

Financial Plan Summary

Historic Reforms

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

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

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

A Responsible Gap-Closing Plan

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

Financial Plan Summary

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

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

Highlights

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

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

Reducing the Structural Gap

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

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

Controlling Spending

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

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