New York's Deficit Shuffle

April 2010

Thomas P. DiNapoli
New York State Comptroller

Please notify the Office of Budget and Policy Analysis at (518) 473-4333 if you would like your name to be deleted from the mailing list.

Additional copies of this report may be obtained from:

Office of the State Comptroller
Public Information Office
110 State Street
Albany, New York 12236
(518) 474-4015

Or through the Comptroller's website at: www.osc.state.ny.us

Table of Contents

Executive Summary

The General Fund is the main operating fund of the State and is traditionally used to measure the State's projected budget deficit. However, increasingly the General Fund presents a distorted view of the State's finances. Transfers of revenues from other accounts to support General Fund spending ("sweeps"), the shifting of General Fund spending to other funds ("off-loads"), the use of temporary loans to sustain funds operating in the red, and other actions taking place outside of the General Fund are being used to balance the State Budget and consequently distort the State's financial picture.

These actions are fiscal manipulations used annually to reduce the General Fund deficit. They create the illusion each year that the State has closed its annual projected budget gap. In reality, these actions simply mask the true magnitude of the State's structural budget deficit by providing a temporary fiscal benefit. The deficit is hidden by a series of complex transactions and will continue to reappear as long as the State's structural budget imbalance remains unaddressed and recurring spending continues to exceed recurring revenue. The true size of the State's underlying structural deficit remains difficult to track and is, therefore, hidden from the public.

In this fiscal shell game, money is shuffled among hundreds of accounts, creating funding shortfalls in some dedicated funds, hiding deficits in others and using excess revenue in still others to mask General Fund spending growth. This "deficit shuffle" reduces budget transparency, creates funding instability for critical State programs and allows the State to avoid making the difficult decisions needed to effectively align spending with available revenue. Furthermore, it creates a disincentive to agencies to cut costs, because savings in special revenue accounts are simply swept into the General Fund.

Over the past ten years, more than $3.7 billion has been swept from dedicated State funds and transferred to the General Fund.[1] More than $17 billion in General Fund costs have been shifted to Health Care Reform Act (HCRA) funds for budget relief. In SFY 2008-09, fund shifts and shuffles of approximately $5.3 billion were made, including more than $1.0 billion in dedicated fund sweeps, $1.6 billion in temporary loans outstanding, $2.5 billion in General Fund off-loads to the HCRA funds and more than $225 million in new debt to replace pay-as-you-go or cash financing for capital projects.

Approximately $6.4 billion was projected for SFY 2009-10 in dedicated fund sweeps, temporary loans, HCRA off-loads and debt in place of pay-as-you-go capital spending. Through the end of the fiscal year the Financial Plan projected more than $1.7 billion would be transferred to the General Fund from dedicated State funds. In addition, at least $1.4 billion in temporary loans remained outstanding, $3.1 billion in General Fund spending off-loads were shifted to the HCRA funds and nearly $200 million in new debt was issued to replace pay-as-you-go capital spending. These actions do not count the

[1] This amount includes State special revenue fund -339 accounts as well as the Environmental Protection Fund—078 account. A total of $9.8 billion has been transferred to the General Fund since SFY 1999-2000 from federal and State funds and accounts other than the General Fund.

nearly $3.0 billion in delayed payments that occurred in March 2010 to end the fiscal year in balance on a cash basis.

An increase in the number of dedicated funds over the past 25 years has allowed New York's policymakers to avoid making tough decisions by instead using dubious budget tactics. New York employs a bag of fiscal tricks that move money from fund to fund, shift spending from one deficient fund to another with excess revenue and loan money "temporarily" in perpetuity to cover cash shortfalls. The net result of this dizzying array of transactions is that the true extent of the State's fiscal distress is masked and commitments made to New Yorkers are broken as their "dedicated" tax and fee payments are used for other purposes.

Gimmicks such as dedicated fund sweeps, off-loads, loans and debt do not solve New York's budget problems because they provide only temporary relief from cash shortfalls. These practices affect programs in every major spending area including health, transportation, economic development and the environment. Facing a persistent and widening budget gap, State leaders must fundamentally realign recurring spending with recurring revenue to restore the State's fiscal health. A critical step toward doing so is to enact a budget that avoids the budget manipulations used in the past to hide the true magnitude of the deficit.

The Deficit Shuffle

New York State budgets and accounts for its money using hundreds of funds and accounts within four main fund groups—the General Fund, special revenue funds, capital projects funds and debt service funds. The General Fund is the main operating fund of the State that receives undedicated tax revenues and miscellaneous receipts. Special revenue funds are essentially dedicated accounts that receive revenue from specified taxes, fees or other sources (including federal funds) for specific programs. Capital projects funds finance the State's capital programs while debt service funds pay for interest and principal on State supported debt.

Historically, the General Fund was by far the largest such fund and the best measure of the State's finances. In 1985, the General Fund represented 62 percent of All Funds spending (excluding transfers among the various funds). However, this has declined to 40 percent over the past 25 years, diminishing the degree to which General Fund balance provides an accurate representation of the State's fiscal health. The declining relative importance of the General Fund primarily reflects a dramatic increase in the use of special revenue accounts and funds.

Examples include funds designated by HCRA (relies on revenue from several sources including cigarette taxes and surcharges on health insurance policies), the Lottery Fund (uses a percentage of ticket sales or a percentage of revenue for education purposes), the Conservation Fund (uses sporting license revenue for numerous environmental programs), and the State University of New York (SUNY) Dormitory Income Fund (uses room rents from students to operate residence halls). Since 1985, the number of such accounts and funds (excluding federal funds) has increased 351 percent, to more than 720 accounts.

Over time, spending for general purposes in the General Fund has been shifted to special revenue accounts. These accounts have proliferated for a number of reasons including: masking the true growth of spending in the General Fund, justifying the imposition of a new tax or fee by linking it to a specific set of services, and responding to pressure from interest groups to provide new or expanded services. Every major program area is now supported, at least in part, by one or more special revenue funds. Money is shifted among such funds with such frequency and lack of transparency that the integrity of these funds has been compromised.

Fund Sweeps

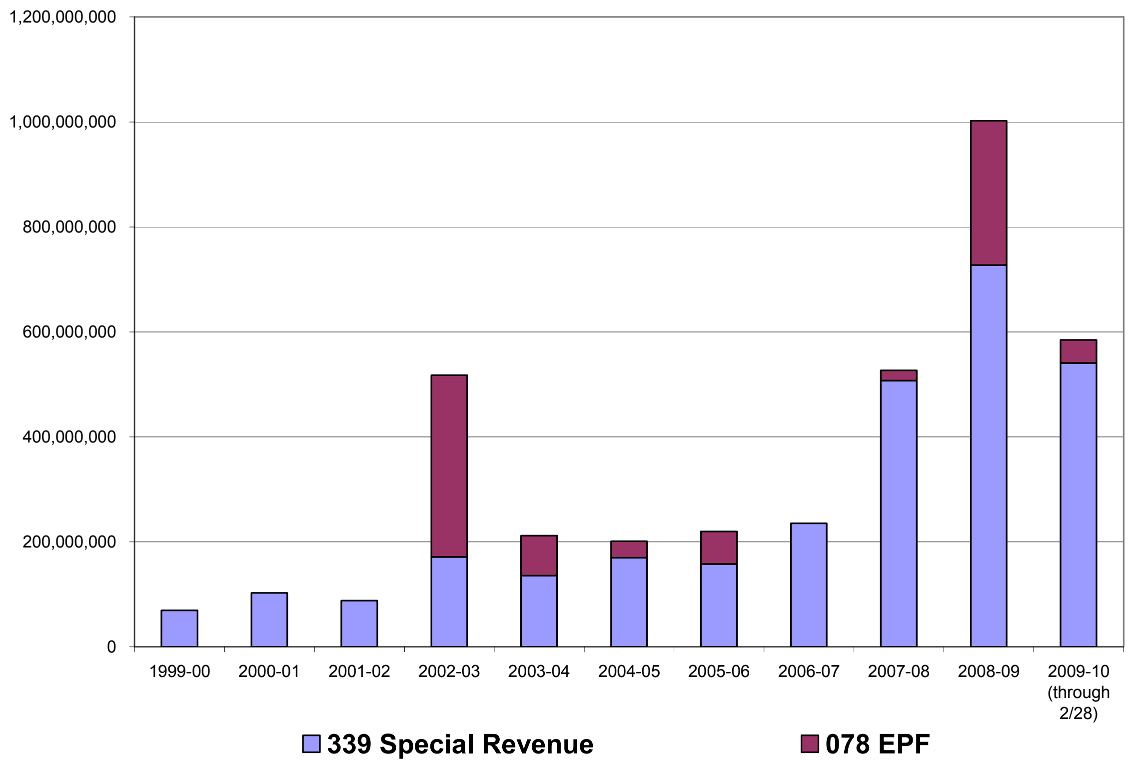
Fund sweeps have been used increasingly to balance the State budget by transferring money out of dedicated accounts to the General Fund to pay for general State expenses. Certain special revenue funds have permanent language to automatically transfer excess funds to the General Fund. In addition to these permanent transfers, recent budgets have included hundreds of millions of dollars in fund sweeps to the General Fund.

Even though the State now routinely sweeps accounts, these funding raids are primarily nonrecurring revenue, or one-shots, which worsen the State's structural imbalance by allowing recurring spending to exceed recurring revenue.

From SFY 1999-2000 through February 2010, more than $2.9 billion was transferred from dedicated special revenue funds in sweeps and transfers to the General Fund.[2] Of this amount, $1.8 billion, or 61 percent, was swept within the past three years, reflecting a significant escalation in the use of these special revenue funds for General Fund balance.

In addition to the $2.9 billion transferred, more than $854 million was swept from the Environmental Protection Fund over the past ten years, including $275 million in SFY 2008-09 and $34.1 million in SFY 2009-10 through February 2010.

Transfers to the General Fund from Dedicated Funds
(in dollars)



Non-specific Fund Sweeps

Until 2007, sweeps were identified in the budget and accompanying legislation by fund name and transfer amount. While an imprudent use of nonrecurring resources, this previous practice at least provided a certain amount of transparency and accountability.

In the SFY 2007-08 Enacted Budget, in addition to specific fund sweeps, the Legislature gave the Division of the Budget (DOB) non-specific or "blanket" authority to sweep $100 million. The Enacted Budget included no specificity as to what funds would be swept, or in what amounts, giving DOB complete discretion, without any required public disclosure, as to what funds would be impacted.

---

[2] Sweeps and transfers from State special revenue funds—339 accounts. A total of $9.8 billion has been transferred to the General Fund since SFY 1999-2000 from other federal and State funds and accounts.

Similar authorization for an additional $350 million blanket sweep was provided in SFY 2008-09, and in SFY 2009-10 the amount was increased to $575 million. For SFY 2010-11, a $500 million blanket sweep is proposed. No assessment has been required or produced of the impact of the sweep on the dozens of programs affected. The scope of the programs impacted by these raids is vast. A small sample of the accounts with funds swept to the General Fund under the blanket sweep since SFY 2007-08 include:

- $134.9 million—Health Care Reform Act Resource, Revenue Collection
- $21.0 million—Elderly Pharmaceutical Insurance Coverage
- $15.0 million—Hazardous Waste Oversight and Assistance
- $12.5 million—Local Wireless Public Safety Answering Points
- $9.8 million—New York City Veterans Homes (St. Albans and Oxford)
- $6.6 million—Indigent Legal Services
- $1.0 million—Assisted Living Residence Quality Oversight

These accounts were created to ensure the availability of a particular revenue stream to support a particular program. Instead, they are now being used to finance General Fund spending. See Appendix A for a chart showing all accounts and corresponding amounts that have been swept as part of the blanket sweep authorizations since SFY 2007-08.

Environmental Protection Fund

When established in 1993, the Environmental Protection Fund (EPF) was a dedicated, pay-as-you-go source of funding for environmental capital programs, financed primarily with the Real Estate Transfer Tax, which previously was a General Fund revenue source. In SFY 2002-03, $346 million was swept from the EPF to the General Fund for budget relief. To replace a portion of the cash that was swept, the State Environmental Facilities Corporation (EFC) issued $111 million in bonds. This created a long-term cost where none existed previously. This cost could have been avoided. Since SFY 1999-2000, more than $854 million in cash has been swept out of the EPF and transferred to the General Fund for budget relief. Of this total, $347 million was replaced with bond proceeds.

Reflecting increased environmental spending needs, the EPF capital projects appropriation was raised to $255 million in the SFY 2008-09 Budget. However, deficit reduction actions taken later that year reduced authorized spending to $205 million, and EPF funds were swept to fill the General Fund budget gap. Deficit reduction actions in SFY 2009-10 reduced EPF appropriation levels again, from $222 million to $212 million. These reductions, combined with prior-year fund sweeps, have constrained the ability of the EPF to meet critical State and local environmental program demands.

The SFY 2010-11 Executive Budget proposes cutting EPF appropriations to $143 million, less than half the previously planned level of $300 million, and diverting savings to the General Fund for budget relief. The Executive proposes to make this reduction permanent, and to eliminate EPF financing for open space preservation in SFY 2010-11.

Spending Off-loads or Shifts

In contrast to sweeping "excess" balances from a dedicated fund to the General Fund, at times General Fund costs are shifted, or "off-loaded" to these other funds. Effectively the mirror image of a fund sweep, off-loads undermine the ability of dedicated funds to meet their intended purpose and mask General Fund spending growth.

EPF fund balances were swept several times, as described previously, to provide direct funding for the General Fund. In addition to these sweeps and the proposal to scale back the dedicated funding and spending, the Executive proposes in SFY 2010-11 to spend $40 million, or 28 percent of the total proposed EPF appropriation, on Department of Environmental Conservation and Office of Parks, Recreation and Historic Preservation property maintenance, agency personal service, non-personal service and fringe benefit costs as well as property tax payments on forest preserve lands.

This proposal would result in off-loading costs to the EPF that previously had been General Fund (or other State funds) expenses. These actions compromise the ability of the EPF to pay for State and local environmental capital needs, which is the EPF's intended purpose.

Other funds, including two of the State's largest dedicated funds—the Dedicated Highway and Bridge Trust Fund and Health Care Reform Act (HCRA) Funds—have been subject to years of General Fund off-loads. These actions threaten the long-term viability of these dedicated funds and the important programs they were created to support.

Dedicated Highway and Bridge Trust Fund

The Dedicated Highway and Bridge Trust Fund was originally intended to provide pay-as-you-go (PAYGO) capital funds for critical road and bridge needs. In his 1991 message approving establishment of the Trust Fund, Governor Cuomo noted that it would provide a reliable source of funding for transportation programs, "…without reliance upon periodic bond issues."

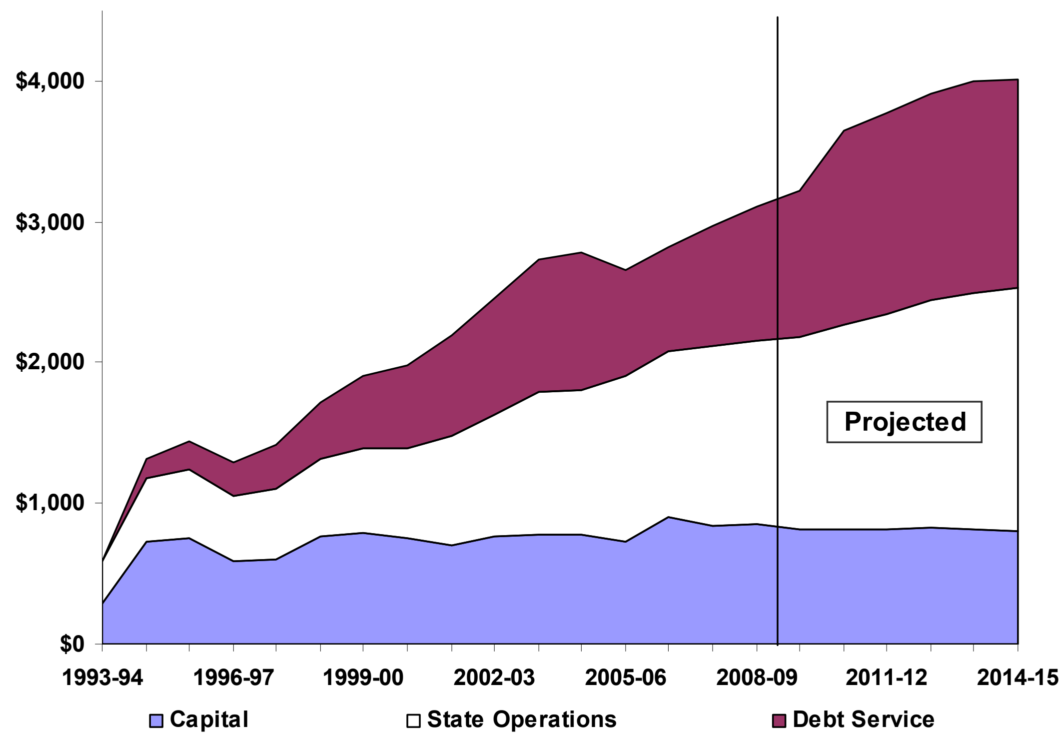
However, since its inception, the permitted uses of monies in the Trust Fund have been expanded to include additional State and local government activities. (See Appendix B.) Although related to transportation in some form, most of these new permitted uses have nothing to do with the construction and reconstruction of public roads and bridges and, in many cases, are not capital projects at all.

For example, operating expenses of the Department of Motor Vehicles and the Department of Transportation's costs for snow and ice removal, bus inspections, engineering services and administrative services are now funded through the Trust Fund. Some off-loads were accompanied by a transfer of a related revenue source to the Trust Fund, but on balance, these off-loads provided significant General Fund budget relief.

From its inception through SFY 2008-09, the Trust Fund collected more than $33.2 billion in dedicated revenue from the motor fuel, highway use and petroleum business taxes, other transportation-related fees and taxes, and Thruway Authority bond proceeds. However, only about $11.6 billion of the total, or 34.9 percent, has been spent for capital construction.

In contrast, Trust Fund spending for State agency operations and fringe benefits has totaled $12.6 billion, or 37.7 percent of total disbursements. Spending on these operating costs has accelerated over the years, growing nearly 200 percent while growth in capital spending was just 17.5 percent.

Dedicated Highway and Bridge Trust Fund Disbursement Growth
(in millions)



Sources: Actual results (SFY 1993-94 to SFY 2008-09) - Office of the State Comptroller; projected results (SFY 2009-10 to SFY 2014-15) - Division of the Budget.

The most significant problem facing the Trust Fund is its growing debt service burden. Years of operating budget off-loads meant the Trust Fund did not have adequate resources for capital project investments. To compensate, the State dramatically increased the use of bonds to finance construction costs and greatly reduced the amount of pay-as-you-go financing. This trend, expanding the scope of bonding authorized for the Trust Fund, and a debt refinancing in 2005 that provided short-term budget relief but greatly increased out-year debt service costs have led to a massive debt burden.

More than $9.1 billion, or 27.4 percent, of all Trust Fund disbursements to date has been used to pay debt service on bonds issued by the Thruway Authority on behalf of the State. By SFY 2014-15, debt service is expected to consume more than 70 percent of the Trust Fund's revenues.

As a result of this growing debt service burden, the Trust Fund can no longer meet its costs, much less fulfill its objective of providing a source of funding for the State's highway and bridge infrastructure. Since SFY 2008-09, the Trust Fund has required a General Fund subsidy. In SFY 2010-11, $695 million is planned to be transferred from the General Fund to the Trust Fund, nearly double the transfer needed in SFY 2009-10 and nearly triple the amount transferred in SFY 2008-09. The General Fund subsidy is expected to total nearly $4.7 billion from SFY 2009-10 through SFY 2014-15.

If the Trust Fund had been managed as a largely pay-as-you-go capital fund as originally intended, it would have the revenue available to meet the State's road and bridge needs, and would not require General Fund monies to meet its expenses. Prior budget tactics have rendered the Trust Fund effectively bankrupt.

Health Care Reform Act (HCRA) Funds

The Health Care Reform Act (HCRA), enacted in 1996, fundamentally changed the way health care is funded in New York State. HCRA reformed hospital reimbursement methodologies, added new revenue streams and established dedicated funding to support initiatives to meet specific health care needs. Funds are provided through a variety of dedicated revenues, such as hospital assessments and insurance fees.

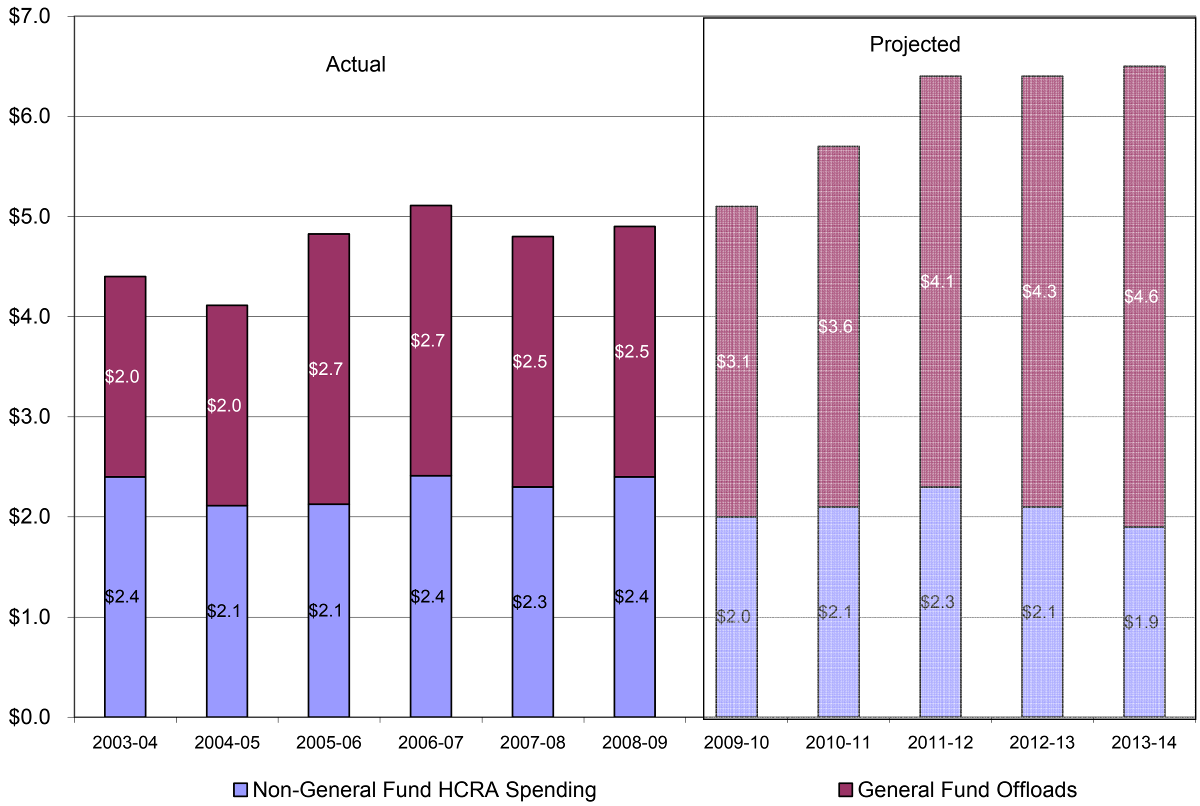
Since HCRA's inception, the State has used its resources for General Fund budget relief in two ways. First, HCRA funds have been transferred to the General Fund to help close State budget gaps. These transfers were used not only to pay for Medicaid costs, but $140 million in HCRA money was used for undesignated General Fund purposes. Second, costs, including the State's share of Medicaid that had historically been paid from the General Fund, have been shifted or off-loaded to HCRA. This has the effect of artificially lowering General Fund spending, because instead of being cut, spending is moved to HCRA.

The use of HCRA funds for General Fund budget relief has grown exponentially since 1997. Initially, this use of HCRA funds was minimal—$82 million was used in 1997 to subsidize General Fund Medicaid spending. By SFY 2003-04, off-loads had increased to $2.0 billion. In SFY 2008-09, HCRA provided $2.46 billion in General Fund relief. In SFY 2009-10, HCRA was projected to provide approximately $3.07 billion in General Fund budget relief, primarily for Medicaid, representing 62.8 percent of total HCRA revenue for the year.

For the eleven-year period ending March 31, 2014, HCRA is expected to support $34.3 billion in General Fund off-loads out of $58.2 billion in total HCRA expenditures.

Furthermore, the General Fund is expected to fund any unaddressed HCRA shortfalls, creating future fiscal pressure similar to the Dedicated Highway and Bridge Trust Fund problem. Far from being the reliable source of funding for HCRA programs as established in 1996, HCRA for years has served as a reliable source of revenue to close General Fund deficits.

HCRA Spending by Type
(in billions)



Source: Office of the State Comptroller analysis of various DOB Year-End, Enacted Budget, Financial Plan Update and Executive Budget documents.

Note: SFY 2011-12, SFY 2012-13 and SFY 2013-14 figures, contained in the amended Executive Budget Financial Plan for SFY 2010-11, assume HCRA reauthorization beyond the program expiration date of March 31, 2011.

Temporary Loans

Over the course of a fiscal year, it is expected that spending in each operating fund and account of the State is limited to its available revenue. However, depending on the timing of cash receipts, at certain times a fund will have insufficient cash to meet its spending obligations. The Legislature has authorized these funds to receive temporary loans from the State's Short Term Investment Pool (STIP) to meet short-term cash shortfalls whenever scheduled disbursements exceed available revenue during the fiscal year; loans are intended to be repaid as cash receipts become available.[3] Each fiscal year since SFY 1999-2000 has closed with an average of $1.4 billion in temporary loans outstanding.

Through February 2010, $3.5 billion in temporary loans was outstanding. This included $1.7 billion in State special revenue funds, $1.2 billion in Capital and bond reimbursable funds, $497 million in federal funds and $116 million in Internal Services funds. As high as

[3] The Short Term Investment Pool (STIP) is made up of All Governmental Funds (including the General Fund, State and federal special revenue funds, State and federal capital projects funds and debt service funds), enterprise and internal service funds used for financing goods and services between agencies and certain operations as well as fiduciary funds for which the State acts as a fiscal agent for individuals, private organizations or non-State governmental units.

this loan balance is, it is $866 million below the $4.4 billion loan amount of December 31, 2009, when the State faced a cash shortfall of historic proportions.

New York's excessive reliance on temporary loans impacts the State in two ways. First, it reduces potential interest earnings the State should be generating on the funds being loaned to self-supporting funds and accounts. Second, and more seriously, temporary loans may mask a recurring deficit in a special revenue account. While temporary loans are intended to cover a fund's episodic cash shortfalls, they have increasingly been used to cover, in perpetuity, the costs of programs in funds with built-in structural deficits. In these cases, program costs regularly exceed available revenue. Temporary loans allow the State to avoid the difficult fiscal decisions needed to close these structural deficits.

The following table indicates the extent of this problem. During SFY 2008-09, 21 special revenue funds and 15 internal service funds operated the entire fiscal year with loans outstanding to STIP, totaling $331 million. At no point during the fiscal year did available revenue enable the funds to repay their loans.

Accounts Dependent on Temporary Loans for Solvency
(in millions of dollars)

	3-31-09 Balance	Number of Accounts
Special Revenue Funds	280,025	21
Internal Service Funds	51,287	15
Total	**331,312**	**36**

Temporary loans cannot—and were never intended to—solve underlying budgeting problems and should be used only to alleviate short-term cash flow issues. By transforming these short-term cash flow adjustments into permanent lines of credit, New York uses temporary loans to hide its real budget problem and avoid addressing its fiscal challenges. A complete schedule of temporary loans outstanding can be found in Appendix G of the Comptroller's Monthly Cash Report and Schedule 33 of the Comptroller's Cash Basis Annual Report.

Certain accounts chronically rely on temporary loans to pay for the programs they were created to support and roll temporary loan balances from one fiscal year to the next. New appropriations are made each year from these special revenue accounts under the pretense that enough new money will come into the account to repay outstanding temporary loans and meet planned expenditures. In fact, certain distressed accounts fail to do either.

Regulation of Indian Gaming Account

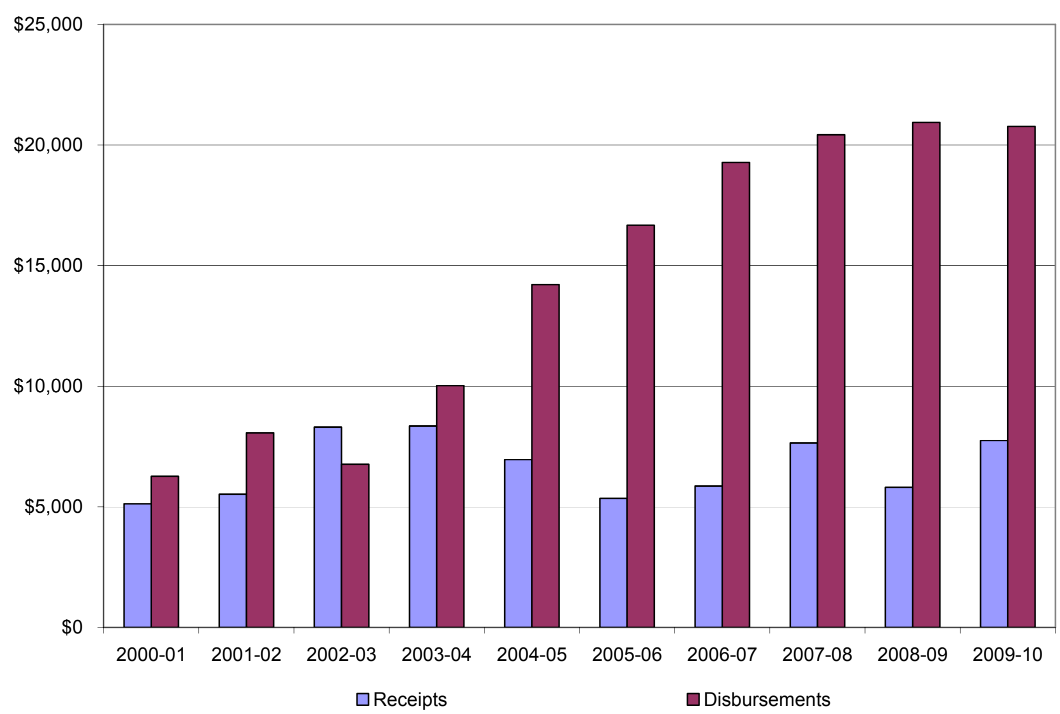
For example, the Regulation of Indian Gaming Account has relied on temporary loans since SFY 1997-98 to meet the expenses of the State Police and the Racing and Wagering Board associated with this program. Pursuant to federal law, any Tribal-State Compact governing the conduct of gaming activities may include a provision relating to the assessment by the State of such activities in amounts necessary to defray the costs of regulating these activities.[4]

In New York State, the Oneida Indian Nation, the St. Regis Mohawk Tribe and the Seneca Nation of Indians operate full-scale casinos and the Class III Gaming compacts provide for reimbursement of the actual and necessary costs associated with regulating such gaming activities. However, since 1993 revenue reimbursement to the State has failed to fully materialize and reimbursements to this account have been less than 50 percent of the total amount disbursed.

In fact, this account has reached the point where its temporary loans may be accumulating beyond the State's ability to secure repayment. As of March 31, 2009, this account had a temporary loan balance of $69.8 million, which grew to $82 million at the end of February 2010. This has not stopped the program from functioning: in SFY 2008-09 the State Police collected just $5.8 million in dedicated fees while expenditures totaled $20.9 million.

The SFY 2010-11 Executive Budget includes new appropriations of $18.5 million from this account, continuing the charade that revenue will be received in the coming fiscal year sufficient to repay the significant accumulated temporary loan balance as well as meet the operating expenses paid for through this account of the State Police and the Racing and Wagering Board. This is emblematic of the failure on the part of the State to acknowledge and address chronic deficits deeply embedded within the State Budget.

Receipts and Disbursements Associated with Indian Gaming
(in thousands)



4 Section 2710 (d)(3)(C)(iii) of the Indian Gaming Regulatory Act (IGRA) (25 U.S.C. 2701 et seq.)

Internal Service Funds

Another example of the use of temporary loans to avoid effective financial management is internal service funds—accounts created to finance services provided by one State agency to another. When an agency obtains services such as information technology, fleet management or food services from another agency, the transaction flows through an Internal Service Fund (ISF).

The "purchasing" agency receives a bill from the service-providing agency and uses its available funds to pay this obligation. However, as operating budgets are reduced it appears that agencies are delaying or even refusing to make these required payments. During 2008-09, STIP loans to ISFs totaled $69.7 million on April 1, 2008, peaked at $109.8 million in December 2008 and then declined to $53.1 million on March 31, 2009, reflecting year-end payments by agencies and public authorities to discharge their obligations.

General Fund

Emblematic of the State's decreasing ability to effectively manage its resources, the SFY 2009-10 Enacted Budget included language to allow the General Fund to borrow from other funds in the STIP for a period not to exceed four months or until the end of the fiscal year, whichever is shorter, to meet its obligations in the event of a cash shortfall (inter-month). Previously, temporary loans to the General Fund from other funds in STIP were allowed, but had to be paid back within the same month (intra-month).

Intra-month loan authorization has regularly been used to meet the State's General Fund obligations. Within certain months, required or scheduled payments may temporarily exceed available revenue. Intra-month temporary loans smooth these variances. However, the new language allowing General Fund temporary loans to cross over several months indicates a more severe cash flow problem. While it is commonplace for temporary loans to cross months for many special revenue and capital project funds, this is not the case for the General Fund.

In prior years, the State was always able to balance the General Fund by month's end. In SFY 2009-10, this was no longer true, and the month of December closed with a cash deficit of $577 million (prior to adjustments). In SFY 2010-11, the Division of the Budget projects that the General Fund will have month-end temporary loans for four consecutive months beginning in May.

The State's failure to address the structural gap in the General Fund—where recurring spending exceeds recurring revenue—means the State's main operating fund is headed down the same path that chronically deficient special revenue accounts have traveled for years.

Bond Proceeds

One of the least cost-effective mechanisms used to close State deficits is borrowing. Roughly speaking, the total cost of issuing 30 year bonds is typically two times the amount borrowed, making the price taxpayers ultimately bear for the State's habit of avoiding difficult budget decisions extremely expensive. New Yorkers currently pay more than $1.0 billion annually for debt service on bonds issued for budget relief or other non-capital expenses—long-term debt with no capital improvement to show for it.[5] More than 16 percent of State-Funded debt outstanding was issued for budget relief.

General Fund deficits are also closed by taking cash earmarked for a specific purpose and replacing that cash with long-term debt, as has become the practice with the EPF. Taxpayers are currently facing the ongoing cost of $347 million in bonds issued to pay for EPF programs because the equivalent amount of cash was taken for one-time General Fund budget relief. Prudent budget decisions, such as the creation of pay-as-you-go funds (such as the EPF or the Dedicated Highway and Bridge Trust Fund) originally enacted to ensure reliable, ongoing dedicated revenue streams, are sabotaged for short-term gain.

In SFY 2008-09, more than $225 million in new debt was substituted for pay-as-you-go-capital, including more than $125 million in software and other costs as well as $100 million in the EPF. In SFY 2009-10, nearly $200 million for projects that were supposed to be pay-as-you-go financed were projected to be replaced with debt. This included more than $100 million in equipment financing and $95 million in the EPF. Replacing pay-as-you-go funding with debt significantly increases the cost of programs over time and has contributed to making debt service one of the fastest growing major categories of spending in the State Budget. It also contributes to the structural imbalance between recurring revenue and recurring spending in the State Budget.

[5] A large portion of this non-capital debt was issued in the aftermath of the September 11, 2001 attacks in conjunction with a broader recovery plan. State choices regarding the use of debt relative to using current tax dollars must be balanced so that when extraordinary circumstances arise, needs can be accommodated.

Conclusion

New York State faces very difficult budget challenges in 2010. The slow economic recovery coupled with New York's already high State and local tax and debt burden impose serious constraints on budget making. Yet in many ways, this can and must be a transformative year for New York State finances. To enable the State to emerge from the current recession in a stronger financial position, annual budget games like the deficit shuffle must be stopped. Taxpayers need a solution to the budget problem that is open, transparent and accountable.

To accomplish this, Comptroller DiNapoli has advanced a Strategy for Fiscal Reform, which proposes a new framework for how State budgets would be proposed, negotiated and implemented.[6] This reform package would impose fiscal discipline on the State Budget, require that financial plans address out-year deficits and move the State toward structural balance. The proposed reforms would also end the practice of balancing each year's budget with temporary fixes and fiscal gimmicks, as well as prohibit borrowing for operating purposes.

[6] See the Office of the State Comptroller report *Strategy for Fiscal Reform*, released March 2010. This report is available on the Internet at www.osc.state.ny.us/reports/budget/2010/fiscalreform_mar2010.pdf.

Appendices

Appendix A

Special Revenue Transfers to General Fund
"Blanket Sweep" Transfer Authorizations Contained in Article VII Language Bills
FYE 4/1/07-3/31/08 Through 4/1/09-02/28/10

Fund		Transferred Amounts FY 4/07-3/08	Transferred Amounts FY 4/08-3/09	Transferred Amounts FY 4/09-02/10	Total
050-01	Vocational Schools Tuition Reimbursement	$ -	$ 500,000	$ -	**$ 500,000**
052-01	Local Government Records Management	$ 500,000	$ 763,000	$ -	**$ 1,263,000**
054-01	Charter Schools Stimulus	$ 1,400,000	$ 261,000	$ -	**$ 1,661,000**
061-02	HCRA Resource - Health Care Services	$ 5,000,000	$ -	$ -	**$ 5,000,000**
061-99	HCRA Resource - Revenue Collection	$ 7,560,000	$ 127,354,000	$ -	**$ 134,914,000**
301-48	Waste Tire Management & Recycling	$ -	$ 10,029,368	$ 1,500,000	**$ 11,529,368**
301-49	Oil & Gas Drill Permit	$ -	$ 19,000	$ -	**$ 19,000**
301-BJ	EnCon Indirect Cost Recoveries	$ -	$ 665,000	$ -	**$ 665,000**
301-G8	S-Area Landfill (Hooker Chemical cleanup)	$ -	$ -	$ 300,000	**$ 300,000**
301-S4	Conservationist' Magazine	$ -	$ 30,000	$ 200,000	**$ 230,000**
301-W8	Clean-up Costs Recovery	$ -	$ 18,000	$ -	**$ 18,000**
301-XB	Mined Land Reclamation	$ -	$ 160,000	$ 500,000	**$ 660,000**
305-01	OSHA Training & Education Program	$ -	$ 154,000	$ -	**$ 154,000**
305-02	OSHA Inspection	$ -	$ -	$ 1,000,000	**$ 1,000,000**
312-05	Hazardous Waste Oversight And Assistance	$ 15,000,000	$ -	$ -	**$ 15,000,000**
313-06	MTOA - Addit'l Assist to LIRR & Metro-North	$ -	$ 1,300,000	$ -	**$ 1,300,000**
333-02	Winter Sports Education Trust	$ -	$ 14,000	$ -	**$ 14,000**
339-07	DOS Code Enforcement	$ -	$ 5,000,000	$ 892,000	**$ 5,892,000**
339-09	DMV Seized Assets	$ 50,000	$ -	$ -	**$ 50,000**
339-10	MH Medicaid Program	$ -	$ 3,762,000	$ -	**$ 3,762,000**
339-13	MH Patient Income	$ -	$ 4,750,000	$ -	**$ 4,750,000**
339-19	OTDA-Food Assistance Program	$ 245,527	$ -	$ -	**$ 245,527**
339-21	Nurses Aide Registry	$ -	$ 2,194,000	$ 1,000,000	**$ 3,194,000**
339-24	Quality Child Care & Protection	$ -	$ -	$ 30,000	**$ 30,000**
339-26	DOH Certificate of Need	$ 2,000,000	$ 6,152,000	$ 3,000,000	**$ 11,152,000**
339-28	Continuing Care Retirement Communities	$ -	$ -	$ 500,000	**$ 500,000**
339-30	Labor - Employer Fee & Penalty	$ 10,000,000	$ 12,955,000	$ 1,000,000	**$ 23,955,000**
339-32	DOH-Nursing Home Receivership	$ 500,000	$ -	$ -	**$ 500,000**
339-37	I Love NY Vessel	$ 1,000,000	$ -	$ -	**$ 1,000,000**
339-38	Summer School of Arts	$ 100,000	$ -	$ -	**$ 100,000**
339-39	I Love NY Waterways Boating Safety	$ 500,000	$ -	$ -	**$ 500,000**
339-41	Snowmobile Trail Dev & Maintenance	$ 1,000,000	$ -	$ -	**$ 1,000,000**
339-42	DOT - Surplus Property	$ 150,000	$ 1,000,000	$ -	**$ 1,150,000**
339-44	Hospital & Nursing Home Management	$ 2,000,000	$ 3,292,152	$ -	**$ 5,292,152**
339-50	OTDA-Training Mgmt & Evaluation	$ -	$ -	$ 100,000	**$ 100,000**
339-69	Farms Products Promotion	$ -	$ -	$ 100,000	**$ 100,000**
339-75	Foreign/Out of State Dairy Promotion	$ -	$ -	$ 100,000	**$ 100,000**
339-81	Environmental Laboratory Fee	$ 500,000	$ 1,095,000	$ 250,000	**$ 1,845,000**
339-99	Consumer Food Industry	$ -	$ -	$ 200,000	**$ 200,000**
339-A3	Education Library	$ 50,000	$ 50,000	$ -	**$ 100,000**
339-A4	Teacher Certification Program	$ -	$ 2,276,000	$ -	**$ 2,276,000**
339-A7	Economic Development Assistance	$ 20,000	$ -	$ -	**$ 20,000**
339-AD	Office of Disability Determinations Prgm	$ 3,000,000	$ -	$ -	**$ 3,000,000**

Special Revenue Transfers to General Fund
"Blanket Sweep" Transfer Authorizations Contained in Article VII Language Bills
FYE 4/1/07-3/31/08 Through 4/1/09-02/28/10

Fund		Transferred Amounts FY 4/07-3/08	Transferred Amounts FY 4/08-3/09	Transferred Amounts FY 4/09-02/10	Total
339-AE	Motorcycle Safety	$ 552,000	$ -	$ -	**$ 552,000**
339-AG	DOS-Business & Licensing Services	$ 500,000	$ -	$ -	**$ 500,000**
339-AL	OTDA Program Revenue	$ 5,000,000	$ -	$ -	**$ 5,000,000**
339-AP	DOH Administration Program	$ -	$ 866,955	$ -	**$ 866,955**
339-AX	OTDA - Child Support Enforcement Admin	$ -	$ -	$ 2,200,000	**$ 2,200,000**
339-B6	Insurance Dept Assessments	$ -	$ -	$ 50,000,000	**$ 50,000,000**
339-B8	DOS-Fire Protection	$ 30,000	$ -	$ -	**$ 30,000**
339-BA	Labor-Public Work Enforcement	$ 5,000,000	$ 3,143,000	$ 1,000,000	**$ 9,143,000**
339-BJ	Bell Jar Revenue Collection	$ -	$ -	$ 250,000	**$ 250,000**
339-BP	OGS Revenue - Armory Rental/Sale	$ 650,000	$ -	$ -	**$ 650,000**
339-CA	Financial Crimes Revenue Collection	$ -	$ 4,680	$ -	**$ 4,680**
339-CB	OTDA - Food QC Reinvestment Account	$ 178,000	$ -	$ -	**$ 178,000**
339-CM	Regulation of Manufactured Housing	$ -	$ -	$ 500,000	**$ 500,000**
339-CR	Revenue Arrearage/PA Chargebacks	$ 16,403,000	$ 25,770,000	$ -	**$ 42,173,000**
339-CT	Cell Tower Revenue	$ 500,000	$ 200,000	$ -	**$ 700,000**
339-CU	NYSERDA-Special Conservation Activities	$ -	$ -	$ 2,722,000	**$ 2,722,000**
339-CY	Central Registry for Child Abuse - Search Fee	$ -	$ -	$ 75,000	**$ 75,000**
339-CZ	Plant Industry Fee (Growers & Dsitributors)	$ -	$ -	$ 50,000	**$ 50,000**
339-DO	DED Marketing (I Love NY license plates)	$ 400,000	$ -	$ -	**$ 400,000**
339-DZ	UI Interest Assessment Surcharge	$ 423,000	$ -	$ 200,000	**$ 623,000**
339-ES	Comprehensive Care Center for Eating Disorders	$ 100,000	$ 53,000	$ 350,000	**$ 503,000**
339-FC	Foster Care Savings Offset	$ -	$ 515	$ -	**$ 515**
339-FP	Funeral Directing Program	$ 250,000	$ -	$ 750,000	**$ 1,000,000**
339-G7	DOT-Accident Damage Recovery	$ -	$ 1,000,000	$ -	**$ 1,000,000**
339-GA	OTDA-Adult & Family Shelter Intercept	$ -	$ -	$ 4,000,000	**$ 4,000,000**
339-GD	OTDA-Electronic Benefit Issuance	$ -	$ 58,000	$ 250,000	**$ 308,000**
339-H2	DHCR-Mortgage Servicing	$ -	$ 1,339,000	$ -	**$ 1,339,000**
339-H6	OMH-Research Grants/Awards	$ -	$ 1,286,253	$ -	**$ 1,286,253**
339-H7	DMV-Compulsory Insurance	$ -	$ 2,000,000	$ -	**$ 2,000,000**
339-HI	Housing Indirect Cost Recovery	$ 650,000	$ -	$ -	**$ 650,000**
339-IM	Legal Services Assistance	$ -	$ 9,000,000	$ -	**$ 9,000,000**
339-J1	Local Public Health Services Program	$ -	$ 5,010,000	$ 1,500,000	**$ 6,510,000**
339-J6	Elderly Pharmaceutical Insurance Coverage	$ -	$ 11,047,000	$ 10,000,000	**$ 21,047,000**
339-JA	DOH-Vital Records Management Fee	$ 1,000,000	$ 3,000,000	$ 750,000	**$ 4,750,000**
339-JC	Contract Recovery Account	$ 25,000	$ -	$ -	**$ 25,000**
339-L2	Assisted Living Residence Quality Oversight	$ -	$ 1,000,000	$ -	**$ 1,000,000**
339-LJ	Animal Poplulation Control	$ 1,020,000	$ -	$ -	**$ 1,020,000**
339-LW	Local Wireless Public Safety Answering Point	$ -	$ 10,000,000	$ 2,500,000	**$ 12,500,000**
339-NG	DHCR-Low Income Housing Credit Monitoring Fee	$ -	$ -	$ 1,500,000	**$ 1,500,000**
339-P4	Procurement Opportunity Newsletter	$ 200,000	$ -	$ -	**$ 200,000**

Special Revenue Transfers to General Fund
"Blanket Sweep" Transfer Authorizations Contained in Article VII Language Bills
FYE 4/1/07-3/31/08 Through 4/1/09-02/28/10

Fund		Transferred Amounts FY 4/07-3/08	Transferred Amounts FY 4/08-3/09	Transferred Amounts FY 4/09-02/10	Total
339-P5	Crime Victims Board - Restitution	200,000.00	-	-	**200,000.00**
339-Q3	NYC Veterans Home at St. Albans	3,500,000.00	5,000,000.00	-	**8,500,000.00**
339-Q4	NYC Veterans Home at Oxford	-	1,273,000.00	-	**1,273,000.00**
339-QC	Quality of Care Improvement (penalties)	1,000,000.00	2,000,000.00	1,000,000.00	**4,000,000.00**
339-RL	Arts Institutions Revolving Loan	1,000,000.00	-	-	**1,000,000.00**
339-ST	DOB-System and Technology Account (BIC)	1,500,000.00	3,424,000.00	2,000,000.00	**6,924,000.00**
339-T2	OPR-Patron Services	-	1,000,000.00	-	**1,000,000.00**
339-TW	Statewide Gaming Account	250,000.00	-	282,000.00	**532,000.00**
339-U2	DMNA-Recruitment Incentive & Retention	-	1,000,000.00	-	**1,000,000.00**
339-W4	DOH-Occupational Health Clinic Network	-	1,376,000.00	-	**1,376,000.00**
339-XE	Wine Industry Marketing & Promotion	65,000.00	-	300,000.00	**365,000.00**
339-YO	Chemical Dependence Transition	28,000.00	-	-	**28,000.00**
339-YV	Nursing Home Provider Assessment	-	50,000,000.00	-	**50,000,000.00**
345-10	SUNY - General Income Reimbursable	-	-	54,716,000.00	**54,716,000.00**
346-00	OASAS - Chemical Dependence Service	-	9,500,000.00	2,000,000.00	**11,500,000.00**
349-01	Lake George Park Trust	-	58,000.00	-	**58,000.00**
354-01	Motor Vehicle Theft & Insurance Fraud Prevention	1,000,000.00	5,000,000.00	-	**6,000,000.00**
355-01	NY Great Lakes Protection	-	2,010,000.00	-	**2,010,000.00**
359-02	Federal Revenue Maximization - Local Gvt	-	-	38,174.00	**38,174.00**
360-00	Housing Development Fund	-	-	300,000.00	**300,000.00**
390-01	Indigent Legal Services Fund	-	1,560,778.00	5,000,000.00	**6,560,778.00**
482-01	UI Interest & Penalty Fund	3,000,000.00	2,500,000.00	6,000,000.00	**11,500,000.00**
Totals		**94,999,527.38**	**344,273,701.02**	**160,905,174.00**	**600,178,402.40**

	"Blanket Sweep" Authorization Amount			
	Chapter 57, Laws of 2007	$100,000,000		
	Chapter 497, Laws of 2008		$350,000,000	
	Chapter 503, Laws of 2009			$ 575,000,000

Appendix B

Dedicated Highway and Bridge Trust Fund
Permitted Uses

Current Law	Original Law (Chapters 329 and 330, L of 1991)	Year Included
Construction, reconstruction and enhancement of state and local roads and bridges to address current and projected capacity problems	Construction, reconstruction, enhancement and improvement of highways, parkways, and bridges thereon, to address current and projected capacity problems	1991 (language duplicated 1996)
Reconstruction, replacement, reconditioning, restoration, rehabilitation and preservation of state and local roads, highways, parkways, and bridges to restore facilities to intended functions	Reconstruction, replacement, reconditioning, restoration, rehabilitation, and preservation of highways, parkways, and bridges thereon, to restore facilities to intended functions	1991
Match for Federal grants	Match for Federal grants	1991
Acquisition of real property	Acquisition of real property	1991
Preventive maintenance on roads and bridges	Preventive maintenance on roads and bridges	1991
Debt service on Thruway authority bonds issued for state and local highways and bridges, airports, ferries, rail projects	Debt service on bonds issued after 1991 for highway, parkway and bridge purposes (CHIPs per Sec 11 and 12 of Chap 329)	1991
Contract services by private firms to carry out statutory duties of DOT (original language replaced in 1993)	Payments to private engineers, architects, etc. to carry out statutory duties of DOT	1991/1993
Costs of planning and design work (original language replaced in 1993)	Expenses for project development and construction up to amount historically appropriated from DOT Engineering Services Fund	1991/1993
Aviation projects and debt service		1993
Costs of buildings, equipment and materials for maintenance and repair of roads and bridges		1993/1998
Programs for small, minority and women-owned businesses		1993
Traffic mitigation activities		1993
State DOT costs for engineering and administrative services		1993
Designs, specs and estimates – PS & NPS		1993
Construction management and supervision		1993
Appraisals, surveys, environment impact estimates		1993

Current Law	Original Law (Chapters 329 and 330, L of 1991)	Year Included
Debt service on bonds for construction, etc. and preservation of state and local roads and bridges (Fund split into two accounts – C. 56, L of 1993)		1993
Debt service related expenses		1993
State, county, town, city and village roads		1996
Construction, improvement and preservation of rail freight and intercity passenger facilities (multi-modal)		1996
Construction etc. and preservation of publicly and privately owned ports (multi-modal)		1996
Construction etc. and preservation of municipal airports (multi-modal)		1996
Privately owned airports and aviation capital facilities (excluding those owned by State or Port Authority) (multi-modal)		1996
Debt service on bonds for rail freight facilities and intercity passenger facilities and equipment		1996
Debt service on bonds for construction etc. and preservation of publicly and privately owned ports		1996
Debt service on bonds for construction etc. and preservation of municipal airports and privately owned airports and aviation capital facilities (excluding those owned by State or Port Authority)		1996
Construction etc. and preservation of ferry facilities of municipal and private ferry lines		2000
Debt service on bonds for construction etc. and preservation of ferry facilities of municipal and private ferry lines		2000
Snow and ice control on state highways		2001
Emergency snow and ice control on local highways, and local work on state highways		2001
State DOT costs for bus inspections		2001
State DMV costs		2002