

Financial Plan Summary

Historic Reforms

When Governor Cuomo took office on January 1, 2011, the State faced multi-year budget gaps totaling nearly \$86 billion through 2015-16. 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 budgets approved by the Governor and Legislature on March 31, 2011, and March 30, 2012, significantly reduced the imbalances, bringing the multi-year budget gaps to under \$11 billion, based on current estimates. The following table summarizes the impact of the last two budgets on the State's multi-year budget gaps. Even before reflecting the impact of this year's Executive Budget proposal, the combined budget gap has declined by nearly 90 percent. The gaps have been closed by fundamental reforms to the State's spending habits, not fiscal gimmicks.

Size of Budget Gaps (\$ in Bil)						
	2011-12	2012-13	2013-14	2014-15	2015-16	Total
January 2011	10.0	14.9	17.4	20.9	22.5	85.7
Current Est. -- Before Exec 2013-14	0.0	0.0	1.35	4.0	5.2	10.6
\$ Reduction	10.0	14.9	16.1	16.9	17.3	75.2
Cumulative % Reduction			97%			88%

A Responsible Gap-Closing Plan

Governor Cuomo's Executive Budget for 2013-14 continues the reformation of State finances. The Executive Budget eliminates the General Fund budget gap of \$1.35 billion in 2013-14 and further lowers the budget gaps projected in future years. The following table summarizes the multi-year impact of the Executive Budget.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET (millions of dollars)				
	2013-14	2014-15	2015-16	2016-17
REVISED SURPLUS/(GAPS) BEFORE ACTIONS	(1,352)	(3,979)	(5,201)	(5,663)
FY 2014 Executive Budget Proposals	1,352	2,026	1,642	1,199
Spending Control	974	798	711	724
Agency Operations	434	434	443	480
Local Assistance	412	298	268	244
Debt Management	128	66	0	0
Extenders	331	671	671	408
Other Resources	47	557	260	67
BUDGET SURPLUS/(GAPS) AFTER ACTIONS	0	(1,953)	(3,559)	(4,464)

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- Consistent with the Governor's approach in balancing his first two budgets, which emphasized spending restraint, the gap-closing plan for 2013-14 includes \$974 million in savings from controlling State spending. The savings, after the investments described below, hold the growth in State spending to under two percent.
- Ongoing State agency redesign and cost-control efforts account for \$434 million of the savings from spending control. These include reductions in State agency operations through closures and consolidations of facilities to reduce excess capacity; 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 State cost of agency operations, which consists of personal service, non-personal services costs, and fringe benefits, is estimated at \$24.8 billion in 2013-14, unchanged from estimated 2012-13 levels. By comparison, when the Governor took office, spending for State agencies in 2013-14 was expected to total \$26.7 billion, over \$1.9 billion higher than the 2013-14 Executive Budget recommendation.
- Local assistance savings total \$412 million. The most significant proposal would defer automatic "cost of living" increases and trend factors in 2013-14 for all health and human service providers. Other savings include continued programmatic, auditing, and financial reviews; elimination of inefficient subsidies; program consolidations; enhanced review of claims-based data; and other measures. Disbursements for local assistance are projected to total \$60 billion in 2013-14, an annual increase of 2.3 percent.
- The Executive Budget honors the commitment, first made in 2012, to fund School Aid (on a school-year basis) at a level consistent with the growth in NYS personal income and to fund Medicaid at the long-term average growth in the medical component of the Consumer Price Index (CPI).
- Stable government requires a stable, predictable tax code. Accordingly, the budget proposes extending a number of expiring laws that affect the Financial Plan. Extenders are proposed for, among other things, the existing limits on charitable deductions for taxpayers with income above \$10 million, the Medicaid provider assessment, the waste tire fee, the Historic Commercial Properties Rehabilitation credit and the New York Film Production credit.
- With State finances steadied, New York has the means to target new spending within affordable limits to promote the economic recovery and, equally important, to prevent the imposition of new burdens on State taxpayers. The 2013-14 Executive Budget includes funding for, among other things, certain expenses of the NYS Thruway Authority, thereby preventing the need for a sizeable toll increase on commercial vehicles. The Budget also includes funding for new capital commitments essential to maintain the State's core assets, expand economic development, and fund transformative capital projects; a deposit to the reserve for debt reduction; and one-time fiscal stabilization aid for school districts dealing with rapid growth in fixed costs, including pensions.
- The Budget also includes legislation to reform the State's complex and inefficient Workers' Compensation System. As a byproduct of reform, the State Insurance Fund (SIF), a State agency that provides Workers' Compensation insurance, will release reserves no longer needed to fund

future liabilities. The Budget uses the released reserves prudently over four years to pay for new capital projects with cash rather than with debt, maintain Workers' Compensation rates at stable levels, finance the deposit to the debt reduction reserve, and meet other Financial Plan needs.

Reducing the Structural Gap

For perspective, the budget gap for 2013-14 that is closed by this Executive Budget totals \$1.35 billion, equal to approximately 1.6 percent of projected State Operating Funds receipts. By comparison, the gap that needed to be closed with Governor Cuomo's first Executive Budget in 2011-12 equaled over 12 percent of expected receipts.

Controlling Spending

The Executive Budget holds annual spending growth in State Operating Funds to 1.6 percent. All Funds spending increases by 1.9 percent from the level estimated for 2012-13.

TOTAL DISBURSEMENTS (millions of dollars)							
	2012-13 Current	2013-14 Current Services	Annual Chg. Before Actions		2013-14 Proposed	Annual Chg. After Actions	
			Dollar	Percent		Dollar	Percent
State Operating Funds	89,431	91,926	2,495	2.8%	90,841	1,410	1.6%
General Fund*	52,459	53,878	1,419	2.7%	53,257	798	1.5%
Other State Funds	30,966	31,788	822	2.7%	31,528	562	1.8%
Debt Service Funds	6,006	6,260	254	4.2%	6,056	50	0.8%
All Governmental Funds	133,952	137,094	3,142	2.3%	136,452	2,500	1.9%
State Operating Funds	89,431	91,926	2,495	2.8%	90,841	1,410	1.6%
Capital Projects Funds	8,025	7,834	(191)	-2.4%	8,197	172	2.1%
Federal Operating Funds**	36,496	37,334	838	2.3%	37,414	918	2.5%
Extraordinary Federal Aid	1,500	6,142	4,642	309.5%	6,142	4,642	309.5%

* Excludes Transfers

** Excludes Federal disaster assistance for Superstorm Sandy and the Affordable Care Act.