

# Financial Plan Summary

## I. Overview

The State faces budget gaps of \$10 billion in 2011-12, \$15.3 billion in 2012-13, \$17.9 billion in 2013-14, and \$21.4 billion in 2014-15. The budget gaps represent the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain current service levels and specific commitments, and the expected level of resources to pay for them.

The gaps, which are sizeable by any measure, reflect the short-term impact of the recession on State tax receipts and economically-sensitive programs, the long-term impact of current statutory provisions that have allowed spending to grow beyond the State's ability to pay for it, and the phase-out of the Federal government's increased share of State Medicaid costs.<sup>1</sup>

## II. Executive Budget Financial Plan

Governor Cuomo's Executive Budget eliminates the General Fund budget gap of \$10 billion in 2011-12, and reduces the budget gaps to \$2.3 billion in 2012-13, \$2.5 billion in 2013-14, and \$4.4 billion in 2014-15. The Executive Budget reduces projected budget gaps by a total of \$55 billion, with the four-year gap reduced from \$64.6 billion to \$9.2 billion. Nearly 90 percent of the Executive Budget gap-closing plan consists of actions that would reduce spending. The Budget does not recommend any tax increases.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
<b>REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)</b>	<b>(10,003)</b>	<b>(15,280)</b>	<b>(17,883)</b>	<b>(21,415)</b>
<b>Executive Budget Proposals</b>	<b>10,003</b>	<b>12,979</b>	<b>15,387</b>	<b>17,016</b>
Spending Control	8,858	12,626	15,083	16,727
Aid to Localities Reductions <sup>1</sup>	7,484	11,159	13,600	15,249
State Agency Redesign	1,374	1,467	1,483	1,478
Revenue Actions	340	351	304	289
Non-Recurring Resources	805	2	0	0
<b>BUDGET SURPLUS/(GAPS) AFTER ACTIONS</b>	<b>0</b>	<b>(2,301)</b>	<b>(2,496)</b>	<b>(4,399)</b>

<sup>1</sup> Outyear savings assume Medicaid and School Aid grow at their proposed target rates.

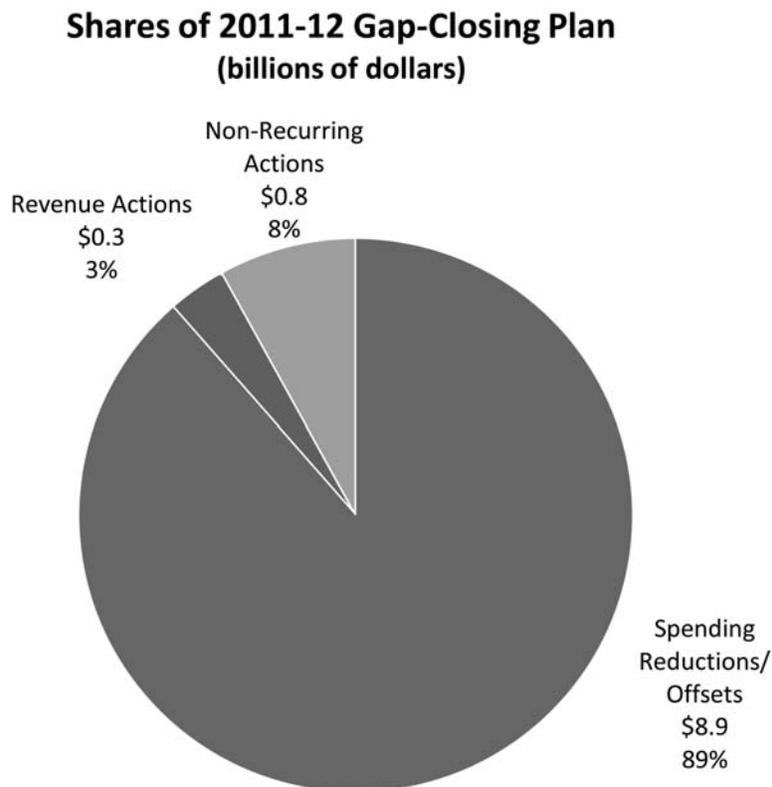
<sup>1</sup> Under the American Recovery and Reinvestment Act, the Federal government increased the matching amount it paid on eligible State Medicaid expenditures from 50 percent to approximately 62 percent. This temporary increase in the Federal Medical Assistance Percentage ("FMAP") ends on June 30, 2011.

To provide a catalyst for the wholesale redesign of State agency operations to meet modern needs, the Executive Budget imposes a 10 percent year-to-year reduction in State Operations spending. To help accomplish the goal of fundamentally reducing the State's long-term spending burden, the Governor has appointed advisory commissions charged with redesigning current operations and recommending specific savings in the areas of Medicaid, criminal justice, and State agency operations. Their reports are due in the coming months.

To begin addressing the out-year gaps, the Budget proposes rational limits on the annual growth rates for major programs, including Medicaid and School Aid. The target growth rate for Medicaid will be the long-term average change in the medical component of the Consumer Price Index. The target growth rate for School Aid will be based on the change of New York State personal income, with a funding mechanism that benefits high-need school districts.

### III. Composition of the 2011-12 Gap-Closing Plan

The chart below shows the shares of the \$10 billion gap-closing plan by broad category.



The gap-closing plan includes proposals to lower General Fund spending by approximately \$8.9 billion in 2011-12 compared to the current-services forecast. The plan proposes current-services reductions of \$2.85 billion each for School Aid and Medicaid, \$1.4 billion for State agency operations, and \$1.8 billion for a range of other programs and activities. In total, actions to reduce spending comprise nearly 90 percent of the overall gap-closing plan.

The gap-closing plan anticipates \$340 million in additional revenues in 2011-12 compared to the current-services forecast. The additional revenues would be derived from modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Comptroller's Abandoned Property Fund.

Proposed non-recurring resources total \$805 million in 2011-12, comprising approximately 8 percent of the gap-closing plan. The resources are expected to be derived from contributions by the State's public authorities, maintaining a consistent level of pay-as-you-go financing for eligible capital expenses, and use of existing fund balances.

#### IV. Projected Closing Balances

If the Executive Budget is enacted as proposed, DOB estimates the State would end 2011-12 with a General Fund balance of \$1.6 billion. Balances in the State's principal reserve funds would remain unchanged.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)					
	2010-11	Planned Deposit	Planned Uses	2011-12	Change
<b>Projected Year-End Fund Balance</b>	<b>1,359</b>	<b>346</b>	<b>(96)</b>	<b>1,609</b>	<b>250</b>
Tax Stabilization Reserve Fund	1,031	0	0	1,031	0
Rainy Day Reserve Fund	175	0	0	175	0
Contingency Reserve Fund	21	0	0	21	0
Community Projects Fund	96	0	(96)	0	(96)
Unsettled Prior Year Collective Bargaining	0	346	0	346	346
Reserved for Debt Reduction	36	0	0	36	0

The closing balance includes \$346 million to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms through 2010-11. The current reserve is calculated based on the pattern agreed to for the 2006-07 through 2010-11 period by the State's largest unions. In prior years, this amount has been carried in the annual spending totals. The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to decrease by \$96 million, reflecting the proposed repeal of a scheduled \$85 million deposit, elimination of the fund, and final spend-down of the balance.

