

Overview

FISCAL OVERVIEW

General Fund disbursements for the enacted State Fiscal Year (SFY) 2009-10 Budget are estimated at \$54.9 billion a net increase of \$301 million or .6 percent from SFY 2008-09.

Disbursements on an All Funds basis are projected to be approximately \$131.9 billion a net increase of \$10.4 billion or 8.5 percent, from SFY 2008-09. This increase is primarily due to disbursements of the 2009 Federal American Recovery and Reinvestment Act (ARRA).

In the Financial Plan for the budget, New York State expected to disburse a total of \$10.86 billion in Federal funds; \$5.1 billion in Federal Medical Assistance Program (FMAP) of which the state benefits \$3.702 billion and local governments \$1.438 billion; \$1.15 billion in education stabilization aid; \$3.1 billion in Categorical grants for education, environment, transportation, housing, health care and human services; \$1.5 billion in restorations and other actions. In addition, the State will receive \$4 billion for Unemployment Insurance benefits to assist the unemployed workers.

Highlights of the SFY 2009-10 enacted Budget include the following:

- **Education.** The Enacted Budget Education Package adds \$1.17 billion to the Executive proposal. As a result, General Support for Public Schools increases by \$404 million (1.8 percent) over School Year (SY) 2008-09 for a total of \$21.9 billion. The final budget agreement continues a multiyear commitment to school funding.

The Enacted Budget eliminates the Executive's proposed \$1.1 billion Deficit Reduction Assessment (DRA) and instead fully restores the proposed reduction. This is funded by the 2009 Federal American Recovery and Reinvestment Act.

The Enacted Budget continues funding totaling \$14.8 billion in Foundation Aid for SFY 2009-10. The Legislature concurs with the Executive's proposal to hold Foundation Aid flat for SY 2009-10 and 2010-11, but modifies the Executive's phase-in proposal.

The Enacted Budget rejects the Executive's proposal to freeze all expense based aids to the lesser of the February database or the Executive Run, and instead funds all expense based aids at present law levels. In addition, the Executive Budget continues funding for Pre-kindergarten at \$375.2 million.

The Enacted Budget also restores \$119 million to restoration programs such as Aid to Public Libraries, Teacher Resource and Computer Training Centers, Nonpublic School Aid, Educational TV and Radio, and Adult Literacy Education.

The Enacted Budget rejects the Executive's proposal to shift 15 percent of Preschool Special Education (4410) costs onto school districts. This will save school districts an estimated \$185 million and is funded by the 2009 Federal ARRA.

The Enacted Budget appropriates \$1.26 billion in additional Federal ARRA funds which includes funding for Title I, the Individuals with Disabilities in Education Act (IDE), and Education Technology.

- **Health.** The Enacted Budget provides approximately \$56.7 billion in funding authorization for health care in New York State. This includes a restoration of \$1.2 billion to the \$3.5 billion in proposed reductions to Medicaid, Health Care Reform Act (HCRA) and Public Health advanced by the Executive. The Legislature accepts \$2.3 billion in net reductions, with \$1.6 billion of such reductions resulting from the Enacted budget and \$729 million related to the enacted Deficit Reduction Plan (Chapters 1 and 2 of the Laws of 2009).
- **Higher Education.** The Enacted Budget provides \$879.9 million for the second year of the five-year capital plan for critical maintenance at the State University of New York (SUNY) and City University of New York (CUNY) operating systems. The Enacted Budget also provides \$50 million to establish the New York Higher Education Loan Program (NYHELPS) that will provide \$350 million in loans to resident students.
- **Human Services.** The Enacted budget includes \$401.4 million for restorations and additional spending for Human Services. Of this amount, \$254.3 million is for restorations. This includes \$84.1 million to reject the Executive proposal to reduce the State supplement for Supplemental Social Income (SSI) recipients living in the community by between \$16 and \$28 per month; \$24 million to reject the creation of a youth services block grant and to provide nearly full restoration of funding for each of the individual programs that had been proposed to be included in the block grant; and \$14.2 million for several homelessness prevention programs. In addition, there is \$147.1 million in new Human Services spending. This includes \$31.2 million to accelerate the starting date of the public assistance grant increase from January 1, 2010 to July 1, 2009 and to pay for the local share of the grant increase, as well as \$36.7 million to stabilize the child care market rate. Of this \$401.4 million for Human Services spending, \$209.4 million is from additional Temporary Assistance for Needy Families (TANF) Funds. TANF Contingency funds were received by the State after the Executive Budget was released as a result of increased food stamp enrollment.

The Enacted budget also adds over \$254 million in Federal appropriation authority for the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA) as a result of the American Recovery and Reinvestment Act (ARRA) of 2009. This includes \$193 million for OCFS, which will provide funding for Child Care, the Commission on the Blind and Visually

Handicapped, and Title IV-E funding for foster care and adoption assistance. The remaining \$61 million for OTDA will provide funding for Homeless Prevention and Support Services, Homeless Prevention and Support Services Administration, Child Support Administration, and Food Stamp Administration.

- **Labor.** The Enacted Budget adds a total of \$4.3 billion in Federal appropriation authority related to the American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA funds will go toward additional adult, youth, and dislocated worker programs that are a part of the Workforce Investment Act (WIA); for additional Unemployment Insurance (UI) benefits including extended benefits to eligible UI recipients who have exhausted their regular benefits, an additional \$25 weekly benefit for UI recipients, and additional funding for the UI Benefit Fund; and for administrative costs for the Department of Labor (DOL). The Enacted Budget also adds \$1.5 billion to the UI Benefit Fund, based on the expectation of increased UI claims in State Fiscal Year (SFY) 2009-10. Additionally, the Enacted Budget provides \$11 million to restore and to enhance various labor programs including the Displaced Homemaker Program and the State Employment Relations Board (SERB).
- **Housing-** The enacted budget appropriates an additional \$263,125,000 for the Low Income Weatherization Program to support energy conservation and efficiency in low income housing throughout the state. In addition, the Legislature appropriates \$253,000,000 for the Tax Credit Assistance Program (TCAP). Tax credit assistance will be used as "gap financing" to compensate for the decreased value of housing tax credits ensuring projects are financially viable.
- **Environment.** The Enacted Budget increased funding for the Environmental Protection Fund (EPF) to \$222 million. The Budget also expanded the Returnable Container Act (Bottle Bill) to include bottled water, with a five cent deposit being required on all containers. 80 percent of all unredeemed deposits will be directed into the State's General Fund, generating approximately \$115 million.
- **Local Assistance.** The Enacted Budget fully restores aid for the City of New York in the Aid and Incentive for Municipalities program by \$328 million above the Executive budget proposal; restores \$59 million in Consolidated Highway Improvement Program (CHIPS) funding which provides financing for the improvement and maintenance of local roads and bridges; prevents the elimination of the Community Optional Preventative Services (COPS) program, preserving \$29 million for reimbursement to localities that provide non-mandated preventative services for at risk youth; and restores \$8.5 million in proposed reductions in State payments to municipalities for taxes on State-owned lands, payments-in-lieu-of-taxes (PILOTS), and local improvements.

Receipts

General Fund receipts for the enacted State Fiscal Year 2009-10 Budget are estimated at \$54.4 billion, a increase \$537 million, or 1.0 percent from SFY 2008-09.

Receipts on an All Funds basis are projected to be approximately \$130.6 billion, a net increase of \$11.3 billion, or 9.5 percent, from SFY 2008-09.

Closing Balance and Reserves

The Legislative Financial Plan anticipates an SFY 2009-10 General Fund closing balance including certain reserves of \$1.4 billion.

Restricted reserves are projected to be \$1.3 billion and include:

Tax Stabilization Reserve Fund	\$1,031
Statutory Rainy Day Reserve	175
Contingency Reserve Fund	21
Community Projects Fund	78

Unrestricted reserves are projected to be \$73 million and include:

Debt Reduction Reserve Fund	73
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**CASH FINANCIAL PLAN
GENERAL FUND
Legislative Enacted 2009-10
(millions of dollars)**

	2009-10 Enacted
Opening fund balance	1,948
Receipts:	
Taxes	
Personal Income Tax	24,404
User taxes and fees	8,520
Business taxes	5,495
Other taxes	982
Miscellaneous receipts	3,381
Federal grants	0
Transfers from other funds	
- PIT Revenue Bond	8,130
- LGAC	2,200
- RETT	57
- All other	1,169
Total Receipts	54,338
Disbursements:	
Grants to local governments	37,086
State operations	6,465
General State charges	2,194
	3,704
Transfers to other funds	
- Debt service	1,783
- Capital projects	551
- State University	2,362
- Other purposes	763
Total Disbursements	54,908
Change in fund balance	(570)
Closing fund balance	1,378

**CASH FINANCIAL PLAN
STATE FUNDS
(millions of dollars)**

	<u>2009-10 Enacted</u>
Opening fund balance	<u>4,508</u>
Receipts:	
Taxes	60,647
Miscellaneous receipts	22,027
Federal grants	<u>1</u>
Total Receipts	<u>82,675</u>
Disbursements:	
Grants to local governments	53,616
State operations	15,627
General State charges	4,684
Debt service	5,143
Capital projects	<u>5,587</u>
Total Disbursements	<u>84,657</u>
Other financing sources (uses)	
Transfers from other funds	22,630
Transfers to other funds	(22,142)
Bond and note proceeds	<u>532</u>
Net other financing sources (uses)	<u>1,020</u>
Change in fund balance	<u>(962)</u>
Closing fund balance	<u>3,546</u>

**CASH FINANCIAL PLAN
ALL FUNDS
(millions of dollars)**

	<u>2009-10 Enacted</u>
Opening fund balance	4,586
Receipts:	
Taxes	60,647
Miscellaneous receipts	22,185
Federal grants	47,718
Total Receipts	<u>130,550</u>
Disbursements:	
Grants to local governments	93,191
State operations	19,911
General State charges	5,715
Debt service	5,143
Capital projects	7,975
Total Disbursements	<u>131,935</u>
Other financing sources (uses)	
Transfers from other funds	25,702
Transfers to other funds	(25,714)
Bond and note proceeds	532
Net other financing sources (uses)	<u>520</u>
Change in fund balance	<u>(865)</u>
Closing fund balance	<u>3,721</u>

SUMMARY OF LEGISLATIVE ACTION ON THE REVENUE PROVISIONS IN THE SFY 2009-10 EXECUTIVE BUDGET

Overview

The Enacted Budget contains a series of provisions that increase revenues by \$4.964 billion in State Fiscal Year (SFY) 2009-10. These proposals are offset by revenue reductions equaling \$4 million.

Legislative Action on the Executive Budget Proposals

The Legislature denied the following Executive revenue proposals which would have increased revenue by \$2.189 billion in SFY 2009-10:

- treating 'carried interest' earned by non-resident managers of hedge funds as New York source income for tax purposes;
- expanding the state sales tax base to include certain services currently only taxed within NYC;
- repeal of bed debt provisions in the sales tax;
- repeal the sales tax cap on fuel;
- extend sales tax to cable and satellite television and radio;
- impose a sales tax surcharge on soft drinks;
- treat store coupons the same as manufacturers coupons for sales tax purposes;
- allow the sale of wine in grocery stores;
- extend the sales tax to digital products;
- eliminate the clothing exemption and replace it with two, one-week exemption periods;
- classify flavored malt beverages as low-liquor for tax purposes;
- levy a sales tax surcharge on certain luxury goods;
- impose sales tax on certain entertainment expenses;
- limit the capital improvement exemption;
- disallowing definition of manufactures to include utilities;
- limit the insurance franchise tax exemption provided for cooperative insurance corporations;
- restructure the insurance tax;
- limit retroactivity in Empire Zones;
- eliminate Quick Draw restrictions;
- extend VLT hours of operation;
- allow the Lottery to invest the prize fund; and
- authorize VLTs at Belmont Park.

The Legislature also modified the following Executive revenue enhancement proposals:

- impose sales tax on certain transportation services;
- increase wine and beer excise tax rates;
- cigar tax adjustment;
- Empire Zone reforms;
- elimination of certain tax credits; and
- a series of proposals aimed at ensuring continued tax compliance.

The following proposals were accepted as submitted by the Executive:

- limit itemized deductions for millionaires;
- impose non-LLC partnership fees based on New York source income;
- reciprocal vendor offset;
- abusive tax avoidance;
- affiliate nexus for sales tax purposes;
- reform of the cigarette and tobacco retail registration fee;
- increase the auto-rental tax;
- increase highway use tax renewal fees;
- increase prepaid sales tax on cigarettes;
- license plate issuance;
- motor vehicle license and registration fee increases;
- require overcapitalized captive insurance companies to file with their closest affiliate partner;
- increase first tax prepayment to 40 percent;
- allow for additional multi-jurisdictional lottery game; and
- expand the low-income housing tax credit program.

Legislative Additions to the Executive Budget

The Legislature added a proposal to levy a personal income tax surcharge on higher income filers, increasing revenues in SFY 2009-10 by \$3.948 billion. The additional rates will impact individuals with incomes over \$200,000, head-of-household filers with incomes over \$250,000 and married couples with incomes over \$300,000.

The Enacted Budget also contained provisions to subject for-profit HMOs to the insurance tax, resulting in an increase of revenues in SFY 2009-10 of \$150 million. This budget also added an allocation of \$350 million in film tax credits, to be claimed according to a credit-based schedule beginning in SFY 2011-12.

ENACTED BUDGET VS. EXECUTIVE BUDGET (30-DAY) – TAX ACTIONS

(\$ in millions)

	Exec 2009-10	Exec 2010-11	Enacted 2009-10	Change	Enacted 2010-11	Change
REVENUE ENHANCEMENTS	2,933	3,326	4,953	2,020	5,532	2,378
PERSONAL INCOME TAX	253	340	4,141	3,888	5,058	4,718
Itemized Deduction Limitation	140	200	140	0	200	0
Non-LLC Partnership Fees	50	50	50	0	50	0
Recipricol vendor offset	3	15	3	0	15	0
Gain from the Sale of Partnerships	0	10	0	0	10	0
Amend the Definition of Presence in New York <i>Nonresident Hedge Fund Income</i>	0 60	5 60	0 0	0 (60)	5 0	0 (60)
Legislative Additions			3,948	3,948	4,778	4,778
Personal Income Tax Surcharge	0	0	3,948	3,948	4,778	4,778
USER TAXES AND FEES	1,914	2,552	184	(1,731)	327	(2,225)
Abusive Tax Avoidance	4	6	4	0	6	0
Affiliate Nexus	9	12	9	0	12	0
Cigar Tax Reform	10	15	10	0	15	0
Cigarette and Tobacco Retail Registration Fee	17	6	17	0	6	0
Expand Tax Compliance	78	78	7	(71)	(41)	(119)
Impose Sales Tax on Transportation-Related Spending	45	60	26	(19)	34	(26)
Increase Auto Rental Tax	8	10	8	0	10	0
Increase Beer and Wine Tax Rates	63	63	14	(49)	14	(49)
Increase Highway Use Tax Renewal Fees	5	0	5	(0)	0	0
Increase Prepaid Sales Tax Rates on Cigarettes	14	0	14	0	0	0
License Plate Issuance	0	129	0	0	129	0
Motor Vehicle License Fee Increases	22	38	19	(3)	38	0
Motor Vehicle Registration Fee Increases	61	104	52	(9)	104	0
<i>NYC Personal and Credit Services</i>	78	104	0	(78)	0	(104)
<i>Repeal Bad Debt Provisions</i>	8	10	0	(8)	0	(10)
<i>Repeal the Sales Tax Cap on Fuel</i>	90	120	0	(90)	0	(120)
<i>Sales Tax on Cable and Satellite Television and Radio</i>	136	180	0	(136)	0	(180)
<i>Sales Tax on Soft Drinks</i>	404	539	0	(404)	0	(539)
<i>Treating Coupons Consistently</i>	3	3	0	(3)	0	(3)
<i>Improve Non-Voluntary Tax Collections*</i>	78	78	0	(78)	0	(78)
<i>Allow the Sale of Wine in Grocery Stores</i>	105	54	0	(105)	0	(54)
<i>Digital Property Taxation</i>	15	20	0	(15)	0	(20)
<i>Eliminate Clothing Exemption</i>	462	660	0	(462)	0	(660)
<i>Flavored Malt Beverages</i>	15	18	0	(15)	0	(18)
<i>Impose Sales Tax on Entertainment-Related Spending</i>	53	70	0	(53)	0	(70)
<i>Impose Sales Tax on Luxury Goods</i>	12	15	0	(12)	0	(15)
<i>Limit Capital Improvement Exemption</i>	120	160	0	(120)	0	(160)
BUSINESS TAXES	766	434	629	(138)	147	(115)
Overcapitalized Captive Insurance Corporations	33	29	33	0	29	0
Eliminate Underutilized Tax Credits	6	9	2	(4)	2	(7)
Increase Prepayment to 40 Percent	351	0	351	0	0	0
Reciprocal Vendor Offset	3	15	3	0	15	0
Empire Zones Reform	272	292	90	(182)	101	(191)
<i>Disallow Utility Definition as Manufacturers</i>	18	16	0	(18)	0	(16)
<i>Cooperative Insurance Companies</i>	19	15	0	(19)	0	(15)
<i>Restructure the Insurance Tax</i>	65	58	0	(65)	0	(58)
Legislative Additions			150	150	172	172
HMO Tax	0	0	150	150	172	172

	Exec 2009-10	Exec 2010-11	Enacted 2009-10	Change	Enacted 2010-11	Change
TAX REDUCTIONS	(4)	(39)	(4)	0	188	227
Expand the Low Income Housing Tax Credit Program	(4)	(4)	(4)	0	(4)	0
Create an Enhanced Research and Development Credit	0	(35)	0	0	0	35
Expand the Qualified Emerging Technology Company FOT Cr	0	0	0	0	0	0
Legislative Additions			0	0	192	192
Film Tax Credit			0	0	192	192
ALL FUNDS TAX LEGISLATION CHANGE	2,929	3,287	4,949	2,020	5,720	2,605
LOTTERY	133	545	11	(122)	21	(524)
Eliminate Quick Draw Restrictions	40	59	0	(40)	0	(59)
Extend VLT Hours of Operation	45	45	0	(45)	0	(45)
Allow for Additional Multi-Jurisdictional Lottery Games	11	21	11	0	21	0
Lottery Prize Fund Investment	37	50	0	(37)	0	(50)
Authorize VLT's at Belmont Park	0	370	0	0	0	(370)
ALL TAXES AND LOTTERY CHANGE	3,062	3,832	4,960	1,898	5,741	2,081

SUMMARY OF THE REVENUE PROVISIONS CONTAINED IN THE ENACTED BUDGET

Amend the Definition of Presence in New York: This part would amend the definition of “resident individual” for determining residency for the Personal Income Tax. Fiscal: 2009-10: \$0; 2010-11: \$5m. (Part A-1)

Extends Insurance Tax to For-Profit HMO’s: Extends the current insurance tax to for-profit HMO’s. These companies would now pay taxes based on 1.75 percent of premiums rather than through the corporate franchise tax. Fiscal: 2009-10: \$150m; 2010-11: \$172m. (Part B-1)

Repeals the Tax Credits For Fuel Cells and For Transportation Improvements: The fuel cell credit is a tax credit for the purchase of fuel cells used as onsite electric generation systems. The credit is limited to \$1,500 per unit. The transportation improvement credit was enacted in 2000 but never claimed. Fiscal: 2009-10: \$2m; 2010-11: \$2m. (Part C-1)

Reciprocal Offset Agreements: Provides for reciprocal agreements between the State and Federal governments to recover tax and other debts owed to the State. Fiscal: 2009-10: \$5m; 2010-11: \$30m. (Part D-1)

Change Filing Requirement For Overcapitalized Captive Insurance Corporations: Requires captive insurance companies receiving fifty percent or less of their gross receipts from insurance premiums to file a combined return with their closest affiliated taxpayer. Fiscal: 2009-10: \$33m; 2010-11: \$29m. (Part E-1)

Treat Gain From the Sale of Partnerships as Income: This part would include gain from the sale of partnership, S corporation, and LLC interests as New York source income to non-residents to the extent the entity owns real property located in New York. Fiscal: 2009-10: \$0; 2010-11: \$10m. (Part F-1)

Increase Tax Prepayment: Increases the mandatory first estimated installment payment under the corporate franchise, corporation and utility, bank, and insurance taxes from thirty percent to forty percent. Fiscal: 2009-10: \$333m; 2010-11: \$0. (Part G-1)

Establish Partnership Filing Fee: Imposes annual filing fees on general partnerships, based on their New York source income with an exemption for partnerships whose New York source income is less than one million dollars. These fees mirror those currently imposed on Limited Liability Companies (LLC’s) and Limited Liability Partnerships (LLP’s). Fiscal: 2009-10: \$50m; 2010-11: \$50m. (Part H-1)

Increase Cigar Tax Rate: Increases the rate on cigars from 37 percent to 46 percent of wholesale price. Fiscal: 2009-10: \$10m; 2010-11: \$15m. (Part I-1)

Low Income Housing Tax Credit: Increases the aggregate amount of low-income housing tax credits that the Commissioner of Housing and Community Renewal may allocate by \$4 million. Fiscal: 2009-10: \$4m; 2010-11: \$4m. (Part J-1)

Allow For Mailing of Decals to Truck Mileage Tax (TMT) Carriers: This part would authorize the Department of Taxation and Finance to mail decals to TMT carriers. Fiscal: No impact. (Part K-1)

Extend Pari-mutuel Tax: Extend for one year lower pari-mutuel tax rates. This proposal would also extend by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering. Fiscal: No impact. (Part L-1)

Increase Prepaid Sales Tax Rates on Cigarettes: This part would increase the prepaid sales tax rate on cigarettes from seven percent to eight percent. This will not change the amount of tax liability, but simply the timing of payments. Fiscal: 2009-10: \$14m; 2010-11:\$0m. (Part M-1)

Address Tax Avoidance For the Purchase of Motor Vehicles, Aircraft, and Vessels: This part would eliminate the ability to avoid sales taxes on commercial aircrafts by having the airplane purchased by a non-resident affiliate, and changes the definition of "new resident" to prevent out of state purchases of motor vehicles, vessels, and aircraft by a new partnership or LLC. Fiscal: 2009-10: \$4m; 2010-11: \$6m. (Part N-1)

Technical Corrections for VLT Gaming Statute: Makes technical corrections to chapters of the laws of 2008 regarding VLT vendor allowances. Fiscal: No impact. (Part O-1)

Expand Definition of Affiliate Nexus for Internet Sales: Prevents a company from avoiding sales and use tax on internet sales by creating affiliated out-of-state entities to make those sales. Fiscal: 2009-10: \$9m; 2010-11: \$12m. (Part P-1)

Allow for Additional Multi-jurisdictional Lottery Games: Removes the restriction that currently allows the Division of the Lottery to join only one multi-jurisdictional game and allow the Lottery to be part of new multi-jurisdictional gaming associations. Fiscal: 2009-10: \$11m; 2010-11: \$21m. (Part Q-1)

Increase Auto Rental Tax: This part would increase the auto rental tax from five percent to six percent. Fiscal: 2009-10: \$8m; 2010-11:\$10m. (Part R-1)

Empire Zone Reforms: Requires 20 to 1 cost benefit ratio for certification in Empire Zone program prospectively (10 to 1 for manufacturers). Authorizes ESDC to decertify businesses that do not meet a 1 to 1 cost benefit test or who reincorporated as a new business for the sole purpose of obtaining empire zone benefits. Limits QEZE real property tax benefits to 75% of current benefit for newly certified companies. Limits QEZE sales tax

credit to those counties or cities who opted in to QEZE sales tax exemption – for newly certified businesses only. Fiscal: 2009-10: \$90m; 2010-11: \$101m. (Part S-1)

Increase Highway Use Tax Renewal Fee: This part would increase the highway use fee for a replacement registration certificate from \$4 to \$15 for a motor vehicle and from \$2 to \$15 for a trailer, semi-trailer, dolly, or other drawn device. Fiscal: 2009-10: \$5m; 2010-11: \$0. (Part T-1)

Sales Tax on Limousines and Black Cars: Modifies the Executive's proposal to impose sales tax on various forms of transportation services. The proposal was limited to services provided by Limousine or Black Car service. Fiscal: 2009-10: \$26m; 2010-11: \$34m. (Part U-1)

Tax Audit and Compliance: Supplements the Tax Departments' tax compliance and enforcement tools by increasing civil and criminal penalties for willful violations of the tax law, increases the interest rates tied to the underpayment of tax and provides additional tools to increase audit recoveries. Fiscal: Preserves current revenues. (Part V-1)

Limit Itemized Deduction for High Income Taxpayers: Limits the ability of taxpayers with incomes over \$1 million to reduce their tax liability by claiming itemized deductions. Fiscal: 2009-10: \$140m; 2010-11: \$200m. (Part W-1)

Increase Beer and Wine Tax Rates: Modifies the Executive proposal to lower the amount of the proposed increase of the excise tax on wine and beer. The tax on wine would increase from 18.9 cents per gallon to 30 cents per gallon. The beer tax would increase from eleven cents per gallon to 14 cents per gallon. The Executive had proposed an increase to 50 cents and 24 cents respectively. Fiscal: 2009-10: \$14m; 2010-11: \$14m. (Part X-1)

Film Production Tax Credit: Allocates \$350 million in additional tax credits for 2009. Refunds would be altered in the following way: projects with less than \$1 million in tax credits can continue claim the credit immediately upon completion of the film; projects with a credit amount between \$1million and \$5 million must claim the credit over a two year period; projects with a credit exceeding \$5 million must claim the credit over a 3-year period. Fiscal: No impact in 2009-10; refund changes provides cash flow relief in 2010-11. (Part Y-1)

Temporary Personal Income Tax Surcharge: The Legislature adopted a temporary personal income tax surcharge. The proposal adds two new tax brackets at the following rates:

New Rates	Income Brackets	Filing Status
7.85%	\$200,000 to \$500,000	Single
	\$250,000 to \$500,000	Head of Household
	\$300,000 to \$500,000	Married Filing Jointly
8.97%:	\$500,000 and above	All Filers

The surcharge is set to expire for tax years beginning after 2011.

Fiscal: 2009-10: \$3.95 billion; 2010-11: \$4.8 billion. (Part Z-1)

**THE FISCAL IMPACT OF THE SFY 2009-10 ENACTED BUDGET
ON LOCAL GOVERNMENTS**

The following charts detail the primary impacts on localities from the State Fiscal Year (SFY) 2009-10 Enacted Budget for local fiscal years that end in 2009 and 2010.

Fiscal Impact of the SFY 2009-10 Enacted Budget on Local Governments in Local Fiscal Years Ending in 2009

FISCAL IMPACT OF THE SFY 2009-10 ENACTED BUDGET ON LOCAL GOVERNMENTS						
Local Fiscal Year Ending in 2009						
(\$ in Millions)						
	Total	NYC	School Districts	Counties	Other Cities	Towns & Villages
School Aid/Education	0.0	0.0	0.0	0.0	0.0	0.0
-School Aid/Education	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Actions	118.1	25.2	1.1	76.1	7.1	8.6
-Increase Sales Tax Revenue	110.8	19.9	1.1	74.6	6.6	8.6
-Modify PIT: Limit Deductions/Presence in NY' Loophole/Yonkers revenue	5.8	5.3	0.0	0.0	0.5	0.0
-Increase DMV Fees	1.5	0.0	0.0	1.5	0.0	0.0
Human Services	3.4	0.8	0.0	2.6	0.0	0.0
-Reduce Local Administration Fund Availability	(30.1)	(10.1)	0.0	(20.0)	0.0	0.0
-Eliminate Community Optional Preventive Services	(2.8)	(0.4)	0.0	(2.4)	0.0	0.0
-Increase Child Support Administration Funding	5.6	0.9	0.0	4.7	0.0	0.0
-Increase Food Stamp Administration Funding	7.9	2.9	0.0	5.0	0.0	0.0
-Increase Title IV-E Funding	16.4	5.6	0.0	10.8	0.0	0.0
-Modify Youth Program Funding	0.8	0.2	0.0	0.6	0.0	0.0
-Freeze Maximum State Aid Rates	5.6	1.7	0.0	3.9	0.0	0.0
Health	966.3	531.9	0.0	434.4	0.0	0.0
-Discontinue Emergency Preparedness Funding	(9.0)	0.0	0.0	(9.0)	0.0	0.0
-Eliminate 2009-10 COLA	2.4	0.4	0.0	2.0	0.0	0.0
-Increase FMAP Funding	971.0	531.0	0.0	440.0	0.0	0.0
-Increase Aging Nutrition Funding	1.9	0.5	0.0	1.4	0.0	0.0
Mental Hygiene	(4.4)	(1.0)	0.0	(3.4)	0.0	0.0
-Eliminate 2009-10 COLA - OMRDD/OASAS	(1.1)	(0.2)	0.0	(0.9)	0.0	0.0
-Restructure School-Based Prevention Services in NYC	(0.5)	(0.5)	0.0	0.0	0.0	0.0
-Eliminate Case Management Services in Upstate Counties	(0.9)	0.0	0.0	(0.9)	0.0	0.0
-All Other Mental Hygiene	(1.9)	(0.3)	0.0	(1.6)	0.0	0.0
Transportation	(1.7)	(1.1)	0.0	(0.6)	0.0	0.0
-Modify Transit Aid	0.7	(0.6)	0.0	1.3	0.0	0.0
-Delay Transit Aid Payments	(2.4)	(0.5)	0.0	(1.9)	0.0	0.0
Municipal Aid	(6.9)	0.0	0.0	(4.3)	(0.1)	(2.5)
-Reduce VLT Aid Outside Yonkers	(8.7)	0.0	0.0	(2.6)	(4.0)	(2.1)
-Increase Yonkers Assistance	5.0	0.0	0.0	0.0	5.0	0.0
-Reduce Local Government Efficiency Grants	(3.2)	0.0	0.0	(1.7)	(1.1)	(0.4)
Public Protection	(5.4)	(1.6)	0.0	(3.8)	0.0	0.0
-Eliminate Board of Prisoner Payments - Parole Violators / State Readies	(5.3)	(1.3)	0.0	(4.0)	0.0	0.0
-Provide Rockefeller Drug Law Reform Funding - Byrne/JAG	3.4	0.3	0.0	3.1	0.0	0.0
-Reduce Local Probation Aid	(2.5)	(0.3)	0.0	(2.2)	0.0	0.0
-Eliminate Road to Recovery	(0.7)	0.0	0.0	(0.7)	0.0	0.0
- All Other Public Protection	(0.3)	(0.3)	0.0	0.0	0.0	0.0
All Other Impacts	3.5	(1.9)	0.0	0.9	1.8	2.7
- Miscellaneous Local Impacts	(3.2)	0.0	0.0	(1.3)	(0.3)	(1.6)
- Reduce NYC Special Accidental Death Benefit Reimbursement	(1.9)	(1.9)	0.0	0.0	0.0	0.0
- Increase Community Development Block Grant Funding	8.6	0.0	0.0	2.2	2.1	4.3
Total 2009-10 Exec. Budget Actions	1,072.9	552.3	1.1	501.9	8.8	8.8
Continuing Medicaid Cap & FHP Takeover Savings ³	684.4	371.3	0.0	313.1	0.0	0.0
Grand Total	1,757.3	923.6	1.1	815.0	8.8	8.8

Local Fiscal Impact Changes from the Executive Proposal in 2009

For local fiscal years ending in 2009 the Executive Budget had an impact of \$850.8 million to local governments. In the Enacted Budget the impact to local governments is \$1.75 billion, representing an increase of \$906.5 million. The primary changes relate to federal funding provided by the Federal Medical Assistance Program (FMAP), which increased the impact for the City of New York and counties by \$971 million; and preventing the elimination of the Community Optional Preventative Services (COPS) Program by preserving reimbursement to localities that provide non-mandated services to at risk youth, which increased the impact to the City of New York and counties by \$16.8 million. Other significant changes include federal funds, which increased Title IV-E funding that supports foster care. This increased the impact to the City of New York and counties by \$16.4 million.

The Enacted Budget rejects the removal of sales tax exemptions, which reduced the impact for counties by \$206.8 millions; and tax loophole closures, which reduced the impact for other cities and villages by \$1.4 million. It also rejects the discontinuation of emergency preparedness funding, which reduces funding for counties by \$9 million.

Fiscal Impact of the SFY 2009-10 Enacted Budget on Local Governments in Local Fiscal Years Ending in 2010

FISCAL IMPACT OF THE SFY 2009-10 ENACTED BUDGET ON LOCAL GOVERNMENTS						
Local Fiscal Year Ending in 2010						
(\$ in Millions)						
	Total	NYC	School Districts	Counties	Other Cities	Towns & Villages
School Aid/Education	1,258.0	622.0	600.0	0.0	0.0	0.0
-School Aid	405.0	130.0	275.0	0.0	0.0	0.0
-Title I and IDEA	817.0	492.0	325.0	0.0	0.0	0.0
-Educational Technology/Other	36.0	TBD	TBD	0.0	0.0	0.0
Revenue Actions	244.1	120.2	4.0	94.7	13.2	12.0
-Increase Sales Tax Revenue	190.8	75.2	4.0	87.4	12.2	12.0
-Modify PIT: Limit Deductions/Presence in NY' Loophole/Yonkers revenue	46.0	45.0	0.0	0.0	1.0	0.0
-Increase DMV Fees	7.3	0.0	0.0	7.3	0.0	0.0
Human Services	37.0	(1.5)	0.0	(3.6)	0.0	0.0
-Reduce Local Administration Fund Availability	(66.9)	(40.2)	0.0	(26.7)	0.0	0.0
-Eliminate Community Optional Preventive Services	(5.0)	(1.8)	0.0	(3.2)	0.0	0.0
-Increase Child Care Block Grant Funding	42.1	TBD	0.0	TBD	0.0	0.0
-Increase Child Support Administration Funding	10.0	3.7	0.0	6.3	0.0	0.0
-Increase Food Stamp Administration Funding	14.3	10.2	0.0	4.1	0.0	0.0
-Increase Title IV-E Funding	33.7	21.4	0.0	12.3	0.0	0.0
-Modify Youth Program Funding	(1.5)	0.0	0.0	(1.5)	0.0	0.0
-Increase Fair Hearings Chargeback	(1.6)	(1.5)	0.0	(0.1)	0.0	0.0
-Freeze Maximum State Aid Rates	11.9	6.7	0.0	5.2	0.0	0.0
Health	1,330.2	1,002.7	0.0	327.5	0.0	0.0
-Discontinue Emergency Preparedness Funding	(12.0)	0.0	0.0	(12.0)	0.0	0.0
-Eliminate 2009-10 COLA	4.3	1.7	0.0	2.6	0.0	0.0
-Increase FMAP Funding	1,334.0	999.0	0.0	335.0	0.0	0.0
-Increase Aging Nutrition Funding	3.9	2.0	0.0	1.9	0.0	0.0
Mental Hygiene	(9.1)	(3.8)	0.0	(5.3)	0.0	0.0
-Eliminate 2009-10 COLA - OMRDD/OASAS	(2.0)	(0.7)	0.0	(1.3)	0.0	0.0
-Restructure School-Based Prevention Services in NYC	(2.0)	(2.0)	0.0	0.0	0.0	0.0
-Eliminate Case Management Services in Upstate Counties	(1.2)	0.0	0.0	(1.2)	0.0	0.0
-Reduce MH Unified Services Enriched Funding	(0.5)	0.0	0.0	(0.5)	0.0	0.0
- All Other Mental Hygiene	(3.4)	(1.1)	0.0	(2.3)	0.0	0.0
Transportation	(0.2)	(3.2)	0.0	3.0	0.0	0.0
-Modify Transit Aid	(0.5)	(2.2)	0.0	1.7	0.0	0.0
-Delay Transit Aid Payments	0.3	(1.0)	0.0	1.3	0.0	0.0
Municipal Aid	44.3	62.4	0.0	(5.4)	(7.4)	(5.3)
-Reduce VLT Aid Outside Yonkers	(29.9)	(19.6)	0.0	(2.6)	(4.8)	(2.9)
-Reduce Local Government Efficiency Grants	(7.8)	0.0	0.0	(2.8)	(2.6)	(2.4)
-Reduce NYC AIM Funding	82.0	82.0	0.0	0.0	0.0	0.0
Public Protection	(16.4)	(7.4)	0.0	(9.0)	0.0	0.0
-Eliminate Board of Prisoner Payments - Parole Violators / State Readies	(15.7)	(6.3)	0.0	(9.4)	0.0	0.0
-Provide Rockefeller Drug Law Reform Funding - Byrne/JAG	5.6	1.4	0.0	4.2	0.0	0.0
-Reduce Local Probation Aid	(4.1)	(1.2)	0.0	(2.9)	0.0	0.0
-Eliminate Road to Recovery	(1.0)	0.0	0.0	(1.0)	0.0	0.0
-All Other Public Protection	(1.2)	(1.3)	0.0	0.1	0.0	0.0
All Other Impacts	(7.9)	(8.5)	0.0	(0.5)	0.7	0.4
-Miscellaneous Local Impacts	(4.6)	(0.8)	0.0	(1.6)	(0.4)	(1.8)
-Reduce NYC Special Accidental Death Benefit Reimbursement	(7.7)	(7.7)	0.0	0.0	0.0	0.0
-Increase Community Development Block Grant Funding	4.4	0.0	0.0	1.1	1.1	2.2
Total 2009-10 Exec. Budget Actions	2,880.0	1,782.9	604.0	401.4	6.5	7.1
Continuing Medicaid Cap & FHP Takeover Savings ³	959.5	501.6	0.0	457.9	0.0	0.0
Grand Total	3,839.5	2,284.5	604.0	859.3	6.5	7.1

Local Fiscal Impact Changes from the Executive Proposal in 2010

For local fiscal years ending in 2010 the Executive Budget had an impact of \$481.7 million. In the Enacted Budget the impact to local governments is \$3.84 billion, representing an increase of \$3.4 billion. The primary changes were the addition of \$1.3 billion in school aid, Title I and IDEA funding, and Educational Technology, which increased the impact for the City of New York by \$622 million and for other school districts by \$600 million. Other significant changes include an additional \$1.3 billion for the Federal Medical Assistance Program (FMAP) that increased the impact to the City of New York by \$999 million and for counties by \$335 million and a restoration to the Aid and Incentives for Municipalities (AIM) Program, which increased the impact for the City of New York by \$82 million.

The Enacted Budget provides increased funding under the Community Development Block Grant Program, which increased the impact to counties, other cities, and town and villages by \$4.4 million.

The Enacted Budget rejects a reduction to property tax payments on States Owned Lands, which reduced the impact for school districts, counties, other cities, towns and villages by \$8.5 million; and also rejects the discontinuation of emergency preparedness funding that reduces the impact for counties by \$12 million.