

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 |
| Before 2011-12 Budget | 10,000 | 14,945 | 24,945 |
| Current Estimate | - | 3,500 | 3,500 |
| \$ Reduction | 10,000 | 11,445 | 21,445 |
| % Reduction | | | 86% |

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 ¹ |
| REVISED GAPS | (3,500) | (3,624) | (5,044) | (4,246) |
| FY 2013 Executive Budget Proposals | 3,500 | 2,909 | 2,070 | 525 |
| 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 |
| EXECUTIVE BUDGET SURPLUS/(GAPS) | 0 | (715) | (2,974) | (3,721) |

¹ 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 |
| Before 2012-13 Budget Proposal | 3,500 | 3,624 | 7,124 |
| After 2012-13 Budget Proposal | - | 715 | 715 |
| \$ Reduction | 3,500 | 2,909 | 6,409 |
| % Reduction | | | 90% |

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 |
| State Operating Funds | 87,048 | 90,770 | 3,722 | 4.3% | 88,734 | 1,686 | 1.9% |
| 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% |
| All Governmental Funds | 132,735 | 131,908 | (827) | -0.6% | 132,510 | (225) | -0.2% |
| 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% |
| General Fund, including Transfers | 56,915 | 59,794 | 2,879 | 5.1% | 58,592 | 1,677 | 2.9% |
| State Funds | 93,288 | 96,504 | 3,216 | 3.4% | 94,795 | 1,507 | 1.6% |