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Giving and Getting

Regional Distribution of Revenue and Spending in the New York State Budget, Fiscal Year 2009-10

ABOUT THIS REPORT

This report was commissioned by the Citizens Budget Commission (CBC) as part of its ongoing monitoring of the fiscal standing of New York State and New York City. The project was supported by a grant from the New York Community Trust. The report was produced by the Rockefeller Institute of Government, with contributing research by CBC staff.

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Overview

New York State residents, workers, and businesses send more than $80 billion to the state government each year. These dollars come from taxes such as those on personal income, sales, and corporate profits; charges such as university tuition and hospital payments; and fees for driver's licenses, air emission permits, and other purposes. Along with tens of billions of dollars in federal revenues, these resources are distributed around the state to pay for education, health care, transportation, public safety, and other programs.

For decades, citizens in every region of New York have raised questions about the geographic distribution of revenues and expenditures in the state budget. Upstate residents often believe they subsidize generous social welfare programs that disproportionately benefit Downstate; New York City and suburban interests frequently quarrel over funding for education and other programs; the Capital Region generally benefits when state government expands but may suffer disproportionately during periods of budget difficulties. These disputes over resources are closely linked to political competition in which Upstate and Downstate may both have reason for concern. The majority of the state's residents live in the metropolitan region centered in New York City, so that the Legislature inevitably has a Downstate majority; on the other hand, Upstate voters are more likely to turn out on Election Day, and thus candidates for statewide office make sure to pay tribute to the region's concerns.

A clearer understanding of New York State's actual fiscal policies may help reduce such longstanding tensions and lay the groundwork for more useful discussions over potential changes — an especially important undertaking when budgetary choices are increasingly difficult. As one essential starting point, this report analyzes and assesses the regional distribution of revenues and expenditures in the state's fiscal 2009-10 budget. It estimates budgetary impacts in four regions:

- New York City;
- The five suburban counties that are most closely linked to the city geographically and economically (Nassau, Suffolk, Westchester, Rockland, and Putnam);

- The Capital Region (Albany, Rensselaer, Saratoga, and Schenectady counties); and
- The remaining 48 counties, which are classified here as Rest of State.

The study uses the "state-funds" basis of revenues and expenditures. Thus it includes, for example, payments that are funded from the state's own taxes, fees, public university tuition, hospital and other charges, but not those supported by federal aid. We exclude proceeds from state bond issuances, given the difficulty of allocating such revenues by region. To offset that exclusion (conceptually if not dollar-for-dollar), we also omit disbursements for debt service. Capital expenditures funded through tax and other state-funds revenues are included. The basic data for analysis are from the *Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting*, for the fiscal year ended March 31 2010.[1] Revenue and expenditure categories in this report follow those in the cash report. Additional data sources include the state Department of Taxation and Finance, the Division of the Budget, and other agencies.

A clearer understanding of New York State's fiscal policies may reduce longstanding regional tensions over the budget.

At first glance, undertaking such a regional analysis may appear straightforward and uncomplicated. The state disbursed $26.1 billion of its own-source revenues to school districts, community colleges, and other recipients for education purposes in fiscal year 2010. Each district and each college is in a particular region. The state Transportation Department builds and paves bridges and highways, all in identifiable locations. A resident of Buffalo or Brookhaven typically collects a paycheck, purchases taxable goods, and pays the fee for a driver's license all within one region. State agencies track the home county of each individual who pays income taxes, the county in which every taxable sale is reported, and the home or mailing address of anyone who pays a fee for a driver's license.

Yet there are complications. That resident of Brookhaven might commute to work in Brooklyn. If she works for a state agency, should the state's expenditure for her pay and benefits be attributed to her home location (which is in our Downstate Suburbs region), or her place of work (in our New York City region)? What if 100 residents of Brookhaven work on Wall Street and each collects the average $311,000 salary that securities-sector employees earned in the city during 2009? Should their state income tax payments be allocated to Long Island, where they live — or to the city, where they work?

This report provides alternative scenarios for selected parts of the budget on both the revenue and expenditure sides. We provide two views of the regional distribution of the state's largest nonfederal revenue source, the personal income tax — one analysis assuming that revenues are sourced to the taxpayer's residence, and one ascribing revenues to the individual's place of work. These alternative scenarios have particularly significant implications for New York City and the Downstate Suburbs. On the expenditure side of the budget, the analysis largely allocates state spending to where it "lands" — where the dollars are initially spent. Recognizing that the impact of such expenditures may be more widespread, we also present alternative distributions for payroll and other disbursements at selected state institutions — the State University of New York campuses, and the facilities operated by the Department of Correctional Services. These methodological choices also affect the resulting picture of the geographic distribution of payments.

Once we have the data on the regional distribution of the state's revenue collections and its expenditures, how are we to assess them? Should a region's share of state expenditures most closely reflect its share of the population, or of individuals living in poverty, or some other metric? What about revenues — should the tax burden be distributed on a per-capita basis, according to incomes, or by a formula that reflects these and other characteristics? We do not attempt to determine whether regions pay or receive their "fair share." We do, however, present relevant demographic data for each region so that our factual findings on the geographic distribution of payments may be considered in a useful context.

The analysis covers all tax revenues that flow through the state budget. These include taxes imposed only in parts of the state, such as the taxes on commuters' wages and on corporate income that are imposed within the counties served by the Metropolitan Transportation Authority (MTA). We also include all miscellaneous receipts, other than those deposited to federal special revenue funds and bond proceeds from public authorities. On the expenditure side, the analysis includes all disbursements from the General Fund and from state special revenue funds, including those for capital projects.

Finally, it is useful to keep in mind that the numbers in this study relate to a single fiscal year. It is very likely that the broad conclusions would be the same in other years. Still, readers should not assume that specific figures are transferable to other periods.

Additional discussion of methodological issues can be found in certain sections on individual revenues and expenditures, and in Appendix I.

Summary Findings

New York City and the Downstate Suburbs "give" far more to Albany in taxes and other revenues than they "get" in state-funded expenditures. The Capital Region and the Rest of State, by contrast, get significantly more than they give. These conclusions hold under any of several alternative methodologies this study employs for regional allocation of the personal income tax and selected expenditures.

Tables 1a and 1b on the following page summarize the overall distribution of revenues and expenditures under two alternative assumptions. These should be viewed together, providing equally useful methods of examining the regional distribution of resources within the state budget. They differ in only one factor: regional allocation of personal-income tax revenue.

Table 1a allocates New Yorkers' income-tax payments to the region in which they reside. Particularly relevant for our purposes, this means the measure of total revenue *excludes* $5 billion paid by residents of New Jersey, Connecticut, and other states. It also means that state income tax payments by people who live on Long Island or the northern metropolitan suburbs — but who work in New York City — are credited to the suburban counties rather than the city.

New York City and the Downstate Suburbs "give" far more to Albany in revenues than they "get" in state-funded expenditures.

By this analysis, New York City's share of state revenue payments is around 45 percent, and it receives 40 percent of expenditures. The Downstate Suburbs provide roughly 27 percent of taxes and other revenues, nearly 10 percentage points more than they receive in aid for education, health care, state payroll, and other expenditures. By contrast, the Rest of State region provides 24 percent of the revenues and receives 35 percent of expenditures. Not surprisingly, the Capital Region also shows a net gain, with a gap of 3 percentage points between its share of revenues and of expenditures.

Under this method, the $5 billion in tax revenues that New York State receives from residents of other states amounts to "free" resources. Those dollars appear on the expenditure side of the ledger, but not on the revenue side. We do not adjust figures to eliminate that accounting imbalance.

Table 1b presents a second method of allocating the state's revenues among the regions. Under this approach, personal-income tax revenues are distributed based on the taxpayer's place of work. The total amount of tax payments rises by more than $5 billion — from $29.4 billion to $34.8 billion — reflecting the addition of New York income taxes paid by out-of-state residents. Most of the additional payments are from individuals who live in nearby states and work in New York City.

Compared to the previous distribution, the Downstate Suburbs' share of the statewide total drops by almost 4 percentage points, and New York City's share increases by almost as much. (We will explore this further in the "Revenues" section of this report, below.) As a result, New York City replaces the suburbs as

Table 1a. Regional Distribution of New York State Revenues and Spending, FY 2010

Personal income tax allocated by place of residence

Region	Taxes/other receipts paid		State expenditures		Share of statewide population
	Share of NYS	Per capita	Share of NYS	Per capita	
Capital Region	3.8%	$3,326	7.0%	$6,934	4.2%
New York City	45.1%	$3,915	40.0%	$3,881	42.9%
Downstate Suburbs	27.4%	$4,711	17.7%	$3,400	21.7%
Rest of State	23.8%	$2,843	35.2%	$4,702	31.2%

Note: Statewide revenue total excludes tax payments of $5 billion from out-of-state residents.

Source: Rockefeller Institute calculations.

the region with the largest gap between giving and getting. The overall picture remains — both Downstate regions pay far more to support the state's expenditures than they receive in return. The relative positions of the Capital Region and the Rest of State are little changed; both receive substantially more in state funding than they pay.

Figures 1 and 2 present another illustration of our summary findings, adding contextual measures of population and personal income. As shown in Figure 1, New York City's share of the state's revenue burden is very close to its share of statewide personal income when we allocate personal income tax receipts on the basis of the taxpayer's residence. The same is true of the Downstate Suburbs. When allocating the income tax by taxpayers' work locations, New York City's share of overall revenue payments rises to a level nearly 6 percentage points above its share of personal income — and the suburban contribution to revenues declines, but not quite as much as the city share increases. In either case, both the city and the suburbs contribute a larger proportion of revenues than their shares of statewide population. The Rest of State region represents about 24 percent of the state's personal income and of its revenues under either sourcing methodology — a proportion that is noticeably (around 7 percentage points) lower than the region's share of the population. Upstate does not generate economic activity and income at the pace of Downstate; its relatively smaller contribution to state revenues reflects this reality. The Capital Region's shares of revenues, population, and personal income are all closely matched.

Table 1b. Regional Distribution of New York State Revenues and Spending, FY 2010

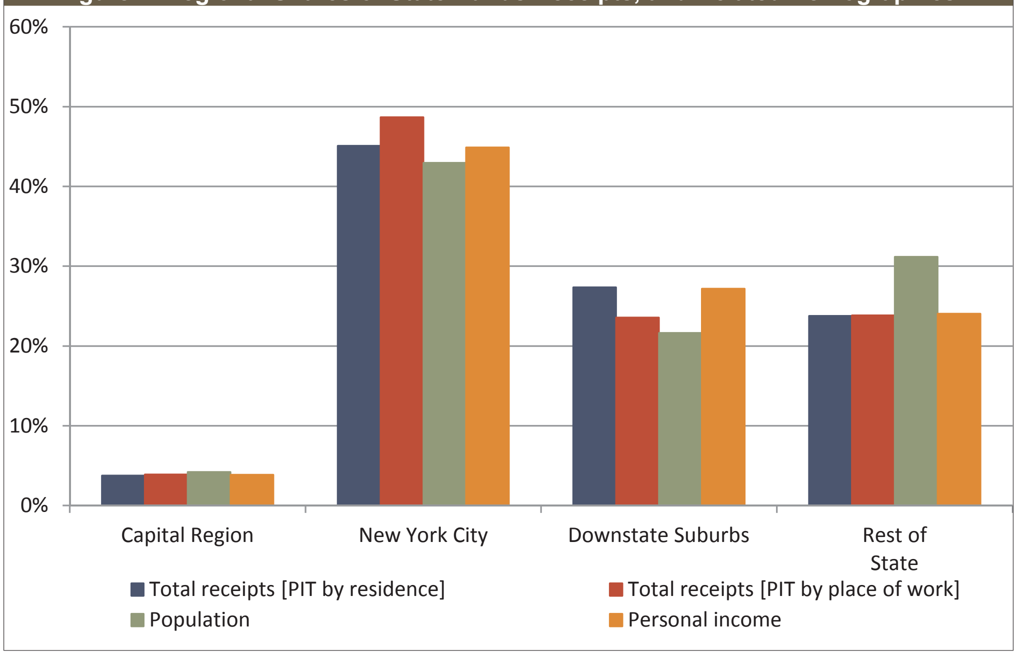
Personal income tax allocated by place of work

Region	Taxes/other receipts paid		State expenditures		Share of statewide population
	Share of NYS	Per capita	Share of NYS	Per capita	
Capital Region	3.9%	$3,702	7.0%	$6,934	4.2%
New York City	48.7%	$4,536	40.0%	$3,881	42.9%
Downstate Suburbs	23.6%	$4,353	17.7%	$3,400	21.7%
Rest of State	23.8%	$3,059	35.2%	$4,702	31.2%

Note: Statewide revenue total includes New York State tax payments from out-of-state residents.

Source: Rockefeller Institute calculations.

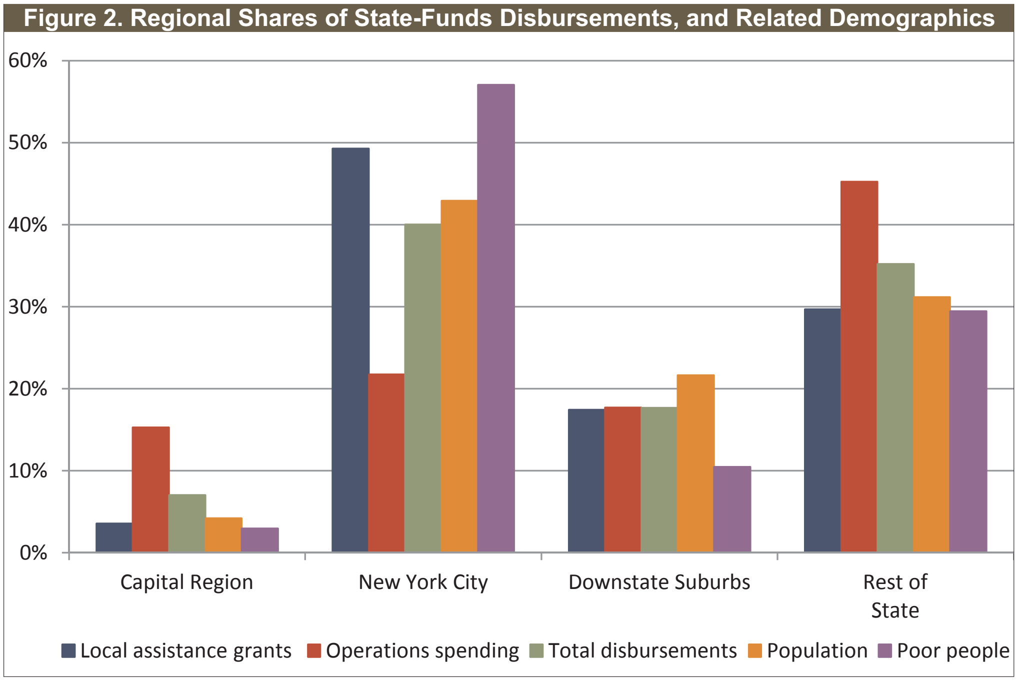
Figure 1. Regional Shares of State-Funds Receipts, and Related Demographics



On the expenditure side, the flow of funds also varies substantially from region to region. Overall disbursements are distributed in proportions that are roughly equivalent — but not identical — to population. Spending on particular programs may differ sharply from regional population shares, partly because of other demographic differences including numbers of poorer residents.

New York City received 40.0 percent of total state-funded expenditures in fiscal year 2010, nearly 3 percentage points below its share of the state's residents. The city received a significantly higher share of total spending in the category of local assistance, but a relatively low proportion of expenditures on state operations. Local assistance expenditures on Medicaid, education, and other programs are driven in part by the relative concentration of individuals living in poverty, and Figure 2 includes a regional breakout of such populations to provide context for expenditures. As explained further in discussion of local

Figure 2. Regional Shares of State-Funds Disbursements, and Related Demographics



assistance payments, below, our measure of the city's share of state spending is significantly influenced by the exclusion of federal funds (including Medicaid) from our analysis; if federal aid were included, New York City's share of expenditures would rise significantly.

The Rest of State and Capital Region received a larger share of total disbursements, relative to population, while the opposite was true for the Downstate Suburbs. While regional shares of statewide expenditures generally varied sharply among major spending categories, this was not true in the suburbs. Their shares of overall state spending, local assistance, and state operations were all around 17 to 19 percent.

Revenues

New York State collects substantial revenue from two major taxes — those on personal income and on retail sales — as well as a number of other taxes such as the corporate income tax; utility, bank, and insurance taxes; the petroleum business tax; and a "mobility" or payroll tax in the area served by the Metropolitan Transportation Authority. More than one-quarter of the state's own-source receipts come from nontax sources including health-care payments, gambling revenue, and public university tuition and fees.

Table 2 shows total collections from each major category, and the regional sourcing of each, in fiscal year 2010. The personal income tax is by far the most important element of the state's own-source revenue base, representing nearly half of nonfederal receipts. The bulk of the state's high-value economic activity and wealth are located downstate, as reflected in the regional distribution of the personal income tax, most business taxes, the estate tax, and the real estate transfer tax.

Personal Income Tax

As mentioned above, we analyze the regional sources of personal-income tax revenues in two ways. New York City pays the largest share of individual income taxes under either methodology. Allocating these revenues by the taxpayer's residence produces a city share of just below 47 percent, modestly above the city's representation in the statewide population. When we allocate the income tax according to where taxpayers are employed, the city's contribution rises to more than 54 percent — significantly higher than its share of population.

The Downstate Suburbs also pay a disproportionately high proportion of the personal income tax under either methodology. While slightly more than one in five state residents live in these counties, they pay one in three income-tax dollars. Compared to their populations, the Capital Region and Rest of State provide relatively smaller shares of statewide income-tax revenues.

That New York City and its suburbs pay disproportionately large shares of the state income tax, relative to their populations,

Table 2. Tax and Other Own-Source Revenues, 2009-10

Revenue source	Total *(thousands)*	Capital Region	New York City	Downstate Suburbs	Rest of State
Personal income tax (based on residence)	**$29,434,400**	**3.0%**	**46.7%**	**33.8%**	**16.4%**
Personal income tax (based on workplace)	**$34,751,400**	**3.5%**	**54.6%**	**24.3%**	**17.7%**
Consumption/ Use Taxes	***$12,852,087***	***4.5%***	***39.7%***	***25.5%***	***30.4%***
Alcoholic Beverage	$225,560	4.9%	27.6%	24.2%	43.3%
Auto Rental	$76,109	3.4%	31.2%	24.0%	41.4%
Cigarette and Tobacco Products	$1,365,934	4.5%	36.8%	16.3%	42.5%
Highway Use	$137,247	5.0%	22.6%	17.5%	54.9%
Motor Fuel	$506,910	6.8%	17.6%	27.1%	48.5%
Sales and Use	$10,527,492	4.3%	41.7%	26.7%	27.3%
Business Taxes	***$7,458,092***	***3.8%***	***54.6%***	***20.6%***	***21.1%***
Bank	$1,399,278	1.4%	77.3%	12.2%	9.2%
Corporation Franchise	$2,510,832	2.7%	59.5%	19.4%	18.4%
Corporation and Utility	$953,670	4.1%	47.1%	26.6%	22.1%
Insurance	$1,490,767	5.4%	57.3%	21.7%	15.7%
Lubricating Oil	$3	6.8%	17.6%	27.1%	48.5%
Petroleum Business	$1,103,542	6.8%	17.6%	27.1%	48.5%
Other Taxes	***$2,606,144***	***0.9%***	***63.1%***	***29.0%***	***7.0%***
Estate and Gift	$866,377	1.6%	51.9%	36.2%	10.3%
MCTD Mobility Tax	$1,227,721	0.0%	72.2%	25.0%	2.8%
Real Estate Transfer	$493,050	2.0%	60.4%	26.0%	11.6%
Miscellaneous Receipts [excludes bond receipts]	***$20,505,151***	***4.8%***	***40.4%***	***21.5%***	***33.3%***
Health Care Reform Act	$3,902,659	3.5%	46.1%	23.4%	27.1%
SUNY & CUNY	$2,501,276	10.6%	7.8%	16.2%	65.5%
Gaming	$2,951,114	3.8%	47.8%	22.9%	25.5%
Abandoned Property	$614,759	3.9%	44.9%	27.2%	24.1%
Other Miscellaneous Receipts	$10,535,343	4.2%	43.7%	21.4%	30.8%
Total Receipts [PIT allocated by county of residence]	**$72,855,874**	**3.8%**	**45.1%**	**27.4%**	**23.8%**
Total Receipts [PIT allocated by place of work]	**$78,172,874**	**3.9%**	**48.7%**	**23.6%**	**23.8%**

Source: Rockefeller Institute calculations.

Note: Total receipts exclude bond & federal receipts.

is not surprising given the concentration of income in the Downstate Region. However, as Table 3 shows, the metropolitan region's income-tax payments are disproportionate even when compared to personal income. New York City and its suburbs generated 72.1 percent of personal income in 2008, but 79 to 80 percent of the personal income tax. The picture is the opposite for

Table 3. Estimated Personal Income Tax Payments, FY 2010

Method	Total *($ in thousands)*	Capital Region	New York City	Downstate Suburbs	Rest of State
Allocated by county of residence	100.0% $29,434,400	3.0% $891,703	46.7% $13,755,847	33.8% $9,958,334	16.4% $4,828,516
Allocated by place of work	100.0% $34,751,400	3.5% $1,202,000	54.6% $18,962,000	24.3% $8,445,600	17.7% $6,141,800
Share of statewide population	100.0%	4.2%	42.9%	21.7%	31.2%
Share of statewide personal income	100.0%	3.9%	44.9%	27.2%	24.1%

Source: Rockefeller Institute calculations.

The Downstate metro area generates the lion's share of New York's economic activity and wealth.

the Rest of State and Capital Region, whose shares of overall income taxes were lower than their shares of statewide personal income. This disparity reflects the progressive nature of New York State's personal income tax, in which effective tax rates on upper-income earners are significantly higher than those on middle- and lower-income earners. For example, $1 million of taxable income in Erie or Albany counties would likely be spread among a dozen or more taxpayers whose effective tax rate might be in the range of 4 to 5 percent. In Manhattan or Westchester County, many more taxpayers have higher incomes and average effective tax rates in 2010 were one to two percentage points higher.

In allocating PIT revenues by county of residence, we exclude the 14 percent of such revenue that is paid by non-New York State residents, leaving a total of just under $29.4 billion to be distributed regionally.

Other Taxes and Miscellaneous Receipts

Table 2 also shows the regional distribution of taxes other than those on personal income, and of miscellaneous receipts. The largest category, consumption and use taxes, includes the state's 4 percent general sales tax and taxes on cigarettes, alcohol, and motor vehicle-related purchases. Compared to population, the Downstate Suburbs generate a relatively high proportion, and the Rest of State a comparatively low share, of sales-tax revenues, likely reflecting differences in disposable incomes. The motor fuel tax and others related to motor vehicles fall disproportionately outside New York City, whose residents are less likely than those elsewhere to own automobiles. The Rest of State generates a high proportion of the alcoholic beverage and cigarette taxes, compared to its population. Collectively, the state's consumption taxes are generated roughly in proportion to each region's share of the state's population.

Relatively high shares of the state's business and other taxes fall on the downstate metropolitan area, which generates the lion's share of New York's economic activity and wealth. Business taxes include those on corporate income, petroleum products, banks, insurance companies, and utilities. In the category of "other" taxes, the largest single element is the Metropolitan Transportation Commuter District "mobility" or wage tax. The incidence of the estate tax also falls heavily on the downstate metropolitan region.

The third major element of the state's locally generated resources is miscellaneous receipts, which represented 28 percent of nonfederal revenues in fiscal 2010. Table 2 includes the largest elements within this category.

Payments related to Health Care Reform Act programs include surcharges and assessments on hospitals, nursing homes, and other providers; and a "covered lives" assessment paid by health insurance carriers and policyholders. These resources help finance the state's Medicaid and other health-care programs, the

Elderly Pharmaceutical Insurance Coverage Program, graduate medical education, and other initiatives. New York City's share of these revenues is larger than its share of the state population.

SUNY and CUNY revenues depicted in Table 2 are predominantly State University tuition dollars. The geographic distribution of these revenues reflects SUNY's stronger presence outside New York City.

The Office of the State Comptroller assumes control of inactive and unclaimed accounts held by banks, investment and insurance companies, utilities, and certain other firms. As of 2011, the comptroller held $11 billion in such abandoned-property assets. Each year, state law requires the comptroller to release a portion of such holdings for use within the state budget. Data on the geographic location of the owners of such funds are not readily available; we allocate these revenues based on each region's share of statewide personal income.

Expenditures

New York State's expenditures fall into three major categories: local assistance, including education, Medicaid, and a variety of other programs; agency operations and related costs including state employee compensation; and capital expenditures. Table 4 shows total disbursements, and those in each major category (with certain adjustments from totals reported by the Office of the State Comptroller, as described in the Appendix), as well as regional shares of each.

Local Assistance

New York State classifies well over half of its total annual expenditures as "local assistance."[2] After excluding federal funds, such disbursements represent 65 percent of the total included in our analysis. Table 5 shows major categories of expenditures in this area, and our estimates of their regional distribution.

When federal funds are omitted, education is by far the state's largest expenditure category. (If federal aid is included, Medicaid is larger.) At $26.1 billion in state funds, education represented almost half of all local-assistance disbursements, and nearly a third of total spending, in fiscal 2010. In addition to general state aid for

Table 4. Total Expenditures, and Major Categories

	Total *(thousands)*	*Regional Shares, FY 2009-10* Capital Region	New York City	Downstate Suburbs	Rest of State
Local Assistance Grants	$53,453,619	3.6%	49.3%	17.4%	29.7%
State Operations	$23,363,342	15.3%	21.8%	17.7%	45.2%
Capital Projects	$4,515,672	5.4%	25.3%	20.5%	48.7%
Total Disbursements	$81,332,633	7.0%	40.0%	17.7%	35.2%
Population		4.2%	42.9%	21.7%	31.2%
Poor people		3.0%	57.1%	10.5%	29.5%

Source: Rockefeller Institute calculations.

Table 5. Distribution of Local Assistance Payments, State-Funds Expenditures, FY 2010					
	Total *(thousands)*	Capital Region	New York City	Downstate Suburbs	Rest of State
Education	$26,130,319	3.8%	41.3%	18.2%	36.7%
Support of public schools	*$18,413,759*	*3.9%*	*39.4%*	*17.0%*	*39.8%*
School Tax Relief	*$3,411,395*	*3.9%*	*33.8%*	*32.4%*	*29.9%*
Municipal/Community college aid	*$1,962,898*	*1.5%*	*78.8%*	*6.9%*	*12.8%*
Education of handicapped	*$919,779*	*3.9%*	*39.4%*	*17.0%*	*39.8%*
Other education	*$1,422,488*	*5.5%*	*33.8%*	*17.1%*	*43.6%*
Medicaid	$12,255,062	2.6%	62.1%	13.7%	21.7%
Transportation	$4,041,339	1.1%	66.1%	24.6%	8.2%
Health and Environment	$3,462,238	5.1%	44.8%	21.4%	28.6%
Other Social Services	$3,275,219	3.6%	68.4%	10.0%	18.1%
Mental Hygiene	$1,742,442	6.0%	43.4%	18.4%	32.2%
General Purpose	$1,252,195	5.7%	13.6%	19.9%	60.8%
Total Local Assistance Grants	**$53,453,619**	**3.6%**	**49.3%**	**17.4%**	**29.7%**

Source: Rockefeller Institute calculations.

school districts, disbursements in this category include payments to districts through the School Tax Relief (STAR) program, community-college aid, and certain other programs.

Table 5 summarizes the regional distribution of fiscal year 2010 disbursements for the largest local-assistance education programs. These elements differ significantly in their regional distribution. For example, New York City received 34 percent of STAR funding, just over 39 percent of public-school aid, and 79 percent of municipal and community-college aid in fiscal 2010. (Community college funding for the City University of New York is included in local assistance expenditures, while state expenditures on SUNY community colleges are made through the state operations appropriations discussed in the next section of this report.)

The largest and most politically charged element of the state budget is aid to public schools. Table 5 includes our calculation of the regional distribution of state-funds assistance for school districts — both general support of public schools and STAR payments to districts. The percentages used in both of these calculations reflect two-year averages of school-district expenditures (for school years 2007-08 and 2008-09) as districts report them to the state Education Department.

If federal funds were included, Medicaid would be the largest single element of state expenditures — $38.4 billion in fiscal year 2010.[3] Federal resources provided $26.2 billion of that total, however, and are excluded from our analysis. Even after that adjustment, Medicaid represents the second-largest element of state-funded local assistance payments. About 62 percent of such expenditures went to New York City in fiscal year 2010, as shown in Table 2. That is far higher than the city's proportion of the state's population and higher than the city's share of state residents living in poverty. The Rest of State region and the Downstate Suburbs receive a significantly smaller share of state-funded

About 62 percent of state Medicaid expenditures went to New York City in fiscal 2010.

Medicaid dollars than their share of statewide population. Appendix 2 provides county-by-county figures for state-funded Medicaid disbursements in fiscal year 2010.

To understand the complicated picture of the regional distribution of state expenditures, it is important to consider the impact of New York City's extraordinary share of Medicaid. As mentioned above, this study focuses on state-funded spending and excludes federal funds. If we were to include all federal funds in the analysis, New York City would "gain" more than $10 billion in Medicaid expenditures. While spending figures for the other regions would also rise, those additions would be much smaller than New York City's, not only in absolute dollars but in proportion to overall state expenditures. The overall effect would be to move the city from a net "loss" in the intrastate mix of giving and getting to a position of significant gain. On the other hand, federal aid to the state is funded by federal income taxes and other revenues that fall much more heavily on New York City taxpayers than those elsewhere in the state.

As shown in Table 5, New York City also receives a disproportionately large share of state-funded local assistance payments for transportation, which totaled just over $4 billion in fiscal year 2010. Some 90 percent of this category is the state's Mass Transportation Operating Assistance program. While transit systems in major Upstate cities receive some of that funding, the overwhelming majority of mass transit usage is in New York City and the other 11 counties that make up the Metropolitan Transportation Commuter District. Among our four regions of interest, three are served by the Metropolitan Transportation Authority. We allocate funding to the MTA among those regions based on MTA ridership. The state also spends billions of dollars each year on highways and other transportation programs through the Transportation Department. Some of those disbursements, which predominantly go outside New York City, are discussed later in this report's section on capital expenditures.

Programs funded by the $3.4 billion of local assistance payments in the categories of health and environment include the state's share of costs for the Child Health Insurance Program (CHIP), prescription-drug assistance for senior citizens, aid for county and New York City health departments, and food and nutrition programs. Most of the programs in this category are distributed roughly in proportion to each region's population. Exceptions include CHIP funds, where New York City receives a relatively larger share; and early intervention programs for infants and toddlers under the age of three, which disproportionately benefit the Downstate Suburbs.

The state spent $7.6 billion in local-assistance funds during fiscal 2010 on programs classified as "other social services" — other than Medicaid, that is. Well over half this total comes from federal funds, however, bringing the state's share to just under $3.3 billion. Excluding federal aid removes programs such as Temporary

Assistance for Needy Families and the Home Energy Assistance Program from our analysis. Programs that rely heavily on state funds and thus are represented here include child welfare, foster care, and adoption; the state's Safety Net program for certain needy families and individuals; and the state's share of the Supplemental Security Income program for the aged, blind, and disabled. Again, Table 5 shows New York City receives a disproportionate share of assistance in this category.

More than $9 billion in total funding goes each year to programs for individuals who are developmentally disabled, mentally ill, or in need of addiction treatment. These payments are classified as "mental hygiene," with $1.7 billion in such state funds paid in local assistance in fiscal year 2010. (The remainder includes federal funds, which are excluded from this study, and state-funds expenditures for state agency operations, which are addressed later in this report.) These local assistance payments go to nonprofit and for-profit service providers, local governments, school districts, and other recipients. Their distribution generally tracks each region's share of total state population. The slightly disproportionate share for the Capital Region may reflect certain payments to statewide organizations that are based in or near Albany but provide services elsewhere as well.

The state spent more than $1.2 billion, all from its own-source funds, on general-purpose local assistance in fiscal year 2010. Just over $1 billion was for the Aid and Incentives for Municipalities (AIM) program, unrestricted aid that is distributed to most cities, villages, and towns through a population-based formula. New York City historically has received a comparatively low share of this assistance, and the state eliminated the city's share of AIM funding after fiscal year 2010.

Other Local Assistance payments, not shown separately in Table 5, support programs in areas such as criminal justice, local economic development, housing, court administration, and services for the aging.

State Operations and Capital

As the term suggests, New York's State Operations expenditures fund the operating costs of state agencies. These disbursements fall into three major categories: salaries and wages for state employees; general state charges, which are mostly payments for state-employee pension and health benefits; and other operating costs, a wide range of expenditures including contractual services, equipment, and supplies.

Table 6 shows two alternative measures of the regional distribution of state-funded expenditures on state operations for fiscal year 2010. Using either measure, spending on employee compensation — both direct payroll costs and benefits — tends to show a disproportionate concentration in the Capital Region, where central offices of most state agencies are located. Large institutional centers for the State University, the prison system, and mental

Table 6. Spending on State Operations, State-Funds Expenditures, FY 2010

	Total *(thousands)*	Capital Region	New York City	Downstate Suburbs	Rest of State
SUNY/DOCS expenditures allocated based on institution					
Personal service	$12,748,344	17.6%	20.6%	17.0%	44.7%
General state charges	$5,500,551	17.0%	20.1%	16.8%	46.1%
Non-personal service	$5,114,447	7.6%	26.4%	20.4%	45.6%
Total, above	**$23,363,342**	**15.3%**	**21.8%**	**17.7%**	**45.2%**
SUNY/DOCS expenditures allocated by students'/inmates' previous residence					
Personal service	$12,748,344	17.4%	26.8%	18.4%	37.3%
General state charges	$5,500,551	17.4%	26.8%	18.4%	37.3%
Non-personal service	$5,114,447	9.0%	29.1%	20.8%	41.1%
Total, above	**$23,363,342**	**15.6%**	**27.3%**	**19.0%**	**38.1%**

Source: Rockefeller Institute calculations.

hygiene facilities are disproportionately located in the Rest of State region. More than 60 percent of payroll and benefit costs go to Upstate (Rest of State and the Capital Region in our regional distribution), while its share of statewide population is around 35 percent.

Table 6 first presents regional allocation of dollars as they were directly spent. The state's $12.7 billion in payroll is distributed based on the Office of the State Comptroller's database on payroll expenditures. Such dollars go to corrections officers at each of the state prisons, and to faculty at State University campuses, among others. More than 90 percent of general state charges reflect expenditures for employees' pension, health, and other benefits and can reasonably be allocated to each region in the same proportion as the state payroll. Using this direct spending approach, New York City receives about 22 percent of state operations expenses, the Downstate Suburbs 18 percent, and the two upstate regions a total of over 60 percent. The disproportionate benefit to the upstate regions largely reflects the concentration of prisons, universities, and mental hygiene facilities there.

But state spending through the Department of Correctional Services (DOCS) does more than provide jobs and paychecks in areas where prisons are located. Such expenditures are intended to improve public safety in communities where inmates lived and committed crimes. While most state correctional facilities are in Upstate regions, inmates' home addresses are distributed more in line with the state's overall population. The proportion of inmates who come from New York City (48.5 percent) is slightly higher than the city's share of state population (just under 43 percent). By contrast, only 11.5 percent of inmates are from the Downstate Suburbs — far less than those counties' share of the general population.

Similarly, dollars spent at the State University can be considered aid not only to towns and cities where campuses are located, but to the communities that SUNY students call home. Allocating SUNY expenditures based on students' home addresses produces a slightly different picture than distributing those dollars according to campus location. Among the four regions, the largest changes that emerge from this alternative analysis affect New York City and the Capital Region. The city was home to only 3.1 percent of SUNY students based on campus location, but 8.1 percent of all students resided there before leaving for college. Under this approach, the Capital Region goes from 6.8 percent of SUNY students' homes to 11 percent of enrollment based on institutional location.

The bottom section of Table 6 shows the distribution of state-operations expenditures allocating SUNY and DOCS disbursements based on students' and inmates' home locations. For this purpose, we adjust expenditures on personal services (payroll) and general state charges, but leave nonpersonal service payments the same as above. The result is to reallocate some expenditures from the Rest of State region to New York City and, to a lesser extent, the Downstate Suburbs.

The state spent just over $4.5 billion of its own funds on capital projects during fiscal year 2010. The largest source of such expenditures is the Department of Transportation (DOT). Other agencies with significant capital disbursements included the State University; Correctional Services; Metropolitan Transportation Authority; Parks, Recreation and Historic Preservation; and the mental hygiene agencies.

As show in Table 7, the Rest of State region received more than 60 percent of capital funding from both DOT and SUNY. Most state highways and bridges are in the Rest of State, as are most SUNY facilities. Good data on the regional distribution of the state's capital expenditures are not readily available for most programs. The figures in Table 7 include actual expenditures reported by the Department of Transportation, and estimates for SUNY, Correctional Services, and the MTA that are based on enrollment, institutional location, and ridership, respectively. We allocate the remaining $855 million in capital spending based on regional population, which is also shown in Table 7 for comparative purposes.

As a result of its large shares of DOT and SUNY capital spending, the Rest of State region received a much higher proportion of total capital expenditures than its share of the state's population. New York City, on the other hand, received relatively little from the two largest sources of agency capital spending. It is the

Table 7. Capital Project Expenditures

Agency	Total *(thousands)*	Capital Region	New York City	Downstate Suburbs	Rest of State
Transportation	$2,434,318	5.4%	6.4%	18.8%	69.4%
SUNY	$777,656	11.0%	3.1%	23.6%	62.3%
Correctional Services	$263,964	5.7%	48.5%	11.5%	34.3%
MTA	$184,681	0.0%	72.9%	27.2%	0.0%
Other	$855,056	4.2%	42.9%	21.7%	31.2%
Total	**$4,515,672**	**5.4%**	**25.3%**	**20.5%**	**48.7%**

Source: Rockefeller Institute calculations.

primary location of MTA capital expenditures, but that category is a small part of the overall total. Thus, the city's overall share is far below its representation in statewide population.

Conclusions

Table 8 shows the regional distribution of all the major sources of state-funds expenditures and revenues in fiscal year 2010, along with selected demographic measures for comparison.

If New York City's share of state-funds expenditures had been the same as its share of state-funds revenues, the city would have received \$4.1 billion to \$6.1 billion more than it did receive. The lower figure is based on our distribution of personal-income tax revenues according to taxpayers' residence; the higher on our allocation of such revenues by place of work.

Table 8. Summary of Regionally Allocated Receipts and Disbursements, and Key Demographics

	Total (thousands)	Capital Region	New York City	Downstate Suburbs	Rest of State
RECEIPTS:					
Personal Income Tax [by county of residence]	$29,434,400	3.0%	46.7%	33.8%	16.4%
Personal Income Tax [by place of work]	*$34,751,400*	*3.5%*	*54.6%*	*24.3%*	*17.7%*
Consumption/Use Taxes	$12,852,087	4.5%	39.7%	25.5%	30.4%
Business Taxes	$7,458,092	3.8%	54.6%	20.6%	21.1%
Other Taxes	$2,606,144	0.9%	63.1%	29.0%	7.0%
Miscellaneous Receipts [excludes bond receipts]	$20,505,151	4.8%	40.4%	21.5%	33.3%
Total Receipts [PIT allocated by county of residence]	**$72,855,874**	**3.8%**	**45.1%**	**27.4%**	**23.8%**
Total Receipts [PIT allocated by place of work]	***$78,172,874***	***3.9%***	***48.7%***	***23.6%***	***23.8%***
DISBURSEMENTS:					
Local Assistance Grants:					
General Purpose	$1,252,195	5.7%	13.6%	19.9%	60.8%
Education	$26,130,319	3.8%	41.3%	18.2%	36.7%
Medicaid	$12,255,062	2.6%	62.1%	13.7%	21.7%
Other Social Services [excludes TANF]	$3,275,219	3.6%	68.4%	10.0%	18.1%
Health and Environment	$3,462,238	5.1%	44.8%	21.4%	28.6%
Mental Hygiene	$1,742,442	6.0%	43.4%	18.4%	32.2%
Transportation	$4,041,339	1.1%	66.1%	24.6%	8.2%
Criminal Justice	$301,508	10.5%	42.5%	20.9%	26.1%
Emergency Management and Security Services	$33,909	7.7%	23.7%	13.9%	54.7%
Miscellaneous	$959,388	5.6%	44.2%	17.9%	32.3%
Total Local Assistance Grants	***$53,453,619***	***3.6%***	***49.3%***	***17.4%***	***29.7%***
Departmental Operations:					
Personal Service	$12,748,344	17.6%	20.6%	17.0%	44.7%
Non-Personal Service	$5,114,447	7.6%	26.4%	20.4%	45.6%
General State Charges	$5,500,551	17.0%	20.1%	16.8%	46.1%
Capital Projects	***$4,515,672***	***5.4%***	***25.3%***	***20.5%***	***48.7%***
Total Disbursements [excludes debt service]	**$81,332,633**	**7.0%**	**40.0%**	**17.7%**	**35.2%**
Demographics, 2009					
Population	19,541,453	4.2%	42.9%	21.7%	31.2%
Population living in poverty	2,708,116	3.0%	57.1%	10.5%	29.5%
Population aged 65+	2,619,755	4.4%	38.8%	22.9%	33.9%
Personal income ($ in thousands)	$908,997,016	3.9%	44.9%	27.2%	24.1%

Source: Rockefeller Institute calculations.

The Downstate Suburbs region would have gained even more — $4.6 billion to $7.9 billion — if its share of state-funds expenditures had matched its share of revenues. The Rest of State would have lost an estimated $8.1 billion to $9.3 billion, and the Capital Region an estimated $2.7 billion, if similar equivalence were applied to those regions.

The estimates in this report compare shares of revenues and expenditures to analyze the regional distribution of New York State's budgetary revenues and expenditures. Such an approach is valuable as a starting point for discussion but is not intended to resolve questions of fairness and appropriateness.

What is a "fair share" of the state budget?

Of course, there is no broadly accepted definition of "fair share." Would a fair distribution assure that taxes and expenditures are balanced perfectly, so that wealthier communities paying relatively large shares of state taxes also receive equivalent proportions of state aid for education and other purposes? Or might a fair share be based entirely on need, so that every dollar is distributed based on factors such as a locality's proportion of all state residents who live in poverty? If so, what would go into that formula — for example, how would we account for a high proportion of older residents compared to an abundance of school-age children, given that both groups generate higher-than-average demand for public expenditures? And then there are varying community preferences. If legislators from one area care deeply about Medicaid funding, and those from another area are especially interested in providing state-funded institutional jobs, how might we balance their concerns? Such value judgments are important. They are, however, beyond the scope of this study.

The state's revenue system is structured to rely heavily on individuals' and communities' ability to pay, as evidenced by the importance and graduated structure of the personal income tax. At the same time, New York's overall tax structure reflects a conscious choice to draw revenue from a broad cross-section of the economic spectrum, given that individuals of all income levels share the cost of the sales tax, petroleum business tax, lottery and certain other categories of receipts. Overall, the geographic distribution of revenues reflects a policy balance: While every region contributes significantly to the state budget, those regions that enjoy larger shares of New York State's income and economic activity also pay more to Albany.

Analyzing equity on the expenditure side of the budget is more complex. We would expect to see some difference in the distribution of local assistance payments, which reflect particular purposes and needs, compared to state operations and capital expenditures. For example, state aid for public schools is delivered based on formulas that are inversely related to communities' ability to pay. Yet the final calculation of aid for each district also is influenced by current and historic levels of local school expenditures. These naturally are higher in districts with greater wealth, thus partially offsetting formulas that are intended to deliver more dollars to lower-income communities. Medicaid expenditures also should be expected to vary regionally, depending on measures such as the number of residents who are elderly or live in poverty. Yet, while New York City has proportionately more poor residents than other regions, it has a comparatively low share of the state's population aged 65 and over — a group that drives especially high Medicaid costs. In other words, the city's extraordinarily high share of statewide Medicaid dollars is not entirely explained — and may not be primarily explained — by demographic differences.

Finally, some concentration of state-operations expenditures in the Capital Region is inevitable, given that state government has a large administrative core. Similarly, areas with the lowest population density might be expected to receive somewhat larger proportions of institutional and capital expenditures than sheer numbers of residents would indicate. The state may save money by locating institutions in lower-cost areas, and some investment in highway infrastructure is required even where homes and businesses are few and far between. There is no obviously ideal regional distribution of such functions and expenditures. However, state policymakers increasingly recognize that some of the Upstate concentration of prisons and other institutions developed as a political response to economic needs in host communities rather than to the service needs of the state as a whole.

Most voters likely agree that ability to pay should influence the distribution of tax liability and state funding.

Over decades, regional tensions have often exacerbated New York's longstanding failure to deal adequately with its fiscal challenges. In 2011, strong executive leadership and the Legislature's shared willingness to tackle a deep budget gap produced an on-time budget that combined current-year balance, a minimum of one-time solutions, and significant improvement in the state's long-term fiscal stability. Further action will be required to deal with major, lingering budget challenges, both short- and long-term. A clear understanding of the state's existing distribution of costs and benefits may usefully inform the policy debate over such actions.

By one standard, a regional imbalance of payments is necessarily unfair. On the other hand, longstanding state policy provides — and most voters likely agree — that ability to pay should influence the amount that each individual pays in taxes and that each community receives in state funding. Among the four regions analyzed in this report, average incomes are highest in the Downstate Suburbs and lowest in the Rest of State. If the highest-income region pays more than it receives from Albany, and the lowest-income areas receive more than they pay, such variations may broadly reflect voter preferences as expressed by elected policymakers.

Appendix 1: Methodology

This report analyzes the regional distribution of New York State's state-funds expenditures and revenues, measured on a cash basis, in fiscal year 2009-10. The starting point for our analysis is the *Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting* (hereafter referred to as the "cash report"). Because we focus on cash receipts and disbursements, total dollar amounts will differ from figures provided in certain other official reports issued by the Office of the State Comptroller and the state Budget Division. Financial reports using the cash basis of accounting typically refer to "receipts" and "disbursements" rather than related terms such as "expenditures" and "revenues." The latter terms are typically considered more appropriate for reports that recognize transactions on an accrual or modified-accrual basis. This report uses such terms interchangeably, but all references are to cash-basis figures unless otherwise indicated.

The cash report's "Exhibit A: Supplemental," which appears on page 7 of the comptroller's report and is reproduced below, provides an overview of the state's all-funds (or governmental funds) receipts and disbursements, broken down by fund group. It includes a breakout of federal funds, which we exclude for reasons described in the text of this report. Table 8 of our report (which appears on page 16) follows the overall outline of the comptroller's Exhibit A: Supplemental, showing total state-funds disbursements and receipts, and the regional distribution of each.

STATE OF NEW YORK
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
CLASSIFIED BY STATE OPERATIONS, FEDERAL SPECIAL REVENUE AND CAPITAL PROJECTS(*)

EXHIBIT A
SUPPLEMENTAL

FISCAL YEAR ENDED MARCH 31, 2011
(Amounts in thousands)

	GENERAL	STATE SPECIAL REVENUE	DEBT SERVICE	SUBTOTAL STATE OPERATIONS	FEDERAL SPECIAL REVENUE	CAPITAL PROJECTS	SPECIAL REVENUE ELIMINATIONS (**)	TOTAL GOVERNMENTAL FUNDS 2010-11	TOTAL GOVERNMENTAL FUNDS 2009-10
RECEIPTS:									
Personal Income Tax	$ 23,893,589	$ 3,263,322	$ 9,052,304	$ 36,209,215	$ --	$ --	$ --	$ 36,209,215	$ 34,751,381
Consumption/Use Taxes	8,794,644	2,115,969	2,697,197	13,607,810	--	596,919	--	14,204,729	12,852,087
Business Taxes	5,278,921	1,377,849	--	6,656,770	--	622,345	--	7,279,115	7,458,092
Other Taxes	1,236,997	1,359,465	461,001	3,057,463	--	119,100	--	3,176,563	2,606,144
Miscellaneous Receipts	3,095,203	15,153,507	899,566	19,148,276	152,074	3,847,681	--	23,148,031	23,556,702
Federal Receipts	54,950	372	56,748	112,070	46,692,531	2,499,126	--	49,303,727	45,523,753
Total Receipts	**42,354,304**	**23,270,484**	**13,166,816**	**78,791,604**	**46,844,605**	**7,685,171**	**--**	**133,321,380**	**126,748,159**
DISBURSEMENTS:									
Local Assistance Grants:									
General Purpose	1,036,641	--	--	1,036,641	--	--	--	1,036,641	1,252,195
Education	22,511,259	6,415,444	--	28,926,703	6,085,936	43,033	--	35,055,672	30,295,799
Medicaid	8,712,895	4,437,075	--	13,149,970	27,345,327	--	--	40,495,297	38,441,781
Other Social Services	2,798,572	11,006	--	2,809,578	4,693,592	47,778	--	7,550,948	7,637,529
Health and Environment	1,173,022	1,462,366	--	2,635,388	1,219,422	614,692	--	4,469,502	4,759,646
Mental Hygiene	330,661	1,338,519	--	1,669,180	232,328	101,730	--	2,003,238	1,900,194
Transportation	97,038	4,156,789	--	4,253,827	56,176	820,681	--	5,130,684	4,468,169
Criminal Justice	137,773	117,441	--	255,214	212,744	--	--	467,958	641,418
Emergency Management and Security Services	17,541	2,935	--	20,476	166,650	--	--	187,126	143,310
Miscellaneous	390,136	147,533	--	537,669	595,111	1,103,603	--	2,236,383	1,999,167
Total Local Assistance Grants	37,205,538	18,089,108	--	55,294,646	40,607,286	2,731,517	--	98,633,449	91,539,208
Departmental Operations:									
Personal Service	6,151,380	6,271,047	--	12,422,427	682,350	--	--	13,104,777	13,404,977
Non-Personal Service	1,822,281	3,080,457	62,846	4,965,584	1,013,736	--	--	5,979,320	6,025,211
General State Charges	4,186,971	1,914,523	--	6,101,494	259,592	--	--	6,361,086	5,733,604
Debt Service, Including Payments on Financing Agreements	--	--	5,614,669	5,614,669	--	--	--	5,614,669	4,961,470
Capital Projects	--	18,571	--	18,571	--	5,113,059	--	5,131,630	5,212,997
Total Disbursements	**49,366,170**	**29,373,706**	**5,677,515**	**84,417,391**	**42,562,964**	**7,844,576**	**--**	**134,824,931**	**126,877,467**
Excess (Deficiency) of Receipts over Disbursements	**(7,011,866)**	**(6,103,222)**	**7,489,301**	**(5,625,787)**	**4,281,641**	**(159,405)**	**--**	**(1,503,551)**	**(129,308)**
OTHER FINANCING SOURCES (USES):									
Bond and Note Proceeds, net	--	--	--	--	--	525,154	--	525,154	448,267
Transfers from Other Funds	12,093,199	8,077,139	7,047,761	27,218,099	--	1,130,373	(742,768)	27,605,704	26,200,947
Transfers to Other Funds	(6,006,886)	(1,932,836)	(14,493,988)	(22,433,710)	(4,574,252)	(1,409,935)	742,768	(27,675,129)	(26,245,557)
Total Other Financing Sources (Uses)	**6,086,313**	**6,144,303**	**(7,446,227)**	**4,784,389**	**(4,574,252)**	**245,592**	**--**	**455,729**	**403,657**
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	**(925,553)**	**41,081**	**43,074**	**(841,398)**	**(292,611)**	**86,187**	--	**(1,047,822)**	**274,349**
Fund Balances (Deficit) at April 1	**2,301,680**	**2,097,598**	**410,928**	**4,810,206**	**303,211**	**(253,266)**	--	**4,860,151**	**4,585,802**
Fund Balances (Deficit) at March 31	**$ 1,376,127**	**$ 2,138,679**	**$ 454,002**	**$ 3,968,808**	**$ 10,600**	**$ (167,079)**	**$ --**	**$ 3,812,329**	**$ 4,860,151**

See Accompanying Footnotes

(*) State Operating Funds are comprised of the General Fund, State Special Revenue Funds supported by activities from dedicated revenue sources (including operating transfers from Federal funds) and Debt Service Funds.
Federal Special Revenue Funds account for all non-capital federal operating grants received by the State.
Capital Projects Funds includes all capital activities regardless of funding source.

(**) Eliminations represent transfers between Special Revenue - State and Special Revenue - Federal funds.

Most financial activities of the state's public authorities are "off budget." Authority receipts and disbursements are included in this study only to the extent that they are included in state budget appropriations, such as those for the Metropolitan Transportation Authority.

As shown in Table 8, receipts included in this analysis include all tax revenues, whether deposited into the state's General Fund, state special revenue funds, debt service funds, or capital projects funds. We exclude some $43.4 billion in federal assistance. Other receipts that are included in the comptroller's annual summary but excluded from our analysis include roughly $3 billion in bond proceeds from public authorities that the comptroller classifies within miscellaneous receipts. Developing useful estimates of the regional distribution of such receipts, and for debt-service payments on the disbursement side of the ledger, would require data and assumptions that are beyond the scope of this study. After excluding these elements, we allocate a total of just less than $78.2 billion in receipts, when we allocate personal-income tax (PIT) revenues according to place of work. When allocating PIT revenues by place of residence, we exclude another $5.3 billion paid by individuals who work in New York but reside outside the state, and thus cannot be associated with any particular region in our analysis. In this scenario, allocable receipts total $72.9 billion.

In analyzing disbursements, we again exclude federal funds. Such exclusions include the $39.1 billion shown in the "Federal Special Revenue" column of Exhibit A: Supplemental and $1.2 billion in federally funded capital projects. We omit just less than $5 billion in debt-service payments because a substantial portion of such payments flow out of state and we know of no available data on which to base estimates of regional distribution. After these exclusions from figures in the cash report, Table 8 shows total disbursements of $81.3 billion.

The resulting $3.2 billion imbalance between disbursements and receipts largely reflects the state's having reported more in federal receipts than in federally funded expenditures during the 2010 fiscal year. The cash report's Exhibit A: Supplemental shows a similar variance within federal special revenue funds as a $4.4 billion excess of receipts over disbursements. (The state accounts for such variances by transferring resources among funds during the fiscal year.) Our variance is smaller than the cash report's figure because we omit $1.2 billion in capital expenditures that the cash report treats separately.

We make no adjustments to eliminate the remaining $3.2 billion gap between expenditures and revenues, or the $8.5 billion gap that arises when we count only in-state PIT receipts. Some other researchers who have analyzed regional differences in governmental expenditures and revenues adjust actual data for variations in living costs or incomes; the "balance of payments" estimates in this report do not reflect such adjustments.

Receipts

New York State collected just over $57.6 billion in taxes and $23.6 billion in miscellaneous receipts in fiscal 2009-10, according to the comptroller's cash accounting. The amount raised by each major tax, and the regional distribution thereof, are shown in Tables 6 and 7 earlier in this report.

We allocate receipts by region as follows:

Personal income tax. Actual county-by-county data on personal income tax collections in fiscal 2010 are not yet available from the Department of Taxation and Finance. We estimate the regional shares based on the department's 2008 data for tax payments by county of residence, and for wage and nonwage income. Among other adjustments necessary to produce these estimates, we account for higher tax brackets on upper-income earners that the Legislature enacted in 2009 and that were in place for all of fiscal 2010. Tax year 2009 is the year that influenced the bulk of PIT payments in fiscal 2009-10, and it differed in two important ways from tax year 2008: First, higher tax rates on high-income earners took effect in 2009, and second, certain kinds of nonwage income, especially capital gains, were dramatically lower in 2009 than 2008 as a result of the recession and stock market declines. Because high-income earners are disproportionately concentrated in downstate New York, as is nonwage income, we would expect the impacts of these two changes to affect the distribution of tax liability within the state. They would likely work in opposite directions: the legislated tax increase would increase taxes disproportionately downstate, while the decline in nonwage income would have been felt disproportionately in downstate. We made separate adjustments for each factor, using special summary data summaries produced for us by the Department of Taxation and Finance that provided the distribution of wage and nonwage income by income range within each county. These data allowed us to estimate the extent to which effective tax rates were driven upward in each county by the 2009 tax increase, and they allowed us, in effect, to estimate the extent to which taxable income in each county was driven downward by the fall in nonwage income.

Consumption taxes. The Department of Taxation and Finance reports county-level data on taxable sales and purchases; at the time of our analysis the latest available county-by-county data were for 2008-09. For 2009-10, we allocate the 4 percent statewide sales and use tax to each county based on its share of the department's 2008-09 data. We allocate county shares of taxes on cigarette and tobacco products, and on alcohol, based on the state Health Department's Behavioral Risk Factor Surveillance System data on numbers of smokers and heavy users of alcohol in 2008-09, the latest available. The motor fuel tax is allocated based on 2009 gasoline sales by county, as reported by the New York State Energy Research and Development Authority. The highway use tax and auto rental tax are distributed based on average annual daily traffic for 2009, as reported by the state Department of Transportation.

Business taxes. We estimate each county's share of the Article 9-a corporate franchise tax liability of each major industry based on the county's share of statewide wages for that industry, using 2009 Quarterly Census of Employment and Wages (QCEW) data for private industries, the latest available at the time of our analysis. Consistent with previous studies, we do the same for the insurance, bank, and utility taxes, using wage data specific to those sectors. Taxes imposed within the Metropolitan Commuter Transportation District, including the 17 percent corporate income tax surcharge, are allocated to the counties within the district based on wages by industry in those counties. The petroleum business tax (PBT) and lubricating oil tax are allocated based on each region's share of statewide gasoline sales; some 85 percent of PBT receipts in fiscal 2010 came from gasoline sales, according to the Budget Division.

Other taxes. We allocate the Metropolitan Commuter Transportation District mobility tax based on 2009 QCEW data for wages paid within the region. Regional shares for the estate tax and for the real estate transfer tax are based on Department of Taxation and Finance county-level data for 2009-10. We allocate the real property gains tax in the same proportions as the real estate transfer tax.

Miscellaneous receipts. As mentioned above, we exclude $3 billion in public-authority bond proceeds from the miscellaneous receipts we allocate among regions. We also exclude $158 million in miscellaneous receipts from federal funds. Table 7 lists the largest elements of the state's miscellaneous receipts and their regional distribution. Programs funded under the state's Health Care Reform Act (HCRA) receive revenues from a variety of sources including surcharges and assessments on hospital and nursing-home revenues, and a "covered lives" assessment paid by health insurers and their policyholders. We allocate $3.8 billion of such payments among counties based on 2009-10 Health Department data for health facility cash assessments and Professional Education Pool assessments. HCRA-related receipts during the year also included $95 million in gains from sale of assets resulting from privatization of formerly nonprofit health care plans primarily serving the downstate region; we allocate these receipts among New York City and the downstate suburbs based on population. Lottery and other gambling receipts are apportioned based on the Division of the Lottery's data on sales and commissions by county. We allocate State University tuition according to SUNY figures on students' home counties, and CUNY receipts entirely to New York City. Proceeds from abandoned property, primarily reflecting financial assets assumed by the state, are allocated based on each county's share of statewide personal income. Most other miscellaneous receipts are distributed based on population; major elements include $2.9 billion in various fees and fines; $1.8 billion in patient and client care reimbursements; and $1.3 billion in refunds and reimbursements, primarily for various forms of state aid.

Disbursements

From the state's all-funds cash expenditures of $126.9 billion in fiscal 2010, we allocate $81.3 billion among the four regions. The more than $45.5 billion we exclude is comprised of just over $40 billion in federally funded disbursements (including certain capital funds), and $5 billion in debt service. Except where otherwise indicated, regional proportions are based on Rockefeller Institute analysis of data provided by the Office of the State Comptroller from OSC's records of individual payments during the fiscal year. These data sets include actual local assistance payments to school districts, municipalities, and other entities; payroll disbursements to state employees; state-operations payments to providers of goods and services; and "general state charges," most of which is payments for state-employee pension and health insurance benefits. For certain categories of expenditures, primarily within local assistance, data we received from OSC were incomplete. For example, within the "other social services" subcategory of adult shelters, available OSC data on individual payments represented $80.9 million or 93 percent of the $87.4 million in actual disbursements during the year. As described more fully below, we sought other sources of data to estimate regional distribution, where such data are available. Overall, expenditures that were estimated based on population or related proxy figures represent less than 10 percent of the state-funds total.

Local assistance. For allocation of aid to public schools and School Tax Relief payments during fiscal 2010, we used State Education Department data to calculate the average regional distribution in 2007-08 and 2008-09. We applied those percentages to the OSC figure of total dollars paid out in fiscal 2010. While we consider these data the best available representation of school aid distribution during a given year, these figures are not the only useful measure.[4] Calculations based on other data may differ slightly from the figures presented here. Regional shares of Medicaid disbursements are mostly derived from the state Health Department's county-level data on Medicaid payments during the fiscal year, with $445 million for supplemental medical insurance premiums allocated according to population. As discussed in the text of this report, most local-assistance spending on transportation (just under $4 billion) goes to mass transit in the downstate region and is allocated according to ridership there; we distribute the remaining $54 million by population statewide. Within health and environment, some $1.2 billion for Medicare Part D prescription assistance and the Elderly Pharmaceutical Insurance Coverage program is allocated based on numbers of residents aged 65 and over, while "other HCRA payments" of $620 million are distributed according to overall population. In the category of "Other social services," the largest subgroup is $1.3 billion for "Child welfare services, foster care and adoption," which we allocate based on OSC payment data. Other disbursements in this category are distributed regionally based on OSC data, population living in poverty, or general population. We rely on OSC payments data for all calculations within local assistance — mental hygiene; available data represent 90 percent of total disbursements in that category during the year. In general-purpose local assistance, we allocate Aid and Incentives to Municipalities based on data from the New York Conference of Mayors and Other Municipal Officials; almost all remaining funds are captured in a single payment from the state's Local Government Assistance Corp. to New York City.

Departmental operations. We allocate the $12.7 billion in personal-service disbursements for fiscal 2010 based on OSC's data on payroll expenditures during the year. Generally, we allocate such payments by the address of the employee, which in the great majority of cases is within the same region as the individual's place of work. As discussed in the text, we include an alternative analysis in which SUNY and DOCS expenditures are allocated based on the home locations of students and inmates. We use SUNY and DOCS data on students' and inmates' home counties, respectively, for such allocations. More than 90 percent of general state charges represent payments for employee and retiree health, pension, and other benefits; we distribute such expenditures in the same proportion as payroll dollars. Elsewhere within general state charges, significant allocations include $200 million to the Rest of State region for taxes on state-owned lands, and $110 million in Court of Claims payments that we distribute regionally according to population. Within the $5.1 billion in departmental operations — nonpersonal service, we allocate some $2.3 billion based on the OSC cash report's distribution of such expenditures across agencies — using student and inmate location proportions for SUNY and DOCS expenditures, and allocating half of the Legislature's costs to the Capital Region, for example. We distribute the remainder based on population.

Capital. Department of Transportation capital expenditures for fiscal 2009-10 are estimated based on DOT data for 2008-09. Expenditures for SUNY are allocated based on campus enrollment; for Correctional Services, based on inmates' location; and for the MTA, on ridership. Other agencies' capital expenditures are allocated based on population.

Appendix II: Selected County-Level Data

State Aid to Public Schools By County and Region, 2008-09

County	Amount	Share of Total	County	Amount	Share of Total
Albany	$256,656,252	1.2%	Orange	$527,896,043	2.4%
Allegany	$104,583,494	0.5%	Orleans	$75,650,868	0.3%
Broome	$261,566,467	1.2%	Oswego	$213,876,660	1.0%
Cattaraugus	$178,433,305	0.8%	Otsego	$87,192,204	0.4%
Cayuga	$101,529,689	0.5%	Putnam	$87,013,052	0.4%
Chautauqua	$225,914,166	1.0%	Rensselaer	$197,803,050	0.9%
Chemung	$120,846,050	0.6%	Rockland	$201,284,633	0.9%
Chenango	$116,668,771	0.5%	St. Lawrence	$187,901,164	0.9%
Clinton	$124,798,781	0.6%	Saratoga	$217,947,816	1.0%
Columbia	$62,649,607	0.3%	Schenectady	$178,271,108	0.8%
Cortland	$72,588,726	0.3%	Schoharie	$54,161,185	0.2%
Delaware	$70,481,713	0.3%	Schuyler	$24,435,005	0.1%
Dutchess	$281,368,607	1.3%	Seneca	$52,445,150	0.2%
Erie	$1,213,943,994	5.6%	Steuben	$183,225,509	0.8%
Essex	$35,161,705	0.2%	Suffolk	$1,795,543,041	8.2%
Franklin	$97,051,052	0.4%	Sullivan	$107,492,183	0.5%
Fulton	$93,432,267	0.4%	Tioga	$84,937,376	0.4%
Genesee	$95,087,616	0.4%	Tompkins	$86,513,723	0.4%
Greene	$54,358,081	0.2%	Ulster	$191,763,177	0.9%
Hamilton	$3,286,518	0.0%	Warren	$71,359,325	0.3%
Herkimer	$107,616,748	0.5%	Washington	$101,236,401	0.5%
Jefferson	$178,561,078	0.8%	Wayne	$159,035,480	0.7%
Lewis	$52,718,180	0.2%	Westchester	$678,131,422	3.1%
Livingston	$91,417,153	0.4%	Wyoming	$54,519,240	0.3%
Madison	$100,865,182	0.5%	Yates	$23,630,619	0.1%
Monroe	$979,921,535	4.5%	New York City counties	$8,623,614,911	39.6%
Montgomery	$77,085,374	0.4%			
Nassau	$935,961,752	4.3%	Capital Region	$850,678,226	3.9%
Niagara	$298,369,390	1.4%	New York City	$8,623,614,911	39.6%
Oneida	$343,037,445	1.6%	Downstate Suburbs	$3,697,933,900	17.0%
Onondaga	$637,850,787	2.9%	Rest of State	$8,608,659,022	39.5%
Ontario	$140,194,229	0.6%	**NYS Total**	**$21,780,886,059**	**100.0%**

Source: Rockefeller Institute calculations.

Medicaid Expenditures By County and Region, 2009-10

County	Amount	Share of Total	County	Amount	Share of Total
Albany	$135,014,950	1.0%	Orange	$174,001,854	1.2%
Allegany	$20,369,426	0.1%	Orleans	$16,586,593	0.1%
Broome	$96,961,580	0.7%	Oswego	$53,639,575	0.4%
Cattaraugus	$40,512,333	0.3%	Otsego	$29,566,382	0.2%
Cayuga	$32,922,989	0.2%	Putnam	$30,640,371	0.2%
Chautauqua	$73,977,855	0.5%	Rensselaer	$72,249,587	0.5%
Chemung	$49,854,293	0.4%	Rockland	$174,666,575	1.2%
Chenango	$26,702,646	0.2%	St. Lawrence	$61,801,134	0.4%
Clinton	$40,834,733	0.3%	Saratoga	$63,776,021	0.5%
Columbia	$30,277,887	0.2%	Schenectady	$79,239,219	0.6%
Cortland	$22,906,092	0.2%	Schoharie	$13,261,772	0.1%
Delaware	$23,942,562	0.2%	Schuyler	$8,995,956	0.1%
Dutchess	$118,924,527	0.8%	Seneca	$16,966,415	0.1%
Erie	$430,748,539	3.1%	Steuben	$44,189,570	0.3%
Essex	$25,971,361	0.2%	Suffolk	$638,557,134	4.5%
Franklin	$28,427,613	0.2%	Sullivan	$56,968,950	0.4%
Fulton	$39,165,263	0.3%	Tioga	$18,064,287	0.1%
Genesee	$22,637,782	0.2%	Tompkins	$30,782,518	0.2%
Greene	$21,737,785	0.2%	Ulster	$93,800,801	0.7%
Hamilton	$2,177,963	0.0%	Warren	$27,926,952	0.2%
Herkimer	$37,345,794	0.3%	Washington	$28,904,466	0.2%
Jefferson	$43,800,211	0.3%	Wayne	$42,720,485	0.3%
Lewis	$12,423,560	0.1%	Westchester	$488,903,008	3.5%
Livingston	$26,520,899	0.2%	Wyoming	$14,573,821	0.1%
Madison	$30,574,648	0.2%	Yates	$11,781,353	0.1%
Monroe	$400,839,476	2.8%	New York City counties	$8,836,173,151	62.8%
Montgomery	$32,651,596	0.2%			
Nassau	$552,426,746	3.9%	Capital Region	$350,279,777	2.5%
Niagara	$98,021,551	0.7%	New York City	$8,836,173,151	62.8%
Oneida	$142,957,894	1.0%	Downstate Suburbs	$1,885,193,834	13.4%
Onondaga	$230,090,036	1.6%	Rest of State	$2,997,126,375	21.3%
Ontario	$48,314,597	0.3%	**NYS Total**	**$14,068,773,137**	**100.0%**

Source: Rockefeller Institute calculations.

Endnotes

1 The comptroller's cash report for fiscal 2010 is available at http://www.osc.state.ny.us/finance/cashrpt/annual2010.pdf.

2 From the perspective of local governments, much of this funding is not "assistance" at all. For example, Medicaid represented $38.4 billion, or 30 percent, of the state's all-funds disbursements in fiscal 2010. Caring for needy individuals was once considered strictly a local responsibility, but such has not been the case for well over a century. The state created the Medicaid program and, unlike any other state, requires local governments to pay a substantial portion of the cost.

3 This figure excludes Medicaid payments by New York City and the state's 57 other counties.

4 The state provides several varying sets of figures on each year's aid to school districts. The Education Department and the Division of the Budget provide projected aid payments under each year's budget, at the time of budget adoption. In addition to the Education Department's district-level data, OSC's Division of Local Government and School Accountability reports separately on the finances of individual school districts based on data that districts report annually to the Comptroller.

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The Nelson A. Rockefeller Institute of Government, at the University at Albany, is the public policy research arm of the State University of New York. The Institute was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs. Thomas Gais is director of the Institute. Michael Cooper, the Institute's director of publications, was responsible for production of this report.