

# Financial Plan Summary

## Historic Reforms

When Governor Cuomo took office on January 1, 2011, the State faced a budget gap of \$10 billion in 2011-12 that grew to nearly \$15 billion in 2012-13 — a combined imbalance of nearly \$25 billion. The imbalance represented the difference between projected disbursements to maintain current service levels and other commitments, and the expected level of resources to pay for them.

The historic, on-time budget approved by the Governor and Legislature on March 31, 2011 eliminated the entire \$10 billion imbalance and significantly reduced the budget gap for 2012-13 to \$3.5 billion, based on current projections. The two-year combined budget gap has declined by over 86 percent from the level it stood at when Governor Cuomo took office. The following table summarizes the impact of the 2011-12 budget on the State's budget gaps for 2011-12 and 2012-13.

	SIZE OF BUDGET GAPS (\$ Mil)		
	2011-12	2012-13	Two-Year
<b>Before 2011-12 Budget</b>	<b>10,000</b>	<b>14,945</b>	<b>24,945</b>
<b>Current Estimate</b>	<b>-</b>	<b>3,500</b>	<b>3,500</b>
<b>\$ Reduction</b>	<b>10,000</b>	<b>11,445</b>	<b>21,445</b>
<b>% Reduction</b>			<b>86%</b>

## A Responsible Gap-Closing Plan

Governor Cuomo's Executive Budget for 2012-13 continues the reformation of State finances that began with the Budget for 2011-12. The Executive Budget eliminates the General Fund budget gap of \$3.5 billion in 2012-13 and substantially lowers the budget gaps projected in future years. The following table summarizes the multi-year impact of the Executive Budget gap-closing plan.

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GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)				
	FY 2013	FY 2014	FY 2015	FY 2016 <sup>1</sup>
<b>REVISED GAPS</b>	<b>(3,500)</b>	<b>(3,624)</b>	<b>(5,044)</b>	<b>(4,246)</b>
<b>FY 2013 Executive Budget Proposals</b>	<b>3,500</b>	<b>2,909</b>	<b>2,070</b>	<b>525</b>
Spending Control (net of adds)	1,964	1,506	1,435	1,250
Agency Operations	1,141	1,089	842	861
Local Assistance	756	580	779	660
Debt Management	140	0	0	0
New Initiatives	(73)	(163)	(186)	(271)
Tax Reform	1,536	1,702	1,033	(178)
Tax Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Tax Credits/Other Initiatives	(145)	(82)	(52)	(7)
New Costs	0	(299)	(398)	(547)
Child Care Preservation	(93)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Additional Pension Payment	0	(80)	(70)	(61)
All Other	93	96	87	29
<b>EXECUTIVE BUDGET SURPLUS/(GAPS)</b>	<b>0</b>	<b>(715)</b>	<b>(2,974)</b>	<b>(3,721)</b>

<sup>1</sup> Gap estimate for FY 2016 is published for the first time with this FY 2013 Executive Budget.

## Highlights

- The gap-closing plan consists of \$2 billion in savings by controlling State spending and \$1.5 billion in new resources from tax reform. It includes no borrowing for operating expenses, no new taxes or other fiscal gimmicks.
- State agency savings (\$1.14 billion) build on redesign and cost-control efforts initiated in 2011-12. These include further reductions in State agency operations through strict controls on attrition and hiring; enterprise-wide consolidation of procurement, information technology, and workforce management functions; and a range of operational measures to improve efficiency. The total cost of agency operations, which consists of personal service, fringe benefits, and non-personal services costs, is estimated at \$23.5 billion in 2012-13, a decrease of 0.4 percent from estimated 2011-12 levels.

- The key savings proposals in local assistance (\$756 million) widen the scope of reforms begun in 2011-12, targeting automatic spending increases that are unrelated to performance or actual costs. The most significant proposal would eliminate automatic “cost of living” increases and trend factors in 2012-13 for all health and human service providers, and grant all future increases, starting in 2013-14, through a rational, performance-based awards system. Other savings include continued programmatic, auditing, and financial reviews, elimination of inefficient subsidies, enhanced review of claims-based data, and other measures. Disbursements for local assistance are projected to total \$59.1 billion in 2012-13, an annual increase of 2.6 percent.
- The Executive Budget honors the two-year commitment made in 2011-12 to fund School Aid (on a school year basis) at a level consistent with the growth in NYS personal income and Medicaid at the long-term average growth in the medical component of the Consumer Price Index (CPI). In 2012-13, State funding for both programs increases by approximately 4 percent from 2011-12.
- The tax reform package approved in December 2011 will generate an estimated \$1.5 billion in net resources to help close the budget gap. The tax code changes are expected to provide \$1.9 billion in additional receipts in 2012-13. Of this amount, approximately \$250 million will be used to mitigate the impact of the law changes on the MTA and \$145 million will be used for tax credits and employment initiatives. There are no new taxes or fees in the budget.
- The gap-closing plan provides sufficient resources to cover essential new costs, including State funding to maintain 19,000 child-care slots for working families that would otherwise be lost due to a reduction in Federal aid.

## Reducing the Structural Gap

After reflecting the proposals in the Executive Budget, the budget gap in 2013-14 is projected at \$715 million, the lowest “first out-year” budget gap, measured in absolute dollars, in two decades. The 2013-14 gap is equal to approximately 1.2 percent of projected General Fund receipts. By comparison, the gap that needed to be closed in 2011-12 equaled nearly 18 percent of expected receipts.

	SIZE OF BUDGET GAPS (\$ Mil)		
	2012-13	2013-14	Two-Year
<b>Before 2012-13 Budget Proposal</b>	<b>3,500</b>	<b>3,624</b>	<b>7,124</b>
<b>After 2012-13 Budget Proposal</b>	<b>-</b>	<b>715</b>	<b>715</b>
<b>\$ Reduction</b>	<b>3,500</b>	<b>2,909</b>	<b>6,409</b>
<b>% Reduction</b>			<b>90%</b>

## Controlling Spending

If enacted as proposed, the Executive Budget would hold annual spending growth in State Operating Funds to 1.9 percent. All Funds spending would decline by \$225 million from the level estimated for 2011-12. All Funds spending in 2012-13 is expected to be \$2.3 billion (-1.7 percent) below actual spending in 2010-11, the most recent budget enacted before Governor Cuomo took office.

TOTAL DISBURSEMENTS (millions of dollars)							
	FY 2012 Revised	FY 2013 Base	Before Actions		FY 2013 Proposed	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
<b>State Operating Funds</b>	<b>87,048</b>	<b>90,770</b>	<b>3,722</b>	<b>4.3%</b>	<b>88,734</b>	<b>1,686</b>	<b>1.9%</b>
General Fund (excluding transfers)	50,787	53,107	2,320	4.6%	51,425	638	1.3%
Other State Funds	30,328	31,301	973	3.2%	31,113	785	2.6%
Debt Service Funds	5,933	6,362	429	7.2%	6,196	263	4.4%
<b>All Governmental Funds</b>	<b>132,735</b>	<b>131,908</b>	<b>(827)</b>	<b>-0.6%</b>	<b>132,510</b>	<b>(225)</b>	<b>-0.2%</b>
State Operating Funds	87,048	90,770	3,722	4.3%	88,734	1,686	1.9%
Capital Projects Funds	8,078	7,299	(779)	-9.6%	7,844	(234)	-2.9%
Federal Operating Funds	37,609	33,839	(3,770)	-10.0%	35,932	(1,677)	-4.5%
<b>General Fund, including Transfers</b>	<b>56,915</b>	<b>59,794</b>	<b>2,879</b>	<b>5.1%</b>	<b>58,592</b>	<b>1,677</b>	<b>2.9%</b>
<b>State Funds</b>	<b>93,288</b>	<b>96,504</b>	<b>3,216</b>	<b>3.4%</b>	<b>94,795</b>	<b>1,507</b>	<b>1.6%</b>