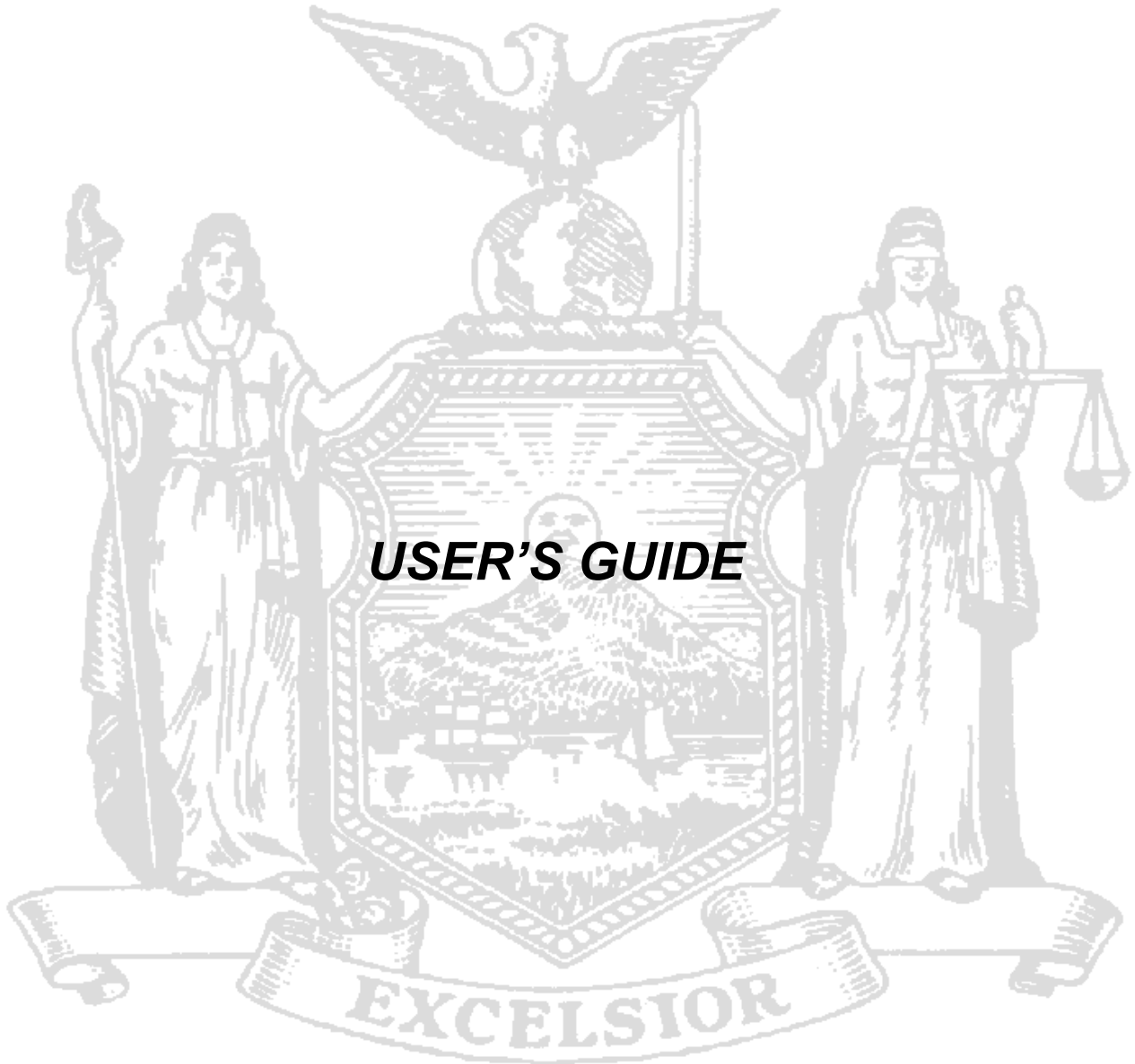


***PART V***



***USER'S GUIDE***



## **USER'S GUIDE**

The “User’s Guide” provides an explanation of how to use the Executive Budget documents and where to find particular types of information. It also contains some “user-friendly” descriptions of State government and the budget process, a guide on how to read certain budget tables, and definitions of financial terms as included in these budget documents.

Government budget documents can be difficult to read. They contain many numbers and tend to involve technical terms and concepts. Even people with considerable government experience can be baffled by the numerous tables or find themselves uncertain about the meaning of specialized terms.

The User’s Guide attempts to overcome this problem by providing simplified, nontechnical explanations and a description of how to use the budget documents. The User’s Guide contains the following sections:

- The Executive Budget Documents
- The Structure of State Government
- The Budget Process
- Guide to the Tables
- Financial Terminology

## **THE EXECUTIVE BUDGET DOCUMENTS**

The 2008-09 Executive Budget is presented in five volumes. The first volume, *Briefing Book*, contains the Budget Director's Message which presents the Governor's fiscal blueprint for 2008-09. It also includes highlights of major initiatives and a list of legislative proposals needed to implement the proposed Budget. This document also presents tables summarizing significant changes in agency spending.

The *Five-Year Financial Plan* summarizes the Governor's Executive Budget and describes the "complete plan" of spending and revenues required by the Constitution.

The *Economic and Revenue Outlook* explains the specific sources of State revenues (including the economic outlook for the nation and the State).

The fourth book presents the *Five-Year Capital Program and Financing Plan*, which highlights major capital initiatives and objectives, and describes the approach to financing.

Finally, the *Agency Presentations* volume describes the functions of each State agency and presents tables that summarize the agency's spending by program and category. A "User's Guide" provides background information on State government and the budget process, and explains how to interpret the agency "story" tables. This book also includes the budget requests of the Legislature and Judiciary, which are submitted without revision as required by the Constitution.

A statutorily-required *Tax Expenditure Report* is published separately, shortly after the formal submission of the Budget.

It should be noted that this User's Guide describes only the "official" budget publications. Other documents such as press releases and publicly released briefing materials may also be of help to those seeking to understand the budget. This information will be posted on the Division of the Budget's website as soon as it is available.

## **THE STRUCTURE OF STATE GOVERNMENT**

The Executive Budget focuses on the programs and finances of State government. It should be kept in mind, however, that government in New York State also includes the governments of 62 counties (five of which are the five boroughs of New York City), 62 cities (including New York City), 932 towns and 554 villages. In addition, the State is divided into 703 school districts, including New York City.

Organizationally, the State follows the classic pattern of American government, with three independent branches. The legislative branch consists of a bicameral Legislature — a Senate of 62 members and an Assembly of 150 members. The judicial branch includes trial courts and appellate courts ranging from town and village courts to the State's highest court — the Court of Appeals. The Judiciary functions under a Unified Court System whose organization, administration and financing are prescribed by the State Constitution and the Unified Court Budget Act.

The executive branch of New York State government consists of 20 departments, the maximum number allowed under a constitutional ceiling. The limitation on the number of departments is traceable to the constitutional reforms of the mid-1920s which sought to make government more manageable by eliminating most of the independently elected executive officers and by inhibiting the creation of new departments. Although there have been several interim changes since the 1920s, in 1961 the maximum number of departments was set at 20, which at the present time are the following:

|                            |                      |
|----------------------------|----------------------|
| Agriculture and Markets    | Health               |
| Audit and Control          | Insurance            |
| Banking                    | Labor                |
| Civil Service              | Law                  |
| Correctional Services      | Mental Hygiene       |
| Economic Development       | Motor Vehicles       |
| Education                  | Public Service       |
| Environmental Conservation | State                |
| Executive                  | Taxation and Finance |
| Family Assistance          | Transportation       |

To accommodate governmental functions added since the 1920s within the limit established by the Constitution, additional agencies have been created within the Executive Department. At the time of the 1920s reorganization, this Department, headed by the Governor, consisted solely of such core functions as budgeting, central purchasing, State police, and military and naval affairs. However, over the years, as the State took on new responsibilities that did not fit logically into the framework of one of the other departments, the entities charged with providing those services became divisions or offices of the Executive Department.

New York grants its Governor a comparatively broad range of executive power. Only two officers, in addition to the Governor and Lieutenant Governor (who are elected on a joint ballot), are directly elected by the people of the State: the State Comptroller, who heads the Department of Audit and Control, and the Attorney General, who heads the Department of Law. With a handful of exceptions, the Governor appoints the heads of all other departments and agencies of the executive branch.

## ***USER'S GUIDE***

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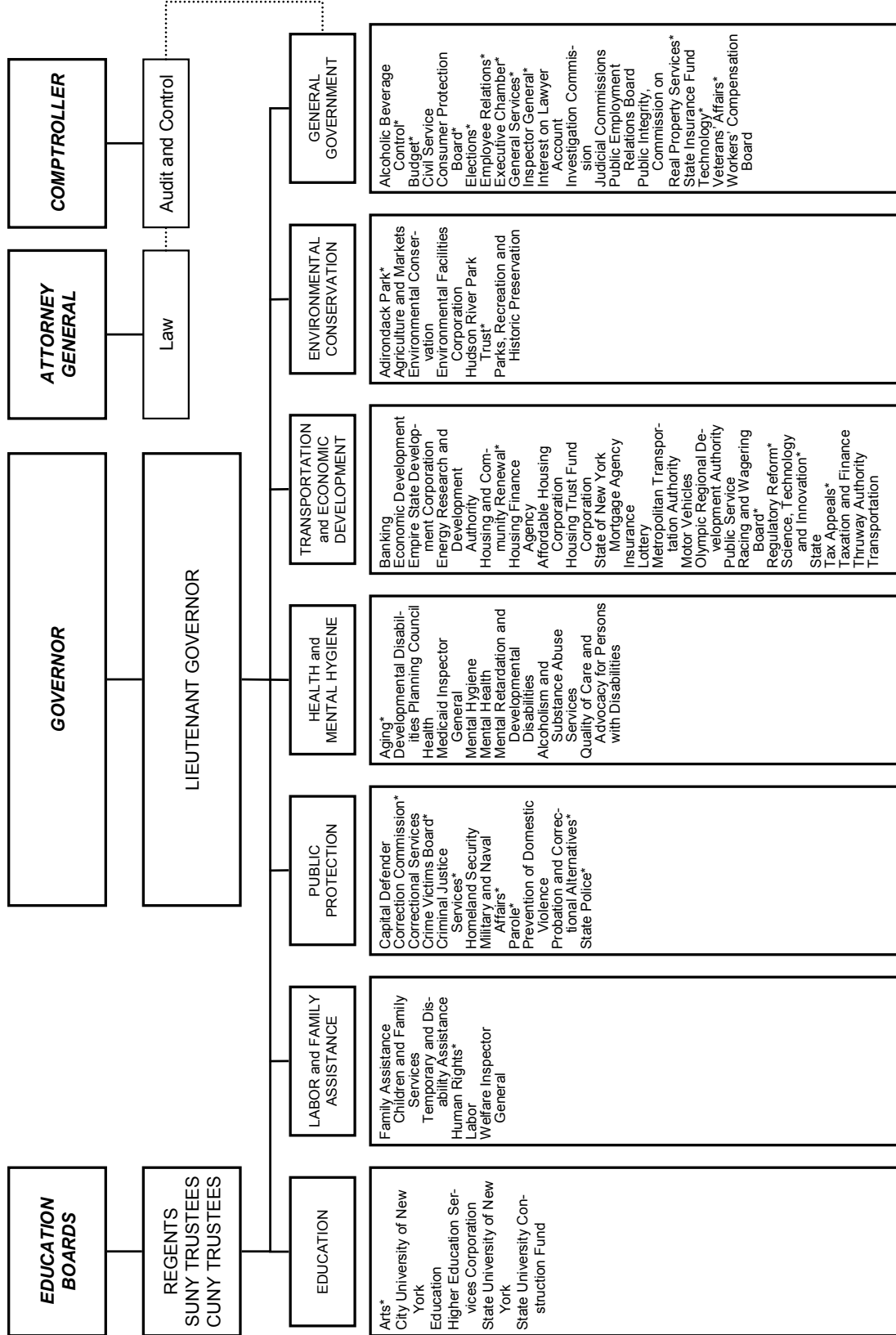
The exceptions include the Commissioner of the State Education Department, who is appointed by, and serves at the pleasure of, the State Board of Regents. The State University of New York (SUNY) Chancellor and the City University of New York (CUNY) Chancellor are appointed by the Board of Trustees of each system.

The departments and agencies whose heads report to the Governor are separate and distinct from one another. Conceptually, however, one may think of each department, board, commission, office or other entity as operating within the context of one of seven major functional areas.

An organization chart of the executive branch by functional areas is displayed on the following page. This chart depicts the current structure of the executive branch.

FUNCTIONAL DISTRIBUTION OF STATE AGENCIES IN THE EXECUTIVE BRANCH

January 1, 2008



\* Indicates agencies within the Executive Department

## **THE BUDGET PROCESS**

New York State's budget process uses an executive budget model. Under this system, the Executive is responsible for developing and preparing a comprehensive, balanced budget proposal, which the Legislature modifies and enacts into law. The Governor is required by the State Constitution to seek and coordinate requests from agencies of State government, develop a "complete" plan of proposed expenditures and the revenues available to support them (a "balanced budget"), and submit a budget to the Legislature along with the appropriation bills and other legislation required to carry out budgetary recommendations. The Governor is also required by the State Finance Law to manage the budget through administrative actions during the fiscal year.

The State's fiscal year begins April 1 and ends on March 31. However, the actual "budget cycle," representing the time between early budget preparation and last-minute disbursements, begins some nine months earlier and lasts approximately 27 months — until the expiration of the State Comptroller's authority to honor vouchers against the previous fiscal year's appropriations.

### **AGENCY BUDGET PREPARATION (JUNE–SEPTEMBER/OCTOBER)**

Preparation of budget requests varies among agencies reflecting their size, complexity and internal practice. Typically, budget development begins at the program or subdepartmental level, with staff preparing individual program requests. The head of the agency or its top fiscal officer may hold internal hearings at which program managers outline their budgetary needs.

Although agencies begin to analyze their budget needs as early as May or June, the formal budget cycle begins when the Budget Director issues a policy memorandum — the "call letter" — to agency heads. The call letter outlines, in general terms, the Governor's priorities for the coming year, alerts the agency heads to expected fiscal constraints and informs agencies of the schedule for submitting requests to the Division of the Budget. The call letter signals the official start of the budget process.

By early-mid fall, the final program package is assembled, guided by the instructions set forth by the Division of the Budget in the Budget Request Manual; reviewed for consistency with the call letter; and approved by the agency head.

### **DIVISION OF THE BUDGET REVIEW (SEPTEMBER/OCTOBER–DECEMBER)**

In accordance with the schedule outlined in the call letter, agencies typically submit their budget requests to the Division of the Budget in early-mid fall, with copies provided to the legislative fiscal committees. Examination units within the Division then analyze the requests of the agencies for which they have responsibility. Examiners may seek additional information from the agencies and may hold informal hearings or meetings with agency management to clarify agency requests and seek a more precise definition of agency priorities. By the end of October, examination units have also usually determined funding requirements to continue agency programs at current levels in the new year.

In November, the Budget Director conducts constitutionally authorized "formal" budget hearings, giving agency heads an opportunity to present and discuss their budget requests and giving the staff of the Division of the Budget and the Governor's office an opportunity to raise critical questions on program, policy and priorities. As provided in the Constitution, representatives of the Legislature also participate in the hearings.



Pursuant to the State Finance Law and to help expedite the budget process, legislative and Executive staffs meet in early November to discuss the economic outlook, revenue forecasts, projected spending, the impact of State and Federal statutes, and any other relevant issues. Through late November, the Division's examiners transform agency requests into preliminary budget and personnel recommendations which are reviewed in detail with the Director. The staff also prepare the appropriation bills and any other legislation required to carry out these recommendations. Concurrently, the Division of the Budget's fiscal planning staff is reassessing economic projections, investigating possible changes in the revenue structure, analyzing trends in Federal funding, and preparing the Financial Plan that describes and forecasts the State's fiscal condition. The Financial Plan is prepared both on a cash basis and according to Generally Accepted Accounting Principles (GAAP).

By early December, the Division of the Budget will normally have completed its preliminary recommendations on both revenues and expenditures, and presented them to the Governor and the Governor's staff. Budget staff then prepare the tables and the narrative (the "budget story") that accompany each agency budget, and the descriptions and forecasts of individual revenue sources.

### ***THE GOVERNOR'S DECISIONS (NOVEMBER–JANUARY)***

The Governor and Executive Chamber staff, who are also preparing the annual "State of the State" Message to the Legislature (which the Governor presents to the Legislature when it convenes in January), are conversant with the budget throughout its development. The Governor is kept up-to-date on changing economic and revenue forecasts and confirms that Executive program priorities are accurately reflected in the budget. Based on the preliminary recommendations and the most current reading of the economic and fiscal environment, the final Executive Budget recommendations are formulated in a series of meetings between Division of the Budget staff and the Governor and his staff. These sessions focus on major fiscal and policy issues and may lead to significant revisions in agency budgets.

### ***LEGISLATIVE ACTION (JANUARY–MARCH)***

Typically by mid-January or earlier — or, following a gubernatorial election year, by February 1 — the Governor submits the Executive Budget to the Legislature, along with the related appropriation, revenue and other budget bills. The State's five-year Financial Plan, Five-Year Capital Program and Financing Plan, and financial information supporting the Executive Budget are also submitted with the Executive Budget. The Executive Budget documents are available on the Division of the Budget's web site: <http://www.budget.state.ny.us/>.

The Legislature, primarily through its fiscal committees — Senate Finance and Assembly Ways and Means — analyzes the Executive spending proposals and revenue estimates, holds public hearings on major programs and seeks further information from the staffs of the Division of the Budget and other State agencies. Following that review, the Legislature acts on the appropriation bills submitted with the Executive Budget to reflect its decisions.

Under budget reform legislation passed in 2007, the Legislature is required to follow a Conference Committee process to organize its deliberations, set priorities and reach agreement on a Budget between the two houses. In addition, the State Finance Law

requires that the Executive and Legislature convene a consensus economic and revenue forecasting conference and issue a consensus report on tax, lottery and miscellaneous receipts on or before March 1. If the parties fail to reach consensus, the Comptroller is required to issue a binding revenue forecast by March 5.

Based on their separate and joint deliberations, the two houses reach agreement on spending and revenue recommendations which are reflected in amended versions of the Governor's proposed appropriation bills and related legislation, and approved by both houses. These amended bills are available from the Senate and Assembly Document Rooms located in the Capitol and the Legislative Office Building, and on the Internet.

The appropriation bills, except for those items which were added by the Legislature and the appropriations for the Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the Legislature and Judiciary, and may use the line item veto to disapprove items added by the Legislature while approving the remainder of the bill. As provided in the Constitution, the Legislature may override the Governor's veto by a vote of two-thirds of the members of each house. The appropriation bills legally authorize the expenditure of funds during the new fiscal year.

Prior to passage of the appropriation bills, the Legislature must issue a summary of the proposed changes to the budget, to its members. The Division of the Budget is also required to prepare a report that summarizes the impact of the Legislature's actions on the State's multi-year Financial Plan. Once the Governor completes his review of the Legislature's actions, the Division then issues a comprehensive *Enacted Budget Report* that contains the State's official Financial Plan projections for the current and successive fiscal years. The Legislature must also issue a report describing appropriation changes and the effect of the enacted budget on State agency employment levels.

### ***BUDGET EXECUTION (APRIL–MARCH)***

At this point the budget process enters a new phase: budget execution. As a first step, the Division of the Budget approves "certificates of allocation" informing the State Comptroller that accounts may be established as specified in the certificates and that vouchers drawn against the accounts may be honored.

In addition, the Division of the Budget keeps a close watch throughout the year on the flow of revenue and the pattern of expenditures against its projections. This information is reflected in quarterly updates of the Financial Plan which are provided to the Legislature as required by law in April (or as soon as practicable after budget enactment), July, October and with the Executive Budget for the ensuing year (usually January). The Debt Reform Act of 2000 requires the Governor to report on the State's compliance with statutory caps placed on new debt issued after March 31, 2000; the State annually reports these findings in the Financial Plan Update most proximate to October 31. These updates serve as the basis of financial management during the fiscal year, and may alert both the Governor and the Legislature to potential problems in maintaining budget balance as the State fiscal year unfolds.

Shortly after the end of the fiscal year, the Division of the Budget issues a comprehensive report that (1) compares unaudited year-end results to the projections set forth in the enacted budget and in the final update to the Financial Plan and (2) summarizes the reasons for the annual change in receipts and disbursements.

## **A GUIDE TO THE TABLES**

One of the most daunting features of any budget document is the array of tables that accompanies each narrative. What does each table include? What is a “category”? Is it the same as a “program”? What are “all funds”? How do the tables account for transactions that have occurred during the current fiscal year and that may have changed the basis for year-to-year comparisons?

At first glance, the tables may appear to differ widely in appearance and content from one agency budget to another. Some agencies will have a limited number of programs, receive funding in only one category of appropriation — say, State Operations — and have no capital construction projects. Others may receive funding in all categories and many fund types, have a complex set of programs, and reflect numerous current-year adjustments. A closer look will reveal that the agency presentations use a uniform set of tables in an identical sequence. It should be noted, however, that some agencies may not require one or more of the set. For example, the capital projects table will not be included for an agency that has no construction program.

All or most of the following tables accompany each agency presentation. Although the titles of the tables are identical to those that appear in the agency presentations, the tables in the presentations are not numbered. The numbers of the tables (e.g., I, II,...X) have been included in this guide for ease of reference only.

- I. ALL FUNDS — APPROPRIATIONS**
- II. ALL FUND TYPES — PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM — FILLED ANNUAL SALARIED POSITIONS**
- III. STATE OPERATIONS — ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE — APPROPRIATIONS**
- IV. STATE OPERATIONS — ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM — APPROPRIATIONS**
- V. STATE OPERATIONS - GENERAL FUND — SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES — 2008-09 RECOMMENDED**
- VI. STATE OPERATIONS - GENERAL FUND — SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES — 2008-09 RECOMMENDED**
- VII. STATE OPERATIONS - OTHER THAN GENERAL FUND — SUMMARY OF APPROPRIATIONS AND CHANGES — 2008-09 RECOMMENDED**
- VIII. AID TO LOCALITIES — ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE — APPROPRIATIONS**
- IX. AID TO LOCALITIES — ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM — APPROPRIATIONS**
- X. CAPITAL PROJECTS — ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM — APPROPRIATIONS**

# USER'S GUIDE

## I. ALL FUNDS — APPROPRIATIONS

This table shows, by category, the total recommended appropriations for the next fiscal year and the appropriations available for the current fiscal year for all funds. It also shows the total of current year and prior year appropriations which have been recommended for reappropriation for all funds.

| <b>ALL FUNDS <sup>1</sup></b> |                              |   |                  |   |
|-------------------------------|------------------------------|---|------------------|---|
| <b>APPROPRIATIONS</b>         |                              |   |                  |   |
| (dollars)                     |                              |   |                  |   |
| <b>2</b>                      | <b>3</b>                     | <b>4</b>  | <b>5</b>         | <b>6</b>  |
| <b>Category</b>               | <b>Available<br/>2007-08</b> | <b>Appropriations<br/>Recommended<br/>2008-09</b> | <b>Change</b>    | <b>Reappropriations<br/>Recommended<br/>2008-09</b> |
| State Operations              | 56,951,450                   | 58,533,100  | 1,581,650        | 9,744,500   |
| Aid To Localities             | 7,405,000                    | 7,150,000   | (255,000)        | 207,285,000   |
| Capital Projects              | 9,725,000                    | 9,725,000   | 0                | 16,230,000  |
| Total                         | <u>74,081,450</u>            | <u>75,408,100</u>                                 | <u>1,326,650</u> | <u>233,259,500</u>                                  |

- <sup>1</sup> “All Funds” captures spending from all of the State’s various revenue sources, including taxes, fees, fines, Federal grants, bond proceeds, lottery proceeds, and other miscellaneous receipts. This concept includes the four fund types which comprise the Governmental Funds Financial Plan: the General Fund (the repository for the majority of State-imposed taxes and fees), Special Revenue funds (including funds earmarked for specific purposes like lottery proceeds, fishing licenses, or Federal grants), Capital Projects funds and Debt Service\* funds. Another three fund types — Internal Service funds, Enterprise funds and Fiduciary funds — are included as well.
- <sup>2</sup> There are four major categories of spending: State Operations, Aid to Localities, Capital Projects and Debt Service.
- <sup>3</sup> This column displays the appropriations available for the current fiscal year. Adjustments, such as the recommended transfer of a program or an item to another fund or agency for the next fiscal year, are included to provide for year-to-year comparability.
- <sup>4</sup> This column displays the appropriations recommended for the next fiscal year. As explained in the “Financial Terminology” section of this Guide, appropriations represent an authorization to incur spending obligations during the fiscal year, up to the specified amount. Cash payments for those obligations may occur during the fiscal year of the appropriation, or during the first part of the ensuing fiscal year.
- <sup>5</sup> This column displays the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.
- <sup>6</sup> A reappropriation is a prior-year or current-year appropriation which will not be fully spent by the end of the current fiscal year and which has been recommended for extension.

\* While funds classified as Debt Service may be included, any appropriations made specifically in the Debt Service category of spending are not included in this table. For more information about State Debt Service, please refer to Part II.

**II. ALL FUND TYPES — PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM — FILLED ANNUAL SALARIED POSITIONS**

The Projected Levels of Employment by Program table for filled, annual salaried positions is presented on a Full-Time Equivalent (FTE) basis. The table provides a point-in-time projection of filled, full-time, annual salaried positions.

In understanding the definition of FTE, it is important to note that the FTE is a unit of measure which identifies filled, full-time, annual salaried positions rather than people. The following three examples illustrate this concept:

- 1 person serving in 1 position at 100 percent time (full-time) = **1 FTE**
- 2 people sharing 1 position, each at 50 percent time (half-time) = .5 FTE + .5 FTE = **1 FTE**
- 2 people serving in 2 positions, each at 50 percent time (half-time) = .5 FTE + .5 FTE = **1 FTE**

In total, the above three examples indicate that 5 people are employed within State service, but since 4 people work half-time, only 3 FTEs are counted.

FTE's supported by funds derived from some external source (i.e., suballocations) are included within agency program fund type totals.

**ALL FUND TYPES  
PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM  
FILLED ANNUAL SALARIED POSITIONS**

| <b>1</b><br>Program             | Full-Time Equivalent Positions (FTE)              |   | <b>4</b><br>FTE Change |
|---------------------------------|---|---|------------------------|
|                                 | <b>2</b><br>2007-08<br>Estimated FTEs<br>03/31/08 | <b>3</b><br>2008-09<br>Estimated FTEs<br>03/31/09 |                        |
|                                 | Administration                                    |   |                        |
| General Fund                    | 62  | 62  | 0                      |
| Emergency Management            |   |   |                        |
| General Fund                    | 19  | 19  | 0                      |
| Special Revenue Funds - Federal | 63  | 63  | 0                      |
| Special Revenue Funds - Other   | 23  | 22  | (1)                    |
| Military Readiness              |   |   |                        |
| General Fund                    | 178   | 169   | (9)                    |
| Special Revenue Funds - Federal | 255   | 255   | 0                      |
| Special Service                 |   |   |                        |
| Special Revenue Funds - Federal | 43  | 43  | 0                      |
| Special Revenue Funds - Other   | 10  | 11  | 1                      |
| Total                           | <u>653</u>  | <u>644</u>  | <u>(9)</u>             |

**1** Each agency has a program structure which is described in its narrative presentation. Each of the agency's activities falls within a program, and each program that contains FTEs may have appropriations from one or more fund types.

**2** This column displays an estimate of FTEs on March 31, 2008 (i.e., the last day of the current fiscal year).

**3** This column displays an estimate of FTEs on March 31, 2009 (i.e., the last day of the next fiscal year).

**4** This column displays the difference between the FTE's in the current fiscal year and FTEs recommended for the next fiscal year, with negative amounts displayed in parentheses.

## USER'S GUIDE

The next five tables apply to the State Operations category. Each agency which has appropriations in this category will have some or all of these tables in its presentation.

### III. STATE OPERATIONS — ALL FUNDS REQUIREMENTS BY FUND TYPE — APPROPRIATIONS

This table shows the distribution of all appropriations within the State Operations category by fund type and shows a year-to-year comparison of the amounts available in the current fiscal year and those recommended for the next fiscal year. See the next table for a distribution by program.

| 1                                 | 2                    | 3                      | 4         |
|-----------------------------------|----------------------|------------------------|-----------|
| Fund Type                         | Available<br>2007-08 | Recommended<br>2008-09 | Change    |
| General Fund                      | 13,488,050           | 14,429,400             | 941,350   |
| Special Revenue Funds - Federal 5 | 31,515,000           | 32,812,300             | 1,297,300 |
| Special Revenue Funds - Other     | 11,396,400           | 10,719,400             | (677,000) |
| Fiduciary Funds                   | 552,000              | 572,000                | 20,000    |
| Total                             | 56,951,450           | 58,533,100             | 1,581,650 |
| Adjustments: 6                    |                      |                        |           |
| Transfer(s) From                  |                      |                        |           |
| Special Pay Bill                  |                      |                        |           |
| General Fund                      | (1,219,000)          |                        |           |
| Special Revenue Funds - Federal   | (1,308,000)          |                        |           |
| Special Revenue Funds - Other     | (202,000)            |                        |           |
| Appropriated 2007-08              | 54,222,450           |                        |           |

- 1 The State Finance Law defines and mandates the use of seven fund types. Of these, the fund types typically found in the State Operations category are General, Special Revenue, Enterprise, Internal Service and Fiduciary.
- 2 This column displays the appropriations available for the current fiscal year.
- 3 This column displays the appropriations recommended for the next fiscal year.
- 4 This column displays the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.
- 5 Because of the difference between the State's fiscal year (April 1 through March 31) and the Federal fiscal year (October 1 through September 30), appropriations of most Federal grants generally include spending from portions of two Federal fiscal years. The amounts discussed throughout the Executive Budget represent the totals of spending from different grants that are expected to occur during the State fiscal year.
- 6 Adjustments in the amounts available for the current year may occur for a number of reasons. As discussed below, they may anticipate changes that are being recommended in the budget for the new fiscal year or reflect transactions occurring during the course of the current year:
  - Most commonly, the adjustment is included to make the amounts available in the current fiscal year more comparable to those recommended for the next fiscal year. For example, if the Executive Budget is recommending that an item which has been appropriated in the current year's budget as a State Operations item be included as

an Aid to Localities item in the next fiscal year, the dollar amount of the item would be deducted from the amount available in the current year for State Operations to achieve year-to-year comparability. A similar amount would be added to the amount available this year for Aid to Localities.

- In other cases, including the example shown in the table above, the amount shown reflects an adjustment that has actually taken place during the current year. In the example, amounts were transferred to this agency from an appropriation made to “All State Departments and Agencies” which is included among the Miscellaneous appropriations elsewhere in the Executive Budget. During budget execution, such Miscellaneous All State Department and Agency appropriations (e.g., to fund a salary increase or some other across-the-board adjustment) are divided and transferred to the appropriations of individual agencies to be expended (see the explanation of “lump sum appropriations” included in the “Financial Terminology” section). The adjustments made in this case enable the reader to compare the amount actually available to the agency under this category during the current fiscal year with that appropriated by the Legislature for the year.

## USER'S GUIDE

### IV. STATE OPERATIONS — ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM — APPROPRIATIONS

This table shows the amounts available for State Operations for the current fiscal year and those that have been recommended for the next fiscal year by program and, within each program, by fund type.

| STATE OPERATIONS<br>ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM<br>APPROPRIATIONS<br>(dollars) |                      |                        |           |
|--|----------------------|------------------------|-----------|
| 1  | 2                    | 3                      | 4         |
| Program  | Available<br>2007-08 | Recommended<br>2008-09 | Change    |
| Administration   |                      |                        |           |
| General Fund   | 3,394,000            | 3,424,500              | 30,500    |
| Disaster Assistance  |                      |                        |           |
| Special Revenue Funds - Federal  | 1,456,600            | 1,680,400              | 223,800   |
| Emergency Management   |                      |                        |           |
| General Fund   | 1,032,700            | 1,267,400              | 234,700   |
| Special Revenue Funds - Federal  | 7,370,800            | 7,563,300              | 192,500   |
| Special Revenue Funds - Other  | 2,024,300            | 1,881,400              | (142,900) |
| Military Readiness   |                      |                        |           |
| General Fund   | 9,061,350            | 8,990,000              | (71,350)  |
| Special Revenue Funds - Federal  | 20,110,500           | 20,832,800             | 722,300   |
| Special Service  |                      |                        |           |
| General Fund   | 0                    | 747,500                | 747,500   |
| Special Revenue Funds - Federal  | 2,577,100            | 2,735,800              | 158,700   |
| Special Revenue Funds - Other  | 9,372,100            | 8,838,000              | (534,100) |
| Fiduciary Funds  | 552,000              | 572,000                | 20,000    |
| Total  | 56,951,450           | 58,533,100             | 1,581,650 |

- 1 Each agency has a program structure which is described in its narrative presentation. Each of the agency's activities falls within a program, and each program may have appropriations from one or more fund types.
- 2 This column displays the appropriations available for the current fiscal year.
- 3 This column displays the appropriations recommended for the next fiscal year.
- 4 This column displays the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.



**V. STATE OPERATIONS - GENERAL FUND — SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES — 2008-09 RECOMMENDED**

Personal service is one of the “major objects” of expenditure in use in New York State budgeting. This table shows the amounts recommended for personal service for each program supported from the General Fund. As discussed in the notes for this table, there are “subobjects” within personal service. The remaining major objects are discussed in the tables that follow.

**STATE OPERATIONS - GENERAL FUND  
SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES  
2008-09 RECOMMENDED  
(dollars)**

| <b>[1]<br/>Program</b> | <b>[2]<br/>Total</b> |               | <b>[3]<br/>Personal Service Regular<br/>(Annual Salaried)</b> |               |
|------------------------|----------------------|---------------|---|---------------|
|                        | <b>Amount</b>        | <b>Change</b> | <b>Amount</b>   | <b>Change</b> |
| Administration         | 3,079,100            | 20,100        | 3,062,600   | 18,600        |
| Emergency Management   | 998,900              | 122,100       | 987,900   | 121,100       |
| Military Readiness     | 7,045,300            | (409,000)     | 6,580,600   | (521,700)     |
| Special Service        | 520,500              | 520,500       | 520,500   | 520,500       |
| Total                  | 11,643,800           | 253,700       | 11,151,600  | 138,500       |

| <b>Program</b>       | <b>[4]<br/>Temporary Service<br/>(Nonannual Salaried)</b> |               | <b>[5]<br/>Holiday/Overtime Pay<br/>(Annual Salaried)</b> |               |
|----------------------|---|---------------|---|---------------|
|                      | <b>Amount</b>   | <b>Change</b> | <b>Amount</b>   | <b>Change</b> |
| Administration       | 0   | 0             | 16,500  | 1,500         |
| Emergency Management | 0   | 0             | 11,000  | 1,000         |
| Military Readiness   | 187,900   | (64,100)      | 276,800   | 176,800       |
| Special Service      | 0   | 0             | 0   | 0             |
| Total                | 187,900   | (64,100)      | 304,300   | 179,300       |

- [1]** Each agency has a program structure which is described in its narrative presentation.
- [2]** The Total columns display the sum of the amounts recommended for the “subobjects” Personal Service Regular (Annual Salaried), Temporary Service (Nonannual Salaried), and Holiday/Overtime Pay (Annual Salaried). Total Personal Service includes funding for annual-salaried personnel (see table II.) and nonannual-salaried personal service costs, and may include adjustments to account for savings expected to result from vacancies occurring throughout the year.
- [3]** The Personal Service Regular columns display the amounts recommended for the “subobject” Personal Service Regular (Annual Salaried) and the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses. The bulk of the State’s permanent work force is funded through Personal Service Regular and is generally paid on the basis of an annual salary.
- [4]** Similar to **[3]** above, these columns display the recommended and change amounts for the “subobject” Temporary Service. Temporary Service authorizes pay for employees hired on a seasonal or short-term basis who are generally paid according to an hourly wage scale, including amounts to cover holiday/overtime pay for such nonannual salaried employees.
- [5]** Similar to **[3]** above, these columns display the recommended and change amounts for the “subobject” Holiday/Overtime Pay. Holiday/Overtime Pay includes compensation for annual salaried employees eligible to receive additional payment for work performed on holidays or beyond normal duty hours. Eligibility for such payment is

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established by Civil Service Rules and Regulations and by contracts resulting from collective bargaining with employee organizations. The provisions of both the Civil Service Rules and Regulations and contracts with employee organizations must meet the standards set forth in the Federal Fair Labor Standards Act which governs State overtime policies.

**VI. STATE OPERATIONS - GENERAL FUND — SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES — 2008-09 RECOMMENDED**

Nonpersonal service is one of the four “major objects” of expenditure in use in New York State budgeting. This table shows the amounts recommended for nonpersonal service for each program supported from the General Fund. As discussed in the notes for this table, there are “subobjects” within nonpersonal service.

**STATE OPERATIONS - GENERAL FUND  
SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED  
APPROPRIATIONS AND CHANGES  
2008-09 RECOMMENDED**

|                       |           | (dollars)               |           |   |  |
|-----------------------|-----------|-------------------------|-----------|---|--|
|                       |           | <b>[2]</b><br>Total     |           | <b>[3]</b><br>Supplies and Materials    |  |
| <b>[1]</b><br>Program | Amount    | Change                  | Amount    | Change                                  |  |
| Administration        | 345,400   | 10,400                  | 46,400    | 1,400                                   |  |
| Emergency Management  | 268,500   | 112,600                 | 32,300    | 2,300                                   |  |
| Military Readiness    | 1,944,700 | 337,650                 | 171,400   | 4,600                                   |  |
| Special Service       | 227,000   | 227,000                 | 109,000   | 109,000                                 |  |
| Total                 | 2,785,600 | 687,650                 | 359,100   | 117,300                                 |  |
|                       |           | <b>[4]</b><br>Travel    |           | <b>[5]</b><br>Contractual Services      |  |
| Program               | Amount    | Change                  | Amount    | Change                                  |  |
| Administration        | 20,600    | 600                     | 268,100   | 8,100                                   |  |
| Emergency Management  | 26,500    | 600                     | 107,700   | 7,700                                   |  |
| Military Readiness    | 53,000    | 1,400                   | 1,257,200 | 331,050                                 |  |
| Special Service       | 12,000    | 12,000                  | 90,000    | 90,000                                  |  |
| Total                 | 112,100   | 14,600                  | 1,723,000 | 436,850                                 |  |
|                       |           | <b>[6]</b><br>Equipment |           | <b>[7]</b><br>Maintenance Undistributed |  |
| Program               | Amount    | Change                  | Amount    | Change                                  |  |
| Administration        | 10,300    | 300                     | 0         | 0                                       |  |
| Emergency Management  | 102,000   | 102,000                 | 0         | 0                                       |  |
| Military Readiness    | 23,100    | 600                     | 440,000   | 0                                       |  |
| Special Service       | 16,000    | 16,000                  | 0         | 0                                       |  |
| Total                 | 151,400   | 118,900                 | 440,000   | 0                                       |  |

**[1]** Each agency has a program structure which is described in its narrative presentation.

**[2]** The Total columns display the sum of the amounts recommended for the “subobjects” Supplies and Materials, Travel, Contractual Services, Equipment and Maintenance Undistributed and the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.

**[3]** The Supplies and Materials columns display the amounts recommended for the “subobject” Supplies and Materials and the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses. Supplies and Materials includes items such as institutional food, clothing, household supplies and office supplies. The mix of items purchased will, of course, vary widely from agency to agency and program to program.

**[4]** Similar to **[3]** above, these columns display the recommended and change amounts for the “subobject” Travel. Travel includes items such as public transportation, meals and lodging, reimbursement for the use of personal cars, and the costs associated with the operation and maintenance of State-owned cars.

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5 Similar to 3 above, these columns display the recommended and change amounts for the “subobject” Contractual Services. Contractual services includes the payment of leases, the rental of data processing and other equipment, and a variety of services provided to the State on an occasional or regular basis by outside vendors. Some examples are printing, accounting, legal, consulting and medical services.

6 Similar to 3 above, these columns display the recommended and change amounts for the “subobject” Equipment. Equipment includes items such as vehicles, office machines and furniture, and highway equipment.

7 These columns display the recommended and change amounts for Maintenance Undistributed. Maintenance Undistributed is not a subobject within Nonpersonal Service. It contains one or more lump sum appropriations for specific purposes or programs; as appropriated, it may not distinguish between major objects or subobjects. Under the State Finance Law, before an agency can use these funds, a segregation (“certificate”) must be issued by the Director of the Budget to specify the amounts available from the lump sum for major objects (Personal Service, Nonpersonal Service) and for various subobjects (e.g., personal service regular, travel, equipment). Copies of the certificate are filed with the Comptroller and the legislative fiscal committees.

**VII. STATE OPERATIONS - OTHER THAN GENERAL FUND — SUMMARY OF APPROPRIATIONS AND CHANGES — 2008-09 RECOMMENDED**

This table shows the amounts recommended to support State Operations from funds other than the General Fund. It shows amounts recommended by program for the “major objects” Personal Service and Nonpersonal Service and amounts recommended for Maintenance Undistributed. This table does not show separate amounts for “subobjects” within Personal Service and Nonpersonal Service. For more information about Maintenance Undistributed, see table VI., note 7.

Other-than-General Fund recommendations include Federal funds; Internal Service funds, such as the Centralized Services Fund through which individual agencies purchase telecommunications and other support services from the Office for Technology; Special Revenue funds, such as the Miscellaneous Special Revenue Fund; Debt Service funds (budgeted centrally, not within agency appropriations, in most cases); Fiduciary funds, such as the Common Retirement Fund; and Enterprise funds.

**STATE OPERATIONS - OTHER THAN GENERAL FUND  
SUMMARY OF APPROPRIATIONS AND CHANGES  
2008-09 RECOMMENDED  
(dollars)**

| <b>1</b><br>Program  | <b>2</b><br>Total |           | <b>3</b><br>Personal Service |           |
|----------------------|-------------------|-----------|------------------------------|-----------|
|                      | Amount            | Change    | Amount                       | Change    |
| Disaster Assistance  | 1,680,400         | 223,800   | 934,000                      | 106,500   |
| Emergency Management | 9,444,700         | 49,600    | 3,992,600                    | 54,400    |
| Military Readiness   | 20,832,800        | 722,300   | 10,090,000                   | (143,300) |
| Special Service      | 12,145,800        | (355,400) | 2,651,500                    | (274,000) |
| Total                | 44,103,700        | 640,300   | 17,668,100                   | (256,400) |

| Program              | <b>3</b><br>Nonpersonal Service |          | <b>3</b><br>Maintenance Undistributed |        |
|----------------------|---------------------------------|----------|---------------------------------------|--------|
|                      | Amount                          | Change   | Amount                                | Change |
| Disaster Assistance  | 746,400                         | 117,300  | 0                                     | 0      |
| Emergency Management | 5,452,100                       | (4,800)  | 0                                     | 0      |
| Military Readiness   | 10,742,800                      | 865,600  | 0                                     | 0      |
| Special Service      | 5,816,300                       | (81,400) | 3,678,000                             | 0      |
| Total                | 22,757,600                      | 896,700  | 3,678,000                             | 0      |

**1** Each agency has a program structure which is described in its narrative presentation.

**2** The Total columns display the sum of the amounts recommended for personal service, nonpersonal service and maintenance undistributed and the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.

**3** The Personal Service, Nonpersonal Service, and Maintenance Undistributed columns display the amounts recommended for each item within a program and the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.

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The next two tables apply to the Aid to Localities category. Each agency which has appropriations in this category will have these two tables in its presentation.

### VIII. AID TO LOCALITIES — ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE — APPROPRIATIONS

This table shows the distribution of all appropriations for this agency within the Aid to Localities category by fund type and shows a year-to-year comparison of the amounts available in the current year with those recommended for the next fiscal year. See the next table for a distribution by program.

| <b>AID TO LOCALITIES<br/>ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE<br/>APPROPRIATIONS<br/>(dollars)</b> |                              |                                |                  |
|---|------------------------------|--------------------------------|------------------|
| <b>1</b>  | <b>2</b>                     | <b>3</b>                       | <b>4</b>         |
| <b>Fund Type</b>  | <b>Available<br/>2007-08</b> | <b>Recommended<br/>2008-09</b> | <b>Change</b>    |
| General Fund  | 255,000                      | 0                              | (255,000)        |
| Special Revenue Funds - Federal <b>5</b>  | 5,500,000                    | 5,500,000                      | 0                |
| Special Revenue Funds - Other   | 1,650,000                    | 1,650,000                      | 0                |
| Total   | <u>7,405,000</u>             | <u>7,150,000</u>               | <u>(255,000)</u> |
| Adjustments: <b>6</b>   |                              |                                |                  |
| Transfer(s) To  |                              |                                |                  |
| Health, Department of   |                              |                                |                  |
| General Fund (State Operations)   | 100,000                      |                                |                  |
| Appropriated 2007-08  | <u>7,505,000</u>             |                                |                  |

**1** The State Finance Law defines and mandates the use of seven fund types. Of these, the fund types typically found in the Aid to Localities category are General, Special Revenue, Enterprise, Internal Service and Fiduciary.

**2** This column displays the appropriations available for the current fiscal year.

**3** This column displays the appropriations recommended for the next fiscal year.

**4** This column displays the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.

**5** Because of the difference between the State's fiscal year (April 1 through March 31) and the Federal fiscal year (October 1 through September 30), appropriations of most Federal grants generally include spending from portions of two Federal fiscal years. The amounts discussed throughout the Executive Budget represent the totals of spending from different grants that are expected to occur during the State fiscal year.

**6** Adjustments in the amounts available for the current year may occur for a number of reasons. For more information, please refer to table III. note **6**.

**IX. AID TO LOCALITIES — ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM — APPROPRIATIONS**

This table shows the amounts available for Aid to Localities for the current fiscal year and those that have been recommended for the next fiscal year by program and, within each program, by fund type.

| <b>AID TO LOCALITIES<br/>ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM<br/>APPROPRIATIONS</b> |                              |                                |                  |
|---|------------------------------|--------------------------------|------------------|
| (dollars)   |                              |                                |                  |
| <b>1</b>  | <b>2</b>                     | <b>3</b>                       | <b>4</b>         |
| <b>Program</b>  | <b>Available<br/>2007-08</b> | <b>Recommended<br/>2008-09</b> | <b>Change</b>    |
| Emergency Management  |                              |                                |                  |
| Special Revenue Funds - Federal   | 5,500,000                    | 5,500,000                      | 0                |
| Special Revenue Funds - Other   | 1,650,000                    | 1,650,000                      | 0                |
| Community Projects  |                              |                                |                  |
| General Fund  | 255,000                      | 0                              | (255,000)        |
| Total   | <u>7,405,000</u>             | <u>7,150,000</u>               | <u>(255,000)</u> |

**1** Each agency has a program structure which is described in its narrative presentation. Each of the agency's activities falls within a program, and each program may have appropriations from one or more fund types.

**2** This column displays the appropriations available for the current fiscal year.

**3** This column displays the appropriations recommended for the next fiscal year.

**4** This column displays the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.

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The next table applies to the Capital Projects category. Each agency which has appropriations in this category will have this table in its presentation.

### X. CAPITAL PROJECTS — ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM — APPROPRIATIONS

This table shows the amounts that are available for Capital Projects for the current fiscal year and those that have been recommended for the next fiscal year by Comprehensive Construction Program and, within each program, by fund type. It also shows recommended reappropriations for the next fiscal year.

| <b>CAPITAL PROJECTS<br/>ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM<br/>APPROPRIATIONS<br/>(dollars)</b> |                              |                                |               |                                     |
|--|------------------------------|--------------------------------|---------------|-------------------------------------|
| <b>1</b>   | <b>2</b>                     | <b>3</b>                       | <b>4</b>      | <b>5</b>                            |
| <b>Comprehensive Construction Program</b>  | <b>Available<br/>2007-08</b> | <b>Recommended<br/>2008-09</b> | <b>Change</b> | <b>Reappropriations<br/>2008-09</b> |
| Design and Construction Supervision  |                              |                                |               |                                     |
| Capital Projects Fund  | 1,750,000                    | 1,000,000                      | (750,000)     | 3,500,000                           |
| Federal Capital Projects Fund  | 275,000                      | 275,000                        | 0             | 630,000                             |
| Maintenance and Improvement of Existing Facilities   |                              |                                |               |                                     |
| Capital Projects Fund  | 4,550,000                    | 5,300,000                      | 750,000       | 4,800,000                           |
| Federal Capital Projects Fund  | 3,150,000                    | 3,150,000                      | 0             | 7,300,000                           |
| Total  | <u>9,725,000</u>             | <u>9,725,000</u>               | <u>0</u>      | <u>16,230,000</u>                   |

**1** Programs in the Capital Projects category are known as Comprehensive Construction Programs (CCP). The program titles in the Capital Projects category usually differ from the program titles used in the State Operations and Aid to Localities categories. Some CCPs represent broad categories, such as Design and Construction Supervision, while others may correspond to specific agency programs.

**2** This column displays the appropriations available for the current fiscal year.

**3** This column displays the appropriations recommended for the next fiscal year.

**4** This column displays the difference between the appropriations available in the current fiscal year and the amounts recommended for the next fiscal year, with negative amounts displayed in parentheses.

**5** This column displays the reappropriations recommended for the next fiscal year. Reappropriations are recommended to continue the authorization to spend all or part of undisbursed balances from appropriations that would otherwise lapse. Reappropriations are used extensively in the Capital Projects category because construction or major rehabilitation projects usually require more than one fiscal year from their inception to completion.



## FINANCIAL TERMINOLOGY

This section provides a comprehensive overview of financial terms used throughout the Executive Budget and in other financial and budgetary documents. Many of the terms are generic; others reflect definitions set forth in New York State law, regulations issued by State financial control agencies, or historical usage in State government. The terms have been grouped under the following major headings:

1. Budgets
2. Financial Plan
3. Fund Structure
4. Appropriations and Expenditures
5. Budget Execution and Control
6. Generally Accepted Accounting Principles (GAAP)
7. Accountability, Audit and Internal Controls
8. Debt and Capital Financing
9. Other Miscellaneous Terms

### 1. BUDGETS

**Executive Budget** refers to the structure and process of the constitutional system of budgeting in New York State which vests in the Governor primary authority and responsibility for budget formulation, presentation and execution. More specifically, it refers to the Governor's constitutionally mandated annual submission to the Legislature containing his plan of recommended **appropriations, cash disbursements and expenditures** (see below) necessary to carry out programs, along with estimates of **cash receipts and revenues** (see below) expected to be available to support these expenditures and disbursements for the forthcoming **fiscal year** (see below). The State Constitution requires explicit recommendations for making changes to the current revenue structure and legislation to implement such recommendations (see **Financial Plan** below).

Pursuant to the Constitution, the Governor's Executive Budget must incorporate the appropriations requests of the Judiciary and the Legislature as they are received from these bodies, although they are not part of the Executive branch of State government. While the Governor may not alter their requests, the Governor may comment on them and recommend changes.

The Constitution requires submission of the Budget on or before the third Tuesday after the first Monday in January, except in years following gubernatorial elections when it must be submitted by February 1.

**Amendments to the Budget:** The State Constitution permits the Governor to amend or supplement the Executive Budget within 30 calendar days (reduced to 21 days under the recent budget reform agreement) after its submission; or, with the consent of the Legislature, at any time before the close of the legislative session. Such revisions, additions or deletions, conveyed to the heads of the fiscal committees in a memorandum, reflect necessary corrections or responses to new situations or conditions arising after the preparation of the Executive Budget.

**Legislative action on the Executive Budget:** The Legislature and its fiscal committees — Senate Finance and Assembly Ways and Means — analyze the budget, holding public hearings on major programs and seeking further information from the staffs of the Division of the Budget and other State agencies. Except for the budgets of the

Legislature and the Judiciary, the Legislature may not alter an appropriation bill except to eliminate or reduce the amount of an item recommended therein. It may, however, add items separate and distinct from those included in the original bill submitted by the Governor.

The appropriations passed by the Legislature, except for those which added items or provided funds for the Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the Legislature and Judiciary and may disapprove, by line item veto, items added to his original bills. As provided in the Constitution, the Legislature may override the Governor's veto by a vote of two-thirds of those elected to each house.

**Other Appropriation Measures:** An appropriation bill may also be submitted through the regular legislative process (i.e., it may be introduced by one or more legislators or by a legislative committee). However, the Legislature must act upon the Governor's constitutionally mandated appropriation bills before it acts on any other appropriation bills (unless the Governor certifies the need for immediate passage of another appropriation bill, pursuant to the Governor's constitutional authority to issue a "Message of Necessity"). Appropriation measures initiated by the Legislature are subject to veto in whole or in part by the Governor.

**Fiscal Years:** A fiscal year is the accounting period on which a budget is based. The State fiscal year runs from April 1 through March 31. The Federal fiscal year runs from October 1 through September 30. The fiscal year for all New York counties and towns and for most cities is the calendar year. New York City, the State University of New York, the City University of New York, and independent school districts in the State operate on July 1 through June 30 fiscal years. For most villages, the fiscal year runs from June 1 through May 31. Other cities and villages in New York State have varying fiscal years (see the State Comptroller's annual *Special Report on Municipal Affairs*).

## **2. FINANCIAL PLAN**

The State's Financial Plan is a comprehensive estimate of the government's projected financial resources and spending requirements for the budget year and three subsequent fiscal years.

State laws and appropriation bills together authorize the State to collect money and use it to pay for the operations of State agencies, aid to local governments and school districts, and for capital projects and debt service.

The Budget Director is designated by law to act on specific matters on behalf of the Governor in exercising the Governor's constitutionally prescribed responsibilities. The Division of the Budget, headed by the Budget Director, prepares a Financial Plan for each fiscal year. The Financial Plan presented with the Executive Budget reflects the receipts and disbursements that would result from legislative adoption of the Executive Budget recommendations. The Division prepares a revised Financial Plan shortly after the Legislature has acted on the Executive Budget. This plan becomes the basis for administration of the State's finances and must be updated quarterly.

The Financial Plan includes results for one or more funds that are managed by the State, displayed on a cash or GAAP basis, and projects closing balances at the completion of a fiscal period (e.g., a fiscal year). See Section 6 below for a discussion of GAAP and cash-based accounting.

### **3. FUND STRUCTURE**

#### **State Operating Funds**

In its Financial Plan updates for 2007-08, the Budget Division introduced a revised reporting format which provided a new “operating budget” (spending for current operations) and “capital budget” (long-term capital investment) presentation. The State Funds Operating Budget comprises the General Fund and other State supported activities financed by dedicated revenues in State Special Revenue Funds, as well as Debt Service Funds accounting for the payment of debt service on all tax-financed State long term debt. All capital spending, regardless of financing source, is included in the Capital Budget.

By distinguishing between the two types of spending and capturing all State funds in the operating category, this approach provides a more up-to-date view of the Budget than the traditional, more simplistic focus on General Fund/All Funds spending. The Division has proposed using long-term growth in personal income as a benchmark for growth in the State’s spending as measured by the “State Funds Operating” budget.

#### **Governmental Funds**

a) **General Fund:** This is the major operating fund of the State. It receives all State income not earmarked for a particular program or activity and not specified by law to be deposited in another fund. State income for Financial Plan purposes consists of moneys deposited to the credit of the General Fund during the fiscal year from current revenues (taxes, fees, and miscellaneous receipts including certain repayments of State advances) and transfers. General Fund income finances disbursements from its two operating accounts — the Local Assistance Account and the State Purposes Account — and transfers to other funds.

The **Local Assistance Account** finances:

- State grants to, or State expenditures on behalf of, counties, cities, towns, villages, school districts and other local entities;
- certain contractual payments to localities;
- certain advances for reimbursable costs (see **advances**, below); and
- certain financial assistance to, or on behalf of, individuals and not-for-profit organizations.

The **State Purposes Account** finances:

- salaries and non-wage compensation for most State employees;
- other operating costs of State departments and agencies, the Legislature and the Judiciary;
- general state charges, which are costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; Social Security payments on behalf of State employees; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands;
- certain contractual payments, including some contractual payments to localities and State lease-purchase payments for **certificates of participation** (see below);
- certain financial assistance to individuals and not-for-profit organizations;
- certain advances for reimbursable costs; and

- interest payments on **tax and revenue anticipation notes (TRANs)**, **bond anticipation notes (BANs)** and BANs issued in the form of commercial paper, if such short-term debt instruments are used by the State.

In addition to the above accounts, the General Fund includes the following funds:

- **Tax Stabilization Reserve Fund (TSRF):** This fund receives any General Fund cash surpluses existing at year-end up to a maximum contribution of two-tenths of one percent of total General Fund disbursements. The reserve fund is capped at 2 percent of General Fund disbursements for the fiscal year. Any General Fund surplus after the reserve contribution may be used to reduce taxes or may be carried over into the succeeding fiscal year. At the close of the fiscal year money may be loaned from the TSRF to avoid a deficit. Such loans must be repaid in three equal annual installments within a period of six years from the date of the loan. Cash assets of the TSRF are routinely loaned to the Local Assistance Account or the State Purposes Account during the fiscal year, but repaid in cash by March 31 of any fiscal year.
- **Rainy Day Reserve:** Created by the 2007 budget reform legislation, this fund may be used to respond to an economic downturn or catastrophic event, as defined in the law. The reserve may have a maximum balance equal to three percent of spending.
- **Contingency Reserve Fund:** Created by legislation accompanying the 1993-94 budget, this fund provides a reserve to fund extraordinary needs arising from litigation against the State. Its use is generally restricted to litigation cases of \$25 million or more, and requires an appropriation to authorize spending.
- **Community Projects Fund:** This fund was created by legislation accompanying the 1996-97 Budget to finance discretionary, usually local projects (“member items”) sponsored by individual legislators and the Governor.
- **Fringe Benefit Escrow Fund:** This fund contains payments by State agencies of certain fringe benefit costs chargeable to other entities. It was reclassified by the State Comptroller in April 2001 from the Agency Fund group to the General Fund.

The General Fund, as reported by the State Comptroller in his annual GAAP financial statements, also includes the revenues and expenditures of funds budgeted as Internal Service Funds and Enterprise Funds and of certain Special Revenue Funds (see below).

- b) **Special Revenue Funds:** These funds are collectively the largest group of funds within the State in both size and number. They account for State receipts from specific revenue sources and are legally restricted to disbursement for specified purposes. This governmental fund type is divided into two classifications in New York State — **Special Revenue Funds-Other** and **Special Revenue Funds-Federal**. An example of a Special Revenue Fund-Other is the Conservation Fund, which finances a number of State environmental programs. An example of a Special Revenue Fund-Federal is the Health and Human Services Fund where, for instance, Federal Medicaid reimbursements are received and disbursed. Although any earmarked revenue fund is treated as a Special Revenue Fund-Other for cash-basis budgeting and reporting purposes, some are combined with the General Fund for purposes of reporting on the basis of GAAP.
- c) **Capital Projects Funds:** These funds finance such capital construction costs as:
- planning, land acquisition, design, construction, construction management and supervision, and equipment costs attributable to: highway, parkway and rail

preservation projects; outdoor recreation and environmental conservation projects; and buildings and other capital facilities required by various State departments and agencies;

- aid payments to local governmental units and public authorities to help finance the following types of capital programs: highway, parkway, bridge, mass transportation, aviation, economic development, port development, community college, community and State mental health, outdoor recreation, State-assisted housing and environmental quality; and
- advances for capital construction costs reimbursable by public authorities, instrumentalities of the State, the Federal government or local governments.

Sources of revenue for this fund type include transfers from other State funds including the General Fund, dedicated taxes and other revenues, reimbursement of advances, bond proceeds, and Federal capital grants.

- d) Debt Service Funds:** All tax-financed State debt service on long-term debt and payments on certain lease-purchase or other contractual obligations are paid from debt service funds. These account for the accumulation of money for, and the payment of principal and interest on, general long-term debt and certificates of participation. Lease-purchase payments for State University, Health and Mental Hygiene facilities under contractual agreements with public authorities are also paid from funds classified as debt service funds. Debt service on highway bonds supported by dedicated highway revenues is also reflected in this fund type. Sources of revenue for this fund type include transfers from the General Fund, dedicated taxes and other revenues.

### ***Proprietary Funds***

- a) Internal Service Funds:** These funds are used to account for the financing of goods or services supplied by one State agency to other State agencies or governmental units on a cost reimbursement basis.
- b) Enterprise Funds:** These funds are used to account for operations that operate similarly to private business enterprises.

The Internal Service Funds and Enterprise Funds are treated as Proprietary Funds for cash-basis budgeting and reporting purposes, and are combined with the General Fund for purposes of reporting on a GAAP basis.

### ***Fiduciary Funds***

- a) Private-Purpose Trust Funds:** These funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.
- b) Pension Trust Fund:** This fund is used to account for the cash basis results of operations for the administration portion of the State's Common Retirement Fund. It does not reflect investment activity, balances, or other assets available to this fund. In addition, pension contributions and payments to retirees are excluded since these payments are not required to be appropriated.
- c) Agency Funds:** These funds are used to account for funds held by the State in a purely custodial capacity. Cash is held temporarily until disbursements are made to individuals, private organizations or other governments.

### **4. APPROPRIATIONS AND EXPENDITURES**

An **appropriation** is a statutory authorization to make expenditures during a specific State fiscal year, and to make disbursements (see below) for the purposes designated, up to the stated amount of the appropriation. Under the Constitution, an appropriation may be made for no longer than a two-year period (also see **reappropriation**, below).

Appropriations are authorizations, rather than mandates, to spend. **Expenditures** and disbursements (see below) need not, and generally do not, equal the amount of the appropriation from which they were made, since less than the full amount of the appropriation is usually spent within the fiscal year to which it pertains (see **carryover**, below). An appropriation thus represents maximum spending authority unless a lower maximum has been set by a **disbursement ceiling** (see below). When authorized by statute an appropriation may be **suballocated** (that is, moved) from one agency to another agency for the purpose of incurring obligations and making disbursements in the agency which receives the suballocation. (The term suballocation should not be confused with allocation which is defined in section 5).

In New York, all appropriations are classified in one of the following four categories:

- **State Operations:** This category relates to appropriations for the operation of State agencies, regardless of fund source. For example, an agency may have appropriations in several different funds (or accounts within funds), and all these appropriations would be categorized as “State Operations.” Also included in this category, although authorized by appropriation bills separate and distinct from those for the executive branch, are the appropriations for the operation of the Legislature and the Judiciary. (See also **personal service** and **nonpersonal service** defined below.)
- **Aid to Localities:** This category includes all appropriations for aid to localities, regardless of fund source.
- **Capital Projects:** When used as a category of appropriation, “Capital Projects” includes all appropriations for capital construction projects, regardless of fund source. (It should not be confused with the Capital Projects Fund or the Federal Capital Projects Fund).
- **Debt Service:** This category includes all appropriations for tax-financed State debt service on long-term debt; contractual-obligation and lease-purchase arrangements with several public authorities and municipalities; and lease-purchase payments for State University, Health and Mental Hygiene facilities. This also includes appropriations for interest rate exchange and similar agreements.

A **deficiency appropriation** is used to meet actual or anticipated obligations not foreseen when the annual budget and any supplemental budgets were enacted and for which the costs would exceed available spending authorizations. It might add to a previously authorized appropriation anticipated to be inadequate, or provide a new appropriation to finance an existing or anticipated liability for which no appropriation exists. A deficiency appropriation usually applies to the fiscal year during which it is made.

Section 53 of the State Finance Law authorizes the enactment of a **special emergency appropriation** which may be allocated by the Governor to various funds. As set forth in the statute, allocations to the General Fund, Capital Projects funds and funds receiving Federal moneys are subject to the prior approval of the chairpersons of the Senate Finance and Assembly Ways and Means committees.

**Personal service** represents an appropriation for salaries and non-wage compensation for State employees and certain payments to non-State employees.

**Nonpersonal service** represents an appropriation for such items as contractual services, equipment and supplies.

**Maintenance undistributed** is an appropriation which does not define the amounts to be available for personal and nonpersonal service. Such an appropriation allows flexibility in the management of a program. The terms lump sum and maintenance undistributed are often used synonymously, although they are not equivalent.

A **lump-sum appropriation** is one made for personal service, nonpersonal service or maintenance undistributed; or for local assistance or capital projects for all State agencies, or to an agency alone or on behalf of itself and one or more other agencies. A lump sum is appropriated for a stated purpose without specifying maximum amounts that may be spent for specific activities or individual objects of expenditure. Such an appropriation cannot be obligated and expended without an **allocation** (see below, section 5). Under the 2007 budget reform legislation, the Legislature is prohibited from adding lump sum appropriations.

A **reappropriation** is a legislative enactment that continues the undisbursed balance of an appropriation that would otherwise lapse (see **lapsed appropriation**, below). Reappropriations are commonly used in the case of federally funded programs and capital projects, where the funding amount is intended to support activities that may span several fiscal years. For example, funds for capital projects are customarily recommended and appropriated in amounts sufficient to cover the total estimated cost of all phases of a specific project (such as land acquisition, design and construction). As contracts within each phase are established, portions of the capital construction appropriation are allocated; and disbursements are made to meet the actual costs incurred as each phase of the project progresses. In ensuing years, the balances not disbursed are reappropriated to cover the costs of subsequent construction phases in the project.

An **obligation** is a commitment (such as a contract or purchase order) to spend against a given appropriation. An **encumbrance** provides a mechanism for reserving all or a portion of an appropriation for future expenditure. Entering into a contract usually requires an encumbrance, although the funds will be expended or disbursed over a period of several months. Encumbrance accounting enables management to avoid spending in excess of authorized appropriations.

A **carryover** is the balance of an appropriation that remains at the end of the fiscal year for which it was appropriated, against which liabilities were incurred but for which cash payments were not disbursed before the end of the fiscal year. Disbursements may be made against a carryover balance through June 30 of the following fiscal year to liquidate any such liabilities for State Operations, or through September 15 for Aid to Localities, Capital Projects, and Debt Service.

A **lapsed appropriation** is an appropriation which has expired and against which obligations can no longer be incurred, nor payment made. An appropriation lapses, and is no longer available to authorize any encumbrances or cash payments, on June 30 for State Operations and on September 15 for Aid to Localities, Capital Projects, and Debt Service.

## **5. BUDGET EXECUTION AND CONTROL**

**Certificates** of several types are issued by the Budget Director to authorize various fiscal actions. Copies of all certificates must be sent to the State Comptroller and to the chairpersons of the two legislative fiscal committees.

For State Operations, and in some cases Aid to Localities, a **certificate of approval** issued by the Budget Director formally authorizes certain financial transactions. These transactions include **allocations** or **segregations**, **apportionments** and **interchanges**:

- An **allocation** or a **segregation** authorizes expenditures from appropriated funds for specified purposes, activities or objects. It is used as a control device for appropriated funds (e.g., quarterly allocations) and to distribute lump-sum appropriations within State agencies.
- An **apportionment** transfers part of an appropriation from certain lump-sum “all State departments and agencies” appropriations to specific agencies.
- An **interchange** is the movement of appropriation authority by certificate to increase or decrease the funds for any items within the same fund and program. In accordance with the State Finance Law, the amounts appropriated to a department or agency from a given fund may also be interchanged among appropriations in different programs, subject to the following formula (with the exclusion of the State University of New York, the City University of New York, and other specific appropriations as may be noted in the various appropriation bills): the total amount appropriated for any given program or purpose may not, in aggregate, be increased or decreased via interchanges by more than the total of 5 percent of the first \$5 million, 4 percent of the second \$5 million and 3 percent of amounts in excess of \$10 million.

A **certificate of transfer** authorizes the transfer of appropriation authority and/or positions between agencies and/or funds. All such transfers must be specifically authorized in statute. Transfers of appropriation authority must be distinguished from operating transfers which move moneys (cash) between funds or accounts.

For **Capital Projects**, the appropriation format differs somewhat from the program structure found in State Operations and Aid to Localities. Capital Projects appropriations are structured as follows:

- one or more **comprehensive construction programs (CCPs)**, which may or may not relate to agency operating or local aid programs or other organizational arrangements;
- a **grouping of appropriations into one or more purposes within CCPs**, which purposes may or may not relate to other agency organizational structures; and
- **one or more appropriations or projects in each purpose**. Some appropriations have “project schedules” that list institutions or projects for which construction work will be done.

For Capital Projects, a **certificate of approval of availability** issued by the Budget Director in accordance with an appropriation authorizes the State Comptroller to encumber, expend and disburse funds to the extent required for specific projects or phases of projects.

Capital Projects Funds **interchanges or transfers** must be accompanied by a certification of need and availability of funds and may be made as follows:

In the case of **interchanges**, which are movements of funds by certificate between items within an appropriation “project schedule,” no certification is required when the appropriation states that schedule amounts are estimates and are interchangeable among the various projects; all other interchanges require the certification of need and availability.

In the case of transfers, a **certificate of transfer** authorizes the transfer of a specified amount, within available limits, from an appropriation for a given capital project to an appropriation for another capital project within the same CCP and agency. However, the Budget Director cannot authorize any Capital Projects Fund transfer which would increase or decrease the total of appropriations (including reappropriations) for projects sharing the



same purpose by an amount exceeding the total of the following percentages of the total amount of the original appropriation for the project: 25 percent of the first \$5 million, 20 percent of the second \$5 million, 15 percent of the third \$5 million, and 10 percent of any amount in excess of \$15 million.

## **6. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**Generally Accepted Accounting Principles (GAAP)** for governments are uniform minimum standards and guidelines for financial accounting and reporting as promulgated by authoritative national standard-setting bodies, primarily the National Council on Governmental Accounting (NCGA); its successor, the Governmental Accounting Standards Board (GASB); and the American Institute of Certified Public Accountants (AICPA). NCGA's *Statement One — Governmental Accounting and Financial Reporting Principles*, published in 1979, succeeding statements by NCGA (reaffirmed by GASB), and statements promulgated by GASB are the most widely recognized sources for authoritative guidance. New York presents its State Financial Plan and Executive Budget on both a cash basis and in accordance with GAAP.

The GASB issued Statement 34 entitled *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*. This statement establishes new financial statement reporting requirements for State and local governments. New York State implemented GASB 34 when reporting its GAAP financial results for the 2002-03 fiscal year in July 2003. The Division of the Budget has modified its GAAP-basis projections to conform with GASB 34. These changes include new statements that reflect the State's net overall financial condition, including activities that affect State assets and liabilities during the fiscal year.

Projected operating results in the General Fund as measured on the cash basis of accounting may sometimes differ from projections measured in accordance with GAAP. Generally, these differences are caused by the inclusion of certain funds in the GAAP General Fund which are outside the cash basis General Fund, plus the recognition of differences between cash and GAAP. The conversion tables in the *Financial Plan* volume show these differences classified into the following major categories:

- “Perspective Differences” represent the projected cash basis operating results of the Miscellaneous State Special Revenue Fund which is treated as part of the General Fund in the GAAP basis financial plan, but as part of the Special Revenue Funds in the cash basis financial plan. The Miscellaneous State Special Revenue Fund includes dozens of individual accounts which finance the operation of agencies and programs from sources other than General Fund tax dollars.
- “Entity Differences” represent the projected cash basis operating results of the proprietary funds (Internal Service Funds and Enterprise Funds) which are treated as part of the General Fund in the GAAP basis financial plan. On a cash basis the proprietary funds are reported separately and are not part of the all governmental funds financial plan.
- “Changes in Accruals” result from timing differences between the recognition of individual accounting transactions on a cash basis and under Generally Accepted Accounting Principles. On a cash basis, receipts are recorded when moneys are deposited in the State Treasury, and disbursements are recorded when a check is drawn from the Treasury. Under GAAP, revenues are recorded when they are measurable and available, and expenditures are recorded when the State incurs an obligation to pay. It is in this column that revenues and expenditures are attributed

to the appropriate fiscal year. For example, positive numbers in this column reflect the accrual of revenues which are owed to the State but not yet received, and obligations of the State for which payment has not yet been made. Negative entries generally reflect the reduction of receipts or disbursements which are attributed under GAAP to a different fiscal period.

- “Eliminations” exclude activity related to State advances and the repayment of such advances, which are treated as receipts and disbursements in the cash basis financial plan. On a GAAP basis, the repayment is not a revenue, and the advance is not an expenditure unless it is determined to be uncollectible. This category also includes transactions related to the elimination of SUNY/CUNY Senior College operations, which are not part of the governmental fund structure on a GAAP basis.
- “Intra-fund Eliminations” remove any transactions which occur between two funds in the same fund type, in order to avoid counting such transactions twice.
- “Reclassifications” show the movement of transactions from one category of the financial plan to another, and do not impact the operating results of a given fund.

### **GAAP Basis Reporting Differences**

In general, the General Fund revenue and expenditure projections contained in the Budget reflect the application of Generally Accepted Accounting Principles as applied by the State Comptroller in his audited financial statements. There is one exception to this policy. Activity related to public authorities has not been reclassified as operating transfers. These reclassifications do not affect operating results and only further complicate the differences between cash basis financial plans and GAAP basis financial plans. Accordingly, these reclassifications have not been included.

### **GAAP Revenues**

The *Economic and Revenue Outlook* volume provides tax-by-tax descriptions of the cash-based estimates of tax receipts underlying the cash-based financial plans. This section deals with estimates of GAAP revenues that are included in the GAAP financial plan. The following is a brief description of how such estimates are generated, what factors are considered in their preparation, and how such estimates differ from those prepared on the cash basis.

In general, cash-based estimates are forecasts of the deposits of cash (net of refund payments) that will occur during the fiscal year. Estimates of GAAP revenue attempt to more closely measure what the State actually “earned” during the period, regardless of when the cash transactions that represent those earnings occur. The State, of course, “earns” money when taxpayers incur liability for taxes, for example, by receiving money subject to income taxes or purchasing goods or services subject to the sales or excise levies, or by wagering on horse races in betting pools subject to the pari-mutuel tax. Taxpayers may discharge that liability in a variety of ways. For example, in the case of the sales tax they often pay the money directly to an authorized agent of the State who must then transmit it to the State, sometimes in a period different from that in which the actual liability was incurred and discharged by the taxpayer. In the case of the personal income tax, they may be subject to withholding by their employer (another agent of the State) or

make estimated and final tax payments directly to the State. Some taxpayers overpay their liability and are due refunds for a given liability period. Such refunds or final payments are usually paid in years (or accounting periods) different from those to which the transaction relates.

In theory, GAAP revenue estimates attempt to gather all the (actual or estimated) transactions that apply to tax liabilities earned in a given State fiscal year, regardless of the year in which the related cash transaction occurs, to appropriately “measure” what the State has earned. In practice, given the limits of both information systems and time, some accommodations are made in the development of these “earnings” estimates. During any one fiscal year the State will receive money earned in the current year and in any of several prior years (and sometimes money not yet earned). Estimates of those prior-year earnings are not changed each time a new transaction is disclosed and so GAAP revenue estimates are not “pure.”

However, for any given tax, GAAP revenue estimates should attempt to measure (as an increase in revenue, or a receivable) how much the State is owed, but has not yet received, from taxpayers for the activity during a State fiscal year. Similarly, they must reflect (as a reduction in revenue, or a payable) any amounts that the State has received but must refund (in some future period) as a result of overpayments of liability by taxpayers.

In some sources, the receivable and payable amounts are relatively trivial and do not change materially from year to year. In others, the accruals are large and variable. GAAP revenue estimates differ from cash receipt estimates by how much the receivable and payable balances change from year to year. If receivables are growing relative to payables in a particular source (i.e., if the net amount owed to the State is larger at the end of the year than at the beginning of the year), estimated GAAP revenues will exceed forecasted cash receipts. Should payables rise faster than receivables, the opposite relationship will exist.

### **GAAP Expenditures**

As previously mentioned, GAAP measures expenditures when the State incurs a liability to pay, rather than when a check is written against the Treasury. The Comptroller generally applies a 12-month recognition rule — if the liability is determined to exist and will be disbursed in the 12 months following the close of the fiscal year, the expenditure will be recorded in that fiscal year. Thus, the GAAP basis financial plan includes liabilities projected to be incurred during a given fiscal year for which actual payments will not be made for up to 12 months following the close of such fiscal year.

The most significant of these liabilities occur in the categories of local assistance and State operations. The GAAP basis financial plan reflects:

- Amounts owed to local governments for Medicaid, public health, criminal justice and court-ordered handicapped programs which are all reimbursed on a lag basis.
- Employee salaries remaining unpaid at the close of each fiscal year, and the related fringe benefits.

## **7. ACCOUNTABILITY, AUDIT AND INTERNAL CONTROL**

**Internal controls** are the measures an organization adopts to encourage adherence to agency policies and procedures; promote operational efficiency and effectiveness; safeguard assets; and ensure the reliability of data. Internal controls encompass both internal administrative controls and internal accounting controls.

**Internal audit** is an independent appraisal of operations, conducted under the direction of agency management, to assess the effectiveness of internal controls.

**Internal Control Review (ICR)** is a detailed evaluation of the degree to which the organization has designed, established, documented and followed the policies and procedures necessary to achieve specific functional goals and objectives and avoid unwanted outcomes. The ICR focuses upon how well procedures operate for a given function.

**Vulnerability Assessment (VA)** is an assessment by an agency of its susceptibility to operational breakdowns which could lead to inadequate or inappropriate program outcomes, including waste of resources. The VA analyzes the overall organizational and administrative environment, the potential for failures and related impact. VAs help the agency schedule the timing and frequency of ICRs or identify weaknesses which can be immediately corrected.

**Testing** is that part of an internal control review which assesses whether actual practice follows, or complies with, prescribed policies and procedures. The assessment is made by interviewing or observing staff, following a transaction through the process, or sampling documentation of transactions to determine if required steps are executed.

**Corrective Action Plan** is a step-by-step plan of action and schedule for resolving the internal control weaknesses identified by a vulnerability assessment or internal control review.

**Certification** is the annual affirmation by each agency that it is in conformance with the Internal Control Act which requires the establishment and maintenance of a system of internal controls and a program of internal control review by State agencies and covered public authorities. Agencies may submit a plan to achieve compliance with the Act in lieu of a certification. In addition to the certification, each agency submits an Annual Internal Control Summary which describes certain aspects of its internal control system for the preceding year.

## **8. DEBT AND CAPITAL FINANCING**

The **Annual Information Statement (AIS)** is the State's principal means for disclosing financial information that is required to meet its legal obligations under Federal securities law and constitutes the official form of such financial disclosure information. The State publishes the AIS annually, generally within 30 days of the adoption of a budget by the State Legislature. The AIS is updated on a quarterly basis (the "Quarterly Updates") and may be supplemented ("Supplements") for significant events or developments that occur between updates. The AIS, updates and supplements are available online at [www.budget.state.ny.us](http://www.budget.state.ny.us).

**Appropriation-backed bonds** refer to long-term obligations sold by the State's public authorities under a variety of financial arrangements — primarily **lease-purchase and contractual service agreements**. Debt service on such obligations is appropriated annually by the State, although the State has no legal obligation to continue to make such appropriations. This form of debt represents an important source of financing for capital projects in the State's transportation, criminal justice, mental hygiene, education, health, and housing programs.

**Bond anticipation notes (BANs)** are short-term notes which occasionally may be sold by the Comptroller to finance capital expenditures until long-term bonds are sold. Since these obligations are outstanding for no more than two years (with certain exceptions), the interest rates paid on such obligations are typically lower than that for long-term bonds.

**Bondable capital spending** refers to disbursements for capital purposes which, by statute, may be financed by the proceeds of bonds or other debt obligations.

**Certificates of Participation** represent shares of lease-purchase payments for personal or real property made by State agencies. These tax-exempt certificates may be sold publicly or privately to investors by the Comptroller, pursuant to Article 5-A of the State Finance Law. These payments are not State debt under Article VII of the State Constitution and are subject to annual appropriation.

A **credit rating** is assigned by a non-governmental agency serving the financial market (such as Standard & Poor's), and represents that agency's opinion concerning the likelihood that the principal and interest on State debt will be paid on time. The State's current general obligation and personal income tax revenue bonds are assigned a rating of AA by Standard & Poor's, AA-minus by Fitch, and Aa3 by Moody's Investors Service.

The **Debt Reform Act of 2000**, which applies to all new State-supported debt issued after March 31, 2000, imposes phased-in caps that limit new debt outstanding to 4 percent of personal income and new debt service costs to 5 percent of total governmental receipts. Both caps began in 2000-01 at an initial phase-in level of .75 percent. Pursuant to section 23 of the State Finance Law, the State is required to calculate compliance with the caps annually and report the findings in the Financial Plan update most proximate to October 31.

**General obligation bonds** refer to long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the **full faith and credit** of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. The amount of general obligation bonds or notes which the State expects to issue in a given fiscal year is shown in the Capital Projects fund-type of the Governmental Funds Financial Plan in the Other Financing Sources category. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

**Impoundment** is the term used to describe the setting aside, in a separate account, of income necessary to pay principal and interest on obligations. The specific method of impoundment — including the timing and amounts — is generally specified by State law for each obligation, and is an integral element of the security behind any obligation.

**Moral obligation debt** refers to long-term bonds issued by certain State public authorities, also known as public benefit corporations, which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not considered State debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be called upon to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such obligation.

An **official statement** accompanies the issuance of bonds, notes and publicly sold certificates of participation offered for sale by the State or its public authorities. This statement is prepared by the issuer and describes the issuer, the project or program being financed, and the security behind the bond issue. In addition, where payment of debt service is made primarily with State moneys, this statement includes the State's Annual Information Statement (the AIS), which include recent and projected fiscal and economic trends and developments that bear reasonably on the credit strength of the issue. It

discusses potential legal, fiscal or economic problems facing the issuer, State government and other relevant major governmental jurisdictions. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed decisions on the creditworthiness of the issue.

**State personal income tax revenue bonds** are the primary funding vehicle for a broad range of State-supported debt programs. In 2001, legislation was enacted to permit certain State public authorities to issue State personal income tax revenue bonds. The legislation provides that 25 percent of personal income tax receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the Revenue Bond Tax Fund for purposes of making debt service payments on these bonds, with excess amounts returned to the General Fund. These bonds have reduced borrowing costs by improving the marketability and creditworthiness of State-supported obligations and by permitting the consolidation of multiple bonding programs to reduce administrative costs.

**Pay-as-you-go** financing refers to the use of current State resources, i.e., cash (as opposed to debt) to finance capital projects.

**State-guaranteed debt** refers to debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. Such debt is backed by the full faith and credit of the State.

**State-supported debt** includes general obligation and appropriation-backed debt, and certificates of participation. This category includes all obligations for which the State appropriates and pays debt service. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

**State-related debt** includes all State-supported debt, as well as State-guaranteed and moral obligation debt. This broad category combines all forms of debt for which the State is directly or contingently liable.

**Tax and revenue anticipation notes (TRANS)** refer to short-term obligations of the State. The notes must be redeemed within one year of issuance. Prior to the debt reform actions of the 1990s, notes were sold to address short-term cashflow imbalances, but may also be issued to address a year-end deficit.

## 9. OTHER MISCELLANEOUS TERMS

An **account** is a subdivision of a fund and refers to a classification by which information on particular financial transactions and financial resources is recorded and arranged.

An **advance** is a payment by the State on behalf of an agency, an authority, a fund, a public benefit corporation, or the Federal government that must be reimbursed by such entity. Certain advances are made from the Capital Projects Fund for prefinancing the cost of capital projects undertaken by public authorities, State agencies or localities.

**All Governmental Funds** is a term referring to all State government funds within the following fund types: General, Special Revenue, Capital Projects, and Debt Service. In a discussion of appropriations rather than cash figures (e.g., in the *Agency Presentations* tables described earlier in this Guide), **All Funds** includes All Governmental Funds appropriations *plus* appropriations made from the non-governmental (Proprietary and Fiduciary) fund types.

**Annualization** refers to the expected full-year financial implications of a revenue item or an expenditure item initially budgeted for only part of a fiscal year.

**Attrition** refers to a method of achieving a reduction in personnel by not refilling positions that are vacated through resignation, reassignment, transfer, retirement, or means other than layoffs.

**Cap** refers to an absolute dollar limit placed on spending and/or borrowing for a designated activity or program. The term is sometimes used to refer to the limitation of a disbursement for the current and/or forthcoming fiscal year(s) to the level of the preceding fiscal year or to some other predetermined level.

**Chargeback** refers to an assessment levied by the State on another government or other entity (e.g., a public authority, a private-sector enterprise, a trade association, or a nonprofit organization) for payment of costs incurred by the State in administering an activity or program on behalf of such government or entity. It may also refer to an assessment by one State agency against another.

A **deficit**, for purposes of the cash-basis Financial Plan, is an excess of disbursements over receipts at the end of a fiscal year. On a GAAP basis, a deficit is an excess of expenditures or expenses over revenues at the end of a fiscal year.

**Fixed assets** are assets of a long-term character, such as land, buildings, machinery, equipment and improvements other than buildings, that are intended to continue to be held or used. **General fixed assets** include all fixed assets not accounted for in proprietary funds or in trust and agency funds. Under GAAP, general fixed assets are recorded in an **account group** (which does not involve the measurement of results of operations), rather than in a fund, and the recording of “infrastructure” assets and depreciation is not required.

**Full Time Equivalent (FTE)** is a unit of measure which is equal to one filled, full-time, annual-salaried position.

A **joint-custody fund** is held within the State Treasury by both the State Comptroller and the Commissioner of Taxation and Finance (see sole-custody fund).

The **line item veto** in the State Constitution authorizes the Governor to veto individual appropriations for the Legislature and Judiciary, and appropriations added by the Legislature, contained within any multiple appropriation bill passed by the Legislature.

A **margin**, or **positive margin**, is a temporary excess of receipts over disbursements. When disbursements temporarily exceed receipts, a **negative margin** exists. A positive margin is not a surplus, nor is a negative margin a deficit, until the fiscal year ends.

A **matching formula** is a formula applied under an intergovernmental grant program which requires a recipient to match from its own funds a specified percentage of each dollar granted by one or more higher level(s) of government.

**Nonrecurring receipts** are receipts in a given fiscal year that are not normally expected to recur in subsequent fiscal years. **Recurring receipts** are normally derived from an income stream that is expected to continue from one fiscal year to the next.

An **offset fund** is an appropriated fund, usually of the Special Revenue Fund type, which is used to reimburse expenditures charged in the first instance to the General Fund.

**Save harmless** refers to a provision of law under which the State protects another entity against any decrease from a previous level of funding under a given State program.

**Shortfall** refers to a situation where actual revenues collected are less than those that had been projected.

A **sole-custody fund** is administered by an individual State agency official and is not under the joint custody of the State Comptroller and the Commissioner of Taxation and Finance. Sole-custody funds are usually fiduciary in nature. Examples include assets held for wards of the State.

## ***USER'S GUIDE***

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A **surplus**, for purposes of the cash-basis Financial Plan, is an excess of receipts over disbursements at the end of a fiscal year. On a GAAP basis, a surplus is an excess of revenues over expenditures or expenses at the end of a fiscal year.