



**2013-14**

**Executive Budget &  
Management Plan**  
Governor Andrew M. Cuomo

Robert L. Megna, *Director of the Budget*  
February 5, 2013



- 
- I. Economic Overview**
  - II. Financial Plan Summary**
  - III. Reforms**

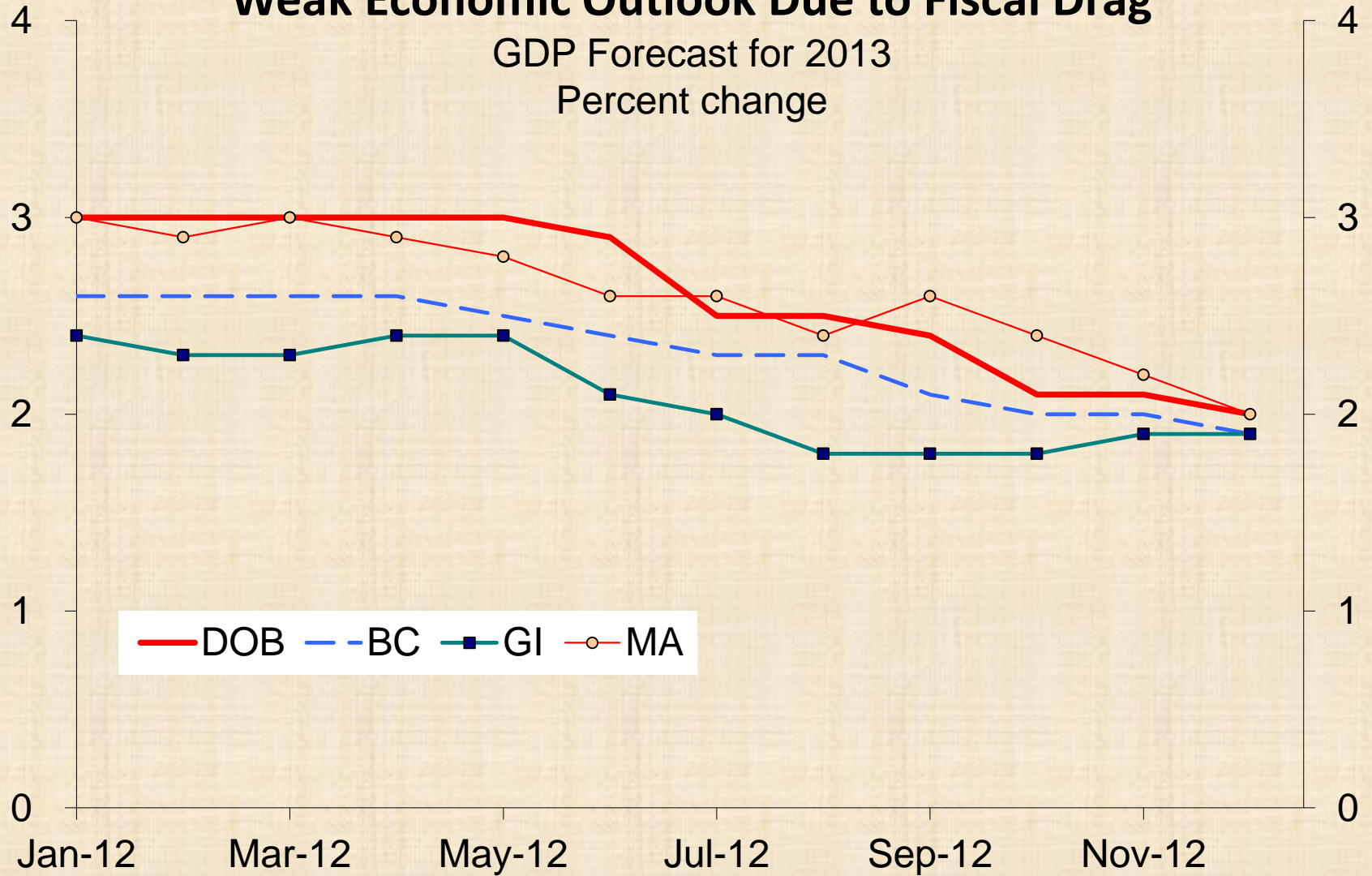




## II. Financial Plan Summary

# Weak Economic Outlook Due to Fiscal Drag

GDP Forecast for 2013  
Percent change

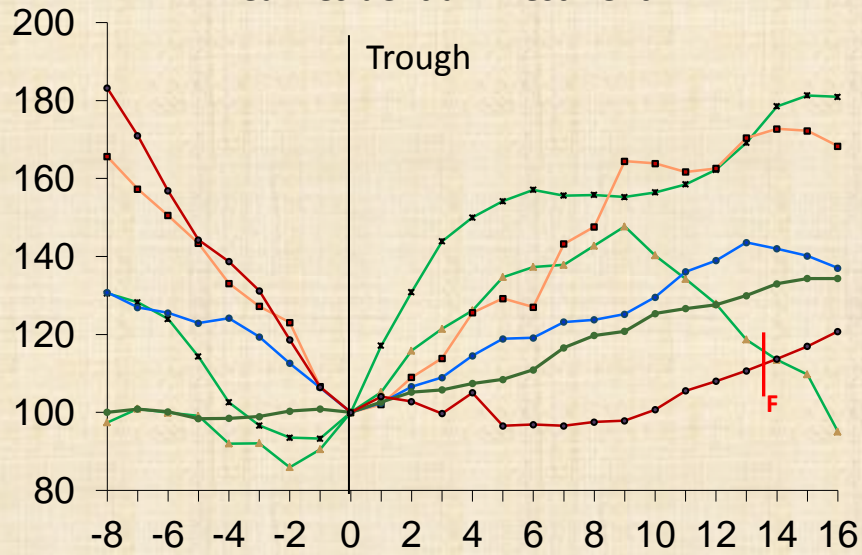


Note: DOB does not revise its forecast every month.

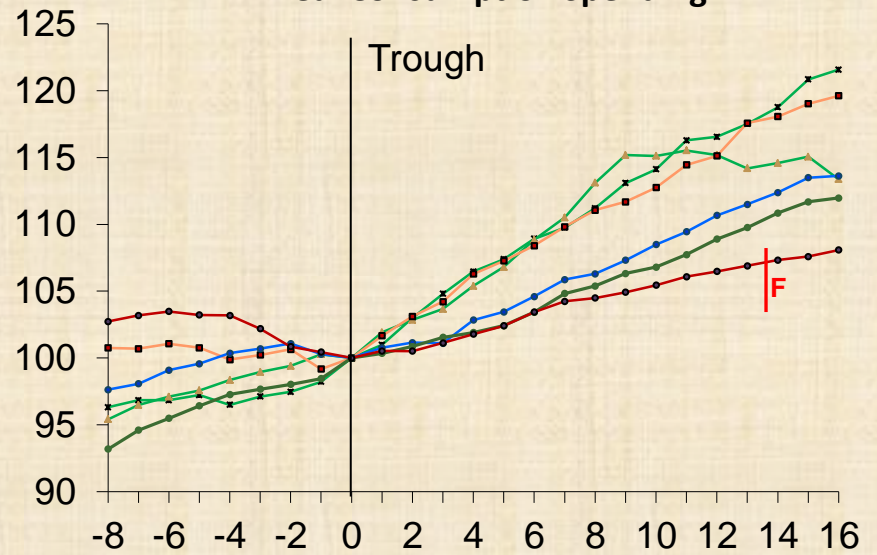
Source: Global Insight; Macroeconomic Advisers; Blue Chip; DOB staff estimates.



### Real Residential Investment

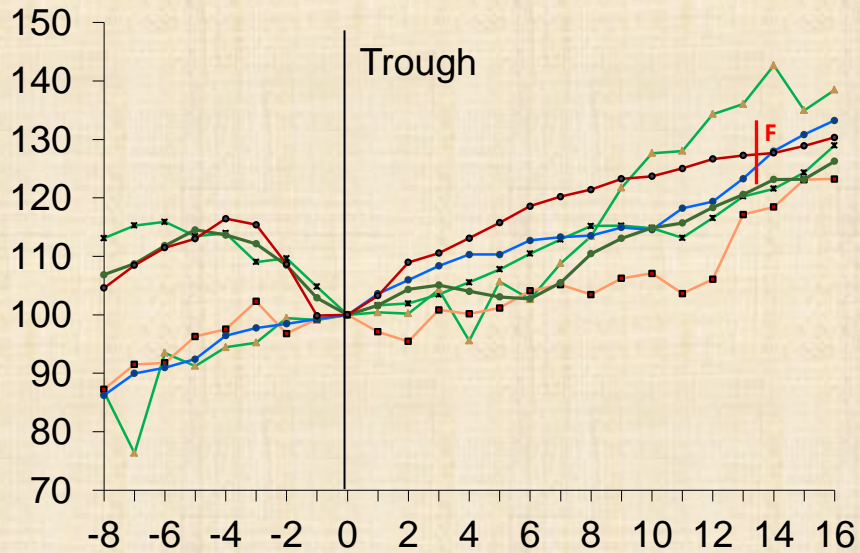


### Real Consumption Spending

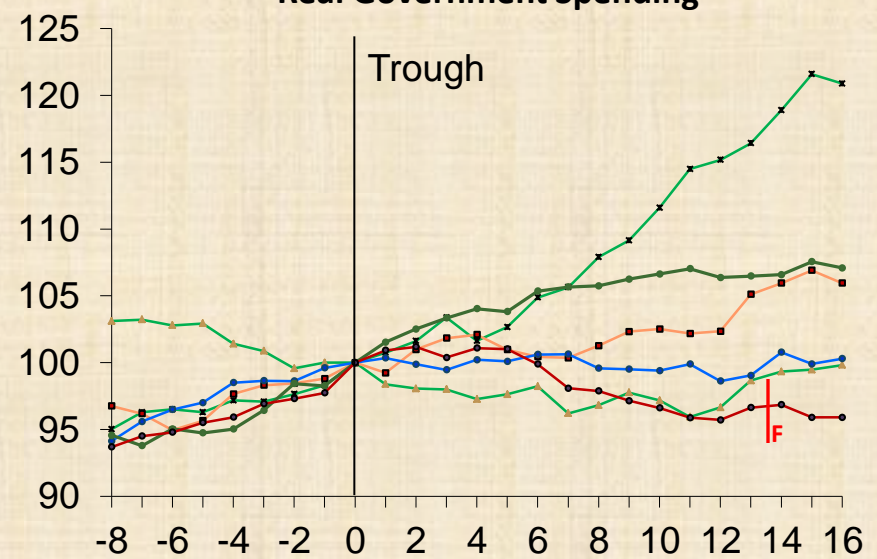


31-Dec-70    31-Mar-75    31-Dec-82    31-Mar-91    31-Dec-01    30-Jun-09

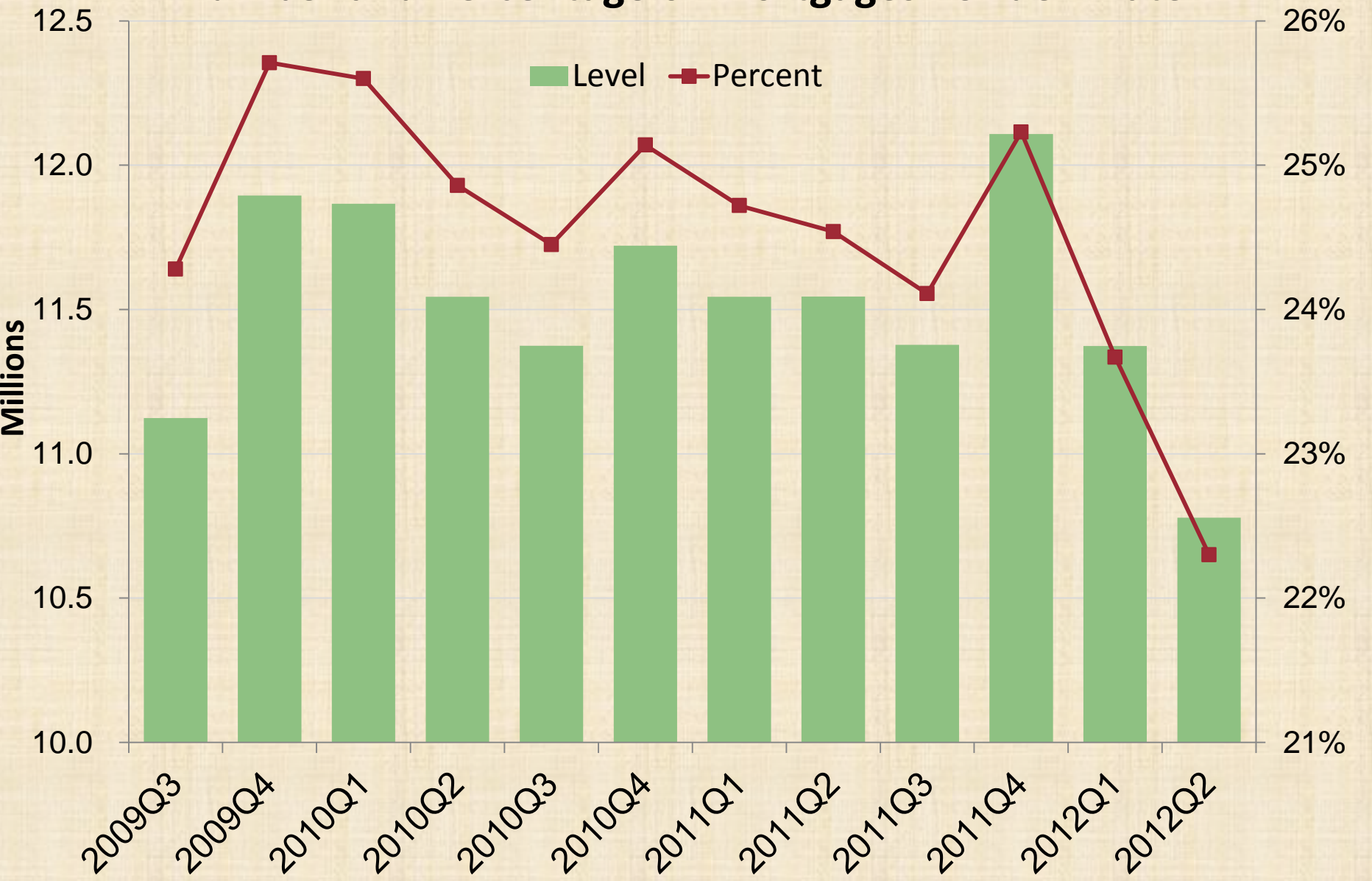
### Real Exports



### Real Government Spending

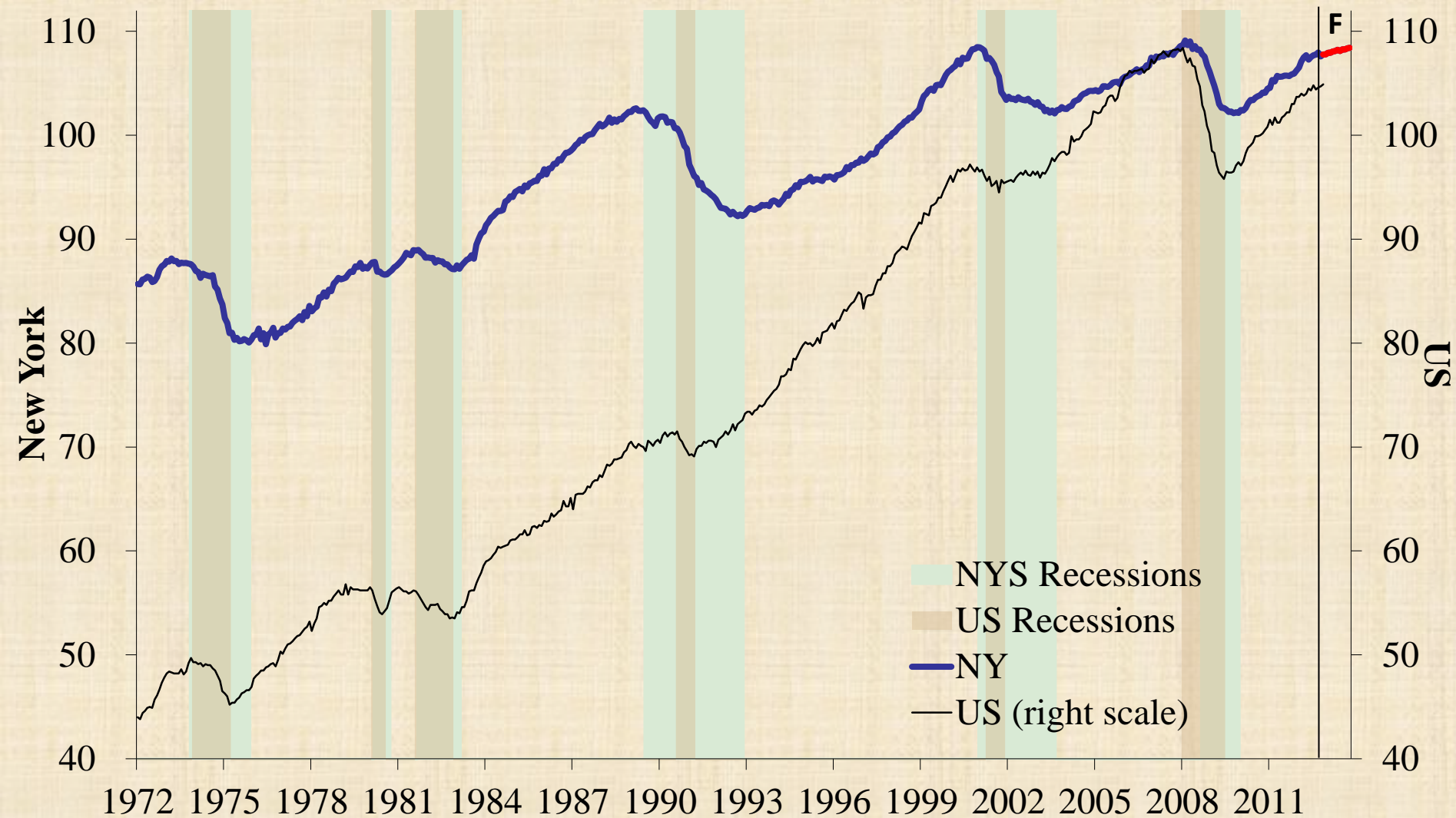


# Declining Negative Equity: Number and Percentage of Mortgages “Under Water”



Source: Corelogic.

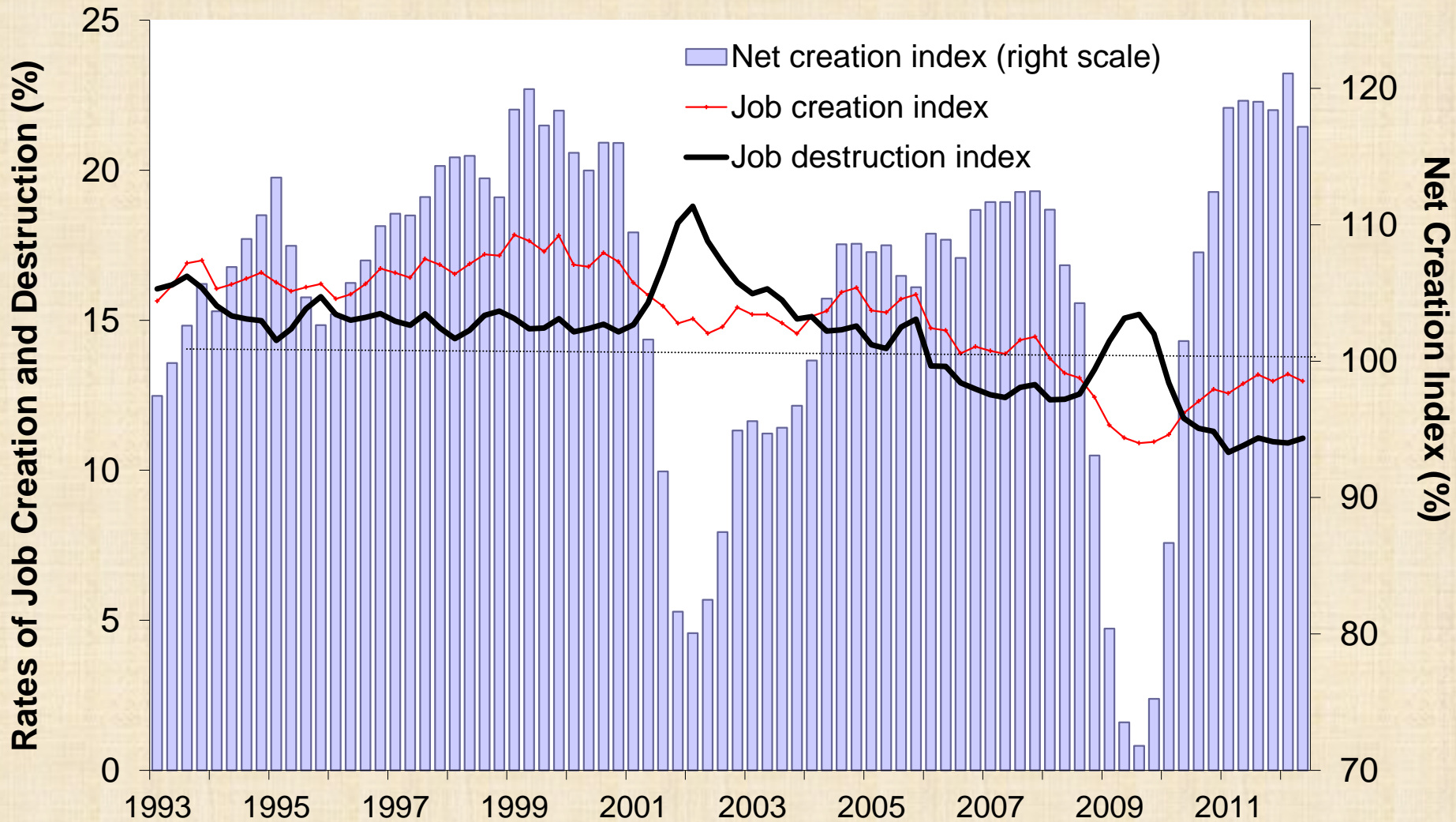
# New York State Index of Coincident Economic Indicators



Note: NYS recession dates are DOB staff estimates; NYS forecast (in red) is derived from the New York State Leading Index.

Source: Moody's Analytics; DOB staff estimates.

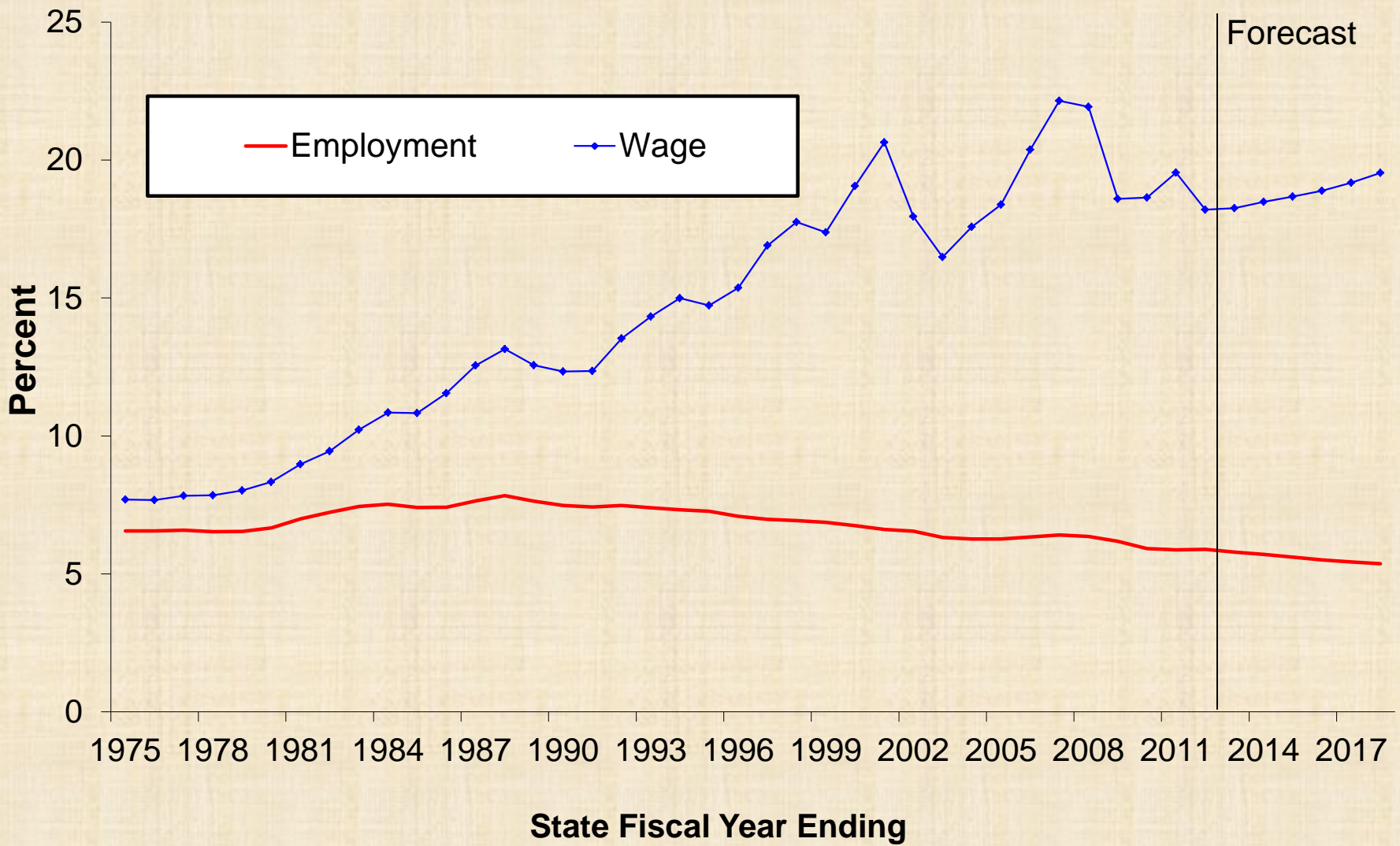
# NYS Private Sector Employment Dynamics



Source: NYS Department of Labor; DOB staff estimates.

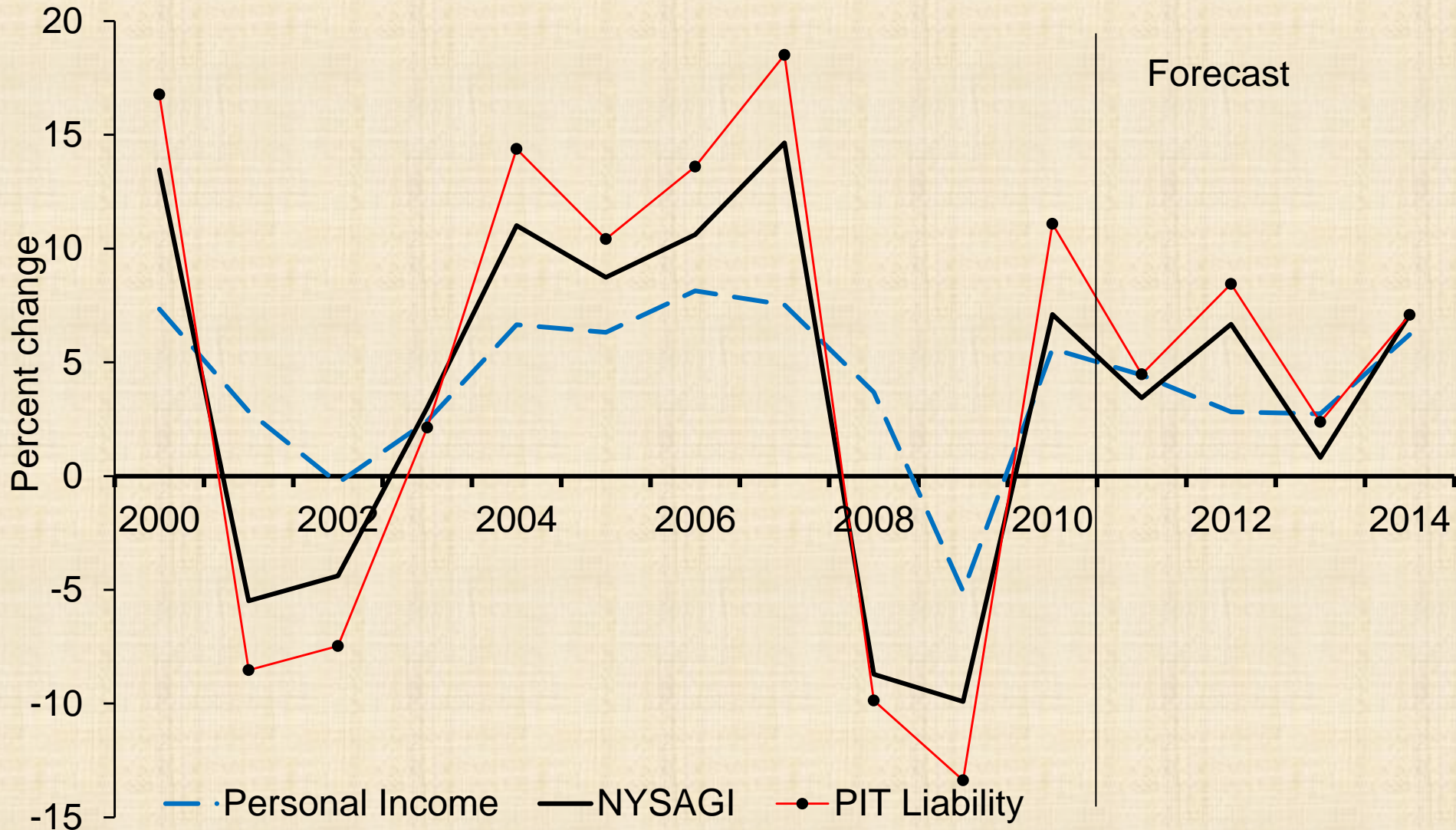


# Finance and Insurance Sector Employment and Wages as Share of State Total



Source: NYS Department of Labor; DOB staff estimates.

# The Indicators of New York State's Tax Base



Note: Personal income tax (PIT) liability is computed based on 2002 NY State tax law; 2011 liability and NYSAGI data are preliminary.

Source: NYS Department of Taxation and Finance; Moody's Economy.com; DOB staff estimates.



# Forecast Risks

- Fiscal drag and debt ceiling debate lie ahead
- Global economic outlook still weak
- Corporate profit growth expected to slow
- Implementation of financial reform increasing uncertainty for New York's financial sector
- High cash bonus payments (that are immediately taxable) no longer the common practice on Wall Street



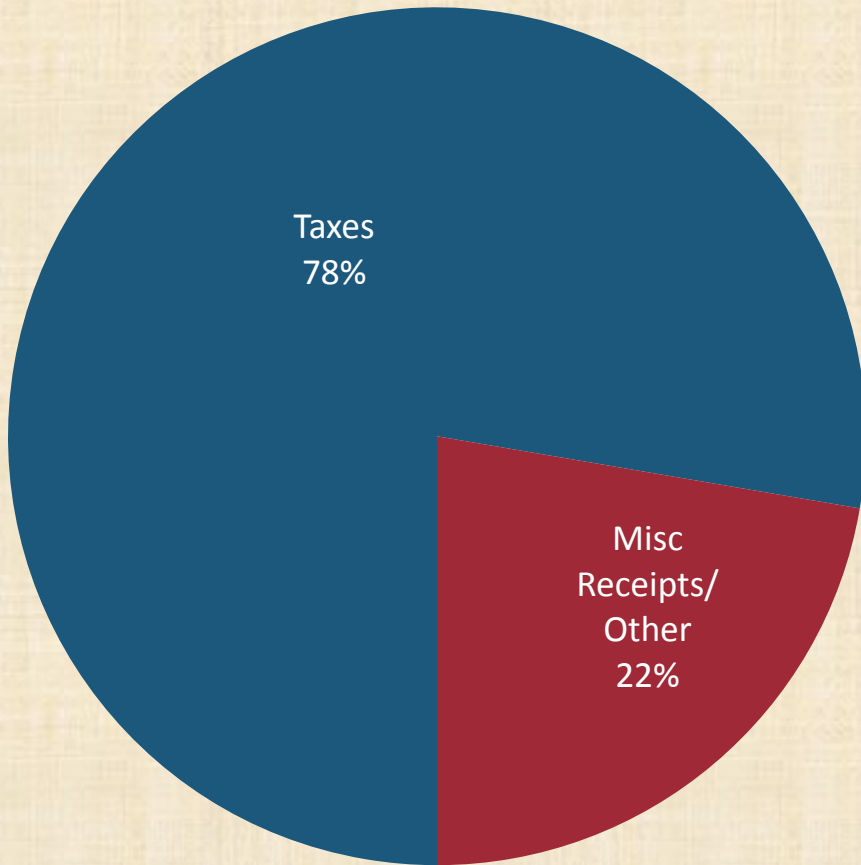
## II. Financial Plan Summary



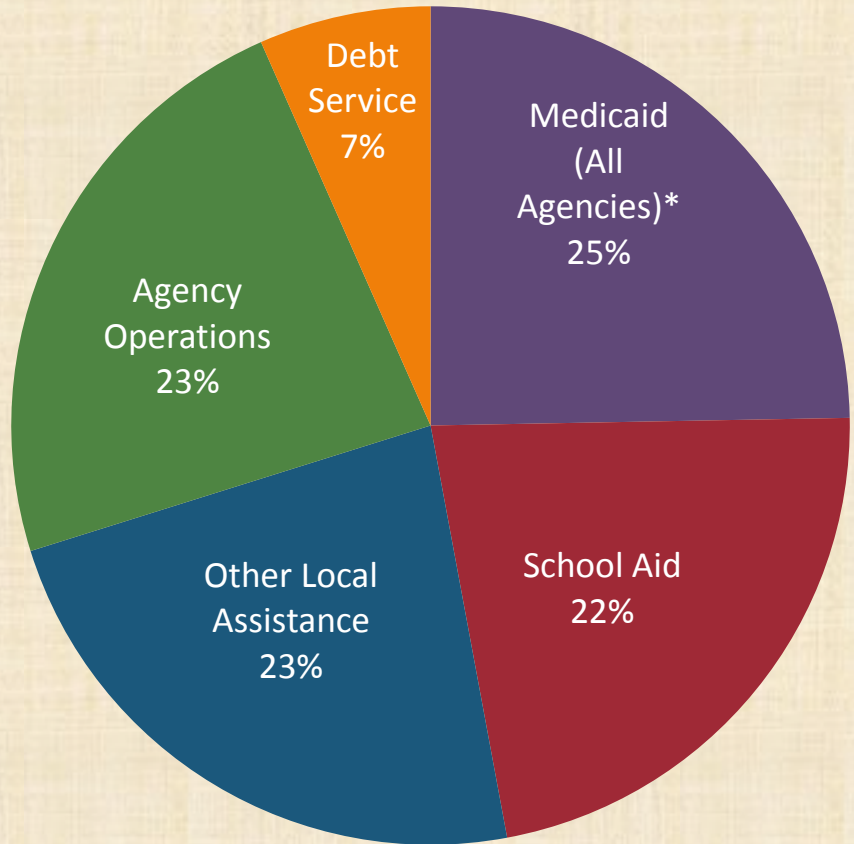
# State Operating Funds

## FY 2014 Executive Budget - \$90.8 Billion

### Where it Comes From



### Where it Goes



\* Includes local assistance, state operations and fringe benefits.

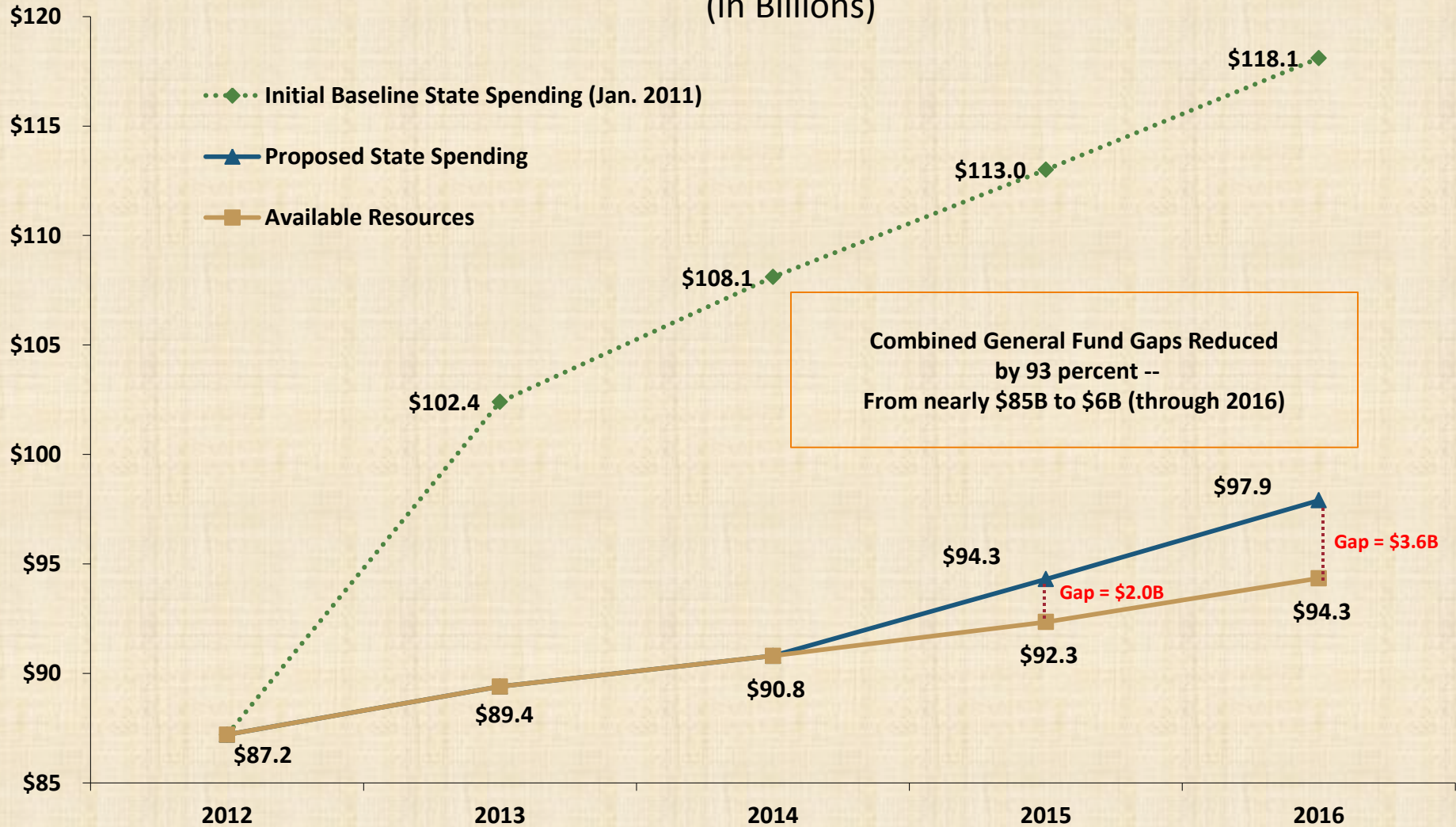
# 2013-14 Executive Budget Overview

- Budget gap for 2013-14 is \$1.35 billion – 1.6 percent of State Operating Funds receipts
- Budget actions close the gap and finance proposed initiatives
  - Nearly \$1 billion in proposals to control spending
  - Roughly \$330 million in proposals to extend a number of expiring laws that affect the Financial Plan
  - Total State Operating Funds spending growth is held to 1.6%
  - Local aid grows at 2.3%
  - Agency operations is flat
- Budget leaves a 2015 gap of \$2.0 billion, equal to 2.2% of projected State Operating Funds receipts -- by comparison, the 2012 gap equaled 12.2% of receipts



# Current Financial Projections (After Actions) Comparison to Initial Projections (Jan. 2011)

(in Billions)



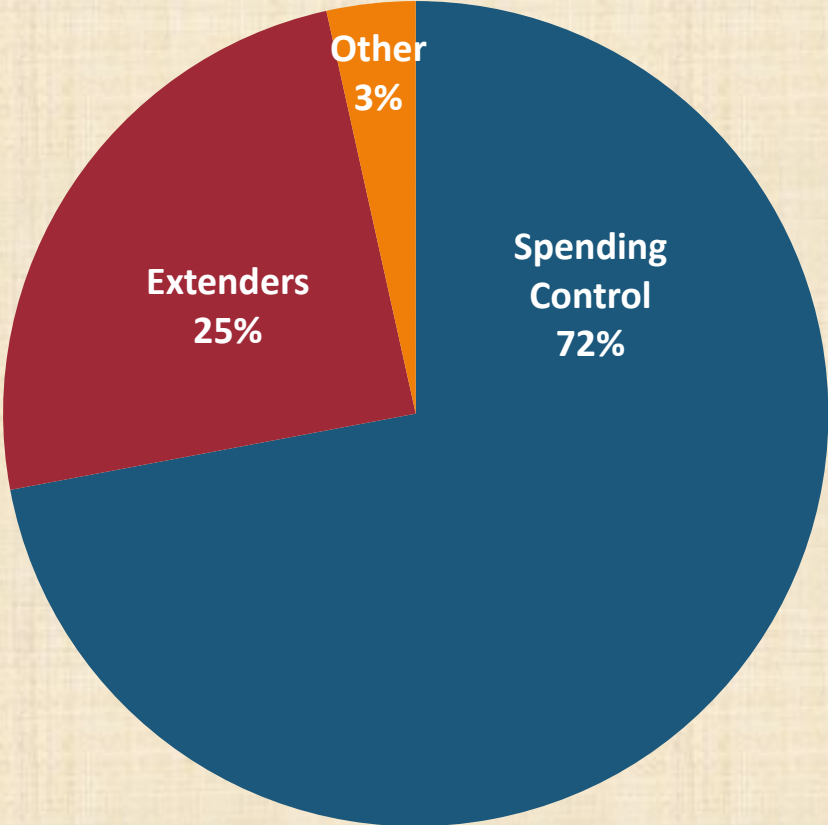
# Annual Growth: Before and After Executive Budget

	BEFORE	AFTER
LOCAL ASSISTANCE	3.1%	2.3%
AGENCY OPERATIONS	1.4%	0%
DEBT SERVICE	5.2%	1.1%
TOTAL STATE OPERATING FUNDS	2.8%	1.6%
FEDERAL OPERATING AID *	2.3%	2.5%
TOTAL ALL GOVERNMENTAL FUNDS *	2.3%	1.9%

\* All Funds and Federal Operating Aid spending excludes Federal disaster aid for Superstorm Sandy (\$1.5 B in FY 2013 and \$5.1 B in FY 2014, and additional Federal aid under the Affordable Care Act (\$1.0 billion in FY 2014).

# Shares of Gap-Closing Plan for 2014

Dollars in Millions





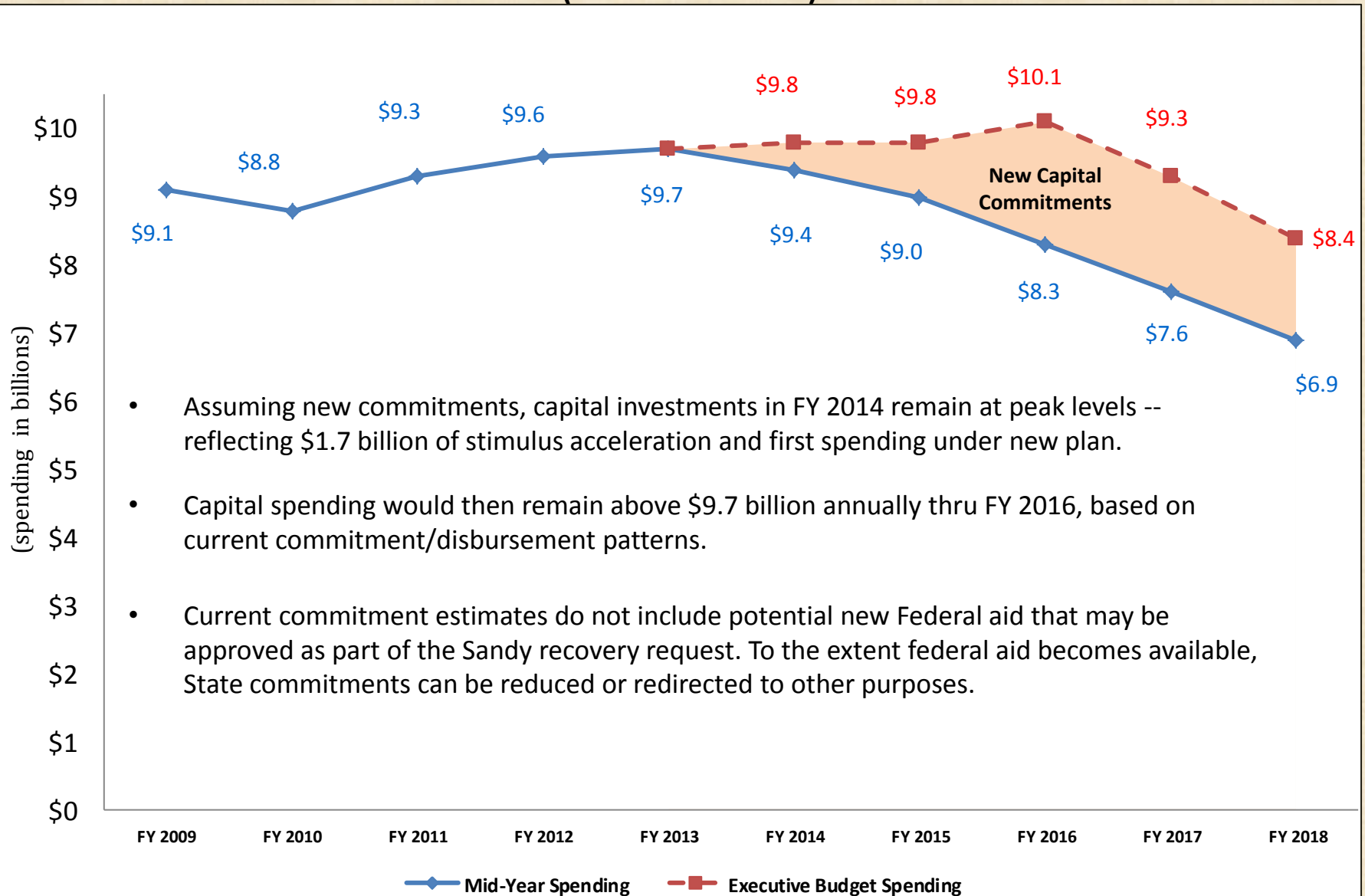
### III. Reforms



# Capital Planning Reform

- First ever 10-year comprehensive Statewide Capital Plan
- New York Works and Regional Economic Development Councils
- Inefficient bonding practices, such as borrowing to finance vehicles, have been stopped
- Total capital budget, \$9.8 billion, up 1 percent from 2012-13
- Debt Service, \$6 billion, up 1 percent from 2012-13

# Capital Spending Including New Commitments (Five-Year Horizon)





# Improving Debt Administration

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

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

## **Create New, Distinct SUNY Dorms Credit to Meet Program Needs**

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

# Reorganizing and Reimagining Government

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

# Stable Pension Contribution Option

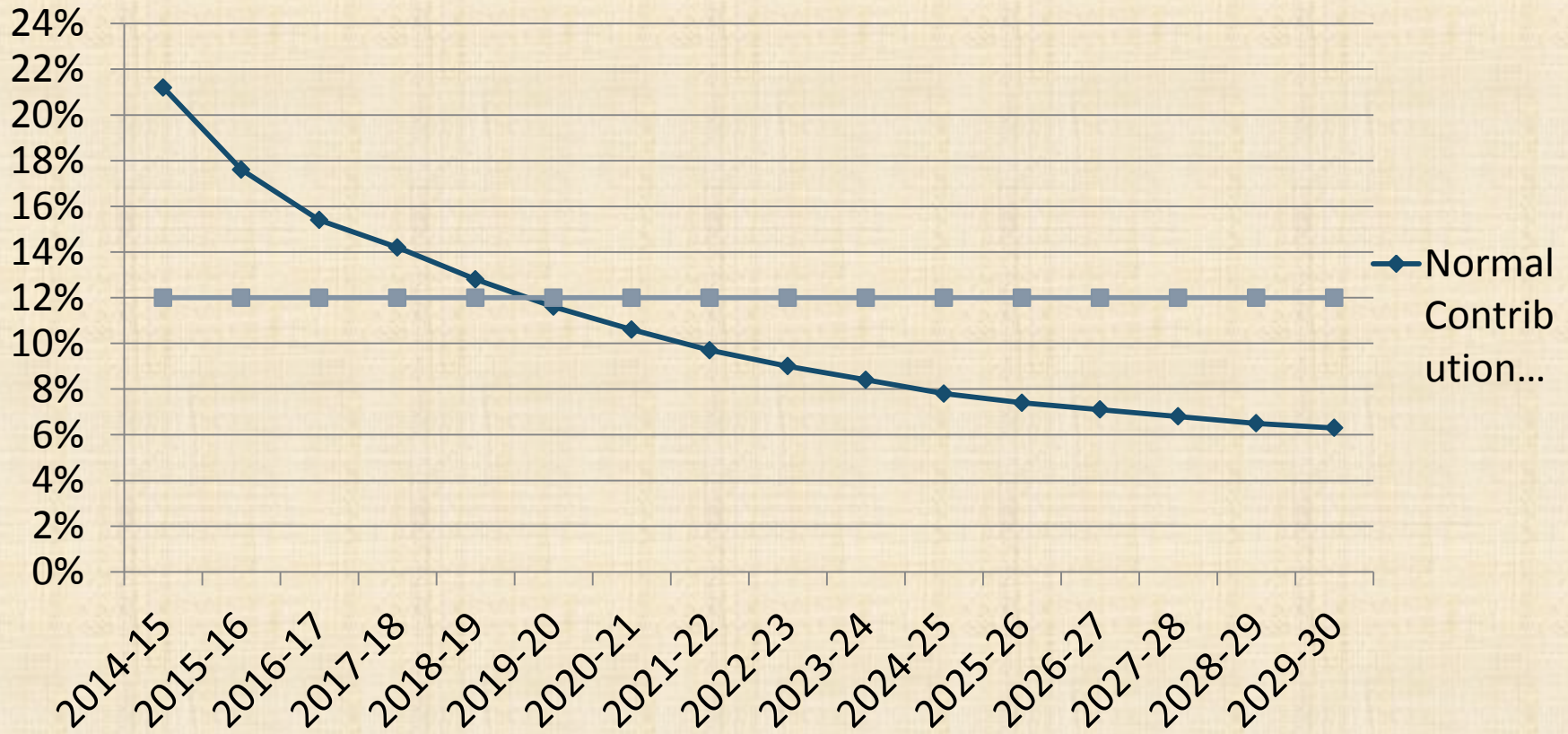
- Bridge to long-term savings of Tier VI
- Locals/schools would remain with the stable rate option for a period of years determined by the Comptroller and TRS as needed to achieve full funding
- The stable rate would NOT be available to State Government or Public Authorities
- This method ensures adequacy of pension system funding

City	First Year Savings	As a Percent of Budget
Syracuse	\$12 M	4.0%
Rochester	\$21 M	5.6%
Buffalo	\$19 M	5.0%
Yonkers	\$21 M	4.7%
Albany	\$8 M	4.7%



# Stable Pension Contribution Option

## Employees' Retirement System Normal and Stable Contribution Rates Over 25 Years



# Pre-School Special Education Reforms

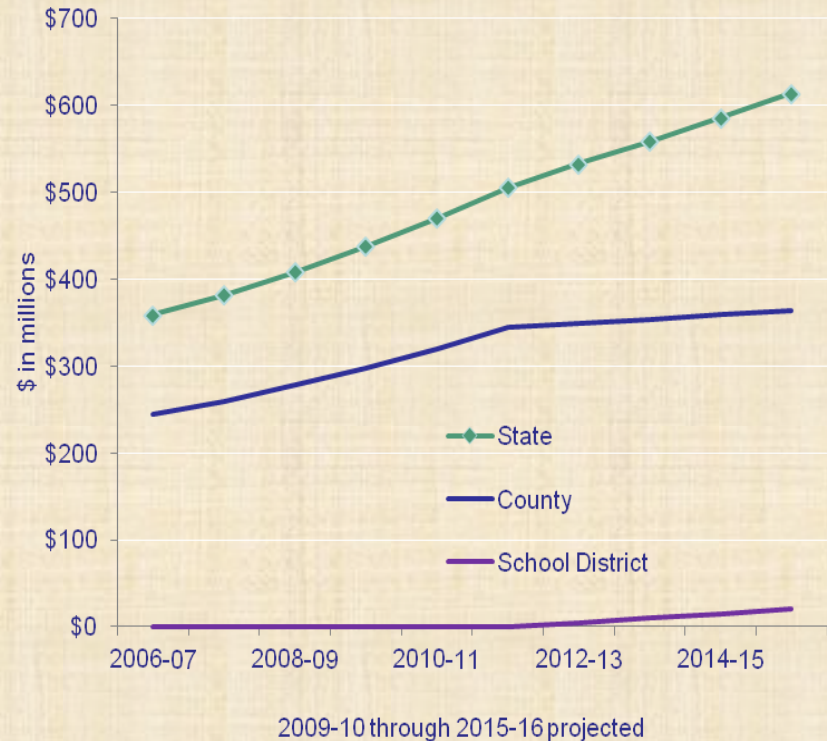
## Problem:

- State costs have doubled in past 10 years
- NYC costs are growing at double the rate of the rest of the State

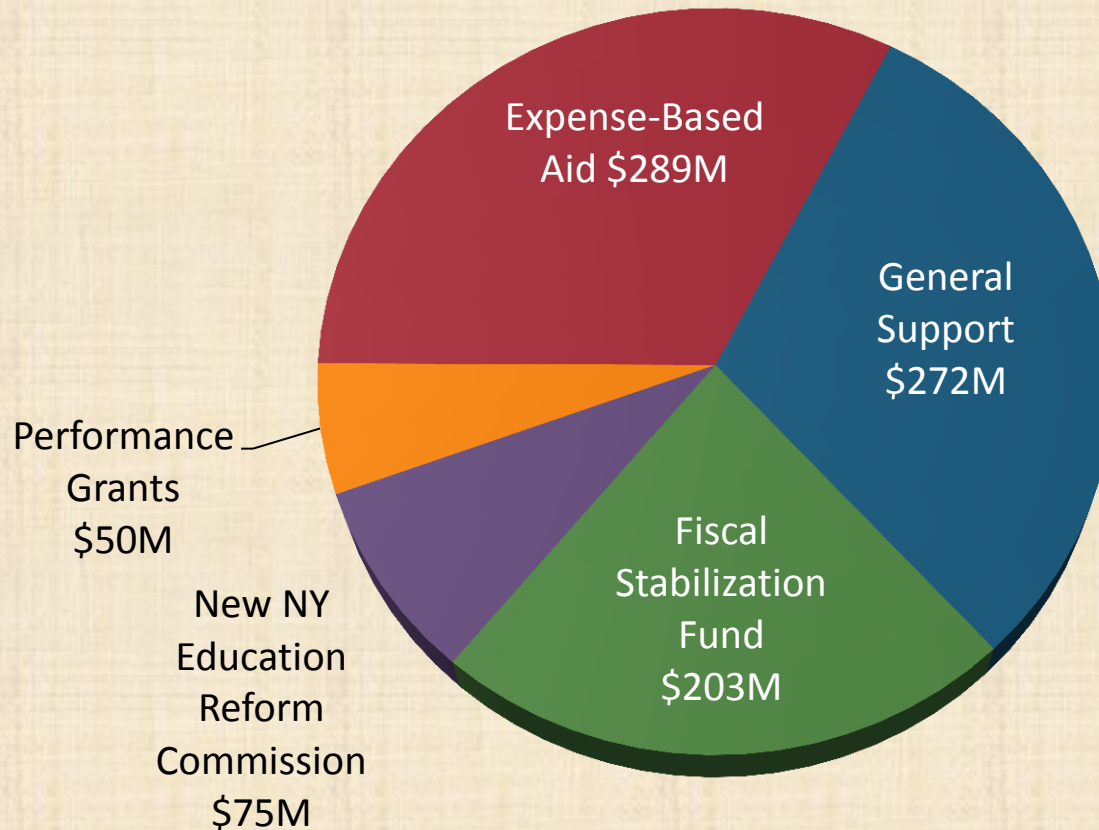
## Solution:

- Empower New York City
- Conduct a large-scale audit of pre-school education providers
- Develop and implement a fiscal integrity tool
- Build counties' capacity to oversee providers
- Incentivize counties to conduct their own oversight of providers

## Pre-School Special Ed Growth



# \$889 Million School Aid Increase



Executive Budget includes a two-year School Aid appropriation:  
2014-15 school year total: \$21.5 billion, 3.3 percent growth (\$687 million)





**2013-14**

**Executive Budget &  
Management Plan**  
Governor Andrew M. Cuomo

Robert L. Megna, *Director of the Budget*  
February 5, 2013