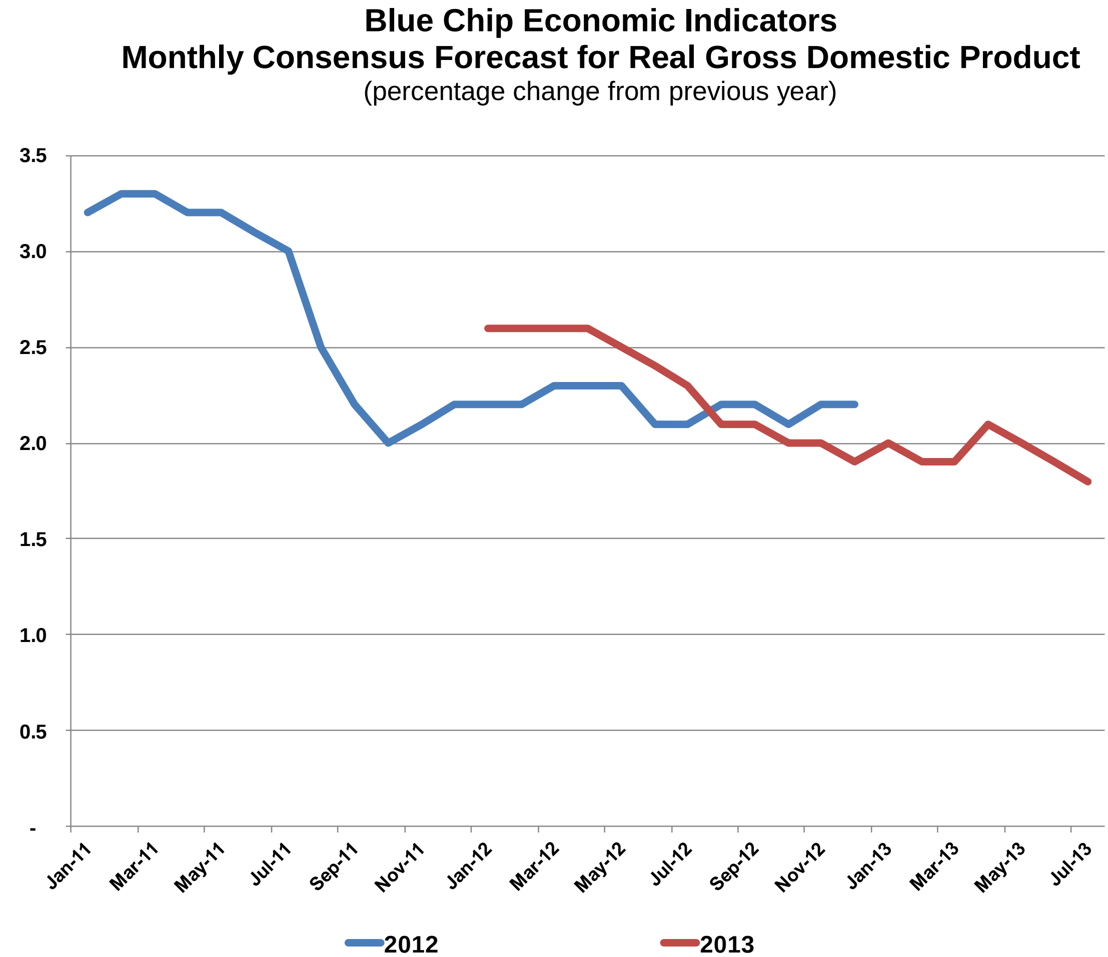
[2] Rockefeller Institute News Release, April 24, 2013 and "Time Bandits? State Income Taxes Surge in April," May 8, 2013.

[3] The New York measure is the average for the year covering the second quarter of 2012 to the first quarter of 2013. While the Bureau of Labor Statistics' calculation for alternative measures of unemployment is produced for annual averages only, it should be noted that the traditional unemployment rate for New York State was 7.6 percent in May 2013.

Figure 14



Source: Blue Chip Economic Indicators

Figure 15 illustrates how projections for national economic indicators have changed since 2012. In the SFY 2012-13 Enacted Budget, projections for 2013 represented the first out-year. Since the SFY 2012-13 Budget was enacted in April 2012, projections for 2013 indicators have declined. As Figure 15 shows, projections used to create the SFY 2013-14 Enacted Budget Financial Plan are not significantly different than an independent forecast.[4] However, projections for 2014 (first out-year) are significantly higher than the independent forecast, especially for Personal Income and Nonagricultural Employment.

[4] The independent forecaster is IHS Global Insight. Note that the independent forecast is from May 2013.

Figure 15

Comparison of National Economic Forecasts
(Percentage Change)

		2013 Forecast			2014 Forecast		
	DOB Enacted (2012)	DOB Proposed	DOB Enacted	IHS Global Insight	DOB Proposed	DOB Enacted	IHS Global Insight
Real US Gross Domestic Product	3.0	1.8	2.1	1.8	3.1	3.1	2.8
Consumer Price Index	2.2	2.1	1.9	1.4	2.1	2.2	1.6
Personal Income	4.1	3.1	3.1	2.7	6.2	6.2	5.1
Nonagricultural Employment	1.8	1.5	1.5	1.5	1.9	2.2	1.6

Source: Division of the Budget, IHS Global Insight

New York State Economy

Figure 16 illustrates that the DOB projections for various New York economic indicators for 2013 are relatively conservative compared to independent projections. Nonetheless, as was apparent with the national projections, the out-year, projections are higher than independent projections, and out-year projections made in the SFY 2012-13 Enacted Budget proved optimistic.

Figure 16

Comparison of New York State Economic Forecasts
(Percentage Change)

		2013 Forecast			2014 Forecast		
	DOB Enacted (2012)	DOB Proposed	DOB Enacted	IHS Global Insight	DOB Proposed	DOB Enacted	IHS Global Insight
Personal Income	4.3	2.2	2.5	2.8	5.9	5.4	4.7
Wages	5.1	3.3	3.2	4.0	5.0	5.0	3.8
Nonagricultural Employment	1.0	1.2	1.3	1.5	1.2	1.3	1.1

Source: Division of the Budget, IHS Global Insight

Receipts

The SFY 2013-14 Enacted Budget projects All Funds receipts will increase 5.4 percent, or $7.2 billion, with $4.6 billion of that increase from federal receipts, primarily for disaster assistance. Tax revenue is projected to increase 4.6 percent, or $3.0 billion, primarily from PIT. The majority of that increase occurred in April 2013 in the form of prior year estimated payments that are associated with the federal tax increase enacted in January, which caused high income taxpayers to shift income where possible to avoid paying the increased tax. PIT collections from May 30, 2013 to March 31, 2014 are expected to grow 2.5 percent.

General Fund receipts are projected to increase 4.2 percent or nearly $2.5 billion, approximately $500 million higher than projected in the Executive proposal. While General Fund tax collections are projected to decline, that decrease is due to sales tax collections that will be diverted to the newly created Sales Tax Revenue Bond Fund for debt service on Sales Tax Revenue Bonds. Transfers from other funds also are projected to rise, but approximately $512 million of that increase is due to increased transfers from the Revenue Bond Tax Fund (higher projected PIT collections) and $217.6 million is from various other transfers from other funds.

Figure 17 illustrates All Funds and General Fund receipts along with the projected growth of each from both the Executive Budget and the Enacted Budget.

Figure 17

Total Receipts
(in millions of dollars)

All Funds	SFY 2012-13 3rd Quarter Update (Amended) February	SFY 2013-14 Proposed	Dollar Growth	Percentage Growth	SFY 2012-13 Actual	SFY 2013-14 Enacted	Dollar Growth	Percentage Growth
Taxes	65,922	69,105	3,183	4.8%	66,302	69,351	3,049	4.6%
Miscellaneous Receipts	24,985	23,889	(1,096)	-4.4%	24,036	23,621	(415)	-1.7%
Federal Receipts	44,131	47,948	3,817	8.6%	42,839	47,433	4,594	10.7%
Total All Funds Receipts	**135,038**	**140,942**	**5,904**	**4.4%**	**133,177**	**140,405**	**7,228**	**5.4%**
General Fund								
Taxes	43,047	45,286	2,239	5.2%	43,283	42,480	(803)	-1.9%
Miscellaneous Receipts	3,724	3,101	(623)	-16.7%	3,504	3,096	(408)	-11.6%
Federal Receipts	60	2	(58)	-96.7%	62	2	(60)	-96.8%
Transfers from Other Funds	12,231	12,664	433	3.5%	11,934	15,678	3,744	31.4%
Total General Fund Receipts	**59,062**	**61,055**	**1,991**	**3.4%**	**58,783**	**61,256**	**2,473**	**4.2%**

Source: Division of Budget

Revenue Actions

The SFY 2013-14 Enacted Budget includes taxes, fees, fines, assessments and other revenue actions, some of which are temporary in nature, that are projected to generate a net $5.5 billion on an All Funds basis from the current fiscal year through SFY 2016-17. Figure 18 illustrates the new and/or extended revenue actions included in the Enacted Budget. Note that out-year values, where not specifically provided in the SFY 2013-14 Enacted Budget Financial Plan Update, are estimated or, if a provision has been made permanent, the full annual value is extended through SFY 2016-17.

Figure 18

Revenue Actions Included in the SFY 2013-14 Enacted Budget
(in millions of dollars)

	2013-14	2014-15	2015-16	2016-17	Total
MTA Business Tax Surcharge	-	-	-	-	-
Film Tax Credit	-	-	-	(165)	(165)
Hot Spot	-	-	-	-	-
High Income Charitable Contribution	70	140	140	70	420
Royalty Income	-	28	28	28	84
Historic Commercial Rehab Credit	-	-	-	(40)	(40)
Alt. Fuel Recharging Credit	-	(1)	(1)	-	(2)
Extend Tax Modernization	6	22	22	17	67
IDA Sales Tax Reform	7	13	13	13	46
Uncompressed Natural Gas Tech. Amendments	-	-	-	-	-
Petroleum Business Tax Exemption	-	-	-	-	-
Increase Unstamped Cigarette Fine	9	12	12	12	45
Driver's License Suspension	26	6	6	6	44
Wage Garnishment	10	10	-	-	20
Monticello VLT provisions	(3)	-	-	-	(3)
Pari-Mutuel Extender	-	-	-	-	-
Historic Homeowner Rehab Credit	-	-	-	(2)	(2)
Diesel Fuel Tax	-	-	-	-	-
Highway Use Farm Exemption	-	-	-	-	-
Small Business Tax Exempt	-	(35)	(48)	(60)	(143)
Manufacturers Tax Reduction	-	(30)	(40)	(50)	(120)
Veteran's Credit	-	-	-	(37)	(37)
Youth Credit	-	-	(6)	(6)	(12)
Minimum Wage Reimburse	-	-	(24)	(45)	(69)
18-a Surcharge Extension (from current law)	255	472	396	358	1,481
Family Tax Credit	-	(410)	(410)	(410)	(1,230)
PIT Extension (from current law)	-	500	1,993	2,445	4,938
Teen Education PIT Checkoff	-	-	-	-	-
Linked Deposit Expansion	-	-	-	-	-
Small Business Revolving Loan Fund	-	-	-	-	-
Innovation Capital Fund	-	-	-	-	-
Extend Waste Tire Fee	9	24	24	9	66
Vehicle and Traffic Violation Changes	16	25	25	25	91
Racing Industry Reforms	2	2	2	2	8
STAR Re-registration	-	-	-	-	-
Total	**407**	**778**	**2,132**	**2,170**	**5,487**

Source: Division of the Budget