

DIRECTOR'S MESSAGE

New York State's finances are in their best shape in decades. Under the direction of Governor Cuomo, and as a direct result of his policies, the massive deficits that used to plague the budgeting process have been eliminated and turned into operating surpluses used to lower taxes and bolster reserves to the highest levels on record.

Debt outstanding at the end of FY 2016 is on track to be lower than when the Governor took office in 2011, representing the first time in modern times that total State debt has declined for four consecutive years. State debt measured as a percent of personal income has decreased from 6.0 percent in FY 2010 to 4.6 percent today – the most favorable debt to income ratio since the 1960s. During this period of declining debt, the State has still made major capital investments through use of settlement funds and prudent debt management. This Budget continues making targeted capital investments for housing, health care, transportation and economic development, while the ratio of debt to personal income is expected to improve even further.

For the sixth year in a row, the Executive Budget is balanced while limiting spending growth to two percent. The Governor's two percent State spending cap has changed the very nature of the State Budget process. For decades, revenue projections would define the level of State spending. This practice has ended under Governor Cuomo. No longer do we spend every dollar that we bring in, instead leaving more money in the hands of the people.

Because of the State's two percent cap, spending growth has been constrained to sustainable levels that do not outpace the growth in personal income, improving New York's livability and competitiveness. The spending cap allows the financial plan to better weather financial volatility. The cycle of boom and bust spending is over – no longer does the State ramp up spending in the good years, requiring cuts to programs in the bad years.

Finally, the fiscal discipline required by the State spending cap is driving innovation in government. New York State agencies are working more closely together than ever before, streamlining processes and eliminating waste, while improving services on which people depend. New Yorkers have every right to expect

their government to be efficient and effective, and government must honor the responsibility of being entrusted with public resources.

Governor Cuomo has instituted fundamental reforms that have reduced the cost of both State and local government. From eliminating unsustainable inflators in major State programs, to lowering pension costs for all levels of government, to helping counties comply with the property tax cap by relieving them of future Medicaid growth, the finances of government in New York State are on more solid ground.

The financial markets and employers have taken notice of New York's financial turnaround. Private sector investment is up, and New York now has the most private sector jobs in its history. Standard and Poor's, Fitch, and Moody's, recognized New York's outstanding financial performance by upgrading the State to its highest credit rating since 1972. The State now enjoys the second highest investment-grade credit rating possible from all three raters on its general obligation bonds, and S&P rates the State's Personal Income Tax Bonds and Sales Tax Bonds at AAA, the highest rating possible.

With our finances in order, this Budget makes a significant investment in education, providing a record level of support to our schools. It lowers taxes for small businesses and provides tax credits to support education and encourage employers to hire urban youth. It prudently uses an additional \$2.3 billion windfall from monetary settlements with financial institutions for time-limited investments. New York is taking on long-overdue infrastructure projects that for generations were held back by lack of confidence and imagination.

During the last five years, Governor Cuomo has rebuilt the State's fiscal house. Now, under his bold leadership, we are rebuilding the State itself. It is in the very nature of New Yorkers to believe in the possibility of a brighter tomorrow – we are indeed built to lead. Today, we step towards that future with confidence.