



# **New York State 2010-11 Executive Budget**

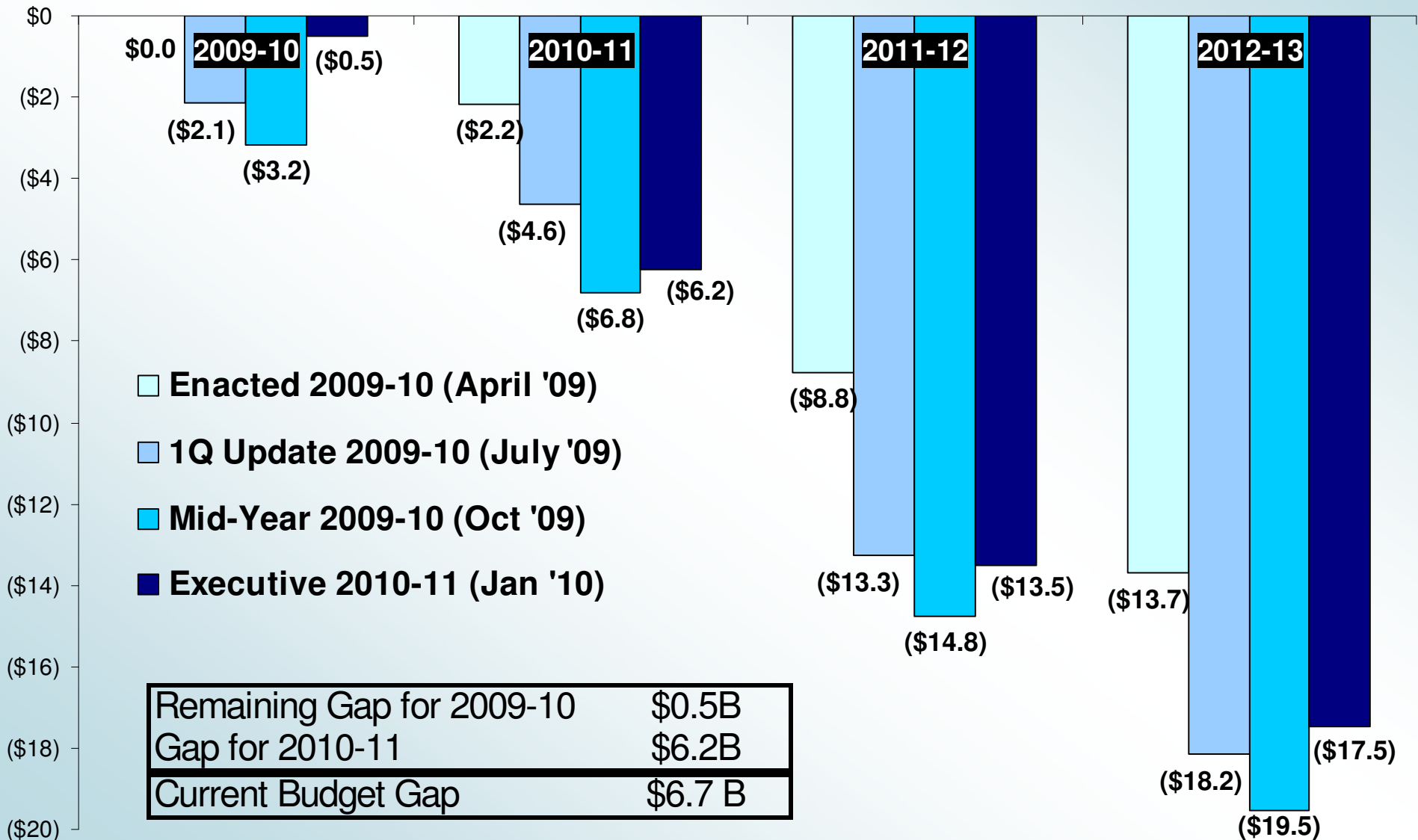
Citizens Budget Commission  
Budget Policy Committee  
January 29, 2010

# Overview

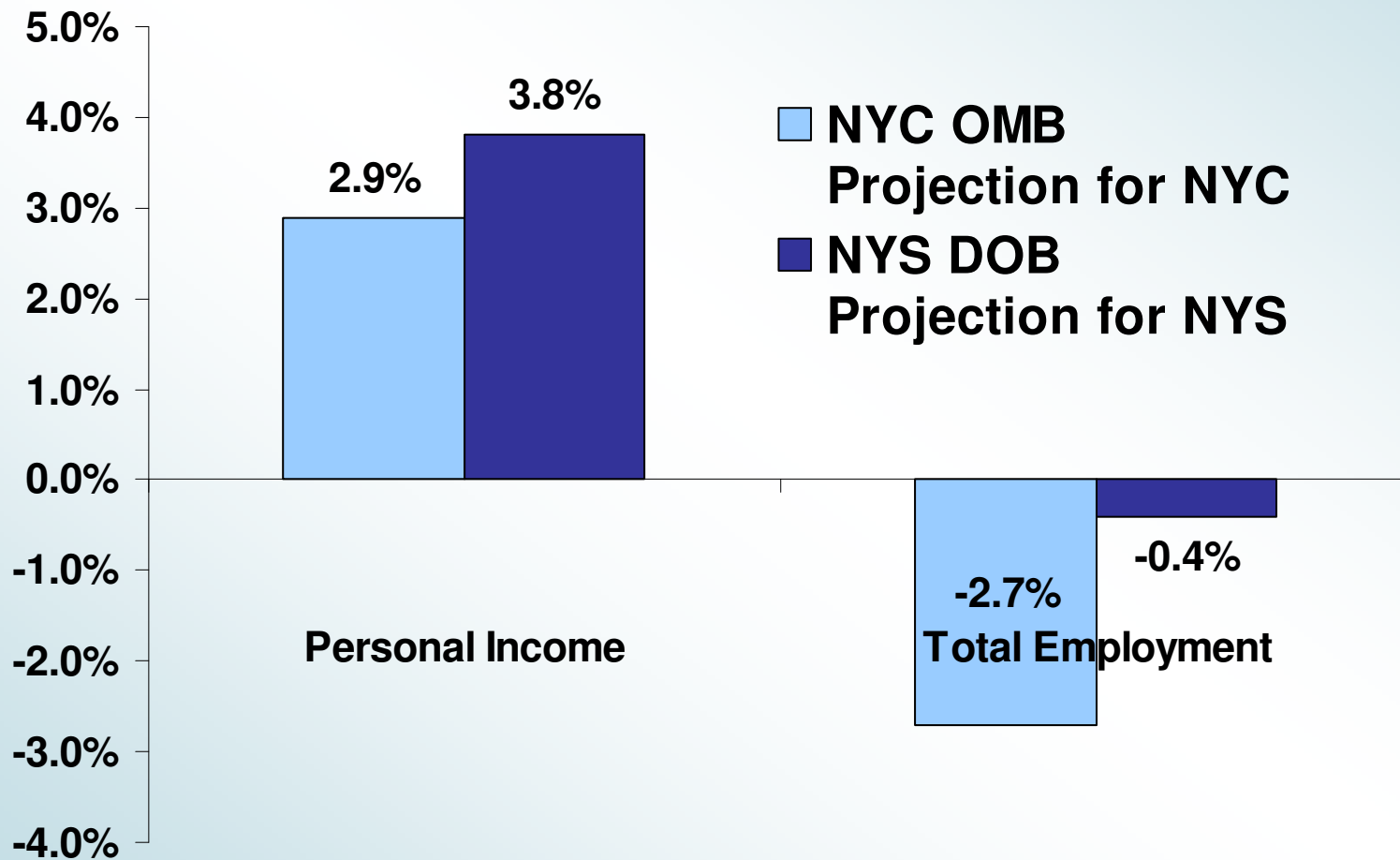
- I. Current Budget Gaps
- II. Proposed Financial Plan and Gap Closers
- III. Proposals Recommended for Support
- IV. Proposals Recommended for Opposition
- V. Proposals Requiring More Analysis

# State Faces \$6.7B Budget Gap

## Evolution of Gaps from April 2009 to January 2010



# NYS CY 2010 Economic Growth Assumptions Above NYC Forecasts



# 68.5% Recurring Spending Reductions in Proposed Gap Closing Plan

\$ in millions	2010-11	2011-12	2012-13	2013-14	Percent of 2010-11 Plan
<b>Current Budget Gap</b>	<b>(\$6,726)</b>	<b>(\$13,500)</b>	<b>(\$17,455)</b>	<b>(\$19,859)</b>	<b>100.0%</b>
<b>Recurring Spending Reductions</b>	<b>\$4,608</b>	<b>\$4,804</b>	<b>\$4,566</b>	<b>\$5,267</b>	<b>68.5%</b>
School Aid/STAR Reforms	1,838	1,799	1,717	2,342	27.3%
Medicaid	823	1,188	1,170	1,170	12.2%
State Agency Efficiencies	709	743	704	734	10.5%
Local Government Aid (AIM)	325	329	330	322	4.8%
Labor Costs	250	125	0	0	3.7%
All Other Spending Reductions	663	620	645	699	9.9%
<b>Recurring Revenue Actions</b>	<b>\$1,291</b>	<b>\$1,874</b>	<b>\$1,827</b>	<b>\$1,840</b>	<b>19.2%</b>
Tax on Sugary Beverages	465	1,000	1,000	1,000	6.9%
Medicaid Provider Assessment	216	235	235	235	3.2%
\$1 Cigarette Tax Increase	210	205	201	197	3.1%
All Other Revenue Actions	400	434	391	408	5.9%
<b>Non-Recurring Actions</b>	<b>\$565</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>8.4%</b>
Federal TANF Payment	261	0	0	0	3.9%
All Other Non-Recurring	304	0	0	0	4.5%
<b>Pension Cost Deferral</b>	<b>\$262</b>	<b>\$536</b>	<b>\$792</b>	<b>\$917</b>	<b>3.9%</b>
<b>Economic Development</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$218)</b>	<b>(\$392)</b>	<b>0.0%</b>
Film Tax Credit	0	0	(168)	(292)	0.0%
Excelsior Program	0	0	(50)	(100)	0.0%
<b>Remaining Gap</b>	<b>\$0</b>	<b>(\$6,286)</b>	<b>(\$10,488)</b>	<b>(\$12,227)</b>	

# Proposed 0.9% Decline in General Fund Spending

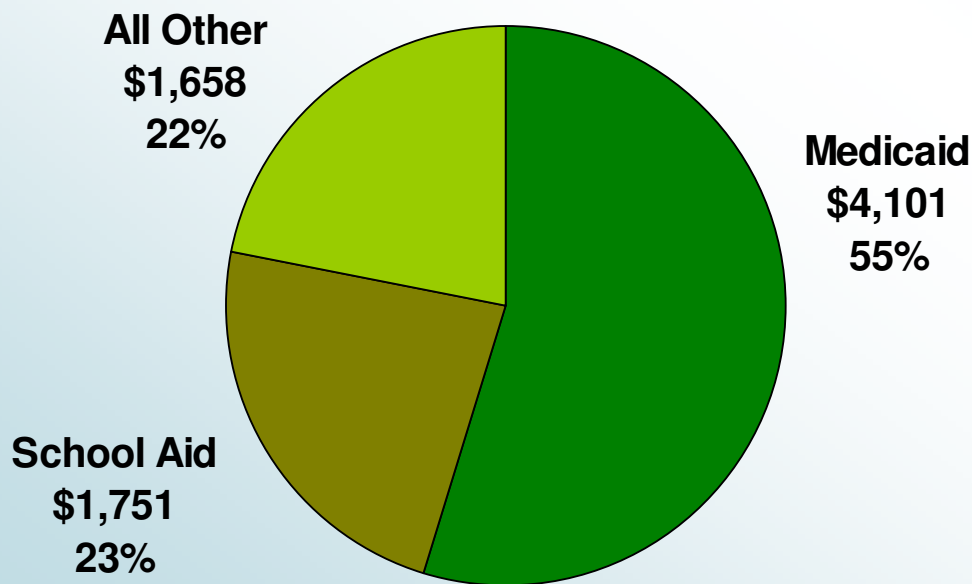
## General Fund Financial Plan

\$ in millions	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	Percent Growth	
				<u>2009-10 to 2010-11</u>	<u>2010-11 to 2011-12</u>
<b>Receipts</b>	<b>\$41,447</b>	<b>\$42,890</b>	<b>\$44,756</b>	<b>3.5%</b>	<b>4.4%</b>
Taxes	\$37,871	\$39,927	\$41,899	5.4%	4.9%
Miscellaneous Receipts	\$3,508	\$2,903	\$2,797	(17.2%)	(3.7%)
Federal Grants	\$68	\$60	\$60	(11.8%)	0.0%
<b>Disbursements</b>	<b>\$48,731</b>	<b>\$48,304</b>	<b>\$55,814</b>	<b>(0.9%)</b>	<b>15.5%</b>
Grants to Local Governments	\$36,357	\$35,851	\$42,643	(1.4%)	18.9%
State Operations	\$8,561	\$8,317	\$8,760	(2.9%)	5.3%
General State Charges	\$3,813	\$4,136	\$4,411	8.5%	6.6%
<b>Net Transfers</b>	<b>\$6,709</b>	<b>\$5,462</b>	<b>\$4,724</b>	<b>(18.6%)</b>	<b>(13.5%)</b>
Transfers from Other Funds	\$12,107	\$11,680	\$12,222	(3.5%)	4.6%
Transfers to Other Funds	\$5,398	\$6,218	\$7,498	15.2%	20.6%
<b>Use of Reserves/(Deposit to Reserves)</b>	<b>\$575</b>	<b>(\$48)</b>	<b>\$48</b>		
<b>Surplus/(Gap)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,286)</b>		

# Medicaid and School Aid Account for 78% of Spending Growth in 2011-12

General Fund Spending Growth  
from 2010-11 to 2011-12

(\$ in millions)

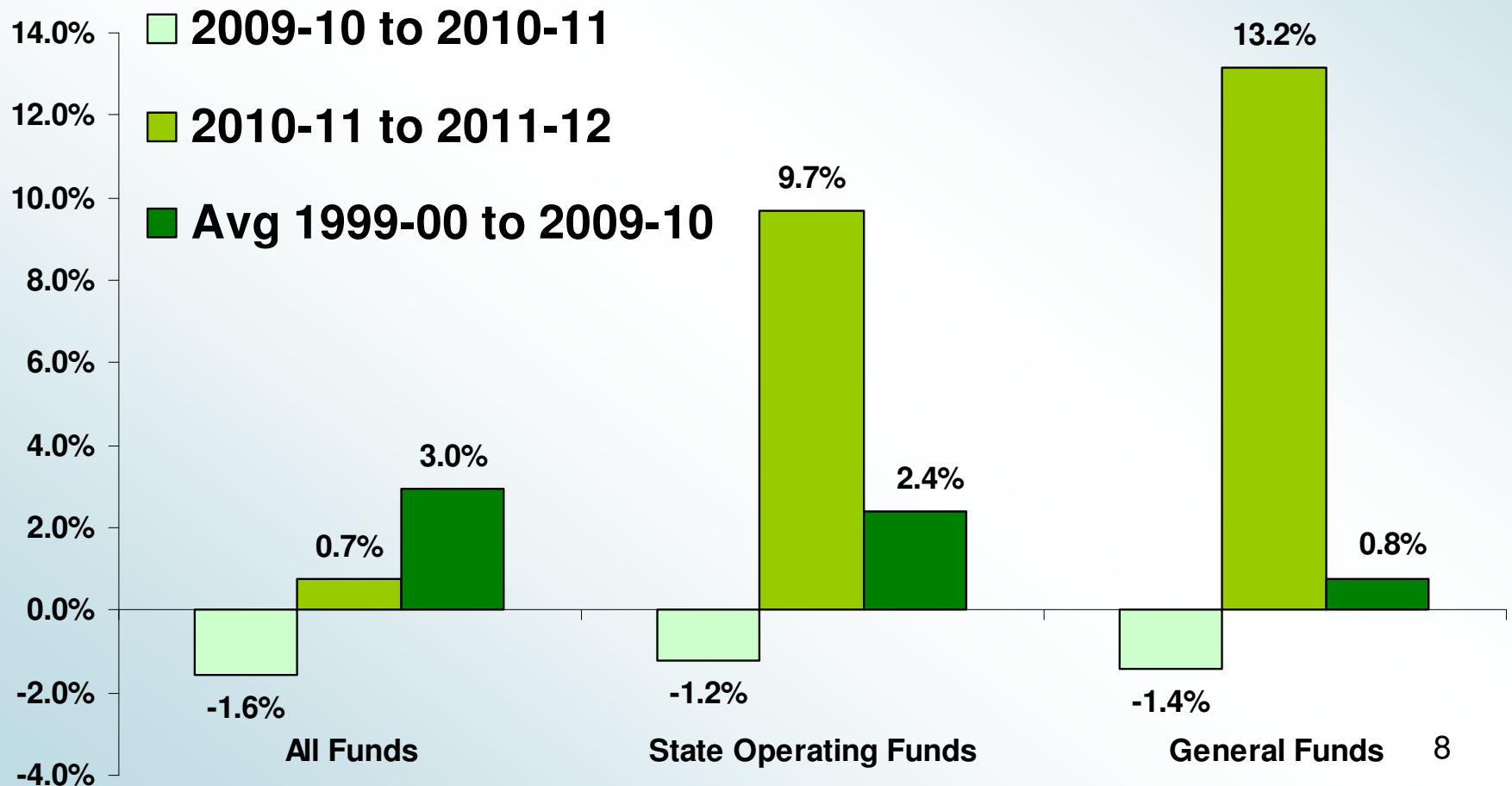


Total Spending  
Growth = \$7.5  
Billion

In 2011-12, New York loses \$870 million in federal stimulus package funding for school aid and \$2.9 billion in federal funding for Medicaid.

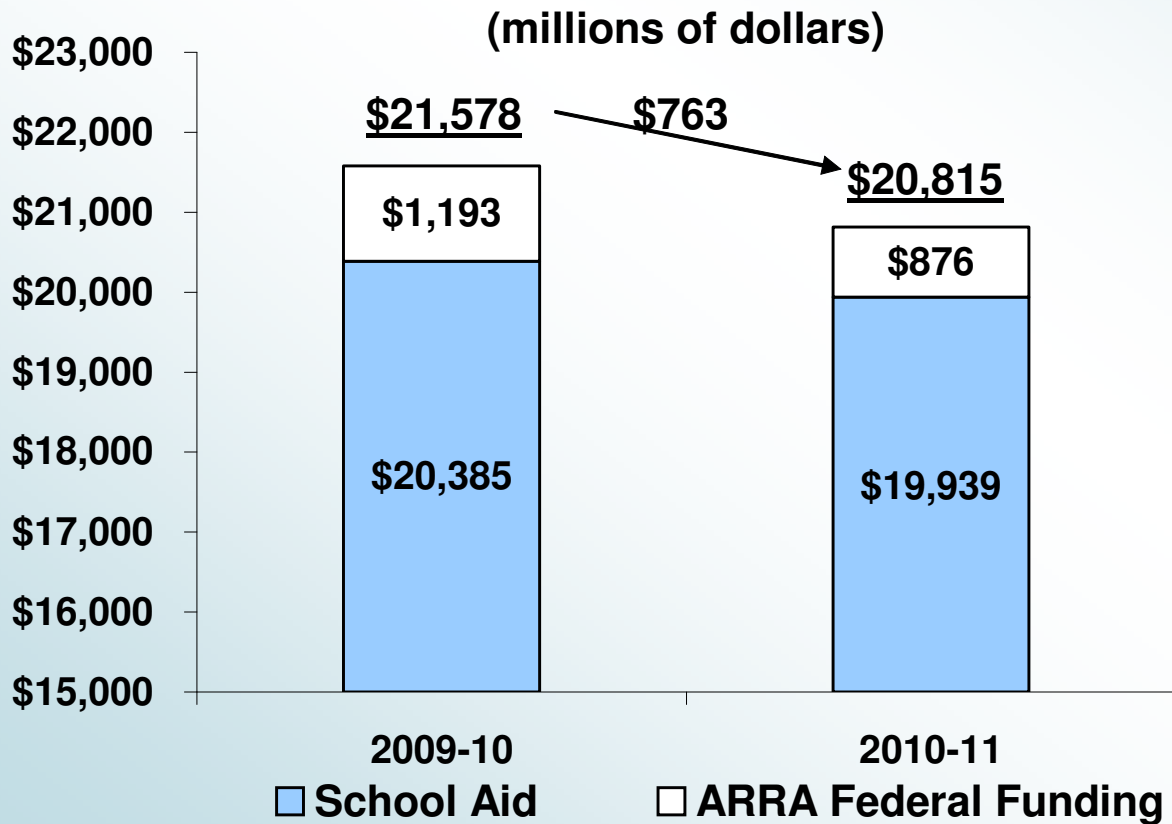
# Real Spending Decline in 2010-11, Followed by High Growth in 2011-12

(Adjusted for Inflation)



**Recommended for Support**

# Proposed School Aid Year-Over-Year Spending Reduction = \$763M



- **Y-O-Y reduction of \$763 million (3.5%) in State Operating Funds allocation for School Aid on state fiscal year basis.**
- **\$1.6B cut from projected baseline growth.**

# \$800 Million Reduction in Baseline Medicaid Spending

(\$ in millions)

Medicaid Fraud and Abuse Elimination	300
Insurance Dept Ability to Disapprove Premium Changes	70
Reduce Indigent Care Reimbursement	68
Reduction in Managed Care Premiums	61
Reduce Inflationary Trend Factor	38
Eliminate Medicare Part D Drug Wrap	35
Limits Hours on Personal Care Services	30
Agency Operational Reductions	30
Utilization and Management of Services	14
All Other	177
<b>Total Healthcare Spending Savings</b>	<b>\$823</b>
Tax on Sugary Beverages	465
\$1 Increase in Cigarette Tax	210
Medicaid Provider Assessments	216
<b>Total Healthcare Dedicated Revenues</b>	<b>\$891</b>
<b>Total Healthcare Actions</b>	<b>\$1,714</b>

**State-funded Medicaid baseline spending growth reduced from 14.5% to 8.3%.**

# Higher Education Reforms and Savings

- **Allow SUNY/CUNY to set tuition rates, based on higher ed. inflation – and keep tuition revenues**
- **Allow differential tuition for individual campuses and programs**
- **Allow greater operational flexibility**

**\$ in millions  
(State Operating Funds)**

<b>Higher Education Savings</b>	<b>\$357</b>
Reduce support for Senior Colleges	\$239
Reduce Base Aid for Community Colleges	\$107
Other	\$11

# \$700 Million Savings from Agency “Efficiencies”

\$ in millions

Agency Reductions	500
Shared Agency Services	50
Agency Mergers	15
4 Prison Closures	7
Rightsize Juvenile Justice Facilities	3
All Other	134
<b>Total Savings</b>	<b>\$709</b>

\$709m =  
5% of State  
Agency  
Operations

2010-11  
Headcount  
Reduction  
= 674

- \$500 million in across-the-board agency cuts, \$2B across-the-board agency cuts since 2008-09
- Many positive initiatives, including prison and juvenile justice facilities “right-sizing,” agency mergers and consolidations, shared agency services (e.g. human resources, IT, call centers, procurement, financial systems), and “Empire-Stat”

# \$1.3B in Revenue Actions

1 Cent per Ounce Tax on Sugary Beverages	465
Increase Tax Audit Activities	221
Healthcare Provider Assessment	216
\$1 Increase in Cigarette Tax	210
Allow Sale of Wine in Groceries	92
Civil Court Filing Fees	31
Work-Zone Speed Cameras	25
S-Corp Gains to Non-Residents	30
All Other	1
<b>Total Revenue Actions</b>	<b>\$1,291</b>

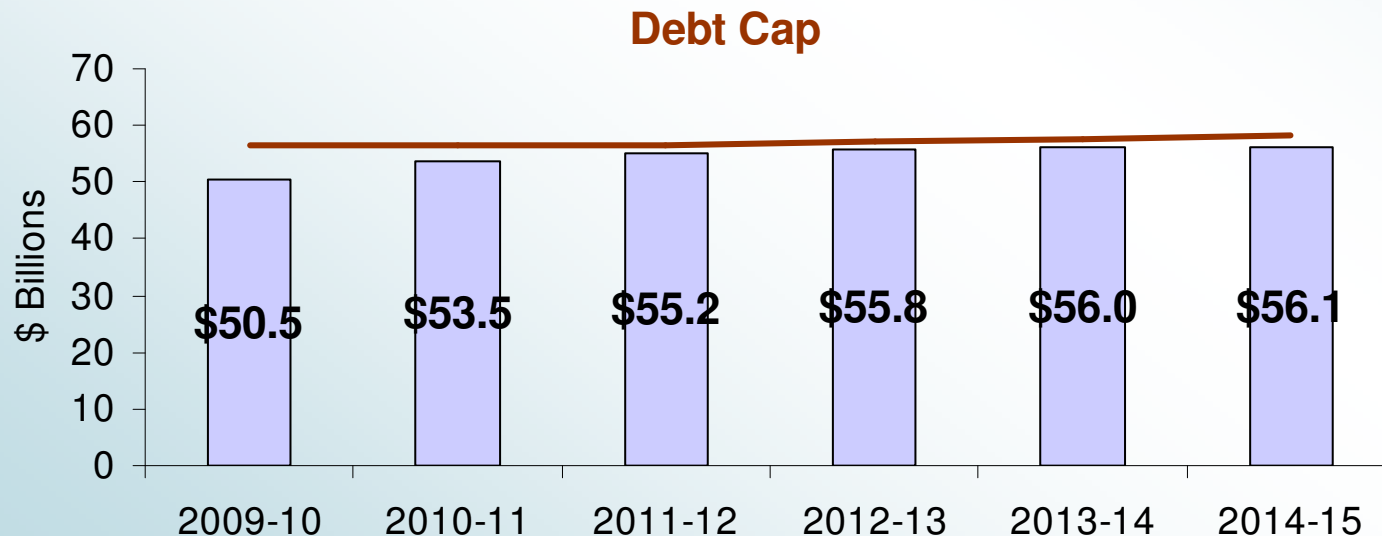
**\$890 million (83%) dedicated to healthcare spending**

**\$675 million (63%) “Sin” Taxes**

# Capital/Debt Reduction

- In order to stay within the statutory debt cap, the Executive Budget includes Capital Reduction Program to:
  - reduce bonded capital spending by \$1.8 billion over five years;
  - reduce annual debt service by over \$130 million when fully implemented.
- State capital spending is projected to grow from \$10.0 billion in 2009-10 to \$10.8 billion in 2010-11 (8%), and then gradually fall to \$8.9 billion by 2014-15.
- State-supported debt outstanding is projected to grow from \$50.5B in 2009-10 to \$56.1B in 2014-15, or 2.1% annually.

**New York State Supported Debt Outstanding**



**Recommended for Opposition**

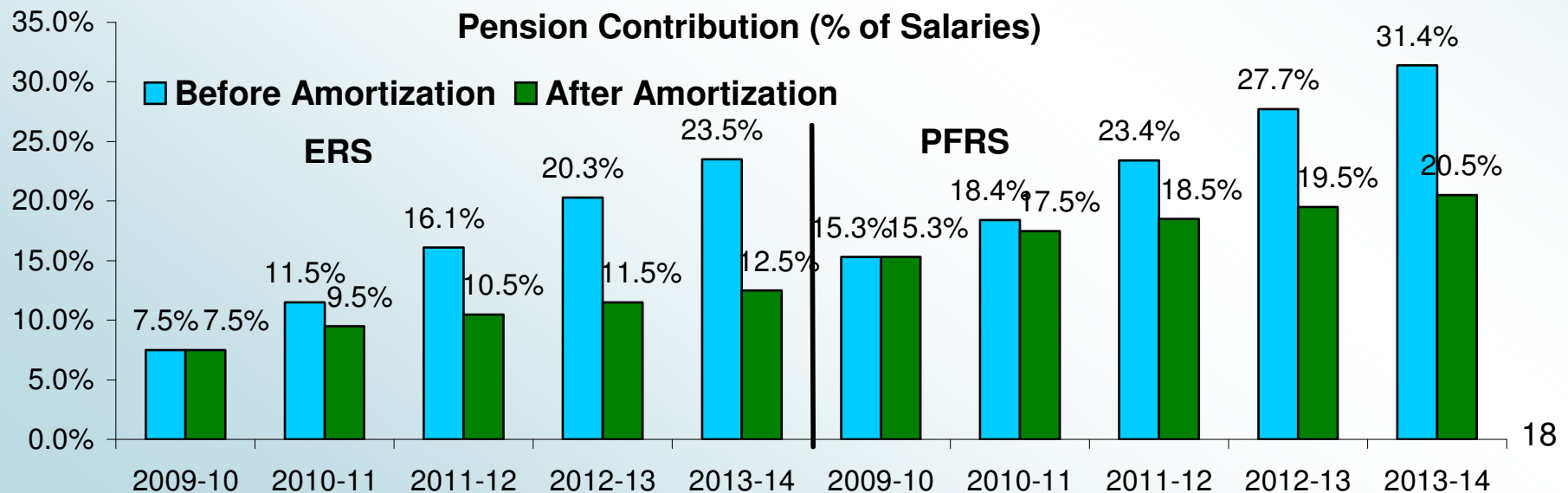
# Questionable Workforce Savings

- **\$250 million in Unspecified Workforce Savings:**  
Options include 4% Salary Increase Deferral (valued at \$250m) or 5-day salary deferral
- **Only proposal to control spending on fringe benefits is to require a contribution for Medicare Part B – State currently pays 100% of premiums (savings = \$30 million)**

\$ in millions	2009-10	2010-11		Projected Baseline Growth	Projected Growth With Actions
		Baseline 2010-11	After Savings Actions		
Personal Service	10,874	10,938	10,483	0.6%	(3.6%)
Pensions	1,145	1,736	1,519	51.6%	32.7%
Health Insurance	2,788	3,056	3,010	9.6%	8.0%
Other Fringe Benefits	503	382	344	(24.1%)	(31.6%)
<b>Total Salaries and Benefits</b>	<b>\$15,310</b>	<b>\$16,112</b>	<b>15,356</b>	<b>5.2%</b>	<b>0.3%</b>

# Deferral of Pension Payments

- Allow amortization of state and local government pension contributions over 9.5% of salaries for New York State and Local Employees Retirement System (ERS) and 17.5% for New York State and Local Police and Fire Retirement System (PFRS). Contribution rate above which amortization allowed will be raised 1 percentage point annually.
- Amortization period will last 6 years (2010-11 through 2015-16). Contributions will be increased over the next 10 years.
- Will save the State \$260 million in 2010-11.



# Cuts to Cash Payments to Poor Households

## Public Assistance Grant

- Proposed slower phase-in of public assistance grant: Scheduled to increase 33% by July 2011; Will now increase 33% by July 2013.
- Current grant for family of 3 equals \$291 per month. Has not been increased since 1990.
- Saves \$14 million.

## Tuition Assistance Program (TAP)

- Proposed \$75 reduction in TAP plus elimination of TAP for graduate students plus tighter eligibility standards plus reduction in maximum award for 2-year colleges.
- Saves \$55 million.

# **Proposals Requiring Additional Analysis**

# Reduction of AIM

- Proposed elimination of \$300 million Aid and Incentives for Municipalities (AIM) to NYC
- Proposed 2%-5% cut in AIM to other municipalities for \$15 million savings
- Statutory formulas no longer used
- Question for CBC: How should it be reformed?

\$ in millions	2009-10	2010-11
New York City	\$302	\$0
All Other Municipalities	\$750	\$735
<b>Total AIM</b>	<b>\$1,052</b>	<b>\$735</b>

# New Economic Development Programs

## Excelsior Program

- Targeted Industries: high-tech, financial services, and manufacturing
- Must create 50 jobs to be eligible for 5 years of tax reductions
- Refundable tax credits = \$2,500-\$10,000 per new job, 2% of qualified investments, 10% of research and development activities

Other Economic Development Programs: \$25m small business revolving loan fund, \$25m technology seed fund, \$100m to match ARRA grants

