

Review of the
2006-07
Legislative Budget
Agreement

New York State Division of the Budget

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INTRODUCTION

The Division of the Budget (DOB) has prepared this Review of the 2006-07 Legislative Budget Agreement based upon the appropriation and Article VII bills the Legislature is expected to act on through March 31, 2006.

The information in this Review is consistent with budget reform proposals advanced by the Governor to ensure individual legislators and the public have a comprehensive understanding of the multi-year impact of legislative changes before completion of the budget. It is hoped that this Review will further contribute to the open debate on the merits and implications of the Legislative Budget Agreement.

This Review provides an overview of the 2006-07 Legislative Budget Agreement, including:

- The value of legislative additions to the Executive Budget and the resources identified to pay for them;
- Annual spending growth for the General Fund, State Funds, and All Funds; and,
- The impact on long-term structural budget balance.

DOB plans to issue the official Enacted Budget Financial Plan for 2006-07 when it completes its analysis of the budget enacted by the Legislature, and final action on the budget has been completed. Accordingly, the information in this Review should be considered preliminary and subject to potential revisions as DOB has more time to complete a detailed analysis and review of the appropriation bills and Article VII bills enacted by the Legislature, and to reflect any subsequent changes made prior to final action.

Readers should note that the financial information in this Review is presented on a cash basis of accounting and that the terms "Executive Budget" and "30-day Financial Plan" are used interchangeably in this Review to refer to the Governor's 2006-07 Executive Budget, including 30-day amendments that DOB issued on February 7, 2006. The financial information also assumes that appropriations enacted by the Legislature are valid, although significant constitutional issues are present.

OVERVIEW OF LEGISLATIVE BUDGET

DOB estimates the Legislative Budget Agreement will:

- Result in a balanced budget in 2006-07, with roughly \$3.1 billion in net resources used to finance \$3.1 billion in net legislative additions.

Preliminary Budget Review General Fund -- \$ in millions Surplus/(Deficit)			
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Executive Budget Gaps	<u>0</u>	<u>(1,919)</u>	<u>(3,887)</u>
Avails (including consensus revenue)	1,086	885	985
Adds	(3,135)	(3,959)	(2,448)
Use Surplus to Finance Adds	2,049	(1,024)	(1,025)
Preliminary Enacted Surplus (Gaps)	0	(6,017)	(6,375)

- Increase the potential budget gaps in 2007-08 and 2008-09 to roughly \$6 billion each year, more than double the level projected if the Executive Budget were enacted as proposed.
 - As noted above, the gaps increase in part because the entire \$2 billion spending stabilization reserve (the surplus) is used to finance recurring additions to the budget, instead of lowering the outyear gaps as proposed in the Executive Budget.
- Result in an All Funds budget of over \$115.5 billion. The nearly \$5 billion increase in All Funds spending from the Executive Budget projection of \$110.6 billion is primarily attributable to:
 - Nearly \$900 million in education/school aid – consistent with the \$1.3 billion overall school year increase and the use of video lottery terminals (VLTs) resources to finance Sound Basic Education (SBE) related costs.
 - \$1.2 billion in Medicaid/Health, consisting of the General Fund legislative additions cited in the conference committee, additional State Funds costs in the Health Care Reform Act (HCRA), and the impact of these changes on Federal spending.
 - \$226 million more for School Tax Relief (STAR) property tax relief payments.
 - \$250 million from additions at the Environment/Agriculture/Housing sub-committee – including recognizing Systems Benefit Charges as part of the All Funds budget.
 - \$300 million from additions at the Higher Education sub-committee.

- Roughly \$1.8 billion in increased capital spending related to the \$3.5 billion in increased bond-financed capital appropriations added by the Legislature (\$2.6 billion for school construction, \$730 million for higher education, \$385 million economic development).

Nearly all of this capital spending is associated with the \$2.6 billion school construction program authorized by the Legislature. Under this program, 100 percent State funding is available for school construction projects, including those already begun. As such, the DOB believes there is a strong incentive for school districts across the State, including New York City, to access this State funding as soon as possible. No significant spending is anticipated in 2006-07 for the other capital programs.

The balance of the Review provides detailed information for the results summarized above, including:

1. Components of available resources (“avails”) used to finance changes to the Executive Budget;
2. Legislative additions to the budget, detailed by Conference Committee; and,
3. The size of the budget, and the impact of the budget agreement on outyear structural budget balance.

AVAILABLE RESOURCES

Since the Governor introduced his 30-day amendments to the Executive Budget in early February, \$1.1 billion in net new resources have become available for 2006-07, including \$750 million from higher tax collections in 2005-06 and 2006-07. In addition, the legislative budget changes require the use of the entire over \$2 billion contained in the spending stabilization reserve (the surplus) that was previously recommended to be held in reserve to help lower the outyear budget gaps. The multi-year value of these resources is summarized in the following table.

Summary of Available Resources/New Costs vs. 30-Day Estimate (millions of dollars)			
	----- DOB Values -----		
	2006-07	2007-08	2008-09
Avails			
Revenue Consensus	750	750	850
AIG Settlement	100	0	0
SONYMA Balance	150	0	0
2005-06 Year-end results	149	50	50
Sweeps	50	0	0
Spending Cuts	25	25	25
Crimes Against Revenue	10	10	10
PIA	7	0	0
Welfare	15	50	50
Abandoned Property	(170)	0	0
Spending Stabilization Reserve	2,049	(1,024)	(1,025)
AVAILS TOTAL	3,135	(139)	(40)

Revenue Consensus: The Executive and Legislature reached consensus on the 2005-06 and 2006-07 revenue forecast on March 3, 2006. The consensus agreement projected higher revenues of \$750 million compared to the 30-day forecast -- \$100 million in 2005-06 and \$650 million in 2006-07.

AIG Settlement Revenue: Reflects additional General Fund settlement resources beyond the amounts anticipated in the Executive Budget, consistent with a recent settlement concluded by the State's Attorney General.

State of New York Mortgage Agency (SONYMA) Balance: Reflects providing to the General Fund excess moneys available at SONYMA.

2005-06 Year End Results: Reflects additional resources in 2005-06 associated with the voluntary compliance initiative of the Tax Department, and all other changes consistent with the latest actual year-end results for spending and revenue collections.

Sweeps: Additional one-time transfer of excess moneys from various special revenue accounts to the General Fund.

Spending Cuts/Reestimates: DOB estimates that \$25 million in additional spending cuts were taken by the Legislature, excluding spending cuts that were utilized at the Conference Committee tables to finance added spending.

Crimes Against Revenues: Additional revenues expected to be available to the State based on enhancement of the ability of local District Attorneys to pursue these activities.

Patient Income Account (PIA): Additional Federal funds, expected to be available to support the cost of mental hygiene programs.

Welfare: A Legislative/Executive consensus was reached on additional welfare resources available as a result of lower caseload projections and payment levels based on recent trends. These resource levels are projected to reduce costs from previous estimates by \$55 million in

2006-07 (\$40 million of which was used by the Human Services/Labor Conference Committee to support program increases), and \$50 million in each of the outyears.

Abandoned Property: Reflects actual results for 2005-06, which were \$250 million below expectations, and a projection that \$80 million of this amount will be recovered in 2006-07.

Use of Spending Stabilization Reserve: The Executive Budget recommended setting aside over \$2 billion in additional resources from the net 2005-06 surplus into the spending stabilization reserve, and using those resources to reduce, in equal amounts, the levels of the 2007-08 and 2008-09 outyear budget gaps. To finance the legislative additions to the budget, the entire proposed reserve is needed to balance the 2006-07 budget. This results in a corresponding reduction of the resources available to balance subsequent budgets, and a concomitant increase in the outyear gaps.

LEGISLATIVE ADDITIONS BY PROGRAM AREA

DOB estimates that the legislative additions to the 2006-07 Executive Budget total over \$3 billion, and grow to \$4 billion in 2007-08 and then decline to \$2.5 billion in 2008-09. This is in contrast to the new resources included in the budget, which decline significantly in value after 2006-07. The table below summarizes DOB's estimate of the legislative additions to the Executive Budget.

Summary of Total Additions Above the 30-Day Estimate (millions of dollars)			
Net Table Adds	2006-07	2007-08	2008-09
Education	(653)	(880)	(940)
Higher Education	(289)	(437)	(507)
Health (Net of "avails")	(648)	(1,780)	(1,732)
Human Services/Labor (Net of "avails")	(91)	(120)	(124)
Public Protection	(59)	(124)	(124)
Mental Hygiene	(31)	(28)	(28)
Economic Development	(26)	(230)	(54)
Environment/Agr/Housing	(81)	(50)	(53)
Transportation	(43)	(5)	(5)
General Government/Local	(139)	(41)	10
General Conference -- Member Items	(83)	(128)	0
General Conference - Net Tax Cuts	(992)	(136)	1,109
TOTAL ADDITIONS	(3,135)	(3,959)	(2,448)

A detailed analysis by Conference Sub-Committee is provided later in this Review.

SPENDING GROWTH

The following table summarizes spending growth under the Legislative Budget Agreement.

Summary of 2006-07 Spending Revisions Executive Budget to Legislative Budget (millions of dollars)			
	General Fund	State Funds	All Funds
2006-07 Executive Budget	49,677	75,010	110,605
Spending Avails/Cuts	(35)	(77)	(74)
Education (includes VLT)	653	892	892
Environment/Agr/Housing (includes SBC)	66	252	252
General Government/Local	131	104	104
General Conference Committee	234	306	306
Health (net of "avails")	648	767	1,240
Higher Education/Arts	288	234	234
Human Services	91	92	28
Mental Hygiene	31	31	31
Public Protection	29	20	21
Economic Development	26	31	31
Transportation	43	35	35
Capital Spending (primarily school construction)	0	1,800	1,800
<i>Increase from Executive Proposal</i>	<i>2,205</i>	<i>4,487</i>	<i>4,900</i>
2006-07 DOB Value of Legislative Budget	51,882	79,497	115,505

The table above represents changes from the disbursement levels contained in the Executive Budget 30-Day Amendment Financial Plan, published on February 7, 2006. DOB expects to publish a full report that analyzes annual spending growth for 2006-07 and the variance between budgeted levels and actual year-end results for 2005-06 once actual results become available by mid-April. The \$115.5 billion 2006-07 All Funds spending projection is approximately 9 percent greater than the 2005-06 projections at the time of the Executive Budget.

Outyear Gaps

The following table combines all the available resources and legislative adds by each Conference Committee to arrive at a revised estimate of the outyear budget gaps.

Preliminary Legislative Budget General Fund --- Savings/(Costs) \$ millions			
	----- DOB Values -----		
	2006-07	2007-08	2008-09
Exec. Budget 30-Day Budget Gaps	0	(1,919)	(3,887)
Avails			
Revenue Consensus	750	750	850
AIG Settlement	100	0	0
SONYMA Balance	150	0	0
2005-06 Year-end results	149	50	50
Sweeps	50	0	0
Spending Cuts	25	25	25
Crimes Against Revenue	10	10	10
PIA	7	0	0
Welfare	15	50	50
Abandoned Property	(170)	0	0
Spending Stabilization Reserve	2,049	(1,024)	(1,025)
AVAILS TOTAL	3,135	(139)	(40)
Net Table Adds	(2,143)	(3,823)	(3,557)
Education	(653)	(880)	(940)
Higher Education	(289)	(437)	(507)
Health (Net of "avails")	(648)	(1,780)	(1,732)
Human Services/Labor (Net of "avails")	(91)	(120)	(124)
Public Protection	(59)	(124)	(124)
Mental Hygiene	(31)	(28)	(28)
Economic Development	(26)	(230)	(54)
Environment/Agr/Housing	(81)	(50)	(53)
Transportation	(43)	(5)	(5)
General Government/Local	(139)	(41)	10
General Conference -- Member Items/Capital	(83)	(128)	0
General Conference - Net Tax Cuts	(992)	(136)	1,109
TOTAL LEGISLATIVE ADDS	(3,135)	(3,959)	(2,448)
Potential Adopted Budget Surplus/(Gaps)	0	(6,017)	(6,375)

DETAILED SUMMARY OF LEGISLATIVE ADDITIONS BY FUNCTION

Health and Medicaid

The table below summarizes the Legislature's General Fund additions for Health.

	<i>General Fund Costs/(Savings) Millions of dollars</i>		
	2006-07	2007-08	2008-09
Changes From Executive Budget	648	1,780	1,732
Partial Medicare Part D Cost Avoidance	131	(49)	0
Hospital Actions:	<u>163</u>	<u>217</u>	<u>210</u>
<i>Trend Factor Rate Increase</i>	81	92	92
<i>No Graduate Medical Education Reimbursement Change</i>	36	41	41
<i>No Volume Adjustment for Length-of-Stay</i>	23	27	27
<i>No Hospital Inpatient Detox Rate Reduction</i>	23	57	50
Nursing Home Actions:	<u>152</u>	<u>514</u>	<u>514</u>
<i>Trend Factor Rate Increase</i>	73	83	83
<i>Reduce Delinquency Assessment per Amnesty Program</i>	33	0	0
<i>No Revisions to Medicaid Case Mix Calculation</i>	20	94	94
<i>Partial Change to Adult Day Health Care Reimbursement</i>	13	13	13
<i>All Other Nursing Home Changes</i>	13	66	66
<i>Eliminate 6 percent Nursing Home Assessment</i>	0	258	258
Pharmacy Actions:	<u>104</u>	<u>137</u>	<u>148</u>
<i>No Preferred Drug/Clinical Drug Review Programs Change</i>	56	63	63
<i>No Reduction to Pharmacy Reimbursement</i>	48	74	85
Tobacco Guarantee/Loan Repayment to HCRA	0	627	486
New Legislative Adds	81	140	173
All Other Medicaid Changes	43	97	99
Total Medicaid Adds	674	1,683	1,630
Total Public Health Adds	95	118	123
Total Aging Adds	4	4	4
Available Savings	(125)	(25)	(25)

The Legislature approved roughly \$700 million of the \$1.3 billion in Medicaid cost containment actions and other financing mechanisms advanced in the Executive Budget. It also extended cost containment approved in prior years, which was already assumed in the calculation of the Executive Budget and outyear gaps. The most significant actions agreed to by the Legislature include:

- The use of other financing sources primarily comprises additional drug rebate revenues and the elimination of the Tobacco Guarantee payment to HCRA in 2006-07, both of which have no impact on services.
- The Legislature did not approve legislation to establish the Office of Medicaid Inspector General, aimed at reducing Medicaid fraud by providers and recipients, as well as initiatives to improve detection and strengthen the State's legal authority to combat fraud. As a

result, the estimates for available savings exclude the \$175 million in Medicaid Fraud recoveries added by the Legislature.

- Partial savings in the areas of nursing home and pharmacy cost containment including the recoupment of Nursing Home assessments from delinquent payers, the elimination of coverage for Erectile Dysfunction drugs, and savings realized through administrative actions, including requiring prior authorization for early refills and maximizing revenue from drug manufacturers.
- Cost containment savings by requiring enrollment by Supplemental Security Income (SSI) recipients and requiring certain counties to implement mandatory enrollment.
- Modifications to the “look-back” and penalty period related to long-term care eligibility for institutional settings.

However, the Legislature did not approve, or substantially modified, many of the cost containment proposals recommended in the Executive Budget that would have restrained the growth in Medicaid spending in future years.

Specifically, the Legislature:

- Extended the “wrap-around” coverage to dually-eligible Medicare/Medicaid recipients from June 30, 2006 to January 14, 2007 for all drugs not covered by the new Federal Medicare Part D.
- Did not accept any of the hospital cost containment initiatives including eliminating the automatic increases in hospital rates, reimbursing Graduate Medical Education expenses based on actual costs, modifying the volume adjustment calculation to eliminate length-of-stay relief for volume increases, and adjusting reimbursement rates for "uncomplicated" substance abuse and/or chemical dependency treatments in inpatient settings.
- Did not accept most of the proposed nursing home cost containment including eliminating the automatic increases in nursing home rates, reducing the recoupment of delinquent nursing home assessments by implementing an amnesty program, eliminating unnecessary rate add-ons, and reimbursing adult-care providers based on actual costs. In addition, the Legislature did not continue the reimbursable assessment on nursing home revenues at 6 percent in 2007-08 and beyond.
- Did not accept proposals to control the rising costs of prescription drugs, including strengthening the components of the Preferred Drug and Clinical Drug Review programs and the reduction of pharmacy reimbursement rates in Medicaid and the Elderly Pharmaceutical Insurance Coverage.

The legislative restoration of certain proposed cost containment actions, the denial of the proposed cigarette tax increase and the authorization of additional conversions of not-for-profit health insurance companies to for-profit status, and the addition of new program spending results in a greater reliance by HCRA on General Fund resources beginning in 2007-08.

The Legislature also added funding for various initiatives including enhancements to the proposed nursing home cost base “rebasing”, nursing home quality improvement and pay for

performance programs, additional support for public nursing home facilities; increasing the reimbursement rates for emergency room services and emergency physicians; expanded rural care; and assistance to displaced hospital employees. The Legislature also added funding to support a variety of public health and aging initiatives.

Education

The table below summarizes the Legislature's General Fund additions for Education.

	<i>General Fund Costs/(Savings) Millions of dollars</i>		
	2006-07	2007-08	2008-09
Changes From Executive Budget	653	880	940
Add Funding for School Aid	515	650	650
Add Funding for School Construction	0	151	220
Add Funding for Legislatively-directed Initiatives	81	9	0
Reject Lottery Quickdraw Proposal	38	57	57
Add Funding for Library Aid	6	3	3
Restore/Add Funding for Other SED Programs	13	10	10

Major actions:

- Increased total school aid by roughly \$1.3 billion on a school year basis, approximately \$650 million above the \$634 million Executive Budget school year recommendation. The Legislature accepted the Governor's recommendation to increase SBE aid by \$375 million and further provided that each district would not receive a smaller share of SBE aid than it did in the previous year. The Legislature also provided additional funding for categories such as BOCES, excess cost aid, universal pre-kindergarten and management schools as well as increased funding for other categorical and formula-based programs.
- Established a new \$2.6 billion State-supported school construction building program, "EXCEL", which will result in additional debt service costs.
- Added over \$81 million for legislative member-directed education-related programs.
- Did not approve proposed elimination of Lottery Quick Draw restrictions, reducing the amount of lottery revenues available to support school aid.
- Provided an additional \$6 million in operating aid to libraries.
- Increased funding for other State Education Department programs including public broadcasting, vocational services, math and science high schools, and agency operations.

Higher Education

The table below summarizes the Legislature's General Fund additions for Higher Education.

	<i>General Fund</i>		
	<i>Costs/(Savings)</i>		
	<i>Millions of dollars</i>		
	2006-07	2007-08	2008-09
Changes From Executive Budget	289	437	507
Restore Tuition Assistance Program Reforms	85	122	124
Create TAP Program for Part-Time Students	0	50	100
Increase Funding for SUNY Operating Aid	99	117	117
Increase Funding for CUNY Operating Aid	49	66	66
Increase Funding to Hire Additional SUNY Faculty	18	25	25
Add Funding for Community College Base Aid	13	17	17
Add Funding for Opportunity Programs	4	6	6
Restore and Add for Certain Scholarships	4	7	7
Add for the Council on the Arts	4	4	4
Provide Funding for SUNY Albany East Campus Research Center	3	5	5
Add Funding to Expand High Need Programs	3	4	4
Increase Funding for Bundy Aid	3	4	4
Increase Funding for Debt Service	1	7	24
All Other	3	3	4

Major actions:

- Accepted the Executive Budget proposal to tighten eligibility requirements for accelerated Tuition Assistance Program (TAP) awards, but reduced the number of credits that must be earned in the preceding two semesters from 30 to 24.
- Several other proposals to alter the TAP program were not enacted, including a requirement that students receiving full TAP awards carry a course load of 15 credits or more, and reducing to 80 percent TAP awards for students carrying 12 to 15 credits, and other proposals to strengthen academic standards and eligibility criteria.
- Accepted the Executive proposal to increase the State University of New York (SUNY) and the City University of New York (CUNY) community college base aid by \$100 per full-time student, and added an additional \$75 per full-time student. As a result, community college base aid will increase from \$2,350 in 2005-06 to \$2,525 in 2006-07.
- Created a new TAP program for part-time students attending SUNY, CUNY, and independent colleges.
- Increased operating support for SUNY and CUNY, including additional amounts to hire full-time faculty.
- Increased aid to the Higher Education Opportunity Program, Educational Opportunity Program, Search for Education, Elevation and Knowledge, and College Discovery.

- Did not enact the Executive proposal to allow Regents Health Care Opportunity Scholarships and the Regents Professional Opportunity Scholarships to "sunset" as scheduled, and increased funding for a scholarship and loan forgiveness program for nursing faculty.
- Added funding to the Council on the Arts for targeted projects and for small to mid-sized arts groups.
- Provided funding for the creation of the Center for Biomedical Research and Technology Development to be located at the State University at Albany's East Campus in Rensselaer.
- Added funding to provide for the expansion of SUNY's high need programs, as defined by the State University Chancellor.
- Added funding for unrestricted aid to independent colleges (Bundy Aid).
- Increased funding for SUNY and CUNY capital programs by about \$730 million, resulting in additional debt service costs.

In addition, the Legislature provided additional funding for contract course aid for workforce development at SUNY and CUNY community colleges and for the Liberty Partnerships Program to help at-risk students to complete high school.

General Government/Local Assistance

The table below summarizes the Legislature's General Fund additions for General Government and Local Assistance (unrestricted aid to local governments).

	<i>General Fund Costs/(Savings) Millions of dollars</i>		
	2006-07	2007-08	2008-09
Changes From Executive Budget	139	41	(10)
Additional Municipal Aid	78	28	(22)
Disaster Planning Program	6	6	6
Alcoholic Beverage Control	6	6	6
Add funding for the Department of State	6	5	5
Add Funding for OGS	1	0	0
General State Charges	13	13	13
Miscellaneous	29	(17)	(18)

Specific legislative actions include:

- Provided an additional \$78 million in aid to all cities, towns, and villages outside the City of New York in 2006-07, but did not approve outyear increases in municipal aid proposed by the Governor;
- Adding \$5.7 million in aid to counties and New York City to support disaster planning;
- Did not approve increased fees for Alcoholic Beverage Control (ABC) as proposed in the Executive Budget, and added funding for new ABC investigators;
- Adding funding for the Department of State for the Civil and Domestic Violence Legal Services programs, the purchase of uniform fire code book sets for all code officials, and Firefighter Instructor Curriculum and Training kits;
- Adding funding for the Office of General Services for the rehabilitation of Legislative Office Building hearing rooms; and,
- Did not approve proposed modifications to the assessment of State-owned land, and restored \$3.5 million as a result.

The Legislature did not approve several proposed savings/management initiatives, including:

- Consolidating all cellular surcharge revenues and transferring certain Homeland Security expenses to the Statewide Wireless Special Revenue Fund;
- The entire local Mandate Relief package, as well as Local Government mergers and consolidations authorization;
- Employee health insurance fund flexibility;
- Creation of a Pension Reform Task Force;
- Early Retirement Incentives; and,
- Authorization for five-year temporary IT professionals.

Human Services and Labor

The following table summarizes the Legislature's General Fund additions for Human Services and Labor.

	<i>General Fund Costs/(Savings) Millions of dollars</i>		
	2006-07	2007-08	2008-09
	<u>91</u>	<u>120</u>	<u>124</u>
Changes From Executive Budget			
Welfare Recast	(40)	0	0
No Full Family Sanctions	9	18	18
No SSI Invisibility	6	12	12
Additional Spending of TANF Funds	39	(4)	(4)
No Earned Income Disregard	3	6	6
Add Funding for Welfare Programs	6	6	6
Shift Two-Parent Families to State Program	5	10	10
Increase State Supplement for SSI Recipients	0	4	8
No Community Residential Homes Closures	1	1	1
Add Funding for Child Welfare Services	33	37	37
Add Funding for Children and Family Services	17	18	18
Add Funding for Labor	12	12	12

Consensus was reached on welfare expenditure projections, which have been revised downward based on recent trends. The Executive Budget's General Fund expenditure forecast for 2006-07 was lowered by \$55 million, with \$40 million of the identified savings displayed here as an "offset" to legislative adds.

The Legislature did not approve several of the Executive's welfare proposals including:

- Imposing "full-family" sanctions for noncompliance with work requirements.
- Adding the value of Supplemental Security Income (SSI) payments when determining eligibility for public assistance benefits.
- Considering the length of time a family has been receiving public assistance when calculating the Earned Income Disregard.

In addition, the Legislature added funding for the following items:

- An additional \$39 million of Temporary Assistance for Needy Families (TANF) funding for legislative initiatives, thereby reducing the amount available to offset the costs of the Earned Income Tax Credit program.
- Shifting of TANF-funded two-parent families to the State/Local funded Safety Net program.
- An annual cost-of-living adjustment to the State's supplemental benefit for SSI recipients in adult care facilities.
- Various legislative welfare initiatives including employment programs, adult shelters, and food pantries.

- Continued operation of community residential homes slated to be closed under the Executive Budget.
- Child welfare services including caseload reduction, caseworker training and education, preventive services and preventive services cost-of-living-adjustment, as well as increasing funding to improve the quality of child welfare services.
- Office of Children and Family Services programs for day care center workers, home visiting, delinquency prevention, runaway and homeless youth, child advocacy centers, family preservation centers, settlement houses, domestic violence training, and maternity and early childhood services. In addition, funding is provided for the United Way Statewide 211 system, the Hoyt Memorial Trust Fund, and the Boys and Girls Club.
- Department of Labor programs for displaced homemakers, dislocated worker assistance, workforce development institutes, Jobs for Youth, and other programs.

Agriculture/Environmental Conservation/Housing

The table below summarizes the Legislature's General Fund additions for Agriculture, Environmental Conservation, and Housing.

	<i>General Fund Costs/(Savings) Millions of dollars</i>		
	2006-07	2007-08	2008-09
Changes From Executive Budget	81	50	53
Add for DEC Hard-Dollar Capital Projects	32	0	0
No Sweep of Environmental Protection Fund	10	10	10
Add Funding for Environmental Conservation	2	1	1
No Increase to Environmental Regulatory Fees	9	9	9
Add Funding for Agriculture & Markets Programs	13	13	14
Debt Service for New Capital Bonding	1	6	8
Restore Funding for Neighborhood Preservation Program	5	5	5
Restore Funding for Rural Preservation Program	2	2	2
Add Funding for Parks Programs	5	2	2
No Alteration to Food Safety Program	2	2	2

Major actions:

- Increased Real Estate transfer tax deposit authorization to finance the Environmental Protection Fund (EPF) at a \$200 million level.
- Recommended increases in certain environmental regulatory fees, including the Title V air permit program, were not approved.
- Added funding for Environmental Conservation programs including Integrated Pest Management, Children's Environmental Health Centers, and water quality projects.

- Approved financing of Environmental Conservation capital projects for Kings Park Psychiatric Center in Smithtown, and public water systems in Bristol and Canandaigua.
- Did not approve transfer of \$10 million in Environmental Protection Fund revenues to the General Fund.
- Added funding for various programs in the Department of Agriculture and Markets, including the Farm Viability Institute, the Wine Marketing Program, grants to Cornell University and other entities, and agricultural tourism.
- Increased funding for Housing and Environmental Conservation capital programs, resulting in additional debt service costs.
- Fully restored spending in Housing for the Neighborhood Preservation Program and the Rural Preservation Program.
- Added funding for various programs in Parks, Recreation and Historic Preservation including Tioga State Park, the Independence Trail, and heritage tourism.
- Proposed alterations to current food inspection practices that would be based on risk assessment, and higher penalties for food safety violations, were not enacted.

Public Protection

The table below summarizes the Legislature's General Fund additions for Public Protection.

	<i>General Fund Costs/(Savings) Millions of dollars</i>		
	2006-07	2007-08	2008-09
Changes From Executive Budget	59	124	124
No Automated Speed Enforcement (net revenue)	39	81	81
No Additional Programs Financed by CJIA	0	19	19
Funding for Criminal Justice Services	9	9	9
Camp Pharsalia remains open as DOCS facility	5	7	7
No Cost Shift to Legal Services Assistance Account	0	3	3
Increased Funding for State Police	2	2	2
Continue Local Conditional Release Program	2	2	2
All Other	2	1	1

The Legislature did not approve several of the Executive's proposals, including:

- The use of cameras to monitor speeding in work-zones and dangerous stretches of highway.
- Funding certain programs from the Criminal Justice Improvement Account (CJIA) in 2007-08 and 2008-09. The Legislature did allow for a transfer of funds in 2006-07 from CJIA to support local assistance programs, including Operation IMPACT and aid to crime labs.

- Funding certain programs from the Legal Services Assistance Account in 2007-08 and 2008-09. The Legislature did allow for a transfer of funds in 2006-07 from the Legal Services Assistance Account to support local assistance programs, including aid to prosecution and aid to defense programs.
- Establishment of a new aggregate weight standard for laboratory analysis of illegal drug evidence.

In addition, the Legislature increased spending for the following:

- Various programs in the Division of Criminal Justice Services, including Anti-Crime and Anti-Fraud initiatives and General Fund support to offset a reduction in Federal Byrne Grant funding for anti-drug, anti-violence, crime control, prevention and treatment programs.
- Continued operation of the minimum-security correctional facility at Camp Pharsalia through 2006-07, which had been slated to be closed under the Executive Budget and transferred to the Office of Mental Health (OMH) to allow for the construction of a facility for the civil confinement of “sexually violent predators.”
- Retain 16 previously retired State Police troopers reactivated after September 11th and assigned to security at the Empire State Plaza and Capitol.
- Local conditional release program administered by Parole.
- Expanded payments in lieu of taxes for certain Suffolk County schools, without providing increased appropriation authority.

Outside of the General Fund, the Legislature accepted the Executive’s proposal to extend an expiring Patriot Plan provision for two years and approved the extension of the auto insurance surcharge for one year. It did not enact the proposal to increase the Office of Court Administration criminal history search fee by \$8, and provided less support for the program than would have been funded by the fee increase. Furthermore, the Legislature added \$10 million in Federal Homeland Security Grant Funds to support port security needs in New York City and Upstate.

Mental Hygiene

The following table summarizes the Legislature’s General Fund additions for Mental Hygiene.

<i>General Fund Costs/(Savings) Millions of dollars</i>			
	2006-07	2007-08	2008-09
Changes From Executive Budget	31	28	28
OMH - St. Lawrence Psych Center Capital	5	0	0
OMH - Non-Medicaid Mental Health Services	3	3	3
OMH - Funding Enhancements Non-COPS Providers	2	2	2
OMH - Family Support Programs	1	1	1
OMH - NYPI & NKI Research Scientists	1	1	1
OMH - All Other	4	4	4
OASAS - Delay Phase-in of New Reimbursement Method	4	4	4
OASAS - Restore Personal Needs Allowance Reduction	2	4	4
OASAS - Methamphetamine Demos	1	1	1
OASAS - Not-for-Profit Support	1	1	1
OASAS - All Other	2	2	2
OMRDD - Direct Care Recruitment/Retention Pilot	3	3	3
OMRDD - All Other	2	2	2

The Legislature added funding for the following:

- Increased capital funding for the St. Lawrence Psychiatric Center, as well as additional funding for various programs and services in OMH, including non-Medicaid mental health services for children and adults, funding enhancements primarily for non-COPS (Comprehensive Outpatient Program Services) providers, and Family Support programs. Funding was also added for nine research scientists at the New York Psychiatric Institute and the Nathan Kline Institute.
- Various actions in the Office of Alcoholism and Substance Abuse Services (OASAS) include a delay in implementing new reimbursement methodologies for a select number of providers until April 2007 and rejection of an Executive proposal in the Office of Temporary and Disability Assistance to reduce the Personal Needs Allowance for Safety Net recipients in drug treatment facilities. Other additions include increased funding for various initiatives including methamphetamine-prevention demonstration programs, prevention and treatment service programs and Youth Environmental Services Safe Choices for Kids. Funding was also added to restore a 2003-04 cut to not-for-profit providers of prevention services.
- Various initiatives in the Office of Mental Retardation and Developmental Disabilities (OMRDD) including a direct care recruitment and retention pilot program, the Cody Center for Autism and Developmental Disabilities, Cerebral Palsy Camp, Westchester Institute for Human Development, and the Epilepsy Foundations of Southern and Western New York.

Economic Development

The following table summarizes the Legislature's General Fund additions for Economic Development.

<i>General Fund Costs/(Savings) Millions of dollars</i>			
	2006-07	2007-08	2008-09
Changes From Executive Budget	26	230	54
Site Available New York	2	2	2
Economic Development Capital	0	6	29
ESDC University Capital	4	4	4
New York Investment	4	0	0
Explore NY	1	1	1
American Axle	1	1	1
Essential NY	1	1	1
Empire Zone Restoration	0	2	2
Power for Jobs	0	200	0
All Other Miscellaneous Adds	13	13	14

The Legislature:

- Added funding for various Economic Development programs including Site Available New York, Essential New York, Explore New York, American Axle Tonawanda, and the restoration of the Empire Zone administration.
- Added authorization for economic development capital spending that will result in additional debt service costs.
- Proposed funding for a new pilot efficiency and conservation program for the public sector.
- Extended the expiration date of the Power for Program from March 31, 2007 to December 31, 2007 and stipulated that the additional anticipated costs for the program in 2007-08 will be funded by the New York Power Authority, but guaranteed payment from the General Fund in the event the Authority does not have sufficient resources to support the program. This analysis assumes that \$200 million from the General Fund guarantee will be required.

Transportation

The table below summarizes the Legislature's General Fund additions for Transportation.

<i>General Fund Costs/(Savings) Millions of dollars</i>			
	2006-07	2007-08	2008-09
Changes From Executive Budget	43	5	5
Rejection of Transmission Tax Shift	23	0	0
Cost shift from DHF to the GF	20	0	0
Driver Responsibility Assessment Program	0	5	5

Specifically, the Legislature:

- Did not approve the proposal to redistribute a percentage of the transportation and transmission franchise taxes to the upstate transit systems. The Legislature agreed not to cut funds to the upstate transit agencies, however, by allowing a one-time transfer from the General Fund to support Public Transportation.
- Provided that certain DMV costs in 2006-07 would be financed from the General Fund instead of the Dedicated Highway and Bridge Trust Fund.
- Included a proposal to cap revenues in the General Fund from the Driver Responsibility Assessment Program and send the excess revenues to the Dedicated Highway and Bridge Trust Fund, beginning in 2007-08.

In addition to these General Fund actions, legislative agreement was reached regarding increasing the bond cap for the Metropolitan Transit Authority (MTA) from \$16.5 billion to \$28.9 billion.

The Legislature did not include language to conform with Federal eligibility requirements for holding a commercial drivers license. The State is scheduled to lose Federal highway aid of up to \$32 million on October 1, 2007, and \$65 million on October 1, 2008 and annually thereafter.

General Conference Committee

The following table summarizes the Legislature's General Fund additions for the General Conference Committee.

General Fund			
Costs/(Savings)			
Millions of dollars			
	2006-07	2007-08	2008-09
Changes From Executive Budget	1,075	264	(1,109)
Spending Revisions	83	128	0
Funding for Member Items	75	125	0
Capital	8	3	0
Denied/Modified Revenue Actions	992	136	(1,109)
Permanent Clothing Tax Exemption	587	605	605
STAR Plus - Incl NYC; No Spending Cap	226	186	143
NYC STAR Legislative addition	220	220	220
Child Tax Credit	75	625	600
Enhanced STAR for Seniors - one year only	0	(91)	(112)
Modify Marriage Penalty	(125)	(25)	(25)
Reject Estate Tax Elimination	0	(152)	(329)
Reject top Rate Cut to 6.75%	0	(362)	(548)
Reject PIT Bracket Stretch	0	(325)	(475)
Reject Education Credit	0	(400)	(400)
Reject Expensing for NY Assets	0	0	(509)
Reject Elimination of AMT/Capital bases	(97)	(194)	(292)
Reject Energy Plan	0	(185)	(60)
Reject Fixed Dollar Minimum; REITS/RICS	90	115	140
All Other Tax/Revenue Actions (net)	16	119	(67)

In summary, the Legislature:

- Added a \$200 million lump sum appropriation for legislative initiatives funding commonly know as “member items”, which will be financed in two installments from the General Fund in 2006-07 (\$75 million) and 2007-08 (\$125 million).
- Proposed a new Child Tax Credit beginning in calendar (tax) year 2007 valued at one-third of the Federal Credit, or approximately \$333 per child from ages 4 through 16.
- Rejected, modified, and proposed a series of revenue actions resulting in a net costs of \$681 million in 2006-07 and net savings of \$837 million in 2007-08 and over \$1.8 billion in 2008-09. Significant net revenue actions include:
 - Permitting the full year exemption of sales tax on clothing and footwear under \$110 per item to resume effective April 1, 2006;
 - Modifying the Governor's STAR Plus program to include New York City and remove the qualifying school district spending cap;
 - Providing for only one year of the Enhanced STAR cost of living adjustment for seniors;

- Rejecting the cut to the top personal and corporate income tax rates to 6.75 percent;
- Denying the Governor's Energy savings plan for seniors;
- Modifying the "marriage penalty" by increasing the standard deduction portion only, while rejecting the doubling of the threshold where the rate table recapture would apply;
- Rejecting the proposed primary and secondary education credit for qualified expenses for students residing in under-performing school districts; and,
- Denying the immediate expensing of capital investments in New York.

Debt/Capital

The Legislature's budget plan added approximately \$3.5 billion in net new bond-financed capital spending, including:

- \$2.6 billion for school construction purposes through the EXCEL program.
- \$730 million is for additional capital for higher education purposes at SUNY, CUNY, and Upstate Community College facilities.
- \$387 million in additional economic development bonding.

The remaining new bonding authorizations address a variety of areas, including environmental, housing, corrections and library facility construction purposes. In addition, the Legislature denied a total of \$245 million in new bonding authority for the OFT data center, the Agriculture and Markets food lab, and the OMH sexually violent predator program.