I. Economic Overview
II. Financial Plan Summary
III. Reforms
I. Economic Overview
Weak Economic Outlook Due to Fiscal Drag

GDP Forecast for 2013

Percent change

Note: DOB does not revise its forecast every month.
Source: Global Insight; Macroeconomic Advisors; Blue Chip; DOB staff estimates.
Source: NYS Department of Labor; DOB staff estimates.
Source: Moody’s Analytics.
## Revenue Growth

### 2013-14 All Funds Taxes Annual Growth
Executive Budget as Amended

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>$ Growth</td>
</tr>
<tr>
<td>Personal Income Taxes</td>
<td>42,421</td>
<td>2,295</td>
</tr>
<tr>
<td>User Taxes and Fees</td>
<td>15,167</td>
<td>537</td>
</tr>
<tr>
<td>Business Taxes</td>
<td>8,460</td>
<td>279</td>
</tr>
<tr>
<td>Other Taxes*</td>
<td>3,058</td>
<td>72</td>
</tr>
<tr>
<td>Total Taxes</td>
<td>69,106</td>
<td>3,183</td>
</tr>
</tbody>
</table>

*Note that Other Taxes includes Payroll Tax receipts*
II. Financial Plan Summary
State Operating Funds
2013-14 Executive Budget - $89.8 Billion

Where it Comes From
- Taxes 78%
- Misc Receipts/Other 22%

Where it Goes
- Medicaid (All Agencies)* 24%
- Other Local Assistance 24%
- School Aid 23%
- Agency Operations 23%
- Debt Service 6%

* Includes local assistance, state operations and fringe benefits.
2013-14 Executive Budget Overview

- Budget gap for 2013-14 is $1.35 billion – 1.6 percent of State Operating Funds receipts

- Budget actions close the gap and finance proposed initiatives
  - Over $1.1 billion in proposals to control spending
  - Roughly $330 million in proposals to extend a number of expiring laws that affect the Financial Plan
  - Total State Operating Funds spending growth is held to 0.23%
    - Local aid grows at 0.84%
    - Agency operations is flat

- Budget leaves a 2015 gap of $2.1 billion, equal to 2.4% of projected State Operating Funds receipts -- by comparison, the 2012 gap equaled 12.2% of receipts
Current Financial Projections (After Actions) Comparison to Initial Projections (Jan. 2011)

(in Billions)

- **Initial Baseline State Spending (Jan. 2011)**
- **Proposed State Spending**
- **Available Resources**

Combined General Fund Gaps Reduced by 93 percent -- From nearly $87B to $6B (through 2016)
## Annual Growth: Before and After Executive Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>BEFORE</th>
<th>AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Assistance</td>
<td>3.1%</td>
<td>0.84%</td>
</tr>
<tr>
<td>Agency Operations</td>
<td>1.4%</td>
<td>0%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>5.2%</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Total State Operating Funds</td>
<td>2.8%</td>
<td>0.23%</td>
</tr>
<tr>
<td>Federal Operating Aid *</td>
<td>2.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Total All Governmental Funds *</td>
<td>2.3%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

*All Funds and Federal Operating Aid spending excludes Federal disaster aid for Superstorm Sandy ($1.5 B in FY 2013 and $5.1 B in FY 2014, and additional Federal aid under the Affordable Care Act ($1.0 billion in FY 2014).*
Shares of Gap-Closing Plan for 2013-14
Dollars in Millions

- Spending Control: 72%
- Extenders: 25%
- Other: 3%
III. Reforms
Capital Planning Reform

- First ever 10-year comprehensive Statewide Capital Plan
- New York Works and Regional Economic Development Councils
- Inefficient bonding practices, such as borrowing to finance vehicles, have been stopped
- Total capital budget, $9.8 billion, up 1 percent from 2012-13
- Debt Service, $6 billion, up 1 percent from 2012-13
• Assuming new commitments, capital investments in FY 2014 remain at peak levels -- reflecting $1.7 billion of stimulus acceleration and first spending under new plan.

• Capital spending would then remain above $9.7 billion annually thru FY 2016, based on current commitment/disbursement patterns.

• Current commitment estimates do not include potential new Federal aid that may be approved as part of the Sandy recovery request. To the extent federal aid becomes available, State commitments can be reduced or redirected to other purposes.
Improving Debt Administration

Institute a New Sales Tax Revenue Bond Credit to Reduce Interest Costs and Streamline Debt Issuance

- Eliminate approximately 20 lower-rated, costly bonding programs by implementing a new, highly-rated Sales Tax Credit.
- Relieve supply pressure from the State’s PIT bonding program without adding additional debt.
- The State would continue to live within its debt cap limits and all bonding programs are subject to the caps.

Create New, Distinct SUNY Dorms Credit to Meet Program Needs

- The SUNY Dorms credit is fully supported by student dorm rentals, with no reliance on State tax revenue.
- Restructuring this existing credit would enable the “new” debt to be exempt from the State’s debt caps, and allow SUNY to expand its dorm program to meet the current need.
Reorganizing and Reimagining Government

• Improve DMV Customer Service
• Restructure New York Employment Services System to serve as a statewide case management system for services to veterans
• Merge existing agencies to focus on an enterprise-wide, strategic approach to managing the workforce
• Create single State Employee Workforce Development Center
• Revitalize the State Workforce Investment Board that oversees the Federal Workforce Investment Act program
• Consolidate Health Insurance Purchasing
• Streamline Medicaid Administration
• Streamline Affordable/Homeless Housing Development
• Reduce Welfare Fraud
• Coordinate and Consolidate Labs for Better Health
• Consolidate Print Shop Functions and Warehouse Functions
Pension Cost Increases
Teachers’ Retirement System

- Excludes school districts’ ERS costs.
- School districts represent 94% of TRS salary base.
Stable Pension Contribution Option

- Bridge to long-term savings of Tier VI

- Locals/schools would remain with the stable rate option for a period of years determined by the Comptroller and TRS as needed to achieve full funding

- The stable rate would NOT be available to State Government or Public Authorities

- This method ensures adequacy of pension system funding

<table>
<thead>
<tr>
<th>City</th>
<th>First Year Savings</th>
<th>As a Percent of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syracuse</td>
<td>$12 M</td>
<td>4.0%</td>
</tr>
<tr>
<td>Rochester</td>
<td>$21 M</td>
<td>5.6%</td>
</tr>
<tr>
<td>Buffalo</td>
<td>$19 M</td>
<td>5.0%</td>
</tr>
<tr>
<td>Yonkers</td>
<td>$21 M</td>
<td>4.7%</td>
</tr>
<tr>
<td>Albany</td>
<td>$8 M</td>
<td>4.7%</td>
</tr>
</tbody>
</table>
Pre-School Special Education Reforms

State costs have doubled over the past ten years
Funding shares are 59.5 percent State and 40.5 percent county

Problem: 2013-14 spending had been projected to grow statewide by 8 percent, with New York City (10 percent) growing at double the rate of the rest of the State (5 percent)

Executive Budget recommendations to control growth:

- Empower New York City to implement a process to select providers and to set provider rates
- Conduct a large-scale audit of pre-school education providers
- Develop and implement a fiscal integrity tool
- Build counties’ capacity to oversee providers
- Incentivize counties to conduct their own oversight of providers
Executive Budget includes a two-year School Aid appropriation: 2014-15 school year total: $21.5 billion, 3.3 percent growth ($687 million)
Progressive Distribution of 2013-14 Allocated Increase in School Aid ($550M)

2013-14 Executive Budget Formula-Based School Aid Per Pupil*

<table>
<thead>
<tr>
<th>Wealth Decile</th>
<th>School Aid Per-Pupil</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$13,621</td>
</tr>
<tr>
<td>2</td>
<td>$11,528</td>
</tr>
<tr>
<td>3</td>
<td>$10,691</td>
</tr>
<tr>
<td>4</td>
<td>$9,456</td>
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<tr>
<td>5</td>
<td>$7,238</td>
</tr>
<tr>
<td>6</td>
<td>$6,996</td>
</tr>
<tr>
<td>7</td>
<td>$5,861</td>
</tr>
<tr>
<td>NYC</td>
<td>$7,824</td>
</tr>
<tr>
<td>8</td>
<td>$4,442</td>
</tr>
<tr>
<td>9</td>
<td>$2,928</td>
</tr>
<tr>
<td>10</td>
<td>$1,656</td>
</tr>
</tbody>
</table>

Statewide Average: $7,551

* This aid does not include any funds that will be distributed via the $203 million Fiscal Stabilization Fund, the $50 million in the Governor's competitive grants or the $75 million in State of the State/Education Reform initiatives. These three sources represent 37 percent of the statewide year-to-year education aid increase in the Executive Budget.
2013-14
Executive Budget & Management Plan
Governor Andrew M. Cuomo

Robert L. Megna, Director of the Budget
March 3, 2013