STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

DAVID A. PATERSON
GOVERNOR

December 16, 2008

Dear New Yorkers,

New York is poised at a defining moment in its history. We are faced with the greatest economic and fiscal challenge of our lifetimes.

Wall Street, a pillar of New York's economy, has suffered a series of unprecedented shocks. The financial services sector, which accounts for twenty percent of state tax revenues, may never be the same. Moreover, our broader economy is grappling with a deep recession that promises to be one of the worst in decades, and is expected to cost tens of thousands of New Yorkers their livelihoods.

New York's leaders, including myself, have the duty and responsibility of guiding our state through this difficult period. Despite the obstacles we face, New Yorkers should know that we will not turn our backs on our core priorities. Instead, in these demanding times, we must better focus our limited resources so we can deliver the essential services that we need not just to weather this economic storm, but to build toward future progress.

That being said, adjusting our state budget to reflect this new fiscal environment will be an extraordinary challenge. This Executive Budget begins the difficult process of fundamentally reevaluating both how we manage our government and what the state can afford to spend in a time of plummeting revenues. It seeks shared sacrifice from all New Yorkers and includes reductions across virtually every area of government. It also lays the groundwork for efficiencies and rationality in our operations that will produce a more disciplined and cost-effective state government.

Change is never easy, but it is the only way we can put New York back on the road toward fiscal and economic recovery. There is no doubting the seriousness of the problems we must address and the need to deal with them in a direct and candid manner.

In his inaugural address, President Franklin Roosevelt told a nation in the grips of the Great Depression that now is "the time to speak the truth, the whole truth, frankly and boldly." He warned that the American people must not shrink from "honestly facing" the dark reality of the conditions in their country.

Today, we too cannot shrink from the challenges ahead. We must address our new fiscal reality with a seriousness of purpose and candor that will allow us to emerge from this crisis even stronger than before. More than ever, we must have the courage to put politics aside and work together in a frank, honest, and nonpartisan manner for the common good.

Many years from now, New York's leaders will be judged by our response to this historic challenge – whether we made the tough decisions necessary to put our state back on firm financial footing or diverged toward the path of easy answers and fiscal irresponsibility. I am confident that we can come together in a manner befitting the sacred trust that the people of this state have placed in us and that our actions can lead us to prosperity once more. In the end, we will be able to say that in a time of uncommon difficulty, we found a common purpose, and passed this historic test.

Sincerely,

David A. Paterson

David A. Paterson

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Director's Message

Since the day he took office, Governor Paterson has articulated the need to instill a new fiscal responsibility in our state government and to prudently adjust our spending to address one of the greatest economic crises in generations.

This Executive Budget represents another milestone in his efforts to reconfigure state government in the face of a new fiscal reality.

In March, Governor Paterson's first act in office was to implement a 3.35 percent reduction in agency spending. In July, he enacted a further 7 percent reduction to agency spending – bringing total savings to more than ten percent.

In August, in anticipation of further revenue declines, he convened an extraordinary special economic session of the Legislature, during which he proposed more than $2 billion of savings actions, and worked with the Legislature to enact $1 billion in savings over two years. And in November, he proposed $2 billion in additional savings.

In this Executive Budget, Governor Paterson has once again proposed aggressive actions needed to manage the state's finances. Controlling growth in the budget is accomplished by reducing spending across virtually every area of state government. Governor Paterson firmly believes that the only way we are going to emerge from this crisis is through shared sacrifice.

These actions will require a commitment by all New Yorkers to adapt to a new fiscal environment and work together towards a common goal of responsibly managing our budget.

Governor Paterson's Approach

Governor Paterson's budget proposal closes a $15.4 billion two-year budget gap – the largest in state history – reflecting a current-year shortfall of $1.7 billion and a 2009-10 deficit of $13.7 billion.

Governor Paterson believes that strong fiscal management demands the implementation of savings proposals at the earliest date possible. As such, he has delivered his Executive Budget more than one month prior to the deadline mandated by the state Constitution. He has also structured his proposal in a unique manner in order to address the challenge of closing a mid-year shortfall and start saving money as soon as possible.

The Executive Budget contains two components:

- The first component is a 2008-09 Deficit Reduction Plan. This stand-alone legislation includes a series of actions that are necessary to close the state's current-year $1.7 billion shortfall. Governor Paterson requests that the Legislature act on this Deficit Reduction Plan as soon as possible, but no later than February 1.

- The second component is Governor Paterson's 2009-10 Executive Budget, which will close next year's $13.7 billion deficit. The savings actions included in that proposal assume the budget will be enacted by March 1, 2009, one month prior to the April 1 start of the fiscal year. Governor Paterson requests that the Legislature act on his Executive Budget no later than March 1.

A Balanced Plan for a Balanced Budget

After many years of unsustainable spending increases, which have averaged 7.8 percent annually over the last five years, spending growth in the proposed budget is virtually flat from 2008-09. State Operating Funds spending is projected to grow 0.5 percent to $79.8 billion – the lowest level of growth in 14 years. General Fund spending is projected to stay flat compared to 2008-09 and total $55.5 billion. All Funds spending is projected to grow 1.1 percent to $121.1 billion.

While the spending reductions in this budget will impact the lives of many New Yorkers, they are a necessary part of adjusting our state budget to reflect a fundamentally new fiscal reality and plummeting revenues. Furthermore, it is important to view these actions in their larger historical context. Record profits from Wall Street allowed our state to increase spending at a rapid rate in recent years. Even after these proposed reductions, New York will continue to make substantial financial commitments to its core priorities, including education, health care, and many other areas.

Additionally, the Executive Budget contains several reforms that will help improve the operations of our government and lower costs. Through the consolidation of state agencies, the closure of underutilized state facilities, Empire Zone reform to require greater accountability, public employee pension reform, mandate relief for localities, and other actions, Governor Paterson is seeking to make our government smarter and more efficient.

The Executive Budget also recommends several targeted revenue actions. These proposals are designed to create greater equity by closing loopholes that allow some sophisticated taxpayers to avoid paying their fair share of taxes; improve our tax system by ending ineffective and unaffordable tax incentives; and rationalize fee structures that have not been updated in many years.

The Executive Budget minimizes the use of non-recurring resources. One-time actions total $1.1 billion in Governor Paterson's savings plan, which represents only 8 percent of overall gap-closing measures.

Important Steps toward Structural Balance

The state currently faces a five-year cumulative budget gap of $70.7 billion, including budget deficits of $1.7 billion in 2008-09, $13.7 billion in 2009-10, $17.1 billion in 2010-11, $18.6 billion in 2011-12, and $19.6 billion in 2012-13. Governor Paterson's proposal would eliminate the 2008-09 shortfall and 2009-10 deficit, as well as make important strides toward long-term structural balance. After implementing the actions contained within the Executive Budget, the state's out-year budget deficits would total $11.3 billion – $1.8 billion in 2010-11, $4.0 billion in 2011-12, and $5.5 billion in 2012-13 – a nearly $60 billion decline compared to our original shortfall.

Conclusion

The Executive Budget Governor Paterson has advanced represents a prudent plan to address an unprecedented fiscal crisis and reduce spending to more affordable levels, while still preserving New York's core priorities. The decisions we must make will no doubt be difficult, but through partnership and shared sacrifice, we can weather this storm and return our state to economic prosperity.

Overview

Executive Budget at a Glance

Size of the State Budget

Category	2008-09	2009-10	Change	
			Dollar	Percent
State Operating Funds	$79.4B	$79.8B	$400M	0.5%
All Funds	$119.7B	$121.1B	$1.4B	1.1%
General Fund	$55.4B	$55.4B	—	0.0%
Inflation	—	—	—	1.2%

Budget Deficits

Budget Deficits	Before Executive Budget	After Executive Budget	Reduction
2008-09	$1.7B	$0.0B	($1.7B)
2009-10	$13.7B	$0.0B	($13.7B)
2010-11	$17.1B	$1.8B	($15.3B)
2011-12	$18.6B	$4.0B	($14.6B)
2012-13	$19.6B	$5.5B	($14.1B)
5-year Deficit	$70.7B	$11.3B	($59.4B)

State Workforce

Category	2008-09	2009-10	Change	
			Number	Percent
State Workforce	199,400	196,292	3,108	-1.6%

General Fund Reserves

Category	2008-09	2009-10	Change	
			Dollar	Percent
General Fund Reserves	$1.5B	$1.2B	($272M)	-18.1%

State Debt

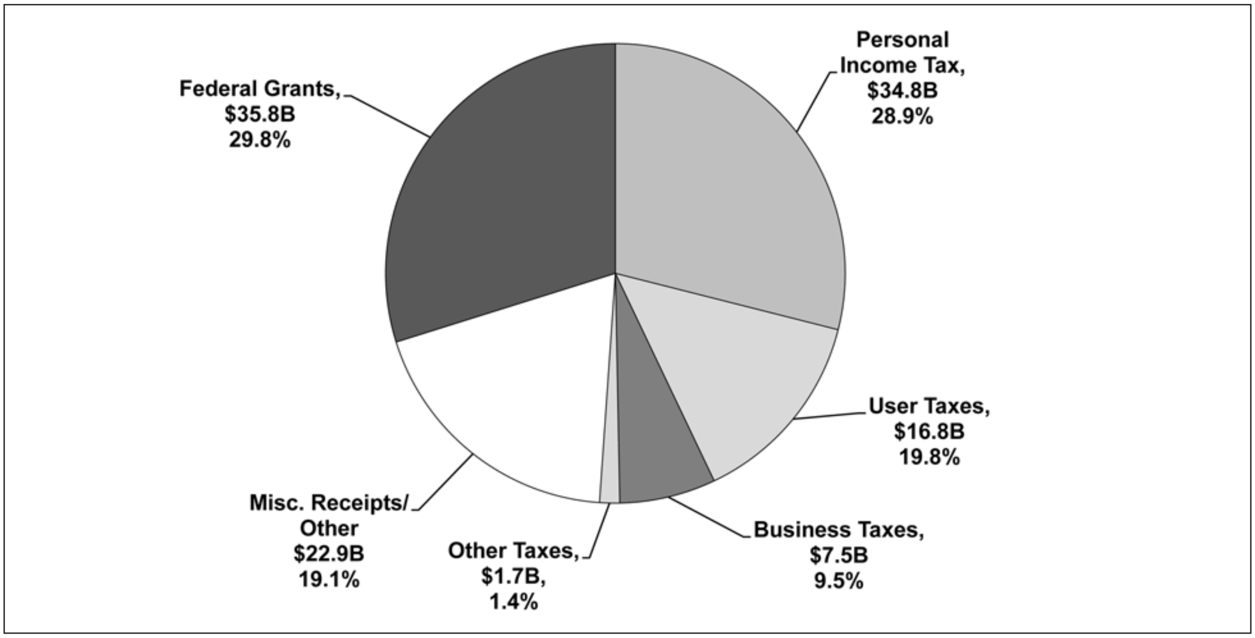
Category	2008-09	2009-10	Change	
			Dollar	Percent
State Debt	$51.6B	$54.2B	$2.6B	5.0%
Debt Service	$4.7B	$5.2B	$511M	10.9%

Gap-closing Actions

Policy Areas	2009-10
Medicaid/Health	$3.5 Billion
General Fund Revenues	$3.1 Billion
School Aid	$2.0 Billion
STAR	$1.7 Billion
Local Government	$432 Million
Mental Hygiene	$427 Million
Environment/Energy	$416 Million
Human Services	$385 Million
Economic Development	$369 Million
Workforce/General State Charges	$368 Million
Higher Education	$338 Million
Public Safety	$197 Million
Member Items (See Fiscal Overview)	$196 Million
Transportation	$177 Million
Lottery (See Revenue Section)	$133 Million

2009-10 All Funds Budget

Where It Comes From



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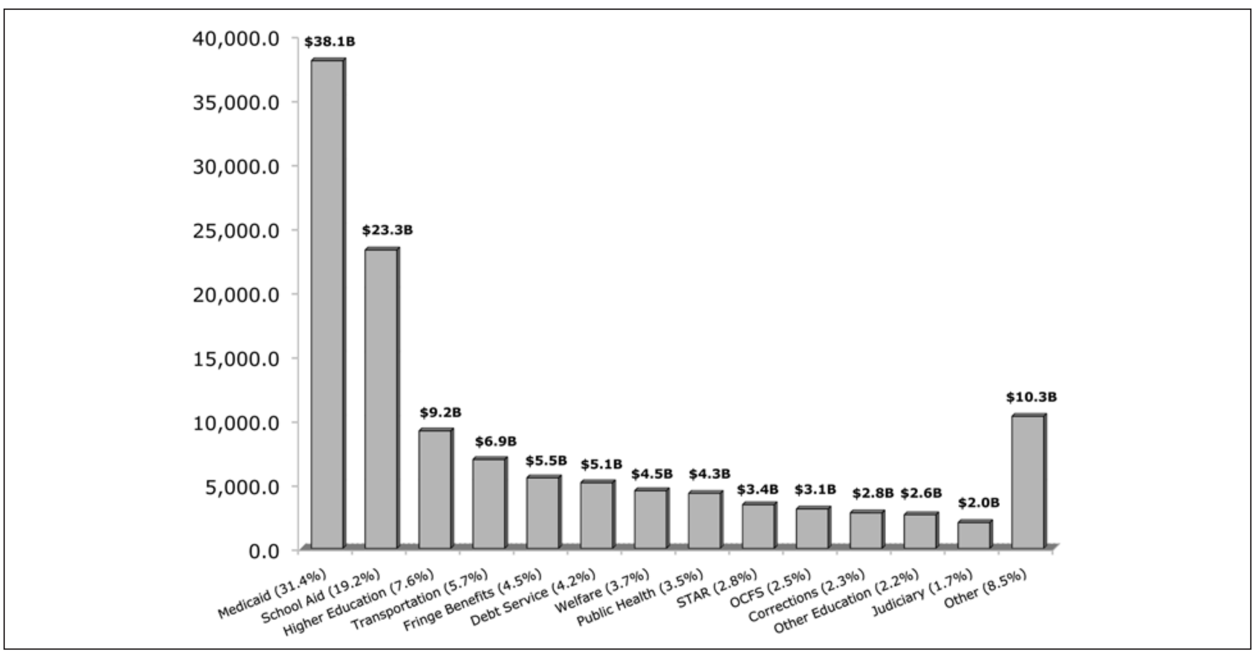
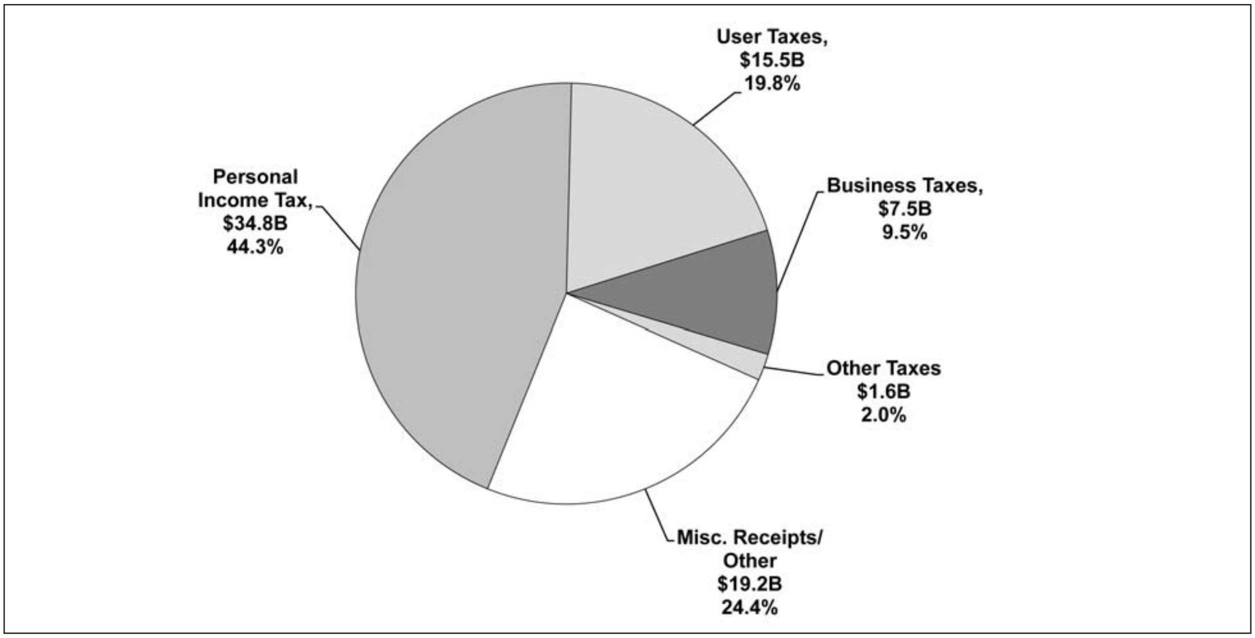


2009-10 State Operating Budget

Where It Comes From



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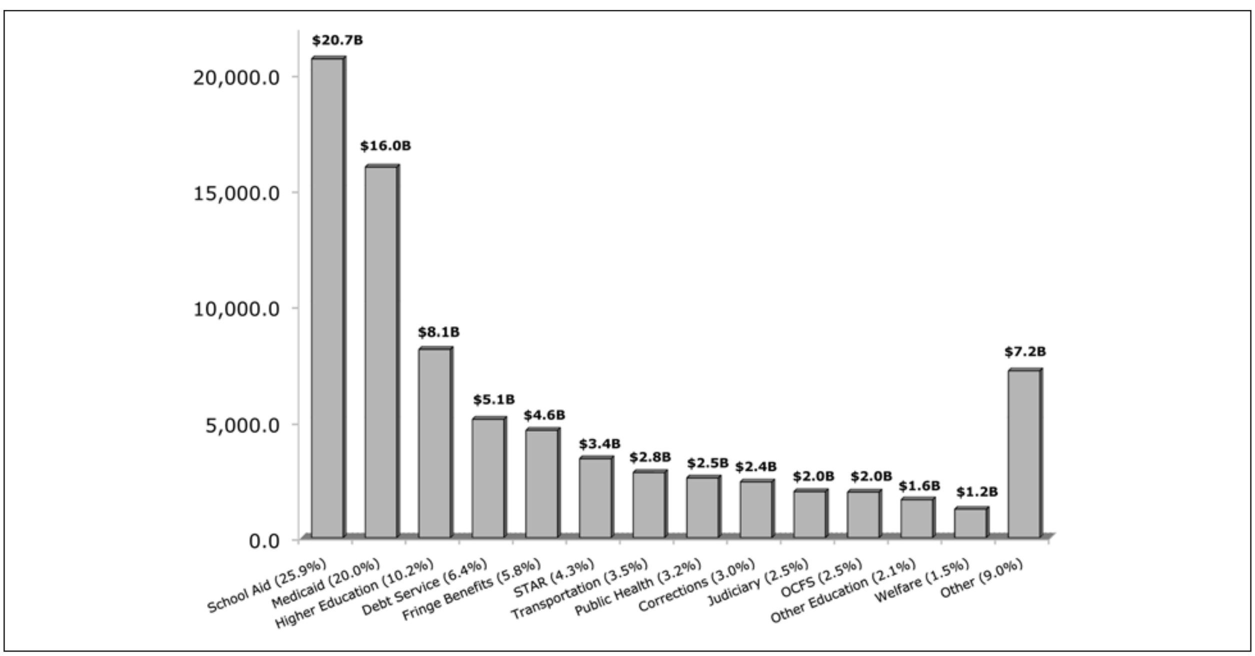
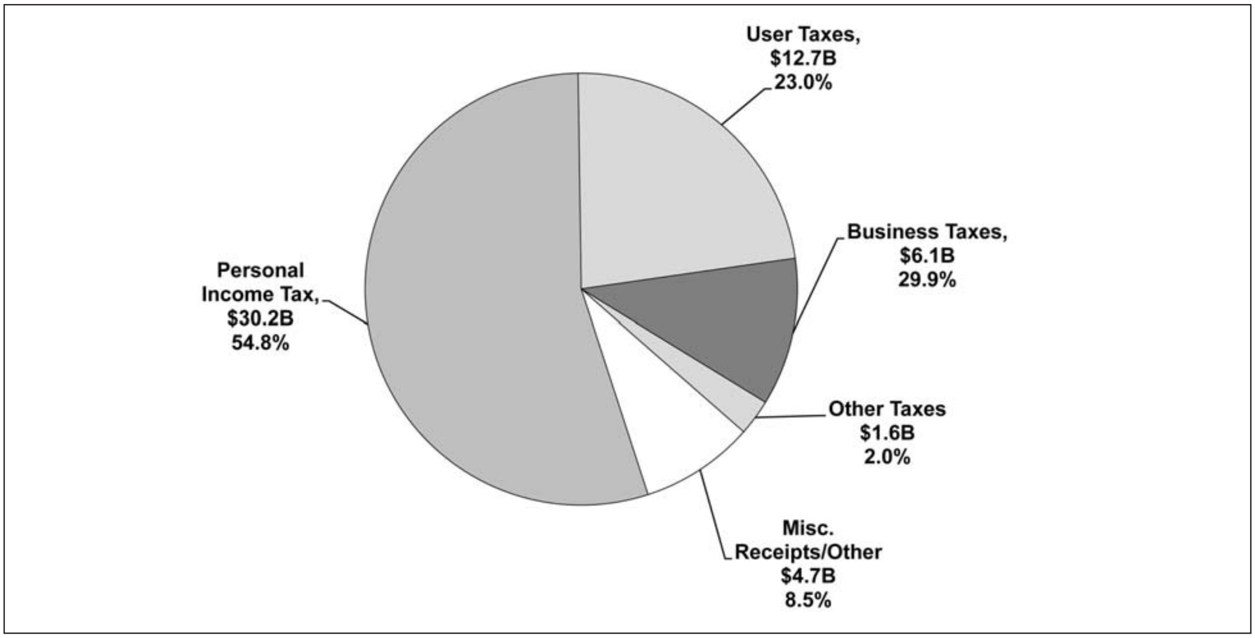


2009-10 General Fund Budget

Where It Comes From



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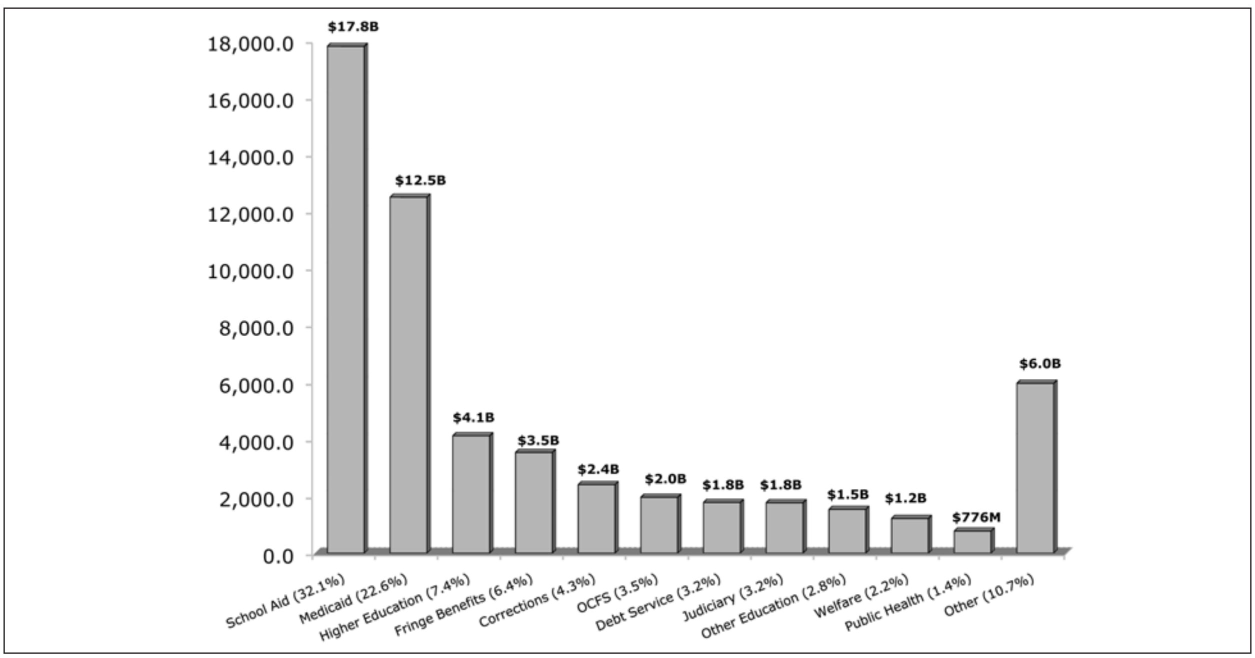

Financial Plan Summary

I. Overview

The state faces a budget gap of $1.7 billion in 2008-09 and $13.7 billion in 2009-10. The combined four-year gap (2008-09 through 2011-12) totals $51 billion. The gap for 2009-10 is the largest ever faced by the state as measured in absolute dollars, and is roughly equivalent to the magnitude of the gap that needed to be closed in 2003-04.

New York has long had a great dependence on Wall Street and the financial sector for revenue growth. Until recently, tax collections from the financial sector represented as much as twenty percent of overall state revenues. The worldwide financial crisis has had an enormous impact on New York State and revenues. If no actions were taken in the 2009-10 budget, revenues would decline by nearly $5 billion, or more than 9 percent compared to 2008-09.

In response, the Executive Budget gap-closing plan proposes $15.4 billion in savings and new resources that would fully balance the General Fund and HCRA in the current year and 2009-10, leaving a General Fund gap of $1.8 billion in 2010-11. The plan makes great strides toward structural balance, reducing the combined four-year gap (2008-09 through 2011-12) from $51 billion to $5.9 billion, a decrease of $45.1 billion (88 percent).

The Executive Budget:

- Holds 2009-10 spending flat in the General Fund and below inflation for nearly all budget measures.
- Maintains the state's rainy day reserves at $1.2 billion, equal to approximately 2.2 percent of expected spending.
- Limits non-recurring resources to $1.1 billion in 2009-10, or approximately 8 percent of the total gap-closing plan.
- Reduces the number of state employees by 3,108 in 2009-10.

The gap-closing plan is balanced with actions that are under the state's control to enact and implement. It does not impose any new broad-based income taxes or rely on the prospect of extraordinary federal aid, which at this point remains highly speculative as to its direct impact on state finances.

II. 2009-10 Executive Budget Actions

The 2009-10 gap-closing actions can be grouped into three general categories: (1) actions that reduce current services spending in the General Fund on a recurring basis; (2) actions that increase revenues on a recurring basis; and (3) transactions that increase revenues or lower spending in 2009-10, but that are not expected to recur.

Spending Restraint

The sustained growth in spending commitments during the last economic recovery has contributed substantially to the state's long-term structural deficit. Since 2004, nearly all of the state's major aid programs and activities, including school aid, health care, and STAR, have grown faster than inflation. Left unaddressed, state spending in the General Fund next fiscal year would grow in the range of 12 percent, or ten times the rate of inflation. Growth rates in this range are not sustainable, based on either historical patterns of revenue receipts or current projections, especially in light of the extraordinary uncertainties in the economic outlook.

Accordingly, the Executive Budget gap-closing plan for 2009-10 focuses foremost on actions that substantially reduce the growth in state spending on a recurring basis. Actions to restrain spending account for approximately two-thirds of the gap-closing plan and will affect most activities funded by the state.

Given the magnitude of the budget gap, spending is reduced in every area of state government. The most significant actions to reduce spending from projections are taken in the following areas:

- Medicaid, through cost-containment measures, including rate reductions, restructuring the base on which rates are calculated, re-establishing certain industry assessments, and financing a greater share of Medicaid spending through HCRA.

- School Aid, primarily by maintaining selected aids at 2008-09 school year levels, extending the phase-in of Foundation Aid and the UPK program and instituting a Deficit Reduction Assessment.

- STAR, primarily by eliminating the Middle-class STAR program and reducing the personal income tax credit for New York City taxpayers.

Reductions taken in all other areas are described in full in this document. In addition to reductions in program spending, further savings of $241 million are achieved by eliminating all planned deposits in 2008-09 ($45 million) and 2009-10 ($196 million) into the Community Projects Fund, which finances member items.

The 2009-10 Executive Budget lays a strong foundation for improving the state's operations. This budget begins the process of streamlining state government by eliminating duplicative services, consolidating overlapping state agencies, closing underutilized facilities, and consolidating back-office operations. These proposals represent the first phase of what will be a long-term undertaking to make the cost of our government more affordable to taxpayers.

Notably the Executive Budget recommends a number of actions to reduce the cost of the state government workforce through wage, health benefit, and pension changes, including the creation of a new tier of pension benefits.

The Executive Budget also proposes financing a larger share of economic development projects with ongoing resources rather than with long-term debt, starting in fiscal year 2010-11. By converting from debt financing, the state will increase capacity under its statutory debt cap and realize debt service savings in future years. The determination to allocate the "pay-as-you-go resources" to economic development takes into account that projects in this area typically have above-average financing costs.

Revenue Actions

Balancing the budget exclusively through spending reductions in 2009-10 would require an extraordinary retrenchment in state services. Absent any actions to raise revenues, General Fund spending would have to be reduced by over $13 billion from the level required to meet existing commitments – and by over $6 billion, or 11 percent, from the current year. Spending reductions of this magnitude in a recession could threaten to slow a future recovery, as well as raise potential health and public safety concerns.

Accordingly, the Executive Budget includes a balanced package of revenue enhancements. The Executive Budget does not include any broad-based income tax proposals, but it does include $3.1 billion in recurring revenue actions, including proposals to ensure that tax burdens are fairly distributed, improve consistency with other taxing jurisdictions, and close loopholes, among other objectives. The budget also includes new or increased fees or fines, most of which finance specific activities and have not been changed in several years. Significant revenues also are achieved by reforming the Empire Zone program to ensure that tax benefits are provided only for businesses that provide significant return on taxpayer investments.

Non-Recurring Resources

The Executive Budget relies on $1.1 billion in non-recurring resources in 2009-10. Non-recurring resources total less than the annual growth in savings from recurring actions from 2009-10 to 2010-11, which increase in value by over $2 billion. The practical effect is that non-recurring actions have no adverse impact on the 2010-11 gap because they are more than offset by the growth in savings. In fact, if the entire 2009-10 Executive Budget gap-closing plan consisted of recurring actions that did not grow in value (i.e., $13.7 billion), the current-services gap remaining in 2010-11 would total approximately $3.4 billon, instead of the $1.8 billion projected.

The largest non-recurring actions consist of delaying, by two years, an extra Medicaid cycle that would otherwise occur at the end of 2009-10, increasing the business tax prepayment to 40 percent, transferring available resources from the Battery Park City Authority to the state and New York City, transferring assets from NYPA, and bond-financing certain capital costs. In 2010-11, the Financial Plan assumes a one-time franchise payment from a VLT operator that would be selected for the Belmont VLT facility that is proposed with the 2009-10 budget.

Consistent with the Mid-Year Update, the Financial Plan assumes that $145 million in existing reserves will be applied to finance labor settlements in 2009-10 with unions that have not yet reached agreements (assuming settlements are reached).

III. 2008-09 Deficit Reduction Plan

The 2008-09 Deficit Reduction Plan (DRP) must achieve $1.7 billion in savings in the three-month period from January 1, 2009 through March 31, 2009. The DRP actions that can be implemented in the final quarter of the fiscal year are limited by the time period and, therefore, were developed under separate guidelines from the Executive Budget for 2009-10. The DRP consists of actions that require legislative approval and actions that the Budget Division expects to take administratively. Actions requiring legislative approval total $1.3 billion (78 percent of the $1.7 billion total). These actions are described in detail in this document.

IV. Executive Budget Impact on Spending Growth

General Fund disbursements, including transfers to other funds, are not expected to increase from 2008-09 to 2009-10. Compared to the current services forecast, General Fund spending would be reduced by $7.2 billion. State Operating Funds spending, which excludes federal operating aid and capital spending, is projected to total $79.8 billion in 2009-10, an increase of $400 million (0.5 percent) over the current-year forecast. Compared to the current services forecast, State Operating Funds spending would be reduced by $7.2 billion. All Governmental Funds spending, which includes capital projects spending and federal aid, is estimated at $121.1 billion in 2009-10, an increase of $1.3 billion (1.1 percent) from 2008-09.

TOTAL DISBURSEMENTS
(millions of dollars)

			Before Actions			After Actions	
	2008-09 Revised	2009-10 Base	Annual $ Change	Annual % Change	2009-10 Proposed	Annual $ Change	Annual % Change
State Operating Funds	**79,414**	**86,992**	**7,578**	**9.5%**	**79,814**	**400**	**0.5%**
General Fund *	49,665	56,283	6,618	13.3%	49,478	(187)	-0.4%
Other State Funds	25,062	25,511	449	1.8%	25,139	77	0.3%
Debt Service Funds	4,687	5,198	511	10.9%	5,197	510	10.9%
All Governmental Funds	**119,744**	**130,006**	**10,262**	**8.6%**	**121,058**	**1,314**	**1.1%**
State Operating Funds	79,414	86,992	7,578	9.5%	79,814	400	0.5%
Capital Projects Funds	6,679	7,922	1,243	18.6%	7,661	982	14.7%
Federal Operating Funds	33,651	35,092	1,441	4.3%	33,583	(68)	-0.2%
General Fund, including Transfers	**55,376**	**62,635**	**7,259**	**13.1%**	**55,392**	**16**	**0.0%**

** Excludes transfers.*

V. Projected Closing Balances

The Division of the Budget estimates the state will end 2008-09 with a General Fund balance of $1.5 billion, consisting of $1.2 billion in undesignated reserves and $272 million in designated reserves. The projected closing balance is $109 million lower than the balance projected at the time of the Mid-Year Update. This is due to the expected use of the Debt Reduction Reserve for debt service costs and elimination of a planned deposit to the Community Projects Fund.

The year-end balance in 2009-10 is expected to decline by $272 million to a total of $1.2 billion. This reflects the expected use of amounts reserved for labor settlements to finance a portion of new contracts that may be agreed to during the upcoming fiscal year. It also reflects the expected spend-down of existing balances in the Community Projects Fund to finance discretionary ("member item") spending. The DRP and Executive Budget recommend elimination of all planned deposits (totaling $241 million over two years) into the Community Projects Fund through 2009-10.

The closing balance estimates assume the successful implementation of the DRP and the enactment of the Executive Budget in its entirety.

GENERAL FUND ESTIMATED CLOSING BALANCE
(millions of dollars)

	2008-09	2009-10	Change
Projected Year-End Fund Balance	**1,499**	**1,227**	**(272)**
Undesignated Reserves	1,227	1,227	0
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Designated Reserves	272	0	(272)
Reserved for Labor Settlements	145	0	(145)
Reserved for Debt Reduction	0	0	0
Community Projects Fund	127	0	(127)

There are approximately $400 million in additional savings items that are described in other budget documents that may not fall into a particular policy area in this Briefing Book. These include bonding certain eligible capital equipment expenses, eliminating funding for digital literacy programs, expanding cost-recovery payments to Industrial Development Agencies, increasing the Bond Issuance Charge, providing additional flexibility for personal income tax bond issuers, and other actions.

Efficiencies and Reform

Introduction

New York's current fiscal crisis demands that we change the way state government works, and do so not only with the goal of short-term savings, but also with a vision of how government should operate in the future. There has never been a greater need for the state to fundamentally re-evaluate its operations.

The 2009-10 Executive Budget lays a strong foundation for streamlining state government by eliminating duplicative services, consolidating overlapping state agencies, closing underutilized facilities, lowering the cost and size of the state workforce, and consolidating back-office operations. These proposals represent the first phase of what will be a long-term undertaking to make the cost of our government more affordable to taxpayers.

Agency Consolidations

The Executive Budget recommends that seven state agencies merge or integrate with existing agencies, as a first step toward future consolidations. Two additional agencies would have their operations hosted by other agencies. In total, these actions would provide savings of $16.5 million in 2009-10.

To streamline and improve the delivery of economic development services, the New York State Foundation for Science, Technology and Innovation (NYSTAR) would merge with the Empire State Development Corporation (ESDC). Further efficiencies and coordination will be achieved through enhanced integration of activities between the Department of Economic Development and ESDC ($13.3 million in 2009-10 savings).

The State Employment Relations Board is eliminated and its functions absorbed by the Public Employment Relations Board ($1.4 million in 2009-10 savings). The Northeastern Queens Nature and Historical Preserve Commission and the Hudson River Valley Greenway Communities Council and Conservancy would merge into the Department of State ($1.1 million in 2009-10 savings).

The New York State Theatre Institute would merge with the Empire State Plaza Performing Arts Center Corporation ("The Egg") and the Office of the Welfare Inspector General would merge with the Office of the Medicaid Inspector General. While neither of these actions would produce General Fund savings, they would create efficiencies within these organizations to strengthen their long-term operational and fiscal health.

Additionally, the Department of Taxation and Finance would host the operations of the Office of Real Property Services ($500,000 in 2009-10 savings) and the Division of the Lottery would host the operations of the Racing and Wagering Board ($225,000 in 2009-10 savings).

Facility Closures

As a result of a review of projected capacity needs, the Executive Budget recommends that several underutilized state facilities be eliminated or downsized. In a time of unprecedented difficulty, the state cannot afford to subsidize half-empty facilities.

The budget recommends the closure of four minimum-security camps – Pharsalia (located in Chenango County), Gabriels (located in Franklin County), Georgetown (located in Madison County), and Mt. McGregor (located in Saratoga County). These facilities are currently at less than 47 percent of capacity, reflecting a decline in the prison population of 10,500 (15 percent) since 1999. In addition, the Department of Correctional Services (DOCS) will close several annexes to further consolidate the system. These closures will provide savings of $26 million in 2009-10. As the population continues to decline, further closures would be undertaken to continue to eliminate excess capacity.

The Executive Budget also recommends closing six underutilized Office of Children and Family Services (OCFS) youth facilities (the Adirondack Residential Center in Clinton County, the Cattaraugus Residential Center and Great Valley Residential Center in Cattaraugus County, the Pyramid Reception Center in the Bronx, the Rochester Community Residential Home in Monroe County, and the Syracuse Community Residential Home in Onondaga County), downsizing two other youth facilities (the Allen Residential Center in Delaware County and the Tryon Residential Center in Fulton County) and closing three evening reporting centers (the Capital District Evening Reporting Center in Albany County, the Buffalo Evening Reporting Center in Erie County, and the Syracuse Evening Reporting Center in Onondaga County). The affected youth facilities have an average vacancy rate of 63 percent.

Additionally, the Office of Mental Health would eliminate 450 beds (11 percent) from its inpatient psychiatric system, moving those patients to more appropriate settings, at a savings of $6.1 million in 2009-10 and $12.3 million in 2010-11. The Office of Alcohol and Substance Abuse Services would close its 52-bed Manhattan Addiction Treatment Center (ATC), providing savings of $4.6 million in 2009-10 and 2010-11.

State Workforce

The Executive Budget reduces the size of the state workforce by 3,108 positions in 2009-10. This will be accomplished through a combination of specific programmatic actions, such as agency consolidations and facility closures, as well as the continued implementation of a hard hiring freeze. In addition, the introduction of a new tier of pension benefits will hold down the long-term cost of fringe benefits.

Pension Reform

The Executive Budget will create a new tier of pension benefits (Tier V) for public employees, providing substantial long-term fringe benefit savings to local governments and the state. Many of the requirements for Tier V would simply remove benefit enhancements added in recent years to Tier IV, including restoring the minimum retirement age from 55 to 62, requiring employees to continue to contribute to the pension fund after their tenth year of service and restoring the minimum years of service required to draw a pension from five to ten. New requirements for Tier V include excluding overtime compensation when calculating pension benefits, which will prevent "salary spiking" in an employee's final years of service. These actions are expected to produce savings of $10 million in 2009-10, $30 million in 2010-11, and dramatic future savings as greater numbers of new employees subject to Tier V replace current employees. Under the state Constitution, these new requirements can only apply to new employees.

Council on Shared State Operations (CSSO)

To build toward future efficiencies, the Executive Budget would also establish a new Council on Shared State Operations to oversee the development of a "shared services" model in New York, co-chaired by the Director of State Operations and the Director of the Budget. A shared services approach seeks to centralize back-office operations, thereby creating cost-savings while simultaneously improving the services offered – a practice that is standard among private sector firms and has been increasingly adopted in the public sector. Consolidating administrative functions shared by multiple agencies will free agencies to focus on their core missions of providing essential services to New Yorkers, rather than administrative tasks.

Over the next several years, state agencies will work together to create shared service centers with expertise in six distinct operational areas. These centers would gradually become responsible for administering the following consolidated lines of business across state government:

- **Financial Management System (FMS).** The Division of the Budget, in partnership with the Office of the State Comptroller, will launch development of a system to support the delivery of statewide financial services including budgeting, procurement, accounts payable, and travel expense reporting.
- **Procurement.** A new Office of Procurement Services will evaluate and improve the state's procurement policies, coordinate purchasing among state agencies, develop new approaches to leverage the buying power of the state, and assist in the development of an e-procurement system as part of the statewide Financial Management System. The new Office will be led by a Chief Procurement Officer (CPO) following a model used by the private sector and other states to capture savings through an ongoing identification of strategic opportunities to partner with sellers of goods and services.

- **Human Resources.** The Department of Civil Service and the Governor's Office of Employee Relations will explore how the state can better integrate its existing human resource systems and coordinate employee benefits, training, recruiting, and time and attendance.
- **Technology.** The Office for Technology will focus on the delivery of disaster recovery services, consolidation of servers into a statewide data center, required security, and improvements to telecommunications.
- **Asset Management.** The Office of General Services will focus on managing the state's leases, and explore fleet and surplus property initiatives.
- **Customer Service.** A consortium of agencies will also become responsible for developing statewide customer service activities, including a statewide web-based portal for "one-stop" applications for licensing and permits, and a statewide call center.

2008-09 Deficit Reduction Plan

In order to close a current-year shortfall of $1.7 billion, Governor Paterson has put forward a 2008-09 Deficit Reduction Plan as part of his Executive Budget.

Since he took office, Governor Paterson has taken significant actions to reduce state spending in response to dramatically deteriorating revenues caused by the national fiscal crisis. He has twice called for and implemented reductions in state agency spending that totaled 10 percent in the current year, and in August, 2008, the Governor worked with the legislature to enact $1.0 billion of savings over a two-year period, including $427 million of savings in 2008-09.

On November 12, 2008, Governor Paterson presented the Legislature with a comprehensive two-year $5.2 billion deficit reduction plan that would have entirely eliminated the state's 2008-09 shortfall, guarded against further revenue deterioration, and made a substantial down payment on the 2009-10 deficit. These proposals would have produced $2.0 billion of savings in 2008-09 and $3.2 billion in 2009-10.

The Governor convened a special emergency session on November 18, 2008 for the Legislature to consider these proposals. At that session, the Legislature did not act on his plan.

The $1.7 billion Deficit Reduction Plan included in the Executive Budget contains many of the same proposals from the $2.0 billion plan presented to the Legislature in November. More than $1.0 billion of the previously issued savings proposals have been withdrawn, however, because they are no longer achievable before the end of the fiscal year. These include an $836 million School Aid reduction, $72 million in Medicaid savings, an increase in CUNY annual undergraduate tuition, a reduction in local aid payments to New York City by $41 million, and other actions.

These lost savings proposals have been replaced with $771 million in new actions. The proposals Governor Paterson has put forward rely more heavily on non-recurring actions than the previous plan because, with significantly less time left in the fiscal year, there are fewer options for recurring savings to close the current-year budget gap. The Financial Plan assumes that the Legislature acts on this Deficit Reduction no later than February 1 to ensure the budget will end the year in balance.

The Deficit Reduction Plan would also produce $2.0 billion in 2009-10 savings to help address that year's $13.7 billion budget deficit. The 2009-10 Executive Budget gap-closing plan assumes enactment of these proposals.

2008-09 Deficit Reduction Plan ($ in millions)	
	2008-09
Medicaid/HCRA/Insurance (Includes Deferrals)	**500**
Higher Education	**68**
Increase SUNY Tuition $620 per SUNY Board	62
TAP Award Increases	(9)
Reduce SUNY/CUNY Community College Base Aid	15
Other Education	**7**
Reduce Arts Grants	7
Local Governments	**93**
Change Timing of NYC STAR Payment	93
Human Services	**15**
Reduce Human Service COLA by 1% effective January 1, 2009	5
Delay Foster Care Bridges to Health Implementation to 2011-12	1
Reduce Prevention Funding	3
Eliminate Unified Services Enriched Funding	1
Eliminate NYCHA Operating Subsidy	3
Reduce Neighborhood and Rural Preservation	2
Other Actions	**244**
Reduce New 2008-09 Legislative Additions 50 Percent	30
EPF Reduction	50
Expand Bottle Bill and Sweep EPF	25
Housing Bond Financing (SONYMA/MIF)	25
Reduce Economic Development Programs	8
Other General Fund Transfers	106
Workforce	**9**
Rescind Vacation Exchange Program	5
Medicare Part B Premiums	3
Modify Retiree Contributions for Health Care	1
New Actions	**771**
NYPA Payments	306
Department of Law Litigation Settlements	91
Manhattan District Attorney Settlements	75
WCB Recalculation	50
Existing Fund Balances/Debt Reduction	100
No Member Item Transfer	45
Reduce Local Incentive Grant Programs	2
Transfer Accumulated Balance Volunteer Recruitment Scholarship	2
Statewide Spending Controls	100
Total Savings Measures:	**1,707**

Medicaid/HCRA/Insurance

$429 million of the 2009-10 Medicaid/HCRA/Insurance savings are attributable to 2008-09 actions effective January 1, 2009 that, due to the timing of payments, will not produce cash savings until 2009-10. Therefore, $429 million in other 2008-09 expenses outside of Medicaid/HCRA/Insurance will be deferred until early in the 2009-10 fiscal year to offset this timing related issue and ensure budget balance.

Proposal	2008-09 ($ in millions)	2009-10 ($ in millions)
Medicaid/HCRA/Insurance	**500**	**1,240**
Savings	71	1,669
Payment Deferral to Realize 08-09 Savings	429	(429)

Pharmacy

(2008-09 Savings: $0; 2009-10 Savings: $25.2 million)

- **Expand Medicaid Preferred Drug List.** Expand the Medicaid Preferred Drug List to include anti-depressants. *(2008-09 Savings: $0; 2009-10 Savings: $3.3 million)*
- **Reduce Reimbursement.** Reduce reimbursement for pharmacies in the Medicaid and EPIC programs from Average Wholesale Price (AWP) minus 16.25 percent to AWP minus 17.25 percent. *(2008-09 Savings: $0; 2009-10 Savings: $21.9 million)*

Hospital/Clinics/HCRA

(2008-09 Savings: $55.2 million; 2009-10 Savings: $535.3 million)

- **Re-institute Assessment.** Re-institute the 0.7 percent assessment on hospital inpatient revenues. *(2008-09 Savings: $0; 2009-10 Savings: $316.4 million)*
- **Reduce Grant Funding.** Reduce Public Hospital Recruitment and Retention grant funding. *(2008-09 Savings: $9.0 million; 2009-10 Savings: $12.0 million)*
- **Eliminate HCRA Funding for Certain Programs.** Eliminate unspent funding for selected HCRA programs, including a disproportionate share adjustment for non-public hospital grants that is not needed, the Regional Pilot Individual Subsidy Program, and worker re-training. *(2008-09 Savings: $18.2 million; 2009-10 Savings: $29.8 million)*
- **Eliminate Grant Funding.** Eliminate unspent grant funding for the Adirondack Cancer Network. *(2008-09 Savings: $4.6 million; 2009-10 Savings: $0)*
- **Reduce Unspent Graduate Medical Education Funding.** Reduce unspent Graduate Medical Education funding by 20 percent. *(2008-09 Savings: $23.4 million; 2009-10 Savings: $23.4 million)*

- **Reduce Rates.** Implement an across-the-board rate reduction of 8 percent in 2008-09 and 2 percent in 2009-10. *(2008-09 Savings: $0; 2009-10 Savings: $66.1 million)*

- **Eliminate 2008 Trend Factor.** Eliminate the remaining share of the calendar year 2008 hospital trend factor (1.495 percent). *(2008-09 Savings: $0; 2009-10 Savings: $36.8 million)*

- **Eliminate 2009 Trend Factor.** Eliminate the calendar year 2009 hospital trend factor (2.1 percent), effective January 1, 2009. *(2008-09 Savings: $0; 2009-10 Savings: $50.8 million)*

Insurance

(2008-09 Savings: $0; 2009-10 Savings: $644.8 million)

- **Change Public Health Program Financing.** Shift financing for selected public health programs to assessments on the insurance industry. *(2008-09 Savings: $0; 2009-10 Savings: $99.8 million)*

- **Change Timothy's Law Financing.** Finance the costs of assistance to small businesses to implement Timothy's Law from insurance assessments. *(2008-09 Savings: $0; 2009-10 Savings: $179 million)*

- **Increase Assessment.** Increase the covered lives assessment on the insurance industry. *(2008-09 Savings: $0; 2009-10 Savings: $240 million)*

- **Increase Hospital Surcharges.** Increase HCRA surcharges on hospital patient service revenues. *(2008-09 Savings: $0; 2009-10 Savings: $126 million)*

Nursing Homes

(2008-09 Savings: $4.2 million; 2009-10 Savings: $252.4 million)

- **Delay Nursing Home Rebasing.** Delay nursing home rebasing from January 1, 2009 to April 1, 2009. *(2008-09 Savings: $0; 2009-10 Savings: $22 million)*

- **Reduce Rates.** Implement an across-the-board rate reduction of 8 percent in 2008-09 and 2 percent in 2009-10. *(2008-09 Savings: $0; 2009-10 Savings: $94.7 million)*

- **Reduce Grant Funding.** Reduce recruitment and retention grants for public facilities. *(2008-09 Savings: $4.2 million; 2009-10 Savings: $0)*

- **Reduce Transportation Rates.** Reduce Adult Day transportation rates. *(2008-09 Savings: $0; 2009-10 Savings: $11 million)*

- **Eliminate 2008 Trend Factor.** Eliminate the remaining share of the calendar year 2008 nursing home trend factor (1.495 percent). *(2008-09 Savings: $0; 2009-10 Savings: $50.5 million)*

- **Eliminate 2009 Trend Factor.** Eliminate the calendar year 2009 nursing home trend factor (2.1 percent), effective January 1, 2009. *(2008-09 Savings: $0; 2009-10 Savings: $74.2 million)*

Home Care

(2008-09 Savings: $0; 2009-10 Savings: $142.3 million)

- **Modify Rates.** Encourage administrative efficiencies for Certified Home Health Agencies and Long Term Home Health Care Programs by making rate modifications. *(2008-09 Savings: $0; 2009-10 Savings: $48.7 million)*
- **Eliminate 2008 Trend Factor.** Eliminate the remaining share of the calendar year 2008 home care and personal care trend factor (1.495 percent). *(2008-09 Savings: $0; 2009-10 Savings: $31.5 million)*
- **Eliminate 2009 Trend Factor.** Eliminate the calendar year 2009 home care and personal care trend factor (2.1 percent), effective January 1, 2009. *(2008-09 Savings: $0; 2009-10 Savings: $42.7 million)*
- **Reduce Rates.** Implement an across-the-board 1 percent reduction in home care and personal care rates. *(2008-09 Savings: $0; 2009-10 Savings: $19.4 million)*

Other Actions

(2008-09 Savings: $11.1 million; 2009-10 Savings: $69.6 million)

- **Eliminate Retroactive Trend Adjustment.** Eliminate the retroactive 2008 trend adjustment (to reflect the difference between the budgeted and anticipated 2008 CPI) for hospitals, nursing homes, and home and personal care providers. *(2008-09 Savings: $0; 2009-10 Savings: $69.6 million)*
- **Recoup Overpayments.** Recoup Early Intervention Program overpayments from New York City. *(2008-09 Savings: $11.1 million; 2009-10 Savings: $0)*

Higher Education

- **Increase SUNY Resident Undergraduate Tuition.** The SUNY Board has voted to increase annual resident undergraduate tuition by $620 (14 percent) from $4,350 to $4,970. Spring 2008-09 tuition will increase by $310. The full annual $620 increase would be effective in the following academic year. Savings will be achieved by using additional tuition revenue to offset state financial support. In a break from more than 30 years of state history, SUNY would retain 10 percent of the value of the tuition increase for new investment in 2008-09 and 20 percent of the full annual increase in 2009-10. *(2008-09 Savings: $62 million; 2009-10 Savings: $122 million)*

- **Increase TAP Award Spending.** The recommended tuition increase for SUNY will drive higher costs for the Tuition Assistance Program. *(2008-09 Cost: $9 million; 2009-10 Cost: $25 million)*

- **Reduce Aid for SUNY/CUNY Community Colleges.** This proposal decreases community college base aid by an average of 10 percent, or $270, from $2,675 per student to an average of $2,405 per student. To recognize the disproportionately adverse impact that this reduction could have on smaller community colleges if applied in an across-the-board fashion, legislation will be proposed to reduce the impact of the proposal on these colleges, as follows: colleges with fewer than 3,000 full time equivalent students will have their base aid payments reduced by $160 per student; colleges with between 3,000 and 6,000 students will have their base aid payments reduced by $230; and colleges with more than 6,000 students will have their base aid payments reduced by $300. *(2008-09 Savings: $15 million; 2009-10 Savings: $65 million)*

Other Education

- **Reduce Funding for Arts Grants.** This proposal reflects a reduction of grant funding that has not yet been awarded. After these reductions, state funding for arts grants would total $39 million in 2008-09. *(2008-09 Savings: $7 million; 2009-10 Savings: $7 million 2009-10)*

Local Governments

- **Change Timing of NYC STAR Payment.** Consistent with existing statutory authority, the December 2008 STAR payment to the City of New York would be moved to June 2009. This will have no impact on New York City's Financial Plan, as the payment would be made in the same City Fiscal Year. This action has been taken administratively. *(2008-09 Savings: $93 million; 2009-10 Savings: $20 million)*

Human Services

- **Reduce Cost-of-Living Adjustment for Human Services Providers.** The 2008-09 Enacted Budget included a cost-of-living adjustment (COLA) of 3.2 percent for human service providers effective April 1, 2008. This proposal reduces that COLA by 1 percent to 2.2 percent effective January 1, 2009 and would impact providers in the following areas: Office of Mental Health, Office of Alcoholism and Substance Abuse Services, Office of Mental Retardation and Developmental Disabilities, Office of Children and Family Services, the Department of Health, and the State Office for the Aging. *(2008-09 Savings: $5 million; 2009-10 Savings: $23 million)*

- **Delay Implementation of Bridges to Health Program.** The budget would delay the phase-in of 2,652 slots for the "Bridges to Health" program until 2011-12. This Medicaid waiver program was designed to provide intensive services to children in foster care, with the goal of keeping these children out of institutional settings. *(2008-09 Savings: $1 million; 2009-10 Savings: $15 million)*

- **Reduce OASAS Prevention Funding.** This proposal reduces Office of Alcoholism and Substance Abuse Services (OASAS) funding for school-based prevention services in New York City schools. After this action, $19 million in funding would remain for this program in 2008-09. *(2008-09 Savings: $3 million; 2009-10 Savings: $3 million)*

- **Eliminate Unified Services Enriched Funding.** Most counties or not-for-profit providers and the state share equally (50/50) in providing funding for approved net operating costs for mental health, developmental disability and chemical dependency services pursuant to approved local services plans. However, providers in certain counties receive state reimbursement ranging from 69.3 percent to 97 percent based on a 1974-75 plan that was intended to reduce the use of state inpatient services. There is currently no justification for more generous state aid treatment for providers in these five counties (Rensselaer, Rockland, Warren, Washington, and Westchester). This proposal eliminates this additional funding, effective January 1, 2009. *(2008-09 Savings: $1 million; 2009-10 Savings: $3 million)*

- **Eliminate New York City Housing Authority Subsidy.** This proposal eliminates a $3 million operating subsidy for the New York City Housing Authority (NYCHA), which has a $2.8 billion operating budget. Currently, no local housing authority in the state other than NYCHA receives an operating subsidy. *(2008-09 Savings: $3 million; 2009-10 Savings: $3 million)*
- **Reduce Neighborhood and Rural Preservation Programs.** The Division of Housing and Community Renewal provides financial support to 222 not-for-profit community based housing corporations across the state through the Neighborhood Preservation Program (NPP) and Rural Preservation (RPP) programs. This proposal reduces funding for the individual 2008-09 contracts by 25 percent of remaining payments. *(2008-09 Savings: $2 million; 2009-10 Savings: $2 million)*

Other Actions

- **Reduce New Legislative Programs by 50 Percent.** During the August 2008 special session, funding for most new executive and legislative programs was reduced across-the-board by 50 percent and 6 percent, respectively. Governor Paterson is recommending reducing new legislative programs by 50 percent of remaining spending, commensurate with the reduction enacted for new executive programs. *(2008-09 Savings: $30 million; 2009-10 Savings: $5 million)*

- **Reduce Environmental Protection Fund (EPF) Spending.** Planned commitments from the EPF will be reduced by $50 million, from $255 million to $205 million. Even with this reduction, funding for the EPF will still have grown by 37 percent since 2005-06. An additional General Fund benefit of $39 million will be achieved in 2009-10 by reducing previously mandated Real Estate Transfer Tax cash flows into the EPF to reflect planned commitment levels. *(2008-09 Savings: $50 million; 2009-10 Savings: $89 million)*

- **Expand Bottle Bill and Sweep EPF.** This budget would expand the current 5-cent deposit on beer and soda containers to water and other non-carbonated beverages, capture all unclaimed five-cent deposits, and use that funding to complement other financial support to the Environmental Protection Fund. Timing issues will preclude any receipts in 2008-09 from the bottle bill. Accordingly, a $25 million transfer from the EPF to the General Fund will be used to offset revenues lost from delayed approval of the Bottle Bill. *(2008-09 Savings: $25 million; 2009-10 Savings: $118 million)*

- **Finance Certain Housing Programs with Bonding.** Eligible capital expenses for the Greater Catskills Flood Remediation Program and the Housing and Economic Stabilization for Long Island Program (HELP), that were previously anticipated to be financed on a pay-as-you-go basis, would be financed through bonding. *(2008-09 Savings: $25 million; 2009-10 Savings: $0)*

- **Reduce Funding for Certain Economic Development Programs**. Funding for several economic development initiatives would be reduced, including local tourism matching grants ($1.5 million), JOBS Now ($1.5 million), the Focus Research Center at Albany Nanotech/RPI ($2.6 million), Technology Transfer ($1 million), and Faculty Development programs ($1 million). It is also recommended that the Centers for Applied Research and Technology program be allowed to expire at the end of 2008, providing savings of $900,000. *(2008-09 Savings: $8 million; 2009-10 Savings: $9 million)*

- **Other General Fund Transfers**. The state would transfer excess revenues from certain state authorities and special revenue accounts into the General Fund. None of these transfers would impact current operations. These entities would include the Dormitory Authority *(2008-09 Savings: $6 million; 2009-10 Savings: $0 million)* and the Office of Temporary Disability Assistance's federal administration account for child support enforcement activities *(2008-09 Savings: $100 million; 2009-10 Savings: $5 million). (Total 2008-09 Savings: $106 million; Total 2009-10 Savings: $5 million)*

Workforce

- **Rescind 2008-09 Vacation Exchange Program**. Management/confidential employees were allowed to exchange limited amounts of unused vacation time for cash payments. This program has been rescinded for 2008-09 – an action which has been taken administratively. *(2008-09 Savings: $5 million; 2009-10 Savings: $0)*

- **Require State Employees and Retirees to Contribute to the Medicare Part B Premiums.** The state currently pays 100 percent of the Medicare Part B premium for employees and retirees. Requiring employees and retirees to contribute toward Medicare Part B premiums would increase annual premium costs to employees and retirees by approximately $20 (individual) to $80 (family). *(2008-09 Savings: $3 million; 2009-10 Savings: $30 million)*

- **Modify Retiree Contributions for Health Care.** The state's contributions for future retired public employee health insurance premiums would be provided on a sliding scale based on the retiree's years of service. Currently, the state pays 90 percent of premiums for all employees (75 percent for dependents) who retire with at least 10 years of service. Under this proposal, the state would pay a minimum of 50 percent of premiums for individual coverage and 35 percent for dependent coverage for employees who retire with 10 years of service. The state's contribution would increase by 2 percent of the premium for each additional year of service up to a maximum contribution of 90 percent for individual coverage and 75 percent for dependent coverage for employees who retire with 30 or more years of service. *(2008-09 Savings: $1 million; 2009-10 Savings: $8 million)*

New Actions

- **New York Power Authority Transfers.** The New York Power Authority would transfer $306 million to the state's General Fund in 2008-09 and $170 million in 2009-10. Of this amount, $215 million represents funds that were reserved by NYPA to pay for the disposal of waste at a federal repository. It is anticipated that NYPA will not need these funds for several years. The remaining transfer represents assets not necessary to meet NYPA's short term operating, capital or debt service costs. *(2008-09 Savings: $306 million; 2009-10 Savings: $170 million)*

- **Department of Law's Litigation Settlement Account.** A total of $91 million would be transferred from the Department of Law's Litigation Settlement Account to the General Fund in 2009-10. After these transfers, $28 million would remain in the account, which will satisfy current appropriations and anticipated spending in the account. *(2008-09 Savings: $91 million; 2009-10 Savings: $5 million)*

- **Manhattan DA Settlements.** The Financial Plan currently assumes that the state will receive $22.5 million from various settlements anticipated by the Manhattan District Attorney. Recent reports from the DA's office have revealed that settlements in the current year should be considerably higher than this amount. The Division of the Budget now estimates that the state will receive $75 million in additional revenue from these settlements in 2008-09. *(2008-09 Savings: $75 million; 2009-10 Savings: $25 million)*

- **Workers Compensation Board Insurance Assessment Recalculation.** As a result of a discrepancy in current law, some insurers have collected surplus funds, which will be paid to the Workers' Compensation Board to support reform efforts and provide financial plan savings. *(2008-09 Savings: $50 million; 2009-10 Savings: $0)*

- **Fund Balances/Debt Reduction Reserve Fund.** The 2008-09 enacted budget approved $350 million in blanket authorization for General Fund transfers, which can be initiated at the discretion of the Division of the Budget. Previously, the Financial Plan only assumed that $300 million of this authorization would be used in the 2008-09 fiscal year. Now, that entire authorization will be used. Additionally, $50 million in the Debt Reduction Reserve Fund will be utilized for financial plan relief. *(2008-09 Savings: $100 million; 2009-10 Savings: $0)*

- **Eliminate Member Items Transfer.** A planned $45 million transfer to the Community Projects Fund would be eliminated in 2008-09. *(2008-09 Savings: $45 million; 2009-10 Savings: $0)*

- **Transfer Accumulated Balance Volunteer Recruitment Scholarship.** An accumulated balance in the Volunteer Recruitment Services Scholarship account will be transferred to the General Fund. This action will not have any impact on current recipients. *(2008-09 Savings: $2 million; 2009-10 Savings: $0)*

- **Scale Back Local Incentive Grant Programs.** The 2008-09 Deficit Reduction Budget reduces local incentive grant funding under two separate programs:

  - *Local Government Efficiency Grants* administered by the Department of State to encourage local consolidation and shared services; and

  - *Efficiency Incentive Grants* for the City of Buffalo and Erie County, which are awarded by the State Control Boards that oversee these municipalities to seed cost-saving investments necessary to restructure city and county operations.

  The reductions in both programs will honor current grant awards in full, but reduce remaining available funds by 50 percent. Although direct state financial incentives will be reduced, the Executive Budget also advances a package of recommendations by the Commission on Local Government Efficiency that will provide opportunities for municipalities to restructure their operations and achieve savings. *(2008-09 Savings: $2 million; 2009-10 Savings: $14 million)*

- **Statewide Spending Controls.** Governor Paterson recently issued an order that requires the Division of the Budget and the Office of State Operations to approve all agency contracts and capital projects. By carefully scrutinizing agency spending, significant savings are expected to be achieved. *(2008-09 Savings: $100 million; 2009-10 Savings: $0)*

Program Areas

Health Care

Department of Health
Office of the Medicaid Inspector General
State Office for the Aging

I. Overview

The mission of the Department of Health (DOH) is to protect and promote the health of New Yorkers by ensuring that high quality health services are available to all New Yorkers at a reasonable cost. Consistent with this objective, DOH provides comprehensive health care and long-term care coverage for low and middle income individuals and families through the Medicaid, Family Health Plus, Child Health Plus and Elderly Pharmaceutical Insurance Coverage (EPIC) programs.

In addition to its health insurance programs, DOH promotes and supervises public health activities throughout the state and operates Helen Hayes Hospital, four veterans' nursing homes and the Wadsworth Labs. The Department also oversees health care facilities.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity of the Medicaid Program by combating fraud, waste and abuse, and recovering inappropriate payments to providers.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers sixty years of age and older. The Office oversees community-based services provided through a network of county Area Aging Agencies and local providers.

II. History/Context

Established in 1965, New York's Medicaid program is the largest payer of health care and long-term care services in the state. More than four million individuals receive Medicaid-eligible services each month through a network of over 60,000 health care providers and 23 managed care plans. New York's Medicaid program covers nearly all services allowed by the federal government as well as other services authorized through federal waivers.

In the absence of any changes, total federal, state and county Medicaid spending would reach $48.2 billion in 2009-10. New York's Medicaid program is, by far, the most expensive in the nation. According to the most recent federal data, New York spends more per capita ($2,283) on Medicaid than any other state in the country and more than twice the national average ($1,026).

III. Proposed 2009-10 Budget Actions

The Executive Budget recommends a Medicaid and health care savings and reform plan that includes $3.5 billion in 2009-10 savings and $3.0 billion in 2010-11 savings. The Health Care Improvement Act (HCIA) and Long Term Care Reform Act of 2009 will: establish more rational and cost-effective reimbursement methods to produce better care at lower costs; modify reimbursements across sectors; impose selected assessments to support health care spending; improve access to public insurance programs; increase resources for safety net providers serving uninsured patients; impose measures to control pharmaceutical costs; and reduce spending for less-essential public health programs, among other actions detailed below.

Recommendations aimed at rationalizing ineffective reimbursement methodologies include:

- **Hospitals.** Continues the hospital reform efforts initiated in 2008-09 by updating the flawed inpatient reimbursement structure and redirecting hospital inpatient savings to investments in more appropriate and cost-efficient primary and ambulatory care, including freestanding clinics, physicians and mental health and substance abuse clinic services.

- **Nursing Homes.** Replaces a flawed nursing home reimbursement structure with a regional pricing system that encourages greater efficiencies in nursing home management; more accurately reflects the costs of hard-to-serve patients; and makes investments that promote better quality services and support the development of assisted living beds.

- **Home Care.** Replaces the current provider-specific cost based system with a pricing methodology based on the patient's medical needs, similar to Medicare, and makes investments to improve the quality of services.

The budget also makes critical targeted public health investments, including programs to assist low-income seniors with their drug costs, streamlined access to health care coverage for Medicaid patients, enhanced childhood lead poisoning primary prevention, additional investments in cancer screening and obesity prevention, and other improvements. It also provides capital funding to help healthcare facilities restructure in ways that will reduce costs.

Even after these actions, total Medicaid spending is still expected to reach $45.4 billion in 2009-10, an increase of $432 million or approximately 1.0 percent from 2008-09 levels. State-funded Medicaid spending is expected to total $16.0 billion, an increase of $587 million or 3.8 percent.

IV. Summary of Spending (All Funds Unless Otherwise Noted)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total)	45,012	45,444	432	1.0%
Medicaid (State Funds)	15,412	15,999	587	3.8%
Medicaid Fraud Cost-Recovery	695	820	125	18.0%
Department of Health Spending (excl. Medicaid)	4,713	4,323	(390)	(8.3%)
Office of the Medicaid Inspector General	85	88	3	3.5%
Office for the Aging	226	217	(9)	(4.0%)

V. Major Initiatives

Gap-closing Actions and Investments

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Hospital Savings	699.7	623.4
Nursing Home Savings	420.2	334.1
Home Care Savings	189.4	190.5
Pharmacy Savings	111.4	185.9
Insurance Savings	855.3	827.0
Medicaid Fraud Prevention	125.0	125.0
Utilization Management Savings	24.0	39.9
Managed Care Savings	83.7	91.1
Other Actions	555.9	21.8
All Other Public Health Actions	525.9	681.0
Total — Savings Proposals	**3,590.5**	**3,119.7**
Investments	(60.3)	($152.8)
Grand Total — Savings & Investments	**3,530.2**	**2,966.9**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

Hospital and Community-based Services

A series of proposals focus on continuing the multi-year hospital reimbursement reform started last year which will properly redirect resources and improve access to primary and preventive care while achieving savings through a more rational inpatient payment system. These actions will save $699.7 million in 2009-10 and $623.4 million in 2010-11.

- **Implement Deficit Reduction Bill.** This bill includes proposals to achieve savings by reducing rates, eliminating trend factors, reducing or eliminating certain grants and other actions. For further information see the Deficit Reduction Plan section. *(2009-10 Savings: $535.3 million; 2010-11 Savings: $458.3 million)*

- **Reallocate Graduate Medical Education Funds.** State-only Graduate Medical Education funding will be redirected to the indigent care pool to support teaching hospitals serving uninsured patients. *(2009-10 Savings: $141.3 million; 2010-11 Savings: $141.3 million)*

- **Increase Indigent Care Funding for Community Clinics.** Subject to a federal waiver, the indigent care pool for diagnostic and treatment centers will be doubled in size ($55 million to $110 million) and expanded to include clinics licensed by the Office of Mental Health.
- **Advance Health System Reimbursement Reform.** The Health Care Improvement Act continues the reimbursement reform effort initiated in 2008-09 by updating inpatient reimbursement to current costs, calibrating inpatient rates to reflect patient severity, and channeling hospital inpatient savings to investments in more appropriate and cost-efficient primary and ambulatory care. *(2009-10 Net Savings: $23.1 million; 2010-11 Net Savings: $23.8 million)*
  - **Reimbursement Reform Savings.** Hospital inpatient savings of $96.9 million are realized in 2009-10 by reducing inpatient rates to bring reimbursement closer to costs ($76.2 million), accelerating the phase-in of detoxification reimbursement reform, enacted in 2008-09, from four years to two years and reducing payments for medically surpervised detoxification ($18.4 million); reviewing inpatient admissions for medical necessity ($1.4 million); and implementing a new inpatient reimbursement methodology to better define the intensity of services ($900,000).
  - **Investment of Reimbursement Reform Savings.** Most of the savings proposals described above are re-invested ($73.8 million) in the health care system including hospital outpatient clinics ($29.6 million); community-based clinics ($11.4 million); community-based detoxification services ($1.9 million); in-home crisis services to children at risk of psychiatric hospitalization ($10.5 million); and clinics overseen by the offices of Alcohol and Substance Abuse Services, Mental Health and Mental Retardation and Developmental Disabilities ($3.8 million). In addition, the Health Care Improvement Act includes primary care funding for clinics and doctors that implement the "medical home" model which offers patient-centered care, especially critical for patients with chronic illnesses. The budget also recommends enhanced funding for primary care including cardiac rehabilitation services, referrals to substance abuse treatment and smoking cessation counseling for postpartum women, children and adolescents; a primary care demonstration in the Adirondack Park area ($9.5 million); and physician and other practitioner reimbursement increases ($7.1 million).

Nursing Homes

New York spends $7 billion on nursing homes, far more than any other state and about the same as California and Pennsylvania combined. Medicaid underwrites 72 percent of nursing home costs in New York – exceeding the national average of 65 percent. The Long Term Care Reform Act creates a more rational reimbursement system that is simple, transparent and uses an average price adjusted for the needs of the residents, not the individual facility's costs. These proposals will improve quality and efficiency and help control rising nursing home costs, making New York's payments more consistent with other states over time, and save $420.2 million in 2009-10 and $334.1 million in 2010-11.

- **Implement Deficit Reduction Bill.** This budget includes provisions to achieve savings by eliminating trend factors, reducing rates and delaying nursing home rebasing. For further information see Deficit Reduction Plan section. (*2009-10 Savings: $252.4 million; 2010-11 Savings: $182.0 million)*

- **Advance Nursing Home Reimbursement Reform.** A new regional pricing system, using more current Medicaid cost data and tied to quality, efficiency and resident need will replace the current system. Much needed investments to support quality improvement initiatives and development of assisted living beds are included. *(2009-10 Net Savings: $167.8 million; 2010-11 Net Savings: $152.1 million)*
  - **Reimbursement Reform Savings.** Savings will be generated by replacing the current system which includes hold-harmless provisions and multiple rate add-ons disconnected from efficiency and quality with a regional patient-centered pricing model ($175.8 million), phasing out 6,000 nursing home beds and replacing them with community alternatives over a five-year period ($8.7 million), reforming assisted living program reimbursement ($1.7 million) and reducing nursing home AIDS rates ($5.0 million), bed hold payments ($10.8 million) and payments for lower acuity patients ($5.3 million) to more closely reflect actual costs; and
  - **Reimbursement Reform Investments**. The budget invests a portion of the savings described above to phase-in 6,000 new assisted living beds over five years ($3.7 million); support financially disadvantaged homes ($5.0 million); and recognize hard to serve patients ($3.0 million). It also establishes a quality incentive funding pool ($25 million), a falls prevention program for nursing home residents ($300,000) and a geriatric nurse training program ($2.5 million). The budget also lifts the moratorium on community-based new adult day care programs.

Home Care

Home care is the fastest growing area in Medicaid. From 2003 to 2006, home care spending increased by more than 43 percent while the number of people served declined by 3.6 percent during the same period. Fewer people are getting services, but the cost per person is rising sharply due to the increased level and costs of the services provided. New York spends far more on home care than any other state in the nation, and will continue to do so after these proposals are implemented. These proposals create a more rational reimbursement system, similar to the one implemented by Medicare when it faced a similar explosion in home care costs, that will help control the growth of home care costs, and will save $189.4 million in 2009-10 and $190.5 million in 2010-11.

- **Implement Deficit Reduction Bill.** This budget includes provisions to achieve savings by reducing reimbursement rates and eliminating trend factors. For further information see Deficit Reduction Plan section. *(2009-10 Savings: $142.3 million; 2010-11 Savings: $126.6 million)*
- **Advance Home Care Reimbursement Reform.** The current ineffective reimbursement system is replaced with a new pricing methodology based on patient condition, similar to Medicare. This generates savings of $36.7 million, a portion of which are re-invested in a quality incentive funding pool ($2.5 million), cash and counseling demonstration programs to support personally directed home care ($1 million) and the development of a uniform assessment tool for home care ($5 million). The budget also lifts the moratorium on new Certified Home Health programs and establishes Long Term Care Assessment Centers, overseen by the state, to authorize certain home care services. *(2009-10 Savings: $28.0 million; 2010-11 Savings: $42.1 million)*

- **Establish 0.7 Percent Assessment.** A 0.7 percent assessment on total home care provider revenues is established. An assessment on home care providers was previously in effect from 1995 through 1999. *(2009-10 Savings: $19.1 million; 2010-11 Savings: $21.8 million)*

Pharmacy Services

Proposals in this area reduce state spending and maximize non-state revenues by directly negotiating with manufacturers for drug rebates and by accessing federal Medicare Part D coverage for New York's seniors. Common sense measures employed by commercial drug plans to ensure patients receive cost-effective high quality care are also proposed. These proposals will save $111.4 million in 2009-10 and $185.9 million in 2010-11.

- **Implement Deficit Reduction Plan.** Actions include expanding the preferred drug list and reducing reimbursements. For further information see Deficit Reduction Plan section. *(2009-10 Savings: $25.2 million; 2010-11 Savings: $26.5 million)*

- **Modify Supplemental Rebate Program.** Participation in the National Medicaid Pooling Initiative is discontinued, allowing the state to negotiate supplemental rebates directly with manufacturers. *(2009-10 Savings: $1.8 million; 2010-11 Savings: $11.0 million)*

- **Require Step Therapy for Certain Drugs.** Physicians will be required to prescribe equally effective, lower-cost drugs before using higher-cost alternatives. *(2009-10 Savings: $0.6 million; 2010-11 Savings: $1.3 million)*

- **Limit Quantity, Frequency and Duration of Certain Dispensed Medications.** The existing Medicaid prior authorization process will be employed to limit the number of units of certain dispensed medications that have a high incidence of fraud or misuse. *(2009-10 Savings: $9.4 million; 2010-11 Savings: $20.6 million)*

- **Establish Drug Utilization Review.** Standards developed by the Office of Mental Health governing the dispensing of psychotropic drugs will be used in the Medicaid program. *(2009-10 Savings: $1.8 million; 2010-11 Savings: $3.9 million)*

- **Allow Denials Based on Medicaid Necessity.** The Medicaid program will deny a prescription when the prescriber cannot demonstrate medical necessity. *(2009-10 Savings: $2.0 million; 2010-11 Savings: $2.8 million)*

- **Require Use of Brand Drugs When Less Costly.** The use of brand-name drugs will be required when the cost, less rebates, is less than the generic equivalent. *(2009-10 Savings: $1.8 million; 2010-11 Savings: $4.0 million)*

- **Incent e-Prescribing.** Incentives will be provided for prescribers and pharmacies to electronically send and receive prescriptions. *(2009-10 Savings: $1.3 million; 2010-11 Savings: $2.7 million)*

- **Discontinue Specialty Pharmacy Reimbursement.** The higher HIV Specialty Pharmacy reimbursement rate will be discontinued. *(2009-10 Savings: $0.3 million; 2010-11 Savings: $0.4 million)*

- **Eliminate Part D Drug Wrap.** Wrap-around coverage in EPIC for drugs covered by Medicare Part D will be eliminated. Wrap-around coverage in Medicaid for four remaining categories still covered will also be eliminated. Wrap-around coverage will continue for drugs not covered by Medicare Part D (e.g., barbiturates, benzodiazepines). *(2009-10 Savings: $52.7 million; 2010-11 Savings: $72.5 million)*

- **Discontinue Financial Exemption for EPIC Part D Mandate.** The exemption that does not require EPIC enrollees to enroll in Medicare Part D if they would have additional out-of-pocket costs is discontinued. *(2009-10 Savings: $9.9 million; 2010-11 Savings: $23.6 million)*

- **Require Eligible EPIC Seniors to Enroll in Medicare Savings Program.** Approximately 20,000 EPIC seniors who are income eligible, will be required to enroll in the Medicare Savings program to reduce costs both for them and the state. *(2009-10 Savings: $3.6 million; 2010-11 Savings: $14.5 million)*

- **Eliminate EPIC Coverage for Lifestyle Drugs.** EPIC coverage for lifestyle drugs (e.g., drugs used for cosmetic enhancement) will be eliminated, consistent with Medicaid policy. *(2009-10 Savings: $0.1 million; 2010-11 Savings: $0.2 million)*

- **Cover EPIC Mail Order Purchases.** EPIC will cover drug purchases through out-of-state mail order providers, taking advantage of more cost-effective options commonly offered by Medicare Part D plans. *(2009-10 Savings: $0.9 million; 2010-11 Savings: $1.9 million)*

Insurance

Targeted assessments on the Insurance industry are recommended to reflect the need to receive contributions from each sector of the state's healthcare system for gap-closing purposes. These actions will reduce spending by $855.3 million in 2009-10 and $827.0 million in 2010-11.

- **Implement Deficit Reduction Bill.** This bill includes provisions to increase a number of assessments on this industry to help fund health care programs. For further information see Deficit Reduction Plan section. *(2009-10 Savings: $644.8 million; 2010-11 Savings: $368.8 million)*

- **Extend Insurance Department Assessment.** The insurance assessment will be applied to the premium base for all policies written for New Yorkers. Currently, policies written by out-of-state insurers are exempt. Eliminating this exemption will ensure a level playing field between insurers located in New York and those headquartered out-of-state. *(2009-10 Savings: $0 million; 2010-11 Savings: $134.8 million)*

- **Extend Covered Lives Assessment.** The Covered Lives Assessment will be extended to health insurers headquartered out-of-state. *(2009-10 Savings: $5 million; 2010-11 Savings: $5 million)*

- **Establish Third Party Administrator Claims Processing Fee.** A one dollar assessment per claim processed by entities that administer self-funded health insurance plans will be established. *(2009-10 Savings: $63.1 million; 2010-11 Savings: $126.2 million)*

- **Establish Physician Procedure Surcharge.** The 9.63 percent HCRA surcharge on services performed in hospitals will be extended to surgical and radiological procedures performed in private ambulatory surgery centers, physician offices and urgent care settings. This will help level the playing field among care settings offering comparable services. *(2009-10 Savings: $49.8 million; 2010-11 Savings: $98.5 million)*

- **Finance Tobacco Control Costs with an Insurance Industry Assessment.** Tobacco control ($70.9 million) and Early Intervention ($21.7 million) costs will be financed through an Insurance industry assessment. Anti-tobacco programs will reduce future health care costs. The latter assessment will require health insurers to more appropriately pay their share of Early Intervention medical costs. *(2009-10 Savings: $92.6 million; 2010-11 Savings: $93.7 million)*

Medicaid Fraud Prevention

Over the last two years, the state has substantially increased resources used in identifying fraud and abuse in the Medicaid system. The number of staff targeted to fighting fraud in the Office of the Medicaid Inspector General has been significantly increased (more than 200 since 2006-07) and the computer systems have been upgraded, utilizing state-of-the-art technology to detect fraudulent practices before payments are made. These investments are paying dividends with the state share of collections from Medicaid fraud enforcement expected to reach a record level of $820 million in 2009-10, an increase of $125 million or 20 percent over last year.

Utilization and Management of Services

These proposals continue efforts commenced in recent years to manage the provision of Medicaid services to ensure that they are appropriate, meet patient need, are provided in a cost efficient manner and generate savings of $24 million in 2009-10 and $39.9 million in 2010-11.

- **Limit Case Management Services.** Limiting participation in case management to one service per enrollee will eliminate any unnecessary duplication of services. *(2009-10 Savings: $3.3 million; 2010-11 Savings: $4.7 million)*

- **Require Procedure and Diagnosis Coding.** Hospital and clinic claims will be required to contain accurate patient-specific diagnostic and practitioner codes to prevent inappropriate billing. *(2009-10 Savings: $2.9 million; 2010-11 Savings: $3.0 million)*

- **Require Radiology Prior Approval.** Prior approval for selected high cost radiological procedures will be required. *(2009-10 Savings: $2.6 million; 2010-11 Savings: $5.8 million)*

- **Establish Transportation Managers.** The Department will contract with an external organization to manage non-emergency transportation services. *(2009-10 Savings: $9.3 million; 2010-11 Savings: $20.2 million)*

- **Enhance Practitioner, Laboratory and Durable Medical Equipment Controls.** Controls on practitioner and laboratory providers and durable medical equipment are being put in place to prevent inappropriate payments. *(2009-10 Savings: $5.9 million; 2010-11 Savings: $6.2 million)*

Managed Care

These proposals maximize the use of federal money and control the growth of spending while ensuring that managed care plans are able to provide access to quality care for Medicaid beneficiaries. These measures would save $83.7 million in 2009-10 and $91.1 million in 2010-11.

- **Maximize Federal Funding for Family Planning.** Federal reimbursement will be pursued for family planning services provided by managed care organizations, which are eligible for enhanced federal reimbursement of 90 percent. *(2009-10 Savings: $10.3 million; 2010-11 Savings: $10.5 million)*

- **Cap Managed Long Term Care Plan Administrative Costs.** Administrative costs in Managed Long Term Care will be capped to encourage operating efficiencies. *(2009-10 Savings: $8.3 million; 2010-11 Savings: $8.3 million)*

- **Cap Marketing Costs.** Marketing expenses will be limited to the statewide average for Medicaid managed care, Family Health Plus and Child Health Plus. *(2009-10 Savings: $18.5 million; 2010-11 Savings: $18.5 million)*

- **Shift Child Health Plus Rate Setting Authority.** The rate setting authority for Child Health Plus will be moved from the State Insurance Department to the Department of Health. DOH currently has that authority for its other health insurance programs. *(2009-10 Savings: $26.1 million; 2010-11 Savings: $22.0 million)*

- **Maximize Enrollment of Dual Eligibles in Managed Care.** The enrollment of dual eligibles in managed care plans that participate in both Medicaid and Medicare programs will be aggressively pursued. *(2009-10 Savings: $3.0 million; 2010-11 Savings: $5.0 million)*

- **Include Personal Care Services in Managed Care.** Personal care services will be included in the Medicaid managed care plan benefit package to improve the coordination of community long term care services. *(2009-10 Savings: $0.9 million; 2010-11 Savings: $1.2 million)*

- **Expand Primary Care Case Management.** The primary care case management program will be expanded in rural counties to ensure access to an appropriate medical home. *(2009-10 Savings: $0 million; 2010-11 Savings: $0.2 million)*

- **Increase Family Contributions for Child Health Plus.** Monthly family contribution levels – based on income – for Child Health Plus will be increased consistent with other states. *(2009-10 Savings: $16.3 million; 2010-11 Savings: $25.0 million)*

- **Establish Cost Sharing for Working Disabled.** Monthly sliding-scale premiums of $25 to $75 for the Medicaid Buy-In program for the working disabled will be instituted in order to meet federal requirements. *(2009-10 Savings: $0.3 million; 2010-11 Savings: $0.4 million)*

Other Budget Actions

A variety of other actions are proposed to achieve health care savings totaling $555.9 million in 2009-10 and $21.8 million in 2010-11.

- **Implement Deficit Reduction Bill.** This budget includes provisions to achieve savings by eliminating certain trend factors and other measures. For further information see Deficit Reduction Plan section. *(2009-10 Savings: $69.6 million; 2010-11 Savings: $0 million)*

- **Delay Medicaid Cycle Payment.** The last Medicaid payment due in 2009-10 will be delayed by one day to April 1, 2010. *(2009-10 Savings: $400 million; 2010-11 Savings: $0 million)*

- **Reduce HCRA Spending for Selected Programs.** AIDS Drug Assistance Program spending will be financed from available drug rebates and federal funds rather than HCRA funds ($65.0 million). In addition, anti-tobacco funding for Roswell Park research ($14.5 million) and unnecessary telemedicine ($2.0 million) funding will be eliminated. *(2009-10 Savings: $81.5 million; 2010-11 Savings: $16.5 million)*

- **Reduce Long-Term Care Initiatives.** Funding for several initiatives will be reduced to reflect spending needs. *(2009-10 savings: $4.3 million; 2010-11 savings: $4.3 million)*

- **Cap Supplemental Trusts.** The amount of money that can be retained in a supplemental trust – sheltered from recovery by Medicaid – upon the death of a disabled Medicaid beneficiary will be capped at 10 percent. *(2009-10 Savings: $0.5 million; 2010-11 Savings: $1.0 million)*

Public Health and Aging Programs

The Department of Health and the State Office for Aging administer a number of programs which support New York's public health and senior care systems. The budget achieves savings by recommending operating efficiencies, generating revenues, and reducing spending on less essential and lower priority programs. These measures combined will save $525.9 million in 2009-10 and $681.0 million in 2010-11.

- **Implement Deficit Reduction Bill.** For further information see Deficit Reduction Plan section. *(2009-10 Savings: $4.9 million; 2010-11 Savings: $4.9 million)*

- **Tax Non-dietetic Soft Drink.** The Executive Budget proposes an additional 18 percent sales tax on certain high caloric, low nutritional beverages like non-dietetic soft drinks and sodas. Expansion to other high caloric and low nutritional beverages can be considered. Almost one in four New Yorkers under age 18 are obese. Significant price increases should discourage individuals, especially children and teenagers, from consumption and help fight obesity which results in higher risk for diabetes and heart disease. *(2009-10 Savings: $404 million; 2010-11 Savings: $539 million)*

- **Raise Retail Tobacco Fee.** The current $100 annual fee will be changed to a graduated fee ($100 to $5,000) based on the level of a tobacco retailer's total sales. This generates additional revenues for health programs and serves the public health purpose of discouraging smoking. *(2009-10 Savings: $18.5 million; 2010-11 Savings: $13.6 million)*

- **Eliminate 2009-10 Human Services Cost-of-Living Adjustment (COLA).** The 2009-10 cost-of-living adjustment for public health ($16.7 million) and aging ($7.1 million) programs is eliminated. To continue the state's long term commitment, these adjustments are planned to resume April 1, 2010 and the budget recommends extending the COLA for a third year in 2012-13. *(2009-10 Savings: $23.8 million; 2010-11 Savings: $23.8 million)*

- **Establish Early Intervention (EI) Parental Fee.** A monthly parental fee will be established, based on income, for the Early Intervention Program, consistent with the fee schedule for Child Health Plus. Other states have similar fee schedules. *(2009-10 Savings: $0 million; 2010-11 Savings: $27.5 million)*

- **Assess Early Intervention Provider Fee.** Approval of Early Intervention program providers will be based on need and an application fee will be assessed. *(2009-10 Savings: $1.7 million; 2010-11 Savings: $3.6 million)*

- **Require Early Intervention Providers to Bill Third Party Payors.** To ensure greater accountability, the budget requires Early Intervention providers to directly seek reimbursement from third party payors, including Medicaid, prior to seeking payment from counties and New York City for benefits not covered by such third party payors. *(2009-10 Savings: $0; 2010-11 Savings: $0.5 million)*

- **Modify Early Intervention Speech Eligibility Standards.** The eligibility criteria will be revised to match services with evidence-based treatment recommendations. *(2009-10 Savings: $0 million; 2010-11 Savings: $1.7 million)*

- **Restructure General Public Health Work Program Reimbursement.** Reimbursement to counties for less essential optional programs including county emergency medical services, non-public health laboratories and medical examiners will be discontinued. Since all long-term home health care program enrollees are currently paid for by Medicaid, additional funding to counties is eliminated. *(2009-10 Savings: $16.0 million; 2010-11 Savings: $32.8 million)*

- **Recoup New York City Overpayments.** Overpayments cited in recent state audits of New York City's General Public Health Work ($15 million) and Early Intervention ($9 million) programs will be recouped. *(2009-10 Savings: $24.0 million; 2010-11 Savings: $0 million)*

- **Restructure Clinical Lab Fees.** A one percent assessment on clinical laboratory annual receipts will replace the existing assessment based on DOH's costs to oversee these laboratories. *(2009-10 Savings: $3.4 million; 2010-11 Savings: $4.0 million)*

- **Increase Physician Registration Fee.** The biennial physician registration fee, last raised in 1996, will be increased from $600 to $1,000 to support the ongoing activities of the Office of Professional Medical Conduct. *(2009-10 Savings: $6.0 million; 2010-11 Savings: $6.0 million)*

- **Reduce Public Health Spending.** Spending on Red Cross emergency preparedness will be reduced by $1.6 million. Funding for Dor Yshorim genetic counseling ($0.5 million) and the breast cancer hotline ($0.3 million) operated by Adelphi University is eliminated. *(2009-10 Savings: $2.4 million; 2010-11 Savings: $2.4 million)*

- **Reduce Spending for Senior Services.** Spending will be reduced for the Stony Brook Evaluation of Geriatric Home Care ($0.1 million), NY Connects ($3.5 million) and the Managed Care Consumer Assistance Program ($0.8 million), as well as the Congregate Services Initiative ($0.1 million) and the Long Term Care Ombudsman ($0.1 million). In addition, funding is eliminated for the Affordable Independent Living Senior Housing Pilot ($1.8 million), Social Workers for Geriatric In-Home Care ($0.6 million), End of Life Care ($0.2 million), Enriched Social Adult Day Centers ($0.2 million), Long Term Care Insurance Outreach and Education ($2.8 million), Sustainable Transportation ($0.7 million), and the Geriatric In-Home Medical Care Pilot ($0.7 million). Even after these reductions, there will still be $110.6 million spent on community senior services in 2009-10. *(2009-10 Savings: $11.6 million; 2010-11 Savings: $11.6 million)*

- **Realize State Operations Efficiencies.** State operations spending is reduced for the Department of Health ($6.7M), Office of the Medicaid Inspector General (OMIG) ($2.6 million including savings of $0.8 million from eliminating OMIG funding for the Attorney General for anti-fraud activities) and Office for the Aging ($0.3 million), by maintaining controls on hiring and non-personal services spending and by reducing non-essential contracts. *(2009-10 Savings: $9.6 million; 2010-11 Savings: $9.6 million)*

Critical Investments

The Executive Budget recommendations include funding for several targeted investments that are priority areas and critically necessary. These investments will cost $60.3 million in 2009-10 and $152.8 million in 2010-11.

- **Extend HEAL NY.** HEAL NY will be extended for two-years, including capital funding for Roswell Park Cancer Institute, and appropriations for this purpose will be increased by $650 million. *(2009-10 Cost: $31 million; 2010-11 Cost: $118 million)*

- **Increase Access to Coverage.** To enable eligible children and adults to secure and keep coverage, face-to-face interview, finger imaging, and asset test requirements are eliminated. Also, barriers to enrollment in Family Health Plus by public employees and 19 and 20 year-olds who do not live with their parents will be removed. *(2009-10 Cost: $5.0 million; 2010-11 Cost: $5.0 million)*

- **Expand Access to Coverage.** FHPlus coverage for adults will be expanded to 200 percent of the federal poverty level provided federal waivers are granted and no new state funding is required.

- **Assist Seniors with Medicare Part D.** Additional funding is recommended for local Area Agencies on Aging and community-based organizations to assist EPIC seniors in selecting, accessing, and maximizing appropriate Medicare Part D prescription drug coverage. *(2009-10 Cost: $2.0 million; 2010-11 Cost: $2.0 million)*

- **Reduce EPIC Cost Sharing.** Out-of-pocket expenses for low-income seniors will be reduced by eliminating EPIC fees for those with incomes below 150 percent of the Federal Poverty Level (FPL) – currently those below 135 percent of the FPL pay no fees. *(2009-10 Cost: $10.0 million; 2010-11 Cost: $13.0 million)*

- **Enhance Lead Poisoning Prevention.** Funding for the Childhood Lead Poisoning Primary Prevention Program is increased and this pilot program is made permanent. The increased funding will allow further expansion of existing pilot projects to additional zip codes, support enhanced local activities including coordination with municipal building code departments, and add one to five more counties to the program. *(2009-10 Cost: $2.5 million; 2010-11 Cost: $5.0 million)*

- **Support Community Coalitions for Obesity Prevention.** New funding is recommended for local organizations to work together to create environmental and policy changes that support access to sustainable, healthy, affordable food and accessible safe environments for physical activity and play. *(2009-10 Cost: $1.0 million; 2010-11 Cost: $1.0 million)*

- **Increase Cancer Screening.** Additional funding of $3.2 million is recommended to support the cancer services program which funds free mammograms, ovarian cancer screenings and colorectal screenings for uninsured and underinsured people. *(2009-10 Cost: $3.2 million; 2010-11 Cost: $3.2 million)*

- **Increase Food Bank Funding.** Increased funding will be provided to food banks to address growing needs in these difficult economic times. *(2009-10 Cost: $4.4 million; 2010-11 Cost: $4.4 million)*

- **Finance Emergency Preparedness.** Funding is recommended to maintain pharmaceutical supplies and medical equipment in the event of an emergency. *(2009-10 Cost: $1.2 million; 2010-11 Cost: $1.2 million)*

Education and Arts

State Education Department
Council on the Arts
Empire State Plaza Performing Arts Center Corporation
New York State Theatre Institute

I. Overview

The State Education Department, under the direction of the New York State Board of Regents, establishes education policy for the state. The mission of the Department is to "raise the knowledge, skill and opportunity of all the people in New York," which it accomplishes through its oversight and administration of a wide array of programs that serve both children and adults.

The largest program administered by the State Education Department is School Aid. Allocated to school districts primarily through statutory formulas, School Aid funding helps finance elementary and secondary education for pupils enrolled in nearly 680 school districts throughout the state.

Additionally, the State Education Department oversees a range of programs that provide education and education-related services and funding, including cultural education programs, higher education, special education and vocational rehabilitation programs.

The Council on the Arts, the Empire State Plaza Performing Arts Center Corporation ("The Egg") and the New York State Theatre Institute are responsible for the administration, preservation and promotion of the state's artistic and cultural resources. The Council on the Arts provides advisory services and financial assistance to the state's arts community, while "The Egg" and the Theatre Institute offer a diverse array of cultural and artistic programming, including educational theater experiences for children and families.

II. History/Context

Compared to other states, New York is among the nation's leaders in overall funding for public education. In the 2007-08 school year, school spending in New York is estimated to have totaled $51.4 billion from combined local, state, and federal funding. According to the most recent US Census Data, New York ranks first in the country among states in per pupil spending ($14,884) – 63 percent above the national average.

Between 2003-04 and 2008-09, School Aid grew by $6.9 billion or 48 percent. More recently, School Aid has experienced an even higher rate of growth, increasing by $3.5 billion, or 10 percent annually since 2006-07.

State spending on categorical special education programs funded outside of School Aid has increased by $315 million over the past five years, an annual increase of approximately 8 percent.

In 2007-08, a four-year Education Investment Plan was advanced that would provide a $7 billion increase in education spending by 2010-11. Under this Plan, the vast majority of aid would be allocated through a new Foundation Aid formula that targeted funds based on student need and districts' fiscal capacity to meet those needs.

III. Proposed 2009-10 Budget Actions

Governor Paterson remains firmly committed to the $7 billion Educational Investment Plan. In light of the recent economic downturn and its dramatic impact on state revenues, however, the Executive Budget recommends extending the phase-in period for Foundation Aid and Universal Prekindergarten from four years to eight years. The full phase-in for these formulas would now be complete in 2014-15.

Additionally, a one-time year-to-year reduction in School Aid is recommended in 2009-10 to address the state's current fiscal crisis.

Overall, the Executive Budget provides $20.7 billion for School Aid in 2009-10, a decrease of $698 million or 3.3 percent from 2008-09. Even after this reduction, School Aid will have increased $6.2 billion or 42 percent compared to 2003-04. Without these actions, total 2009-10 School Aid funding was projected to total $23.2 billion, $2.5 billion higher than the Executive Budget proposal.

To provide schools with the flexibility to adjust to lower state aid levels and help them achieve substantial out-year efficiencies, a package of mandate relief initiatives is being advanced with the budget. In particular, new Tier 5 Pension Reform and relief from Wicks Law requirements for school districts will generate savings that grow steadily over time.

Finally, additional actions are recommended to reduce state costs while maintaining support to critical education programs. Specifically, the Executive Budget recommends adjusting cost shares for the preschool special education program to better align fiscal responsibility with programmatic responsibility. Funding for other education-related programs is reduced or eliminated to avoid deeper reductions in direct aid to school districts.

IV. Summary of Spending (All Funds)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	21,391	20,693	(698)	(3.3%)
Overall Education Spending	27,383	26,446	(937)	(3.4%)

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions) Fiscal Year	2010-11 ($ in millions) Fiscal Year
School Aid		
Formula-based School Aid Reduction (2009-10 School Year: $2.4B from projected statutory levels)	1,691	3,015
Eliminate Funding for Teacher Centers (2009-10 SY: $40M)	28	40
Eliminate Funding for the Teacher/Mentor Intern Program (2009-10 SY: $10M)	7	10
Eliminate Funding for Math/Science Initiatives (2009-10 SY: $10M)	7	10
Reduce Supplemental Funding to the Roosevelt Union Free School District (2009-10 SY: $6M)	4	6
Eliminate Funding for the Rochester Children's Zone (2009-10 SY: $2M)	1	2
Other Education and Education-Related Programs		
Introduce a School District Financial Share in the Preschool Special Education Program	133	152
Eliminate the Comprehensive Attendance Program as it Applies to Nonpublic Schools	44	44
Reduce Funding for Aid to Public Libraries	13	13
Use Federal Special Education Funds for Selected Programs	11	14
Reduce Amounts Available for Prior Year School Aid Claims	9	9
Reduce Funding for Aid to Public Broadcasting	8	8
Eliminate Additional Funding for Afterschool Programs (2009-10 SY: $10M)	7	10
Reduce Funding for the College Science and Technology Entry Program (CSTEP)	4	4
Reduce Funding For Bundy Aid	2	2
Eliminate Funding for the Apprenticeship Training Related Instruction	1	2
Other Education Gap Closing Initiatives	9	10
Reduce Funding For Arts Grants	7	7
Total	**1,986**	**3,358**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

School Aid

- **Formula-based School Aid Reduction.** The Executive Budget recommends that 2009-10 School Aid funding total $20.7 billion, a decrease of $698 million or 3.3 percent compared to 2008-09. This reduction has three major components:

  - First, certain School Aid funding categories, including Foundation Aid and Universal Prekindergarten (UPK), will be maintained at 2008-09 levels for two years (2009-10 and 2010-11), delaying previously scheduled increases;

  - Second, unlike Foundation Aid and UPK, some School Aid allocations such as Building Aid, Transportation Aid, and others will not be limited to 2008-09 levels and will increase year-to-year based on existing statutory provisions. Funding for these categories of aid is projected to increase by $462 million in 2009-10; and

  - Third, in 2009-10, a one-time $1.1 billion Deficit Reduction Assessment (DRA) would be taken against total formula-based aids. The DRA is structured progressively so that school districts with the greatest needs and least ability to pay receive the smallest percentage reductions in aid. Individual school district reductions will range between 3 and 13 percent.

  Significant funding increases in Foundation Aid and Universal Prekindergarten were scheduled to be phased-in over a four-year period with a complete phase-in occurring in the 2010-11 school year. This phase-in period will be extended to eight years — with a full phase-in occurring in the 2014-15 school year. After maintaining funding for Foundation Aid and UPK at 2008-09 levels in 2009-10 and 2010-11, under the Executive Budget, the planned phased-in increases will resume in 2011-12 and both aid categories would be fully funded in 2014-15. *(2009-10 School Year Savings: $2.4 billion; 2010-11 School Year Savings: $3.3 billion; 2009-10 State Fiscal Year Savings: $1.7 billion; 2010-11 State Fiscal Year Savings: $3.1 billion)*

- **Eliminate Funding for Teacher Centers.** This is a discretionary grant program that offers both online and classroom-based professional development activities for school personnel. Funding is eliminated to prevent further reductions in direct aid to schools. *(2009-10 School Year Savings: $40 million; 2010-11 School Year Savings: $40 million; 2009-10 State Fiscal Year Savings: $28 million; 2010-11 State Fiscal Year Savings: $40 million)*

- **Eliminate Funding for the Teacher Mentor-Intern Program**. This discretionary program provides funding for new teachers to be mentored by experienced teachers. Funding is eliminated to prevent further reductions in direct aid to schools. *(2009-10 School Year Savings: $10 million; 2010-11 School Year Savings: $10 million; 2009-10 State Fiscal Year Savings: $7 million; 2010-11 State Fiscal Year Savings: $10 million)*

- **Eliminate Funding for Mathematics/Science Initiatives.** This discretionary grant program provides supplemental math and science summer programs at colleges and universities for students and teachers. Funding is eliminated to prevent further reductions in direct aid to schools. *(2009-10 School Year Savings: $10 million; 2010-11 School Year Savings: $10 million; 2009-10 State Fiscal Year Savings: $7 million; 2010-11 State Fiscal Year Savings: $10 million)*

- **Reduce Supplemental Funding to the Roosevelt Union Free School District**. The Executive Budget reduces this Supplemental Education Grant from $12 million to $6 million. A recent audit by the State Comptroller demonstrated that the financial condition of this school district has significantly improved. This recommendation returns state support for the school district to the level provided prior to the 2007-08 School Year. *(2009-10 School Year Savings: $6 million; 2010-11 School Year Savings: $6 million; 2009-10 State Fiscal Year Savings: $4 million; 2010-11 State Fiscal Year Savings: $6 million)*

- **Eliminate Funding for the Rochester Children's Zone.** This discretionary grant program provides funding for a not-for-profit organization in Rochester to establish a community schools model. Funding is eliminated to prevent further reductions in direct aid to schools. *(2009-10 School Year Savings: $2 million; 2010-11 School Year Savings: $2 million; 2009-10 State Fiscal Year Savings: $1 million; 2010-11 State Fiscal Year Savings: $2 million)*

Other Education Related Programs

- **Introduce a School District Financial Share in the Preschool Special Education Program.** To better align fiscal and programmatic responsibilities, school districts will be responsible for a 15 percent share of preschool special education costs, reducing the state share from 59.5 percent to 47 percent of program costs and the county share from 40.5 percent to 38 percent. Although school districts are the primary decision-makers under federal law, they currently have no financial responsibility for preschool special education. After this action, state funding for preschool special education will total $590 million. *(2009-10 Savings: $133 million; 2010-11 Savings: $152 million)*

- **Eliminate the Comprehensive Attendance Program (CAP) as it Applies to Nonpublic Schools.** The current mandate for nonpublic schools to participate in the comprehensive attendance program will be eliminated, as will the state's financial responsibility to reimburse nonpublic schools for CAP costs incurred in prior school years. Nonpublic schools would continue to receive over $80 million in aid for other mandated services, including traditional attendance-taking, as well as other support for student instructional costs. *(2009-10 Savings: $44 million; 2010-11 Savings: $44 million)*

- **Reduce Funding for Aid to Public Libraries.** Library Aid provides operating support to public libraries, library systems, and reference and research libraries. Funding distributed to support local library operations will be reduced. After this action, $80.5 million would be available for aid to libraries. *(2009-10 Savings: $13 million; 2010-11 Savings: $13 million)*

- **Use Federal Special Education Funds for Selected Programs.** The budget recommends that federal funding be used for selected special education-related costs that previously were supported by state funds. *(2009-10 Savings: $11 million; 2010-11 Savings: $14 million)*

- **Reduce Amounts Available for Prior-Year School Aid Claims.** State funding for prior-year aid claims submitted by school districts would be reduced. After this action, $15 million would continue to be available for these liabilities. *(2009-10 Savings: $9 million; 2010-11 Savings: $9 million)*

- **Reduce Funding for Aid to Public Broadcasting Stations.** Operating aid to public television and radio stations in New York State would be reduced. After this reduction, funding will total $9.4 million. Additionally, proposed legislation would require the State Education Commissioner to review the process governing the distribution of public broadcasting aid and determine if modifications are needed so that individual public television and radio stations continue receiving an equitable share of state funds at the new funding level. *(2009-10 Savings: $8 million; 2010-11 Savings: $8 million)*

- **Eliminate Additional Funding for After-School Programs.** This funding is used to supplement approximately $90 million the state receives in federal funding for the 21st Century Community Learning Centers after school program. After this action, nearly $28 million in state funds will continue to be available for after-school programs through the Extended Day program. *(2009-10 Savings: $7 million; 2010-11 Savings: $10 million)*

- **Reduce Funding for the College Science and Technology Entry Program (CSTEP).** CSTEP provides mentoring programs for college students pursuing degrees in mathematics, science, technology and health-related fields. The 2009-10 funding level after this reduction will total $4 million. Funding for the Science and Technology Entry Program (STEP), a similar program for high school students, would be continued at the 2008-09 funding level of $10.3 million. *(2009-10 Savings: $4 million; 2010-11 Savings: $4 million)*

- **Reduce Funding for Independent Colleges and Universities (Bundy Aid).** Bundy Aid provides unrestricted financial assistance to independent colleges and universities within New York State based on the type and number of degrees conferred at each institution. After this reduction, state funding of $41.6 million will be available for Bundy Aid. *(2009-10 Savings: $2 million; 2010-11 Savings: $2 million)*

- **Eliminate State Funding for the Apprenticeship Training Program.** This program provides funds to school districts and BOCES for supplemental classroom instruction related to students enrolled in state-approved apprenticeship programs. The state share of this instructional component is a minor share of the total program funding for apprenticeship programs. *(2009-10 Savings: $1 million; 2010-11 Savings: $2 million)*

- **Other Gap Closing Initiatives.** The Executive Budget includes various other gap closing initiatives that:

  - Reduce the State Education Department's operating budget *(2009-10 Savings: $6 million; 2010-11 Savings: $6 million)*;

  - Eliminate funding for legislatively directed programs including Workplace Literacy and Grants to Math and Science High Schools *(2009-10 Savings: $2 million; 2010-11 Savings: $3 million)*; and

  - Eliminate funding for Full-Day Kindergarten/UPK Planning Grants *(2009-10 Savings: $1 million; 2010-11 Savings: $1 million)*.

- **Reduce Funding for Arts Grants.** The Council on the Arts distributes grants to various arts and cultural not-for-profit organizations. After this reduction, state funding of $38.9 million will be available for these grants, still the highest level of state support for arts and cultural organizations in the nation. *(2009-10 Savings: $7 million; 2010-11 Savings: $7 million)*

Other Budget Actions

- **Reduce Mandates on School Districts.** Legislation will be advanced as part of this budget to reduce reporting requirements placed on school districts, delay the implementation of unfunded mandates, and help offset the impact of the Deficit Reduction Assessment by providing access to excess school district reserves. This Mandate Relief package will help school districts adjust to the changing economic climate and provide flexibility and savings. These school district-specific actions are in addition to a broader package of local government mandate relief that will address procurement reform and pension costs.

- **Modify the Contract for Excellence.** In recognition of the state's fiscal circumstances, the Contract for Excellence program is modified for the 2009-10 and 2010-11 school years. All 39 districts currently in the program would be required to maintain current expenditures on Contract for Excellence programs during the 2009-10 school year, reduced by the deficit reduction assessment percentage. Districts that file Contracts for Excellence for the 2009-10 school year would be required to file a contract in the 2010-11 school year and expend the amount approved by the Commissioner in their 2008-09 Contract for Excellence. Districts would be exempted from these requirements if all schools in the district are reported as "In Good Standing" for the state accountability system.

- **Merge the New York State Theatre Institute with the Empire State Plaza Performing Arts Center ("The Egg").** These two Capital Region public benefit corporations have similar missions: to promote appreciation for the arts through dance, theatre and artistic presentations. Under the Executive Budget, the New York State Theatre Institute becomes a subsidiary of "The Egg", allowing both organizations to more efficiently achieve their missions. The Theatre Institute will continue to provide artistic and educational programming for children and families from its current facilities in Troy under the merger. State support for the new organization will be $3.65 million.

School Tax Relief Program

Basic STAR
Enhanced STAR
The STAR Rebate
New York City STAR

I. Overview

The STAR program consists of four separate initiatives created to provide local property tax relief.

- **Basic STAR** provides savings to residential homeowners by exempting the first $30,000 of the full assessed value of their primary residence from school taxes. This benefit will reduce the tax bills of 2.8 million homeowners by an average of $629 in 2009-10.

- **Enhanced STAR** provides a more generous benefit to residential homeowners age 65 years or older with incomes below $73,000 by exempting the first $60,100 of their primary residence from school taxes. Nearly 634,000 senior homeowners will be eligible to receive this enhanced property tax exemption in 2009-10 with an average benefit estimated at $1,145.

- **The STAR Rebate** is an expanded property tax relief program that provides a tax rebate check directly to homeowners who also receive the STAR exemption. Rebate amounts for Basic STAR recipients are income-based. Enhanced STAR recipients receive a cash payment equal to a fixed percentage of their 2006-07 STAR exemption benefit. The average Basic STAR rebate in 2008-09 was $386, and the average Enhanced STAR rebate was $458.

- **New York City STAR** supports tax relief through the income tax for more than 3 million New York City residents. Under the program, City residents who file a personal income tax (PIT) return receive a flat refundable credit and a 6 percent City tax rate reduction. When the Middle Class STAR rebate program was initiated in 2007-08, the refundable credit for City taxpayers was increased. The average benefit was $290 to qualified married taxpayers in 2008-09.

II. History/Context

STAR was enacted in 1997 to offset rising property taxes experienced by homeowners and to provide additional targeted property tax relief to senior citizens. Over time, the scope of the program was expanded by raising the Enhanced STAR income eligibility threshold, and by increasing the size of the Enhanced STAR exemption. In addition, a local property tax rebate program was enacted in 2006-07, then restructured as the Middle Class STAR rebate program in 2007-08 to target benefits based on income.

These enhancements have contributed to significant increases in the current and projected cost of the STAR program. STAR spending totaled $4.7 billion in 2008-09, an 89 percent increase from 2001-02 when the STAR phase-in was completed. Nearly 50 percent of this increase is attributable to the introduction of the Middle Class STAR Rebate program, while changes to the Enhanced STAR Exemption benefit account for 18 percent of the program growth.

Despite this program's intent and cost, local property taxes have grown substantially. Outside of New York City, school property taxes have grown by an average of 7 percent per year since 2001-02. This rate of school property tax growth is twice the rate of inflation and twice the growth of average salaries. New York's property taxes remain the highest in the nation and, outside of New York City, these taxes are 56 percent above the national average.

III. Proposed 2009-10 Budget Actions

The STAR program, in its current configuration, has become unsustainable. After recommended savings actions, which include eliminating the Middle Class STAR rebate, STAR tax relief would total $3.25 billion in 2009-10. This is approximately the level of funding provided before the creation of the rebate program.

The base exemption amount directly tied to property tax bills will remain unchanged to ensure that direct property tax relief, which is the core purpose of the program, will be preserved.

IV. Summary of Spending

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
STAR Spending (commitment)	4,734	3,249	(1,485)	(31.4%)

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Eliminate STAR Rebate program	1,427	1,645
Decrease NYC STAR credit amounts	112	379
Decrease the STAR "floor" adjustment from 89% to 82%	109	109
Permanently shift December payment for NYC STAR to June (administrative)	20	27
Total	**1,668**	**2,160**

- **Eliminate STAR Rebate Program**. This budget would return STAR to its original form and purpose by preserving the basic exemption as well as the enhanced exemption for senior homeowners on limited incomes but eliminating the STAR rebate. Under this proposal, no homeowner would be denied the basic or enhanced exemption they currently receive. Moreover, total program costs would be 29 percent above 2001-02 levels, the first year that STAR was fully phased-in. *(2009-10 Savings: $1.4 billion; 2010-11 Savings: $1.6 billion)*

- **Decrease NYC STAR Credit Amounts to Pre-Rebate Levels.** Consistent with the reduction of STAR benefits to pre-rebate levels, the New York City PIT refundable credit amounts would be reduced to $125 for married/surviving spouses and $62.50 for others. These reductions return STAR to the benefit structure that existed before property tax rebates and corresponding NYC credit increases were first authorized in 2006-07. (*2009-10 Savings: $112 million; 2010-11 Savings: $379 million*)

- **Increase the Maximum Annual Reduction for STAR Exemptions.** The maximum reduction in STAR benefits that can occur as a result of changes in assessed value or market value is increased from 11 percent to 18 percent. This action, which will make exemption amounts less disparate between communities regardless of rising local real estate markets, will affect approximately 1.6 million property owners. (*2009-10 Savings: $109 million; 2010-11 Savings: $109 million*)

- **Permanently Shift December Payment for NYC STAR to June.** This action shifts payment to another date within the same New York City fiscal year, and has no impact on New York City's financial plan. (*2009-10 Savings: $20 million; 2010-11 Savings: $27 million*)

Local Government

Aid and Incentives for Municipalities
Miscellaneous Local Aid Programs
Overall Fiscal Impact on Local Governments

I. Overview

The Aid and Incentives for Municipalities (AIM) program is the state's primary vehicle for providing direct aid to cities, towns and villages. These municipalities use AIM to support a range of operating costs.

Along with direct AIM assistance, the state provides incentive grants to local governments under the Local Government Efficiency Grant program that promote local efforts to increase efficiency through consolidation or shared services. The state budget also supports a number of aid programs targeted to specific municipalities. These include VLT Impact Aid for local governments that host video lottery gaming facilities, Efficiency Incentive Grants awarded by the state control boards that oversee fiscal recovery efforts in Buffalo and Erie County, and several other specialized programs.

Each year, the Executive Budget includes a local government fiscal analysis that summarizes the impact of budget recommendations across all program areas by class of local government. This local fiscal impact overview is presented below in Section VI.

II. History/Context

The AIM program was created in 2005-06 to consolidate various unrestricted local aid funding streams. For municipalities outside New York City, this initiative tied increases in state aid to fiscal accountability improvements such as the development of multi-year financial plans and efforts to minimize property tax growth. Since 2007-08, this additional aid has been targeted primarily to distressed upstate municipalities under a formula that provides annual increases ranging from 3 to 13.5 percent based on fiscal distress criteria.

Over the last four years, AIM payments to local governments outside New York City have grown from $465 million to $755 million, a $290 million or 62 percent increase.

III. Proposed 2009-10 Budget Actions

The Executive Budget achieves $432 million in 2009-10 savings primarily by maintaining AIM funding to municipalities outside New York City at current year levels, which would eliminate a previously scheduled increase, and by eliminating New York City's AIM payment. Additional savings are realized through reductions in VLT Impact Aid and local government incentive grant funding.

To help offset recommended reductions in AIM and other local government assistance, the Executive Budget advances a range of cost saving mandate relief initiatives and local revenue enhancements. In particular, Tier 5 pension reform, additional Wicks Law relief, and an expanded red light camera program will each provide substantial fiscal benefits and new revenue for New York City. Other municipalities will also benefit from Tier 5 pension reform, as well as proposed revenue actions such as removal of sales tax exemptions.

IV. Summary of Spending

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
AIM - New York City	246	0	(246)	(100%)
AIM - Other Municipalities	755	755	0	0%
Total AIM	1,001	755	(246)	(25%)
VLT Impact Aid	33	26	(7)	(21%)
Local Incentive Grants	20	24	4	20%
Other Local Aid Programs	13	7	(6)	(47%)

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Eliminate AIM Funding for New York City	328	328
Maintain AIM Outside of New York City	61	130
Reduce VLT Impact Aid	29	30
Scale Back Incentive Grant Programs	14	16
Total	**432**	**504**

- **Eliminate AIM Funding for New York City.** The Executive Budget eliminates AIM payments to New York City, which totaled $246 million in 2008-09 and were previously scheduled to increase to $328 million in 2009-10. Unlike other cities, which are heavily reliant on AIM and property taxes to support their budgets, New York City has a range of local revenue sources, with AIM accounting for only 0.5 percent of its total revenue. In addition, the Executive Budget advances a range of mandate relief initiatives and local revenue enhancements that will help offset this loss in direct state aid. *(2009-10 Savings: $328 million; 2010-11 Savings: $328 million)*

- **Maintain AIM Outside of New York City.** AIM for municipalities outside of New York City is preserved at 2008-09 payment levels for 2009-10 and 2010-11, eliminating previously scheduled increases. Even after this action, the state will still provide these municipalities with $755 million in AIM support, an increase of $290 million or 62 percent compared to 2004-05. *(2009-10 Savings: $61 million; 2010-11 Savings: $130 million)*

- **Reduce VLT Impact Aid.** Seventeen municipalities now receiving VLT Impact Aid will have their payments reduced by 50 percent, or $7 million, in 2009-10. This aid is currently provided without regard to local fiscal need and has no direct relationship to VLT-related costs actually incurred by these municipalities as a result of hosting VLT facilities within their borders. Further program growth is contained by limiting the aid to municipalities currently hosting VLT facilities, which would make New York City ineligible for 2009-10 funding. Yonkers is held harmless against reductions because, unlike other communities, its payment is used directly to support the city's school district. *(2009-10 Savings: $29 million; 2010-11 Savings: $30 million)*

- **Scale Back Local Incentive Grant Programs.** The 2008-09 Deficit Reduction Plan reduces local incentive grant funding under two separate programs:

  - Local Government Efficiency Grants administered by the Department of State to encourage local consolidation and shared services; and

  - Efficiency Incentive Grants for the City of Buffalo and Erie County, which are awarded by the state control boards that oversee these municipalities to seed cost-saving investments necessary to restructure city and county operations.

  The reductions in both programs will honor current grant awards in full, but reduce remaining available funds by 50 percent. Although direct state financial incentives will be reduced, the Executive Budget also advances a package of recommendations by the Commission on Local Government Efficiency and Competitiveness that will provide opportunities for municipalities to restructure their operations and achieve savings. These are described in more detail below. *(2009-10 Savings: $14 million; 2010-11 Savings: $16 million)*

Other Budget Actions

- **Provide Additional Wicks Law Relief.** To assist New York City in achieving essential capital cost savings during the current economic downturn, the Wicks Law threshold governing multiple bidding requirements will be raised from the $3 million level established earlier this year to $10 million for a five-year period. In addition, consistent with the recent recommendations of the Governor's Commission on Property Tax Relief, all school districts will be provided with a full Wicks exemption for a five-year period.

- **Advance Tier 5 Pension Reform.** A new Tier 5 pension plan will make substantial changes to pension benefits for new state and local employees that will largely return benefits to the levels prior to benefit enhancements enacted in recent years. Key changes include reinstituting 3 percent employee contributions past 10 years and increasing the minimum retirement age from 55 to 62. Over time, this newly created pension tier will substantially reduce local government pension liabilities — one of the fastest growing local cost drivers. Employer pension contribution rates under Tier 5 are expected to be 29 percent lower for new teachers and 23 percent lower for most other new employees hired outside New York City. The Executive Budget also includes a proposal to implement a new tier of pension benefits for newly hired City of New York uniformed employees. This local option is being advanced at the request of the Mayor of the City of New York and will not be acted upon without the consent of the City Council.

- **Reduce Local Government Litigation Costs.** To help lower local government litigation costs, collateral source reform is advanced to ensure that public sector employers have the same authority as private employers to prevent plaintiffs from receiving an award for personal injury while at the same time receiving a disability pension. In addition, the interest rate paid by municipalities on judgments would be set at current market rates rather than the existing 9 percent level. Taken together these reforms would save $16 million annually for New York City alone.

- **Increase Local Procurement Flexibility.** Localities will benefit from increased contracting flexibility that would be achieved by increasing existing bidding thresholds, allowing "best value" contracting, and piggybacking on existing contracts.

- **Provide New Local Revenue and Financing Flexibility for New York City.** Along with substantial mandate relief savings, the budget will authorize an expanded red light camera program and a range of local fee increases such as fees for birth certificates and marriage licenses worth $109 million in total. To enable New York City to better manage its finances during the current credit crisis, the City will be allowed to fund more of its capital program through the Transitional Finance Authority instead of general obligation debt, and Bond Anticipation Note (BAN) financing terms will be lengthened consistent with those allowed for the state.

- **Provide Additional Targeted Revenue Flexibility for Municipalities Outside New York City.** The cities of Buffalo, Yonkers, Rochester and Syracuse, as well as Nassau and Suffolk counties, will be authorized to establish red light camera programs to enhance public safety, while generating an estimated $48 million in local revenue. Cities outside New York City, as well as villages, will also be permitted to levy a gross receipts tax on cellular phone services similar to that currently charged by New York City, thereby raising up to $12.5 million in new revenue.

- **Promote Local Government Efficiency.** The Budget advances several recommendations of the Commission on Local Government Efficiency and Competitiveness as part of an overall effort to streamline local government and encourage efficiencies that benefit local taxpayers. Major items include: simplifying and unifying the local government consolidation process; eliminating compensation for special district commissioners; easing the requirements to form cooperative health benefit plans; encouraging highway services cooperation; providing additional flexibility to convert local administrative positions from elected to appointed; and transferring the management of sanitary districts to town boards.

- **Remove Sales Tax Exemptions.** The Executive Budget removes several sales tax exemptions. These include exemptions for cable television, satellite television and radio, store coupons, digital products, motor fuel costing more than $2 per gallon, and transportation and entertainment-related consumer spending. Many of these sales tax broadeners, which are described in the Revenue Actions section of this briefing book, will extend to the local sales tax and provide $627 million in additional revenue to local governments in their 2010 local fiscal years.

VI. Overall Fiscal Impact on Local Governments

The actions proposed in the 2009-10 Executive Budget will have a $478 million negative impact on local governments in their local fiscal years ending in 2010. This impact is primarily attributable to reductions in state education aid that follow several years of record school funding growth and are now necessary to close unprecedented state budget gaps.

While these education aid reductions drive negative fiscal impacts for New York City and school districts, other classes of local government will experience net positive benefits. Counties will realize a net $254 million benefit that results largely from state sales tax base broadeners that also increase local revenues. Cities, towns and villages will also see net positive impacts associated with increased local sales tax revenue, red light camera fines and other revenue actions.

IMPACT OF THE 2009-10 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS (LOCAL FISCAL YEAR ENDING IN 2010 – $ IN MILLIONS)

	Total	NYC	School Districts	Counties	All Other
Revenue Actions	850.3	356.3	11.9	357.1	125.0
School Aid	(698.0)	(206.0)	(492.0)	0.0	0.0
Preschool Special Ed.	(153.5)	(71.0)	(100.0)	17.5	0.0
Municipal Aid	(288.4)	(265.5)	0.0	(8.9)	(14.0)
Human Services	(130.8)	(67.4)	0.0	(63.4)	0.0
Transportation	(69.0)	(12.8)	0.0	(23.1)	(33.1)
All Other Impacts	11.6	26.1	13.0	(25.5)	(2.0)
Total 2009-10 Exec Budget Actions	**(477.8)**	**(240.3)**	**(567.1)**	**253.7**	**75.9**
Medicaid Cap & FHP Takeover Savings*	959.5	501.6	0.0	457.9	0.0
Grand Total	**481.7**	**261.3**	**(567.1)**	**711.6**	**75.9**

*Medicaid Cap Savings exclude proposed 2009-10 cost containment initiatives which – if enacted – will lower the state's cost for the cap

The Executive Budget also continues $960 million in fiscal relief for counties and New York City through the state's cap on local Medicaid expenditures and takeover of the Family Health Plus (FHP) program. Counting this assistance, the overall fiscal impact on local governments is a positive $482 million.

In future years, as the state resumes its multiyear commitment to education aid growth, Executive Budget actions will again have a substantial positive impact on all classes of municipal government that grows to $3.1 billion by 2012.

IMPACT OF THE 2009-10 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS
(LOCAL FISCAL YEARS ENDING 2009-2012 - $ IN MILLIONS)

	LFY Ending in 2009	LFY Ending in 2010	LFY Ending in 2011	LFY Ending in 2012
NYC	8.6	(240.3)	470.9	1,223.2
School Districts	2.8	(567.1)	526.6	1,533.5
Counties	127.7	253.7	275.5	272.3
All Other	27.3	75.9	81.9	85.9
Total 2009-10 Exec. Budget Actions	**166.4**	**(477.8)**	**1,354.9**	**3,114.9**
Medicaid Cap & FHP Takeover Savings*	684.4	959.5	1,311.2	1,722.7
Grand Total	**850.8**	**481.7**	**2,666.1**	**4,837.6**

*Medicaid Cap Savings exclude proposed 2009-10 cost containment initiatives which – if enacted – will lower the state's cost for the cap

Higher Education

State University of New York
City University of New York
State University Construction Fund
Higher Education Services Corporation

I. Overview

New York State's higher education institutions enroll more than 1.1 million students throughout the state. The State University of New York (SUNY) and the City University of New York (CUNY) administer 51 four-year colleges and graduate schools that provide nearly 380,000 students with a wide array of undergraduate, graduate degree, and first professional educational opportunities. SUNY and CUNY are also responsible for 36 community colleges, which serve more than 300,000 students. More than 460,000 students attend one of the more than 100 private colleges and universities across New York State.

To help make higher education financially attainable for many New York college students, the Higher Education Services Corporation (HESC) provides a broad range of financial aid services. HESC administers and guarantees more than 600,000 loans made annually under the Federal Family Education Loan (FFEL) Program, and oversees a variety of state-funded financial assistance programs, including the Tuition Assistance Program (the largest and most generous need-based program in the country), the Aid for Part Time Study program, and 15 different scholarship and award programs. HESC also partners with the Office of the State Comptroller in administering the College Choice Tuition Savings Program.

II. History/Context

Enrollment at both SUNY and CUNY has grown steadily this decade, with headcount at four-year and graduate colleges increasing 9 percent since 2003. Community college enrollment has increased 11 percent during this same period. Concurrently, General Fund support has increased 21 percent for four-year and graduate colleges and 24 percent for community colleges. Additionally, the state has devoted substantial support to SUNY's and CUNY's physical infrastructure, providing $11 billion in new capital projects funding for senior and community colleges since 2003-04.

III. Proposed 2009-10 Budget Actions

The 2009-10 Executive Budget enacts reforms, makes investments, and implements other measures designed to help ensure that New York institutions of higher learning have the resources needed to provide a high-quality education to students, and to remove barriers that might prevent New York's residents from accessing higher education. Necessary spending reductions are targeted at various specific programs to minimize the potential impact on core instruction.

For SUNY and CUNY, combined General Fund and tuition support will increase by $121 million, or 3.3 percent over 2008-09 levels (even without including a $138 million increase in state support for fringe benefit costs).

To help prevent reductions in the resources available for SUNY and CUNY's core instructional mission in this time of unprecedented fiscal difficulty, the Executive Budget recommends the first undergraduate tuition increase since 2003-04. Breaking with thirty years of state history, the universities will retain a portion of the revenue from this increase as part of an investment plan.

Additionally, in a time of rising borrowing costs and tightened lending, the budget will create a new affordable student loan program to help New York students gain access to the funds they need to finance their college educations.

The budget also includes actions that respond to several major recommendations contained in the June 2008 final report of the New York State Commission on Higher Education, including:

- Establishing differential tuition by campus and program for non-New York State resident students at SUNY and CUNY.
- Investing in new critical maintenance capital projects on SUNY and CUNY campuses.
- Expanding SUNY and CUNY administrative flexibility for capital and non-capital procurement.

IV. Summary of Spending (SUNY/CUNY Core Instructional Budget)

University	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
SUNY	2,359	2,423*	64	2.7%
CUNY	1,303	1,360*	57	4.4%
Total	3,662	3,783	121	3.3%

**The Core Instructional Budget is state General Fund support and tuition.*

V. Major Initiatives

Gap-closing Actions and Investments

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Increase SUNY/CUNY Tuition	197	195
Increase TAP Funding for SUNY/CUNY Tuition Increase	(38)	(44)
Reduce Base Aid for SUNY/CUNY Community Colleges	65	65
Establish New York Higher Education Loan Program (NYHELPs)	(50)	(10)
Use Available SUNY/CUNY Special Revenue Account Funds	44	44
Assess SUNY/CUNY Research Foundations for Use of University Facilities	10	10
Reduce Support for SUNY/CUNY University-wide Programs	31	43
Reduce Subsidy for SUNY Hospitals	24	33
Eliminate State Financial Support for the Neil D. Levin Institute	2	3
Reduce Support for SUNY Statutory Colleges at Cornell and Alfred Universities	4	6
Align TAP Awards with Course Load	22	31
Treat Pension Income Equitably in TAP Eligibility Determinations	11	15
Increase Academic Standards for Continued TAP Eligibility	5	7
Other TAP Adjustments	9	13
All Other Higher Education Actions	2	2
Total	**338**	**413**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

- **Increase SUNY/CUNY Tuition.** To help prevent further reductions in the resources available for SUNY's and CUNY's core instructional mission in this time of fiscal crisis, the Executive Budget recommends the first undergraduate tuition increase for these institutions since 2003-04. Both the SUNY and CUNY Boards of Trustees have already approved this proposal.

  The SUNY Board increased undergraduate tuition by $620 (14 percent) from $4,350 to $4,950 per year, graduate tuition by 14 percent annually, and non-resident undergraduate and graduate tuition by 21 percent annually. These increases are effective beginning in the Spring 2009 semester, and are reflected in the 2008-09 Deficit Reduction Plan. The 2009-10 Executive Budget also recommends that the SUNY Board increase resident graduate tuition by an additional 7 percent, effective with the fall 2009 semester.

The CUNY Board increased resident undergraduate tuition by up to $600 (15 percent), from $4,000 to up to $4,600 per year. Additionally, CUNY graduate tuition and non-resident undergraduate tuition would increase by 20 percent. These increases are effective in the 2009-10 academic year.

For the first time in recent state history, the Executive Budget recommends that these tuition increases be tied to an investment plan. Breaking with the state's more than 30-year practice of using 100 percent of the revenue from tuition increases to offset General Fund spending, SUNY would retain 10 percent ($7.6 million) of the fiscal benefit from the 2008-09 spring semester increase for enhanced investment. SUNY and CUNY would both retain 20 percent of the 2009-10 full annual increase ($33 million for SUNY, $22 million for CUNY). In the future, as economic and fiscal conditions improve, the state will seek to invest 50 percent of the fiscal benefit from this tuition increase to these institutions.

The new recommended resident undergraduate tuition rates will remain affordable and are below 2003-04 levels after adjusting for inflation. Additionally, SUNY and CUNY resident undergraduate tuition and fee rates would remain below those at all public colleges in the Northeast and Mid-Atlantic region, as well as the national average. Even after this increase, SUNY and CUNY resident undergraduate tuition would be below the $5,000 maximum threshold for Tuition Assistance Program (TAP) awards, ensuring that the neediest students would have their entire tuition costs covered. *(2009-10 Savings: $197 million; 2010-11 Savings: $195 million)*

- **Increase TAP Funding for SUNY/CUNY Tuition.** The Executive Budget includes $38 million to support increased TAP awards resulting from the recommended tuition rate increases for SUNY and CUNY. *(2009-10 Cost: $38 million; 2010-11 Cost: $44 million)*
- **Reduce Base Aid for SUNY/CUNY Community Colleges.** This recommendation would decrease CUNY community college base aid by 10 percent, or $270, from $2,675 per student to $2,405 per student. The budget also decreases SUNY community college base aid by an average of $270 from $2,675 to an average of $2,405 per student. In order to recognize the disproportionately adverse impact that this reduction could have on SUNY's smaller community colleges if applied in an across-the-board fashion, the budget would reduce the impact of the proposal on small and mid-sized community colleges, as follows: colleges with fewer than 3,000 full time equivalent students would have their base aid payments reduced by $160 per student; colleges with between 3,000 and 6,000 students would have their base aid payments reduced by $230; and colleges with more than 6,000 students would have their base aid payments reduced by $300. After these actions, support for community colleges would total $601 million. *(2009-10 Savings: $65 million; 2010-11 Savings: $65 million)*

- **Establish the New York Higher Education Loan Program (NYHELPs).** Based on the recommendations of the New York State Commission on Higher Education, the Executive Budget would establish the New York Higher Education Loan Program (NYHELPs) to provide students and parents who are New York State residents with access to loans to attend New York higher education institutions at rates well below those currently available in the private loan market.

  NYHELPs is a partnership between the state, private lenders and higher education institutions that is expected to provide loans to an estimated 45,000 community college, four-year college, and graduate students annually. In 2009-10, the State of New York Mortgage Agency (SONYMA) will issue $350 million in tax-free bonds to finance new fixed rate loans of up to $10,000 per borrower. Under current market conditions, the borrower's interest rate is expected to be approximately 8 percent. This rate compares favorably with other state and federal programs, and is up to 10 percentage points lower than the current rates for conventional private bank loans. NYHELPs also provides an affordable variable rate option for students, which is expected to increase loan volume well over the amount available through the $350 million fixed rate component.

  The budget provides $50 million to help capitalize a default reserve fund that is a critical element of the program's structure. The default reserve will also receive borrower fees, as well as contributions from participating higher education institutions that are equal to one percent of their students' loan dollar volume. Beginning in 2010-11, the state expects to contribute $10 million annually to the default reserve fund. *(2009-10 Cost: $50 million; 2010-11 Cost: $10 million)*

- **Use Available SUNY/CUNY Special Revenue Account Funds.** The Executive Budget assumes that $44 million of positive cash flows from SUNY's and CUNY's non-tuition revenue accounts will be used to preserve core instructional programs. *(2009-10 Savings: $44 million; 2010-11 Savings: $44 million)*

- **Assess SUNY/CUNY Research Foundations for Use of University Facilities.** The Executive Budget assumes that SUNY and CUNY will require their respective private, non-profit research foundations to pay an amount equivalent to 10 percent of their indirect cost recoveries on federal grants as partial reimbursement for using state-funded facilities. General Fund support is reduced by a commensurate amount. *(2009-10 Savings: $10 million; 2010-11 Savings: $10 million)*

- **Reduce Support for SUNY/CUNY University-wide Programs.** Funding provided for programs and institutes, many of which support activities that are outside the core undergraduate instructional budgets, would be reduced or eliminated. *(2009-10 Savings: $31 million; 2010-11 Savings: $43 million)*

- **Reduce Subsidy for SUNY Hospitals.** The Executive Budget includes $129 million for annual subsidy payments to SUNY's hospitals at Brooklyn, Stony Brook and Syracuse. This reflects a $25 million reduction from the 2008-09 Academic Fiscal Year level. *(2009-10 Savings: $24 million; 2010-11 Savings: $33 million)*

- **Eliminate State Financial Support for the Neil D. Levin Institute.** The Levin Institute is a program within SUNY that focuses on developing managers who can work across borders and cultures. It employs approximately 23 staff and has its state-owned headquarters on East 55th Street in Manhattan, which was purchased for the Institute in February 2005. The Institute is not accredited and has no students of its own. This action would eliminate all $3.1 million in state operating support for the Levin Institute for the 2009-10 Academic Fiscal Year. The building will retain the name of Neil D. Levin and it is expected that the SUNY Board of Trustees will take appropriate action to ensure that Mr. Levin's service and sacrifice continues to be recognized. *(2009-10 Savings: $2 million; 2010-11 Savings: $3 million)*

- **Reduce Support for SUNY Statutory Colleges at Cornell and Alfred Universities.** State support is provided through SUNY to five statutory colleges, four at Cornell University and the College of Ceramics at Alfred University. In addition, the state provides support for Cornell's land grant mission. A reduction of $6 million on an academic year basis is recommended. After this reduction, in the 2009-10 Academic Fiscal Year, $100 million would be provided for Cornell's statutory colleges, $55 million for Cornell land grant and $10.4 million for the College of Ceramics. *(2009-10 Savings: $4 million; 2010-11 Savings: $6 million)*

- **Align TAP Awards with Course Load.** Currently, students taking less than 15 credits per semester exhaust their TAP eligibility limits prior to graduating. To remedy this, the Executive Budget would provide pro-rated TAP awards, with a 15-credit basis for full awards, for students taking between 10 and 14 credits per semester, ensuring the continuation of TAP eligibility through graduation. Students taking less than 10 credits would continue to be eligible for Part-time TAP awards. *(2009-10 Savings: $22 million; 2010-11 Savings: $31 million)*

- **Treat Pension Income Equitably in TAP Eligibility Determinations.** Currently, income earned from private sector pensions is included in the calculation of net taxable income for TAP purposes, while income earned from public sector pensions is not. The Executive Budget eliminates this inequity by including all pension earnings in TAP income eligibility determinations. *(2009-10 Savings: $11 million; 2010-11 Savings: $15 million)*

- **Increase Academic Standards for Continued TAP Eligibility.** The Executive Budget would increase minimum academic standards for students to maintain TAP eligibility. Such students will now be required to earn at least 18 credits and a 1.8 Grade Point Average (GPA) after two semesters of study. Current standards would remain unchanged for remedial students. *(2009-10 Savings: $5 million; 2010-11 Savings: $7 million)*

- **Other TAP Adjustments.** Other adjustments to the TAP program include eliminating TAP award eligibility for approximately 7,600 graduate students who receive an average annual award of $381; eliminating the current enhancement in TAP award amounts for applicants who have multiple dependent family members in college; and making students ineligible for TAP if they are ineligible for federal loans.

  Currently, students in default on federal loans guaranteed by the Higher Education Services Corporation are ineligible to receive TAP payments, but students in default on other federal loans retain TAP eligibility. The Executive Budget provides that all students in default on federal loans would be ineligible for TAP awards, regardless of guarantor. *(2009-10 Savings: $9 million; 2010-11 Savings: $13 million)*

- **All Other Higher Education Actions.** The Regents Professional Opportunity Scholarship and Regents Health Care Opportunity Scholarship will sunset, consistent with existing law, and new awards for the Volunteer Recruitment Scholarship will be eliminated. After the reductions in spending resulting from the discontinuation of new Regents Opportunity and Volunteer Recruitment scholarship awards, the Executive Budget still includes $38.5 million in funding for various scholarship and award programs. *(2009-10 Savings: $2 million; 2010-11 Savings: $2 million)*

Other Budget Actions

- **Establish SUNY Supplemental Operating Account.** SUNY is expected to end 2008-09 with a cash balance in its primary non-tuition revenue account of approximately $450 million. The University has indicated that reductions in state support sustained in 2008-09 and any further loss of such support in 2009-10 could result in enrollment and workforce reductions. This action would set aside $75 million of SUNY's cash balances to preserve undergraduate programs and faculty positions.

State Workforce

I. Overview

State employees manage a range of facilities, services, and provider networks, and oversee and administer billions of dollars in program funding and capital projects. This requires a diverse, but stable, workforce, the size of which must be balanced between public need and fiscal responsibility.

State employees receive an average compensation of $62,453 plus generous fringe benefits.

Many employees (approximately 33 percent) are involved with protecting the health and safety of New Yorkers. Some of these individuals work in institutional settings such as psychiatric hospitals, drug treatment centers and correctional facilities, and others work in a variety of law enforcement capacities, including the State Police, the Division of Parole, the park police, and other bodies. The largest state employers are:

Agency	Workforce (3/31/09 Estimate)
State University of New York	40,632
Department of Correctional Services	31,673
Office of Mental Retardation and Developmental Disabilities	22,503
Office of Mental Health	17,071
City University of New York	11,455

II. History/Context

The state projects to end the 2008-09 fiscal year with 199,400 state employees, a reduction of 354 positions compared to 2007-08 and 1,770 fewer than projected at the beginning of the 2008-09 fiscal year. This downward trend was influenced by several actions including the implementation of a hiring freeze and mandated state agency spending reductions, both of which Governor Paterson ordered in response to the state's deteriorating fiscal condition. Compared to 2003-04, however, the size of the 2008-09 workforce represents an increase of 12,035, or 6.4 percent.

Since 2003-04, the vast majority of state employee salaries have increased by over 23 percent through negotiated bargaining agreements. Over the four years of the current contract alone, ending in 2010-11, salaries are projected to increase by 14 percent.

III. Proposed 2009-10 Budget Actions

The Executive Budget advances proposals to reduce spending for state employees in a way that will minimize layoffs during a time of economic distress and avoid service disruptions in critically important programs. These measures include partnering with state employee unions to modify compensation arrangements so as to reduce costs. The size of the state workforce will also decline based on facility closures, agency mergers, and continued management of employee hiring.

IV. Workforce Summary

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
State Workforce Personnel Costs (including salaries and fringe benefits)	17,565	17,875	310	1.7%

Category	2008-09 3/31/09 Est.	2009-10 3/31/10 Est.	Change	
			Number	Percent
State Workforce	199,400	196,292	(3,108)	(1.6%)

By the end of 2009-10, the state workforce is projected to total 196,292, a net decrease of 3,108 positions. This reflects 4,205 attritions (1,500 of which are not assigned to specific agencies and reflect the continuation of the hiring freeze), 521 layoffs, and 1,618 essential hires. The size of the state workforce would still represent an 8,917 increase compared to the size of the state workforce in 2003-04, or 4.7 percent.

Agencies expected to experience the most significant workforce changes during 2009-10 include:

- The Department of Correctional Services (DOCS) (-1,342).
- The Department of Taxation and Finance (+300).
- The Office of Children and Family Services (OCFS) (-288).
- The Department of Economic Development (-200).
- The Office of Mental Retardation and Developmental Disabilities (OMRDD) (-53).

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Implement Five Day Salary Deferral	121	0
Eliminate Scheduled 2009-10 Salary Increases	180	180
Advance Tier 5 Pension Proposal	10	30
Modify Future Retiree Contributions for Health Care	8	17
Require Medicare Part B Premiums Contributions	30	30
Achieve Fringe Benefit Savings	7	16
Reduce Court of Claims Interest Proposal	3	3
Reduce Taxes on State Owned Lands/PILOT Proposal	9	16
Total	**368**	**292**

Governor Paterson will seek to partner with state employee unions to help reduce salary costs by $301 million in 2009-10 and $180 million in 2010-11 including a salary deferment and elimination of a salary increase scheduled for 2009.

- **Implement Salary Deferral.** Defer 5 days of salary payments in 2009-10 until an employee leaves state service or the fiscal crisis is declared to be ended (whichever comes first). At such time, employees will be entitled to a lump sum payment based upon the rate of basic annual salary then in effect. In no event will the lump sum payment be less than the amount of salary originally withheld. A 5-day salary deferral was previously implemented during the 1990-91 fiscal crisis. *(2009-10 Savings: $121 million; 2010-11 savings: $0)*
- **Eliminate Scheduled 2009-10 Salary Increases.** Eliminate salary increases scheduled for 2009-10. These increases were negotiated during better fiscal times. Even after this action, over the four-year life of their contract most workers would still receive a salary increase of 10 percent (3 percent in 2007-08, 3 percent in 2008-09, 4 percent in 2010-11). *(2009-10 Savings: $180 million; 2010-11 Savings: $180 million)*

A number of actions are recommended to reduce fringe benefit costs. These actions will save $55 million in 2009-10, increasing to $93 million in 2010-11.

- **Advance Tier 5 Pension Proposal.** The Executive Budget proposes a new tier of pension benefits be enacted for newly hired state and local government employees. This plan, known as Tier 5, will largely return pension benefits to the levels prior to recent benefit enhancements. These changes include reinstituting 3 percent employee pension contributions past ten years of service, returning the minimum retirement age from 55 to 62, and several other cost saving adjustments. This newly created pension tier will significantly reduce future state and local government pension liabilities. It is expected that the pension contribution rate to be billed against new employee salaries will decrease by approximately 2.5 percent. This will result in immediate cost savings that will grow over time as existing employees leave the payroll and more new employees are hired. *(2009-10 Savings: $10 million; 2010-11 Savings: $30 million)*

- **Modify Future Retiree Contributions for Health Care.** The state's contributions for future retired state employees health insurance premiums would be provided on a sliding scale based on the retiree's years of service. Currently, the state pays 90 percent of premiums for all employees (75 percent for dependents) who retire with at least 10 years of service. Under this proposal, the state would pay a minimum of 50 percent of premiums for individual coverage and 35 percent for dependent coverage for employees who retire with 10 years of service. The state's contribution would increase by 2 percent of premium for each additional year of service up to a maximum contribution of 90 percent for individual coverage and 75 percent for dependent coverage for employees who retire with 30 or more years of service. *(2009-10 Savings: $8 million; 2010-11 Savings: $17 million)*

- **Require State Employees and Retirees to Contribute to Medicare Part B Premiums.** The state currently pays 100 percent of the Medicare Part B premium for employees and retirees. Requiring employees and retirees to contribute towards Medicare Part B premiums would increase annual premium costs to employees and retirees by approximately $20-30 for individual coverage and $80 for family coverage. *(2009-10 Savings: $30 million; 2010-11 Savings: $30 million)*

- **Fringe Benefit Savings.** Various workforce actions will achieve fringe benefit savings. *(2009-10 Savings: $7 million; 2010-11 Savings: $16 million)*

Other actions are proposed that will impact the general state charges budget:

- **Reduce Interest Paid on Judgments Against the State.** Under current law, the state is statutorily mandated to pay an interest rate of 9 percent on all judgments against the state in the Court of Claims, resulting in unnecessarily high litigation costs. The Executive Budget proposes to tie the interest rate to be paid to a market-based rate, resulting in cost savings to the state. *(2009-10 Savings: $3 million; 2010-11 Savings: $3 million)*

- **Reduce State Payments in Lieu of Taxes and Taxes on State-Owned Lands.** The state pays taxes on certain state-owned lands pursuant to various sections of Real Property Tax Law and makes payments in lieu of taxes (PILOTs) on other lands pursuant to various sections of Public Lands Law. The Executive Budget proposes to maintain tax payments made by the state on various state lands at 2008-09 amounts and reduce scheduled 2009-10 PILOTs by six percent. *(2009-10 Savings: $9 million; 2010-11 Savings: $16 million)*

Other Workforce Actions

- **Department of Correctional Services: Camp and Annex Closures.** Staff reductions are anticipated from the closure of correctional camps at Pharsalia, Gabriels, Georgetown, and Mt. McGregor in response to a decline in the number of minimum-security inmates and a shift from the camp model of rehabilitation (-322 attritions). Further reductions are anticipated from the closure of several annexes due to excess capacity at certain correctional facilities (-232 attritions).
- **Office of Children and Family Services: Facility Closures and Downsizing.** Close or downsize 5 Non-Secure and Limited Secure youth facilities, 1 reception center, 2 Community Residential Homes, and 3 underutilized Evening Reporting Centers (-128 attritions and -127 abolitions) because of high vacancy rates.
- **Sentencing and Parole Reforms:** The budget advances preliminary recommendations of the Commission on Sentencing Reform regarding merit time credits, intensive rehabilitation programs coupled with early release, graduated sanctions for parolees, and the use of a risk and needs assessment tool to increase an offenders chance for success in the community. These proposals, together with continued population declines, are expected to reduce the prison population by 1,600 inmates by January 2010. As a result, the workforce can be reduced by 750 positions in the final quarter of the fiscal year, entirely through attrition.
- **Department of Correctional Services and Office of Mental Health: Adjusted Staffing Needs for the Sex Offender Management and Treatment Act (SOMTA).** Adjust staff needed to effectively operate the sex offender treatment program as mandated by the SOMTA legislation (-28 attritions at DOCS and -172 attritions and -45 abolitions at OMH), achieved in part through the elimination of funded vacancies.
- **Restructure the State's Economic Development Delivery Structure.** To streamline and improve the delivery of economic development services, NYSTAR will be eliminated and its functions transferred to ESDC. Further efficiencies and coordination will be achieved through enhanced integration of activities between DED and ESDC (-109 abolitions, -117 attritions).
- **Merge Select State Entities.** To produce efficiencies and cost-savings, several state agencies or public benefit corporations will be merged:
  - The State Employment Relations Board is abolished, and the Public Employment Relations Board absorbs their responsibilities. (-3 abolitions, -12 attritions);
  - The Office of the Welfare Inspector General (10 staff) would merge with the Medicaid Inspector General;
  - Northeastern Queens Nature and Historical Preserve Commission and the Hudson River Valley Greenway Communities Council and Conservancy would merge into the Department of State. (-4 abolitions, -1 attrition); and
  - The New York State Theatre Institute would merge with the Empire State Plaza Performing Arts Center Corporation (no staff impact).

Public Safety

Department of Correctional Services
Division of Parole
Division of State Police
Division of Criminal Justice Services
Division of Probation and Correctional Alternatives
Crime Victims Board
State Commission of Correction
Office for the Prevention of Domestic Violence
Office of Homeland Security
Division of Military and Naval Affairs
State Emergency Management Office
Division of Veterans Affairs
Alcohol and Beverage Control

I. Overview

New York's residents are protected by the joint efforts of thirteen public safety agencies. With an annual budget over $4.7 billion, these agencies assist local communities in fighting crime, supervise criminal offenders both in prison and in the community, patrol the highways, protect critical state assets, and respond to natural disasters or terrorist threats. More than 79 percent of the public safety budget is dedicated to the direct provision of state services, making this functional area a major state employer with nearly 42,000 staff represented by 7 public employee unions, or 19 percent of the overall state workforce.

II. History/Context

New York State's crime rate has declined steadily over the past 10 years – down 33 percent since 1998. During this period, the actual number of crimes reported fell every year, reaching the lowest level recorded since statewide reporting began nearly 40 years ago. In 2007, there were 188,631 fewer crimes reported than in 1998, while the population of the state increased by over one million.

During this time of declining crime, spending for public safety programs grew 54 percent, with more than half of that growth dedicated to the operation of state prisons. New York operates the nation's fourth-largest state prison system – comprised of 69 correctional facilities and the Willard Drug Treatment Campus, employing approximately 31,700 staff. Since a peak of 71,600 inmates in December 1999, the Department of Correctional Services under-custody population has fallen by over 10,500 inmates, resulting in significant unused prison capacity. New York is one of only fourteen states nationwide that is experiencing a decline in its prison population.

New York spends approximately 5.1 percent of its budget on corrections, less than the national average of 6.8 percent. New York represents 6 percent of nationwide state spending on corrections, but houses only 4.5 percent of the nation's total state prison population. New York ranks eighth nationally in the number of corrections employees as a share of all state employees – 13.6 percent in New York, compared to the national average of 11 percent.

Homeland security is a second major element of the state's public safety agenda. New York is a major recipient of federal homeland security grants, garnering more than 16.5 percent of the grants nationwide, in recognition of the state's high threat profile. Of this amount, 80 percent is distributed to local governments, primarily New York City, which receives 70 percent of the total. These grants have grown 78 percent since 2006.

III. Proposed 2009-10 Budget Actions

The budget focuses on maintaining support for key programs that strategically deploy resources to areas of high need. Operation IMPACT will continue the state's partnership with local law enforcement to fight crime in upstate communities, the Empire Shield mission will continue to deploy flexible, threat-based response units in the New York City metro area, and state police troop strength will be maintained to address the safety needs of all New Yorkers.

The Executive Budget also seeks to restructure the criminal justice system to achieve savings without compromising the public's safety by eliminating excess prison capacity, advancing sentencing reform proposals, fostering improved partnerships with local jails, and eliminating lower-performing programs.

The actions proposed result in a net reduction of 1,328 positions, primarily through attrition. Every effort will be made to avoid layoffs. However, the DOCS consolidations may require some staff to work at new facilities, most of whom will do so voluntarily.

The 2009-10 Executive Budget also reflects the state's commitment to strengthening programs that link eligible veterans to the benefits to which they are entitled, improving outreach, and expanding counseling services in the community.

IV. Summary of Spending (All Funds)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Public Safety	**4,723**	**4,897**	**174**	**3.7%**
Department of Correctional Services	**2,860**	**2,888**	**28**	**1.0%**
Division of Parole	**203**	**198**	**(5)**	**(2.5%)**
Division of State Police	**690**	**727**	**36**	**5.2%**
Office of Homeland Security	**198**	**361**	**163***	**82.2%**

**This reflects $166 million in increased federal grants for homeland security.*

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Close Four Prison Camps and Various Annexes	26	29
Reform Sentencing and Parole Practices	15	60
Evaluate Mental Health Programs	11	15
Discontinue Prison Farm Operations	4	4
Eliminate Board of Prisoner Payments to Local Jails	10	21
Increase Efficiencies in Security Staffing and Parole Supervision	8	7
Reduce Aid to Local Criminal Justice Programs	9	9
Eliminate Road to Recovery	4	4
Expand Uses of Criminal Justice Improvement Account	13	13
Offset Increased State Police Costs with Dedicated Revenue	74	91
Eliminate Westchester Policing Aid	2	2
Expand Medical Parole	2	2
Institute Operating Efficiencies	27	29
Costs to Implement New Revenue Initiatives	(8)	(32)
Total	**197**	**254**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

- **Close Four Prison Camps and Various Annexes.** To eliminate excess capacity in the prison system, the Department of Correctional Services (DOCS) will close its four minimum-security camps – Pharsalia (located in Chenango County), Gabriels (located in Franklin County), Georgetown (located in Madison County), and Mt. McGregor (located in Saratoga County). These facilities are currently at less than 47 percent of capacity. In addition, DOCS will close several annexes to further consolidate the system. These actions will result in a reduction of 554 positions. *(2009-10 Savings: $26 million; 2010-11 Savings: $29 million)*

- **Reform Sentencing and Parole Practices.** The budget advances preliminary recommendations of the Commission on Sentencing Reform regarding merit time credits, intensive rehabilitation programs coupled with early release, graduated sanctions for parolees, and the use of a risk and needs assessment tool to increase an offender's chance for success in the community. These proposals, together with continued population declines, are expected to reduce the prison population by approximately 1,600 inmates without compromising public safety, allowing the Department to close an equivalent number of medium-security beds by January 2010 and eliminate approximately 750 positions. *(2009-10 Savings: $15 million; 2010-11 Savings: $60 million)*

- **Evaluate Mental Health Programs.** Under the Special Housing Unit (SHU) Exclusion bill, the Department will open a new 100-bed Residential Mental Health Unit at the Marcy correctional facility, and has requested time to evaluate the effectiveness of the new unit prior to undertaking further expansion. As a result, the budget recommends delaying the full implementation of the bill for three years - until July 1, 2014. This will result in a deferral of 388 additional DOCS positions. *(2009-10 Savings: $11 million; 2010-11 Savings: $15 million)*

- **Discontinue Prison Farm Operations.** Farms at 12 correctional facilities are being closed in recognition that the usefulness of these programs as a vocational tool has diminished. The elimination of the farms will negate the need to replace large farm equipment and replenish other supplies. This will result in a reduction of 90 positions, of which 48 are non-security positions. (*2009-10 Savings: $4 million; 2010-11 Savings: $4 million)*

- **Eliminate Board of Prisoner Payments to Local Jails.** The budget eliminates the $37.60 per diem payment to local jails for housing "state-ready" inmates and parole violators. The impact of these populations on local jails has significantly decreased, as a result of improved practices by DOCS and the Division of Parole, including better processes for reporting "state-ready" status, use of roving administrative law judges, and other measures. To ensure the state continues to move inmates from local jails to state prison in a timely manner, new legislation will require DOCS to provide a bed for the inmate within ten business days of being declared "state-ready", except in instances where there are circumstances outside the Department's control. If the ten-day requirement is not met, the Department will reimburse the county approximately $100 per day (retroactive to the first day) for housing that "state-ready" inmate in their jail. *(2009-10 Savings: $10 million; 2010-11 Savings: $21 million)*

- **Increase Efficiencies in Security Staffing and Parole Supervision.** DOCS will adjust the scheduling of its annual security staff training to limit the need for overtime replacements, and has reduced inmate movement between facilities from 5 days to 4 days per week. In addition, the Division of Parole will utilize a risk and needs tool to identify low risk parolees and place them under a less intensive supervision program, and will restructure the level of supervision for parolees who have attended intensive rehabilitation programs and performed well. This will result in a reduction of 135 positions. *(2009-10 Savings: $8 million; 2010-11 Savings: $7 million)*

- **Reduce Aid to Local Criminal Justice Programs.** Grants to communities for crime fighting and prevention activities are reduced 6 percent, with the exception of Operation IMPACT and Local Re-entry Task Forces. Support for local probation departments and community correction agencies is also decreased 6 percent, but the impact on county probation departments is partially mitigated by the positive impact of legislation to eliminate inappropriately long probation sentences, and impose a one-time probation fee. Project INSPYRE will not be renewed. After these reductions, $128 million in General Fund support will be available for local criminal justice programs. *(2009-10 Savings: $9 million; 2010-11 Savings: $9 million)*

- **Eliminate Road to Recovery.** While the diversion of offenders to drug treatment centers rather than prison remains a priority, the budget proposes that the Road to Recovery program be eliminated. The program has been underutilized and the statewide completion rate is only 48 percent. Alternatively, $4 million has been added to the Office of Alcohol and Substance Abuse Services to implement a judicial diversion program and ensure sufficient treatment remains available for individuals involved with the criminal justice system. *(2009-10 Savings: $4 million; 2010-11 Savings: $4 million)*

- **Expand Uses of Criminal Justice Improvement Account.** The budget proposes that available, recurring resources from mandatory surcharges on offenses and the victims' assistance fee be used to offset General Fund costs for crime prevention programs and operations of the Crime Victims Board. *(2009-10 Savings: $13 million; 2010-11 Savings: $13 million)*

- **Offset Increased State Police Costs with Dedicated Revenue.** The Executive Budget maintains the state's commitment to ensuring safety on roads and highways by forgoing reductions to state police member strength and instead offsetting those costs with dedicated revenues. To that end, the Executive Budget continues the use of cell surcharge revenue for State Police operations ($26 million) for two additional years, and increases the Motor Vehicle Law Enforcement fee that is assessed on each vehicle insurance policy, from $5 to $10 ($65 million). *(2009-10 Savings: $74 million; 2010-11 Savings: $91 million)*

- **Eliminate Westchester Policing Aid.** Funding to Westchester County in support of patrols of certain parkways in Westchester is eliminated. Similar funding is not provided to any other municipality in the state, and the required statutory schedule of payments was completed in 2001-02. *(2009-10 Savings: $2 million; 2010-11 Savings: $2 million)*

- **Expand Medical Parole.** Legislation accompanying the budget would expand eligibility for the release of terminally and chronically ill inmates, while ensuring that persons convicted of murder in the first degree are barred from the program. These inmates not only require the most expensive medical care, but they also fill many of the available Regional Medical Unit beds in DOCS facilities. As a result, inmates suffering from a less serious illness must often be treated at outside hospitals, which is costly and presents a security risk. *(2009-10 Savings: $2 million; 2010-11 Savings: $2 million)*

- **Institute Operating Efficiencies.** Each public safety agency will undertake administrative actions to reduce the cost of their operations, including: eliminating non-essential administrative positions; making caseload-driven staffing reductions; continuing the hiring freeze; curtailing spending on vehicles, equipment, technology, and telecommunications; and eliminating low priority programs. This will result in a reduction of 181 positions. *(2009-10 Savings: $27 million; 2010-11 Savings: $29 million)*

- **Invest to Implement New Revenue Initiatives.** The budget proposes two new sources of revenue for which operating costs must be incurred – the deployment of speed enforcement cameras and the issuance of new license plates. *(2009-10 Cost: $8 million; 2010-11 Cost: $32 million)*

Other Budget Actions

- **Accelerated Prison Closure Process.** Under current law, the Commissioner of Correctional Services is required to give notice one year before closing a prison, and to provide a re-use plan before actually closing a prison. While a laudable process, during hard economic times the state must be free to move more swiftly to eliminate wasteful excess prison capacity. New legislation will allow the Commissioner – in the wake of a fiscal crisis – to eliminate excess prison capacity with 90 days notice. This accelerated closure process would then remain in effect for three years.

- **Local Jails.** New legislation would make inspections by the State Commission of Correction (SCOC) unnecessary if a facility is accredited by the American Correctional Association. SCOC would retain the right to visit these facilities if it has reason to believe the health, safety and security of staff or inmates is being jeopardized. Further, the bill expands the use of video-conferencing for court appearances, saving counties both transportation and personnel costs, and reducing the risk of escapes. Finally, the bill would allow DOCS to accept inmates from local facilities in an emergency.

- **Assistance for Charitable Organizations.** The Food Production Center at DOCS produces healthy, low cost, easily transportable food items. Since the Center has additional capacity, DOCS will be able to help New Yorkers in need by selling low cost food products to food kitchens and other charitable organizations at no more than the cost of production and transportation.

- **Maintenance of Effort for Distributions to Counties from the Indigent Legal Services Fund.** The Indigent Legal Services Fund (ILSF) is a dedicated fund, which provides support to counties and the City of New York for the cost of indigent defense services. To receive a distribution, a county must meet a statutory maintenance of effort (MOE) test. In 2007, three counties did not qualify; and, in 2008, nine counties did not qualify initially, but legislation was enacted to alter the MOE test for one year. Legislation accompanying this budget would make permanent the more flexible MOE test enacted for 2008, making it easier for counties to qualify for this funding. Funds lost by ineligible counties would continue to be reallocated to the remaining eligible counties.

- **Homeland Security Grants.** Projections for 2009-10 reflect a significant increase in federal homeland security grants. New York expects to receive awards of approximately $500 million during the next fiscal year, most of which is distributed directly to local governments.

- **Cyber Security Partnerships.** Legislation is proposed to convert the Office of Cyber Security and Critical Infrastructure Coordination (CSCIC) into a not-for-profit corporation to develop critical and strategic partnerships between the federal, state and local governments and private industry. Such partnerships increase the opportunity for innovation, enhance the state's ability to respond to heightening cyber risks, and increase the coordination of information on cyber threats. The proposed corporate structure would provide new flexibility, allowing CSCIC to market its security solutions nationwide and seek new sources of funding, thereby reducing the need for ongoing support from the General Fund.

- **Investment in Services for Veterans.** The 2009-10 Executive Budget reflects the state's commitment to strengthening programs that link eligible veterans to the benefits to which they are entitled. These efforts include increasing support for existing county veterans service agencies. In an effort to further strengthen outreach, this budget also creates a veterans' family outreach program which will streamline and coordinate the delivery of benefits and services; and, for the first time, deploy mobile outreach vans to bring counseling and services to those veterans living in rural areas. *(2009-10 cost: $1.1 million; 2010-11 cost:$0.8 million)*

- **Improve Processing of Alcohol and Beverage Control Licenses.** An investment of $3 million is included in the budget to supplement the operations of the Division of Alcoholic Beverage Control. These new resources will support legislation authorizing the sale of wine in grocery stores, and will be used to alleviate the current license application backlog.

Economic Development

Empire State Development Corporation
Department of Economic Development
Foundation for Science, Technology and Innovation

I. Overview

The state's economic development programs are currently administered by three entities. The Department of Economic Development (DED) is responsible for providing policy guidance and for managing marketing and advertising activities that promote tourism and new business investment in New York. The Empire State Development Corporation (ESDC) is a public authority charged with fostering and financing key economic development projects across the state. The Foundation for Science, Technology and Innovation (NYSTAR) administers programs to foster university-based research and technology.

II. History/Context

Together, the state's economic development agencies stimulate economic growth and job creation by fostering business development, enhancing industrial competitiveness, revitalizing downtown areas, advancing high technology, and promoting tourism.

Since 2004, Empire Zone tax expenditures, debt service on economic development capital projects and spending on economic development grant programs have increased by nearly $340 million, an average annual increase of nearly 12 percent. In 2008-09, these expenditures will total an estimated $950 million.

III. Proposed 2009-10 Budget Actions

The 2009-10 Executive Budget recognizes the need to maximize the state's economic development investments to both achieve fiscal relief and to encourage job growth. The budget proposes to achieve cost savings through performance improvements, organizational efficiencies, and program reductions, while providing targeted investments to create jobs. Major actions include:

- Reforming the Empire Zone program by changing eligibility requirements to ensure that limited taxpayer resources are used wisely and effectively.
- Restructuring the state's economic development agencies to streamline and improve the delivery of economic development services, eliminate duplicative administrative expenses, and save over $11 million in taxpayer dollars.
- Reducing spending to recognize the state's fiscal condition, while continuing funding for strategic job creation initiatives — including a new $50 million economic development grant and loan program to support targeted investments in strategic industries across the state.

IV. Summary of Economic Development Spending*

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Economic Development Disbursements	**764**	**1,145**	**381**	**50%**
State Operations/Local Assistance	**186**	**176**	**(10)**	**(5%)**
Discretionary Investment Capital	**315**	**200**	**(115)**	**(37%)**
Non-Recurring Capital	**950**	**75**	**(875)**	**(92%)**

**Top line of chart represents All Funds cash disbursements. The bottom three lines represent appropriations for state operations, local assistance and capital.*

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Restructure the Economic Development Agencies	11.1	11.8
Reduce High Technology Funding	10.4	10.4
Reduce Tourism and Marketing Funding	10	10
Transfer Excess Public Authority Funds	338	8
Total	**369.5**	**40.2**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

- **Restructure the State's Economic Development Agencies.** To streamline and improve the delivery of economic development services, NYSTAR will be eliminated and its functions transferred to ESDC. Further efficiencies and coordination will be achieved through enhanced integration of activities between DED and ESDC. *(2009-10 Savings: $11.1 million; 2010-11 Savings: $11.8 million)*

- **Reduce High Technology Funding.** To reflect the fact that certain high technology investments have continued for many years, and allowed the research centers to mature, funding for high technology programs and projects will be reduced or eliminated for Centers for Advanced Technology, Syracuse University's Sensing, Analyzing, Interpreting and Deciding (SAID) Center, and Centers for Applied Research and Technology. Even after these actions, $31.6 million will be available to support critical university-based matching grants and other high technology and research and development programs. These continuing funds will sustain early stage research and development activities. *(2009-10 Savings: $10.4 million; 2010-11 Savings: $10.4 million)*

- **Reduce Tourism and Marketing Funding**. Funding for tourism and marketing programs, including "I Love New York" Tourism, Local Tourism Matching Grants, International Trade, Explore New York and Business Marketing will be reduced or eliminated. Even after these actions, $17 million will be available to support various tourism and marketing programs, such as "I♥NY" Tourism Advertising, Local Tourism Matching Grants and International Trade. *(2009-10 Savings: $10 million; 2010-11 Savings: $10 million)*

- **Transfer Excess Public Authority Funds.** Excess revenues from the Battery Park City Authority ($270 million) and the Empire State Development Corporation ($68 million) will be transferred to the General Fund. *(2009-10 Savings: $338 million; 2010-11 Savings: $8 million)*

Other Budget Actions

- **Empire Zone Reform and Reinvestment.** In 2009-10, ESDC will undertake substantial program reforms and administrative changes to improve overall program performance. The Executive Budget proposal would require all of the current program participants to reapply for certification and demonstrate that they are producing at least $20 in actual investments and wages for every $1 that the state invests in order to remain in the program. The reformed program will continue until its sunset date of June 30, 2011, excluding certain sectors such as utilities, retail, and real estate from future participation. These actions are expected to produce savings of $272 million in 2009-10 and $292 million in 2010-11.

  The Executive Budget recognizes the need for resources to invest in job creation opportunities, especially in our upstate communities. Demonstrated savings from Empire Zone reforms will be reinvested in the following initiatives:

  - A new $50 million New York Growth, Achievement and Investment Strategy (GAINS) Fund targeted to job creation in strategic industries such as manufacturing, financial services, agri-business, and high technology/biotechnology;

- A new Research and Development Tax Credit that would allow ESDC to allocate $20 million of credits in 2009, which could be claimed beginning in 2010. The credit would align with the current federal definition, and also allow credits based upon incremental business grants made to colleges and universities for research; and

- Expansion of the existing State Research and Development Tax Credit for qualified emerging technology companies in 2010 to eliminate the penalty for businesses creating over 100 jobs, as well as allow businesses with fewer than 100 employees in New York State but over 100 employees worldwide to participate.

• **Capital Savings and Strategic Reinvestment.** The Executive Budget authorizes the Governor and the Legislature to work together to execute a capital spending reduction and strategic reinvestment plan. A total of $375 million of low priority capital authorizations would be jointly identified and discontinued. Of that amount, up to $275 million would be reinvested to support critical economic development initiatives, including $200 million for strategic new investments to be made by ESDC, $50 million for the development of IBM's semiconductor packaging center in upstate and $25 million for the Albany Nanotech initiative announced in July 2008.

• **Continued Investment.** Over $50 million will be available to support economic development initiatives, including: the Empire State Economic Development Fund; Minority-and Women-Owned Business Development and Lending programs; the Urban and Community Development Program; the Entrepreneurial Assistance Program; the retention of professional football in Western New York; military base retention; and the operation and development of the Centers of Excellence or other high technology research centers.

Environment and Energy

Adirondack Park Agency
Department of Agriculture & Markets
Department of Environmental Conservation
Department of Public Service
Energy Research and Development Authority
Environmental Facilities Corporation
Hudson River Park Trust
Hudson River Valley Greenway Council and Conservancy
Northeastern Queens Nature and Historical Preserve Commission
Office of Parks, Recreation and Historic Preservation

I. Overview

The state's environmental, energy and natural resource agencies support a wide range of programs including land preservation, parks and tourism, agricultural development, protection of the state's water resources, regulatory oversight of state environmental laws and regulations, oversight of the state's food supply and food safety, and regulation of the state's utilities and energy programs.

The Department of Environmental Conservation and the Office of Parks, Recreation and Historic Preservation oversee nearly 4.9 million acres of open space statewide, including 2.6 million acres in the Adirondacks and nearly 288,000 acres of the Catskill Forest Preserve. Additionally, the state park system includes 213 state parks and historic sites, including the nationally renowned Jones Beach State Park, Niagara Falls State Park, and Bethpage State Park, which is home to the Black Course, site of the 2002 and the upcoming 2009 United States Golf Association Championship (U.S. Open).

The Department of Public Service (DPS), the staff arm of the Public Service Commission, regulates the rates and services of the state's public utilities, an industry with an estimated $40 billion in revenue, oversees the siting of major utility infrastructure, and manages other utility safety and consumer protection functions. In addition, in conjunction with the New York State Energy Research and Development Authority, DPS oversees and administers the state's energy efficiency and renewable energy programs. The New York Power Authority supplies power statewide through its generating assets, including two large hydro facilities, and through over 1,400 miles of transmission lines. Finally, the Long Island Power Authority provides affordable and reliable electric service to its 1.1 million residential and commercial customers in Nassau and Suffolk counties and the Rockaway Peninsula in Queens.

II. History/Context

The state has protected over 750,000 acres of open space and 18,500 acres of farmland since 2003. From 1992 to 2006, the state parks system expanded by more than 25 percent, with 66,000 acres and 28 new parks added. These actions have been financed primarily through the expansion of the Environmental Protection Fund (EPF). Since its creation in 1994-95, the EPF has increased from $25 million to more than $200 million. While farmland protection, waterfront revitalization, recycling and land acquisition have remained the focus of the EPF, receiving over 80 percent of total funding, many other activities and programs, not core to Environmental Protection Fund programs, have been allocated EPF moneys in recent years. Total environmental appropriations have almost doubled from $801 million in 1995-96 to $1.6 billion in 2009-10.

III. Proposed 2009-10 Budget Actions

The budget protects the state's most critical environmental assets and agricultural programs while reducing support for tangential initiatives. Major actions include spending reductions in the EPF and local assistance programs administered by the Department of Agriculture and Markets; personal service savings across all agencies reflecting continuation of the hard hiring freeze; agency consolidation; and non-personal service savings reflecting a reduction in services in certain areas, such as the Office of Parks, Recreation and Historic Preservation.

The Executive Budget also proposes several new revenue initiatives. Significant actions include an increased assessment on utility gross revenues to offset the cost of state energy services, and the expansion of the "Bottle Bill" to include most non-carbonated beverages and transfer of unclaimed deposits to the EPF. Finally, various environmental license and permit fees would be increased or established, including State Pollution Discharge Elimination System fees, new fishing license fees and endorsements, and state park fees for activities such as golf, camping and cabin rentals.

IV. Summary of Spending (All Funds)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Total Energy & Environment	1,372	1,327	(45)	(3.3%)
Department of Agriculture & Markets	99	97	(2)	(2.0%)
Department of Environmental Conservation	830	842	12	1.5%
Office of Parks, Recreation & Historic Preservation and Other - Capital	105	58	(47)*	(44.8%)*
Office of Parks, Recreation & Historic Preservation - All Other	214	211	(3)	(1.4%)

**The 2008-09 Enacted Budget included a non-recurring capital increase to address accumulated capital obligations. Funding could not be continued at that level in 2009-10, but recommended levels would be $15 million, or 35 percent higher than in 2007-08.*

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Expand Provisions of the Bottle Bill/Other EPF Actions	207	207
Reduce State Park & Historic Site Operations	5	5
Increase DEC Fees	11	15
Increase State Parks Fees	7	7
Reduce Agriculture & Markets Local Assistance	4	4
Consolidate Agencies and Operations	1	1
Increase Food Licensing and Seed Fees and Food Safety Penalties	5	5
Transfer Funds from NYPA	170	0
Other Actions	1	1
Total	**416**	**250**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

- **Expand "Bottle Bill" and Stabilize EPF Revenues.** Recognizing the significant growth in the sales of bottled water, juices and sports drinks, and the associated impact on the state's waste stream, non-carbonated beverage containers would be made subject to a nickel deposit by expanding the existing "Bottle Bill" law to include these containers. Unclaimed deposits will be directed to the EPF, where they will provide a stable, reliable and environmentally focused revenue stream for the state's most important environmental programs. This will allow real estate transfer tax revenues currently deposited into the EPF to be moved back to the General Fund to support statewide activities. Additionally, in light of the state's daunting fiscal challenges, appropriations for the EPF would be reduced from $255 million to $205 million. With these actions, total EPF funding will be 37 percent higher than 2005-06 levels. See Deficit Reduction Plan for further information. *(2009-10 Savings: $207 million; 2010-11 Savings: $207 million)*
- **Reduce State Park and Historic Site Operations.** This budget does not call for the outright closure of any parks or historic sites. However, steps will be taken to consolidate services, reduce hours of operation, shorten seasons of peak operations, and reduce levels of patron and program services. *(2009-10 Savings: $5 million; 2010-11 Savings: $5 million)*
- **Increase Department of Environmental Conservation Fees.** To allow conservation activities to be supported by users, this budget creates a new marine fishing license and a trout and salmon stamp to support the Conservation Fund. Additionally, to support the increased demand for and cost of water pollution regulation efforts, State Pollutant Discharge Elimination System fees paid by the regulated community will be increased. *(2009-10 Savings: $11 million; 2010-11 Savings: $15 million)*

- **Increase State Park Fees.** This proposal raises administrative fees for various activities related to: camping, cabin rentals, golf, marina usage, Empire passports, passes and permits. These fees were last increased at various times between 2003 and 2006. These increases will better align fees with the escalating cost of providing recreational services and will obviate more severe service reductions. *(2009-10 Savings: $6.5 million; 2010-11 Savings: $6.5 million)*
- **Reduce Agriculture & Markets Local Assistance.** Some local assistance programs would be reduced or eliminated including elimination of funding for Local Fairs, the New York State Wine and Grape Foundation, and the New York State Apple Growers Association. *(2009-10 Savings: $4 million; 2010-11 Savings: $4 million)*
- **Consolidate State Agency Operations.** The budget achieves efficiencies and programmatic improvements by eliminating entities which perform duplicative functions. To achieve greater government efficiency while maintaining core activities, the Northeastern Queens Nature and Historical Preserve Commission, and the Hudson River Valley Greenway Council and Conservancy will be eliminated and certain functions of the Greenway will be transferred to the Department of State. *(2009-10 Savings: $1 million; 2010-11 Savings: $1 million)*
- **Increase Food Licensing and Seed Fees / Food Safety Penalties.** Fees for retail food establishments, warehouses, and food processors will be increased to reflect the cost of program administration, a new seed licensing fee will be established to ensure seed quality in the State, and food safety penalties will be increased to ensure compliance with food safety laws. *(2009-10 Savings: $4.9 million; 2010-11 Savings: $4.9 million)*
- **Transfer Funds from New York Power Authority.** The New York Power Authority would transfer $306 million to the state's General Fund in 2008-09 and $170 million in 2009-10. See 2008-09 Deficit Reduction Plan for further information. *(2009-10 Savings: $170 million; 2010-11 Savings: $0 million)*
- **All Other Actions.** Other actions include an increase in DEC education camp fees from $250 to $325 per session, reductions in staffing through attrition, and other items. *(2009-10 Savings: $0.7 million; 2010-11 Savings: $0.7 million)*

Other Budget Actions

- **Increase Assessment on Utility Companies.** To compensate the state for all utility regulatory and oversight costs, as well as assist the state in meeting its own energy and utility obligations and encourage conservation of energy by consumers, the assessment charged by the Department of Public Service against utilities would be increased from one-third of 1 percent to 1 percent permanently, and to 2 percent temporarily through Fiscal Year 2011-12. This would produce $651.6 million in additional revenue. See Revenue Actions section of the Briefing Book for further information.
- **Walkway Over the Hudson River.** The budget includes $8 million for the completion of the Walkway Over the Hudson River with $4 million allocated from the EPF and $4 million of bonded capital funds. The Walkway is scheduled to open in time for the 2009 Hudson-Fulton-Champlain Quadricentennial Celebration.

Transportation

Department of Transportation
Department of Motor Vehicles

I. Overview

The state's transportation system is operated, maintained and administered by a network of state and local agencies and public authorities. The Department of Transportation (DOT) coordinates planning and policy development, and provides for the direct operation and capital improvement of much of the transportation system. DOT is responsible for construction, reconstruction, maintenance and snow and ice control services for the state's more than 38,000 state highway lane miles and over 7,500 bridges. In addition, DOT provides funding for local government highway and bridge construction, and rail, airport, bicycle, pedestrian and canal programs.

The Department also oversees and funds more than 130 public transportation operators including the Metropolitan Transportation Authority (MTA), the four upstate regional transportation authorities, and other (usually county-sponsored) transit systems. These systems provide bus, subway, commuter rail and light rail services as well as "paratransit" services designed to meet the needs of the disabled. The MTA operates transit and commuter services in the New York City region for over 2.5 billion passengers each year.

The state's transportation programs are also supported by the Department of Motor Vehicles (DMV), which operates 28 district and branch offices, and provides services via county clerk offices acting as DMV agents at 101 locations throughout the state. DMV issues licenses, vehicle registrations and non-driver identification, conducts road tests, monitors driver training, performs enforcement activities, conducts more than 20 million customer transactions annually, and collects more than $1.35 billion in revenue for the state and localities.

The New York State Thruway Authority, the New York State Bridge Authority and other public authorities also operate and maintain toll transportation facilities within the state.

II. History/Context

DOT Capital Programs

Funding to maintain and improve the state's transportation infrastructure is set forth in multi-year capital plans and supported by a combination of state and federal funds. The current DOT five-year capital plan, covering state fiscal years 2005-06 through 2009-10, was adopted in 2005 and totaled over $17.9 billion. Projects in the plan improve highway, bridge, aviation, rail, transit, port, bicycle and pedestrian facilities. The DOT plan has been amended periodically and totaled approximately $18.5 billion prior to recommended budget actions.

Mass Transit

Since 1975, New York State has provided transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. In the past 25 years, operating aid to transit systems in the State of New York has grown by over 363 percent, reflecting the state's recognition of the importance of services provided by New York transit systems to an annual ridership that exceeds 2.7 billion. In 2008-09, state transit aid accounted for 29 percent of the operating resources used to support the state's transit systems.

Department of Motor Vehicles

In recent years, the Department of Motor Vehicles (DMV) has utilized technology improvements to manage an increasing workload while conserving resources. Although DMV transactions have increased steadily over the past ten years, staffing levels have declined 16 percent. This efficiency is primarily the result of the Department's development and expansion of electronic and web-based services that provide customers with a convenient alternative to visiting Department or county clerk offices. Currently, more than two million transactions per year are processed via the DMV website.

III. Proposed 2009-10 Budget Actions

DOT Programs

DOT's capital plan and other programs are supported by federal aid, 2005 Bond Act funds and dedicated taxes and fees deposited in the Dedicated Highway and Bridge Trust Fund. The Trust Fund also receives a significant subsidy from the General Fund. The Executive Budget proposes reductions of $569 million to the capital plan to decrease the subsidy and to lower bonding levels. High levels of debt have burdened the Trust Fund and consumed revenues that could otherwise be used for projects. This budget reduces debt issuance by $412 million from planned levels, lowering debt service payments for many years to come. As a result of the changes in the budget, the five-year plan would total $17.95 billion, roughly the same overall level as the plan adopted in 2005.

The proposed DOT program balances the need for fiscal relief with the need to protect public safety and support essential services and projects.

The budget strengthens DOT's vital maintenance function by increasing funding necessary for critical safety activities such as winter plowing, demand maintenance and emergency response. Funds are provided for the required match to job-producing federal transportation aid. In addition, authority to utilize federal transportation infrastructure funding under a potential federal stimulus bill is available through reappropriations proposed with the budget.

The budget continues to make funds available from the 2005 Transportation Bond Act. Inflation has increased many Bond Act project costs, however, so the Department will work with project stakeholders to reevaluate priorities for proceeding within the fixed funding levels of the Bond Act.

Mass Transit

The budget provides aid to transit systems totaling $2.6 billion, reflecting a year-to-year reduction of $285 million. The vast majority of the reduction is the result of lower revenues available from dedicated transit funds.

The MTA is provided $2.26 billion, a reduction of $256 million from 2008-09. Major components of the MTA reduction include:

- $150 million resulting from the non-recurrence of aid that was accelerated to the MTA in 2008-09 as a one-time distribution of available fund balance.
- $88 million resulting from dedicated revenue losses in corporate franchise taxes, sales tax, and mortgage recording taxes.
- $18 million in General Fund reductions.

Other transit systems are provided $416 million, reflecting a year-to-year reduction of $29 million. This reduction includes:

- $20 million resulting from dedicated revenue losses in corporate franchise taxes and sales tax.
- $5 million resulting from the non-recurrence of one-time legislative additions from 2008-09 budget.
- $4 million in General Fund reductions.

Department of Motor Vehicles

Executive Budget actions for the Department of Motor Vehicles (DMV) include replacing the non-commercial driver license written examination with completion of a pre-licensing course as the prerequisite to obtain a driver permit. This measure will improve new driver preparation and reduce DMV costs. In addition, several DMV fees and fines are increased to help close the budget deficit.

IV. Summary of Spending (All Funds)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Transportation Spending *	** 6,808	6,736	(72)	(1.1%)
Department of Transportation	** 3,985	4,165	180	4.5%
Metropolitan Transportation Authority	2,520	2,264	(256)	(10.2%)
Department of Motor Vehicles	303	307	4	1.3%

** Excludes Metropolitan Transportation Authority spending from the Rebuild and Renew Transportation Bond Act of 2005 and Thruway Authority spending from the New York State Canal System Development Fund.*

*** Includes proposed Deficit Reduction Bill actions*

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Reduce Highway Construction *	16.0	45.0
Reduce Engineering and Administration *	18.6	42.9
Reduce Rail and Aviation Programs *	8.0	9.0
Reduce CHIPS Program *	2.0	7.0
Reduce Multi-Modal Program *	0.0	1.0
Re-estimate Maintenance Costs	11.6	27.3
Reduce Transit Aid	23.6	18.8
Revise Permit Prerequisite	2.3	2.3
Increase Vehicle Registration Fees	35.0	60.0
Increase Other Registration Fees	25.5	43.7
Increase Drivers License Fees	21.9	37.6
Increase Auto Rental Tax	8.0	10.0
Increase Highway Use Tax Renewal Fee	4.6	0.0
Total	**177.1**	**304.6**

** Savings represent reductions in General Fund subsidies to the Dedicated Highway and Bridge Trust Fund. In addition to displayed savings, associated bonding reductions will produce recurring debt service savings over many future years.*

Department of Transportation

- **Reduce Highway Construction.** The annual construction contract level for state-owned roads and bridges is reduced by $274 million, from the planned level of $1.891 billion to $1.617 billion. Savings include reduced debt service, which will grow substantially over time. *(2009-10 Savings: $16 million; 2010-11 Savings: $45 million)*

- **Reduce Engineering and Administration.** Commensurate with construction reductions, engineering, program management and administrative levels are reduced by $108 million from planned levels of $815 million to $707 million. This reduction includes $73 million of consultant engineering contracts and $27 million of state forces engineering and administration. An additional reduction of $8.4 million reflects resources for traffic signal control activities transferred to DOT maintenance and operations. *(2009-10 Savings: $18.6 million; 2010-11 Savings: $42.9 million)*

- **Reduce Rail and Aviation Programs.** Rail appropriations are reduced by $10 million from planned levels of $42 million to $32 million, and a rail operating subsidy is reduced by $2.5 million from planned levels of $5 million to $2.5 million. Aviation funding is reduced by $4 million from planned levels of $24 million to $20 million. *(2009-10 Savings: $8 million; 2010-11 Savings: $9 million)*

- **Reduce CHIPS Program.** Capital aid to local governments for highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) is reduced by $59 million from planned levels of $310 million to $251 million. Due to elimination of a one-time program addition by the Legislature in 2008-09, the year-to-year decrease is $112 million. *(2009-10 Savings: $2 million; 2010-11 Savings: $7 million)*

- **Reduce Multi-Modal Program.** The $50 million allocation for the multi-modal program that provides for infrastructure projects designated by the Legislature and the Governor is eliminated. An additional $50 million in 2008-09 multi-modal funding is also eliminated. *(2009-10 Savings: $0 million; 2010-11 Savings: $1 million)*

- **Re-estimate Maintenance Costs.** The budget adjusts funding levels for core maintenance activities to reflect recent price declines in commodities such as diesel fuel. Even after this adjustment, year-to-year spending for highway and bridge maintenance increases by nearly $57 million, or 10 percent. *(2009-10 Savings: $11.6 million; 2010-11 Savings: $27.3 million)*

Transit

- **Reduce Transit Aid.** The General Fund components of transit aid are reduced from planned levels to help close the state's budget deficit ($16 million for MTA, $2.8 million for other transit systems, reducing/eliminating a planned transfer to the upstate transit account by $4.8 million). In addition, revenue losses in transit dedicated funds and other factors result in an overall $285 million reduction in aid to transit systems. *(2009-10 Savings: $23.6 million; 2010-11 Savings: $18.8 million)*

Department of Motor Vehicles

- **Revise Permit Prerequisite.** This action would replace the non-commercial driver license written exam with completion of either a 5-hour pre-licensing course or a driver education course as the prerequisite to obtain a driver permit, improving safety and reducing resources necessary to administer the test. This proposal, in combination with other smaller actions, saves the Department $2.3 million annually. *(2009-10 Savings: $2.3 million; 2010-11 Savings: $2.3 million)*

Other Budget Actions

- **Fee Increases.** The budget proposes a 25 percent increase in most vehicle registration and licensing fees. In addition the Auto Rental Tax rate is increased from 5 percent to 6 percent and the Highway Use Tax Renewal Fee is increased from $4 to $15. These additional revenues will be deposited to the Dedicated Highway and Bridge Trust Fund to support DOT and DMV activities. For further information, see the revenue actions section of the briefing book. *(2009-10 Savings: $95 million; 2010-11 Savings: $ 151.3 million)*

Human Services

Office of Temporary and Disability Assistance
Office of Children and Family Services
Department of Labor
Division of Housing and Community Renewal
Division of Human Rights
Office of National and Community Service

I. Overview

New York's human services programs promote the safety and well-being of the state's most vulnerable citizens.

Programs funded through the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA) include cash assistance to elderly and disabled persons who are unable to work, supportive services to public assistance recipients while they secure employment, child support enforcement, child care subsidies to assist low-income working parents, and various child protective and adult protective programs.

Programs funded through the Department of Labor (DOL) protect workers, promote workforce development and operate the state's Unemployment Insurance System.

Programs funded through the Division of Housing and Community Renewal (DHCR) preserve and create affordable housing.

Programs funded through the Division of Human Rights protect civil rights in the areas of employment, housing, public accommodations, education and credit.

Programs funded through the Office of National and Community Service (NCS) support community service grants that provide youth education, assistance to individuals with disabilities, public health services, and disaster preparedness.

II. History/Context

Since the enactment of federal welfare reform legislation in August 1996, the state's public assistance caseload has declined by more than one million recipients. At 501,000 recipients as of September 2008, the caseload is currently at its lowest level in over forty years. During this same period, public assistance costs also decreased, from a high of $4 billion in 1996 to $3 billion in 2008.

New York's Supplemental Security Income (SSI) program provides state-funded benefits to low-income elderly, blind, and disabled persons that supplement federal SSI benefits. Expenditures for the state supplement have increased from $624 million in State Fiscal Year 2004-05 to approximately $681 million in State Fiscal Year 2008-09.

New York State's child welfare programs are monitored by OCFS and administered locally by the state's 58 local social services districts (LSSDs), which are responsible for direct investigations of alleged child abuse, as well as providing preventive services to at-risk youth and families. The Child Welfare Services program supports approximately 150,000 child protective services investigations and about 53,000 mandated preventive services cases. This program is financed 64 percent by the state and 36 percent by the LSSDs, net of available federal funding. This open-ended funding stream, authorized in 2002-03 through Child Welfare Financing Reform, incentivizes preventive care to keep families safely intact and to avoid unnecessary foster care placements. There is evidence that this front-end investment is paying dividends, as the foster care caseload has dropped by 28 percent since 2002-03, from 34,900 to 25,300 in 2008-09.

OCFS's youth facilities currently operate at approximately 67 percent capacity (1,593 beds with a population of 1,061).

III. Proposed 2009-10 Budget Actions

The 2009-10 Executive Budget invests in critical human services programs. The basic public assistance grant will increase for the first time since 1990 to address the needs of this vulnerable population. The budget also preserves core programs including foster care and adoption services, child and adult protective services and domestic violence services. The fiscal challenges faced by the state require the elimination or reduction of a number of established non-mandated services, many of which have provided valuable services but which are supplemental to the state's core mandated programs. After these changes, the budget provides nearly $8.5 billion for human services programs.

IV. Summary of Spending (All Funds)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Human Services	8,524	8,486	(38)	(0.5%)
OTDA	4,552	4,500	(52)	(1.1%)
OCFS	3,115	3,076	(39)	(1.3%)
DOL	507	557	50	9.8%
DHCR	317	315	(2)	(0.8%)

V. Major Initiatives

Gap-closing Actions and Investments

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Implement 2008-2009 Deficit Reduction Plan Recommendations	24	66
Increase Basic Allowance Portion of the Public Assistance Grant	(8)	(41)
Right-size Youth Facilities Program	12	14
Create Youth Programs Block Grant	28	31
Eliminate the 2009-10 Human Services COLA	55	64
Increase Child Welfare Offset	67	67
Eliminate Non-mandated Community Optional Preventive Services	34	34
Eliminate or Reduce Funding for Various Office of Children and Family Services and Office of Temporary and Disability Assistance Contracts and Programs	50	73
Reduce Adult Shelter Reimbursement	5	5
Reduce Personal Needs Allowance for Public Assistance Recipients Residing in OASAS Treatment Facilities	4	5
Reduce Supplemental Security Income (SSI) State Benefit	84	79
Limit Public Assistance Reimbursement to Districts to a One-Year Period	6	6
Reduce Rural Rental Assistance Program (RRAP)	2	2
Increase the Fair Hearings Chargeback to Local Social Services Districts to Comport with Increased Caseload	2	2
Close Rent Administration Offices in Staten Island and Nassau and Rockland Counties	0.5	0.5
All other Human Services Actions	19	18
Total	**385**	**426**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

- **Implement 2008-09 Deficit Reduction Plan Recommendations.** See deficit reduction plan section for further information. *(2009-10 Savings: $24 million; 2010-11 Savings: $66 million)*

- **Increase Basic Allowance Portion of the Public Assistance Grant.** The monthly public assistance benefit is comprised of a basic allowance and a shelter allowance and varies based on family composition and county of residence. For the first time in 18 years, this action would increase the non-shelter portion of the public assistance grant for approximately 200,000 households by 10 percent, from $291 to $320 in January 2010; by another 10 percent to $352 in January 2011; and by a final 10 percent to $387 in January 2012. The average public assistance family would be eligible for approximately $100 more a month by the time this proposal is fully implemented. This portion of the grant has not been increased since 1990. *(2009-10 Cost: $8 million; 2010-11 Cost: $41 million)*

- **Right-size Youth Facilities Program.** By consolidating and reducing capacity in line with population trends, the state will lower costs and improve efficiency of the OCFS youth facility system. Vacancy rates will be reduced from 33 percent to 24 percent by closing or downsizing a total of eight residential facilities and three evening reporting centers. After this action, OCFS will still operate 25 residential facilities at 76 percent capacity with approximately 1,390 beds and five day placement centers that have sufficient excess capacity to accommodate any potential upturns in youth placed in state facilities by the family or criminal courts. *(2009-10 Savings: $12 million; 2010-11 Savings: $14 million)* See below for a list of facilities.

	Location/County	Vacancy Rate (10/6/08)	Proposed for Closure/ Downsizing	Change in Staffing
Residential				
Adirondack	Schuyler Falls/Clinton	64%	Close	(24)
Allen	South Kortright/Delaware	38%	Downsize	(13)
Cattaraugus	Limestone/Cattaraugus	64%	Close	(26)
Great Valley	Great Valley/Cattaraugus	100%	Close	(25)
Pyramid	Bronx/Bronx	26%	Close	(90)
Rochester CRH	Rochester/Monroe	100%	Close	(8)
Syracuse CRH	Syracuse/Onondaga	86%	Close	(8)
Tryon	Johnstown/Fulton	74%	Downsize	(39)
Evening Reporting Centers				
Buffalo-Richmond	Buffalo/Erie	N/A	Close	(7)
Capital District-Taft	Albany/Albany	N/A	Close	(8)
Syracuse-Genesee	Syracuse/Onondaga	N/A	Close	(7)

- **Create Youth Programs Block Grant.** A $90 million block grant will be created to provide districts with greater flexibility in funding their youth programs based on local priorities. Programs previously funded through a total of $118 million in discrete funding that would now be part of the block grant include: Detention Services, Youth Development and Delinquency Prevention, Special Delinquency Prevention Program, Runaway and Homeless Youth, Alternatives to Detention, and Alternatives to Residential Placement. *(2009-10 Savings: $28 million; 2010-11 Savings: $31 million)*

- **Eliminate the 2009-10 Human Services COLA.** A 5.6 percent cost-of-living adjustment projected for 2009-10 would be eliminated. This would affect providers who receive funding through the following human services programs: Adoption, Foster Care, Committee on Special Education, OMH Waiver, Bridges to Health Medicaid Waiver and New York/New York III. To continue the state's long term commitment, these adjustments are planned to resume April 1, 2010, and the budget recommends extending the COLA for a third year in 2012-13. *(2009-10 Savings: $55 million; 2010-11 Savings: $64 million)*

- **Increase Child Welfare Offset.** Currently, local districts are given federal Temporary Assistance to Needy Families (TANF) allocations from the state Flexible Fund for Family Services (FFFS) that they can direct according to local priorities to fund a variety of local TANF-eligible programs, including child welfare services. The Executive Budget would replace General Fund support for local public assistance administrative costs with federal funds by increasing the FFFS by $311 million, to $1.3 billion. However, the amount of the FFFS that local districts are required to spend on child welfare services would be raised in order to offset both state and local child welfare spending. *(2009-10 Savings: $67 million; 2010-11 Savings: $67 million)*

- **Eliminate Non-mandated Community Optional Preventive Services.** State reimbursement is eliminated for the costs of non-mandated preventive services for youth at risk—but not imminent risk—of foster care placement. The state will continue to provide 64 percent reimbursement for all mandated preventive services. Overall, state support for child welfare services, including child preventive and protective services, will be appropriated at $625 million. *(2009-10 Savings: $34 million; 2010-11 Savings: $34 million)*

- **Eliminate or Reduce Funding for Various Office of Children and Family Services and Office of Temporary and Disability Assistance Contracts and Programs.** The Executive Budget would reduce or eliminate funding for a number of contracts and programs that provide non-mandated services. Given the state's unprecedented fiscal challenges, this action is necessary to preserve funding for core mandated child welfare, adoption and foster care programs and public assistance benefits. Eliminated programs include: Homelessness Prevention Program, Safety Net Assistance Local Innovations Program (SNAP), Local Interagency VESID Employment Services (LIVES), Educational Resources, HIV Welfare-to-Work, Strengthening Families through Stronger Fathers, Preventive Contracts, Amy Watkins Scholarship, a preventive services COLA, Caseworker

Training, Substance Abuse Co-location Project, and Caseworker Ratio and Portable Information Technology Pilot. Reduced programs include: Single Room Occupancy (SRO) Supportive Services, Homelessness Intervention Program (HIP), Nutritional Outreach, New York State Refugee Resettlement Assistance Program (NYSRRAP), New York State Citizenship Initiative, Home Visiting, Advantage Schools, Kinship Care, Post Placement, Hoyt Trust Fund, Evidenced-Based Community Initiatives, and New York/New York III. *(2009-10 Savings: $50 million; 2010-11 Savings: $73 million)*

- **Reduce Adult Shelter Reimbursement.** Reimbursement to New York City for the state share of the City's expenditures on adult homeless shelters would be capped at $80 million. It is expected that the City could partially mitigate the impact of this reduction by more broadly conducting required eligibility determinations for individuals seeking shelter. *(2009-10 Savings: $5 million; 2010-11 Savings: $5 million)*

- **Reduce Personal Needs Allowance for Public Assistance Recipients Residing in OASAS Treatment Facilities.** The allowance given to public assistance recipients who reside in chemical dependence treatment facilities (currently $142 per month) is reduced to an amount that is comparable to the personal needs allowance given to recipients who reside in similar settings that provide room and board (currently $45 per month). *(2009-10 Savings: $4 million; 2010-11 Savings: $5 million)*

- **Reduce Supplemental Security Income (SSI) State Benefit.** The Federal Supplemental Security Income (SSI) program provides cash assistance to the aged, blind and disabled, and is administered by the Social Security Administration. New York State provides additional financial support to its SSI recipients. The 2009-10 Executive Budget reduces the 2009 state benefit for SSI recipients living in the community by between $16 and $28, effective June 1, 2009. For individuals living alone, the benefit will be reduced by $24, from $761 to $737. However, a recipient's total monthly SSI benefit will still be $9 to $34 higher than their 2008 monthly benefit, as a result of the offsetting impact of a 5.8 percent cost of living increase to the federal benefit. *(2009-10 Savings: $84 million; 2010-11 Savings: $79 million)*

- **Limit Public Assistance Reimbursement to Districts to a One-year Period.** Local social services districts incur costs for public assistance benefits in the first instance and then receive reimbursement from the state for the federal and state shares of such costs. Current practice allows social service districts to submit claims at any time. This action would limit the reimbursement period to the year in which the services were incurred, and will encourage more efficient practices at the local level. *(2009-10 Savings: $6 million; 2010-11 Savings: $6 million)*

- **Increase the Fair Hearings Chargeback to Local Social Services Districts to Comport with Increased Caseload.** The fair hearings chargeback is the local district share of costs for providing grievance-related hearings for public assistance recipients. After first paying the full cost of these hearings, the state then "charges back" the local share to LSSDs. The amount of the chargeback has not increased since 2004-05, despite an increase in the number of fair hearing cases. This action would increase the chargeback by 37 percent, which comports with the increase in fair hearing caseload since 2004-05. *(2009-10 Savings: $2 million; 2010-11 Savings: $2 million)*

- **Reduce Rural Rental Assistance Program (RRAP).** RRAP provides rental subsidies to landlords who provide housing for the elderly and low income populations of upstate New York in properties financed with mortgages from the U.S. Department of Agriculture's Rural Housing Services "515" program. This action would achieve savings by eliminating subsidies for 75 new units scheduled to come on line in 2009-10 and transferring 394 units scheduled to expire from the program to federal Housing Choice Vouchers. These measures will not impact individuals currently being served by the RRAP program. *(2009-10 Savings: $2 million; 2010-11 Savings: $2 million)*

- **Close Rent Administration Offices in Staten Island and Nassau and Rockland Counties.** DHCR's Office of Rent Administration operates five offices in New York City (Brooklyn, Staten Island, Queens and two in Manhattan) and three in Nassau (Hempstead), Rockland (Spring Valley) and Westchester (White Plains) counties. The increased use of automation in processing complaints and rent increase applications has significantly reduced customer traffic at these offices and it is no longer efficient to operate all eight offices. This action would close the Nassau, Rockland and Staten Island offices. *(2009-10 Savings: $0.5 million; 2010-11 Savings: $0.5 million)*

- **All Other Human Services Actions.** Various administrative gap-closing actions, such as non-personal service reductions and the transfer of personal service costs to non-General Fund sources; also includes reductions of legislative additions. *(2009-10 Savings: $19 million; 2010-11 Savings: $18 million)*

Other Budget Actions

- **Provide Support for Volunteerism.** This initiative would provide $500,000 for the Office of National and Community Service to increase the capacity of existing regional volunteer centers and create new centers across the state to encourage and support civic engagement.

Mental Hygiene

Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD)
Department of Mental Hygiene (DMH)
Developmental Disabilities Planning Council (DDPC)
Office of Alcoholism and Substance Abuse Services (OASAS)
Office of Mental Health (OMH)
Office of Mental Retardation and Developmental Disabilities (OMRDD)

I. Overview

The Mental Hygiene agencies provide services to individuals with mental illness, developmental disabilities, chemical dependencies, and problem gambling. These agencies — OMH, OMRDD, OASAS, CQCAPD, and DDPC — are expected to serve nearly one million individuals in 2009-10, including 600,000 persons with mental illness, 260,000 persons with chemical dependencies, and 125,000 persons with developmental disabilities.

II. History/Context

The Mental Hygiene system currently operates 48 institutional facilities and three research facilities, with almost 10,000 state-operated community beds. These resources are complemented by thousands of outpatient and residential programs operated by 4,300 partnering not-for-profit provider agencies.

Mental Hygiene agency spending has increased an average of 6 percent annually since 2003-04.

III. Proposed 2009-10 Budget Actions

The proposed Executive Budget for the Mental Hygiene system will total approximately $8.7 billion in 2009-10, an increase of $56 million or 0.6 percent.

The 2009-10 Executive Budget recommends $427 million in savings actions for the Mental Hygiene agencies. Savings will be achieved through reductions in planned cost-of-living adjustments (COLA); eliminating antiquated funding supplements for unified services in five counties and certain Article 16 and 28 clinics services; maximizing non-state sources of revenue; reforming and restructuring state and local programs, services and administrative practices; reducing OMH adult inpatient capacity; and closing one Addiction Treatment Center. These actions will result in a reduction of 865 positions from planned levels, approximately 600 of which would be reduced through attrition. Selected increases are needed to maintain health and safety, resulting in a net workforce reduction in these agencies of 42 positions.

The Executive Budget recommendations support the development of nearly 3,000 new residential opportunities and housing units in 2009-10, including:

- 1,450 OMH units, already in the pipeline, that provide both supported housing and congregate housing options.
- 1,100 OMRDD residential opportunities, including 530 associated with the NYS-CARES initiative.
- 250 OMH units for New York/New York III.
- 126 chemical dependence residential treatment opportunities.

In addition, funding is provided for ongoing and new initiatives to strengthen the ability of community-based detoxification providers to manage less complicated detoxification episodes; implement, with the Department of Health, the new Ambulatory Patient Grouping (APG) methodology for outpatient services; support OASAS programs to divert individuals from prison to treatment and for relapse prevention services for parolees; increase support for OMH community residence and family-based treatment providers; and to improve access to OMH services for children.

IV. Summary of Spending (All Governmental Funds)

Category	2008-09 ($ in millions)	2009-10 ($ in millions)	Change	
			Dollar (in millions)	Percent
Total Mental Hygiene Spending	**8,594**	**8,650**	**56**	**0.6%**
OMH	3,136	3,304	168	5.4%
OMRDD	4,150	4,273	123	3.0%
OASAS	626	646	20	3.2%
CQCAPD	17	17	0	0.0%
DDPC	4	4	0	0.0%
DMH	661	406	(255)	(38.6%)

V. Major Initiatives

Gap-closing Actions

Proposal	2009-10 ($ in millions)	2010-11 ($ in millions)
Deficit Reduction Plan	21	21
Eliminate 2009-10 COLA of 5.6 percent	93	93
OMRDD Revenue Maximization	179	189
OMRDD State Operations Efficiencies	12	27
OMRDD Reform/Rationalize Local Assistance	31	23
OMRDD Restructure Out of State Placements	4	6
OMH Forensic (SOMTA/SHU) Reforms	23	33
OMH Reduce Adult Inpatient Capacity	16	23
OMH Continue Restructuring Programs	24	13
OASAS Close Manhattan ATC and State Operations Efficiencies	7	7
OASAS Local Restructuring	17	18
Total	**427**	**453**

Note: These gap-closing actions reflect reductions from projected 2009-10 spending after adjusting for the full annual impact of measures taken during the August 2008 special legislative session.

- **Deficit Reduction Plan.** See Deficit Reduction Plan section for further information. *(2009-10 Savings: $21 million; 2010-11 Savings: $21 million)*
- **Eliminate Cost-of-Living Adjustments (COLA) for Human Service Providers.** The 5.6 percent 2009-10 COLA for human service providers is fully eliminated. To reflect a long-term commitment to this program, a COLA is still planned for 2010-11 and 2011-12, and an extension of the COLA for an additional year (2012-13) is recommended. It is expected that approximately 5,500 providers statewide will be impacted by this action. *(2009-10 Savings: $93 million; 2010-11 Savings: $93 million)*
- **Maximize Non-State Revenues.** The Office of Mental Retardation and Developmental Disabilities (OMRDD) would achieve recurring savings through recognizing increased Food Stamp benefits, maximizing utilization of Home and Community-Based Services (HCBS) Waiver programs and services, and continuing with the health care reimbursement initiative. OMRDD and its partnering not-for-profit providers will also continue efforts to require families and individuals with developmental disabilities to apply for all Medicaid and Medicare benefits to which they are entitled. To assure that these benefits are accessed appropriately, OMRDD will provide education and assistance to families and individuals with developmental disabilities seeking or receiving supports and services that can be funded by Medicaid and/or Medicare. *(2009-10 Savings: $179 million; 2010-11 Savings: $189 million)*

- **OMRDD State Operations Efficiencies.** Implement State Operations savings through a workforce reduction of 284 positions at OMRDD, approximately 175 of which would be reduced through attrition. Key recommendations include:

  - Closing the Howard Park OMRDD satellite residential services unit of the Bernard Fineson Developmental Disabilities Services Office (DDSO) in Queens (-28 FTEs), which is programmatically obsolete. The 41 consumers residing there will be transferred to the nearby Hillside Campus or other community residences;

  - Streamlining research and administrative operations at OMRDD's Institute for Basic Research located in Staten Island, which results in the elimination of 11 research-related positions that have not generated comparable levels of outside grant funding, and the consolidation of business and payroll functions with the nearby Staten Island DDSO, which results in a reduction of seven FTEs;

  - Reducing Safety & Security Officer staff (-50 FTEs) who are not involved in securing or protecting facilities or consumers. Instead, other OMRDD staff will be used to conduct fire alarm testing and other related inspections at community-based programs, which are the functions these individuals previously performed; and

  - Consolidating DDSO administrative functions (-55 FTEs), restructuring central office (-65 FTEs), managing position vacancies (-68 FTEs), and controlling non personal service spending. *(2009-10 Savings: $12 million; 2010-11 Savings: $27 million)*

- **Reform/Rationalize OMRDD Local Assistance.** Rationalize, reform, and restructure provider reimbursement rates to eliminate antiquated incentives, base reimbursement on regional costs, and target funding based on the level of service complexity. Specific actions include: implementing regional rates based on actual costs for Day Habilitation services, reducing reimbursement for less intensive case management services, removing income exemptions that currently increase state funding requirements for long-term sheltered workshops, and eliminating enhanced funding to certain Article 16 and 28 clinics. OMRDD also will impose tighter controls on Medicaid and non-Medicaid payments to its non-profit provider network, rationalize reimbursement and achieve efficiencies where appropriate in a myriad of programs, including Sheltered Workshops, Medicaid Service Coordination, Day Habilitation, Respite, Supported Employment, Prevocational, and Clinical services. *(2009-10 Savings: $31 million; 2010-11 Savings: $23 million)*

- **Restructure OMRDD "Out-of-State" Placements.** Provide 88 individuals, who are currently receiving more costly OMRDD services in out-of-state or residential school settings, with the choice to receive either the appropriate level of services at in-state community residences, or remaining in more costly venues but receiving reimbursement at the rate it would cost the state to provide comparably appropriate services. *(2009-10 Savings: $4 million; 2010-11 Savings: $6 million)*

- **Reform Forensic Services.** The Office of Mental Health (OMH) would shift treatment for sex offenders from an inpatient psychiatric model to treatment standards comparable to those used in other states which require lower staffing ratios; encourage courts to use video-conferencing to reduce costly transportation and security issues; allow certain respondents to remain in prison or on parole until their civil confinement trials; and reduce planned staff by 217 jobs ($11.7 million). Additionally, the budget would delay for 3 years significant statutory investments beyond those mandated by a legal settlement with Disability Advocates, Inc. (DAI) concerning mental health services in prison ($11.4 million). The DAI settlement already requires additional funding for special treatment beds, transitional intermediate care beds, and a residential mental health unit (RMHU). The SHU law currently requires construction of additional RMHU facilities, more training, and additional assessments in more facilities. Postponing the effective date of the SHU law would allow additional time to determine the effectiveness of the programs and funding associated with the DAI settlement before expansion of these new services. Postpones hiring 86 new staff. *(2009-10 Savings: $23 million; 2010-11 Savings: $33 million)*

- **Reduce OMH Adult Inpatient Capacity.** Reduce state-operated inpatient capacity by nearly 11 percent (450 beds). Approximately two-thirds of the 450 bed reduction would result from shifting patients to a less intensive, medically appropriate service delivery model to be provided within OMH facilities, while 150 beds would be closed by shifting patients to more appropriate and less costly outpatient/community services saving $6.1 million in 2009-10. No patient will lose services. These actions will lower the state workforce by a net of 153 positions, approximately 80 of which would be reduced through attrition. Over 75 percent of the gross savings from the restructuring are being reinvested in these other mental health services (approximately $38 million of $50 million is being reinvested on a full annual basis). Additionally, aggressive controls on hiring and non-personal service costs will save another $10.1 million. *(2009-10 Savings: $16 million; 2010-11 Savings: $23 million)*

- **Continue Restructuring OMH Programs.** Maintain commitment to provide $37 million additional funding for OMH Community Residences/Family Based Treatment programs, but on a longer schedule than originally planned. The OMH Community Residential Pipeline will be maintained at current year levels, excluding the beds targeted for the NY/NY III agreement which will continue to move forward. The Ambulatory Care restructuring, started by OMH in 2008-09, will continue to rationalize the reimbursement of providers of mental health clinical services. Additionally, the continuing day treatment program will be restructured to reform service requirements and focus on best practices modalities, and OMH will establish a peer support center to promote and improve access to peer-run organizations. Finally, OMH plans to use $6 million of federal grant money to improve employment opportunities for individuals with mental illness. *(2009-10 Savings: $24 million; 2010-11 Savings: $13 million)*

- **Close Manhattan ATC and Other Efficiencies.** Close the 52-bed state-operated Addiction Treatment Center (ATC) in Manhattan, saving $4.6 million and reducing staff by 40 employees. The state would still operate 12 ATC's, serving 9,400 individuals annually. OASAS will seek to redistribute the roughly 800 clients served annually to the four other ATCs in New York City (NYC) and/or to not-for-profit provider programs. This closure also avoids $14 million in capital costs. Additionally, aggressive controls on hiring and non-personal service spending will reduce costs by $2.1 million and 11 staff. *(2009-10 Savings: $7 million; 2010-11 Savings: $7 million)*

- **Reduce and Restructure Funding.** Restructure OASAS funding for prevention services in NYC schools that are not predicated on scientific or evidence-based practices, and reinvest savings to enhance community-provider capacity to deliver prevention programming. Overall funding would be reduced from $19 million to $17 million for these services in 2009-10 — with $9 million provided to NYC schools and $8 million redirected from NYC schools to provider-sponsored programs that use evidence-based programs designed to improve outcomes. The redirected funding would be targeted in a variety of local programs to avoid duplication of services and focus on evidence-based outcomes. Additionally, the budget would slow the phase-in of certain bed development, and delay the implementation of a medical model for residential rehabilitation services for adolescents. *(2009-10 Savings: $17 million; 2010-11 Savings: $18 million)*

Other Budget Actions

- **Continue Funding in the OMRDD Service System.** Consistent with "baseline" projections, the budget includes resources for OMRDD to continue to develop 1,100 state and not-for-profit operated community beds. This reflects the state's efforts to continue to downsize developmental center capacity, develop 530 NYS-CARES opportunities, and expand capacity for other special populations.

- **Implement the Comprehensive Children's Plan.** Move forward with the implementation of a Comprehensive Children's Plan. Working with eight child-serving state agencies, the plan is designed to improve access to services and support best practices models of successful collaboration and service delivery. The Office of Mental Health component of the plan includes: expanding youth involvement in service delivery; enhancing parent education; improving the identification and treatment of emotional disturbances in children; and increasing the integration of service systems. *(2009-10 Cost: $1.7 million; 2010-11 Cost: $3.0 million.)*

- **Continue Investments in Chemical Dependence Services.** Fund the development of 126 new community residential treatment program opportunities in 2009-10 to primarily serve high priority OASAS populations, including adolescents, women with children, and veterans, as well as enhance community-based treatment opportunities on Long Island ($4 million on a full annual basis). Additionally, redirect a total of $6 million in funding to support diversion programs intended to direct criminal offenders into treatment and case management programs, as well as relapse prevention services for parolees. Funding is also provided through the Department of Health to increase community-based fees for medically-supervised outpatient detoxification services and enhance payments to outpatient programs through a revised reimbursement system ($4 million), as well as to increase rates for community-based inpatient detoxification services ($2 million). *(2009-10 Cost: $10 million; 2010-11 Cost: $10 million)*

Revenue Actions

Overview

To close a record $13.7 billion budget deficit, the Executive Budget recommends actions that will produce $3.1 billion in recurring General Fund revenue during the 2009-10 fiscal year – 22 percent of the overall gap-closing plan.

On a General Fund basis, actions in the Executive Budget will increase tax or fee revenue by a total of $2.2 billion ($4.1 billion All Funds) in 2009-10. Other General Fund revenue actions total $888 million ($1.2 billion All Funds) in 2009-10.

Increased Taxes or Fees

(General Fund: $2.2 billion; All Funds: $4.1 billion in 2009-10)

I. Tax Reform and Actions

The Executive Budget recommends actions that would reform or change certain components of the state's tax code to ensure that tax burdens are fairly distributed, improve consistency with other taxing jurisdictions, ease tax administration, close loopholes, and eliminate unaffordable or ineffective exemptions. These 26 actions are expected to produce $1.5 billion in additional tax revenue in 2009-10 on both a General Fund and All Funds basis.

II. New or Increased Fees

The Executive Budget recommends 88 new or increased fees, most of which finance specific activities and/or have not been changed in several years. They are expected to produce $106 million in additional General Fund revenue ($345 million All Funds) during the 2009-10 fiscal year.

III. Charges and Assessments for Specific Sectors

The Executive Budget recommends 13 targeted charges and assessments either on specific sectors or to finance health care-related investments. These actions are expected to produce $651 million in additional General Fund revenue ($2.3 billion All Funds) during the 2009-10 fiscal year.

Other Revenues

(General Fund: $888 million; All Funds: $1.2 billion in 2009-10)

IV. New or Increased Fines

The Executive Budget recommends 10 new fines meant to discourage illegal or dangerous behavior and improve public safety. They are expected to produce $78 million in additional General Fund revenue ($128 million All Funds) during the 2009-10 fiscal year.

V. Other Revenue Actions

The Executive Budget recommends 14 other revenue actions, ranging from expanding the bottle bill, reforming the Empire Zone Program, allowing the sale of wine in grocery stores, expanding Quick Draw and video lottery terminal operations, and changing the timing of certain tax payments but not a taxpayer's overall liability, among others. They are expected to produce $814 million in additional General Fund revenues ($1.2 billion All Funds) during the 2009-10 fiscal year.

VI. New or Expanded Tax Credits

The Executive Budget recommends three new or expanded tax credits at a cost of $4 million in 2009-10 on both a General Fund and All Funds basis.

Revenue Actions

($ in 000's)

		General Fund		All Funds	
I.	**Tax Reforms and Actions**	**2009-10**	**2010-11**	**2009-10**	**2010-11**
1	Restructure Clothing Exemption	462,000	660,000	462,000	660,000
1	Extend NYC Personal and Credit Services Tax Statewide	78,000	104,000	78,000	104,000
1	Extend Sales Tax to Entertainment-Related Spending	53,000	70,000	53,000	70,000
1	Extend Sales Tax to Transportation-Related Spending	45,000	60,000	45,000	60,000
1	Limit Itemized Deduction Limitation for Millionaires	140,000	200,000	140,000	200,000
1	Limit Capital Improvement Exemption	120,000	160,000	120,000	160,000
1	Repeal the Sales Tax Cap on Fuel	90,000	120,000	90,000	120,000
1	Extend Sales Tax to Cable and Satellite Television and Radio	136,000	180,000	136,000	180,000
1	Repeal Bad Debt Provisions	8,000	10,000	8,000	10,000
1	Reform the Cigar Tax	10,000	15,000	10,000	15,000
1	Standardize Tax on Flavored Malt Beverages	15,000	18,000	15,000	18,000
1	Eliminate Underutilized Tax Credits	5,900	9,000	5,900	9,000
1	Restructure the Insurance Tax	62,000	50,000	65,000	58,000
1	Treat Coupons Consistently	3,000	3,000	3,000	3,000
1	Increase Sales Tax on Luxury Goods	12,000	15,000	12,000	15,000
1	Treat Gain from the Sale of Partnerships	-	10,000	-	10,000
1	Amend the Definition of Presence in New York	-	5,000	-	5,000
1	Expand Tax on Nonresident Hedge Fund Income	60,000	60,000	60,000	60,000
1	Address Abusive Tax Avoidance	4,000	6,300	4,000	6,300
1	Expand Definition of Affiliate Nexus for Internet Sales	9,000	12,000	9,000	12,000
1	Close Digital Property Taxation Loophole	15,000	20,000	15,000	20,000
1	Disallow Utility Definition as Manufacturers	17,000	14,000	18,000	16,000
1	Change Filing Requirement for Overcapitalized Captive Insurance Corporations	31,000	25,000	33,000	29,000
1	Eliminate Exemption for Large Cooperative Insurance Companies	19,000	15,000	19,000	15,000
1	Increase Beer and Wine Tax Rates	63,000	63,000	63,000	63,000
1	Increase Auto Rental Tax	-	-	8,000	10,000
26	**Total Tax Reform**	**1,457,900**	**1,904,300**	**1,471,900**	**1,928,300**
II.	**New or Increased Fees**	**2009-10**	**2010-11**	**2009-10**	**2010-11**
1	Increase Feed Tonnage Fees	-	-	146	146
3	Increase Food Licensing Fees	-	-	3,180	3,180
1	Establish Seed Dealer Licensing Fees	-	-	500	500
1	Increase and Expand New Statewide Central Register Fees	2,700	2,500	2,700	2,500
3	Increase Civil Service Exam Fees	1,360	1,381	1,360	1,381
1	Establish a Local Fee for Hiring a Public Retiree	60	60	60	60

		General Fund		All Funds	
II.	**New or Increased Fees (con't)**	**2009-10**	**2010-11**	**2009-10**	**2010-11**
1	Increase Public Management Intern Placement Fee	-	-	175	175
1	Expand Insurance Fingerprinting Fee	6,250	6,250	6,250	6,250
2	Establish Security Guard Training Fees	446	446	446	446
1	Increase Nuclear Power Plant Fee	1,350	1,350	2,700	2,700
11	Increase Motor Vehicle Registration Fee	-	-	60,500	103,700
3	Increase Motor Vehicle License Fee	-	-	21,900	37,600
1	Reissue License Plates	-	129,000	-	129,000
1	Establish a Fee for MV-278 Certificate	500	500	500	500
3	Increase State Pollutant Discharge Elimination System Fees	-	-	5,000	5,000
1	Establish New Marine Fishing License	-	-	3,000	6,000
1	Establish Trout and Salmon Stamp	-	-	3,000	4,000
1	Increase DEC Education Camp Fee	-	-	115	115
1	Increase Physician Fees	-	-	16,400	16,400
1	Establish Early Intervention Parent Fee	-	-	-	27,500
1	Assess Early Intervention Provider Fee	-	-	1,700	3,600
1	Restructure Clinical Lab Fees	-	-	36,500	36,500
1	Increase Certificate of Need Fees	-	-	4,000	4,000
9	Increase Asbestos Fee	9,152	8,448	9,152	8,448
2	Increase Boiler Fee	2,167	2,000	2,167	2,000
1	Establish Explosives Fees and Penalties	294	289	294	289
1	Increase Real Property Transfer Fee	14,250	19,000	14,250	19,000
8	Increase Parks Administrative Fees	-	-	6,500	6,500
1	Establish Horse Entrance Fee	-	-	1,000	1,000
16	Increase State Licensing Fees	-	-	3,500	3,500
1	Increase in Surcharge on Auto Insurance	-	-	48,375	64,500
1	Establish Processing Fee for Paper Tax Returns	6,800	6,800	6,800	6,800
1	Establish Bad Check Fee	1,500	1,500	1,500	1,500
1	Establish Installment Payment Fee	4,500	4,500	4,500	4,500
1	Establish Tax Preparer Fee	6,000	6,000	6,000	6,000
1	Increase Highway Use Tax Renewal Fee	-	-	4,600	-
1	Increase Cigarette and Tobacco Retail Registration Fee	(1,800)	(7,400)	16,700	6,200
1	Establish Non-LLC Partnership Fee	50,000	50,000	50,000	50,000
88	**Total New or Increased Fees**	**105,529**	**232,624**	**345,470**	**571,490**

		General Fund		All Funds	
III.	**Charges and Assessments for Specific Sectors**	**2009-10**	**2010-11**	**2009-10**	**2010-11**
1	Increase Utility Assessment	651,600	651,600	651,600	651,600
1	Reinstitute Hospital Assessment	-	-	316,400	271,200
1	Reinstitute Home Care Assessment	-	-	19,100	21,800
1	Increase Hospital Surcharges	-	-	126,000	108,000
1	Increase Covered Lives Assessment	-	-	240,000	120,000
1	Extend the Covered Lives Assessment	-	-	5,000	5,000
1	Establish Physical Procedure Surcharge	-	-	49,800	98,500
1	Increase Insurance Assessment for Public Health Programs	-	-	99,800	49,900
1	Establish Timothy's Law Insurance Assessment	-	-	179,000	91,000
1	Increase Insurance Assessment for Tobacco Control and Early Intervention	-	-	92,600	93,700
1	Extend Insurance Assessment	-	-	-	134,800
1	Third Party Administrator Fee	-	-	63,100	126,200
1	Additional Sales Tax on Soft Drinks for Health Care Programs	-	-	404,000	539,000
13	**Total Charges and Assessments for Specific Sectors**	**651,600**	**651,600**	**2,246,400**	**2,310,700**

IV.	**New or Increased Fines**	**2009-10**	**2010-11**	**2009-10**	**2010-11**
1	Allow Civil Penalties for Non-Housing Cases	125	156	125	156
1	Remove Cap on Surcharges	9,900	9,900	9,900	9,900
2	Increase Vehicle Safety Fines	721	721	721	721
1	Establish Uncertified Crane Operation Penalty	436	436	436	436
3	Increase License Suspension Fees	16,069	16,069	16,069	16,069
1	Increase Food Safety Violation Penalties	1,200	1,200	1,200	1,200
1	Automated Speed Enforcement Cameras	50,000	100,000	50,000	100,000
10	**Total New or Increased Fines**	**78,451**	**128,482**	**78,451**	**128,482**

		General Fund		All Funds	
V.	Other Revenue Actions	2009-10	2010-11	2009-10	2010-11
1	Expand the Bottle Bill	-	-	118,000	118,000
1	Reform the Empire Zones Program	272,000	292,000	272,000	292,000
1	Allow the Sale of Wine in Grocery Stores	105,000	54,000	105,000	54,000
1	Expand Tax Collections	85,000	85,000	85,000	85,000
1	Reciprocal Vendor Offset	5,000	30,000	5,000	30,000
1	Increase Prepaid Sales Tax Rates on Cigarettes	14,000	-	14,000	-
1	Allow Decals for TMT Carriers	-	-	-	-
1	Increase Prepayment to 40%	333,000	-	351,000	-
1	Pari-Mutuel Tax Extender	-	-	-	-
1	Eliminate Quick Draw Restrictions	-	-	40,000	59,000
1	Extend VLT Hours of Operation	-	-	45,000	45,000
1	Allow for Additional Multi-Jurisdictional Lottery Games	-	-	11,000	21,000
1	Lottery Prize Fund Investment	-	-	37,000	50,000
1	Authorize VLT's at Belmont Park	-	-	-	370,000
14	**Total Other Revenue Actions**	**814,000**	**461,000**	**1,083,000**	**1,124,000**
VI.	New or Expanded Tax Credits	2009-10	2010-11	2009-10	2010-11
1	Expand the Low Income Housing Tax Credit Program	(4,000)	(4,000)	(4,000)	(4,000)
1	Create an Enhanced Research and Development Credit	-	(20,000)	-	(20,000)
1	Expand the Qualified Emerging Technology Company Credit	-	-	-	-
3	**Total New or Expanded Tax Credits**	**(4,000)**	**(24,000)**	**(4,000)**	**(24,000)**

I. Tax Reforms and Actions

- **Restructure the Clothing Exemption**. Eliminates the sales tax exemption for clothing and footwear priced under $110 and replaces it with two, one-week exemption periods for clothing and footwear priced under $500. Localities will have an option to join the state in offering this exemption.

- **Extend New York City Personal and Credit Services Sales Tax Statewide.** Makes personal services (such as beauty, barbering, manicure, pedicure, massage, health salon, or gymnasium services) and credit rating and reporting services subject to sales tax statewide. Currently, only New York City sales tax applies to these services.

- **Extend Sales Tax to Entertainment-Related Spending.** Imposes a sales tax on entertainment-related consumer spending, including but not limited to, movie theaters and sporting events. Most states tax entertainment-related services (31 states tax concerts, theaters, and movies; 27 states tax participatory sports; 22 states tax health clubs; 36 states tax amusement parks and rides; 34 states tax circus admissions).

- **Extend Sales Tax to Transportation-Related Spending.** Imposes a sales tax on transportation-related consumer spending, including but not limited to, taxis, limousines and buses. Several other states tax transportation-related services (8 states tax taxis; 16 states tax limousine services; 9 states tax chartered flights).

- **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. Currently, taxpayers with incomes over $525,000 are allowed to claim 50 percent of the value of itemized deductions. Charitable deductions would be excluded from this proposal and may still be claimed as itemized deductions for the purposes of state income taxes. Additionally, all of these deductions could still be claimed on federal taxes.

- **Limit the Capital Improvement Exemption.** Limits the capital improvement exemption under the tax code to new construction, a new addition to existing construction, or complete reconstruction. Currently, a capital improvement is defined as an addition or alteration to real property that (1) substantially adds to the value of the real property or appreciably prolongs its useful life, (2) becomes part of the real property or is permanently affixed so that removal would cause material damage to the real property or to the article itself, and (3) is intended to become a permanent installation. This provision would apply the sales tax consistently with other purchases that would improve, or be used within, a property but would not be considered to be part of the real property.

- **Repeal the Sales Tax Cap on Fuel.** Repeals the current state sales tax cap of eight cents per gallon on motor fuel and diesel motor fuel. There is no demonstrated evidence that this cap provides savings that are passed on to consumers.

- **Extend Sales Tax to Cable and Satellite Television and Radio.** Imposes sales tax on television and radio services provided by cable, satellite or other similar means. This is the practice of 23 other states.

- **Repeal Bad Debt Provisions.** Closes the current loophole that allows certain vendors such as private label credit card lenders (e.g. department stores) to reclaim sales tax revenues from debts that are not repaid, but prohibits other vendors or lenders to access these revenues. This proposal would limit the credit refund to the vendor only.

- **Reform the Cigar Tax.** Modifies the taxation of cigars to impose a tax of $0.50 per cigar to simplify the administration of the tax. The current tax is equal to 37 percent of the wholesale price or approximately $0.34 per cigar.

- **Standardize Tax on Flavored Malt Beverages.** Increases the tax on flavored malt beverages to levels consistent with the taxes imposed on other alcoholic beverages.

- **Eliminate Underutilized Tax Credits.** Eliminates six credits currently allowed under corporate franchise taxes and the personal income tax. All of these credits are underused, as indicated by the number of claimants and by the small total dollars claimed. The credits that would be eliminated are the automated external defibrillator credit, the fuel cell electric generating credit, the security guards training credit, the alternative fuels credit, the qualified emerging technology company (QETC) capital tax credit, and the transportation improvement contributions credit.

- **Restructure the Insurance Tax.** Simplifies the insurance tax on life insurers to a straightforward 2 percent tax on premiums. Currently, the tax is a complicated calculation of four alternative tax bases on income and capital, adding the highest amount to a premiums tax at 0.7 percent, all of which are subject to a cap equal to 2 percent of premiums. This proposal would also tax all non-life premiums, currently taxed at differing rates, at the same 2 percent rate.

- **Treat Coupons Consistently.** Removes the current discrepancy in sales taxation between manufacturers' coupons and store-issued coupons in grocery stores. This proposal would treat both coupons the same and impose the sales tax on the amount paid by the customer plus the amount of the coupon (as is currently done with manufacturers' coupons) rather than on the net discounted price.

- **Increase Sales Tax on Luxury Goods.** Imposes an additional sales tax on luxury goods. This proposal would impose a 5 percent tax on the price of the following items in excess of the following thresholds: $60,000 for cars, $200,000 for vessels (including but not limited to yachts); $20,000 for jewelry and furs; and $500,000 for noncommercial aircrafts.

- **Treat Gain from the Sale of Partnerships as Income.** Requires nonresidents to include gains from the sale of entity interests as New York-source income if the gain is from sales of real property located in New York. Currently, nonresidents can create partnerships to sell a property located in New York State and then sell their partnership interest, which is not taxable for a nonresident because it is considered intangible income.

- **Amend the Definition of Presence in New York.** Closes the loophole which allows taxpayers to avoid residency in New York (and therefore avoid New York tax liability) by having family members stay at sites other than the taxpayer's primary residence. This proposal would require that spouses and children only be "present in New York" instead of "present at taxpayers' Permanent Place of Abode (PPA) in New York" for purposes of a test of New York residency.

- **Expand Tax on Nonresident Hedge Fund Income.** Expands nonresident personal income tax to include income received from hedge fund management fees. Currently, only a small portion of such income is taxed as compensation, with the remainder deemed tax-free capital gains. This proposal would result in equal treatment of this income for residents and nonresidents.

- **Address Abusive Tax Avoidance.** Ends two sales tax avoidance schemes used during the purchase of motor vehicles, aircrafts (including but not limited to corporate jets), and vessels (including but not limited to yachts). First, this proposal targets business entities that avoid sales tax on their purchases of aircrafts used primarily to transport their corporate executives. Such entities take advantage of a sales tax exemption for commercial aircrafts by having the airplane purchased by a non-resident affiliate, which then charges resident affiliate employees for use of the aircraft. Second, the proposal targets New York residents that avoid sales tax on motor vehicles, vessels, and aircraft used in-state by forming a new corporation or a limited liability corporation that purchases the item in question out-of-state, brings the item into the state, and then allows the New York resident to use the item at will.

- **Expand Definition of Affiliate Nexus for Internet Sales.** Prevents a company from avoiding charging sales and use tax on internet purchases by creating independent but affiliated out-of-state entities to make those sales. Under this proposal, a company would create a "nexus" in the state (and thus be required to collect sales tax) if an in-state affiliate uses a trademark, service mark, or trade name the same as or similar to that of the remote affiliate or if an in-state affiliate engages in activities that help the remote affiliate develop or maintain a market for its goods or services.

- **Close Digital Property Taxation Loophole**. Imposes state and local sales tax on purchases of prewritten software, digital audio, audio-visual and text files, digital photographs, games, and other electronically delivered entertainment services to achieve tax parity. For example, with the passage of this bill, a book, song, album, or movie would be subject to sales tax no matter if it was bought at a brick and mortar store or downloaded online.

- **Disallow Utility Definition as Manufacturers.** Clarifies that electric generation facilities do not meet the definition of manufacturer under the capital base of the corporation franchise tax. This proposal would create tax policy consistency by conforming the definition of manufacturer across the entire corporation franchise tax.

- **Change Filing Requirement for Overcapitalized Captive Insurance Corporations.** Clarifies that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums would no longer meet the definition of an insurance business, and would file a combined return with their closest affiliated corporate taxpayer. This provision would close a tax loophole that allows companies to form a captive insurance subsidiary to shelter excessive amounts of income from assets held in pay-out reserves.

- **Eliminate Exemption for Large Cooperative Insurance Companies.** Removes the competitive advantage afforded to certain large cooperative insurance companies that write $25 million or more in annual premiums by eliminating their exemption from taxation. Cooperative insurance companies were intended to provide fire insurance in rural areas with coverage gaps, but in certain instances are competing for business outside of that intent.

- **Increase Beer and Wine Tax Rates.** Increases the excise tax on wine and beer to approximately the average of surrounding states. The tax on wine would increase from 18.9 cents per gallon to 51 cents per gallon, and the beer tax would increase from 11 cents per gallon to 24 cents per gallon. Alcohol excise taxes were last increased in 1991.

- **Increase Auto Rental Tax.** Increases the Auto Rental Tax (ART) from 5 percent to 6 percent. This tax was established in 1990 and has not been increased since that time.

II. New or Increased Fees

- **Increase Feed Tonnage Fees.** Increases fees for distributors transporting feed from $.05 per ton to $.10 per ton to help recoup a greater portion of inspection costs. This fee was last amended in 1996.

- **Increase Food Licensing Fees.** Increases biennial food licensing fees from $200 to $400 for food processors and warehouses; from $200 to $900 for complex food processors requiring more frequent inspection; and from $100 to $250 for retail food stores. Revenues will help to cover the costs of conducting inspections. Food processing fees were last amended in 2002, while retail food store and food warehouse fees were last increased in 2003.

- **Establish Seed Dealer Licensing Fees.** Creates new fees of $100 per year and $.25 for every $100 in gross annual dollar volume sales on seed labelers and distributors. In addition, a license will be required before conducting business in New York State, with licensing revenues going towards ensuring the quality of seeds sold by dealers in the state.

- **Increase and Expand Statewide Central Register (SCR) Fees.** Increases the SCR clearance fee currently paid by the Office of Children and Family Services and voluntary agency employees from $5 to $25. These fees have not been changed since their establishment in 1990. Foster parents, adoptive parents of foster children and individuals in family care homes serving clients of the Office of Mental Health and the Office of Mental Retardation and Developmental Disabilities will continue to be exempt from paying a fee. This proposal also establishes a $25 fee for certain individuals such as child care providers and their employees.

- **Increase Civil Service Exam Fees.** Increases fees for open-competitive exams by $5 above the existing range of $20 to $40, establishes fees for promotional exams ranging from $10 to $25, and changes the charge for local exam fees to a per-application cost rather than a per-completed test cost. The existing fees were last changed in 2004.

- **Establish a Local Fee for Hiring a Public Retiree through the 211 Waiver Process.** Creates a new $200 application fee charged to local governments requesting a waiver to employ a public retiree, under Section 211 of the Retirement and Social Security Law. This fee would allow the Department of Civil Service to recover its costs for reviewing these transactions.

- **Increase Public Management Intern Placement Fee.** Increases the fee paid by state agencies to recruit and place a Public Management Intern from $5,000 to $7,600 per appointment to fully offset program costs. The last increase to this fee was in 2006.

- **Expand Fingerprinting to Licensed Insurance Personnel.** Requires fingerprinting and background checks at current fee levels of $75 for any individual who is applying for a license under Article 21 of the Insurance Law.

- **Establish Security Guard Training Fee.** Establishes an initial certification fee of $500 to qualify as a security guard instructor, as well as a renewal fee of $250 every five years. In addition, security guard training schools would be required to pay an initial certification fee of $1,000, and a renewal fee of $500 every two years.

- **Increase Nuclear Power Plant Fee.** Increases fees paid by nuclear power plant operators from $550,000 to $1 million. These annual fees support the radiological disaster preparedness efforts of the state and the local communities where the plants are located. These fees were last changed in 1994.

- **Increase Motor Vehicle Registration Fee.** Increases registration fees for most vehicles and fees for distinctive plates by 25 percent. The average vehicle registration fee will increase from $44 to $55. Revenues will be directed to the Dedicated Highway and Bridge Trust Fund. These fees were last increased in 1998.

- **Increase Motor Vehicle License Fee.** Increases original and renewal driver's license fees by 25 percent. A standard 8-year renewal will now cost $62.50, up from $50. Revenues will be directed to the Dedicated Highway and Bridge Trust Fund. These fees were last increased in 1992.

- **Reissue License Plates.** Requires the Commissioner of the Department of Motor Vehicles to reissue reflectorized number plates starting April 1, 2010. The associated fee is increased from $15 to $25, with revenues directed to the General Fund. License plates were last issued in 2001.

- **Establish a Fee for MV-278 Certificates.** Creates a new $50 fee for a book of MV-278 pre-licensing classroom certificates. Currently, these books are distributed to driving schools at no charge.

- **Increase State Pollutant Discharge Elimination System Fees.** Increases 13 permit fees for private, commercial and institutional facilities, industrial facilities and stormwater facilities. A portion of these fees were last increased in 2003.

- **Establish New Marine Fishing License.** Establishes a new marine fishing license at a cost of $19 for state residents, and $40 for out-of-state individuals. The marine fishing licensing would also serve as a registry of New York marine anglers and would fulfill requirements of the National Saltwater Angler Registry and State Exemption Program.

- **Establish a Trout and Salmon Stamp.** Establishes a new trout and salmon stamp at a cost of $10, and requires all persons fishing for trout and salmon to possess a stamp in addition to their standard fishing license.

- **Increase DEC Education Camp Fee.** Increases tuition at the Department of Environmental Conservation's four education camps from $250 to $325. This fee was last increased in 2005.

- **Increase Physician Fees.** Increases the bi-annual physician registration fee, last raised in 1996, from $600 to $1,000 to support the ongoing activities of the Office of Professional Medical Conduct.

- **Establish Early Intervention Parent Fee.** Establishes a new monthly parental fee, based upon income, for the Early Intervention Program, similar to other states.

- **Establish Early Intervention Provider Fee.** Imposes a new application fee on providers seeking to participate in the Early Intervention Program.

- **Restructure Clinical Lab Fee.** Converts the fee on clinical laboratories to a 1 percent assessment based on annual receipts.

- **Increase Certificate of Need Fees.** Increases 10 fees on health care providers that support the Department of Health's administration of the certificate of need process. These fees were last raised in 2001.

- **Increase Asbestos Fees.** Increases nine fees for asbestos certification, licensing, and project notification. The fees range from $50 to $1,000 and will be doubled. These fees were last increased in 2004.

- **Increase Boiler Fees.** Increases two fees for boiler inspection and insurance industry reports. The fees range from $25 to $200 and will be doubled. These fees were last increased in 2004.

- **Establishes Explosives Fee and Penalty.** Adds explosives handling and pyrotechnics to the explosives licensing requirements, and adds new civil penalties for violation of these requirements. This change would impose a civil penalty of up to $10,000 per day for each violation of licensing and other explosives requirements.

- **Increase Real Property Transfer Fee.** Raises the real property transfer fee that is paid whenever a deed is recorded. Last changed in 2004, the fee would increase from $75 to $125 for residential property, from $165 to $250 for commercial property, and from $50 to $100 for non-deeded transfers (housing cooperatives) in New York City.

- **Increase Parks Administrative Fees.** Raises administrative fees for various park activities, such as camping, cabin rentals, golf, and marina usage, as well as for Empire passports, passes and permits. These fees were last increased at various times between 2003 and 2006.

- **Establish Horse Entrance Fee.** Establishes a new entrance fee of $10 for every horse entered into pari-mutuel races conducted in New York State.

- **Increase State Licensing Fees.** Increases licensing examination fees for 16 disciplines licensed by the Department of State such as notary public, barber, cosmetology and real estate salesperson. These fees have been increased at various times between 1967 and 2005.

- **Increase Surcharge on Auto Insurance.** Increases the Motor Vehicle Law Enforcement Fee on auto insurance policies from $5 to $10 to support state police operations. This fee was last raised in 2003.

- **Establish Processing Fee for Paper Tax Returns.** Creates a new fee of $10 for filing a paper personal income tax return, which will encourage individuals to file via the internet.

- **Establish Bad Check Fee.** Creates a new fee of $50 for checks returned due to insufficient funds by the Department of Taxation and Finance.

- **Establish Installment Payment Fee.** Creates a new fee of $75 for taxpayers wishing to establish installment payment agreements to satisfy outstanding tax liabilities.

- **Establish Tax Preparer Fee.** Creates a new fee of $100 to be paid by all persons who are compensated for the preparation of 10 or more tax returns.

- **Increase Highway Use Tax Renewal Fee.** Increase the highway use fee for a replacement registration certificate to the cost of the initial permit. This fee for a replacement registration would increase from $4 to $15 for a motor vehicle, and from $2 to $15 for a trailer, semi-trailer, dolly or other drawn device. The fee was last amended in 1984.

- **Increase Cigarette and Tobacco Retail Registration Fee.** Increases the cigarette and tobacco retailer fee from $100 to $1,000 for retailers with gross sales of under $1 million, to $2,500 for retailers with gross sales of $1 million but less than $10 million, and to $5,000 for retailers with gross sales of $10 million or more. This fee was last changed in 1990.

- **Establish Non-LLC Partnership Fee.** Imposes a new fee on non-limited liability company (LLC) partnerships equal to fee amounts that currently apply to LLCs. Amounts would range from $25 to $500. Unlike the current LLC fee, partnerships with New York-source gross income under $1 million would be exempt.

III. Charges and Assessments for Specific Sectors

- **Increase Utility Assessment.** Increases the current regulatory fee on public utilities throughout the state, including electric, gas, water and telephone. This action will pay for state regulatory and management oversight by raising the fee from 1/3 of 1 percent to 1 percent of intrastate revenues, expanding the fee to include energy service companies, and establishing an additional 1 percent state energy and utility service conservation assessment, which will expire on March 31, 2012.

- **Reinstitute Hospital Assessment.** Reinstitutes the 0.7 percent assessment on hospital inpatient revenues.

- **Reinstitute Home Care Assessment.** Reinstitutes a 0.7 percent assessment on total home care provider revenues.

- **Increase Hospital Surcharges.** Proportionately increases the three health care surcharges paid by insurers on hospital patient services. These were last increased in 2006.

- **Increase Covered Lives Assessment.** Increases the covered lives assessment on insurers to $1.04 billion. This assessment was last raised in 2008.

- **Extend the Covered Lives Assessment.** Applies the covered lives assessment to insurers headquartered out-of-state.

- **Establish Physician Procedure Surcharge.** Creates a new 9.63 percent HCRA surcharge to surgical and radiological procedures performed by physicians in office-based and urgent care settings.

- **Increase Insurance Assessment for Public Health Programs.** Requires financing for certain public health programs through assessments on the insurance industry.

- **Establish Timothy's Law Insurance Assessment.** Finances the costs of assistance to small business to implement Timothy's Law from insurance assessments.

- **Increase Insurance Assessment for Tobacco Control and Early Intervention.** Finances tobacco control ($70.9 million) and Early Intervention insurance ($44.3 million - 50 percent offsets state costs and 50 percent offsets local costs) costs with an insurance industry assessment.

- **Extend Insurance Assessment.** Applies the insurance assessment to insurers headquartered out-of-state.

- **Create Third Party Administrator Fee.** Establishes a $1 assessment per claim processed by entities that administer self-funded health insurance plans.

- **Create Sales Tax on Soft Drinks.** Imposes an additional 18 percent rate of sales and compensating use taxes on fruit drinks that contain less than seventy percent of natural fruit juice and non-dietetic soft drinks, sodas and beverages. By increasing the price, it will discourage individuals, especially children and teenagers, from excessive consumption of these beverages. Revenues will be directed for health care initiatives.

IV. New or Increased Fines

- **Allow Civil Penalties for Non-Housing Cases.** Authorizes the assessment of civil penalties for violations of Human Rights Law. Currently, civil penalties are authorized only for housing discrimination violations of Human Rights Law. These penalties were established in 1997 and carry a maximum civil penalty of $50,000 unless the discrimination is shown to be malicious, in which case the maximum penalty is $100,000.

- **Remove Cap on Traffic Violation Surcharges.** Eliminates the $100 cap on surcharges for violators with two or more convictions arising out of the same traffic incident.

- **Increase Vehicle Safety Fines.** Increases the civil penalty for repair shops, inspection stations, and dealers who falsify safety and emission inspections or falsify vehicle repairs, from a maximum of $350 per violation to a minimum of $350 for the first violation, $500 for the second violation and $1,000 for the third violation. This bill will also increase the civil penalty for dealers from a maximum penalty of $1,000 to a maximum of $1,500.

- **Establish Uncertified Crane Operation Penalty.** Adds a new civil penalty of $1,000 to $3,000 for individuals that operate a crane without a certificate of competence issued by Department of Labor. In addition, employers that knowingly allow employees to operate a crane without certification will be assessed a penalty of $5,000 to $10,000.

- **Increase License Suspension Fees.** Increases fees for license suspension from $25 to $50 for non-alcohol related suspensions, and $100 to $200 for alcohol-related suspensions. This proposal would also increase the scofflaw termination fee from $35 to $70, and increase the license reinstatement fee from $50 to $100. These fees were last increased in 1992.

- **Increase Food Safety Violation Penalties.** Increases the maximum penalty for the first critical health violation of Agriculture & Markets Law from $300 to $1,000, and from $600 to $2,000 for each subsequent finding. This penalty was last amended in 1990. Additionally, the maximum penalty for the first critical health deficiency finding related to a rule or order of the Department will increase from $200 to $1,000 and from $400 to $2,000 for each subsequent finding. This penalty was last amended in 1968. Both increased penalties are intended to improve compliance with statutes and regulations.

- **Allow Automated Speed Enforcement Cameras.** Authorizes the use of cameras to identify vehicles speeding in highway workzones and designated stretches of highway. Tickets of $50 for highway speeding and $100 for workzone speeding would be issued to the registered owners of vehicles captured by the cameras.

V. Other Revenue Actions

- **Expand the Bottle Bill.** Expands the nickel deposit to include additional beverage containers and provide for the return of unclaimed deposits to the state. Proceeds would be directed to the Environmental Protection Fund (EPF).

- **Reform the Empire Zones Program.** Requires all current and future participants in the program to be recertified before qualifying for tax year 2008 zone benefits, and to meet or exceed a new statutory, 20:1 benefit-cost standard. This proposal would also exclude businesses from certain industry sectors (utilities, retail, and real estate holding companies) from applying for future acceptance into the program.

- **Allow the Sale of Wine in Grocery Stores.** Allows New York to join 35 other states that permit wine to be sold in grocery stores.

- **Expand Tax Compliance.** Provides the Department of Taxation and Finance with a variety of tax enforcement tools to ensure that taxpayers are remitting the taxes they owe, including the ability to verify tax liability through the use of third party information, and increases in the interest rates tied to the underpayment of tax. This package will provide for a more comprehensive audit, compliance and tax enforcement program.

- **Enact Reciprocal Vendor Offsets.** Enacts a reciprocal program with the U.S. Treasury Department and other states to intercept vendor payments to satisfy legally enforceable and past due income tax debts.

- **Increase Prepaid Sales Tax Rates on Cigarettes.** Increase the prepaid sales tax rate on cigarettes from 7 percent to 8 percent, consistent with the sales tax rate in most New York State jurisdictions. This will not change the amount of tax liability, but simply the timing of payments.

- **Allow for Mailing of Decals To TMT Carriers.** Provides the authority for the Tax Department to mail decals to Truck Mileage Tax (TMT) carriers. The state amended its Highway Use Tax law due to a federal law that stated that states were no longer allowed to use a permit/decal system. That law has since been repealed.

- **Increase Tax Prepayment.** Increases the mandatory first installment of tax due from certain taxpayers from 30 percent to 40 percent of the previous year's tax liability. For most taxpayers, this installment is due in March with the filing of the previous year's tax return. This will not change the amount of tax liability, but simply the timing of payments.

- **Extend Pari-Mutuel Tax.** Extends lower pari-mutuel tax rates for one year. This proposal would also extend by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.

- **Eliminate Quick Draw Restrictions.** Removes certain restrictions on the locations where Quick Draw can be played and on the hours of operation.

- **Extend VLT Hours of Operation.** Eliminates the hour restrictions on the operation of VLTs. The elimination of these restrictions will allow the Division of the Lottery to set hours based on facility utilization.

- **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. This action would allow the Lottery to be part of new multi-jurisdictional gaming associations.

- **Improve Lottery Prize Fund Investment.** Authorizes a wider variety of investment options for moneys held by the Lottery Prize Fund. This will allow the Lottery to achieve a higher return on these investments through a prudent, diversified investment strategy.

- **Authorize VLTs at Belmont Park.** Authorizes the operation of VLTs at Belmont Park, which would generate a franchise payment of at least $370 million in 2010-11.

VI. New or Expanded Tax Credits

- **Expand the Low Income Housing Tax Credit Program.** Authorizes the Commissioner of the Division of Housing and Community Renewal to allocate an additional $4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a 10 year period, so that the total amount of credits that will be awarded from this new authorization will be $40 million.

- **Create an Enhanced Research and Development Credit.** Authorizes the Urban Development Corporation (UDC) to award tax credits to qualifying research and development projects, and to award grants to certain research colleges and universities, based on strategic economic development criteria. The aggregate amount of annual credits that UDC could award is limited to $20 million in 2009-10, $33 million in 2010-11 and $45 million annually thereafter.

- **Expand the QETC Facilities, Operations and Training Credit.** Expands the eligibility criteria for the Qualified Emerging Technologies Companies credit program by allowing firms with more than 100 qualifying employees to continue to receive benefits. Under this proposal, businesses with fewer than 100 employees in New York State but over 100 employees worldwide would also be able to participate.

Additional Information

Legislation Required for the Budget

Education, Labor and Family Assistance

- Amend the Education Law to provide a one-year reduction in School Aid, adjust the planned phase-in of Foundation Aid, provide mandate relief to school districts and make other changes necessary to implement the Executive Budget.
- Merge the New York State Theatre Institute with the Empire State Plaza Performing Arts Center.
- Increase academic standards for non-remedial Tuition Assistance Program (TAP) recipients.
- Amend the eligibility requirements for the TAP relating to students in default on federal loans.
- Eliminate the TAP eligibility for graduate students.
- Include public pension income in TAP award calculations.
- Enhance flexibility for the state and city universities of New York in the areas of procurement and capital construction.
- Pro-rate TAP awards for students enrolled in between 10 and 14 credits per semester, using 15 credit hours per semester as the basis for full TAP awards.
- Eliminate the TAP award enhancements for TAP applicants with multiple family members in college.
- Establish the New York Higher Education Loan Program.
- Authorize the State University of New York (SUNY) and the City University of New York (CUNY) to establish differential tuition rates for non-resident students.
- Expand investment choices for the Optional Retirement Program for the State University of New York to include corporations that manage or invest in mutual funds.
- Eliminate the Middle Class STAR rebates and decrease corresponding New York City credit amounts.

- Change the STAR “floor” adjustment from 11 percent to 18 percent.
- Eliminate the requirement for the Division of Housing and Community Renewal to maintain local rent administration offices.
- Establish a youth programs block grant.
- Reauthorize child welfare financing and eliminate state reimbursement for Community Optional Preventive Services (COPS).
- Make permanent the authority of the Department of Motor Vehicles to suspend the driver licenses of persons delinquent in the payment of child support.
- Discontinue the work incentive bonus for local social services districts engaging at least 50 percent of their public assistance population in eligible work activities.
- Align the cash benefit of public assistance recipients in chemical dependence residential treatment facilities with the benefit of those recipients residing in comparable settings.
- Reduce the increase in the total benefit amount for Supplemental Security Income (SSI) payments by reducing state supplemental benefits for recipients in the community and authorize the pass-through of the 2010 federal cost-of-living-adjustment (COLA).
- Increase the Office of Temporary and Disability Assistance’s (OTDA) access to the Department of Taxation and Finance’s Wage Reporting System records in order to obtain income eligibility data to access additional federal revenue.
- Remove the 12 month notice requirement prior to youth facility closures.
- Modify the fee structure for the Statewide Central Registry (SCR) clearance checks.
- Increase the Public Assistance Grant.
- Extend the Unemployment Insurance (UI) interest assessment surcharge.
- Provide for the assessment of civil penalties in appropriate human rights cases.
- Increase boiler inspection and asbestos licensing, certification, and notification fees.
- Expand enforcement mechanisms and civil penalties regarding explosives and update provisions relating to pyrotechnics.
- Include certification requirement for crane operators and impose civil penalties for non-certified crane operation on operators and their employers.

Health and Mental Hygiene

- Improve public health services and achieve savings by modifying the Early Intervention (EI) and General Public Health Work (GPHW) programs, increase revenue collections in selected programs and eliminate non-essential spending within the Department of Health (DOH) and the State Office for the Aging (SOFA).

- Implement additional Medicaid cost savings measures, establish an assessment on home care providers, merge the Office of the Welfare Inspector General (OWIG) with the Office of the Medicaid Inspector General (OMIG), extend expiring laws and make other technical changes.

- Reform Medicaid reimbursement structures, improve access to affordable health insurance coverage and authorize cost containment initiatives.

- Reform Long Term Care (LTC) reimbursement by implementing program efficiencies and cost savings measures, revising reimbursement methodologies for nursing homes and home care, promoting alternatives to residential care and providing targeted investments to support quality and cost effective care.

- Eliminate exempt income in Long-Term Sheltered Employment (LTSE) programs.

- Reduce and convert inpatient wards operated by the Office of Mental Health (OMH).

- Extend current social worker and mental health professional licensing exemptions for the agencies of the Department of Mental Hygiene (DMH), the Office of Children and Family Services (OCFS), and local government programs.

- Allow alternative facility options and courtroom procedures for Sex Offender Management and Treatment Act (SOMTA) respondents.

- Clarify the role of facility directors as representative payees and the use of federal entitlement benefits in accordance with federal laws and regulations.

- Consolidate administrative functions of the Office of Mental Retardation and Developmental Disabilities' (OMRDD) Broome Developmental Disabilities Services Office (DDSO) and the Valley Ridge Center for Intensive Treatment.

- Close the Manhattan Addiction Treatment Center (ATC).

- Establish a one year deferral of the human services COLA.

- Modify and/or eliminate a variety of duplicative or redundant reporting requirements related largely to the provision of community mental health services.
- Extend the authority for Article 28 hospitals to replace state aid grant funds provided by the Office of Mental Health (OMH) and the Office of Alcoholism and Substance Abuse Services (OASAS) with federal Disproportionate Share (DSH) funds.
- Extend the Manhattan Psychiatric Center and Kirby Forensic Psychiatric Center lease.
- Transfer the Alcohol and Drug Rehabilitation Program from the Department of Motor Vehicles (DMV) to OASAS.

Public Protection and General Government

- Expand the use of funds deposited into the Criminal Justice Improvement Account.
- Make technical changes to the State Wireless Communications Service Surcharge.
- Establish a fee to cover the state cost of processing waivers under Section 211 of the Retirement and Social Security Law.
- Create a not-for-profit corporation and transfer the Office of Cyber Security and Critical Infrastructure Coordination to that corporation.
- Limit reimbursement to health care providers for performing forensic rape examinations to actual costs not to exceed $800; establish a one year time limit on submission of claims for reimbursement of medical and counseling expenses; and allow restitution to be paid by credit card.
- Require applicants to be licensed as an insurance agent, broker, adjuster, consultant, or intermediary, to submit their fingerprints to the Division of Criminal Justice Services (DCJS) as part of a background check.
- Establish fees for new and renewal certification of security guard instructors and security guard training schools operating in New York State.
- Modify the prison closure notification requirement and authorize the acceptance by the Department of Correctional Services (DOCS) to house local inmates and federal prisoners.
- Delay the expansion of mental health programs authorized by the Special Housing Unit Exclusion Bill and curtail or modify other provisions of the bill relating to the DOCS facilities that do not generally house inmates with serious mental illnesses and the training of DOCS personnel.

- Expand eligibility criteria for state inmates to qualify for medical parole and streamline the medical parole application process.
- Authorize the DOCS to sell its cook-chill products to not-for-profit organizations (food kitchens and shelters) at the cost to produce and deliver the products.
- Expand eligibility for the Shock Incarceration Program and establish a new limited credit time allowance for inmates.
- Eliminate reimbursement of local jails for the housing of parole violators and state-ready inmates, except in instances where the DOCS cannot provide a general confinement bed within 10 business days after notification that an inmate is state ready.
- Encourage the adoption of graduated sanctions for parole violators and the use of a risk and needs assessment instrument.
- Credit probation sentences for time served under interim supervision; and implement a one-time $25 probation registration fee with the revenue to be retained by local probation departments.
- Eliminate Batterers Project funding administered by the Office for the Prevention of Domestic Violence.
- Modify the responsibilities of the State Commission of Correction and provide options to administrators of local jails to reduce their operating costs.
- Increase the assessment on nuclear power plant facilities to support emergency preparedness planning efforts.
- Establish a program for photo-monitoring enforcement of speed limits in work zones and designated stretches of highway.
- Increase the Motor Vehicle Law Enforcement fee applied to the purchase of vehicle insurance to support the cost of state police operations.
- Extend various criminal justice programs that would otherwise sunset.
- Abolish the State Employment Relations Board and shift responsibilities to the Public Employment Relations Board.
- Establish the Office of Procurement Services to ensure that the state is undertaking procurement consistent with best practices to receive the maximum value at the lowest possible cost.

- Modify the maintenance-of-effort requirement for counties and the City of New York to receive funds from the Indigent Legal Services Fund and the formula for distribution of such funds.
- Provide the New York State Health Insurance Program the option to operate as a self-insured plan.
- Establish a sliding scale for retiree health insurance premium contributions for future state retirees.
- Require state employees and retirees to contribute to Medicare Part B premiums.
- Eliminate the general salary increases scheduled on or after April 1, 2009 provided for in collective bargaining agreements, interest arbitration awards, and for M/C employees.
- Implement a Tier 5 pension benefit for newly hired state and local government employees.
- Authorize a new tier of pension benefits for newly hired New York City uniformed employees, submitted at the request of the Mayor.
- Implement an additional 5-day pay deferral for all state employees.
- Reduce state payments in lieu of taxes and freeze payments for taxes on state owned lands.
- Modify the Aid and Incentives for Municipalities (AIM) program.
- Provide mandate relief for local governments.
- Extend authorization for the Office of Real Property Services (ORPS) to charge oil and natural gas producers for determining the property value of oil and gas units of production.
- Increase the real property transfer fees that support expenses of the ORPS, and redirect the deposit of these fees to the General Fund.
- Restructure state aid provided to municipalities in which a video lottery gaming facility is located.
- Expand New York City's Red Light Camera Traffic Safety program, and provide certain cities and counties authorization to administer a similar program.

- Authorize cities and villages to collect utilities gross receipts taxes on mobile phone services.
- Enact recommendations made by the Commission on Local Government Efficiency and Competitiveness.
- Authorize the City of New York to increase certain fees.
- Authorize transfers, temporary loans and miscellaneous capital/debt provisions, including certain bond caps.

Revenue

- Amend definition of "resident individual" for determining residency for the Personal Income Tax.
- Clarify that electric generation facilities do not meet the definition of "manufacturer" under the capital base of the corporation franchise tax.
- Limit the exemption provided for town or county cooperative insurance corporations under the Insurance Franchise Tax.
- Restructure the franchise tax on insurance companies so that all insurance companies are taxed in an identical manner by paying a tax based on premiums.
- Enact a reciprocal program with the United States Treasury Department to intercept vendor payments to satisfy tax debts.
- Clarify that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums would no longer meet the definition of an insurance business, and would file a combined return with their closest affiliated taxpayer.
- Eliminate underutilized tax credits (automated external defibrillator, fuel cell, security guards, alternative fuels, qualified emerging technology company capital tax, and transportation improvement contributions).
- 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.
- Change the mandatory first estimated tax installment payment under the corporate franchise taxes from 30 percent to 40 percent.

- Impose annual filing fees on partnerships, other than limited liability partnerships, based on their New York source income with an exemption for partnerships whose New York source income is less than one million dollars.
- Reform the Empire Zones Program.
- Authorize additional credits of $4 million for low-income housing credit.
- Limit the use of itemized deductions by individuals with incomes over $1 million.
- Treat income received by non-resident partners for performing investment management services as New York source income.
- Provide taxpayers with a refundable tax credit for increasing research activities.
- Expand the eligibility criteria for the qualified emerging technologies credits by allowing firms with more than 100 employees to continue receiving benefits and not considering employment outside New York State in determining eligibility.
- Impose sales tax on cable and satellite television/radio services.
- Reform the tobacco products and cigarette taxes to remedy various compliance and enforcement problems and convert the tax on cigars from a value-based tax to a per-unit tax.
- Treat all discount coupons consistently for sales tax purposes.
- Provide for the investment of lottery moneys available and retained on deposit for the payment of lottery prizes.
- Replace the year-round sales tax exemption for clothing and footwear under $110 with two, one-week exemption periods with a $500 threshold.
- Expand state and local sales tax base to cover miscellaneous personal services and credit rating and reporting services now taxed in New York City.
- Extend the hours of video lottery operation, repeal the sunset date for the VLT Program, and make technical corrections regarding the operation of video lottery gaming.
- Impose tax on flavored malt beverages at the low liquor tax rate.
- Extend for one year lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races.

- Increase prepaid sales tax on cigarettes.
- Prohibit certain sales tax avoidance schemes.
- Repeal private label credit card (bad debt) law.
- Impose a sales tax on digital products and clarify current administrative practice for sourcing receipts from the sale of digital products for purposes of calculating the business corporation franchise tax.
- Repeal the sales tax cap on motor fuel and diesel motor fuel.
- Reauthorize highway use tax decals.
- Modernize definition of “vendor” to include an affiliate nexus provision.
- Authorize video lottery gaming at Belmont Park and modify commission rates at Aqueduct Racetrack.
- Impose a state sales and compensating use tax surcharge on certain beverage products.
- Eliminate the sunset of Quick Draw and eliminate certain restrictions on the game.
- Permit the state to participate in more than one multi-jurisdictional lottery game.
- Allow the sale of wine in grocery and drug stores upon payment of a franchise fee.
- Increase the excise tax on beer and wine.
- Increase the auto rental tax from 5 percent to 6 percent.
- Impose state and local sales taxes on certain transportation services.
- Impose a sales tax on various amusement charges.
- Narrow the sales tax definition of capital improvement and its application.
- Increase the highway use tax replacement fee.
- Impose additional sales and use tax on certain luxury property.
- Create a comprehensive program to increase compliance with the Tax Law.

Transportation, Economic Development and Environmental Conservation

- Extend the Department of Transportation's (DOT) Single Audit Program.
- Provide the annual authorization for the CHIPS and Marchiselli Programs.
- Make permanent the suspension of driver licenses for certain alcohol-related charges.
- Make permanent the suspension/revocation of driver licenses for certain drug-related offenses.
- Make permanent authorization to pay Department of Motor Vehicles (DMV) costs from the Dedicated Highway and Bridge Trust Fund.
- Increase driver license fees by 25 percent.
- Increase registration fees by 25 percent.
- Reissue license plates at a cost of $25.
- Eliminate the $100 cap on surcharges for violators with two or more convictions arising out of the same incident.
- Extend provisions relating to the Motor Vehicle Financial Security Act.
- Conform Vehicle and Traffic Law with federal requirements governing operators of commercial motor vehicles.
- Add a new $50 fee for each book of pre-licensing classroom certificates (MV-278) issued to driving schools.
- Extend provisions for collecting surcharges on traffic violations.
- Authorize the Commissioner of Motor Vehicles to replace the Non-Commercial Driver License written examination with completion of either a 5-hour pre-licensing course or a driver education course.
- Modify the Dedicated Highway and Bridge Trust Fund reporting requirements.
- Make permanent certain revenues to the Dedicated Highway and Bridge Trust Fund.
- Increase food inspection penalties for violations which represent a risk to public health.
- Extend for one year the funds distribution formula for the Community Services Block Grant Program.

- Increase examination fees related to the licensure of disciplines regulated by the Department of State.
- Reduce the amount of real estate transfer tax revenue deposited into the Environmental Protection Fund.
- Authorize and direct the Comptroller to deposit to the General Fund a payment of up to $913,000 from the New York State Energy Research and Development Authority.
- Assess a fee upon the entry of a horse in New York State pari-mutuel races.
- Increase the maximum penalties for Insurance Law violations.
- Make permanent the general loan powers of the New York State Urban Development Corporation.
- Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration and policy and planning programs from assessments on gas and electric corporations.
- Require an appropriation in the Executive Budget for each fiscal year that reflects the value of assets transferred from the Power Authority of the State of New York (NYPA) to the state pursuant to a memorandum of understanding between NYPA and the state.
- Authorize the Battery Park City Authority to make contributions to the State Treasury.
- Authorize the New York State Urban Development Corporation to make contributions to the State Treasury.
- Establish a new $50 million New York Growth, Achievement and Investment Strategy Fund.
- Authorize the development of an economic development capital spending reduction plan and strategic reinvestment plan.
- Authorize the consolidation of the state's economic development entities.
- Increase a Bond Issuance Charge.
- Eliminate the Northeastern Queens Nature and Historical Preserve Commission.
- Eliminate the Hudson River Valley Greenway Communities Council and Hudson River Valley Greenway Heritage Conservancy and transfer liabilities, assets, and responsibilities of the Greenway, Council and Heritage Conservancy to the Department of State.

- Increase food safety inspection and licensing fees, and require the licensure of seed labelers and distributors.
- Increase certain State Pollution Discharge Elimination System Program fees.
- Establish a trout and salmon stamp.
- Establish a recreational marine fishing license.
- Authorize the Department of Public Service to streamline its processes and improve administrative efficiency and prioritize resources.
- Increase the utility assessment cap imposed by section 18-a of the Public Service Law, establish a temporary state energy and utility service conservation assessment, and authorize aggregate energy purchases for state agencies and other entities by the NYPA.
- Increase the civil penalty for repair shops, inspection stations, certified inspectors and automobile dealers.
- Increase the license termination fee, the license reinstatement fee, and the scofflaw termination fee.
- Dedicate the local share of state receipts from the gaming facility in the County of Erie to the City of Buffalo.
- Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents.
- Expand the state's "Bottle Bill" to cover additional beverage containers, and to provide for the return of unclaimed deposits on beverage containers to the state for deposit into the Environmental Protection Fund.
- Clarify the authority of the Office of Parks, Recreation and Historic Preservation with regard to retail sales.
- Recover the cost of centralized state services provided on behalf of industrial development agencies.
- Impose fees related to certain activities conducted by the Department of Taxation and Finance and prohibit tax return preparers and software companies from charging separately for electronic filing of New York tax documents.

Citizens Guide

The Citizen's Guide to the Executive Budget

The Executive Budget process and key budget document formats are governed by the state Constitution, with additional details and actions prescribed by state laws and practices established over time.

The state's budget process is governed primarily by Article VII of the New York State Constitution. Article VII requires the Governor to submit a budget detailing a plan of expenditures and an estimate of revenues for the upcoming fiscal year, bills containing all proposed appropriations and reappropriations, and other legislation needed to implement the Executive Budget.

To fulfill these requirements, this budget includes five books and several bills. The central volume, *Executive Budget Briefing Book*, contains the Budget Director's Message, which presents the Governor's fiscal blueprint for 2009-10 and explains the State's Financial Plan. It also includes highlights of major initiatives, and a list of the legislative proposals needed to implement the proposed budget.

The *Five-Year Financial Plan* summarizes the Governor's Executive Budget and describes the "complete plan" of spending and revenues required by the Constitution.

The *Economic and Revenue Outlook* volume explains the specific sources of state revenues and presents the economic outlook for the nation and the state.

The fourth book presents the *Five-Year Capital Program and Financing Plan*, which highlights major capital initiatives and objectives, and describes the approach to financing the capital program.

Finally, the *Agency Presentations* volume describes the functions of each state agency and presents tables that summarize the agency's spending by program and category. A "User's Guide" provides background information on state government and the budget process, and explains how to interpret the agency "story" tables. This book also includes the budget requests of the Legislature and Judiciary, which are submitted without revision as required by the Constitution.

These documents collectively provide the supporting justification for the budget bills, and are available via the Internet (www.budget.state.ny.us), at the New York State Library, State University libraries and many local libraries, and on CD-ROM.

Two types of legislation are required for budget enactment. Appropriation bills provide the legal authorization for all spending from the funds managed by the state. These bills encompass the recommended funding for the Legislature and Judiciary, Debt Service and the functional responsibilities of the Executive branch agencies — e.g., Education, Family Assistance, Public Protection, General Government, Health, Mental Hygiene, Economic Development, Transportation and the Environment.

Other bills amend permanent state law governing programs and revenues. These "Article VII bills," and all Executive Budget appropriation bills, are available from the Senate and Assembly Document Rooms located in the Capitol and the Legislative Office Building.

The Constitution authorizes the Governor to amend the Executive Budget within 30 days of submission, allowing for technical corrections and revisions based on the latest information. However, to help achieve timely budgets, the 2007 Budget Reform Act requires that the Executive, to the extent practicable, submit any necessary amendments within 21 days. Any amendments are made available on the Budget Division's website when submitted to the Legislature.

The legislative review process includes public hearings on the Governor's budget. These hearings are scheduled by the Senate Finance and Assembly Ways and Means committees, which are responsible for coordinating each house's action on the budget.

The Budget Reform Act mandated the use of conference committees as part of the legislative budget process. These committees, which have been used in various forms in the past, must now be formed early in the process to facilitate agreement on a budget between the two houses. The two houses ultimately develop joint recommendations, amend the Governor's proposed bills to reflect their decisions, and pass the amended bills. These final bills are available from the legislative Document Rooms.

Except for appropriations for the Legislature and the Judiciary, appropriations proposed by the Governor become law immediately when passed by the Legislature. However, all items that have been added by the Legislature, and all appropriations for the Legislature and the Judiciary must be sent to the Governor for his approval or veto. The Constitution grants the Governor "line item veto" power, permitting the Governor to veto such items selectively, while approving the remainder of the bill.

Chapter numbers are assigned to bills that become law. For any bill or item of appropriation that is vetoed, the Governor provides a "veto message" to the Legislature stating his reasons for the veto. Vetoes may be overridden by a two-thirds vote of each house of the Legislature, in which case the vetoed item or bill becomes law despite the Governor's objections.

After enactment of the budget, the Legislature is required to summarize its changes to the Executive Budget. This summary is presented in the "Green Book," which is available from the Senate and Assembly Document Rooms. The Governor is required to revise the Financial Plan to reflect the enacted budget. Like the original Executive Budget and any amendments, this revised plan and subsequent updates are also made available on the Budget Division's website.

Note: *Readers are encouraged to visit the New York State Budget Division's website (www.budget.state.ny.us) to access the latest information and documents related to the Executive Budget proposal and the Enacted Budget. Virtually all materials are made available on the website, either on the day of publication or within 24 hours.*