

The Truth and Integrity in Government Finance Project – State of New York

Research Responses and Comparative Analyses for FY 2017

Wen Chen | Paula Garcia | Yuting Li | Clare O'Brien

M.P.A. Candidates, Class of 2017, Cornell Institute for Public Affairs

Executive Summary

Introduction

According to the Volcker Alliance (“Alliance”), “*The Truth and Integrity in Government Finance* project is a multiyear study of state and local budgeting, financial reporting, and fiscal practices across the United States.” It analyzes the budget practices of states, examining general budget practices, one-time actions, pension funding, education funding, rainy day reserve funds, and disclosure practices of all 50 states. The Alliance aims to improving the efficiency, transparency and accountability of state government budgets through this process.

The Alliance partners with universities - including Cornell Institute for Public Affairs (CIPA) Cornell University’s MPA program, nonprofit organizations, and consulting firms to conduct research. The CIPA team was tasked to research budget practices of New York State for FY 2017, based on the 29 questions posed by the Alliance. We utilized resources from but not limited to the New York State Division of the Budget, the New York State Comptroller’s Office, nonprofit organizations, and news media to answer the questions. Aside from research on New York State budget practices as directed by the 29 questions, we conducted further research and comparative analysis to develop short papers on state revenue trends, one-time actions, education funding and disclosure practices in New York State as compared to other states. The aim of these papers is to provide insights on where New York State might learn from other states’ practices and where it might be part of broader national trends in state budgeting.

Methodology

The CIPA team gathered information to answer specific questions developed by the Alliance concerning New York State budgeting practices for FY2017. The team compiled the answers in the online database (SharePoint provided by Volcker), and developed four papers based on research topics from the questionnaire, as well as a final presentation to share with the Alliance. The primary themes of the 29 research questions include general budgeting practices, one-time actions, pension and OPEB funding, educational funding, rainy day reserve funds, and disclosure practices.

The CIPA team conducted this task in the following four steps:

1. Systematically researched the 29 questions on the questionnaire provided by Volcker using budget information resources and financial documents from the FY 2017 state budget documents and Division of the Budget website from New York State;
2. Edited and proofread responses to the questions, before submitting reports to the Alliance;
3. Propose to Volcker Alliance Team via a conference call topics for research papers and elaborate four papers based on research topics according to the questionnaire;
4. Deliver a final presentation via conference call with Volcker Alliance Team uncharged of review the project.

Potential risks that the team could encounter might include the existence of false data and obscure information among documents because of political reasons. In addition, the Volcker Alliance provided the resources necessary for the team to conduct the research and provided assistance

when the team has questions. Finally, Volcker Alliance will meet with the CIPA Capstone team through phone calls after the team submit its deliverables and give the team feedback on each deliverables.

Sources

Since this year's CIPA Capstone team was assigned the same 29 research questions as last year's team, one of the major sources of information is the sources used by the last team. The team referred to the last team's sources listed under each research question in the final report, and analyzed the FY 2017 versions of the relevant documents to address the research questions. Another source is the Alliance's *Annotated Reference Guide to State Budgets, Financial Reports and Fiscal Analysis*, which provides links to the budgets for all fifty states as well as financial reports by government agencies and research reports from third-party institutions. In addition the Alliance listed suggested sources for each research question (under the "Research Questions Quick Review" category), which also provided some references for the team. Finally, the team conducted additional research regarding several budget issues and found some relevant sources during the process of individual research, which are all listed in the following report. When analysis involved comparing New York State to other states, the team referred first to research answers by other university teams working on the Truth and Integrity in Government Finance project, and then delved further into sources cited by those teams.¹

Summary of Findings for Alliance Questions

The following are brief overviews of findings for different question categories addressed by the spring 2017 capstone team for New York State. Detailed responses to each question can be found in the appendix (page 29).

General Budgeting Practices

There has not been much change in the budgetary process and the executive budget model

¹ Some of the major sources mentioned above include:

New York State, Division of the Budget

FY 2017 Enacted Budget Financial Plan

[https://www.budget.ny.gov/budgetFP/FY 2017FP.pdf](https://www.budget.ny.gov/budgetFP/FY%2017FP.pdf)

FY 2018 Executive Budget Financial Plan

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

Mid-Year Update to the FY 2017 Financial Plan

[https://www.budget.ny.gov/budgetFP/FY 2017MidYearUpdate.pdf](https://www.budget.ny.gov/budgetFP/FY%2017MidYearUpdate.pdf)

Office of the New York State Comptroller

Report on the State Fiscal Year 2017-2018 Executive Budget

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

State of New York Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2016

<http://www.osc.state.ny.us/finance/finreports/cafr/2016cafr.pdf>

Report on the State Fiscal Year 2016-17 Enacted Budget Financial Plan and Capital Program and Financing Plan

http://osc.state.ny.us/reports/budget/2016/2016_17_enacted_budget_finplan.pdf

The Volcker Alliance

Annotated Reference Guide to State Budgets, Financial Reports and Fiscal Analysis

<https://www.volckeralliance.org/publications/state-budget-sources>

between 2016 and 2017. New York State is still disclosing multi-year revenue and expenditure forecasts, as well as providing a reasonable rationale in the initial budget to support its projections. According to our research, however, there was need for a significant mid-year budget adjustment in FY 2017. New York State has been adjusting its revenue projections downward, particularly regarding tax receipts and miscellaneous receipts from FY 2017 to FY 2020.

One-Time Budgetary Actions

As the previous Cornell team wrote for FYs 2016 and 2015, in FY 2017 there is no trace of New York State borrowing proceeds to pay for recurring expenditures. Nor did the state use bond premiums or other upfront cash flows upon refinancing to pay for recurring expenditures. However, in contrast to the previous team's findings, there is evidence of the state using non-recurring revenues to pay for recurring expenses for FY 2017. The state took a series of one-time actions including deferring the current year expenditures to the next year, using proceeds from asset sales to fund expenditures, transferring money from special funds to the general fund to pay for the expenditures and shifting costs to other governments and agencies. These one-time actions created the appearance of better financial performance of the state in the short term yet do not fundamentally solve the underlying issue of insufficient funding.

Pension/OPEB Funding

The FY 2017 ERS/PFRS pension estimate of \$2.1 billion in the current Financial Plan incorporates the estimate prepared by the Comptroller's Office in October 2015, includes payment of prior amortizations totaling \$432 million. According to the 2017 Executive Budget, there was an accrued OPEB liability of \$77.9 billion for the state as of March 2016, which means the contribution to public-employee OPEB is less than 100% of the actuarially required amount.

Education

There is a complicated history in New York State of a protracted legal battle which ended with the court requiring certain payments to rectify inequalities between different school differences--a program known as "Foundation Aid.") The state has accumulated a \$4.3 billion shortfall in these payments between 2007 and 2017, with much of the unpaid funds owed to schools with more needy students. This is mostly due to funding levels being frozen during the recession and never reaching their mandated levels. There are changes being put in place in 2017 regarding the formula that calculates the amounts of Foundation Aid, which would tie aid amounts to aid received in previous years. This could effectively mean that the \$4.3 billion shortfall will never be made up.

Rainy Day Reserve Funds

As the last team found, the state does have policies for use and replenishment of rainy day funds and makes contributions at the request of the director of budget. Contribution to the Rainy Day Reserve Fund is not specifically tied to revenue volatility, but is limited to a percentage of the amount disbursed from the General Fund in a given year, and thus in a roundabout way could be a larger contribution when the general financial health of the state is better, and vice versa. There has been no state intra-year short-term borrowing since 1993.

Disclosure Practices

There are no significant changes from last year. Some budgetary information and documents should be clearer and easier for users to find through the website. Enacted Budget documents include information on outstanding debt and debt services costs, as well as costs of tax breaks, expenditures, and abatements. There is no disclosed information about cost of deferred infrastructure maintenance.

Executive Summary of Comparative Analyses

In addition to answering the 29 questions posed by the Alliance, each team member conducted further research comparing New York State to other states. Key points from these research papers are as follows:

State Revenue Trends Analysis

- Revenue forecasts are important in helping policymakers determine the budgetary situations of states. New York State predicts weak revenue growth for FY 2017 and FY 2018. This trend aligns with majority of the states, especially energy-dependent states and California. A sluggish domestic economy and low energy prices are causes of the weak revenue growth. In response to this situation, states have been taking actions to increase the current tax base while limiting expenditure growth. Further research conducted by the Alliance and others can focus on the inconsistencies between trends in revenues and expenditures as it signals potential undesirable one-time actions. In addition, promoting the development of strong reserve and rainy day funds could protect states against undesirable changes.
- Potential changes in federal tax policy under the new administration pose many uncertainties in state revenues. Existing regulatory gaps, such as those regarding online sales taxes, have resulted in revenue loss. These problems affect revenues of all states. States have introduced new policies, such as the “Amazon tax,” to fill the gap. We suggest researchers pay more attention to tax policy uncertainties brought by the new administration, which is expected to cause a substantial decrease in personal income tax, corporate tax and estate tax. In addition, the Alliance and others could work closely with policymakers to examine any remaining gaps and loopholes on state tax policies.

Other Transparency and Accountability Issues in New York State

- New York State used more types of one-time actions compared with other states with large populations (California, Texas, Florida, Pennsylvania, Georgia, New Jersey, Massachusetts, Tennessee and Missouri in this study). Among the ten one-time actions proposed by the Alliance, New York State took six of them in FY 2017, while most of the other large states didn't take any. In addition, New York State used more types of one-time actions in FY 2017 than in FY 2016. The value of its one-time actions is also high. Several of its pension amortizations reached the maximum amount legally allowable. In addition, according to the Comptroller's Office, there is a continued and expanded use of off-budget spending to create the appearance of lower state spending. Overall, there appears to be a growing trend of the use of one-time actions by New York State to close budget deficits.
- Several conclusions can be drawn from the analysis of New York State's one-time actions to close budget gaps. Considering that New York State is using relatively more one-time

actions than other large states and is expanding the scope of its use of one-time actions from year to year, policymakers might want to pay attention to this issue and try not to overuse one-time actions in the budget closing plans. For future researchers studying the accountability and integrity of government budget practices, it would be useful to pay careful attention to “red-flag” phrases such as gap-closing plans, funds transfers, non-recurring/temporary resources, off budget spending, and payment deferrals. It might also be worth studying whether states are adopting new types of one-time actions to reduce their budget deficits each year and whether the percentage of non-recurring resources in budget gap closing plans is increasing.

Comparative Education Funding Commitments and their Delivery

- New York State has been ordered by its own judiciary system to supplement the funding of local districts in order to correct inequalities between districts and adhere to its constitutional promise of “sound basic education” for all students, but has failed to deliver the mandated amount, leaving many schools still in need and many students receiving lower-quality education than they are entitled to. This is due to the lack of judicial enforcement power and the Governor and Legislature’s ability to ultimately do as they see fit with regards to budget and policy making.
- Kansas and New Jersey have also implemented formula-based solutions to funding inequalities following court cases that found them to be in violation of their state constitutions. They are both also behind on payments, New Jersey’s deficit being almost twice that of New York’s, and Kansas’s an unknown amount due to lack of transparency. Connecticut’s funding system meant to address inequality has also been found to be failing to reach pre-determined levels.
- One practice New York could implement to address this is to implement a defined process for choosing to not meet education-funding requirements, as California has done, whereby the legislature must acknowledge that they are underfunding the system and vote to make that choice in any given year. This increased visibility and transparency acknowledges what is happening and increases accountability to voters, rather than simply continuing to pass budgets that underfund the required disbursements. Further research could focus more on the interplay of judiciary and legislature and mechanisms that increase visibility in order to hold state budget practices accountable to rulings.

Transparency and Disclosure: Observations in Three States

- States require information about state budgets, expenditures, and contracts to be available on websites in order to comply with transparency rules and laws. By implementing this procedure, state budget offices enhance public awareness of the details of government spending. Some states showed more detailed and transparent disclosure than others. This information is available on New York State’s website (<https://www.budget.ny.gov/>), run by the Division of the Budget (DOB), the agency in charge of planning and implementing state budget policies. There is no precise information on the DOB website to promote accountability to citizens or their participation in the budget process. However, the DOB website includes separate guides for two different types of stakeholders: citizens and investor. The citizen's guide needs to be more developed to include specific information on how citizens can access and request budget information.
- The Commonwealth of Virginia’s budget website included a very informative and useful

section about the expenses and budget for education in Virginia (through schools analysis). However, it also needs to include some guides for citizens about how to obtain data for other issues such as health or sanitation.

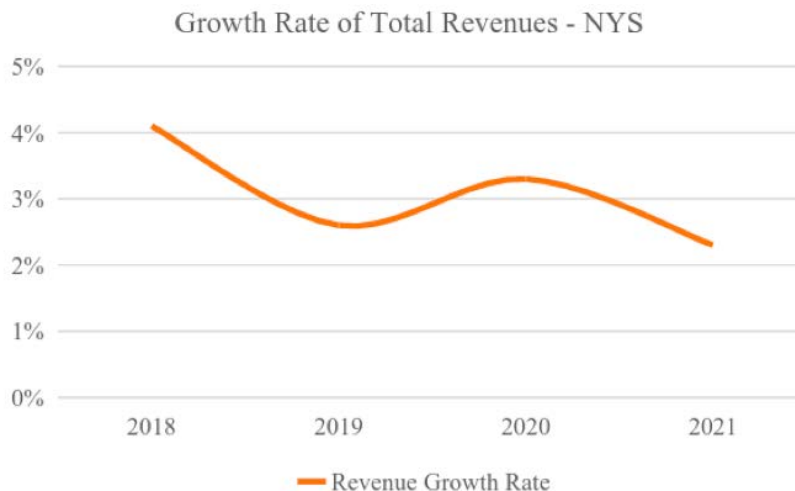
- In order to be in accordance with best practices for transparency, New Jersey's budget website needs to increase the information they provide to the public, such as sections that provide information about state expenditures on as health, education, security, and others.
- Further research could analyze how budget websites can best disclose information related not only to general expenditures but also to specific expenses as health, education, security, and others. State budget offices could be encouraged to include such sections on their budget websites.

Comparative Analyses

State Revenue Trends Analysis

General Revenue Trends and Findings

According to New York State Division of Budget's most recent Five-Year Financial Plan published in Feb 2017, revenue growth forecasts remain weak. A slowdown in total revenue growth has been predicted for New York State for the coming fiscal years as is shown in the graph below².



Source: NYS FY 2018 Executive Budget Financial Plan

New York State is not alone in predicting weak revenue growth. Similar trends have been predicted by more than half of the states that have already released FY 2018 budget proposals and multi-year revenue forecasts³. Although total revenues continue to grow in FY 2017 and FY 2018 for the majority of states, growth rates have been slowing down for many. In addition, growth rates remain low compared with historical values. For example, the median growth rate of Personal Income Tax (PIT) revenues is approximately 3.6% for FY 2017⁴, which is much lower than the average growth rate of 7% from 1980s until 2005.

State Specifics and Findings

² <https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>, FY 2018 Executive Budget Financial Plan. A growth of 4.1% is expected for FY 2018, while that percentage drops to 2.6% for FY 2019, slight increase to 3.3% for FY 2020 and drop again to 2.3% for FY 2021.

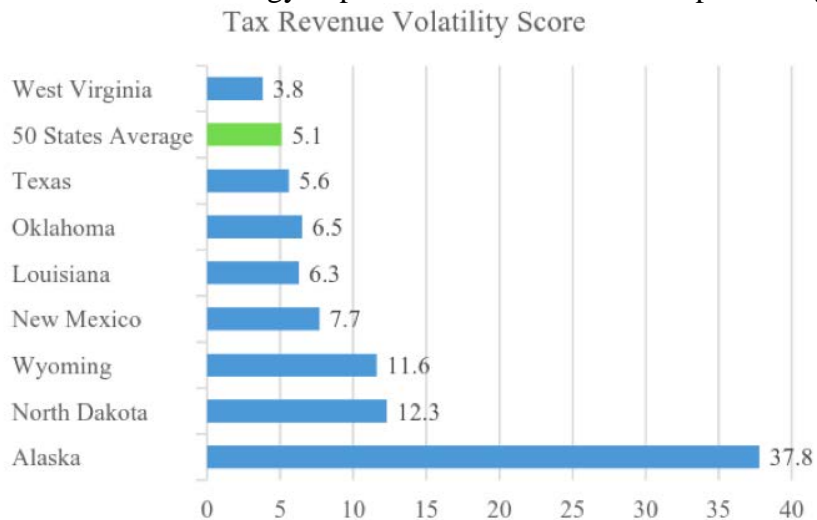
³ <https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Issue%20Briefs%20Summaries%20of%20Fiscal%20Year%202018%20Proposed%20Executive%20Budgets.pdf>, Summaries of Fiscal Year 2018 Proposed Executive Budgets, National Association of State Budget Officers, 47 States have released FY 2018 budget proposals.

⁴ http://www.rockinst.org/pdf/government_finance/2017-03-27-By_numbers_brief_no7.pdf, By the Numbers, Weak Revenue Forecasts, Large Uncertainties Ahead, Rockefeller Institute of Government, March 2017.

A closer look at state specific data regarding projected revenue growth is needed given the diversity across different states.

Energy-dependent states are important to consider, as their revenues rely heavily on energy prices, which is one of the most key factors affecting the global and domestic economies. Eight states for which oil and other energy account for more than 10% of GDP fall into this category, including Alaska, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, West Virginia and Wyoming. In their FY 2018 proposed executive budgets⁵, all of these states predict low energy prices for the coming two fiscal years and correspondingly weak revenue projections. In response to weak revenue projections, these states have proposed to take actions such as reducing expenditures and increasing the tax base to reduce budget deficits. For example, Alaska Governor Bill Walker proposed to reduce spending by eliminating more positions, freezing employee pay, etc. Walker also called for restructuring the use of Permanent Fund earnings to provide more revenues to government services, as well as increasing motor fuel tax to generate additional revenues.

Tax revenues of energy-dependent states are also more volatile than the average for all states, which could reflect the volatility of energy prices. The Pew Charitable Trusts studied state tax revenue for FY 1996-FY 2015 and gave states volatility scores based on data for the 10-year period⁶. Alaska, North Dakota, and Wyoming were the highest three in the volatility score ranking. With the exception of West Virginia, the scores of all other 7 energy-dependent states (as is shown in the graph below) are higher than the average for all 50 states. West Virginia stands out because of its robust reserve funds, which smooth revenue trends and protect the state from the drastic swings in tax revenues that other energy-dependent states have been experiencing⁷.



Source: Fiscal 50: State Trend and Analysis, The Pew Charitable Trust

California and New York rank at the top in state tax revenue⁸, and are both dependent on income tax and capital gains. California Governor Jerry Brown has been noticeably pessimistic about

⁵ Summaries of Fiscal Year 2018 Proposed Executive Budgets, National Association of State Budget Officers

⁶ <http://www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind6>, State Trends and Analysis, Data Visualization, The Pew Charitable Trusts, April 2017

⁷ <http://www.wvpolicy.org/wp-content/uploads/2016/04/WVCBP-Guide-to-the-State-Budget-2016-web.pdf>, Your Guide to the State Budget, West Virginia Center on Budget & Policy, 2016

⁸ https://en.wikipedia.org/wiki/Federal_tax_revenue_by_state, Federal Tax Revenue by State

revenue growth and current economic conditions, describing the situation as “the most difficult” the state has faced since 2012 in the most recent budget plan. As mentioned before, New York is also expecting weak revenue trends. It plans to continue levying an income tax surcharge on millionaires while cutting taxes for middle-class⁹.



Source: FY 2018 Economic and Revenue Outlook, DOB, NYS

	General Fund (Billions)		
	FY2015-16	FY2016-17	FY2017-18
Personal Income Tax	\$78.9	\$83.1	\$85.9
Sales and Use Tax	24.9	25	25.2
Corporation Tax	9.9	10.4	10.9
Total	\$113.7	\$118.5	\$121.9
Growth Rate	4.10%	4.20%	2.90%

Source: 2017-18 Governor's Budget, Revenue Estimates, California

Reasons for Revenue Trends and Uncertainties

Reasons behind revenue trends and uncertainties in revenue forecasting vary across states; however, several common factors are affecting state revenues in general.

- **Sluggish domestic economy.** Weak state revenue growth can be attributed to the slowdown of the domestic economy after the 2008 financial crisis. The domestic economy is still in the post-crisis recovery phase, growing at around 2% each year since 2010¹⁰. Slow economic growth affects every aspect of the state revenues and is the root of the weak forecasts.
- **Political risks.** Political risks and international relations significantly impact international trade and energy prices. The influence of fluctuations in international trades can spread to the whole economy given the interrelatedness of all industries. Fluctuations in energy prices will deeply affect investment, production and employment. Weak revenue prospects of energy-dependent states are the result of their prediction of low energy prices in the coming two fiscal years.

⁹ Summaries of Fiscal Year 2018 Proposed Executive Budgets, National Association of State Budget Officers

¹⁰ <http://www.tradingeconomics.com/united-states/gdp-growth>, Trading Economics, Accessed April 26, 2017.

- ***Policy-related issues.*** These include potential policy changes under the Trump administration as well as existing gaps in current regulatory system.
 - One notable reason for the weakness in revenue projections is the budgetary uncertainty under the new administration. Potential changes in federal policies are expected to not only directly impact on revenues that states can collect, but also influence on the overall economy, which in turn will affect state revenues. Changes in federal tax policy are currently being discussed, and are expected to cause substantial decrease in personal income tax, corporate tax and estate tax¹¹. Burdens on states would increase if there were a decrease in federal revenue and thus federal funding to states. Potential changes in federal tax policies have already caused a dramatic upswing in the US stock market. In addition, taxpayers may change their behaviors in response to the potential changes brought by the new administration. For example, individuals and companies have incentives to put off earning income if a tax cut is expected to happen in the near future. As a result, the influence of the new administration on states revenues has taken place even before actual changes in policies are in effect, particularly with regards to personal and corporate income tax revenue¹².
 - Government policies and regulations sometimes fail to catch up with economic development, especially technological advances. For example, regulatory gaps exist in the area of sales tax where sales tax policies have been slow to adapt to the increasing trend of online shopping and have left room for decreasing sales tax collection. Policymakers have already identified this problem and have been taking actions to fill the gap. An increasing number of states started to collect tax on sales on Amazon at the beginning of this year. However, these states have predicted a limited increase in the growth rate of sales tax revenues. This is partly due to the incompleteness of the new sales tax policy—Amazon is currently the only online retailer that is taxed. In addition, it is difficult to ensure implementation of the policy because significant amount of online sales are inter-state transactions. There is currently a lack of corresponding congressional actions to help divide up the responsibility of tax collection and distribute the tax revenues between the states involved. Congressional actions will help ensure effective implementation and enforcement of the policy and stops revenue loss from online sales.

Recommendations

Our research findings show that the pace of growth of recurring sources of state revenue is slowing down and weak revenue growth is expected to continue for at least the coming two fiscal years. Given this situation, we suggest that the Alliance and others can focus on the following aspects to increase the accountability of state government budget practices.

- ***Match between trends in states' revenues and expenditures.*** States should match recurring expenses with recurring revenues while reducing the behavior of using non-recurring revenues to gain budgetary relief. Given current tight revenue projections from recurring sources for FY 2017 and FY 2018 for most states, it is reasonable for states to reduce government spending or at least limit increase in growth rate of expenditure to achieve

¹¹ <https://taxfoundation.org/details-analysis-donald-trump-tax-plan-2016>, Tax Foundation, Accessed April 28, 2017

¹² http://www.rockinst.org/pdf/government_finance/state_revenue_report/2017-03-09-srr_106.pdf, State Revenue Report #106, Lucy Dadayan and Donald J. Boyd, Rockefeller Institute of Government, March 2017.

budgetary balance. The Alliance and policymakers should pay attention to the inconsistencies between trends in revenues and expenditures as this signals potential undesirable one-time actions.

- ***Build reserve funds and rainy day funds.*** A change in administration has brought many uncertainties to the US economy and to state government budgets. Improving the robustness of reserve and rainy day funds, as achieved by West Virginia, will allow states to protect themselves from fluctuations in the economy and the corresponding changes in their revenue streams. The Alliance and others should promote the development of strong reserve funds in order to help states protect revenues against undesirable changes.
- ***Fill current regulatory gaps.*** We suggest that the Alliance and others work closely with policymakers to address existing regulatory gaps, such as online sales tax, which could result in loss of state revenues in order to halt the revenue loss and potentially expand the current tax base. Congressional actions are necessary if inter-state online sales were to be more tightly regulated. This would improve the effectiveness of the policy changes and ensure better implementation.

In additions to recommendations for the Alliance, we would also like to give some recommendations for future researchers.

- ***Compare states with similar revenue structure.*** States could be classified into different categories based on their major sources of revenues. For example, states that are most dependent on income tax and capital gains should fall into one category. Comparison between states in the same category could possibly create more interesting findings.
- ***Research on tax policy under the new administration.*** As we have discussed, new tax policies imposed by the Trump administration could not only affect states' revenues directly, but also affect revenues through impacts on the domestic economy and taxpayer behavior. Given its anticipated significant influence, we believe that this issue deserves attention from future researchers.

Comparative Education Funding Commitments and their Delivery

Recent history of education funding in New York State

In New York State in 1993, a nonprofit called the Campaign for Fiscal Equity brought together education advocates, parents, and other concerned citizens to file a constitutional challenge claiming that the state's school funding system was structured in such a way that violated students' constitutional right to quality education.¹³ A protracted legal battle ensued.

In 2006, the New York Court of Appeals ruled that local schools were not receiving enough state aid to ensure students' constitutional right to quality education. The court ordered a \$5.5 billion increase in school aid (called Foundation Aid) over 2007-2011, which would take into account student need and local property taxes with the intent of correcting inherent inequalities in the previous funding system. The aid amounts to districts would be determined by a formula called the Foundation Aid Formula, which would take into account the relevant factors. The ruling was a major victory for education advocates. However, despite this court ruling, New York State has dramatically under-delivered aid, resulting in an accumulated shortfall of \$4.3 billion in unpaid Foundation Aid since the program's inception in 2007, three-quarters of which are owed to high-need schools.¹⁴ This massive shortfall has become possible due to the structure and nature of Foundation Aid.

The central tension in establishing Foundation Aid came from the fact that while the courts ruled repeatedly in favor of the Campaign for Fiscal Equity, the courts could not force the state into compliance. In 2006, after 13 years of legal battles, Chief Judge Kaye wrote on the matter: “[the judiciary] have neither the authority, nor the ability, nor the will to micromanage education financing, in Campaign for Fiscal Equity v State of New York... the Court demarcated standards that must be met, but left it to defendants to come into compliance, affording them more than a year to do so. Regrettably, our trust was misplaced. Today, more than three years later—and more than 13 years after this litigation began—defendants still have failed to fund the New York City public schools adequately.” But despite this understanding that the interplay between State government and judiciary was not achieving the necessary change for students, the court had no option but to rule in favor of the Campaign for Fiscal Equity again, dictate the implementation of a plan for correcting the inequalities, and hope that the State would follow through with additional funding to meet its obligations.

That has not been the case. The Legislature and the Governor did enact the State Education Budget and Reform Act of 2007, which pledged to bring funding in line with the court's mandates and distribute aid via a transparent, need-based formula. They designed the increase in funding to be phased in over several years according to the Foundation Aid Formula.

¹³ Campaign for Fiscal Equity Inc. v. State, 86 N.Y.2d 306 (1995). Cornell Law School Legal Information Institute. Web.

¹⁴ Alliance for Quality Education (2017). Fact Sheet: Cuomo's Proposal to Repeal the Foundation Aid Commitment. Web. <http://www.aqeny.org/2017/01/fact-sheet-cuomos-proposal-to-repeal-the-foundation-aid-commitment/>
Times Union (2016). Students Deserve the Benefits of Foundation Aid. Web. <http://www.timesunion.com/tuplus-opinion/article/Students-deserve-the-benefits-of-Foundation-Aid-10897674.php>

Unfortunately, the global recession of 2008-2009 followed shortly thereafter, and funding levels were frozen for several years, resulting in an accumulated \$4.3 billion owed to schools from years where aid was under-delivered. Three-quarters of this aid is owed to high-need schools.¹⁵ The Legislature and Governor's jurisdiction over budget and policy writing enabled them to ignore the court's order when they deemed other issues more pressing, leading to a continued pattern of failing the state's students. Additionally, the State government maintains control over policy issues such as the distributional mechanism of the aid. Governor Cuomo's 2017-2018 budget proposal changes the distribution of the aid to be based on aid received in past years, rather than the original commitment in the Campaign for Fiscal Equity case.¹⁶ This would mean the back-owed \$4.3 billion will not be delivered, and Foundation Aid levels received would be tied to the amounts received in 2017-2018 for the foreseeable future, rather than a dynamic redistribution based on changing need. According to the Alliance for Quality Education, this could mean that the current spending gap of \$10,000 per pupil between rich and poor schools statewide may continue to increase.¹⁷

Comparisons to Other States' Education Funding Challenges and Successes

Similar situations can be seen in the reviews of state budgeting practices conducted by other Volcker teams. The New Jersey team found a similar situation with the School Funding Reform Act, enacted in 2008 in order to bring the state into compliance with a series of court rulings dating back to 1981, known as *Abbot v. Burke*, which addressed inequality in school funding. The School Funding Reform Act includes a formula meant to correct funding inequalities between local districts. However, the first year of implementation (2009) was the only year where funding commitments were met, and as of FY 2017 the state has a cumulatively under-funded this commitment by \$8.1 billion.¹⁸

Another example is that of Kansas, where the Classroom Learning Assuring Student Success Act was enacted specifically in response to a 2014 ruling by the Kansas Supreme Court, which found that the state's constitutional requirements for "adequate" education were not being met. The Act repealed the existing education funding formula and replaced it with grant funding to be administered by the State Board of Education. In May 2016 the Court found that the new act and grant structure continued to fail to meet the "adequate" requirement. However the size of the disparity is unknown since there is no public formula to which one can compare funding levels.¹⁹

¹⁵ Alliance for Quality Education (2017). Fact Sheet: Cuomo's Proposal to Repeal the Foundation Aid Commitment. Web. <http://www.aqeny.org/2017/01/fact-sheet-cuomos-proposal-to-repeal-the-foundation-aid-commitment/>

¹⁶ Spector, Joseph (2017). School Aid Formula Changes Worry Education Leaders. *The Journal News*. Web. <http://www.lohud.com/story/news/politics/politics-on-the-hudson/2017/01/19/school-aid-formula-changes-worry-education-leaders/96792360/>

¹⁷ Alliance for Quality Education (2017). Fact Sheet: Cuomo's Proposal to Repeal the Foundation Aid Commitment.

¹⁸ Volcker New Jersey team and:

Education Law Center, School Funding Data, New Jersey School Funding Reform Act, state summary, updated June 2016. <http://www.edlawcenter.org/research/school-funding-data.html>

¹⁹ Volcker Kansas team and:

Michael Leachman, M., N. Albares, K. Masterson, and M. Wallace 2016. "Most States Have Cut School Funding, and Some Continue Cutting." Washington, DC: Center on Budget and Policy

Connecticut also uses a grant-based system, which has faced some issues with both adequacy and equity. Ideally the system works by allocating a grant with a base amount for each student in the town plus an amount based on number of needy students and the relative wealth of the town. However, individual towns receive very different percentages of their determined “fully funded target amount” under the grant system, with some receiving very little and some receiving over the target. Katie Roy, director of the nonpartisan nonprofit the Connecticut School Finance Project, which researches the efficacy of the current system, testified to the state Education Committee that funding levels had been found to be more closely related to funding from previous years rather than changing need, but individuals in the legislature have fought to protect towns from funding redistributions even when their need decreases. The formula and process for distribution of these grants has been greatly flawed, and continuing inequalities based on tying funding close to funding levels in previous years raise concerns about the ability of Governor Cuomo’s proposal to reduce inequalities in funding in New York State.²⁰ Connecticut’s current education funding system was finally ruled unconstitutional in September 2016 in a decision on the court case Connecticut Coalition for Justice in Education Funding vs. Gov. M. Jodi Rell.

A counterexample to these instances of failing education funding systems is the state of California. In 1988, the voters of California passed Proposition 98, which established the state’s education funding formula. Per the proposition, funding can be less than the minimum guaranteed by the formula, but only if approved by a two-thirds vote in the Legislature to suspend this requirement. Such votes have suspended the requirement in FY 2005 and FY 2011, but in all other years since 1988 funding has met the minimum guarantee established under the formula in Proposition 98.

Conclusions and Recommendations

In the examples above, there are many instances of states failing to meet commitments required by their constitutions, by law, and by judicial decree. With no consequences to non-compliance for legislatures and governors, the power of the courts has been ineffective in enforcing decisions in the cases of New York, New Jersey, and Kansas, and schools continue to not receive the full amount of the aid they have been promised. This interplay of judiciary and legislature when charges are brought against states could be interesting for further study, as well as examining the differences in outcomes between voter-approved measures such as in California versus legislative decisions on issues like spending, which can be reversed by future legislatures.

The counterexample of California presents an opportunity to consider what policies might encourage compliance. The other states mentioned do not have the same Proposition system, which presents an extra pressure on the Legislature to comply, due to its direct democratic process.

Priorities. <http://www.cbpp.org/research/state-budget-and-tax/most-states-have-cut-school-funding-and-some-continue-cutting>

²⁰ Volcker Connecticut team and:

“How does your town fare under the Appropriations Committee’s budget proposal?” By Jacqueline Rabe Thomas and Keith M. Phaneuf, April 7, 2016. <http://ctmirror.org/2016/04/07/how-does-your-town-fare-under-the-legislative-committees-budget-proposal/>

However, education advocates and policymakers in states without a Proposition system could still take a key lesson from the California example—the value of a defined process for non-compliance. Proposition 98 forces a very public vote and Legislative agreement on the decision to underfund school aid, rather than leaving the responsibility to fully meet commitments up to governors as they write their executive budgets. The public, formalized nature of this process places an emphasis on the seriousness of such a decision and removes the option to quietly fail to meet commitments. Future education laws and reforms in New York State could benefit from a formalized process for non-compliance, which imbue the decision to underfund with the gravity and transparency it deserves.

Other Transparency and Accountability Issues in New York State

After further review of the FY 2017 Executive Budget, some other issues in New York State's measures to close the budget gap and create an appearance of lower expenditures were discovered.

General Fund Gap-Closing Plan

According to the Executive Budget, the Division of the Budget (DOB) expected there to be a \$3.5 billion deficit in General Fund in SFY 2017-2018. To close the budget gap, an additional \$165 million in various sweeps and transfers from other funds will be made to the General Fund²¹In addition, a total of \$1.11 billion of Non-Recurring and Temporary Resources would be used to close the budget gap, accounting for almost one third of the sources to close the budget gap. These non-recurring resources include an increase in personal income tax rate for top earners, prepayment of debt service, and use of reserve funds. See Figure 1 for the full General Fund Gap-closing Plan.

Mechanisms Used to Give the Appearance of Lower Spending from the Operating Fund

The State used several mechanisms such as off-budget spending and expenditure deferrals to create the appearance of lower operating fund spending in FY 2017-2018, while the actual amount of total spending did not change. Such actions include²²:

- Shifting a portion of State employees' compensation cost off-budget, using the State Insurance Fund (\$100 million)
- Shifting the spending for approximately 3,200 full-time workforce positions to capital projects (\$227 million)
- Converting the School Tax Relief benefit for NYC personal income taxpayers from State spending to a State tax credit (\$227 million)
- Extending the terms of a loan repayment to the New York Power Authority through 2023 (\$193 million)
- Using the State's share of revenue from the 1998 Master Settlement Agreement with participating cigarette manufacturers to pay certain State Medicaid costs off-budget (\$125 million)
- Offsetting what otherwise would be state funding for the City University of New York with sale of State-owned property used by CUNY (\$60 million).

Together, the above actions are expected to reduce State Operating Fund expenditures for FY 2017-2018 on the financial report by more than \$1.2 billion, around 1% of the total \$98 billion spending, and this to some degree reduces the reliability and accountability of the reporting of the state's budget practices.

²¹ New York State Comptroller. Feb 2017. "Report on the State Fiscal Year 2017-18 Executive Budget." Accessed February 24, 2017. <https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>.

²² New York State, Department of Taxation and Finance, Division of the Budget. May 2016. "FY2017 Enacted Budget Financial Plan." Accessed February 24, 2017. <https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

Structural Imbalance in the Overall Budgets

A third issue discussed in the comptroller's Report on the Executive Budget is the long-standing structural imbalance in state budgeting. According to the report, for decades New York State has included certain provisions in its budget that drove recurring spending to rise at a faster pace than recurring revenue, creating a structural imbalance and continual budget gaps. Although the State has taken some actions to reduce such budgetary structural imbalances in recent years, most of the structural budget challenges are still not solved. For example, the SFY 2017-18 Executive Budget Financial Plan projects potential out-year structural imbalances between recurring spending and recurring revenue to be \$1.8 billion, \$2.7 billion and \$1.8 billion respectively in FY 2018, 2019 and 2020.

According to the Report on the Executive Budget, one of New York State's problems is its continued reliance on proposed gap-closing plans that only address a single year rather than multiple years. In addition, gap-closing plans often include a significant number of temporary resources, and additional actions would be necessary to eliminate gaps in future years. For example, the most recent gap-closing plan includes a temporary increase of the top PIT rate.

For instance, according to the Gap-Closing Plans for the entire State Budget for FY 2017 (see Figure 2), almost 45% of the projected current services gap is addressed with non-recurring resources, one third of the value of the gap is closed by recurring actions, and a remaining 21% of the gap remains unsolved.

Continued and Expanded Use of Off-Budget Spending for State Programs

According to the Report on the State Fiscal Year 2017-18 Executive Budget, New York State will continue the practice of "off-budget" spending of certain funds, and this trend seems to be growing. More than \$3.4 billion in certain capital spending is expected to be spent off budget in SFY 2017-2018 and several new uses of off-budget spending are proposed. According to the Report on the Executive Budget, if this spending were not shifted off the budget, it would be subject to greater oversight and control and provide a more accurate representation of State spending. But shifting such spending off the budget artificially makes spending appear lower and eliminates the transparency and accountability of the financial reporting.

One-Time Actions Taken in FY 2017 Compared with Previous Years

After comparing the one-time actions taken by New York State to close the budget gap in FY 2017 and in previous years, it appears that the types of one-time actions taken by the state remain mainly the same. Among the 10 questions raised by the Volcker Alliance, 9 questions have the same answers for FY 2017, FY 2016 and FY 2015 (see the below table). For all three years, New York State has taken the following one-time actions: use upfront proceeds or deferral of upfront costs on other financial transactions to pay for recurring expenditures; defer expenditures into future fiscal years from the current year; and temporarily shift costs to other governments or agencies or upstream cash from any such entity to the state.

Question	FY 2017	FY 2016	FY 2015
6. Did the state use borrowing proceeds to pay for recurring expenditures?	No	No	No
7. Did the state use "scoop and toss" refinancing to raise funds for current expenditures and lengthen maturities?	No	No	No
8. Did the state use bond premiums or other upfront cash flows upon refinancing to pay for recurring expenditures?	No	No	No
9. Did the state use upfront proceeds or deferral of upfront costs on other financial transactions to pay for recurring expenditures?	Yes	Yes	Yes
10. Did the state use pension bond proceeds to make the annual required or actuarially determined contribution to any pension?	No	No	No
11. Did the state defer expenditures into future fiscal year(s) from the current year?	Yes	Yes	Yes
12. Did the state use proceeds from asset sales to fund current expenditures?	Yes	No	No
13. Did the state use transfers into the general fund from special funds to pay for current expenditures?	Yes	Yes	Yes
14. Did the state temporarily shift costs to other governments or agencies or upstream cash from any such entity to the state that is not part of a regular agreement/process?	Yes	Yes	Yes
15. Did the state utilize any other one-time actions to balance the budget or cover recurring expenditures?	Yes	Yes	Yes

However, for FY 2017, the state took a new action to close the budget gap (Question 12), which was not used in FY 2016 or 2015—using proceeds from asset sales to fund current expenditures. This to some extent indicates an expansion of the scope of the state’s one-time actions to eliminate budget deficit, potentially because as the use of non-recurring resources has continued, the structural imbalance has deepened and the state has had to take more actions to eliminate the gap.

On the other hand, the types of one-time actions never taken by the state in FY 2015, 2016 and 2017 include: using borrowing proceeds to pay for recurring expenditures; using the proceeds of a new bond issue to pay off maturing bonds and pay for current funds; using bond premiums to pay for recurring expenditures; and using pension bond proceeds to make contributions to pensions. In future studies, researchers should track whether the state continues to limit the use of such one-time actions.

Comparisons to Other States

This comparison considers the one-time actions of the ten states with the highest populations with the one-time actions taken by New York State, based on the research responses submitted by other university teams on the Volcker Alliance’s SharePoint site. See the below table for full results. (The blank spaces indicate several research responses for Pennsylvania and New Jersey which were not submitted by the corresponding university teams yet. N/A indicates that the research responses were submitted but not finalized).

According to the comparison, among the ten types of one-time actions proposed by the Volcker

One-Time Actions	California	Texas	New York	Florida	Pennsylvania	Georgia	New Jersey	Massachusetts	Tennessee	Missouri
Population (million)	38.3	26.4	19.7	19.6	12.6	10.0	8.9	6.7	6.5	6.0
6	no	no	no	no	no	no		no	N/A	no
7	no	no	no	no	no	no	no	no	no	no
8	no	no	no	no	no	no	no	no	no	no
9	no	no	yes	no		no	yes	yes	no	no
10	no	no	no	no	no	no	no	N/A	no	no
11	no	no	yes	no		no	N/A	yes	N/A	N/A
12	no	no	N/A	no		no	N/A	yes	no	no
13	yes	no	yes	yes		no	yes	yes	no	no
14	no	no	yes	no		no	yes	yes	no	no
15	no	no	yes	no		no	yes	yes	no	no
*Census Data 2013										

Alliance, New York State took six of them in FY 2017, far more than most of the other states. Of the two states with higher populations than New York State, California only took one of the actions among the ten, and Texas didn’t take any of the proposed one-time actions, according to research responses by other university teams. Besides these, Florida took only one of the actions. And according to current research responses, Tennessee and Missouri also didn’t take any of the actions.

To some extent, this shows that New York State used more types of one-time actions to solve the budget deficit issue, compared with other states that also have very big populations. In addition, the value of New York State’s one-time actions is also relatively high. For example, one of the one-time actions of New York State is to amortize a portion of its pension costs into future years. In FY 2016, the state made a pension payment to the New York State and Local Retirement System and amortized \$296.7 million, which is the maximum amount allowable. In the same year, the State’s Office of Court Administration made another pension payment of \$263.6 million, and amortized \$59.5 million, which is also the maximum amount legally allowable. These figures demonstrate the large extent to which New York State is using one-time actions in closing budget gaps. Since most of the one-time actions tend to have negative effects on a state’s budget structure, such as interest expenses due to the deferred payments and worsening the problem of budget imbalance, this is an issue that policymakers might want to pay attention to.

However, there are two other states that took relatively similar number of one-time actions as New York State. New Jersey took four out of the ten one-time actions. Massachusetts, like New York State, took six of the one-time actions.

Recommendations for Policymakers and Researchers Regarding One-time Actions

Several lessons can be drawn from the above analysis for policymakers and future researchers studying the state’s methods to close its budget gap. Considering that New York State is using relatively more one-time actions than other large states and is expanding the scope of its use of one-time actions from year to year, policymakers might want to pay attention to this issue and try not to overuse one-time actions in budget gap closing plans.

For future researchers, when evaluating budget documents for accountability and integrity, it would be useful to pay careful attention to “red-flag” phrases such as gap-closing plans, funds transfer, non-recurring/temporary resources, off-budget spending, payment deferrals, pension amortization, etc. It might also be worth studying whether states are adopting new types of one-time actions to reduce their budget deficits each year and whether the percentage of non-recurring resources in budget gap closing plans increases.

Figure 1.

SFY 2017-18 Executive Budget General Fund Gap-Closing Plan
SFY 2017-18 through SFY 2020-21
(in millions of dollars)

	2016-17	2017-18	2018-19	2019-20	2020-21
Current Services Gap Reported in Mid-Year Update	-	(3,533)	(7,122)	(8,935)	(6,816)
Non-Recurring and Temporary Resources and Costs	(130)	1,112	3,375	4,505	4,029
PIT - Top Rate Extension	0	883	3,375	4,505	4,029
Additional Debt Service Prepayment	(220)	220	-	-	-
NYPA Repayment Non-Recurring Benefit	-	193	-	-	-
Reserves	90	16	-	-	-
Recurring State Operations Reductions	-	431	218	161	11
Executive Agencies, University and Judicial	-	165	189	198	82
NYPA Repayment	-	-	(21)	(43)	(43)
Potential Labor Agreements less Financial Management Plans	-	4	(103)	(153)	(203)
Fringe Benefits and Costs	-	262	153	159	175
Debt Management and Capital	-	360	391	316	331
Recurring Local Assistance Reductions	-	1,544	2,195	2,526	2,672
Health Care	-	596	872	873	774
Education	-	271	614	890	1,075
Higher Education	-	103	63	63	63
Human Services and Housing	-	135	114	111	114
Mental Hygiene	-	68	58	55	55
STAR - Including Program Conversion	-	371	474	534	591
Recurring Revenue/Resources/Re-Estimates	130	(2)	(486)	(622)	(1,264)
Revised Tax Projections	(566)	(415)	(475)	(679)	(1,039)
Other Receipt Revisions	(93)	413	(11)	57	(225)
Revised Disbursements	789	-	-	-	-
Recurring New Tax Actions	-	147	(15)	(39)	(54)
STAR Conversion	-	-	(340)	(354)	(369)
Other Tax Extenders	-	42	129	104	104
Other Tax Actions	-	105	196	211	211
New Spending Initiatives	-	(90)	(310)	(461)	(485)
Juvenile Justice Reform	-	-	(97)	(205)	(194)
DREAM Act	-	(19)	(27)	(27)	(27)
Indigent Legal Services	-	-	(53)	(77)	(101)
Excelsior Scholarship	-	(71)	(133)	(152)	(163)
All Other	-	31	(18)	(110)	(203)
Remaining Gap In Enacted Budget Financial Plan Prior to Assumed Savings Associated with 2% State Operating Funds Growth Benchmark	-	-	(1,772)	(2,659)	(1,779)

Source: Division of the Budget

Note: Figures presented above for SFY 2020-21 are not included in the Mid-Year Update, and are newly presented in the Executive Budget.

Figure 2.

Composition of Gap-Closing Plans

(in millions of dollars)

	Enacted SFY 2016-17 through SFY 2019-20	Proposed SFY 2017-18 through SFY 2020-21
Total Cumulative Gap to Be Closed	(13,202)	(26,406)
Additions to Gap		
Recurring New Additions/Restorations/Initiatives	(3,936)	(1,346)
Recurring New Revenue Reductions	(4,435)	(1,063)
Other	(1,346)	(300)
Total After Gap Additions	(22,919)	(29,115)
Re-Estimates	(359)	(2,374)
<i>Share of Total After Gap Additions</i>	-1.6%	-8.2%
Recurring Spending Actions (including Debt and Capital)	5,945	11,156
<i>Share of Total After Gap Additions</i>	25.9%	38.3%
Recurring Revenue Enhancements	-	1,102
<i>Share of Total After Gap Additions</i>	0.0%	3.8%
Temporary or Non-Recurring Resources/Cost	2,360	13,021
<i>Share of Total After Gap Additions</i>	10.3%	44.7%
Remaining Gap	(14,973)	(6,210)
<i>Share of Total After Gap Additions</i>	65.3%	21.3%

Sources: Division of the Budget and Office of the State Comptroller

Transparency and Disclosure: Observations in Three States

This analysis describes information found on public budget websites from three states, some lessons learned, and recommendations to improve the level of transparency. This document first presents a review of information on the websites following three criteria: 1) Easy access to budget information on public websites, 2) Type of information shared on those public websites and how well is it organized, and 3) Whether the information is separated according to type of stakeholder (citizen, the private sector, etc). The primary objective of this analysis is to determine if the budget information provided to the public is adequate for the purposes of ensuring accountability to citizens, and whether the websites establish a level of transparency to which they should adhere as laid out by state laws and orders.²³²⁴²⁵

This analysis of the New York State budget website compares New York’s practices with those of New Jersey and Virginia. The selection of these cases was based on the results of the report “Following the Money 2015: How the 50 States Rate in Providing Online Access to Government Spending Data,”²⁶ in which the State of New York ranks as one of the “leading A states,” on a scale of A to F for all states that have budget websites.²⁷ The same report labels the states of New Jersey and Virginia as “Advancing B states” – a category indicating that they are “advancing in online spending transparency, with spending information that is easy to access but more limited than Leading States.”²⁸ This analysis of “Leading A States” and “Advancing B states” highlights lessons learned in budget transparency from New York’s website in order to build recommendations for improving and maintaining levels of transparency and access in Advancing B states’ websites.

New York

The state of New York’s main public website (www.budget.ny.gov/) is maintained by the Division

²³ For New York, transparency on public data are based on the Executive Order 95, “Using of Technology to Promote Transparency, Improve Government Performance and Enhance Citizen Engagement.” <https://www.governor.ny.gov/news/no-95-using-technology-promote-transparency-improve-government-performance-and-enhance-citizen>.

²⁴ For New Jersey, the 727th Act of the Senate, “New Jersey Open Data Initiative” states that it “is an interest of the State to increase public awareness of and access to the data created by and available from State agencies because such data can enhance transparency and accountability, encourage public engagement, and stimulate public policy and public service innovation.” http://www.njleg.state.nj.us/2016/Bills/S1000/727_R2.HTM

²⁵ For Virginia, transparency and open data were stipulated at the Virginia Senate Bill 936, described as “searchable database website of state budget expenditures and revenues.” <http://leg1.state.va.us/cgi-bin/legp504.exe?ses=091&typ=bil&val=sb936>

²⁶ MASSPIRG Education Fund (2015): Following the Money 2015: How the 50 States Rate in Providing Online Access to Government Spending Data at <http://www.masspirg.org/sites/pirg/files/reports/Following%20the%20Money%202015%20vMA.pdf>

²⁷ MASSPIRG Education Fund (2015): Following the Money 2015: How the 50 States Rate in Providing Online Access to Government Spending Data, page 27: <http://www.masspirg.org/sites/pirg/files/reports/Following%20the%20Money%202015%20vMA.pdf>

²⁸ MASSPIRG Education Fund (2015): Following the Money 2015: How the 50 States Rate in Providing Online Access to Government Spending Data, page 28: <http://www.masspirg.org/sites/pirg/files/reports/Following%20the%20Money%202015%20vMA.pdf>

of the Budget (DOB). This agency is in charge of planning, regulating, and implementing budget policies across the State. New York State uses an executive budget model, in which the governor is responsible for developing and preparing a comprehensive, balanced budget proposal.²⁹ The process is established by the State Constitution and follows a timeline wherein the State Legislature receives the proposed budget from the Governor's office and approves legislation to carry out budgetary recommendations.³⁰

Regarding public information, the DOB's website is divided into seven sections which are described below:

1. Budget Applications: Budget Applications is a section in which members of the public can request access to specific budget documents or information, but there is no clear information on what type of information is available or how the public can obtain access to it. Also, since the information is limited, it is not easy for the user to understand how to request access, because that procedure is not described.

2. State Agency Guide: This section includes three sub-sections where the user can find information on Budget Bulletins, Budget Policy and Reporting Manuals, and Budget Request Manuals. Although this section of the website is useful to users, it needs to improve the guidelines and procedures described. There were no guidelines in any sub-section describing what the documents are about, and how users could use them. This information would be helpful to increase the quality of information available to users.

3. Publications/Archive: In this section, there is a list of resources and publications based on the current and past Fiscal Year budgets (from 2010 to 2018), as well as a link to the User's Guide of the budget archive, which includes a list of budget records and explains to users where and how they can find specific documentation.³¹

4. Citizen's Guide: The Citizen's Guide is a resource which gives the public explanations of the budget process and the procedures carried out within the DOB, including agency budget preparation, the governor's decisions, budget execution, etc. In that way, this guide attempts to help citizens understand the budget process, terms, laws and government structure.

5. Investor's Guide: This is a very detailed section designed to inform and guide investors in understanding the budget process and investment information, such as state's credit rating and detailed debt information. The section's purpose is to promote the investment by the private sector and includes accurate and detailed information to guide that type of stakeholder.

6. Public Authorities and Control Board: In this section, members of the public can find information related to the functions of each member of the Control Board, including a list of resolutions and approved resolutions on budget issues. This is a section that helps inform users about the legislation and approved grants by the Control Board.

²⁹ State of New York, Division of the Budget. The Budget Process
<https://www.budget.ny.gov/citizen/process/process.html>

³⁰ State of New York, Division of the Budget. Legislative Action
https://www.budget.ny.gov/citizen/process/process_legislature.html

³¹ State of New York. Division of the Budget. User's Guide to the Budget Documents:
<https://www.budget.ny.gov/pubs/guide/userguide.html>

7. Related DOB Websites: This includes a list of six sources that complement the information provided on the website. These sources contain data and analysis of the budget, statistics of expenditures and revenues and tax collections on a quarterly and yearly basis, bond actions, and other items. The Open Budget website is an additional site focused on visibility and sharing information related to the state's budget, mainly through statistics and charts. Citizens can use this lookup tool to view and download disbursement information for the budget year and prior years going back to FY 1995 for all governmental funds. Unfortunately, this feature is not highlighted, and one can only find it by navigating through the DOB site.

Audiences and Stakeholders:

The DOB website provides information to two different types of stakeholders: citizens and investors. As noted above, the "Citizen's Guide" is an informative section on the website which describes the budget process, and provides guidelines to citizens about how to request information based on the Freedom of Information Law, New York State's principal statute regarding public access to government records. However, the section related to citizens is not as developed as the one directed to investors. The Citizen's Guide needs to incorporate supplementary information like examples on how to properly use the website and budget documentation, in order to facilitate easy access.

Virginia

Virginia's public website for budget information (<http://dpb.virginia.gov/budget/budget.cfm>) is maintained by the Department of Planning and Budget (DPB). It includes a variety of sections intended to inform the public about spending and revenues within the state. The website contains nine sections outlined below:

1. About the DPB: This is a descriptive section about the Department, providing the public with contact details as well as information regarding the department's organizational structure.
2. Documents, Instructions, and Publications: In this section, the DPB includes different groupings to access budget information, but there is no clear design organizing the sections and documents. This makes access difficult for users. However, the statistical information contained in the "DPB Website documents" section is very comprehensive, although not user-friendly since there are many documents listed without any search option to easily find the information.
3. Virginia's Budget: This section contains state budget information, including a central section with a Q&A about the budget. This section could be very useful to citizens and provides a significant level of basic information about the budget process.
4. Regulatory Review: This section includes a description of the Economic & Regulatory Analysis Division's responsibilities (which involves managing the executive branch's approval process for proposed changes to the Virginia Administrative Code), an evaluation of the economic impact of proposed regulatory changes, and an explanation of forecasting for key state expenditure items used to prepare the budget.
5. School Review: This section provides information on the budget and expenses for public education. This is a very comprehensive source in which the DPB describes how the education

budget is designed and disbursed, with separate sections for K-12 and college education funding. The transparency of state expenditures on education is an important practice that needs to be more visible to citizens in order to maintain transparency about types of expenditures.

6. Strategic Planning: This section focuses on the process of budget planning and procedures related to budgeting, and includes a list of sources to complement the information, such as agency strategic plans, executive progress reports, handbooks, and others.

7. Resource Links: This is a list of sources, well-organized by topic, and includes legislative links, other organizations, and library resources. This organization by topics helps users to find relevant resources, and makes information more accessible to users.

8. Regulatory Town Hall: This is a direct link to another web page that contains information on budget regulations, subdivided by the type of agency and regulatory activities. It is a very detailed list, with good organization and visual design of sources and topics that helps users get to required information in an accessible way.

9. Agency Applications: This section is for the Commonwealth's new Performance Budgeting System. This system, as is indicated in the web page "is used by state agencies to submit budget information to DPB for review."³² In this section, agencies can find forms related to budget, planning and performance (the page requires state employee login information to access most of these resources). In addition, this section also includes direct links to other state agencies' websites, including: a) Virginia Perform (a data analysis website that also includes data from the Performance Budgeting System); b) EFIS (Electronic Fiscal Impact Statement System- website used by state agencies to describe the potential costs or saving impacts of legislative proposals); c) ELAS (Electronic Legislative Action Summary System, website used by authorized state users on Legislative documents); d) EPAL (Electronic Pre-session Agency Legislation, also used by authorized state users for tracking new legislation to be included in sessions of the Virginia General Assembly).

Audiences and Stakeholders

There are no separate sections for different audiences and stakeholders, but there is a section to be used by state agencies (Agency Applications). The information included in the website is broad and needs to include specific guides for citizens and other types of stakeholders. Clear and useful content such as budget applications, procedures, and informative budget documentation is included in sections like "Resource Links" and "Documents, Instructions and Publications," but it is not a part of a specific section directed to citizens or another specific type of stakeholder.

New Jersey

For New Jersey, the Office of Management and Budget within the Department of the Treasury posts information from budget and financial publications as well as annual reports from current and past years on their public website (www.nj.gov/treasury/omb/). The website includes many sections, but this analysis reviewed the following sections:

1. OMB Home: Detailed section with information regarding OMB's organizational structure, including forms to be filled by the public. Unfortunately, in this section there is no description of

³² Virginia, Department of Budget and Planning website at <http://dpb.virginia.gov/applications.cfm>

the forms, how they can be completed, and the procedures for public use.

2. Publications: This includes a list of resources for FY 2017-2018, including summaries of expenses, revenues and fund balances, among others. However, most of the information included in subsections, such as “Comprehensive Annual Report” or “Capital Improvement Plan” are related to Fiscal year 2015-2016.

3. Reader’s Guide: A comprehensive list of sources for users, which contains a detailed explanation of the budget process, how the budget is organized, and budget terminology. This also includes some state statistics which could be useful for research purposes.

4. Banking Services: The purpose of this section is difficult to understand for the user. It describes information related to “Current Banking Services Opportunities” and contains documents related to procedures (as a request for proposal to the Division of Revenue and Enterprise Services).

5. NJCFS: Describes the New Jersey Comprehensive Financial System (NJCFS), including Instructional Manuals and an index of Newsletters from 2004-2008 on different topics connected to the NJCFS. The Instructional Manual indicates that the NJCFS is “is an integrated governmental financial system. NJCFS includes Budgeting, General Accounting, Revenue, Expenditure, Grant, Project, and Travel modules. NJCFS interfaces with the Management Acquisition and Control System - Enhanced (MACS-E), which is maintained by the Purchase Bureau.”³³

6. Payroll: This section describes the Schedule of Pay Periods, Proof Due Dates, Pay Days, and Regular and Supplemental Payrolls Calendar for 2002-2017.

7. Audit: This is a descriptive section about the main functions of the Office of Program and Accountability and Audit. It provides information about the Office’s work and their relationship with budgeting issues.

Audiences and Stakeholders

The “Reader’s Guide” section contains a wide range of information that can help the public understand the process of budgeting and how the distribution of the resources in the state is decided. There is no section that specifically indicates that it is directed to any particular type of stakeholder, such as investors.

Lessons Learned and Recommendations

New York’s DOB website includes separate sections for two different types of stakeholders, citizens and investors, but the investor section is much more detailed and developed than the citizen section. The website promotes easy access to information for investors, and the same effort should be applied to the citizen’s guide in order to develop real access to the budget process, information, and accountability for citizen stakeholders. This recommendation is based on one made by the International Budget Partnership to the United States after they analyzed the accessibility of the federal budget to citizens through the Open Budget Survey. They recommended that “The United States should prioritize actions to improve budget transparency [such as] produce and publish a

³³ New Jersey Comprehensive Financial System, Instruction Manual, page 3 at <http://www.nj.gov/treasury/omb/manuals/Overview.pdf>

Citizens Budget for its Executive's Budget Proposal,"³⁴ and the same practice should be considered for implementation at the state level. In particular, the citizen's guide on the DOB website should provide guidance to citizens on how they can gain access to budget information and how they can request it.

Also, we recommend to that the New York DOB website make information on data analysis more visible to users and include a specific section with this information. Data analysis should include information on statistics, revenues, and investment practices. This data analysis information can be drawn from the information already posted on the Open Budget website. The Open Budget site is a valuable tool for citizens, researchers and investors, where they can obtain relevant statistical and budgetary information as well as reports and guides about expenses and planning on budget issues. This site should be highlighted prominently on the DOB website so that users know where to find all these useful resources.

In the case of the Virginia Department of Budget and Planning (DPB)'s public website, there should be better access to information and improved organization of what information is available, in order to promote easier access. The DPB website included a very informative and useful section about the expenses and budget for education in Virginia. It would be useful to include some guidance to citizens on how they can obtain more expenditures data and information not only for education but also other issues such as health.

In addition, New Jersey's website should increase the amount of information it provides to the public. There should be specific sections related to issues like health, education, security, etc, to increase the transparency of state expenditures. Like the other websites, this site includes a Reader's Guide to help members of the public gain familiarity with budget and financial terminology, but contains very vague information on the process of budgeting and planning. This website includes relatively basic information in comparison to the other websites. In contrast with the the New York DOB website, New Jersey's OMB website does not include detailed information related to upcoming years (only a summary and a few budget details for 2018) or the process of planning and designing on the budget. The amount of access to information one can gain by using the OMB website is limited, and the site does not promote guide sections to help citizens to obtain an easy access on the information they required.

Finally, all three states should develop more information for citizens about the process of budgeting and planning, as there was minimal information related to this on any of the web pages. Additionally, Virginia and New Jersey's websites should include extensive lists of publications regarding budget and budgetary statistics as well as projections for the upcoming year in order to maintain transparency and accountability for citizens.

³⁴ International Budget Partnership, Open Survey 2015 to United States. Recommendations section: <http://www.internationalbudget.org/wp-content/uploads/OBS2015-CS-UnitedStates-English.pdf>

Appendix

Answers to 29 Alliance Questions for New York State in FY 2017

Question #1

Question: Does the state disclose consensus revenue forecasts in budget documents?

Note (if applicable): “Receipts” is used as synonym for “revenue” in the state budget documents.

Answer: FY 2017 Yes

Explanation:

New York State uses the 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 to seek and coordinate requests from agencies of the state government, in order to develop a “balanced budget”--a proposal of expenditures and revenues by and for the agencies. Details regarding consensus revenue forecasts for FY 2017 are included in the FY 2017 Executive Budget Documents. The latest forecasts of receipts are disclosed in FY 2018 Executive Budget Financial Plan.

Details regarding the budget process and Executive budget model could also be found in Article VII-State Finances of the Constitution of the State of New York.

Citation(s):

New York State, Division of the Budget, Citizen Guide, the Budget Process

<https://www.budget.ny.gov/citizen/process/process.html>

Publications/Archive, FY 2018 Executive Budget, Financial Plan

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlan.pdf>

New York State, the Constitution of the State of New York, Article VII-State Finances

https://www.dos.ny.gov/info/constitution/article_7_state_finances.html

Question #2

Question: Does the state disclose multi-year revenue forecasts (at least 3 years) in budget documents?

Note (if applicable): “Receipts” is used as synonym for “revenue” in the state budget documents.

Answer: FY 2017 Yes

Explanation:

The state budget documents include revenue forecasts for five years. Multi-year revenue forecasts are disclosed in the Financial Plan Projection section of the Five-Year Financial Plan.

All fund receipts for FY 2016 to FY 2020 are projected in FY 2017 Five-Year Financial Plan (Page 63). The most recent multi-year projection of receipts could be found in FY 2018 Five-Year Financial Plan (Page 72). Receipts for “current” year FY 2017 are disclosed. Receipts for FY 2018, FY 2019, FY 2020 and FY 2021 are projected.

Besides all fund receipts, the state also discloses five-year forecasts of Personal Income Tax, Consumption/Use Taxes, Business Taxes, Other Taxes and Miscellaneous Receipts and Federal Grants individually.

Citation(s):

New York State, Division of the Budget, FY 2017 Executive Budget Financial Plan (Updated for Governor’s Amendments and Forecast Revisions), February 2016

<https://www.budget.ny.gov/pubs/archive/fy17archive/eBudget1617/financialPlan/FinPlanUpdated.pdf>

FY 2018 Executive Budget Financial Plan (Updated for Governor’s Amendments and Forecast Revisions), February 2017

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

Question #3

Question: Does the state disclose multi-year expenditure forecasts (at least 3 years) in budget documents?

Note (if applicable): “Disbursements” is used as synonym for “Expenditure” in the State budget documents.

Answer: FY 2017 Yes

Explanation:

Similar to receipts forecasts, disbursements forecasts of five years are also set forth in Financial Plan Projection section of the Five-Year Financial Plan. Disbursement projections could be found in the same table as total receipt projections.

According to the Economic, Revenue, and Spending Methodologies, the budget forecasting process starts with a forecast of the U.S. economy using DOB macroeconomic model. Model output combined with a qualitative assessment of economic conditions are used in the New York macroeconomic forecast model. Once the macroeconomic forecast is complete, these projections, combined with qualitative assessments, the econometric analysis and expert opinions, are used to forecast receipts and disbursements.

Citation(s):

New York State, Division of the Budget, FY 2017 Executive Budget Financial Plan (Updated for Governor’s Amendments and Forecast Revisions), February 2016

<https://www.budget.ny.gov/pubs/archive/fy17archive/eBudget1617/financialPlan/FinPlanUpdated.pdf>

[d.pdf](#)

FY 2018 Executive Budget Financial Plan (Updated for Governor's Amendments and Forecast Revisions), February 2017

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

Economic, Revenue, and Spending Methodologies

<https://www.budget.ny.gov/pubs/supporting/MethodologyBook.pdf>

Question #4

Question: Does the state provide a reasonable rationale to support revenue growth projections at time of initial budget?

Answer: FY 2017 Yes

Explanation:

Rationale to support revenue growth projections is disclosed in Executive Budget Financial Plan. According to Executive Budget Financial Plan, growth in tax receipts depends on factors including, but not limited to, changes in interest rates, prices, wages, employment, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices, gasoline prices and federal law. Federal receipts depend on the anticipated spending levels of programs including Medicaid, public assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

According to FY 2017 Executive Budget Financial Plan, all fund receipts for FY 2017 is projected to decrease by 0.5% compared with those of FY 2016. All Funds PIT receipts for FY 2017 are projected to increase by 6.1%, mainly due to increase in withholding, estimated payments as well as decrease in refunds. All Funds Consumption/Use Tax receipts for FY 2017 are projected to increase by 3.2%, reflecting the increase in sales tax receipts. All Funds Business Tax receipts are expected to decrease by 4.6%, primarily due to the decrease in corporate franchise tax as a result of decrease in business income tax rate, capital tax base phase-out, and "the anticipated use of prior period adjustments in liability year 2016 for the overpayment of tax year 2015 liability." Decrease in All Funds Other Tax receipts largely reflects the "continued phase-in of the increase filing threshold and the expected return to normal levels of super large payments." The decrease in real estate transfer tax receipts reflects a small projected decrease in the volume of transactions in NYC, caused by building permit shift. All Funds Miscellaneous receipts are expected to decrease in FY 2017 as well, mainly due to "the loss of one-time monetary settlements, the loss of payments from SIF, and the phase-out of the temporary utility assessment."

Citation(s):

New York State, Division of the Budget, FY 2017 Executive Budget Financial Plan (Updated for Governor's Amendments and Forecast Revisions), February 2016

<https://www.budget.ny.gov/pubs/archive/fy17archive/eBudget1617/financialPlan/FinPlanUpdate>

Question #5

Question: Was there a need for a meaningful midyear budget adjustment?

Note (if applicable): We define meaningful in the context of this question as greater than 1%. For prior years only.

Answer: FY 2017 Yes

Explanation:

There was a need for meaningful midyear budget adjustment according to the FY 2017 Midyear Update. While adjustments for other key measures were quite small, adjustments for tax receipts, miscellaneous receipts and general fund disbursements were close to or higher than 1%. Tax receipts have been adjusted downward compared with First Quarter Update by 0.97%. Miscellaneous Receipts have been adjusted upward by 3.9%. General Fund (including transfers) has been adjusted downward by 1.1%. The adjustment in tax receipts was the result of the reduction in PIT collections, especially the withholding and estimated payment component. The downward adjustments in receipts were accompanied by a downward adjustment in General Fund Disbursements. This is because DOB lowered estimated spending in mental hygiene, preschool special education, and higher education. The reduction in General Fund Transfer to Capital Projects Fund was primarily due to lowered capital spending as well as the reimbursement of bond-eligible costs from prior years with bond proceeds.

Citation(s):

New York State, Division of the Budget, Mid-Year Update to the FY 2017 Financial Plan
<https://www.budget.ny.gov/budgetFP/FY2017MidYearUpdate.pdf>

Question #6

Question: Did the state use borrowing proceeds to pay for recurring expenditures?

Note (if applicable): Are borrowed proceeds counted as revenue for balancing budget? Also, if the trend of appropriations to state agencies is flat or declining but the amount of debt the agency is taking on is rising, investigate the reason for the dynamic.

Answer: FY 2017 No

Explanation:

According to Executive Budget Financial Plan of FY 2017 and FY 2018, borrowing proceeds were not used to pay for recurring expenditure. They were included in the Capital Project Funds of Miscellaneous Receipts, and were used to fund projects in the fields of transportation, public

protection, health and social welfare, education, mental hygiene and economic development. As stated in the “Other Matters Affecting the State Financial Plan” part of the document, although the State authorizes the General Fund to borrow from other available funds on a short-term basis (STIP), bonds proceeds were excluded from the funds available for borrowing. In addition, the Debt Reform Act was in effect which limits the use of State-supported debt to funding capital projects only.

However, there is still potential risk of misuse. According to the Office of the New York State Comptroller, several proposals have been included in the Budget, which could potentially harm the ability of the Comptroller to conduct independent oversight of the issuance of debt and the use of bond proceeds.

Citation(s):

New York State, Division of the Budget, FY 2017, Executive Budget Financial Plan, Updated for Governor’s Amendments and Forecast Revisions

<https://www.budget.ny.gov/pubs/archive/fy17archive/eBudget1617/financialPlan/FinPlanUpdated.pdf>

FY 2018, Executive Budget Financial Plan, Updated for Governor’s Amendments and Forecast Revisions

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

Office of the New York State Comptroller, Report on the State Fiscal Year 2017-2018 Executive Budget

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

Question #7

Question: Did the state use "scoop and toss" refinancings to raise funds for current expenditures and lengthen maturities?

Note (if applicable): Scoop and toss refers to the practice of gaining budgetary relief by using the proceeds of a new bond issue to pay off maturing bonds and extend debt service for the current year to future years. If debt service for the current year is pushed out to future years as a result of the refinancing (either counted on in the original budget or done later in the year to close gaps) this would suggest it is being used for budgetary relief.

Answer: FY 2017 No

Explanation:

According to DOB bond sale schedule, there is no solid evidence of the state issuing refunding bonds to provide budgetary relief. As stated in the Debt Management Policies, the state should follow its refunding criteria based on a review of then current interest rates and state fiscal needs for fixed rate bonds. State can also restructure variable rates bonds for the purpose of risk management.

Citation(s):

New York State, Division of the Budget, New York State Debt Management Policies State-Supported Debt As of September 2016

<https://www.budget.ny.gov/investor/bond/StateDebtPolicy.pdf>

New York State Senate Majority, Finance Committee/Counsel Staff Analysis of the FY 2017 Executive

Budget https://www.nysenate.gov/sites/default/files/articles/attachments/staff_analysis_fy17_executive_budget-whitebook_2016.pdf

Question #8

Question: Did the state use bond premiums or other upfront cash flows upon refinancing to pay for recurring expenditures?

Note (if applicable): Bond premiums are the excess over the par value that is paid to purchase a bond. If bond premium is considered a revenue item for the current year supporting recurring expenditures or if an unplanned refinancing is done at a premium, this would suggest it is being used for budgetary relief.

Answer: FY 2017 No

Explanation:

According to the FY 2017 Enacted Budget Financial Plan, there is no trace of bond premiums being considered as revenue items in the General Fund Budget. In addition, the State records bonds' outstanding amounts at their original par amounts or original gross proceeds in the case of capital appreciation bonds. The Office of the New York State Comptroller also stated that the decline in state-funded debt since FY 2014 is attributable to a number of factors, including DOB's changing the classification of certain debt so that it is no longer counted in the State-supported debt measure as well as the timing of debt issuance and the issuance of premium bonds. Additionally, State Comptroller indicates in the Debt section of its 2016 financial condition report that despite being reported under GAAP, \$4.4 billion in bond premiums were not counted in the State-funded debt measurement. Without official documents announcing any changes to debt reporting in State budgetary documents, we can reasonably infer that this applies to FY 2017 as well.

Citation(s):

New York State, Division of the Budget, FY 2017 Enacted Budget Financial Plan

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

New York State, Division of the Budget, Detailed Debt Information - Bond Caps and Debt Outstanding

<https://www.budget.ny.gov/investor/bond/BondCapChart.html>

Question #9

Question: Did the state use upfront proceeds or deferral of upfront costs on other financial transactions to pay for recurring expenditures?

Note (if applicable): If new financial contracts are entered into that involve an upfront payment to the state, investigate how that is being utilized. Is it supporting a one-time expenditure, being held in reserve, or being used to support current expenditures? If used to support current expenditures, we would consider this a one-time action.

Answer: FY 2017 Yes

Explanation:

According to FY 2017 Financial Plan Mid-Year Update as well as FY 2018 Executive Budget Financial Plan, the state has used one-time licensing fees to pay for School Aid in FY 2017. The fees were received in FY 2016. This could be viewed as evidence of the state using non-recurring resources to pay for recurring expenditures, which does not improve the structural balance of the state budget and will exacerbate future gaps.

Citation(s):

New York State, Division of the Budget, FY 2017 Financial Plan Mid-Year Update

<https://www.budget.ny.gov/budgetFP/FY2017MidYearUpdate.pdf>

New York State, Division of the Budget, FY 2018 Executive Budget Financial Plan

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

Office of the New York State Comptroller, Report on the State Fiscal Year 2016-17 Enacted Budget Financial Plan and Capital Program and Financing Plan, July 2016

https://www.osc.state.ny.us/reports/budget/2016/2016_17_enacted_budget_finplan.pdf

Question #10

Question: Did the state use pension bond proceeds to make the annual required or actuarially determined contribution to any pension?

Answer: FY 2017 No

Explanation:

According to the Division of Budget of the New York State, State-supported bond sales in FY

2016-2017 included the sales of Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds and Department of Health Revenue Bonds, but did not include pension bonds. See the bond sale schedule of NYS listed below for full information. Therefore, New York State did not use pension bond proceeds to fund its \$2.5 billion pension bill in FY 2016-2017.

Citation(s):

“Bond Sale Schedule”. Accessed February 24, 2017

<https://www.budget.ny.gov/investor/bond/bond.html>

New York State Comptroller. Feb 2017. “Report on the State Fiscal Year 2017-18 Executive Budget.”. Accessed February 24, 2017

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

New York State. “FY 2016 State-Supported Bond Sales Schedule”. Accessed February 24, 2017

<https://www.budget.ny.gov/investor/bond/bondSalesPDFs/2015-16BondSaleDetail.pdf>

New York State. “FY 2017 State-Supported Bond Sales Schedule”. Accessed February 24, 2017

<https://www.budget.ny.gov/investor/bond/bondSalesPDFs/2016-17BondSaleDetail.pdf>

Question #11

Question: Did the state defer expenditures into future fiscal year(s) from the current year?

Answer: FY 2017 Yes

Explanation:

According to the Report on the State Fiscal Year 2017-2018 Executive Budget, the State deferred an annual loan repayment to the New York Power Authority and extended the terms through 2023, which was estimated to save the State \$193 million in spending for the coming fiscal year.

According to the FY 2017 Enacted Budget Financial Plan, the state also deferred a total amount of \$356.2 million in pension payments to the New York State and Local Retirement System, which will be repaid with interest over the next ten years until FY 2026.

Through deferring these expenditures, the State temporarily reduced costs that must be paid in the current year and gave an appearance of lower State Operating Funds spending growth. However, this practice results in higher costs overall when the State repays the expenditure with interest.

Citation(s):

New York State, Department of Taxation and Finance, Division of the Budget. May 2016. “FY 2017 Enacted Budget Financial Plan.” Accessed February 24, 2017.

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

New York State Comptroller. Feb 2017. “Report on the State Fiscal Year 2017-18 Executive

Budget.” Accessed February 24, 2017

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

Question #12

Question: Did the state use proceeds from asset sales to fund current expenditures?

Answer: FY 2017 Yes

Explanation:

The State FY 2017 Executive Budget proposes allowing proceeds from the sale of State-owned property to be used to fund education spending for the City University of New York (CUNY) in AY 2017-2018, which includes the sale of the Masters of Finance Arts building at Hunter College. Through this sale, up to \$60 million would be used to reduce the State’s net operating expenses, which is about a 5.2% decrease in Local Assistance spending for CUNY in FY 2017 compared to the current fiscal year.

Citation(s):

New York State Comptroller. Feb 2017. “Report on the State Fiscal Year 2017-18 Executive Budget.” Accessed February 24, 2017

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

Question #13

Question: Did the state use transfers into the general fund from special funds to pay for current expenditures?

Answer: FY 2017 Yes

Explanation:

According to the Report on the State Fiscal Year 2017-18 Executive budget, the State government proposed an authorization of for \$750 million in unspecified transfers from dedicated funds to the General Fund, an increase of \$250 million from the SFY 2016-17 Enacted Budget.

In addition, according to the Enacted Budget, certain transfers to the General Fund and other financing sources that were initially expected in FY 2016 are now moved to FY 2017, including transfers to support capital project spending (\$50 million); franchise fees for the operation of gaming facilities to offset education spending (\$137 million); Federal health care reimbursements (\$61 million); and youth facility reimbursements (\$13 million).

Citation(s):

New York State, Department of Taxation and Finance, Division of the Budget. May 2016. "FY 2017 Enacted Budget Financial Plan." Accessed February 24, 2017.

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>.

Question #14

Question: Did the state temporarily shift costs to other governments or agencies or upstream cash from any such entity to the state that is not part of a regular agreement/process?

Note (if applicable):

Answer: FY 2017 Yes

Explanation:

According to the Report on the State Fiscal Year 2017-2018 Executive Budget, many State Operations appropriations provide unlimited authority for the Executive to change appropriations by shifting them among departments, agencies and public authorities. Moving expenditures off-budget to a public authority or an off-budget fund or account is one of the mechanisms to give the appearance of lower State Operating Funds spending. For example, in the FY 2017 Executive Budget a large share of the costs of tuition for children in foster care (\$23 million) and residential placements for certain high-needs special education students (\$19 million) were shifted from the State budget to the New York City budget.

Because of legal and other commitments, it is easier to shift payments to other funds or off budget and outside the scope of reported spending than change the spending in certain areas. However, shifting spending outside the scope of State Operating Funds, which otherwise would be counted, diminishes the reliability and meaning of any presentations of such spending and growth. According to the Report on the State Fiscal Year 2017-2018 Executive Budget, there will be continued use of off budget spending for State programs and shifts of the spending that has traditionally been included in State spending totals.

Citation(s):

New York State Comptroller. Feb 2017. "Report on the State Fiscal Year 2017-18 Executive Budget." Accessed February 24, 2017

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

Question #15

Question: Did the state utilize any other one-time actions to balance the budget or cover recurring expenditures?

Answer: FY 2017 Yes

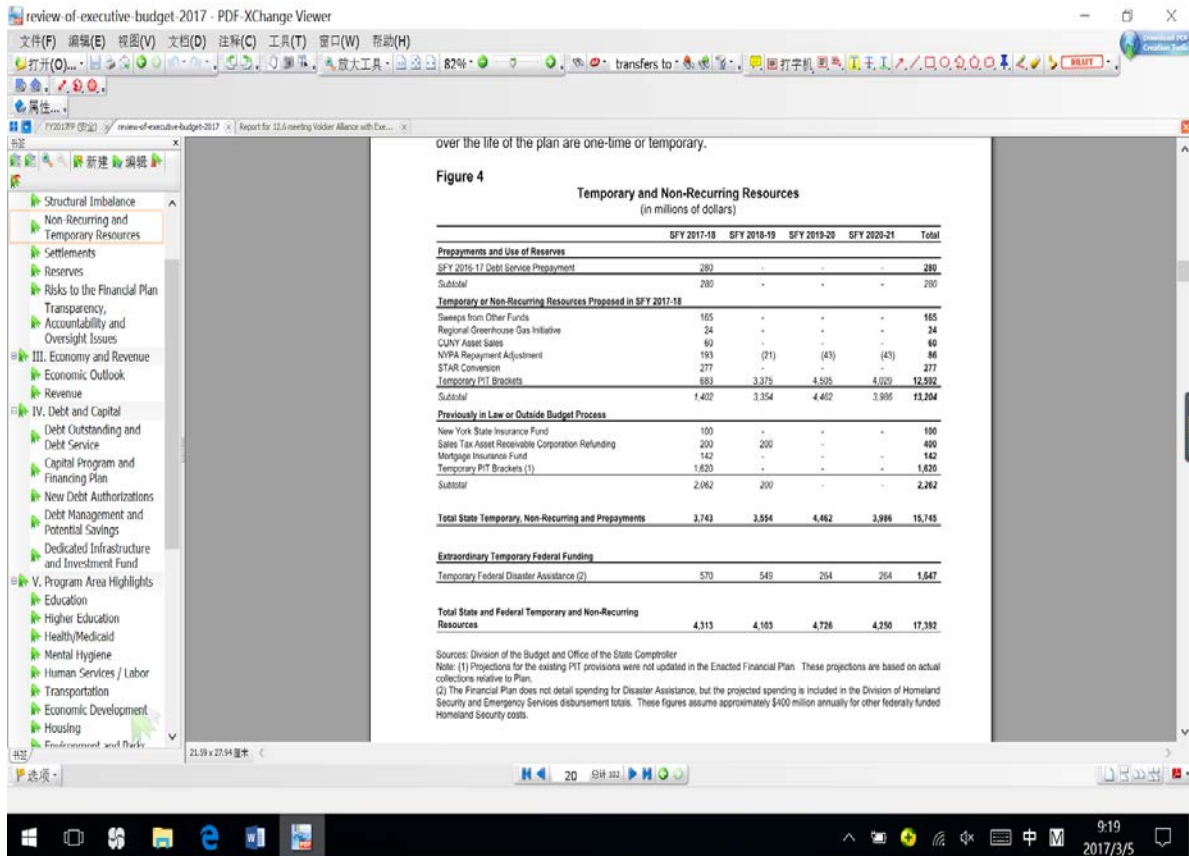
Explanation:

The FY 2017 Executive Budget includes approximately \$4.3 billion in resources that are either temporary (more than one year but not permanent) or non-recurring (one year). See the attached "Temporary and Non-Recurring Resources" table for the analysis of such resources by Office of the State Comptroller.

According to the Executive Budget, almost half of the proposed General Fund Gap-Closing Plan is made up of temporary resources such as one-time revenue and payment deferrals, primarily the extension of the higher rate in the personal income tax. For example, there is an extension of the limit of charitable deductions in personal income. See the attached "Proposed Revenue Actions" table for increase in PIT as a source for State revenue.

According to the Executive Budget, the use of these one-time actions makes it easier to close projected budget gaps in the coming year, but more difficult to achieve long-term structural budget balance.

Temporary and Non-Recurring Resources
(In millions of dollars)



Proposed Revenue Actions

(In millions of dollars)

	SFY 2017-18	SFY 2018-19	SFY 2019-20	SFY 2020-21
Personal Income Tax	683	3,105	4,249	3,758
Extension of Top PIT Rate	683	3,375	4,505	4,029
Enhanced Child and Dependent Care Credit	-	-	(42)	(42)
Conversion of NYC STAR Rate Benefit	-	(340)	(354)	(369)
Extension of Limit on Charitable Deductions	-	70	140	140
Consumption/Use Taxes	99	196	196	196
Expansion of Sales Tax on Internet Purchases	68	136	136	136
Ride Sharing Tax	16	32	32	32
Amend Tax Rate on Cigars	12	23	23	23
Tax on Vapor Products	3	5	5	5
Business Taxes	-	-	(35)	(35)
Life Sciences Tax Credit	-	-	(5)	(5)
Investment Tax Credit Clarification	-	-	20	20
Extension of NY Youth Jobs Credit	-	-	(50)	(50)
Miscellaneous Receipts	88	123	124	124
Motor Vehicle Title Fees Increase	74	81	81	81
Imposition of E-911 Surcharge on Prepaid Telephones	7	26	26	26
Additional Fee for REAL ID Licenses	7	16	17	17
Tax Enforcement	40	50	50	50
Taxation of Asset Sales	20	20	20	20
Extension of Warrantless Wage Garnishment	15	15	15	15
Warrantless Bank Data Matching	5	15	15	15
All Other Revenue Actions	20	31	29	28

Citation(s):

New York State Comptroller. Feb 2017. “Report on the State Fiscal Year 2017-18 Executive Budget.” Accessed February 24, 2017

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

Question #16

Question: Was the contribution to public-employee pension fund(s) less than 100% of the actuarially required or determined amount?

Note (if applicable): The Comprehensive Annual Financial Reports (CAFR) for 2017 is not released yet, so we need to ask to the controller information regarding the contribution to public-employee pension fund (s) that was also asked by the last group last semester, to complete all the question.

Answer: FY 2017 unable to identify

Explanation:

The Comprehensive Annual Financial Reports (CAFR) for 2017 is not released yet, so we need to ask to the controller information regarding the contribution to public-employee pension fund (s) that was also asked by the last group last semester, to complete this question.

For FY 2016 the total annual pension contribution was about \$2.12 billion, which was paid in full. The actuarially required amount is adjusted annually and accounts for amortized payments. The amortization amount is \$432.1 million. The FY 2017 ERS/PFRS pension estimate of \$2.1 billion in the current Financial Plan incorporates the estimate prepared by the Comptroller's Office in October 2015, includes payment of prior amortizations totaling \$432 million, and also reflects additional interest savings by acceleration of non-judiciary and judiciary pension payments to April 2016. Total payment estimates include both the non-judiciary and judiciary components, and reflect payment of the entire pension bill, with no additional amortization.

Citation(s):

New York State, Division of Budget FY 2017: Financial Plan Mid-Year update

<https://www.budget.ny.gov/budgetFP/FY2017MidYearUpdate.pdf>

New York State, Division of Budget FY 2017: Enacted Budget Financial Plan. May 2016

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

Question #17

Question: Was the contribution to public-employee OPEB (postemployment benefits other than pensions) less than 100% of the actuarially required or determined amount?

Answer: FY 2017 Yes

Explanation:

The amount of OPEB benefits required but not actually set aside to pay public employees is accumulated, with interest, as part of the OPEB liability. According to the Report on the State Fiscal Year 2017-2018 Executive Budget, as of March 31, 2016, the unfunded actuarial accrued OPEB liability for the State was \$77.9 billion.

Citation(s):

New York State Comptroller. Feb 2017. "Report on the State Fiscal Year 2017-18 Executive Budget." Accessed February 24, 2017

<https://www.osc.state.ny.us/reports/budget/2017/review-of-executive-budget-2017.pdf>

New York State, Department of Taxation and Finance, Division of the Budget. May 2015. "FY

2016 Enacted Budget Financial Plan. Accessed October 24, 2016.

<https://www.budget.ny.gov/pubs/archive/fy1516archive/enacted1516/FY16Fin Plan.pdf>

Question #18

Question: Did K-12 educational funding meet goals set by constitution, statute, and/or court decision (where applicable)?

Answer: FY 2017 No

Explanation:

In 2006, the New York Court of Appeals ruled on the Campaign for Fiscal Equity lawsuit on school funding. The court found that schools were not receiving enough aid to give students their constitutional right to appropriate education. The court ordered a \$5.5 billion increase in school aid (called Foundation Aid) over 2007-2011, distributed by a formula called the Foundation Aid Formula, which takes into account student need and local property taxes. During the financial crisis period from 2009-2012, the state froze the increase of Foundation Aid and instead cut \$2.7 billion. However, for FY 2017, Governor Cuomo's Budget proposal removes the Foundation Aid Formula, and instead states that in 2018 and beyond districts will receive only the amount of foundation aid received in 2017, thus scrapping any adjustments. Additionally, according to the Board of Regents of the State Education Department the state still owes \$4.2 billion in unpaid foundation aid. According to the FY 2017 Enacted Budget Financial Plan, the Executive and Legislature agreed to school aid spending of \$24.8 billion in school year 2015, an increase of \$1.5 billion or 6.5% from the previous year. So while spending is going up, it is still not meeting goals set by the original court decision.

Citation(s):

"Campaign for Fiscal Equity - Alliance for Quality Education of New York." Accessed March 6, 2017.

<http://www.aqeny.org/campaigns/campaign-for-fiscal-equity/>.

Cuomo, Andrew M. "FY 2017 Enacted Budget Financial Plan." Accessed March 1, 2017.

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

Question #19

Question: Does the state have a policy for the use of its budget stabilization fund(s)?

Note (if applicable):

Answer: FY 2017 Yes

Explanation:

As outlined in New York State Finance Law 92-cc, the fund may be used in the case of catastrophic events: “In the event of a need to repel invasion, suppress insurrection, defend the state in war, or to respond to any other emergency resulting from a disaster, including but not limited to, a disaster caused by an act of terrorism.” It may also be used in the case of economic downturn, as determined by an index published by the commissioner of labor. The index must decline for five consecutive months, after which the director of budget “may authorize and direct the comptroller to transfer from the rainy day reserve fund to the general fund such amounts as the director of the budget deems necessary to meet the requirements of the state financial plan.”

Citation(s):

New York State Finance Law 92-cc. Accessed February 25, 2017.

<https://www.nysenate.gov/legislation/laws/STF/92-CC>

Question #20

Question: Does the state have a policy for the replenishment of rainy day funds?

Answer: FY 2017 Yes

Explanation:

Replenishment is not required, but is by request of the director of budget. This is established in New York State Finance Law Section 92-cc--Rainy Day Reserve Fund. “At the request of the director of the budget, the state comptroller shall transfer monies to the rainy day reserve fund up to and including an amount equivalent to seventy-five one-hundredths of one per centum of the aggregate amount projected to be disbursed from the general fund during the then-current fiscal year, unless such transfer would increase the rainy day reserve fund to an amount in excess of five per centum of the aggregate amount projected to be disbursed from the general fund during the fiscal year immediately following the then-current fiscal year, in which event such transfer shall be limited to such amount as will increase the rainy day reserve fund to such five per centum limitation.”

The FY 2018 Executive Budget Briefing Book describes how the state will contribute to rainy day reserves “if fiscal conditions permit” in the case of receiving monetary settlements, and describes how its rainy day contributions are tied to overall lower spending: “For decades, State spending was driven by revenue projections. In the good years, spending went up, only to be cut in the bad years. By constraining expenditures to sustainable levels, New York’s spending no longer outpaces growth in personal income, allowing for both tax cuts and increased rainy day reserve balances.”

Citation(s):

New York State Finance Law 92-cc. Accessed February 25, 2017.

<https://www.nysenate.gov/legislation/laws/STF/92-CC>

Cuomo, Andrew. “FY 2018 Executive Budget.” Accessed February 28, 2017.

Question #21

Question: Is the state rainy day fund balance (or contribution) tied to revenue volatility?

Answer: FY 2017 No

Explanation:

Nuanced, but in a roundabout way, it could be said that these contributions are tied to revenue volatility.

As assessed by the Pew Charitable Trusts, New York is not among the states that tie their rainy day fund contributions to above-average revenue.

However, contributions to the fund are made at the request of the Director of Budget (as laid out in NYS Finance Law 92-cc), and are tied to disbursements from the General Fund, not to exceed: "seventy-five one-hundredths of one per centum of the aggregate amount projected to be disbursed from the general fund during the then-current fiscal year, unless such transfer would increase the rainy day reserve fund to an amount in excess of five per centum of the aggregate amount projected to be disbursed from the general fund during the fiscal year immediately following the then-current fiscal year, in which event such transfer shall be limited to such amount as will increase the rainy day reserve fund to such five per centum limitation."

Since RDF contributions are so closely limited by general fund spending, it could be said that they are associated with the state's overall revenue, spending, and financial health, but the extent to which these trends in practice move together is up to the director of budget (for instance, the state could have a very good year in terms of revenue and subsequently increase general fund spending, but the director of budget could still choose not to increase RDF contributions).

Citation(s):

The Pew Charitable Trusts. 2014. "Building State Rainy Day Funds: Policies to Harness Revenue Volatility, Stabilize Budgets, and Strengthen Reserves." Accessed February 28, 2017.

http://www.pewtrusts.org/~media/assets/2014/07/sfh_rainy-day-fund-deposit-rules-report_artready_v9.pdf

New York State Finance Law 92-cc. Accessed February 25, 2017.

<https://www.nysenate.gov/legislation/laws/STF/92-CC>

Question #22

Question: Was the state rainy day fund balance greater than \$0.00 on the first day of the fiscal year?

Answer: FY 2017 Yes

Explanation:

According to the Comprehensive Annual Financial Report For Fiscal Year Ended March 31, 2016, “closing cash fund balance... consisted of approximately \$1.8 billion in the State’s rainy day reserve funds (\$1.3 billion in the Tax Stabilization Reserve Account and \$540 million in the Rainy Day Reserve Fund).”

Citation(s):

Office of the New York State Comptroller. “State of New York Comprehensive Annual Financial Report For Fiscal Year Ended March 31, 2016.” Accessed February 28, 2017.

<http://www.osc.state.ny.us/finance/finreports/cafr/2016cafr.pdf>

Question #23

Question: Was the state General Fund balance greater than \$0 on the first day of the fiscal year?

Note (if applicable):

Answer: FY 2017 Yes

Explanation:

According to the Comprehensive Annual Financial Report For Fiscal Year Ended March 31, 2016, the state General Fund had a closing cash fund balance of \$8.9 billion. This includes the \$1.3 billion Tax Stabilization Reserve Account balance and the \$540 million Rainy Day Reserve Account balance.

The General Fund had an accumulated fund balance of \$5.1 billion as of the first day of FY 2017, and ran an operating deficit of \$978 million.

Citation(s):

Office of the New York State Comptroller. “State of New York Comprehensive Annual Financial Report For Fiscal Year Ended March 31, 2016.” Accessed February 28, 2017.

<http://www.osc.state.ny.us/finance/finreports/cafr/2016cafr.pdf>

Question #24

Question: Is the state increasing its reliance on short-term borrowing or availing itself of access

to other short-term funds to manage midyear cash flow inadequacies?

Answer: FY 2017 No

Explanation:

The State may not conduct intra-year short-term borrowing unless the Governor and legislative leaders declare an emergency. According to the Office of the State Comptroller, “There has been no State intra-year short-term borrowing since the State's 1993-94 fiscal year.”

Of additional note, according to the FY 2017 Enacted Budget Financial Plan, the General Fund is authorized by the State “to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or to the end of the fiscal year, whichever period is shorter.” This option has not been exercised since April 2011. The Department of Budget “expects that the State will have sufficient liquidity in FY 2017 to make all planned payments as they become due.”

Citation(s):

Cuomo, Andrew M. “FY 2017 Enacted Budget Financial Plan.” Accessed March 1, 2017.

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

Question #25

Question: Does the state have a consolidated website that provides all budget and supplemental data?

Answer: FY 2017, FY 2018 Yes

Explanation:

Question: Does the state have a consolidated website that provides all budget and supplemental data?

Note (if applicable):

Answer: FY 2017, FY 2018 Yes

Explanation:

The New York State Division of the Budget (DOB) website provides a large list of financial data including 2017 mid-year budget updates and 2018 reports and plans (although the information provided is not exhaustive). The DOB website provides users (including citizens and investors) access to enacted budget documents from Fiscal Year 2017 and the Fiscal Year 2018 Executive Budget. This includes an Executive and Enacted versions, data for investors, Open Budget (budget-to-actual comparisons, revenue information, appropriations, and historical documents) and Citizen’s Guide (budget process and other basic information). As in 2015 and 2016, full understanding of the budget requires comparing information in DOB website and the Consolidated Annual Financial Report (CAFR) available on the New York State Comptroller’s Website. It is important to note that the DOB website currently includes a section on the FY 2018 Executive

Budget in which it includes Governor Cuomo’s Budget Presentation and Webcast, Financial Plans, among other documents and information, and makes to these fairly easy for users to access.

Citation(s):

New York State, Division of Budget website: <https://www.budget.ny.gov/>

Volcker Alliance: State Budget Sources

<https://volckeralliance.sharepoint.com/teams/tigfp/Shared%20Documents/State%20Budget%20Sources%20-%20Annotated%20Guide.pdf>

Office of New York, State Controller website: <http://www.osc.state.ny.us/pension/cafr.htm>

New York State, Division of Budget FY 2017: Financial Plan Mid-Year update

<https://www.budget.ny.gov/budgetFP/FY2017MidYearUpdate.pdf>

New York State, Division of Budget FY 2017: Enacted Budget Financial Plan

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

New York State, Division of Budget FY 2018: Executive Budget Financial Plan. Updated for the Governor’s Amendment and Forecast Revision. February 2017.

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

Capstone Project Executive Summary Fall 2016- Cornell University

Question #26

Question: Does the state disclose projected structural general fund deficits (recurring revenues that do not cover ongoing expenditures) and other comparable liabilities?

Note (if applicable): We are not sure what other “comparable liabilities” would amount to given that the General Fund is in a league by itself and unique in nature. Also, it should first be noted that New York State uses the word “gap” synonymously with the word “deficit”

Answer: FY 2017 Yes, FY 2018 Yes

Explanation:

A detailed “Gap-Closing Plan” for projected budget gaps for future FY’s is provided in addition to a table and narrative on how New York State will work on this issue (page 25). Related to the forecasting methodology, page two of the FY 2017 “Enacted Budget and Financial Plan” document states:

“Operating costs for State agencies include salaries, wages, fringe benefits, and Non-Personal Service (NPS) costs (i.e., supplies, utilities). Redesign and cost-control efforts are expected to continue to reduce spending compared to current service projections. Reductions from the prior projections for agency operations contribute \$340 million to the General Fund gap-closing plan.”

Also, an “Economic, Revenue, and Spending Methodologies” guide is provided (see: <https://www.budget.ny.gov/pubs/supporting/MethodologyBook.pdf>) that explains how the state forecasts future revenue and spending requirements. For specific revenues (e.g. corporate franchise

tax), this document discusses in depth how the state manages risk and uncertainties, which can provide more clarity on how the state makes projections with speculative information.

Citation(s):

New York State, Division of Budget FY 2017: Enacted Budget Financial Plan

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

New York State, Department of Taxation and Finance, Division of the Budget. 2016. "Economic, Revenue, and Spending Methodologies." Accessed November 2016.

<https://www.budget.ny.gov/pubs/supporting/MethodologyBook.pdf>

Question #27

Question: Does the state provide tables listing outstanding debt and debt service costs in the budget documentation?

Answer: FY 2017 Yes, FY 2018 Yes

Explanation:

Both the FY 2017 and FY 2018 Enacted Budget documents include tables that list outstanding debt and debt service costs. These tables seek to demonstrate how each fiscal year remains in compliance with the debt limits established by the Debt Reform Act of 2000. While these documents provide detailed tables in how they stay below the Act's debt limit, spending projections remain unclear.

Specifically, in the Financial Plan Projection section, the "Debt Service Spending Projections" table shows that in FY 2017 \$4.4 billion will be paid in debt service "from other state funds." These "other state funds" are listed on page 116 of the FY 2017 Enacted Budget Document, which states:

"Total State Operating/All Funds debt service is projected at \$5.2 billion in FY 2017, of which approximately \$706 million is paid from the General Fund via transfers, and \$4.5 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds."

Also the table breaks down which other funds contribute to the \$5.2-billion-dollar total figure. Finally, the same table establishes a total projection for 2018 of \$6.2 billion projected spending.

Citation(s):

New York State, Division of Budget FY 2017: Enacted Budget Financial Plan. May 2016

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

New York State, Division of Budget FY 2018: Executive Budget Financial Plan. Updated for the

Governor's Amendment and Forecast Revision. February 2017.

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

-

Question #28

Question: Is the estimated cost of deferred infrastructure maintenance disclosed in the budget documentation?

Answer: FY 2017 Yes, FY 2018 No

Explanation:

It should be noted that the word “deferred” only appears in the portion of the FY 2017 Enacted Budget Financial Plan regarding “State Pensions and Amortization Savings” (pages 48, 49), but not for any cost regarding infrastructure maintenance, neither in FY 2017 nor in the budget plan for the FY 2018.

For example, FY 2017’s documentation says regarding deferred costs in New York State that “in FY 2015 and FY 2016, the interest rates charged on the deferred amounts were 3.15 percent and 3.21 percent, respectively” but there is no amount listed for FY 2017 on infrastructure costs.

Note also that the FY 2017 Enacted Budget Financial Plan mentions transfers to dedicated infrastructure investment for years 2016 and 2017 as follows:

“FY 2016 and FY 2017 reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund (\$857 million in FY 2016 and \$1.35 billion in FY 2017); the Environmental Protection Fund (\$120 million in FY 2017); and the mental hygiene account for Federal disallowance repayment (\$850 million in FY 2016) (page .63)

Citation(s):

New York State, Department of Taxation and Finance, Division of the Budget. May 2016 “FY 2017 Enacted Budget Capital Budget and Financing Plan.”

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>

New York State, Division of Budget FY 2018: Executive Budget Financial Plan. Updated for the Governor’s Amendment and Forecast Revision. February 2017.

<https://www.budget.ny.gov/pubs/executive/eBudget1718/financialPlan/FinPlanUpdatedFY18.pdf>

New York State, Division of Budget FY 2017: Financial Plan Mid-Year update

<https://www.budget.ny.gov/budgetFP/FY2017MidYearUpdate.pdf>

Question #29

Question: Does the state provide information on the costs of tax breaks, expenditures, and

abatements in the budget documentation?

Answer: FY 2017 Yes

Explanation:

Page five of FY 2017's "Annual Report on New York State Tax Expenditures" states:

"This report does not purport to offer an official list of tax expenditures. Rather, it describes as many tax expenditures as possible and provides revenue estimates for as many provisions as can be isolated and measured. Where applicable data is available, tax expenditure estimates generally cover five historical years. Forecasted estimates project the cost of a tax expenditure as reflected in the Tax Law as it was in effect on January 1, 2016. The forecasted estimates do not reflect changes proposed in the Executive Budget"

As the information above mentions, despite there being no official list of tax expenditures on the FY 2017 Annual Report, this includes figures on the costs of stated tax breaks (e.g. STAR), and if any modifications were made in the previous legislative session. In addition, in the FY 2016 Enacted Budget document, there is a specific section called "Tax Cut and Reform Actions" and for FY 2017 we can find a section on "2016-17 Executive Budget Proposals Affecting Tax Expenditures" which indicated a comparison between years with regards to modification, addition, or repeals of specific tax expenditures.

Citation(s):

New York State, Department of Taxation and Finance, Division of the Budget. 2017. "FY 2017 Annual report on New York State Tax Expenditures."

<https://www.budget.ny.gov/pubs/archive/fy17archive/eBudget1617/fy1617ter/TaxExpenditure2016-17.pdf>

New York State, Division of Budget FY 2017: Financial Plan Mid-Year update

<https://www.budget.ny.gov/budgetFP/FY2017MidYearUpdate.pdf>

New York State, Division of Budget FY 2017: Enacted Budget Financial Plan. May 2016

<https://www.budget.ny.gov/budgetFP/FY2017FP.pdf>