

STATE OF  
**NEW YORK**

---

2010-11 Executive Budget  
Briefing Book

Governor David A. Paterson

Robert L. Megna  
Director of the Budget



STATE OF NEW YORK  
**EXECUTIVE CHAMBER**  
ALBANY 12224

DAVID A. PATERSON  
GOVERNOR

January 19, 2010

Dear New Yorkers,

Since the day I became governor, I have warned that New York is facing an inevitable fiscal reckoning. The mistakes of the past – squandering surpluses, papering over deficits, relying on irresponsible fiscal gimmicks to finance unsustainable spending increases – have led us to a financial breaking point.

There are no more easy answers. Avoidance behavior is simply not acceptable. Federal stimulus funding is running dry. We have already increased taxes on high-income New Yorkers. And those who have doubted the severity of our financial difficulties were proven wrong time and time again.

Further spending reductions are both necessary and inescapable.

The Executive Budget I am proposing today continues the difficult process of confronting New York's new fiscal reality. It attacks our substantial structural budget deficit through recurring spending reductions across every single area of State government. Given the gravity of the current situation, there is simply no other option if we want to end New York's irresponsible pattern of boom and bust cycle budgeting.

The task of putting our fiscal house in order will no doubt be challenging. But by the same token, we must not let ourselves fall victim to the same type of special interest scare tactics that have torpedoed past attempts at fiscal reform. In area after area, New York spends more than any other state – particularly health care and education – and we will continue to do so even after substantial spending reductions.

While this Executive Budget is focused on the immediate issue of closing our 2010-11 deficit, it also includes a number of critical long-term reforms that will help us build a stronger State.

This budget proposes an aggressive mandate reform agenda, which will help deliver relief to local property taxpayers at a time when all levels of government are facing significant financial difficulties.

This budget proposes the most dramatic overhaul of New York's system of public higher education in a generation. It provides SUNY and CUNY with the freedom they need to achieve the promise of their full potential – in both good economic times and bad.

This budget lays the groundwork for changing the way our State government does business through mergers, consolidations, better use of technology, and other smart reforms. In an era of diminished revenues, we must find creative and innovative ways to deliver critical services to the public.

This budget lives within the stringent spending cap that I have proposed, which will help us achieve a structurally balanced budget and return future surpluses directly to property taxpayers in the form of a progressive circuit-breaker.

This budget makes New York a nationwide leader in addressing two of the most critical public health issues facing the United States today.

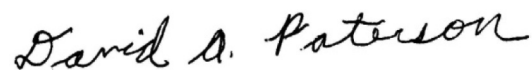
It's well-documented that using cigarettes dramatically increases the risk of lung cancer, heart disease, and numerous other health problems, claiming the lives of more than 25,000 New Yorkers per year and costing our State's health care system more than \$8 billion.

Leading experts have also noted that soft drink intake is closely associated with obesity, which causes serious diseases like diabetes and, according to Comptroller DiNapoli, costs our State's health care system more than \$7.6 billion each year.

These staggering statistics, which disproportionately impact our poorest and most vulnerable residents, many of whom are children, require bold and decisive action. That's why I am proposing to finance critical health care investments through dedicated taxes that discourage consumption of these unhealthy products.

Above all, this budget is a blueprint for a stronger, healthier, and more fiscally responsible New York. The only way we can emerge from this crisis is through shared sacrifice. We must stand up and demonstrate that we can make the tough decisions necessary to address our financial difficulties with honesty, forthrightness, and candor. That is exactly what New Yorkers expect and deserve from their leaders.

Sincerely,

A handwritten signature in black ink that reads "David A. Paterson". The signature is written in a cursive, flowing style.

David A. Paterson

# Table of Contents

Director's Message .....	1
--------------------------	---

## Eliminating the Deficit

Financial Plan Summary .....	5
Health Care .....	11
Education and Arts .....	23
School Tax Relief Program (STAR) .....	33
Local Government .....	37
Higher Education .....	43
State Workforce .....	49
Public Safety .....	55
Economic Development .....	63
Environment and Energy .....	69
Transportation .....	75
Human Services .....	83
Mental Hygiene .....	91
Revenue Actions .....	97

## Key Reforms and Initiatives

Reforming Higher Education .....	107
Mandate Reform Agenda .....	115
Making Government More Efficient .....	119
A Healthier New York .....	127
Federal Funding for New York .....	133

## Additional Information

Legislation Required for the Budget .....	139
Citizen's Guide .....	149



# Director's Message

As Governor Paterson has consistently stated, New York continues to face extraordinary fiscal challenges. The scope of the economic and revenue difficulties our state has experienced over the last two years is unprecedented in recent history.

Though substantial progress has been made toward putting New York's fiscal house in order, the process of addressing a financial challenge of this magnitude is a long and difficult one. As the Governor has noted since his first day in office, a sustained commitment to fiscal responsibility is required if we want to build toward future economic recovery. The 2010-11 Executive Budget Governor Paterson is submitting continues his commitment to that effort.

This Executive Budget is built on two important principles. They are principles that Governor Paterson believes will help us achieve a stronger, healthier, more fiscally responsible New York.

**1. We must institute substantial spending reductions across every area of the budget to address a fiscal crisis of unprecedented magnitude.**

In recent years, State spending has grown at an unsustainable rate, financed by record revenues from Wall Street. In the current environment, these commitments are no longer affordable. That's why Governor Paterson's Executive Budget institutes \$5 billion in spending reductions across every area of the budget – more than three-quarters of the overall gap-closing plan. Additionally, it limits State expenditures to far below the amount permitted under Governor Paterson's proposed inflation spending cap. This spending cap will provide a framework for future fiscal stability and return future surpluses directly to property taxpayers through a progressive circuit-breaker program.

**2. We must institute smart reforms that address New York's long-term challenges.**

While the immediate task that this Executive Budget must address is eliminating an over \$7 billion 2010-11 budget deficit, we also cannot lose sight of the considerable long-term challenges facing our State. We have a public higher education system burdened by the type of overregulation that threatens our ability to compete in the innovation economy. We have placed numerous mandated cost burdens on local governments that drive up property taxes. That's why Governor Paterson's Executive Budget proposes the most significant public higher education reforms in a generation and an aggressive mandate reform agenda that will provide relief to municipalities at a time when all levels of government must address substantial fiscal difficulties.

## Director's Message

Additionally, it is clear that New York faces a public health crisis that requires bold and decisive action. We can no longer afford to ignore the grave public health risks associated with cigarettes and high-calorie soft drinks. Too many New Yorkers are losing their lives to lung cancer, heart disease, diabetes, and other serious health problems. That's why Governor Paterson's Executive Budget would put in place taxes intended to discourage consumption of these unhealthy products, as well as finance critical health care investments. And even with these revenue actions, tax and fee increases represent less than 14 percent of the overall gap-closing plan.

Governor Paterson's Executive Budget continues his efforts to put in place a more cost-effective and efficient State government. The reforms he has outlined are critical if we want to emerge from this crisis and achieve a strong economic and fiscal recovery. Governor Paterson is confident that our State government can meet this challenge and move New York forward toward those important goals.

Robert L. Megna  
NYS Budget Director

# Eliminating the Deficit

---





# Financial Plan Summary

## I. Overview

The economic downturn continues to exact a toll on New York State's finances. In the Mid-Year Update, the Division of the Budget estimated that the General Fund had a budget gap of \$3.2 billion in the current year and \$6.8 billion in 2010-11. The Deficit Reduction Plan approved in December 2009 provided \$2.7 billion in savings, leaving a deficit of \$500 million still remaining in the current year.

Rather than proposing additional gap-closing measures in the current fiscal year, when the range of options for achieving recurring savings is increasingly limited, the State expects to carry the 2009-10 deficit forward into 2010-11, where it is addressed in the Executive Budget as part of a responsible multi-year plan that emphasizes recurring savings.

After accounting for the carry-forward of the deficit from 2009-10 and a reduction in estimated tax receipts based on updated information, the Executive Budget needs to close a budget gap of \$7.4 billion in 2010-11, and begin to address even larger gaps in future years of \$14.3 billion in 2011-12, \$18.3 billion in 2012-13, and \$20.7 billion in 2013-14.

## II. Executive Budget Financial Plan

The Executive Budget gap-closing plan fully eliminates the 2010-11 budget gap, including the \$500 million deficit carried forward from 2009-10, and reduces the gap in 2011-12 by more than one-half, from \$14.3 billion to \$6.3 billion. The gap-closing plan:

- Holds annual spending growth for all measures – 0.7 percent in the General Fund, 0.9 percent in State Operating Funds and 0.6 percent in All Funds – substantially below inflation and the level permitted under Governor Paterson's proposed spending cap;

## Financial Plan Summary

- Reduces spending for local assistance and agency operations – the portion of the budget that can be controlled most effectively in the short-term – by a combined total of more than \$500 million compared to 2009-10; and
- Maintains the State’s rainy day reserves at \$1.2 billion.

The table below summarizes the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM REVISED CURRENT SERVICES THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)				
	2010-11	2011-12	2012-13	2013-14 <sup>1</sup>
<b>REVISED CURRENT SERVICES ESTIMATE (BEFORE ACTIONS)</b>	<b>(7,418)</b>	<b>(14,311)</b>	<b>(18,331)</b>	<b>(20,713)</b>
<b>Approved Deficit Reduction Plan (Dec. 2009)</b>	<b>692</b>	<b>811</b>	<b>876</b>	<b>854</b>
State Agency Reductions	360	385	385	385
Aid to Localities Reductions	427	426	491	469
All Other Actions	(95)	0	0	0
<b>Executive Budget Recommendations</b>	<b>6,726</b>	<b>7,214</b>	<b>6,967</b>	<b>7,632</b>
Spending Control:	4,870	5,340	5,358	6,184
Aid to Localities Reductions	3,639	3,899	3,784	4,433
State Agency Reductions/Fringe Benefits	1,221	1,404	1,496	1,651
Bonded Capital Reductions of \$1.8 Billion (Debt Service Savings)	10	37	78	100
Tax/Fee Changes	1,070	1,653	1,388	1,227
Tax Audits/Recoveries	221	221	221	221
Non-Recurring Resources	565	0	0	0
<b>BUDGET SURPLUS/(GAP) AFTER ACTIONS</b>	<b>0</b>	<b>(6,286)</b>	<b>(10,488)</b>	<b>(12,227)</b>

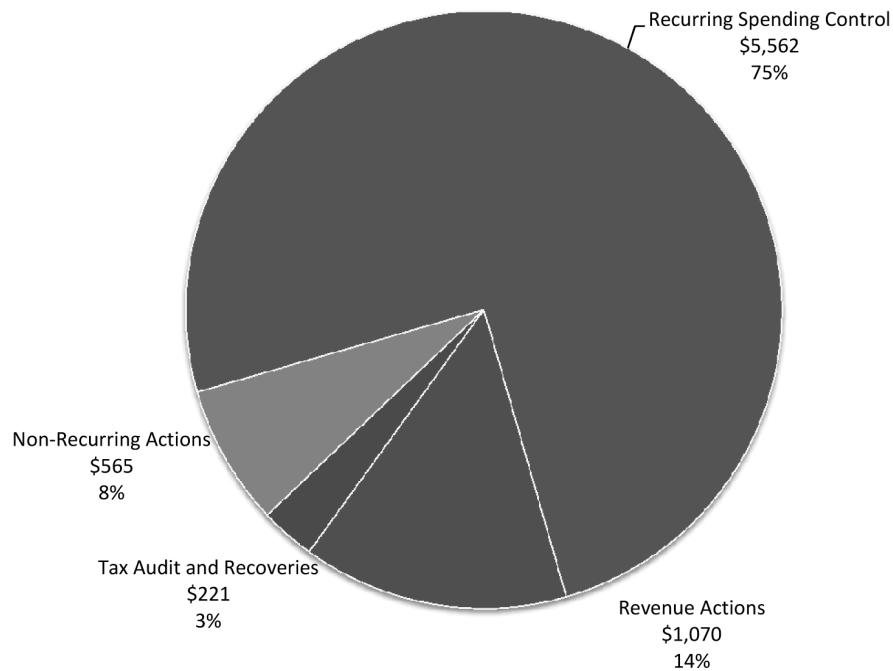
<sup>1</sup> Gap estimate for 2013-14 is published for the first time in the 2010-11 Executive Budget.

The plan does not count on the United States Congress approving additional Federal aid for states, either through an extension of FMAP or in other forms, which at this point remains highly speculative. It also does not advance any proposals to close the budget gaps with deficit borrowing, which would likely have an immediate adverse impact on the State’s credit rating and add to long-term budget imbalance.

### III. Composition of the Gap-Closing Plan

Overall, 92 percent of the gap-closing plan is comprised of recurring actions that help lower the budget gaps in future years. Under the proposed plan, the combined four-year gap (2010-11 through 2013-14) is cut in half, declining from \$61 billion to \$29 billion. The chart below summarizes the shares of the gap-closing plan by broad category.

## Shares of 2010-11 Gap-Closing Plan



Recurring reductions to current-services spending total more than \$5.6 billion<sup>1</sup> and constitute 75 percent of the gap-closing plan. The proposed reductions affect nearly every activity financed by State government, ranging from aid to public schools to agency operations to capital commitments.

The gap-closing plan includes \$1.0 billion in tax and fee increases, as well as a plan that would permit grocery stores to pay a franchise fee for the privilege to sell wine (\$92 million). Tax and fee increases include a new excise tax on syrup used in soft drinks and other beverages (\$465 million), a \$1 per pack increase in the cigarette tax (\$218 million), and assessments on health care providers (\$216 million), all of which are earmarked to help pay for existing health care expenses. In addition, audit and compliance activities are expected to increase the tax base by approximately \$221 million annually.

Non-recurring resources, which comprise less than eight percent of the actions proposed in the Executive Budget, total \$565 million. Importantly, this is less than the annual growth

<sup>1</sup>Includes value of the DRP. (See table and the "Explanation of the Deficit Reduction Plan" herein.)

## Financial Plan Summary

in savings achieved by recurring gap-closing actions, which grow in value by approximately \$1.2 billion from 2010-11 to 2011-12. As a result, non-recurring actions have no adverse effect on the gap in 2011-12 because they are more than offset by the growth in recurring savings. The table below summarizes the non-recurring actions.

<b>COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - NON-RECURRING RESOURCES (millions of dollars)</b>	
	<u>2010-11</u>
<b>Non-Recurring Resources</b>	<b>565</b>
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Lottery Investment Flexibility	50
School Aid Overpayment Recoveries	32
Available Fund Balances/Resources	95

## IV. Impact on Spending

The Executive Budget proposal would hold spending, by all standard measures, to less than the two percent rate of inflation. The table below summarizes the annual change in spending.

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to reduce in the short term, due to existing constitutional, statutory, and contractual obligations.

<b>TOTAL DISBURSEMENTS (millions of dollars)</b>							
	<u>2009-10 Revised</u>	<u>2010-11 Base</u>	<u>Before Actions</u>		<u>2010-11 Proposed</u>	<u>After Actions</u>	
			<u>Annual \$ Change</u>	<u>Annual % Change</u>		<u>Annual \$ Change</u>	<u>Annual % Change</u>
<b>State Operating Funds</b>	<b>79,182</b>	<b>84,917</b>	<b>5,735</b>	<b>7.2%</b>	<b>79,927</b>	<b>745</b>	<b>0.9%</b>
General Fund *	48,731	53,898	5,167	10.6%	48,304	(427)	-0.9%
Other State Funds	25,455	25,151	(304)	-1.2%	25,765	310	1.2%
Debt Service Funds	4,996	5,868	872	17.5%	5,858	862	17.3%
<b>All Governmental Funds</b>	<b>133,172</b>	<b>139,741</b>	<b>6,569</b>	<b>4.9%</b>	<b>133,958</b>	<b>786</b>	<b>0.6%</b>
State Operating Funds	79,182	84,917	5,735	7.2%	79,927	745	0.9%
Capital Projects Funds	7,975	9,070	1,095	13.7%	8,858	883	11.1%
Federal Operating Funds	46,015	45,754	(261)	-0.6%	45,173	(842)	-1.8%
<b>General Fund, including Transfers</b>	<b>54,129</b>	<b>60,162</b>	<b>6,033</b>	<b>11.1%</b>	<b>54,522</b>	<b>393</b>	<b>0.7%</b>

\* Excludes transfers.

CATEGORY	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change (\$ in millions)	Percent
<b>Total State Operating Funds Spending</b>	<b>79,182</b>	<b>79,927</b>	<b>745</b>	<b>0.9</b>
Debt Service	4,922	5,766	844	17.1
Fringe Benefits	4,436	4,873	437	9.9
State Agency Operations	16,018	15,565	(453)	(2.8)
Local Assistance	53,806	53,723	(83)	(0.2)

The Executive Budget makes substantial progress toward structural balance, but future budget gaps remain significant. When Federal stimulus funding ceases at the end of 2010, over \$4 billion in costs will revert to the State – and the fiscal outlook for the Federal government makes it highly unlikely that aid will be extended at comparable levels.

Accordingly, Governor Paterson has asked Lieutenant Governor Ravitch to develop a comprehensive plan to eliminate the remaining structural imbalance within four years. The Lieutenant Governor, working with a group of fiscal experts, will develop and evaluate options to help bring the long-term growth in spending in line with the receipts.



# 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 ensure 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 Laboratories. The Department also oversees health care facilities.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity on 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. SOFA oversees community-based services provided through a network of county Area Agencies on Aging 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 more than 60,000 health care providers and 20 managed care plans.

In the absence of any changes, total Federal, State and county Medicaid spending would reach \$53.2 billion in 2010-11, an increase of more than five percent. Medicaid enrollment has grown by nearly 13 percent since September 2008, largely as a result of recession-driven unemployment. 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 (\$2,360) than any other state in the country and more than twice the national average (\$1,077).



### III. Proposed 2010-11 Budget Actions

The Executive Budget recommends a health care gap-closing package of \$1.9 billion. It includes the following components:

- Nearly \$1.0 billion in reductions to various providers and programs, as well as other key savings measures.
- A total of \$890.2 million\* in dedicated taxes and assessments to finance health care investments. Among them are:
  - \$240.2 million in assessments and surcharges on specific sectors that have impacts on providers similar to direct cuts in funding, but without an associated loss of Federal matching funding; and
  - \$650 million\* from imposing a syrup excise tax on unhealthy beverages and increasing the cigarette excise tax. These measures will help discourage unhealthy consumption habits that put New Yorkers at risk for obesity, diabetes, cancer, heart failure, strokes, and other diseases.

As part of the nearly \$1.0 billion in reductions and other savings measures included in this plan, the Executive Budget would establish more rational and cost-effective reimbursement methods to produce better care at lower costs; modify reimbursement across sectors; control public health insurance program costs; and reduce spending for public health programs that are less central to DOH's and SOFA's core missions, among other actions detailed below.

Recommendations aimed at rationalizing ineffective reimbursement methodologies include the following:

- **Hospitals.** The budget would modify indigent care reimbursement to exclusively recognize the costs of health care services to the uninsured, thus emphasizing the provision of care rather than an accounting of bad debts; limit payments for preventable conditions as an incentive to provide quality care; and redirect overpayments for indirect medical education to better reflect the cost of other hospital services; increase access to obstetrical care; and expand the Doctors Across New York Program.
- **Nursing Homes.** The budget would implement a regional pricing system that encourages greater efficiencies in nursing home management; more appropriately reflects the costs of hard-to-serve patients; makes investments to promote better quality of care; and reduces nursing home payments for holding beds vacant to discourage unnecessary placements.
- **Personal Care.** The budget would direct the utilization of high-need recipients to more appropriate service settings, so that their care can be better managed.

Even after these actions, 2010-11 All Funds Medicaid spending is still expected to increase over 2009-10 levels by 1.8 percent to \$51.5 billion.

---

\*The total amount of revenue that is expected to be collected from these taxes and assessments is \$923.2 million, as noted in the "Revenue Actions" section of the briefing book. Due to the technical timing of certain payments, \$10 million from the cigarette tax increase and \$15 million from the syrup excise tax would accrue to the General Fund, rather than the Health Care Reform Account. Additionally, an \$8 million payment to New York City is required as a result of the cigarette tax increase.

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

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total)	50,630	51,529	899	1.8
Medicaid (State Funds Excluding Cap and Enhanced FMAP)	16,565	17,115	550	3.3
Medicaid (State Funds)	13,476	14,598	1,122	8.3
Department of Health Spending (Excluding Medicaid)	4,598	4,611	13	0.3
Office of the Medicaid Inspector General	73	73	0	0
State Office for the Aging	225	227	2	0.7

#### V. Major Initiatives

##### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Hospital Services	244.6	320.7
Nursing Homes	140.2	162.8
Home Care and Personal Care Services	73.9	100.6
Pharmacy Services	12.2	17.6
Insurance	222.0	248.5
Medicaid Fraud and Abuse Prevention	300.0	300.0
Utilization and Management of Services	13.7	24.3
Managed Care	60.6	72.9
Taxes on Cigarettes and Unhealthy Beverages	650.0	1,175.0
Other Budget Actions	28.5	34.8
Public Health and Aging Programs	104.2	187.3
<b>Total</b>	<b>1,849.9</b>	<b>2,644.5</b>

### Hospital Services

A series of proposals are recommended that would properly redirect resources to improve access and quality, while achieving savings through a more rational reimbursement system. These actions would save \$244.6 million in 2010-11 and \$320.7 million in 2011-12.

- **Reduce and Restructure Indigent Care Reimbursement.** Total payments to hospitals would be reduced and determined solely based on the costs of services provided to the uninsured, discontinuing the practice of making payments based almost exclusively on a hospital's accounting of bad debts. A portion of funding is reserved to transition facilities to this new payment methodology. Funding is also recommended to cover the cost of new Federal Disproportionate Share audit requirements. *(2010-11 Savings: \$67.7 million; 2011-12 Savings: \$92.4 million)*
- **Limit Payments for Preventable Conditions.** Consistent with reform efforts, the State would establish quality benchmarks to reduce the level of unnecessary treatments for preventable conditions. Hospitals that perform below these standards would receive reduced reimbursement to encourage improved quality of care. *(2010-11 Savings: \$20.0 million; 2011-12 Savings: \$54.0 million)*
- **Redirect Indirect Medical Education (IME) Payments.** The current hospital reimbursement methodology overpays for IME and under-reimburses for other necessary services. Over a three-year period, IME payments would be reduced to better reflect actual costs and these funds would be reinvested in hospital rates to cover the costs of other services. In addition, a portion of these funds would be used to improve access to quality obstetrical care and increase loans to attract physicians to practice in New York through the Doctors Across New York program. *(2010-11 Savings: \$0 million; 2011-12 Savings: \$0 million)*
- **Increase Assessment on Inpatient Services to 0.75 Percent.** The assessment on hospital inpatient services would be increased from 0.35 percent to 0.75 percent. Assessments have an impact on providers similar to reductions in direct funding, without the associated loss of federal matching funds. *(2010-11 Savings: \$130.2 million; 2011-12 Savings: \$142.0 million)*
- **Eliminate 2010 Trend Factor.** The remaining share of the calendar year 2010 hospital trend factor (1.7 percent) would be eliminated. *(2010-11 Savings: \$26.7 million; 2011-12 Savings: \$32.3 million)*

### Nursing Homes

New York spends \$8 billion each year on nursing homes, far more than any other state in the nation. A series of proposals are recommended to rationalize nursing home reimbursement, improve the quality of care and help control rising nursing home costs, allowing New York to bring its costs more in line with other states. These actions would save \$140.2 million in 2010-11 and \$162.8 million in 2011-12.

- **Limit Rate Appeals and Authorize Settlements.** A statutory cap would be established on the processing of nursing home rate appeals for two years and DOH would be authorized to negotiate settlements where appropriate. *(2010-11 Savings: \$16.5 million; 2011-12 Savings: \$20.0 million)*
- **Reduce Reimbursement for Bed Hold Days.** Payments to nursing homes for holding beds vacant would be reduced to 95 percent of operating rates and reimbursement would be limited to 14 days annually for a hospitalization and ten days annually for therapeutic leaves. *(2010-11 Savings: \$6.9 million; 2011-12 Savings: \$9.4 million)*
- **Increase Nursing Home Assessment to Seven Percent.** The assessment on nursing home services would be increased by one percent – from six percent to seven percent. This assessment would not be reimbursable by Medicaid. Assessments have an impact on providers similar to reductions in direct funding, without the associated loss of Federal matching funds. *(2010-11 Savings: \$67.8 million; 2011-12 Savings: \$74.0 million)*
- **Remove Drug Costs from Nursing Home Rates.** Remaining prescription drug costs would be excluded from nursing home rates and reimbursed on a fee-for-service basis. This would allow the State to collect rebates on these drug costs. *(2010-11 Savings: \$2.4 million; 2011-12 Savings: \$3.0 million)*
- **Eliminate 2010 Trend Factor.** The remaining share of the calendar year 2010 nursing home trend factor (1.7 percent) would be eliminated. *(2010-11 Savings: \$46.6 million; 2011-12 Savings: \$56.4 million)*
- **Nursing Home Reimbursement Reform.** The budget would extend nursing home rebasing – the planned update of cost-based rates from 1983 to 2002 – through February 28, 2011 and would implement the new regional pricing model on March 1, 2011. *(2010-11 Savings: \$0 million; 2011-12 Savings: \$0 million)*
- **Nursing Home Quality Incentive Pool.** The budget implements the quality incentive funding pool on April 1, 2010. *(2010-11 Savings: \$0 million; 2011-12 Savings: \$0 million)*

### Home Care and Personal Care Services

Home care and personal care services are the fastest growing sectors in Medicaid. From 2003 through 2007, personal care spending increased by 27 percent, while the number of people served declined by 6.3 percent. New York spends far more for these services than any other state in the nation, and will continue to do so even after these proposals are implemented. These proposals would redirect the utilization of personal care services to help control growth, and would save \$73.9 million in 2010-11 and \$100.6 million in 2011-12.

- **Limit and Redirect Utilization of Personal Care Services.** Fee-for-service payments for personal care services would be capped at 12 hours per day. Recipients requiring services in excess of this cap would be redirected to alternative community-based service settings where their care can be better managed. An investment of \$1 million is proposed to assist recipients with determining what alternative options are appropriate for them and to assist them with accessing those alternatives. *(2010-11 Savings: \$30 million; 2011-12 Savings: \$48.7 million)*

- **Increase Assessment to 0.7 Percent.** The assessment on total home and personal care provider revenues is increased from 0.35 percent to 0.7 percent. Assessments have an impact on providers similar to reductions in direct funding, without the associated loss of federal matching funds. *(2010-11 Savings: \$17.6 million; 2011-12 Savings: \$19.2 million)*
- **Authorize Additional Provider Efficiencies.** Statutory requirements would be modified to extend the time period for long-term home health care program reassessments from 120 days to 180 days, and allow these programs to provide joint case management services to avoid duplication. *(2010-11 Savings: \$0.6 million; 2011-12 Savings: \$1.5 million)*
- **Eliminate 2010 Trend Factor.** Eliminate the remaining share of the calendar 2010 home and personal care trend factor (1.7 percent). *(2010-11 Savings: \$25.8 million; 2011-12 Savings: \$31.2 million)*

### Pharmacy Services

Proposals in this area would reduce State spending and maximize revenues by increasing drug rebates and by accessing Federal Medicare Part D coverage for New York seniors. These actions would save \$12.2 million in 2010-11 and \$17.6 million in 2011-12.

- **Eliminate Medicare Part D Drug Wrap.** Medicaid coverage for anti-depressants, atypical anti-psychotics, anti-retroviral and anti-rejection drugs for dual eligible enrollees would be discontinued, since these drugs are covered by Medicare. Wrap-around coverage would continue for drugs not covered by Medicare Part D (e.g., barbiturates, benzodiazepines). *(2010-11 Savings: \$4.3 million; 2011-12 Savings: \$5.1 million)*
- **Discontinue Exemptions under Preferred Drug Program.** The Preferred Drug Program exemption for anti-depressants, atypical anti-psychotics, anti-retroviral and anti-rejection drugs would be discontinued to allow the State to collect supplemental drug rebates for these drug classes. However, these drug classes would not be subject to prior authorization. *(2010-11 Savings: \$2.1 million; 2011-12 Savings: \$4.5 million)*
- **Expand the List of Physician Administered Drugs.** The State would be allowed to collect rebates on all drugs administered in physicians' offices. *(2010-11 Savings: \$2.9 million; 2011-12 Savings: \$4.0 million)*
- **Enhance Dispute Resolution Services.** Additional resources would be dedicated to shorten the time frame for dispute resolution and to increase rebate collections. *(2010-11 Savings: \$1.2 million; 2011-12 Savings: \$1.6 million)*
- **Accelerate Pharmacy and Therapeutics Committee Notice Requirements.** The time period before final recommendations of the Pharmacy and Therapeutics Committee can be implemented would be reduced from 30 days to five days to allow for the accelerated collection of supplemental rebates. *(2010-11 Savings: \$0.8 million; 2011-12 Savings: \$1.2 million)*

- **Discontinue Special Pharmacy Reimbursement.** The higher special pharmacy reimbursement for HIV pharmacies would be discontinued. *(2010-11 Savings: \$0.6 million; 2011-12 Savings: \$0.8 million)*
- **Prohibit Inappropriate Gifts to Doctors.** Pharmaceutical companies and their representatives would be restricted from providing inappropriate gifts or misleading/inaccurate information to doctors to promote utilization of a drug. Savings would accrue by reducing utilization of higher-cost drugs. *(2010-11 Savings: \$0.3 million; 2011-12 Savings: \$0.5 million)*

### Insurance

Prior approval of health insurance premium increases and the extension of Health Care Reform Act surcharges to certain physician procedures are recommended for gap-closing purposes. These actions would save \$222 million in 2010-11 and \$248.5 million in 2011-12.

- **Reinstitute Prior Approval of Health Premium Increases.** Since prior approval of health insurance premiums was phased out, health insurance premiums have grown by double-digits, increasing nearly 14 percent annually in the HMO small group market. While many factors contributed to this growth, the Insurance Department would be authorized to review health insurance premiums to protect consumers from unnecessary increases. Medical loss ratios also would be increased to ensure that a greater percentage of premium revenues are used to pay medical claims. Savings are expected to result by reducing the number of consumers with access to employer-based coverage that enroll in public health insurance programs. *(2010-11 Savings: \$70 million; 2011-12 Savings: \$150 million)*
- **Delay Excess Medical Malpractice Payment.** Excess medical malpractice payments would be delayed – changing from March to a July payment date – to more appropriately reflect when insurers require the funding. *(2010-11 Savings: \$127.4 million; 2011-12 Savings: \$0 million)*
- **Establish Physician Procedure Surcharge.** The 9.63 percent HCRA surcharge on services performed in hospitals would be extended to surgical and radiological procedures provided in private ambulatory surgery centers, physician offices, and urgent care settings. This would help level the playing field among care settings offering comparable services. *(2010-11 Savings: \$24.6 million; 2011-12 Savings: \$98.5 million)*

### Medicaid Fraud and Abuse Prevention

Over the last several years, the State has substantially increased resources used to identify fraud and abuse in the Medicaid system. The number of staff dedicated to fighting fraud in the Office of the Medicaid Inspector General has been significantly increased (nearly 200 since 2006-07), computer systems have been upgraded to utilize state-of-the art technology, and positive relationships have been developed within the provider community to prevent fraudulent payments before they are made.

## Health Care

The Executive Budget proposes a series of actions that would improve the coordination and administration of public benefits, and prevent and uncover public benefits fraud. These include:

- Increased civil penalties for first-time and repeat offenders who commit Medicaid fraud;
- Collaboration between the Office of the Welfare Inspector General (OWIG) and the Department of Labor (DOL) to target those who illegally shift the cost of employees' medical care to Medicaid by paying people under the table to lower their own insurance costs and/or enable employees who receive public benefits to earn income in excess of established eligibility levels;
- Shared services between OMIG and OWIG to provide greater efficiency and strengthen collaborative efforts to detect and control public benefits fraud;
- Match individuals and providers who are disqualified from the Medicaid program and thus prohibited from billing for Medicaid services to the records of the Department of Taxation and Finance and the Workers' Compensation Board to ensure that Medicaid is not billed;
- Document citizenship and audit tax return data to determine eligibility in Medicaid and CHP;
- Close loopholes that allow for the transfer of assets; and
- Implement an asset verification system to identify resources not captured today.

Prior-year investments and these proposed actions would promote greater integrity within the Medicaid program and allow the State share of collections from Medicaid fraud enforcement to reach record levels of \$1.17 billion, an increase of \$300 million from 2009-10 Enacted Budget estimates.

### Utilization and Management of Services

These proposals would continue efforts commenced in recent years to ensure that Medicaid services are appropriate, meet patient needs and are provided in the most cost-effective manner possible. Total savings of \$13.7 million in 2010-11 and \$24.3 million in 2011-12 are expected to be generated in this area.

- **Establish Transportation Managers.** DOH would contract with an external organization to manage non-emergency transportation services. *(2010-11 Savings: \$8.3 million; 2011-12 Savings: \$17.8 million)*
- **Control Physical and Occupational Therapy Spending.** Prior approval of certain physical and occupational therapy services would be required. *(2010-11 Savings: \$3.5 million; 2011-12 Savings: \$4.2 million)*
- **Apply Additional Utilization Review Controls.** Additional controls would be implemented to prevent inappropriate payments for certain medical supplies, including: incontinence supplies; wheeled mobility products and accessories; shoes; diabetic needle supplies; hearing aids; and oxygen delivery systems. *(2010-11 Savings: \$1.9 million; 2011-12 Savings: \$2.3 million)*

## Managed Care

These proposals would reduce managed care spending and make necessary changes to comply with Federal program requirements.

- **Reduce Premiums.** Premiums for Medicaid Managed Care and Family Health Plus plans would be reduced by 1.7 percent. *(2010-11 Savings: \$61.4 million; 2011-12 Savings: \$75.2 million)*
- **Expand Child Health Plus Benefit.** Medically necessary orthodontia services would be added to the Child Health Plus benefit package, as required by the Federal Child Health Insurance Program Reauthorization Act of 2009. *(2010-11 Cost: \$0.8 million; 2011-12 Cost: \$2.3 million)*
- **Modify Family Health Plus Buy-In.** Copayments under the Family Health Plus Buy-In Program would be increased to improve affordability for not-for-profit employers and sponsors. *(2010-11 Cost: \$0 million; 2011-12 Cost: \$0 million)*

## Taxes on Cigarettes and Unhealthy Beverages

The Executive Budget proposes two tax actions – a \$1.00 increase in the cigarette excise tax, and a new excise tax on beverage syrups and soft drinks – intended to lower long-term health care costs by discouraging unhealthy consumption habits that put New Yorkers at risk for obesity, diabetes, cancer, heart failure, strokes, and other diseases. These measures would produce revenue of \$650 million in 2010-11 and \$1.2 billion in 2011-12. See the “A Healthier New York” section of the briefing book for more information on the health benefits of these taxes.

- **Institute a Syrup Excise Tax.** The Executive Budget proposes an excise tax on beverage syrups and soft drinks at a tax rate of \$7.68 per gallon for beverage syrups or simple syrups, and \$1.28 per gallon for bottled or powdered soft drinks – with the proceeds directed to finance health care spending. Currently, one in four New York adults is obese and another 35 percent are overweight. Medical and economic research demonstrates that price increases discourage individuals, especially children and teenagers, from consumption and help lower obesity rates. *(2010-11 Savings: \$450 million; 2011-12 Savings: \$970 million)*
- **Increase Cigarette Tax.** The State tax on cigarettes would be increased by \$1.00 – from \$2.75 per pack to \$3.75 per pack – with the proceeds directed to finance health care spending. This increase would result in New York having the highest cigarette tax in the nation, and a combined State and local tax of \$5.25 per pack in New York City. The increase in the tax is expected to prevent more than 100,000 children from becoming smokers and cause more than 50,000 adult smokers to quit. *(2010-11 Savings: \$200 million; 2011-12 Savings: \$205 million)*



### Other Budget Actions

A variety of other health care savings are recommended, totaling \$28.5 million in 2010-11 and \$34.8 million in 2011-12.

- **Discontinue Spending for Selected HCRA Programs.** Funding for disease management demonstrations (\$1.8 million), Long Term Care Education and Outreach (\$1.3 million) and anti-tobacco funding for Roswell Park Cancer Institute research (\$13.6 million) would be eliminated. *(2010-11 Savings: \$16.7 million; 2011-12 Savings: \$16.7 million)*
- **Consolidate Poison Control Centers.** Currently, there are five poison control centers operating in the State. The operations of these centers would be consolidated into two centers. *(2010-11 Savings: \$2.5 million; 2011-12 Savings: \$2.5 million)*
- **Expand Estate Recoveries.** The definition of “estate” for the purpose of Medicaid recoveries would be expanded to enable recoveries from assets that individuals could otherwise shelter from recovery by bypassing probate. *(2010-11 Savings: \$1.1 million; 2011-12 Savings: \$2.6 million)*
- **Require All Pre-Need Funeral Accounts to be Irrevocable.** The budget would require pre-need funeral accounts established for consideration in a Medicaid eligibility determination, including those for a spouse or family members, to be irrevocable. *(2010-11 Savings: \$1.0 million; 2011-12 Savings: \$1.0 million)*
- **Early Intervention (EI) Medicaid Savings.** Medicaid savings are associated with recommendations proposed as part of the public health budget and include: requiring preferred assessment tools for EI evaluations; modifying speech eligibility standards; allowing paraprofessional behavioral aides for children with severe disabilities; revising EI home and facility-based rates; requiring EI providers to bill Medicaid; auditing EI providers; and maximizing commercial insurance reimbursement. *(2010-11 Savings: \$7.2 million; 2011-12 Savings: \$12.0 million)*

### Public Health and Aging Programs

The Department of Health and the State Office for the Aging administer a number of programs that support New York's public health and senior care systems. The budget achieves savings by reforming the Elderly Pharmaceutical Insurance Coverage (EPIC) program, the Early Intervention (EI) program, and the General Public Health Work (GPHW) program; consolidating various public health programs; reducing spending on programs less central to agency core mission programs; and other operational and administrative efficiencies. These actions would save \$104.2 million in 2010-11 and \$187.3 million in 2011-12.

- **Eliminate Part D Drug Wrap and Discontinue Financial Exemption for EPIC Part D Mandate.** Available Federal Medicare funds would be maximized by eliminating the Part D drug wrap, which was originally designed to enable seniors to access drugs not covered by the Part D formulary. However, Part D now covers all classes of drugs, and eliminating the EPIC drug wrap is consistent with the policies of 47 other states. The proposal also requires all enrollees in Medicare Advantage plans to enroll in Part D. An investment of \$1.5 million is proposed to assist seniors with navigating through the Federal Medicare Part D enrollment process to avoid any disruption in accessing needed drugs. *(2010-11 Savings: \$34.9 million; 2011-12 Savings: \$57.8 million)*
- **Require Early Intervention Preferred Assessment Tools.** Evaluators for the program would be required to use assessment instruments from a DOH list of preferred instruments to determine eligibility. The current lack of standards has created wide variation in diagnosis. *(2010-11 Savings: \$0.8 million; 2011-12 Savings: \$3.3 million)*
- **Modify Early Intervention Speech Standards.** Evidenced-based criteria would be used to determine a child's eligibility for speech and language services. *(2010-11 Savings: \$1.4 million; 2011-12 Savings: \$5.8 million)*
- **Allow Paraprofessional Behavioral Aides for Children with Severe Disabilities.** Paraprofessional behavioral aides would be allowed to deliver applied behavioral analysis intervention programs to children with autism spectrum disorders and other severe disabilities. *(2010-11 Savings: \$1.5 million; 2011-12 Savings: \$5.9 million)*
- **Revise Early Intervention Home and Facility-based Rates.** Rates for home-based visits would be decreased and the rates for facility or clinical-based services would be increased to ensure more appropriate delivery of services. *(2010-11 Savings: \$2.4 million; 2011-12 Savings: \$9.8 million)*
- **Require Early Intervention Providers to Bill Medicaid.** Certain Early Intervention providers would be required to seek reimbursement directly from Medicaid and private insurance prior to seeking payment from municipalities for these services. *(2010-11 Savings: \$0.4 million; 2011-12 Savings: \$1.7 million)*
- **Audit Early Intervention Providers.** Audits of certain providers would be conducted to ensure appropriate payment. *(2010-11 Savings: \$0.5 million; 2011-12 Savings: \$1.0 million)*
- **Maximize Early Intervention Commercial Insurance Reimbursement.** Insurance companies would be required to pay legitimate claims for Early Intervention services. Currently, only \$13 million, or two percent, of total gross program costs are paid by private insurance companies, although 44 percent of children enrolled in the program are covered by private insurance. *(2010-11 Savings: \$5.9 million; 2011-12 Savings: \$24.6 million)*

## Health Care

- **Establish an Early Intervention Parental Fee.** Parental fees would be established ranging from \$45 (for family incomes 251 to 400 percent of the FPL) to \$540 (for family incomes above 1,000 percent of FPL). Other states have similar fee schedules. The local county share of the revenue from parental fees is estimated to be \$14 million, beginning in 2011-12. *(2010-11 Savings: \$0 million; 2011-12 Savings: \$13.6 million)*
- **Restructure General Public Health Work.** The General Public Health Work program would be restructured by discontinuing reimbursement for certain optional services, including laboratories, home health care programs, and hospice and Early Intervention administration. In addition, the budget transfers Medical Examiner responsibilities to the Division of Criminal Justice Services. *(2010-11 Savings: \$6.7 million; 2011-12 Savings: \$12.8 million)*
- **Consolidate AIDS, Cancer and Obesity Programs.** This proposal would consolidate several AIDS related appropriations into five broad categories of services. In addition, cancer services are consolidated to focus on evidence-based practices, and obesity/diabetes programs are also consolidated. These consolidations would provide DOH with flexibility in managing these funds to respond to changes in affected populations and advances in treatment and prevention services. It would also enable administrative efficiencies for both DOH and providers. *(2010-11 Savings: \$4.9 million; 2011-12 Savings: \$6.5 million)*
- **Reduce or Eliminate Public Health Programs.** Spending on Infertility (\$1.5 million – including \$1.3 million in HCRA savings) and Red Cross emergency preparedness (\$0.9 million) would be reduced by 50 percent, while contracts for spinal cord research (\$6.7 million) would be phased out. Funding for the following programs that are less essential to DOH's core mission would be eliminated: Eating Disorders (\$1.7 million); Maternal and Early Childhood Foundation (\$0.9 million); Arthritis Foundation (\$0.2 million); Interim Lead Safe Housing (\$0.1 million); Translational Neurological Research (\$0.1 million); and various education and outreach programs (\$2.0 million). *(2010-11 Savings: \$14.2 million; 2011-12 Savings: \$21.5 million)*
- **Reduce Spending for Senior Services.** Spending would be eliminated for the Patients' Rights and Advocacy Hotline Project (\$0.1 million) and Congregate Services Initiative (\$0.6 million). *(2010-11 Savings: \$0.7 million; 2011-12 Savings: \$0.7 million)*
- **Additional Agency Reductions.** The Executive Budget recommends an additional \$29.6 million reduction to the operations of the Department of Health, and \$0.3 million for the State Office for the Aging. The agencies would manage these reductions through a broad range of savings actions, including: strict limits on staffing; energy conservation; purchases of vehicles, supplies, equipment, and contracts for technology and other services; and the development of shared services. *(2010-11 Savings: \$29.9 million; 2011-12 Savings: \$22.3 million)*

# Education and Arts

*State Education Department  
Council on the Arts*

## I. Overview

New York maintains its strong commitment to quality public education through support from all levels of government. Our education system is financed with local, State and Federal resources, which together make New York's per pupil spending among the highest in the nation, even in these difficult financial times.

The State share of financial support for education is administered by the State Education Department (SED), under the direction of the New York State Board of Regents, which also establishes education policy. The stated purpose of the agency is to “provide knowledge and skills to all,” which it accomplishes through its oversight and administration of a wide array of programs that serve both children and adults.

The single largest program administered by SED is School Aid. Allocated to school districts primarily through statutory formulas, School Aid helps finance elementary and secondary education for pupils enrolled in nearly 680 school districts. To achieve necessary State savings, this budget recommends a progressively structured reduction to overall School Aid, while providing school districts with new ways to control expenses and access existing resources.

SED also has oversight responsibility for a range of programs that provide funding and education-related services to the citizens of this State. This includes support for cultural education, higher education, vocational rehabilitation programs, and special education services.

The New York State Council on the Arts (NYSCA) is an executive agency dedicated to preserving and promoting New York's heritage of rich and diverse cultural resources and expanding access to arts and cultural institutions statewide. Additionally, NYSCA provides advisory services and financial assistance to the State's arts community.

## II. History/Context

New York public schools spend more per pupil overall (\$15,546) than nearly any other state and 61 percent above the national average. New York ranks first in per pupil spending for school district employee salaries (\$7,328, or 71 percent above the national average) and benefits (\$2,901, which is 109 percent above the national average). This reflects both strong local tax effort and significant State spending on education.

## Education and Arts

In recent years, during the Wall Street boom, School Aid increased at a rapid and unsustainable rate. Even after the year-to-year reduction to School Aid proposed in this Executive Budget, State support for education would still have increased by \$6.1 billion or 42 percent compared to 2003-04 – twice the rate of inflation (19 percent) during that period.

Although the economic downturn began more than two years ago, New York has, thus far, been able to avoid year-to-year cuts to education. At the same time, other states facing budgetary pressures similar to New York have been forced to take major current-year actions affecting schools:

- 20,000 teachers were laid off in California;
- Michigan has implemented an across-the-board per pupil funding cut;
- Illinois has made cuts to its prekindergarten and after-school programs;
- New Mexico implemented a plan that would cut take-home pay of public school teachers by 1.5 percent;
- Mississippi cut its Adequate Education Program; and
- Utah and Hawaii have shortened their school years.

Now, however, with education funding representing over 34 percent of State Operating Funds spending and the State continuing to face massive budget gaps, reductions in overall School Aid support are required. The 2010-11 Executive Budget therefore recommends a year-to-year reduction in School Aid of \$1.1 billion or five percent. As education funding in New York is a combination of local and State support, the proposed reduction represents two percent of school districts' total general fund expenditures statewide.

When faced with fiscal hardships, previous governors have proposed deep reductions to School Aid. The 1991-92 Executive Budget proposed a 10.2 percent cut to total School Aid. In order to manage the financial consequences of September 11, 2001, the 2003-04 Executive Budget included an 8.5 percent reduction to School Aid. Presented with an even greater financial challenge, this proposal seeks to limit reductions to education to five percent.

The Executive Budget also recommends several reforms to help school districts responsibly manage necessary reductions in State funding while minimizing any potential impact on property taxpayers. This budget would allow school districts to utilize excess funds in their employee benefit reserve funds. These amounts are in addition to the nearly \$1.5 billion in undesignated reserves reported by school districts.

Additionally, the Executive Budget provides school districts with new flexibility to manage expenses and relief from certain State mandates. This proposal provides schools with a statewide exemption to the Wicks Law, which would save more than \$200 million in annual capital costs, and allows for streamlined reporting processes. This budget also places a four-year moratorium on new statutory mandates and requires SED to implement a new regulatory review process intended to deter the promulgation of unfunded State mandates affecting school districts.

### III. Proposed 2010-11 Budget Actions

This proposal achieves necessary savings through a 2010-11 year-to-year reduction in School Aid of \$1.1 billion on a school year basis. This five percent year-to-year decrease would be achieved through several actions:

- The Executive Budget recommends maintaining operating formula aid categories at current levels. The largest formula aid category is Foundation Aid, which at \$14.9 billion has grown by 19 percent since 2006-07. The 2010-11 Executive Budget also extends the existing statutory freeze on Foundation Aid for one year through 2011-12. Additionally, the full phase-in of Foundation Aid would now take place over a ten-year period (complete in 2016-17) rather than the seven-year period assumed in current law.

Other individual aid categories would also be continued at the same level in 2010-11 as is currently being provided, including Universal Prekindergarten. Funding for Universal Prekindergarten has grown by 35 percent since 2006-07.

- The Executive Budget recommends a one-time \$1.4 billion reduction to certain formula-based School Aid categories. This is comprised of a one-year \$2.1 billion Gap Elimination Adjustment for the 2010-11 school year, partially offset by the use of the remaining \$726 million of the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund - Education Fund award. The reduction is structured so that a low-wealth district will face a smaller percentage cut than a higher-wealth district. In addition, the GEA is adjusted for student need, administrative efficiency, and residential tax burden.
- This \$1.4 billion GEA and other reductions totaling \$41 million are partially offset by \$367 million of growth in existing expense-based aids (such as Building Aid, Transportation Aid and BOCES Aid) in accordance with current statutory formulas and expected reimbursement claims.

The Executive Budget seeks to maximize use of Federal funds. In addition to using Federal ARRA funds to partially offset the GEA, this proposal increases the use of Federal funds to help support special education programs funded outside of School Aid. This budget also includes an appropriation of \$750 million in anticipation of a successful application for competitive funds through the Federal Race-to-the-Top program. Although this Federal funding would not provide direct fiscal relief to the State, it would provide additional resources to school districts and the State Education Department to fund educational improvements, statewide.

## Education and Arts

Reimbursement for categorical special education programs has been modified to align fiscal and programmatic responsibility, and funding for certain other education-related programs are reduced or eliminated to avoid other reductions in direct aid to school districts.

This overall funding proposal maintains New York's strong commitment to education aid. The total recommended 2010-11 School Aid amount of \$20.5 billion would be \$3.4 billion more than if spending were limited to inflation growth since 2003-04. More than 67 percent of all 2010-11 School Aid would be used to benefit students in high needs school districts.

### IV. Summary of Spending (All Funds)

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	21,613	20,527	(1,086)	(5.0)
Overall Education and Arts Spending (Fiscal Year)	28,562	28,012	(550)	(1.9)

Estimated 2009-10 School District Total General Fund Expenditure (TGFE) (\$ in billions)	Year-to-Year Reduction in Total School Aid (\$ in billions)	Year-to-Year Reduction in total School Aid as a Percentage of TGFE
52.1 B	1.1 B	2.1%

## V. Major Initiatives

### Gap-closing Actions

Proposal	2010-11 (\$ in millions) Fiscal Year	2011-12 (\$ in millions) Fiscal Year
<b>School Aid</b>		
Reduce School Aid through a Gap Elimination Adjustment (2010-11 SY: \$2,138 million)	1,496	641
Eliminate Funding for Teacher Centers (2009-10 SY: \$35 million)	25	35
Reduce Supplemental Funding to the Roosevelt Union Free School District (2009-10 SY: \$6 million)	4	6
Delay Phase-in of Foundation Aid and Universal Prekindergarten	0	730
<b>Total</b>	<b>1,525</b>	<b>1,412</b>
<b>Other Education and Education Related Programs</b>		
Consider Wealth as a Factor in Reimbursing Summer School Special Education Costs (2010-11 SY: \$86 million)	68	28
Use Federal Funds for Preschool Special Education	61	0
Reduce Funding for Comprehensive Attendance Program for Nonpublic Schools	2	2
Eliminate Funding for Schools Under Registration Review (SURRE) Grants	2	2
Reduce Funding to Independent Colleges and Universities (Bundy Aid)	1	1
<b>Total</b>	<b>134</b>	<b>33</b>
<b>Arts</b>		
Reduce Funding for Arts Grants	7	7
<b>Total</b>	<b>7</b>	<b>7</b>
<b>State Operations</b>		
Require NYSTI and The Egg to Become Self-Supporting	2	4
Additional Agency Reductions	5	5
<b>Total</b>	<b>7</b>	<b>9</b>



## School Aid

- **Reduce School Aid Through a Gap Elimination Adjustment (GEA).** The Executive Budget recommends a school year-to-school year reduction in School Aid of \$1.1 billion (five percent). This proposed reduction represents two percent of school districts' total General Fund expenditures statewide. Even after the year-to-year reduction to School Aid proposed in this Executive Budget, State support for education would have increased by \$6.1 billion since 2003-04, a growth of 42 percent.

The proposed total School Aid amount of \$20.5 billion is achieved through a one-year \$1.4 billion reduction in formula-based aids. This reduction is comprised of a \$2.1 billion reduction in State General Fund support, partially offset by the use of the remaining balance of \$726 million from the Federal ARRA State Fiscal Stabilization Fund - Education Fund. This reduction is structured so that a low-wealth district would take a smaller percentage cut than a higher-wealth district. In addition, the GEA is adjusted for student need, administrative efficiency, and residential tax burden. The GEA is applied against formula-based School Aid, excluding Building Aid and Universal Prekindergarten. Growth of \$367 million in expense-based aid is also expected, bringing the overall reduction to \$1.1 billion. *(2010-11 School Year Savings: \$2.1 billion; 2011-12 School Year Savings: \$0; 2010-11 State Fiscal Year Savings: \$1.5 billion; 2011-12 State Fiscal Year Savings: \$641 million)*

- **Eliminate Funding for Teacher Centers.** Funding for this discretionary grant program, which offers both online and classroom-based professional development activities for school personnel, is eliminated. In addition to program revenues, Teacher Centers were funded through the State Fiscal Stabilization Fund - Other Government Services in 2009-10. This Federal funding has been redirected to help finance a portion of the State's costs for preschool special education. *(2010-11 School Year Savings: \$35 million; 2011-12 School Year Savings: \$35 million; 2010-11 State Fiscal Year Savings: \$25 million; 2011-12 State Fiscal Year Savings: \$35 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 due to the school district's improved fiscal circumstances as reported by the Office of State Comptroller. The \$6 million reduction in the Academic Improvement Grant reflects the elimination of Federal ARRA funding for this program. This Federal funding has been redirected to help finance a portion of the State's costs for preschool special education. *(2010-11 School Year Savings: \$6 million; 2011-12 School Year Savings: \$6 million; 2010-11 State Fiscal Year Savings: \$4 million; 2011-12 State Fiscal Year Savings: \$6 million)*

- **Delay Phase-in of Foundation Aid and Universal Prekindergarten.** Funding for a number of individual aid categories that provide operating support to school districts, including Foundation Aid and Universal Prekindergarten would be continued at the same level in 2010-11 and 2011-12 as is currently being provided. Additionally, the full phase-in of Foundation Aid would now take place over a ten-year period (complete in 2016-17) rather than the seven-year period assumed in current-law. *(2010-11 School Year Savings: \$0, 2011-12 School Year Savings: \$1 billion; 2010-11 State Fiscal Year Savings: \$0 million; 2011-12 State Fiscal Year Savings: \$730 million)*

### **Other Education and Education-Related Programs**

- **Consider Wealth as a Factor in Reimbursing Summer School Special Education Costs.** The 2010-11 Executive Budget proposes to more closely align State reimbursement to school districts for summer school special education costs with wealth-based aid ratios used during the regular school year. Additionally, the priority of payment would be for claims from the 2009-10 school year, with State reimbursement for costs incurred prior to the 2009-10 school year limited to \$50 million during the upcoming fiscal year. *(2010-11 Fiscal Year Savings: \$68 million; 2011-12 Fiscal Year Savings: \$28 million)*
- **Use Federal Funds for Preschool Special Education.** The Executive Budget recommends use of one-time Federal ARRA funding to forestall reductions in State support for preschool special education. Total ARRA funding for preschool special education is increased to \$194 million to maintain the State commitment to this critical program. *(2010-11 School Year Savings: \$61 million; 2011-12 School Year Savings: \$0)*
- **Reduce Funding for the Comprehensive Attendance Program (CAP) for Nonpublic Schools.** Under the Executive Budget, annual reimbursement to nonpublic schools for the costs of the CAP program would be reduced by \$1.5 million. Nonpublic schools would continue to receive \$109 million in aid for mandated services, including traditional attendance-taking as well as other mandated activities. *(2010-11 Fiscal Year Savings: \$1.5 million; 2011-12 Fiscal Year Savings: \$1.5 million)*
- **Eliminate Funding for Schools Under Registration Review (SURR) Grants.** The Executive Budget proposes to eliminate separate State funding for SURR grants. *(2010-11 Fiscal Year Savings: \$2 million; 2011-12 Fiscal Year Savings: \$2 million)*
- **Reduce Funding to Independent Colleges and Universities (Bundy Aid).** The Bundy Aid program provides unrestricted financial assistance to New York's independent colleges and universities based on the number and type of degrees conferred at each institution. The Executive Budget recommends a \$700,000 reduction to Bundy Aid. This is in addition to the recurring impact of a \$1.9 million reduction to this program included in the 2009-10 Deficit Reduction Plan. After savings actions, \$39 million in funding is recommended for Bundy Aid in fiscal year 2010-11. *(2010-11 Fiscal Year Savings: \$0.7 million; 2011-12 Fiscal Year Savings: \$0.7 million)*

### Arts

- **Reduce Funding for Arts Grants.** NYSCA awards over 2,300 competitive grants to not-for-profit arts and cultural organizations annually, including theatres, museums, and musical performance organizations. The Executive Budget recommends a \$6.5 million reduction to these grants. This is in addition to the recurring impact of a \$1 million reduction to the program included in the 2009-10 Deficit Reduction Plan. After savings actions, \$35.2 million in funding is recommended for arts grants in fiscal year 2010-11. *(2010-11 Fiscal Year Savings: \$6.5 million; 2011-12 Fiscal Year Savings: \$6.5 million)*

### State Operations

- **Require New York State Theatre Institute (NYSTI) and the Empire State Plaza Performing Arts Center (The Egg) to Become Self-Supporting.** These two public benefit corporations have similar missions to promote appreciation for the arts through dance, theatre and artistic presentations. In prior years, NYSTI received \$3.1 million in State funding and The Egg received \$600,000 in State funding. These subsidies supplement revenue generated through ticket sales, donations and sponsorships. The Executive Budget phases out the State subsidy for NYSTI and eliminates the subsidy for The Egg. Both institutions would be expected to fully support their operating budgets through non-State revenue sources. *(2010-11 Fiscal Year Savings: \$2.1 million; 2011-12 Fiscal Year Savings: \$3.6 million)*
- **Additional Agency Reductions.** The Executive Budget recommends an additional \$4.7 million reduction in available funding to the operations of SED and an additional \$600,000 reduction to the operations of NYSCA. The agencies would manage the reductions through strict limits on staffing, improved procurement of energy, vehicles, supplies, equipment, technology, and other services, the development of shared services and other actions. *(2010-11 Fiscal Year Savings: \$5.3 million; 2011-12 Fiscal Year Savings: \$5.3 million)*

### Other Budget Actions

**Reduce Mandates on School Districts.** Legislation would be advanced as part of the budget to reform a system that has produced an overly burdensome system of State mandates. Further, the Executive Budget would provide relief from certain existing mandates to assist school districts in controlling costs and adjust to the changing economic climate. These school district-specific actions are in addition to a broader package of local government mandate relief proposals that would address procurement reform and pension costs. Elements of the proposal include:

- **Four-Year Moratorium on Unfunded Statutory Mandates.** This proposal would help school districts avoid future cost increases.

- **State Education Department Regulatory Reform.** This proposal would apply the same requirements regarding regulatory adoption procedures to the State Education Department that currently apply to other State agencies via Executive Order 17 issued in 2009. These requirements include the preparation of a fiscal note including local impacts and a cost-benefit analysis, as well as identification of a funding source for any new regulations or legislation.
- **School District Exemption from the Wicks Law.** The Executive Budget proposes to repeal multiple bidder requirements for school districts. This would provide long-term capital and debt service savings to school districts and the State. This recommendation is expected to generate \$200 million in annual capital savings to school districts, and the resulting debt service savings would provide savings to school districts as well as the State, which provides reimbursement through building aid.
- **Reduce Paperwork.** This proposal streamlines existing reporting requirements and eliminates required reports that are deemed to be outdated or no longer serve a public policy purpose. School districts would also be allowed to file reports electronically unless restricted by the Commissioner. In addition, the Department would develop one consolidated reporting system that captures all information required by New York State or collected by the State for the Federal government.
- **Reform Procurement Practices.** School districts would be provided with greater flexibility to purchase from existing contracts held by other government entities and allowed to purchase based on “best value”, the most advantageous balance of price, quality and performance. The State already has the ability to purchase in this manner.
- **Authorize Regional Student Transportation.** School districts would be able to reduce expenses by contracting with other entities, including school districts, counties and municipalities to provide more efficient student transportation and to partner together on school bus maintenance.
- **Other Mandate Reform.** With Federal laws ensuring that each school district provides appropriate educational space for students with disabilities in the least restrictive environment, State reporting requirements for special education space planning are now duplicative and can be repealed without impact. Also, Federal law now mandates transition planning requirements for children who no longer receive special education services. Therefore, certain duplicative State requirements for transition notification can be repealed.

- **Maintain the Contract for Excellence Program.** In recognition of the fiscal circumstances facing the State and the suspension of increases for Foundation Aid, the provisions of the Contract for Excellence program are maintained for the 2010-11 school year consistent with the 2009-10 provisions. All districts currently in the program would be required to continue in the program with a reduced financial liability unless all school buildings in a school district are reported as “In Good Standing” for purposes of the State accountability system. This approach would ensure participation of 25 school districts including all “Big 5” city school districts. Seven school districts that participated in the Contract for Excellence program in the 2009-10 school year would leave the program for the 2010-11 school year since they have mitigated their academic issues and are “In Good Standing.” The school districts that remain in the program would be required to maintain funding for existing Contract for Excellence programs less the percentage reduction in the Gap Elimination Adjustment.
- **Allow Access to Employee Benefit Accrued Liability Reserve Funds.** A school district’s governing board would be permitted to authorize a withdrawal of excess funds in an employee benefits accrued liability reserve fund in order to maintain educational programming during the 2010-11 school year. The amount withdrawn could not exceed the Gap Elimination Adjustment for a school district. The State Comptroller would first certify that the withdrawal amount is in excess of the amount required for employee benefits.
- **School District Charter School Payments.** In recognition of the freeze in Foundation Aid for the 2010-11 school year, the per pupil charter school payments made by school districts to charter schools will be maintained at current levels. The 2009-10 State Budget initiated a one year freeze on these per pupil charter school payments. The 2010-11 Executive Budget will extend that freeze for one additional year.
- **Contingency Budget Calculation.** This proposal would prevent mandatory negative spending growth for school districts that are operating under a contingency budget by limiting the spending cap calculation to no less than the previous year’s spending levels. The current statutory provisions for the calculation of the contingency budget cap does not account for a period of deflation, which may apply to the 2009 calendar year.

**Limit Growth in County Costs for the Preschool Special Education Program.** In order to better align fiscal and programmatic responsibilities and limit expenses for counties, school districts will be responsible for any year-to-year growth in county costs exceeding two percent. Cost increases would be moderated by encouraging the use of nearby providers and by more timely State action on local audits.

# School Tax Relief Program

*Basic STAR*  
*Enhanced STAR*  
*New York City PIT STAR*

## I. Overview

The STAR program consists of three separate initiatives designed to provide local property tax relief:

- **Basic STAR** provides savings to residential homeowners by exempting from school taxes at least the first \$30,000 of the full assessed value of their primary residence. This benefit would reduce the tax bills of nearly 2.9 million homeowners by an average of \$641 in 2010-11.
- **Enhanced STAR** provides a larger benefit to residential homeowners age 65 years and older with incomes below \$74,700 by exempting the first \$60,100 of the assessed value of their primary residence from school taxes. Nearly 642,000 senior homeowners would be eligible to receive this enhanced property tax exemption in 2010-11, with an average benefit estimated at \$1,205.
- **New York City STAR** supports tax relief through the income tax for more than three million New York City residents. Under the program, City residents receive a flat refundable credit of \$125 for a married couple filing jointly and one-half of that amount for single taxpayers, and a six percent City tax rate reduction.

## II. History/Context

STAR was enacted in 1997 to offset rising property taxes for 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.

These enhancements have contributed to increases in the current and projected cost of the STAR program. STAR spending totaled \$3.1 billion in 2009-10, a 25 percent increase from 2001-02 when the STAR phase-in was completed. Despite this program's intent and cost, local property taxes have continued to increase. Outside of New York City, school property taxes grew by an average of seven percent per year from 2001-02 to 2008-09. This rate of school property tax growth was twice the rate of inflation and twice the average growth in wages. As a result of the economic downturn, school districts outside the Big Five cities proposed budgets with average property tax increases of two percent for 2009-10. In spite of this, New York's local property taxes remain among the highest in the nation.

### III. Proposed 2010-11 Budget Actions

After the recommended savings actions described below, the school tax relief program would total \$3.18 billion in 2010-11, a \$47 million increase from 2009-10.

### IV. Summary of Spending

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
STAR Spending (commitment)	3,132	3,179	47	1.5

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Basic STAR	1,787	1,857	70	3.9
Enhanced STAR	716	775	59	8.1
NYC PIT STAR	629	547	(82)	(12.9)

## V. Major Initiatives

### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Restructure NYC PIT STAR Benefit	143	180
Increase the Maximum Annual Reduction for STAR Exemptions	40	40
Eliminate STAR Exemption Benefit for Homes Valued at \$1.5 million and Above	30	30
<b>Total</b>	<b>213</b>	<b>250</b>

- **Restructure the New York City Personal Income Tax STAR Benefit.** The NYC personal income tax rate reduction benefit provided through the STAR program would be limited to the first \$250,000 of personal income. Currently, taxpayers who earn more than \$250,000 receive more than 50 percent of the overall benefit from the NYC STAR personal income tax rate reduction, but represent 2.9 percent of the total number of recipients – a poorly targeted allocation of the State’s limited resources, especially during a fiscal crisis. By contrast, those with incomes over \$250,000 receive 3.9 percent of the overall benefit of the STAR property tax exemption portion of the program. While this recommendation would eliminate the six percent rate reduction on personal income above \$250,000, all New York City taxpayers would continue to receive the existing benefit on their first \$250,000 of personal income. *(2010-11 Savings: \$143 million; 2011-12 Savings: \$180 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 of a homeowner’s real property would be increased from 11 percent to 18 percent. This action would make exemption amounts less disparate across communities. *(2010-11 Savings: \$40 million; 2011-12 Savings: \$40 million)*
- **Eliminate the STAR Exemption Benefit for Residences Valued at \$1.5 Million and Above.** Under current law, every primary residence, regardless of how much it is worth, is eligible to receive a STAR exemption benefit. This proposal would eliminate the exemption benefit for homes valued at \$1.5 million and above. *(2010-11 Savings: \$30 million; 2011-12 Savings: \$30 million)*





# Local Government

*Aid and Incentives for Municipalities (AIM)  
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 funding to support a range of operating costs.

Along with direct AIM assistance, the State provides incentive grants to 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, including VLT Impact Aid for local governments that host video lottery gaming facilities, Efficiency Incentive Grants awarded by the State public authorities that oversee fiscal recovery efforts in Buffalo and Erie County, and several others.

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 VII.

## 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 required a local commitment to minimize property tax growth. In 2007-08 and 2008-09, additional aid was targeted primarily to distressed upstate municipalities under a formula that provided annual increases ranging from three to 13.5 percent based on fiscal distress criteria.

Over the last five years, AIM payments to local governments outside New York City have grown from \$465 million to \$750 million, a \$285 million or 61 percent increase. Although the 2009-10 Deficit Reduction Plan enacted in December 2009 reduced aid to the 17 non-calendar fiscal year cities outside New York City by a total of \$5.3 million, AIM for all other municipalities was maintained at 2008-09 payment levels.

AIM for New York City has varied in recent years from \$20 million in 2007-08 to \$245.9 million in 2008-09 to \$327.9 million in the 2009-10 Enacted Budget. The 2009-10 Deficit Reduction Plan, however, lowered New York City's AIM funding from \$327.9 million to \$301.7 million.

## Local Government

The level of local reliance on AIM funding varies widely by municipality, with cities such as Buffalo and Yonkers relying on AIM for over 25 percent of their total revenue, while in other municipalities, AIM accounts for less than one percent of total revenue. Specifically, AIM as a percentage of city revenue is as follows:

City	AIM as % of Total Revenue
New York City	0.5
Buffalo	35
Yonkers	29
Syracuse	25
Rochester	20
Other Cities	9

### III. Proposed 2010-11 Budget Actions

The Executive Budget achieves \$325 million in 2010-11 savings, primarily by eliminating AIM funding for New York City and by reducing AIM payments to other local governments by either two percent or five percent based on the municipality's reliance on this revenue source. Additional savings are realized through reductions in local government incentive grant funding and VLT Impact Aid.

To help offset proposed reductions in AIM, education funding and other local assistance programs, the Executive Budget advances a comprehensive mandate reform agenda along with new local revenue options that would provide fiscal relief to municipalities. Key initiatives include a moratorium on unfunded mandates, a full repeal of Wicks Law requirements for all school districts, and several proposals to contain growth in programs with required county cost sharing such as Early Intervention and preschool special education. A more detailed discussion of the Governor's mandate reform proposal is presented in a separate section of this briefing book.

In addition to a broad-based mandate reform initiative, the budget proposes a series of reforms intended to promote local government efficiency and fiscal accountability.

#### IV. Summary of Spending

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
AIM – New York City	302	0	(302)	(100)
AIM – Other Municipalities	750	735	(15)	(2)
<b>Total AIM</b>	<b>1,052</b>	<b>735</b>	<b>(317)</b>	<b>(30)</b>
VLT Impact Aid	26.4	23.8	(2.6)	(10)
Other Local Aid Programs	28.3	32.2	3.9	14

#### V. Major Initiatives

##### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Eliminate AIM for New York City & Erie County	302	302
Reduce AIM for Other Municipalities	15	15
Scale Back Incentive Grant Programs	5	9
Reduce VLT Impact Aid	3	3
<b>Total</b>	<b>325</b>	<b>329</b>

- Eliminate New York City and Erie County AIM Payments.** The Executive Budget eliminates AIM funding for New York City totaling \$301.7 million. 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 including a personal income tax and business taxes. Moreover, AIM accounts for less than 0.5 percent of total City revenues. Erie County, which has similarly low reliance on AIM, is the only county that currently receives funding under the AIM program. The County's full AIM allocation of \$668,332 would be eliminated. *(2010-11 Savings: \$302 million; 2011-12 Savings: \$302 million)*

## Local Government

- **Reduce AIM to Other Municipalities Based on Reliance.** For other municipalities, AIM funding is reduced by either two percent or five percent from 2009-10 Enacted Budget levels, depending on whether AIM accounts for more or less than ten percent of the municipality's total revenues. Even after these reductions, the State would still spend \$734.6 million on AIM outside New York City, an increase of \$269.2 million or 58 percent compared to 2004-05. *(2010-11 Savings: \$15 million; 2011-12 Savings: \$15 million)*
- **Scale Back Incentive Grant Programs.** The Executive Budget reduces local incentive grant funding under two separate programs:
  - The Local Government Efficiency Grants program is administered by the Department of State to encourage local consolidation and shared services. The Executive Budget preserves funding for all previously awarded grants under this program, but lowers the total amount available for new grants in 2009-10 and 2010-11 to \$10 million each. At these reduced amounts, the State's investment in local efficiency efforts would total \$61 million since the inception of this aid stream in 2005-06; and
  - Efficiency Incentive Grants for the City of Buffalo and Erie County are awarded by the State public authorities that oversee fiscal recovery efforts in these municipalities to seed cost-saving investments necessary to restructure city and county operations. The Executive Budget would honor in full all grant awards made prior to December 1, 2009, but reduce remaining available funds by 50 percent. This reduction would leave \$12 million for new grants in addition to the \$25 million previously awarded under this program.

Although the amount available for new grant awards is reduced, total spending for each program is expected to increase in 2010-11 due to the payout of grants awarded in prior years. *(2010-11 Savings: \$5 million; 2011-12 Savings: \$9 million)*

- **Reduce VLT Impact Aid.** The Executive Budget reduces payments to each municipality that hosts a Video Lottery Terminal (VLT) facility by ten percent, achieving total savings of \$2.65 million. Even after these reductions, the City of Yonkers and the 15 upstate municipalities in this \$23.84 million program would still receive adequate State reimbursement for public safety and other local costs resulting from VLT facilities. *(2010-11 Savings: \$3 million; 2011-12 Savings: \$3 million)*

## VI. Other Budget Actions

- **Enable Additional Local Justice Court Consolidation.** Local governments would be allowed to share court facilities through intermunicipal agreements, thereby reducing the cost and duplication of maintaining multiple court facilities. In addition, a number of technical changes are being advanced that would better allow town courts to take advantage of the existing consolidation process.
- **Increase Special District Accountability.** A number of proposals are advanced to promote greater fiscal accountability and efficiency improvements in commissioner-run special districts. These include treating town improvement district commissioners the same as school board members and fire district commissioners by eliminating compensation and perquisites; providing for improved management of all sanitary districts by transferring day-to-day management of commissioner-run sanitary districts to town boards; and allowing citizens to petition to eliminate the offices of improvement district commissioners.
- **Promote Local Government Efficiency.** Local governments would be empowered to achieve efficiencies and share services by allowing counties to share directors of weights and measures; giving additional residency requirement flexibility to fire districts; and allowing counties to enter into intermunicipal agreements with other local governments to collect property taxes.
- **Provide Revenue and Financing Flexibility for New York City.** New York City would be authorized to apply the Mortgage Recording Tax to cooperative apartments, consistent with the current treatment of other apartments and homes. The budget also provides the City with greater financing flexibility in issuing Qualified School Construction Bonds authorized under the American Recovery and Reinvestment Act of 2009.
- **Provide Revenue and Investment Flexibility for Other Local Governments.** Municipalities would be afforded the following revenue options to help minimize the property tax burden: authorization for cities and villages to increase the local gross receipts tax rate on utilities from one percent to a maximum of three percent; charges for accident reports at levels authorized for the State Police; fees for ambulance and emergency medical services provided by fire departments similar to a local government's ability to charge for freestanding ambulance agencies; charges for additional police at paid-admission events; and flexibility to deposit municipal funds in credit unions and savings banks.

## VII. Overall Fiscal Impact on Local Governments

The 2010-11 Executive Budget would have an overall \$1.3 billion negative impact on local governments in their local fiscal years ending in 2011. 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 would experience net positive benefits despite reductions in aid under some programs. Counties would realize a net \$57 million benefit primarily due to new public safety communications systems aid and fiscal relief from mandate reforms. Cities, towns and villages would also see net positive impacts associated with increased revenue flexibility and mandate reform savings.

IMPACT OF THE 2010-11 EXECUTIVE BUDGET ON LOCAL GOVERNMENTS (LOCAL FISCAL YEAR ENDING IN 2011 – \$ IN MILLIONS)					
	Total	NYC	School Districts (outside NYC)	Counties	All Other
Revenue Actions	175.4	59.5	0.0	1.2	114.7
School Aid/Education	(1,166.2)	(469.0)	(703.0)	5.8	0.0
Municipal Aid	(320.2)	(301.7)	0.0	(0.9)	(17.6)
Human Services	(85.6)	(53.3)	0.0	(32.3)	0.0
Transportation	(8.9)	(3.9)	0.0	(5.0)	0.0
Public Protection	71.8	8.8	0.0	63.0	0.0
All Other Mandate Reforms/Local Impacts	57.3	11.0	7.8	25.0	13.5
<b>Total 2010-11 Exec Budget Actions</b>	<b>(1,276.4)</b>	<b>(748.6)</b>	<b>(695.2)</b>	<b>56.8</b>	<b>110.6</b>
Medicaid Cap & FHP Takeover Savings*	1,325.4	862.7	0.0	462.7	0.0
<b>Grand Total</b>	<b>49.0</b>	<b>114.1</b>	<b>(695.2)</b>	<b>519.5</b>	<b>110.6</b>

\*Medicaid Cap Savings exclude proposed 2010-11 cost containment initiatives which – if enacted – will lower the State's cost for the cap

The Executive Budget also continues \$1.3 billion 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 fiscal impact on local governments is a positive \$49 million.

In future years, as the State resumes its multi-year commitment to education aid growth, Executive Budget actions would again have a positive impact on all classes of municipal government that grows to \$2.6 billion by 2013.

# 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 educate more than 1.2 million students. 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 over 400,000 students with a wide array of undergraduate, graduate degree, and first professional educational opportunities. SUNY and CUNY also support 36 community colleges, which serve more than 330,000 students. More than 520,000 students attend one of the more than 100 private colleges and universities across New York State.

In order to help make higher education financially attainable for college students, the Higher Education Service Corporation (HESC) provides a broad range of financial aid services. HESC administers and guarantees more than 700,000 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 New York Higher Education Loan Program (NYHELPS), the Aid for Part Time Study program, and 16 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 shown steady growth, increasing 12.5 percent since 2003, at four-year and graduate colleges. Community college enrollment has increased 26 percent during this same period. Concurrently, State support has increased 40 percent for four-year and graduate colleges and 33 percent for community colleges. Additionally, the State has devoted substantial support to SUNY's and CUNY's physical infrastructure, providing \$11.8 billion in new capital project funding for senior and community colleges since 2003-04.

## III. Proposed 2010-11 Budget Actions

The 2010-11 Executive Budget proposes the most significant overhaul of New York's public higher education system in a generation. The New York State Public Higher Education Empowerment and Innovation Act will establish a new tuition policy that allows for predictable and modest annual tuition increases; authorizes differential tuition that will take into account



## Higher Education

the unique mission, cost structure and needs of an individual campus; moves revenue from tuition and self-supporting programs off-budget in order to remove it from the budget process; and provides operational flexibility similar to that given to other public higher education systems by streamlining the procurement of goods and services, the procurement and financing of construction services, and the leasing of campus property. A separate section of this briefing book outlines this proposal.

With these reforms, SUNY and CUNY senior colleges can better plan and manage the actions proposed in the Executive Budget, which would reduce overall 2010-11 General Fund support by \$212 million on a State Fiscal Year (SFY) basis and \$254 million on an Academic Fiscal Year (AFY) basis.

### IV. Summary of Spending

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Higher Education	3,278	3,087	(191)	(5.8)
SUNY	1,567	1,495	(72)	(4.6)
CUNY*	780	748	(32)	(4.1)
HESC	931	844	(87)	(9.3)

\* Excludes directly appropriated fringe benefit funding

## V. Major Initiatives

### Gap-closing Actions and Investments

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Reduce Support for SUNY/CUNY Senior Colleges	143	182
Reduce Support for SUNY Statutory Colleges at Cornell and Alfred Universities	15	18
Reduce Base Aid for SUNY/CUNY Community Colleges	57	76
Use Federal ARRA Funds to Support Community College Base Aid	50	0
Reduce Maximum TAP Award for Two-Year Degree Programs	20	28
Reduce TAP Awards by \$75	17	24
Include All Private Pension and Annuity Income in TAP Eligibility Determinations	1	2
Increase Academic Standards for Continued TAP Award Eligibility	6	8
Eliminate New Merit Award Scholarships	5	10
Establish Default Parity for TAP	3	4
Eliminate TAP for Graduate Students	2	3
Create New TAP Award Schedules for Certain Financially Independent Students	1	2
Provide TAP to Students Attending Certain Institutions Not Under the State Education Department's Direct Supervision	(13)	(18)
Other Higher Education Savings Actions	14	10
<b>Total</b>	<b>321</b>	<b>349</b>

- Reduce Support for SUNY/CUNY Senior Colleges.** The Executive Budget reduces General Fund support for SUNY (\$95 million State Fiscal Year, \$117.9 million Academic Fiscal Year) and CUNY (\$47.7 million SFY, \$63.6 million AFY) senior colleges by a total of \$142.7 million SFY (\$181.5 million AFY). Additionally, the budget reflects further SFY appropriations reductions of \$52 million (\$30.9 million SUNY, \$20.8 million CUNY) related to negotiated personal service savings (see the "Workforce" section of this briefing book for further discussion). After these reductions, \$946 million would be provided to SUNY and \$577 million to CUNY. *(2010-11 Savings: \$142.7 million; 2011-12 Savings: \$181.5 million)*
- Reduce Support for SUNY Statutory Colleges at Cornell and Alfred Universities.** State support is provided through SUNY to five statutory colleges, the College of Ceramics at Alfred University, and four at Cornell University. In addition, the State provides support for Cornell's land grant mission. The Executive Budget reduces this support by \$14.9 million

## Higher Education

SFY (\$18.5 million AFY). After this reduction, \$83 million would be provided for Cornell's statutory colleges, \$49 million for Cornell land grant, and \$8.7 million for the College of Ceramics. *(2010-11 Savings: \$14.9 million; 2011-12 Savings: \$18.5 million)*

- **Reduce Base Aid for SUNY/CUNY Community Colleges.** The Executive Budget reduces SUNY and CUNY community college base aid by \$285 per full-time equivalent (FTE) student from \$2,545 per FTE to \$2,260 per FTE. *(2010-11 Savings: \$56.7 million; 2011-12 Savings: \$75.6 million)*
- **Use Federal ARRA Funds to Support Community College Base Aid.** An additional \$50 million in Federal American Recovery and Reinvestment Act (ARRA) funds would be used to support community college base operating aid payments, mitigating potential further reductions. *(2010-11 Savings: \$50.1 million; 2011-12 Savings: \$0 million)*
- **Reduce Maximum TAP Award for Two-Year Degree Programs.** The Executive Budget reduces the maximum TAP award for students enrolled in a two-year degree granting program from \$5,000 to \$4,000. *(2010-11 Savings: \$19.6 million; 2011-12 Savings: \$28.0 million)*
- **Reduce TAP Awards by \$75.** The Executive Budget reduces all TAP awards by \$75. *(2010-11 Savings: \$16.5 million; 2011-12 Savings: \$23.6 million)*
- **Include All Private Pension and Annuity Income in TAP Eligibility Determinations.** Currently, for individuals 59.5 years of age and older, the first \$20,000 of private pension and annuity income is excluded for purposes of calculating TAP award eligibility levels. The Executive Budget eliminates this exclusion. *(2010-11 Savings \$1.4 million; 2011-12 Savings \$2 million)*
- **Increase Academic Standards for Continued TAP Award Eligibility.** The Executive Budget would increase minimum academic standards for non-remedial students to maintain TAP eligibility. Such students would be required to earn at least 15 credits and a 1.8 Grade Point Average (GPA) after two semesters of study. This proposal would promote improved academic performance and on-time graduation. Current standards would remain unchanged for remedial students. *(2010-11 Savings: \$5.9 million; 2011-12 Savings: \$8.4 million)*
- **Eliminate New Merit Award Scholarships.** The Executive Budget eliminates all new awards for the Scholarship for Academic Excellence, and for Math and Science Teacher Incentive Scholarship programs beginning in the 2010-11 academic year. *(2010-11 Savings: \$4.7 million; 2011-12 Savings: \$10.0 million)*
- **Establish Default Parity for TAP.** Currently, students in default on loans guaranteed by HESC are ineligible to receive TAP payments, but students in default on loans guaranteed by organizations other than HESC retain TAP eligibility. The Executive Budget provides that all students in default on statutory New York State or Federal loans would be ineligible for TAP awards, regardless of the guarantor. *(2010-11 Savings \$2.9 million; 2011-12 Savings \$4.1 million)*

- **Eliminate TAP for Graduate Students.** The Executive Budget eliminates TAP award eligibility for graduate students. The average graduate TAP award is \$387. *(2010-11 Savings \$2.1 million; 2011-12 Savings \$3 million)*
- **Create New TAP Award Schedules for Certain Financially Independent Students.** The Executive Budget creates a new TAP schedule that increases the maximum award from \$3,025 to \$5,000 for orphans/wards of the court and other students under 22 years of age who meet certain criteria that establishes their financial independence. These students would receive an award similar to that for students who are declared as dependents by their parents. This proposal also decreases the maximum award for independent students who are married without children from \$5,000 to \$3,025, which is consistent with the award provided to single adults with no children. *(2010-11 Savings: \$1.3 million; 2011-12 Savings: \$1.9 million)*
- **Provide TAP to Students Attending Certain Institutions Not Under the State Education Department's Direct Supervision.** Currently, there are some income-eligible students who attend not-for-profit institutions of higher education that cannot receive TAP because their schools, although authorized by the State Education Department (SED) to offer post-secondary education, are not under SED's direct supervision. The Executive Budget would effectively lift the statutory prohibition against providing TAP to otherwise income-eligible students at certain specialized faith-related institutions that primarily offer religious instruction or train members of the clergy. *(2010-11 Cost: \$12.8 million; 2011-12 Cost: \$18.3 million)*
- **Other Higher Education Savings Actions.** The Executive Budget reduces HESC's operating budget by \$1.5 million, which would be managed through reduced non-personal services spending and increased reliance on shared services. The Executive Budget also reflects spending re-estimates related to TAP and the New York Higher Education Loan Program (NYHELPS). *(2010-11 Savings: \$13.6 million; 2011-12 Savings: \$9.5 million)*



# State Workforce

## I. Overview

State employees deliver services to the public and manage a range of facilities and provider networks. They oversee and administer billions of dollars in program funding and capital projects.

Approximately 94 percent of the State workforce is unionized. Most of the nine employee unions and 14 negotiating units have collective bargaining contracts with the State that provide a general salary increase of four percent in April 2010. There are approximately 12,000 Management/Confidential (M/C) employees who are not represented by a union.

State employees receive an average compensation of \$63,750 plus fringe benefits.

The largest State employers are:

Agency	Workforce (3/31/10 Estimate)
State University of New York	41,778
Department of Correctional Services	30,027
Office of Mental Retardation and Developmental Disabilities	21,786
Office of Mental Health	16,297
City University of New York	12,933

## II. History/Context

In response to the State's current fiscal difficulties, Governor Paterson has implemented a number of actions to decrease the size of the State workforce, while minimizing layoffs during a time of economic distress. These include implementing a hiring freeze on non-essential positions, aggressive attrition efforts, eliminating funded vacant positions, and offering a one-time \$20,000 severance incentive.

At the close of the 2009-10 fiscal year, the portion of the State workforce that is subject to gubernatorial management is projected to total 132,525. This represents a decline of 5,150 since Governor Paterson took office in March 2008. After implementation of Executive Budget recommendations, the portion of the State workforce that is subject to gubernatorial management would total 131,900 – a decline of 5,775 positions compared to March 2008. When completed, the annual General Fund savings associated with these reductions would be approximately \$457 million, including fringe benefits. This savings estimate is based on each agency's average annual salary.

### III. Proposed 2010-11 Budget Actions

The Governor will seek to implement various workforce actions to reduce payroll and fringe benefit expenses. These include options such as delaying or reducing payment of the April 1, 2010 four percent general salary increase and implementing a salary deferral. The size of the State workforce will also continue to decline through facility closures, agency mergers, and ongoing management of employee hiring.

### IV. Workforce Summary

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
State Workforce Salary Costs	13,463	13,127	(336)	(2.5)
State Workforce Fringe Benefit Costs	5,437	6,007	570	10.5
<b>Total State Workforce Personnel Costs</b>	<b>18,900</b>	<b>19,134</b>	<b>234</b>	<b>1.2</b>

Amounts shown include the Legislature and Judiciary, which are not reflected in the workforce numbers below.

Category	2009-10 3/31/10 Est.	2010-11 3/31/11 Est.	Change	
			Number	Percent
Workforce Subject to Executive Control	132,525	131,900	(625)	(.5)
Workforce Not Subject to Executive Control	63,850	63,800	(50)	(.1)
<b>Total State Workforce</b>	<b>196,375</b>	<b>195,700</b>	<b>(675)</b>	<b>(.3)</b>

Category	Actual 3/31/08	2010-11 3/31/11 Est.	Change	
			Number	Percent
Workforce Subject to Executive Control	137,675	131,900	(5,775)	(4.2)
Workforce Not Subject to Executive Control	62,075	63,800	1,725	2.8
<b>Total State Workforce</b>	<b>199,750</b>	<b>195,700</b>	<b>(4,050)</b>	<b>(2.0)</b>

## V. Major Initiatives

### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Workforce Actions that Require Negotiation	250	125
Amortize State Pension Contribution Costs	217	475
Require Medicare Part B Premium Contribution	30	30
Allow Option to Self-Insure NYSHIP	15	30
<b>Total</b>	<b>512</b>	<b>660</b>

The Governor will seek to implement a number of workforce actions to reduce State employee salary costs. These actions are targeted to save \$250 million in 2010-11 and \$125 million in 2011-12. These may include options such as:

- **Salary Deferral.** Personal service savings could be achieved through deferring salary payments in 2010-11 until an employee leaves State service. At such time, employees would be entitled to a lump sum payment based upon the rate of basic annual salary in effect at that time. In no event would the lump sum payment be less than the amount of salary originally deferred. A five-day salary deferral was previously implemented during the 1990-91 fiscal crisis.
- **Delay or Reduction of the April 1, 2010 Four Percent General Salary Increase.** A number of bargaining units representing State employees are currently scheduled to receive a four percent salary increase in the 2010-11 fiscal year. The Governor is rescinding, for the second consecutive year, the general salary increase for the State's non-unionized Management/Confidential employees (\$28 million in 2010-11).



A number of actions are recommended that do not require union negotiation to reduce fringe benefit costs and save \$262 million in 2010-11.

- **Amortize State Pension Contribution Costs.** Local governments and the State will face substantial pension contribution increases over the next five years due to investment losses experienced by the Common Retirement Fund. This proposal would give local governments and the State the option to amortize a portion of their pension costs from 2010-11 through 2015-16. Local governments and the State, if they choose to participate, would be permitted to amortize the portion of their respective pension costs exceeding a contribution rate of 9.5 percent for the New York State and Local Employees' Retirement System and 17.5 percent for the New York State and Local Police and Fire Retirement System in 2010-11. The contribution rate above which future amortizations are allowed would be increased by one percentage point each year through 2015-16. Repayment of the amortized amounts would be made over a ten-year period at an interest rate to be determined by the State Comptroller. *(2010-11 Savings: \$217 million; 2011-12 Savings: \$475 million)*
- **Require Medicare Part B Premium Contribution.** The State currently pays 100 percent of the Medicare Part B premium for employees and retirees. The Executive Budget proposal would require employees and retirees to pay ten percent of Medicare Part B premiums for individual coverage and 25 percent for dependent coverage. Currently, the monthly Medicare Part B base level premium is \$96. This proposal would increase employee/retiree health insurance contributions by approximately \$30 a year for individual coverage and \$85 a year for family coverage. *(2010-11 Savings: \$30 million; 2011-12 Savings: \$30 million)*
- **Allow Option to Self-Insure NYSHIP.** The State would have the option to self-insure all or parts of the New York State Health Insurance Plan. The elimination of insurance carrier risk charges, State and local taxes, and insurance assessments would produce savings for NYSHIP. *(2010-11 Savings: \$15 million; 2011-12 Savings: \$30 million)*

### Other Workforce Actions

- **Office of Children and Family Services - Facility Closures / Youth Facility Improvement.** Two non-secure and one limited secure youth facilities would be closed or downsized due to high vacancy rates (-75 abolitions and -176 attritions) and 169 positions would be added to improve staff-to-youth ratios and mental health services for youth in certain facilities.
- **Department of Correctional Services - Facility Closures.** Two minimum security facilities would be closed in January 2011 (-173 attritions) and one minimum security shock facility and one medium security facility would be closed in April 2011 (-399 attritions).

- **Division of Parole - Caseload Reduction and Reduced Membership.** Caseload reduction would allow for the elimination of mostly vacant field parole officer positions and a reduction in the Board of Parole from 19 to 13 members (-105 attritions and -6 abolitions).
- **Office of Mental Health - Ward Closures.** Two Transitional Placement programs would be created and inpatient services would be reconfigured allowing eight wards to be closed (-226 attritions).
- **Department of Taxation and Finance - Revenue.** The Department would invest in new staff across the auditing, collection and enforcement programs to realize \$221 million in additional revenue (176 staff).
- **Marcellus Shale.** The departments of Environmental Conservation, Health, and Public Service would invest in new staff (29, four and two new positions, respectively) to oversee natural gas drilling in the Marcellus Shale formation.
- **Insurance Department – Replenish Examiner Workforce to Increase Onsite Examinations and Facilitate Health Insurance Premium Initiative (70 new fills).** The addition of newly-trained insurance examiners to the Department’s staff would result in savings to the insurance industry by reducing the number of more costly direct-pay examinations for which insurers currently contract with outside vendors to perform. Also included are ten new staff positions to reinstitute Insurance Department prior approval of health insurance premium increases before they take effect and impact consumers.
- **Merger of Select State Entities.** To produce efficiencies and cost-savings, several State agencies or public benefit corporations would be merged:
  - The Office of Real Property Services would merge into the Department of Taxation and Finance (298 staff);
  - The State Employment Relations Board would be abolished (-ten staff), and the Public Employment Relations Board would absorb its responsibilities;
  - The Office of Homeland Security would be combined with staff from the Statewide Wireless Network (eight staff), Statewide Emergency Management Office (97 staff), and staff from the Department of State (124 staff) to form the new Division of Homeland Security and Emergency Services; and
  - Criminal justice programs would be consolidated by merging staff from the Crime Victims Board, Division of Probation and Correctional Alternatives, and the Office for the Prevention of Domestic Violence into the Division of Criminal Justice Services (151 staff).



# Public Safety

*Department of Correctional Services  
Division of Parole  
Division of State Police  
Division of Criminal Justice Services  
State Commission of Correction  
Division of Homeland Security and Emergency Services  
Division of Military and Naval Affairs  
Division of Veterans Affairs  
Alcoholic Beverage Control*

## I. Overview

The State protects New York's residents through various public safety agencies. With an annual budget of nearly \$5.0 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 and terrorist threats. With nearly 40,000 staff, many of whom serve within the State's 68 correctional institutions, public safety agencies comprise 18 percent of the overall State workforce.

## II. History/Context

Between 1999 and 2008, New York experienced one of the greatest decreases in both crime and incarceration of any state in the nation during that period.

Over these ten years, New York State's crime rate declined 28 percent or twice the national average. Each year during this period, the actual number of crimes reported fell until reaching the lowest levels ever recorded in 2007, before rising slightly in 2008. There were 139,726 fewer crimes reported in 2008 than in 1999, while the population of the State increased by 1.3 million.

Simultaneously, the State's prison population fell from a peak of 71,600 in 1999 to less than 59,000 currently. New York is one of 20 states nationwide to experience a decline in its prison population, and led the nation with the largest rate of decrease in 2008. Notably, the decline is not the result of extraordinary new release policies, but rather from a real reduction in crime and the success of re-entry programs.

At the same time, spending for public safety programs grew by 43 percent, of which half was dedicated to prison operations, with recent increases driven primarily by enhanced mental health, sex offender, and medical programs. Another 21 percent of this increased funding supported growth in State Police operations.

### **III. Proposed 2010-11 Budget Actions**

During 2010-11, the prison system will continue to consolidate and eliminate excess capacity, reflecting the continuing decline in the prison population. The proposed closures and consolidations will eliminate approximately three percent of total capacity and two percent of the staff of the Department of Correctional Services.

The budget also proposes restructuring the operations of public safety agencies to deliver improved services with greater efficiency. The creation of two consolidated agencies – one for criminal justice services, and one for emergency management and homeland security – positions the public safety community to leverage its combined strengths. As a result of these initiatives, the public safety agencies will:

- Improve cooperation with local and Federal partners;
- Better share information and break down programmatic silos;
- Develop regional interoperable communication networks that will form the basis of a statewide interoperable network for all first responders;
- Restructure the 911 Board;
- Create a state-of-the-art training facility for first responders;
- Foster the efficiency of public safety functions at the local level;
- Standardize grant operations to make the competition for funding more streamlined and transparent; and
- Lower costs through combined administrative functions and shared service centers.

#### IV. Summary of Spending (All Funds)

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Public Safety	5,039	4,736	(303)	(6.0)
Department of Correctional Services	3,008	2,772	(236)	(7.9)
Division of State Police	768	719	(49)	(6.4)
Division of Criminal Justice Services (adjusted for comparability in 2009-10)	471	468	(3)	0.0
Division of Homeland Security and Emergency Services	316	329	13	4.0

#### V. Major Initiatives

##### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Close Four Prisons and Consolidate Dormitories	7	52
Division of Homeland Security and Emergency Services	17	17
Merge Criminal Justice Agencies	2	2
Delay State Police Training Classes/Redeploy SROs	0	0
Expand DNA Program	(1)	(2)
Reduce Local Criminal Justice and Probation Programs Across-the-Board by Ten Percent	12	12
Maximize Alternative Funding Sources	15	16
Additional Agency Reductions	84	82
<b>Total</b>	<b>136</b>	<b>179</b>

- **Close Four Prisons and Consolidate Dormitories.** The prison population is projected to decline by 1,100 inmates in the current fiscal year and by another 1,000 inmates in the 2010-11 fiscal year – reaching a total of 57,600 inmates. As a result, the Department of Correctional Services would continue to consolidate facilities and eliminate excess capacity. Two prisons would close in January 2011: Lyon Mountain minimum security (Clinton County) and Butler minimum security (Wayne County). Another two prisons would close in April 2011: the Moriah shock facility (Essex County) and Ogdensburg medium security (St. Lawrence County). The planned closures would be undertaken in compliance with the current statutory provisions requiring one-year notification. The consolidation of various dormitories would also be factored into the overall plan, providing flexibility to adjust to unexpected changes in the size and movement of the inmate population. Once the closures are completed, the workforce will have been reduced by 637 staff, including 17 managerial staff. *(2010-11 Savings: \$7 million; 2011-12 Savings: \$52 million)*
- **Division of Homeland Security and Emergency Services.** The Office of Homeland Security, the State Emergency Management Office, the State 911 Board, the Office of Cyber Security and Critical Infrastructure Coordination, and the Office of Fire Prevention and Control will merge into a single State agency to provide greater support to local first responders and improve coordination of a wide array of State and Federal grant programs. The essential missions of these organizations would not only continue, but would be enhanced within the new organization, while also achieving savings of \$1.5 million. In addition, the new organization would be responsible for advancing the vision for a county-driven statewide interoperable communication system to be used by all first responders, including State public safety staff. The agency would offer grants totaling up to \$50 million next year to assist counties in developing communications networks and consolidating dispatch centers. The grants would be funded from cellular surcharge revenues that were formerly intended to finance the Statewide Wireless Network Project – the same source that would provide support for a portion of the operations of the new agency. In addition, the State would invest \$42 million in bonded capital over five years to expand the State Preparedness Training Center at Oriskany into a statewide training center for first responders. *(2010-11 Savings: \$17 million; 2011-12 Savings: \$17 million)*
- **Merge Criminal Justice Agencies.** The operations of the Crime Victims Board, Office for the Prevention of Domestic Violence, and Division of Probation and Correctional Alternatives would merge with the Division of Criminal Justice Services (DCJS). The important missions of these agencies would be preserved and enhanced as specialized offices within DCJS. DCJS already provides administrative support to these smaller agencies, and a full merger offers a more efficient and cost-effective environment for the delivery of programs and services for which these agencies are responsible. The merger would also foster improved coordination of policies and programs, and consolidate grant operations. *(2010-11 Savings: \$2 million; 2011-12 Savings: \$2 million)*

- **Delay State Police Training Classes/Redeploy School Resource Officers.** The Division of State Police has not held a training class during the current year, and will not hold any during the 2010-11 fiscal year in light of the State's fiscal crisis. As a result of the decision not to recruit new members to replace those who leave, the State Police force would be approximately 269 positions lower by April 2011 compared to April 2009, requiring the Superintendent to redeploy members to the highest priority assignments with the greatest impact on public safety. The redeployment plan developed by the Superintendent examined resource allocations in all troops and details to ensure that the core missions of the agency are met. This plan includes the reassignment of 90 school resources officers (at the close of the school year in June 2010), as well as other members in each of the troops and details, from duties beyond the traditional role of the State Police. The delay of the training classes avoids \$17 million in cost during the 2010-11 fiscal year.
- **Expand DNA Program.** Legislation is advanced to require all persons convicted of a Penal Law offense to submit a DNA sample at the time of conviction. This will greatly expand the use of DNA as a crime fighting tool, as well as help to exonerate those who are wrongfully convicted. Current law requires DNA samples from only 46 percent of offenders convicted of a Penal Law offense. This initiative is expected to modestly expand the workload of the State Police laboratory in Albany. *(2010-11 Cost: \$400,000; 2011-12 Cost: \$1.7 million)*
- **Reduce Local Criminal Justice and Probation Programs Across-the-Board by Ten Percent.** Grants to communities for crime fighting, prevention activities, alternatives to incarceration, and legal services are reduced by ten percent for a savings of \$7.2 million. Support for local probation departments is also reduced by ten percent for a savings of \$5.2 million, with the impact on counties partially mitigated by the positive impact of anticipated regulatory changes. After these reductions, a total of \$124 million in support would still be available for local criminal justice programs. *(2010-11 Savings: \$12 million; 2011-12 Savings: \$12 million)*
- **Maximize Alternative Funding Sources.** The Department of Correctional Services and the Department of Health would implement a new program to capture Federal Medicaid reimbursement for the cost of treating inmates in hospital settings outside the prison. In addition, excess revenues in the Criminal Justice Improvement Account would be transferred to the General Fund to offset the cost of criminal justice programs. *(2010-11 Savings: \$15 million; 2011-12 Savings: \$16 million)*



- **Additional Agency Reductions.** The Executive Budget recommends an additional \$75 million reduction to the operations of public safety agencies. Agencies would manage these reductions through a broad range of savings initiatives, including strict limits on staffing; energy consumption and purchases; vehicles, supplies, equipment, contracts for technology and other services; the development of shared services, especially within the newly consolidated agencies; and other actions. *(2010-11 Savings: \$84 million; 2011-12 Savings: \$82 million)*

### Other Budget Actions

- **Public Safety Mandate Reform.** Several regulatory and statutory changes would be advanced to reform mandates placed on local jails and other local public safety agencies. These initiatives include fostering expanded use of video-conferencing; expanding the use of a New York City practice to expedite the hearing process for technical parole violators; removing mandates that local jails maintain gender-segregated infirmaries; providing flexibility in incarcerating younger inmates; and encouraging the consolidation of town and village courts.
- **Investment in Indigent Defense.** A new office would provide oversight of the indigent defense system, housed within the consolidated Division of Criminal Justice Services and overseen by a board of key stakeholders, including the Executive Branch, the Judiciary, and county government representatives. Current aid formulas and county maintenance of effort requirements would be replaced with a new grant program to be designed by the new office and board, driven by performance standards and supplemented with \$7 million in new funding. Including the \$3 million cost of the office, a total new investment of \$10 million would support improvements to indigent legal services.
- **Subsidy for Civil Legal Services.** The Judiciary budget request includes a new \$15 million subsidy to replace lost interest income of the Interest on Lawyers Account (IOLA) – the primary source of State funding for civil legal services. The subsidy would be sufficient to allow grants to be maintained at last year’s level, and is proposed to be financed by a court fee increase.
- **Expansion of Crimes Against Revenue Program (CARP).** An additional \$10 million in resources would be provided to county district attorneys to prosecute tax and other revenue fraud identified by the Department of Taxation and Finance. This effort is anticipated to yield additional tax recoveries, with a net benefit of one to two times the value of the investment.

- **Improve Processing of Alcoholic Beverage Licenses.** The Division of Alcoholic Beverage Control would engage in a full-scale restructuring of its licensing program, including streamlined procedures, improved enforcement, and the introduction of an online licensing application. The agency is participating with four partners in a statewide “e-licensing” initiative, designed to assist businesses seeking State permits and licenses. Interim measures are expected to lead to immediate progress in lowering the backlog of licenses, with the electronic licensing application project taking at least two years to complete.
- **Transfer of Criminal Justice Related Programs from the Department of Health.** The consolidated Division of Criminal Justice Services would assume responsibility for the existing rape crisis program of the Department of Health (DOH). In addition, DCJS would administer funding for medical examiners previously budgeted in DOH, as part of their support for forensic laboratories, beginning January 1, 2011.
- **Reduction in Parole Board Members.** Determinate sentencing of violent and drug offenders has significantly reduced the workload of the Parole Board. It is recommended that the current 19-member Parole Board be reduced by six members.
- **Increase Court Filing Fees.** Fees to file a new case or a motion in court would be increased to provide support for indigent defense, civil legal services and cost increases in the Judiciary budget. Generating \$41 million in 2010-11, the increases are structured to discourage frivolous cases and motions causing significant court delays and backlogs, and to preserve access to justice for persons of lesser means. *(2010-11 Net Revenue: \$31 million; 2011-12 Net Revenue: \$44 million; net of \$10 million annually to support indigent legal services)*
- **Implement Speed Enforcement Cameras.** Authorization is sought to deploy automated cameras to identify vehicles speeding in designated highway work zones and dangerous stretches of highway. Notices of violation in the amount of \$50 for highway speeding and \$100 for speeding in work zones would be issued to the registered owners of vehicles captured by the cameras. Cameras would be deployed in 40 work zones and in ten additional locations. *(2010-11 Net Revenue: \$25 million; 2011-12 Net Revenue: \$71 million)*



# Economic Development

*New York State Job Development Corporation  
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) provides policy direction and manages marketing and advertising activities to promote tourism and new business investment in New York. The Empire State Development Corporation (ESDC) is a public authority that fosters and finances key economic development projects across the State. The Foundation for Science, Technology and Innovation (NYSTAR) administers programs to expand university-based research and technology.

The 2010-11 Executive Budget proposes the merger of ESDC and DED to form the New York State Job Development Corporation (JDC). This new entity would streamline the State's economic development delivery structure and ensure that New York emerges as a leader in a knowledge, technology, and innovation-based economy. NYSTAR would continue its work in partnership with the new JDC.

## II. History/Context

The mission of the State's economic development agencies is to stimulate economic growth and job creation by fostering business development; enhancing industrial competitiveness; revitalizing downtown areas; advancing high technology; and promoting tourism. Economic development initiatives have provided tax incentives to businesses through the Empire Zone program, and made targeted grants, loans and capital investments throughout the State.

Spending for these programs has increased dramatically. Over the past five years, Empire Zone tax expenditures and debt service on economic development projects have grown by \$274 million, an average annual increase of nine percent. Despite this growth in spending, the State's return on its investment has been difficult to quantify, and businesses participating in the programs have not been held accountable.

### III. Proposed 2010-11 Budget Actions

The 2010-11 Executive Budget implements the Governor's proposals to refocus the delivery of economic development programs, and to make cost-effective and results-oriented investments that would create jobs and make New York competitive in the new economy and global markets of the 21st Century. Major actions include:

- Restructuring the State's economic development activities by merging DED and ESDC into the New York State Job Development Corporation. This merger would improve the effectiveness of programs and streamline delivery of services. This consolidation would also save \$4.7 million annually by integrating operations and eliminating duplicative functions.
- Establishing the Excelsior Jobs Program to provide tax incentives to businesses in targeted industries focused on creating and maintaining jobs. The program would contain stringent accountability standards to guarantee that businesses deliver on job and economic development commitments. The program's cost would be capped at \$250 million annually to maintain fiscal affordability and to ensure that New Yorkers realize a positive return on their investment.
- Capitalizing on Federal stimulus funding by offering up to \$100 million in State matching grants for institutions that receive research and development awards. NYSTAR would select projects for a ten percent match through a competitive process that would reward projects with the greatest economic and scientific benefits to the State.
- Supporting the economic growth of New York's small businesses and university-based entrepreneurs through the creation of a \$25 million Small Business Revolving Loan Fund and a \$25 million New Technology Seed Fund.

### IV. Summary of Spending (All Funds)

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Capital Disbursements	875	1,146	271	31
Operations	29	24	(5)	(17)
Programs	70	104	34	49

## V. Major Initiatives

### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Merge DED and ESDC to create JDC	4.7	4.7
Implement Economic Development Capital Reduction Plan	0	5.8
Reduce High Technology Funding	5.6	5.6
Reduce Tourism Marketing Programs	1.8	1.8
Eliminate Various Economic Development Programs	1.6	1.6
Reduce Timothy's Law Subsidy	30	30
<b>Total</b>	<b>43.7</b>	<b>49.5</b>

- **Merge DED and ESDC and create the Job Development Corporation.** The merger would streamline service delivery, achieve performance improvements, create organizational efficiencies, and provide cost savings through the elimination of duplicative functions. *(2010-11 Savings: \$4.7 million; 2011-12 Savings: \$4.7 million)*
- **Implement Economic Development Capital Reduction Plan.** The Executive Budget implements a multi-agency Capital Reduction Program that would ensure sufficient debt capacity for future investments and reduce projected growth in the State's debt burden. Economic Development capital programs would achieve \$317 million in spending and debt reductions over a five-year period through this initiative. The savings actions would include aligning economic development spending to actual project needs; requiring implementing agencies to carefully manage the pace of project commitments and spending; and eliminating funding for dormant projects. The plan would achieve \$75 million in debt service savings over the next five years. *(2010-11 Savings: \$0 million; 2011-12 Savings: \$5.8 million)*
- **Reduce High Technology Funding.** Reductions are proposed to the university-based Focus Center, Technology Transfer, and Faculty Development programs. After these actions, \$42.3 million would continue to be available to support critical university-based matching grants and other high technology and research and development programs, including the Centers of Excellence. These continuing funds would sustain early stage research and development activities. *(2010-11 Savings: \$5.6 million; 2011-12 Savings: \$5.6 million)*

## Economic Development

- **Reduce Tourism Marketing Programs.** Funding for tourism and marketing programs, including “I♥NY” Tourism, Local Tourism Matching Grants, and Explore New York would be reduced or eliminated. Even after these actions, \$10.6 million would be available to support these programs. Such actions would be in addition to the recurring impact of State operations reductions initiated in 2009-10. *(2010-11 Savings: \$1.8 million; 2011-12 Savings: \$1.8 million)*
- **Eliminate Various Economic Development Programs.** Funding for non-core initiatives, such as the Gateway Centers in Binghamton and Beekmantown, and the Pollution Prevention program would be eliminated. *(2010-11 Savings: \$1.6 million; 2011-12 Savings: \$1.6 million)*
- **Reduce Timothy’s Law Subsidy.** Funding for State subsidy payments for mental health coverage provided as part of employee health insurance by firms with 50 or fewer employees would be reduced by \$30 million in 2010-11. This reduction is in addition to a \$20 million reduction that was enacted as part of the 2009-10 Deficit Reduction Program. Even after these actions, eligible small businesses would remain entitled to a State subsidy payment equal to approximately \$30 per year (nearly 50 percent of the cost) for each of their covered individuals under eligible mental health insurance programs. *(2010-11 Savings: \$30 million; 2011-12 Savings: \$30 million)*

### Other Budget Actions

- **Excelsior Jobs Program.** The 2010-11 Executive Budget would create a new Excelsior Jobs Program to provide job creation and investment incentives to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green-technology, financial services, and manufacturing. Under this program, firms in those industries that create and maintain at least 50 net new jobs in New York for five years would be eligible for three tax credits, each of which is fully refundable:
  - The Excelsior New Jobs tax credit of between \$2,500 and \$10,000 per new job to cover a portion of the associated payroll cost;
  - The Excelsior Investment Tax Credit (ITC) valued at two percent return of total qualified investments; and
  - The Excelsior Research and Development tax credit providing a ten percent credit for new investments based on the Federal Research and Development credit.

Eligible firms would be designated for Excelsior benefits in accordance with rules and regulations promulgated by the Job Development Corporation, and would be held to strict accountability standards.

- **Innovation Economy Matching Grants Program.** The budget authorizes an investment of up to \$100 million in State funds over a five-year period for research awards financed through the American Recovery and Reinvestment Act (ARRA). New York institutions applying for the ARRA funds would be selected for a ten percent match through a competitive process that would reward projects with the greatest economic and scientific benefits.
- **Small Business Revolving Loan Fund.** The budget provides \$25 million for loans to support the growth of small businesses. The Fund would target minorities, women and other New Yorkers who have difficulty accessing regular credit markets. Funding would be seeded by a \$25 million contribution from the New York Power Authority.
- **New Technology Seed Fund.** \$25 million would be made available to assist university-based entrepreneurs make the transition from pure research to the creation of marketable products that generate revenue. Priority would be given to start-up and early-stage small businesses that have demonstrated the most promising commercial potential in the fields of cutting-edge emerging technologies. Funding would be supported by the resources of the Job Development Corporation.
- **Continued Economic Development Investments.** Over \$45 million would 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; the Manufacturing Legacy Program; and international trade efforts.





# Environment and Energy

*Adirondack Park Agency  
Department of Agriculture & Markets  
Department of Environmental Conservation  
Department of Public Service  
Environmental Facilities Corporation  
Hudson River Park Trust  
Hudson River Valley Greenway Council and Conservancy  
New York State Energy, Research and Development Authority  
Office of Parks, Recreation and Historic Preservation*

## I. Overview

The State's environmental, energy and natural resource agencies support a wide range of programs designed to protect New York's environment and improve the public health and welfare of its citizens. Agencies are responsible for the conservation of natural resources, development and operation of recreational facilities, promotion of tourism, enhancement of the State's agricultural economy, oversight of the food supply and food safety, regulation of safe and reliable electric and gas supplies, and the advancement of alternative energy and energy efficiency initiatives.

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) oversee nearly 4.9 million acres of open space statewide, including 2.6 million acres in the Adirondack Park and nearly 288,000 acres in the Catskill Forest Preserve. Additionally, the State park system comprises 214 parks and historic sites.

The Department of Public Service (DPS), the staff arm of the Public Service Commission, regulates the rates and services of public utilities — an industry with an estimated \$40 billion in revenue — oversees the siting of major utility infrastructure, and manages other functions. 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 (NYPA) supplies power statewide through its generating assets, including two large hydroelectric facilities, and through more than 1,400 miles of transmission lines. NYPA does not receive any taxpayer funds. Finally, the Long Island Power Authority (LIPA) provides affordable and reliable electric service to 1.1 million residential and commercial customers in Nassau and Suffolk counties, and the Rockaway Peninsula in Queens. LIPA does not receive any taxpayer funds.

## II. History/Context

The State has protected more than 750,000 acres of open space since 2003 and more than 29,000 acres of farmland since 1996. 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). Despite recent fiscal challenges, the State's environmental agencies have continued to maintain the core functions necessary to protect the State's air, land and water; oversee food safety; provide critical support to the agricultural community; and deliver affordable safe, low-cost recreational opportunities to New Yorkers.

## III. Proposed 2010-11 Budget Actions

The budget would continue to protect the State's most critical environmental assets and agricultural programs, while reducing support for non health and safety initiatives. Major actions include revenue and spending reductions in the EPF; cuts to local assistance programs administered by the Department of Agriculture and Markets; and personal service and non-personal service savings across all agencies, reflecting continuation of the hard hiring freeze and significant reductions in purchases of supplies, materials, contractual services and equipment.

## IV. Summary of Spending (All Funds)

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
<b>Total Environment and Energy Spending</b>	<b>1,724</b>	<b>1,510</b>	<b>(214)</b>	<b>(12.4)</b>
<b>Department of Agriculture and Markets</b>	<b>128</b>	<b>120</b>	<b>(8)</b>	<b>(6.3)</b>
<b>Department of Environmental Conservation</b>	<b>1,333</b>	<b>1,160</b>	<b>(173)</b>	<b>(12.9)</b>
<b>Office of Parks, Recreation and Historic Preservation*</b>	<b>263</b>	<b>230</b>	<b>(33)</b>	<b>(12.5)</b>

\*OPRHP number adjusted for one-time capital expenditures and fund shifts.

## V. Major Initiatives

### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Reduce Environmental Protection Fund	77	77
Extend and Expand Waste Tire Program	10	15
Reduce Agriculture and Markets Local Assistance	7	7
Discontinue State-Funded Farm Products Grading	0.4	1.3
Reduce Kosher Enforcement Staffing	0.1	0.5
Delay Parks Police Academy Class	3.5	1.7
Eliminate Grape Genomics Lab Funding	2.5	5
Reimburse the State for Snowmobile Expenses	1	1
Close Adirondack Park Agency Visitor Interpretive Centers	0.1	0.6
Enhance Staffing for Oversight of Natural Gas Extraction in the Marcellus Shale	(3.0)	(3.0)
State Operations Efficiencies	72	63.3
<b>Total</b>	<b>170.6</b>	<b>169.4</b>

- Reduce Environmental Protection Fund.** The Executive Budget recommends EPF appropriations of \$143 million – a cumulative reduction of \$79 million from the 2009-10 Enacted Budget level. Recommendations include a moratorium on forest preserve and open space land acquisition. EPF resources would focus on maintaining the State’s existing facilities, protecting water resources, continuing to revitalize waterfronts and municipal parks, and maintaining a quality agricultural system through farmland protection.

The primary source of revenue for the EPF is the State’s Real Estate Transfer Tax (RETT). Consistent with the reduction in appropriations, RETT deposits to the EPF would be reduced by \$67 million to \$132.3 million. This deposit level, along with funding from other EPF revenue sources, would ensure that EPF appropriations are fully supported by projected revenues. The RETT reduction combined with other EPF actions would provide total financial plan savings of \$77 million. *(2010-11 Savings: \$77 million; 2011-12 Savings: \$77 million)*

## Environment and Energy

- **Extend and Expand the Waste Tire Program.** The existing \$2.50 per tire disposal fee that is scheduled to expire on December 31, 2010 would be extended to fund environmental programs. This proposal would remove the sunset date for the fee and use the continuing revenues to pay for ongoing monitoring and enforcement of waste tire disposal activities, recycling programs and other existing DEC solid waste expenses. *(2010-11 Savings: \$10 million; 2011-12 Savings: \$15 million)*
- **Reduce Agriculture and Markets Local Assistance.** Local assistance aid for various entities that provide educational, scientific, promotional and marketing support would be reduced or eliminated, including all State funding for New York State Apple Growers, and the Farm Viability Institute. Core funding for the Cornell Veterinary Diagnostic Laboratory and Migrant Childcare program would be continued. *(2010-11 Savings: \$7 million; 2011-12 Savings: \$7 million)*
- **Discontinue Agriculture and Markets Farm Products Grading.** Farm products wholesalers would work directly with existing private entities to grade products for quality and potential price, rather than use State resources. The State currently provides the service for a nominal fee, which is now inadequate to support Department expenses. Existing Federal funding for a portion of the program would continue. *(2010-11 Savings: \$426,000; 2011-12 Savings: \$1.3 million)*
- **Reduce Kosher Enforcement Staffing.** The Kosher Division would reduce staff to reflect diminished responsibility resulting from a court decision that limited the State's role in performing religious inspections. Remaining staff would continue to ensure compliance with consumer disclosure laws, with the support of existing food safety inspection staff. *(2010-11 Savings: \$117,000; 2011-12 Savings: \$450,000)*
- **Delay Parks Police Academy Class.** This action would delay a new training class of Parks Police Officers until after State Fiscal Year 2010-11. As a result, the Parks police force member strength is expected to decline through attrition, thereby resulting in additional savings in 2011-12. *(2010-11 Savings: \$3.5 million; 2011-12 Savings: \$1.7 million)*
- **Eliminate Grape Genomics Laboratory Funding.** This action would eliminate \$10 million in capital funding that has been reserved, but never used, for the construction of a laboratory to conduct grape research. The total project cost had been estimated at over \$35 million, but project sponsors have been unsuccessful in acquiring the Federal and other matching funds necessary to complete the project. The work envisioned for the laboratory can be handled by existing public and private laboratories. *(2010-11 Savings: \$2.5 million; 2011-12 Savings: \$5 million)*

- **Reimburse the State for Snowmobile Expenses.** This action would provide for the transfer of \$1 million from the Snowmobile Account to the General Fund to reimburse the State for expenses related to overseeing all aspects of the snowmobile industry. The State performs many activities that benefit the snowmobile community, including maintenance of parks and parking areas that serve as trailheads and the provision of rangers, environmental conservation officers and park police who provide protective and emergency services when needed by snowmobilers. The \$1 million transfer is less than the amount that the State is statutorily authorized to access. *(2010-11 Savings: \$1 million; 2011-12 Savings: \$1 million)*
- **Close Adirondack Park Agency (APA) Visitor Interpretative Centers.** In order to preserve its core mission of regulatory oversight, the APA would close two visitor interpretative centers in Newcomb (Essex County) and Paul Smith's (Franklin County), saving \$129,000 in 2010-11 and \$583,000 annually thereafter. Recognizing the value of educating the public about the natural resources in the Adirondacks, the Agency would work to identify an educational or not-for-profit entity to assume operation of the facilities. *(2010-11 Savings: \$129,000; 2011-12 Savings: \$583,000)*
- **Enhance Staffing for Oversight of Natural Gas Extraction in Marcellus Shale.** The Department of Environmental Conservation, the Department of Health and the Department of Public Service would receive funding for additional staff to process potential increases in permits for natural gas extraction activities in the Marcellus Shale; inspect drilling sites; ensure the safety and integrity of water supplies; review associated pipeline applications; oversee the proper disposal of waste from the drilling procedures; and perform public health oversight. *(2010-11 Cost: \$2.95 million; 2011-12 Cost: \$3.0 million)*
- **State Operations Efficiencies.** Other actions include one-time personal service reductions and broad-based State Operating Funds reductions to agency personal and non-personal service spending for all agencies within this functional area. These savings are in addition to the recurring impact of \$22.1 million in reductions to these programs included in the 2009-10 Deficit Reduction Plan. Savings would be achieved by improving energy efficiency; reducing clerical support; decreasing overtime use; reforming environmental notice publication; consolidating Department of Agriculture and Markets marketing functions; realizing general attrition; eliminating non-core mission activities; and potential service reductions or facility closures. *(2010-11 Savings: \$72 million; 2011-12 Savings: \$63.3 million)*



# 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 removal for more than 38,000 State highway lane miles and more than 7,500 bridges. In addition, DOT provides funding for local government highway and bridge construction, as well as rail, airport, bicycle, pedestrian and canal programs.

The Department also provides oversight and funding for 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 provides transit and commuter services in the New York City region to over 2.5 billion passengers riding the subways, buses and commuter rail systems each year.

The State's transportation programs are also supported by the Department of Motor Vehicles (DMV), which operates 27 district and branch offices, and provides services via county clerk offices acting as DMV agents at 101 locations throughout the State. DMV issues licenses, non-driver identification cards and vehicle registrations; conducts road tests; monitors driver training; performs enforcement activities; conducts more than 20 million customer transactions annually; and collects more than \$1.7 billion in revenue for the State and localities.

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

## II. History/Context

### **DOT Capital Programs**

Funding to maintain and improve the State's transportation infrastructure is provided through multi-year capital plans and supported by a combination of State and Federal funds. The most recent DOT five-year capital plan covers State fiscal years 2005-06 through



2009-10 and totals approximately \$18 billion. Projects in the plan resulted in improvements to highway, bridge, aviation, rail, transit, port, bicycle and pedestrian facilities throughout the State.

### **Mass Transit**

Since 1975, New York State has provided transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. What began 34 years ago as a \$100 million General Fund program has grown to \$4.3 billion in aid to localities utilizing both dedicated taxes and the General Fund. This growth reflects the importance of the services provided by transit systems to an annual ridership of more than 2.7 billion passengers. In 2009-10, State transit aid accounted for approximately 35 percent of the operating resources used to support New York's transit systems.

### **Department of Motor Vehicles**

In recent years, the Department of Motor Vehicles has relied on technology to manage an increasing workload, while conserving resources. Although DMV transactions have increased steadily over the past ten years, the number of staff necessary to deliver services has declined 14 percent. This is primarily the result of the Department's utilization of electronic and internet-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 through the DMV website.

## **III. Proposed 2010-11 Budget Actions**

### **DOT Programs**

DOT's capital plan and other programs are supported by Federal aid, dedicated taxes, fees deposited in the Dedicated Highway and Bridge Trust Fund, and remaining 2005 Transportation Bond Act funds. The Trust Fund also receives a significant subsidy from the General Fund. The Executive Budget proposes a two-year, \$7 billion, DOT capital plan that balances core infrastructure preservation with fiscal necessity. Program and funding levels are impacted by a number of key factors, including the lack of a new multi-year Federal transportation act, the depletion of funding from the 2005 Bond Act, and the Trust Fund's increasing reliance on General Fund subsidies, primarily driven by a 2005 debt restructuring that generated short-term savings, but burdened the State with greater debt service expenses in later years. Despite these financial challenges, the Executive Budget maintains the State's core Trust Fund investment in the highway and bridge program at 2009-10 levels and also preserves funding for local highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) at prior-year levels. In addition to these investments, significant construction activity funded by the American Reinvestment and Recovery Act is expected to continue in State fiscal year 2010-11. The DOT budget also incorporates operational efficiencies and across-the-board savings actions that reduce General Fund subsidies to the Trust Fund.

### **Mass Transit**

The Budget provides aid to transit systems totaling \$4.3 billion, reflecting a year-to-year increase of nearly \$148 million.

The MTA is provided \$3.9 billion, an increase of almost \$161 million from 2009-10. Major components of the MTA increase include:

- An increase of \$168.5 million from the full annualized value of the additional dedicated taxes enacted on the MTA's behalf in May 2009;
- An increase of \$18.9 million in General Fund support to restore the State's contribution to the MTA Schoolfare program to 2009-10 values prior to the Deficit Reduction Plan of 2009 (\$25 million); and
- Offsetting reductions of \$26.8 million resulting from dedicated revenue losses in corporate franchise taxes, sales tax, and mortgage recording taxes.

Other transit systems are provided nearly \$401 million, reflecting a year-to-year reduction of nearly \$13 million. Major components of this reduction include:

- A decrease of \$21.7 million resulting from dedicated revenue losses in corporate franchise taxes, petroleum business taxes, and sales tax; and
- An offsetting increase of \$9 million in General Fund aid to restore funding reduced in the Deficit Reduction Plan of 2009.

### **Department of Motor Vehicles**

The Executive Budget proposes gap-closing actions of approximately \$15 million in 2010-11. Savings actions will be implemented in DMV operations to reduce unnecessary report processing, eliminate redundant oversight, take advantage of less expensive mailing rates, and to decrease overall operating expenses.

**Transportation****IV. Summary of Spending (All Funds)**

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
<b>Transportation Spending</b>	<b>8,207</b>	<b>9,102</b>	<b>895</b>	<b>10.9</b>
<b>Department of Transportation</b>	<b>3,791</b>	<b>4,085</b>	<b>294</b>	<b>7.7</b>
<b>Extraordinary Federal Aid (ARRA)</b>	<b>155</b>	<b>578</b>	<b>423</b>	<b>274.2</b>
<b>Metropolitan Transportation Authority</b>	<b>3,961</b>	<b>4,133</b>	<b>172</b>	<b>4.3</b>
<b>Department of Motor Vehicles</b>	<b>300</b>	<b>306</b>	<b>6</b>	<b>2.0</b>

**V. Major Initiatives  
Gap-closing Actions**

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Reduce Maintenance Costs	6.0	9.7
Close Rest Area Facilities	1.0	2.0
Return I-84 Maintenance to DOT	0	3.9
Adopt Mandate Reform	2.9	1.7
Utilize IT Insourcing	.6	.6
Reduce Multi-Modal/Industrial Access Programs	2.2	2.5
Implement Other DOT Cost Reductions	28.6	22.4
Streamline Accident Reporting Requirements	0.6	0.6
Eliminate Redundant Checks of Licenses and Plates	0.3	0.3
Use Bulk Mailing Rates from USPS	0.3	0.3
Achieve Other DMV Cost Reductions	13.9	10.7
<b>Total</b>	<b>56.4</b>	<b>54.7</b>

## Department of Transportation

- **Reduce Maintenance Costs.** Staffing levels for preventive maintenance and snow and ice control would be reduced by 100 positions and new salt application techniques would be implemented, which would result in over \$6 million in annual savings without impacting public safety. *(2010-11 Savings: \$6 million; 2011-12 Savings: \$9.7 million)*
- **Close Rest Area Facilities.** DOT would develop and implement a highway rest area closure plan to achieve \$1 million in savings in 2010-11 (growing to \$2 million annually). The plan would identify suitable locations for closure based on proximity to other available services and existing contractual obligations. *(2010-11 Savings: \$1 million; 2011-12 Savings: \$2 million)*
- **Return I-84 Maintenance to DOT.** Operational responsibility for Interstate 84 would be transferred from the Thruway Authority to DOT to reduce overhead costs and produce State savings. DOT maintenance staff would increase by 54 positions with annual net savings from operational efficiencies estimated at nearly \$4 million beginning in 2011-12. *(2010-11 Savings: \$0 million; 2011-12 Savings: \$3.9 million)*
- **Adopt Mandate Reform.** Implementation of proposed mandate reforms would provide cost savings to transit systems and DOT operations. These proposals include:
  - Authorizing the Department of Environmental Conservation (DEC) to issue waivers to State agencies, regional public authorities and their contractors that defer statutory retrofitting requirements under the Diesel Emissions Reduction Act (DERA) for vehicles that will be taken out of service before December 31, 2013. This would avoid retrofitting older vehicles that are already scheduled to be replaced with cleaner vehicles and would generate \$36 million in estimated relief for transit systems and \$1.4 million in savings for DOT; and
  - Waiving requirements under Executive Order No.142 that prescribe the use of more expensive biofuels for transportation purposes. This would generate savings of \$7.4 million, growing to \$10 million annually for transit systems and \$1.5 million for DOT.
- **Utilize IT Insourcing.** The budget proposes enhancing the use of State staff (15 positions) for IT functions currently performed by consultant staff. Annual savings are estimated at over \$600,000. *(2010-11 Savings: \$616,000; 2011-12 Savings: \$573,000)*
- **Reduce Multi-Modal and Industrial Access Programs.** Reappropriations for these non-core capital programs would be reduced by \$133 million, with \$101 million in Multi-Modal Program reductions and \$32 million in Industrial Access Program reductions. This action would avert the need for \$133 million in State bond issuances. Savings reflect annual debt service reductions. *(2010-11 Savings: \$2.2 million; 2011-12 Savings: \$2.5 million)*

## Transportation

- **Implement DOT Cost Reductions.** A combination of personal service and non-personal service reductions and maximization of Federal transportation funding would achieve \$28.6 million in savings. These savings are in addition to more than \$30 million of recurring cuts initiated in 2009-10, primarily in DOT maintenance operations. The Department would manage the 2010-11 reductions through a broad range of savings actions that include strict limits on staffing, energy purchases, vehicles, supplies, equipment, contracts for technology and other services, the development of shared services, and other actions. *(2010-11 Savings: \$28.6 million; 2011-12 Savings: \$22.4 million)*

### Department of Motor Vehicles

- **Streamline Accident Reporting Requirements.** Legislation proposed with the budget would increase the reportable threshold for property damage resulting from a motor vehicle accident from \$1,000 to \$3,000 and eliminate redundant reports from motorists on motor vehicle accidents. These changes would greatly decrease the number of redundant reports processed by DMV, allowing for a reduction in staffing. *(2010-11 Savings: \$581,000; 2011-12 Savings: \$581,000)*
- **Eliminate Redundant Checks of Licenses and Plates.** Redundant quality control checks would be eliminated on documents received from the supplying vendor and on license plates ordered by motorists. *(2010-11 Savings: \$283,000; 2011-12 Savings: \$283,000)*
- **Use Bulk Mailing Rates from USPS.** Legislation proposed with the Executive Budget would allow the Department to take advantage of bulk mailing rates by using updated addresses provided by the United States Postal Service (USPS) when mailing notices of revocation, suspension, or other orders issued by the Department. *(2010-11 Savings: \$250,000; 2011-12 Savings: \$250,000)*
- **Achieve Other DMV Cost Reductions.** A combination of personal service and non-personal service reductions would achieve approximately \$13.9 million in savings. These savings are in addition to approximately \$2.8 million of recurring cuts taken in 2009-10, primarily in DMV's non-personal services costs. The Department would manage the 2010-11 reductions through limits on staffing, supplies, equipment, contracts for technology, and other services. *(2010-11 Savings: \$13.9 million; 2011-12 Savings: \$10.7 million)*

## Other Budget Actions

### DOT Capital Plan Highlights

- **Preserve State Support for Highway and Bridge Investments.** Funding in the Dedicated Highway and Bridge Trust Fund for highway and bridge construction is continued at \$501 million, an increase of \$10 million from 2009-10.
- **Fund Rail Programs.** The budget includes a \$15.3 million appropriation to support Amtrak service from Albany to Montreal and additional rail capital investments.
- **Preserve Local Capital Aid.** Capital aid to local governments for highway and bridge projects is preserved at 2009-10 levels, with \$363.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program.

### Transit System Savings Actions

The Executive Budget recommends a number of legislative initiatives to help mitigate the impact of declining revenues on transit systems. These include:

- Protecting transit system revenues by eliminating the ability of Industrial Development Authorities to offer new Mortgage Recording Tax (MRT) exemptions on the portion of the MRT paid to transit systems, providing \$20 million to transit systems annually;
- Preventing the unwarranted payment of damages by the MTA for accidents caused by reckless or intentional behavior of individuals, saving the MTA \$10 million annually;
- Eliminating the potential for double payments of workers compensation claims when MTA workers are injured on property leased by the MTA from New York City, saving the MTA \$6 million annually;
- Authorizing the MTA to improve the competitiveness of its procurement process by allowing electronic and reverse bidding processes, saving the MTA \$1 million annually; and
- Allowing the MTA to extend owner-controlled insurance to bus facility and bridge contractors, saving the MTA \$500,000 annually.



# 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  
Office of the Welfare Inspector General*

## 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.

The Office of the Welfare Inspector General (OWIG) investigates and prosecutes welfare fraud, waste, abuse and illegal acts involving social services programs at both the State and local levels.

## II. History/Context

Between the August 1996 enactment of landmark Federal welfare reform and September 2008, the State's public assistance caseload declined by approximately one million recipients. However, since the third quarter of calendar year 2008, the number of people receiving public assistance has increased by nearly 44,000 to the current level of



approximately 545,000 recipients, due to national and State economic conditions. As a result, gross public assistance expenditures are expected to be more than \$2.5 billion — or six percent higher — in 2010-11 than in 2009-10.

New York's Supplemental Security Income (SSI) program provides State-funded benefits to low-income elderly, blind, and disabled persons that supplement individual Federal SSI benefits. Expenditures for the State supplements have increased from \$624 million in 2004-05 to approximately \$700 million in 2009-10. The 2010-11 Executive Budget maintains full funding for these benefits.

New York State's child welfare programs are monitored by OCFS and administered by 58 local social services districts (LSSDs), which are responsible for conducting 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 160,000 child protective services investigations and 49,000 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, provides an incentive to use preventive care services 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 30 percent since 2002-03 — from 34,900 to 24,600 in 2009-10.

OCFS youth facilities currently operate at approximately 70 percent capacity (1,389 beds with a population of 977). After reforms proposed in the 2010-11 Executive Budget, these facilities would operate at 81 percent capacity (1,209 beds, with a population of 977).

### III. Proposed 2010-11 Budget Actions

The 2010-11 Executive Budget protects critical human services expenditures, including public assistance payments and supplemental SSI payments; protects local governments that are the front-line service providers for human services programs; makes critical investments in State-operated juvenile justice facilities; and reduces spending for programs that are not central to agency core priorities. After these proposed changes, the Executive Budget would provide \$9.7 billion for human services programs.

#### IV. Summary of Spending (All Funds)

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Human Services	10,508	9,687	(821)	(7.8)
OCFS	3,270	3,375	105	3.2
OTDA	5,366	5,108	(258)	(4.8)
DOL	913	732	(181)*	(19.9)*
DHCR	920	432	(488)*	(53.1)*

\*Decline is primarily due to one-time funding in 2009-10 from the American Recovery and Reinvestment Act.

#### V. Major Initiatives Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
Delay Full Implementation of the Public Assistance Grant Increase	14	36
Discontinue Temporary Assistance for Needy Families (TANF) Funding of Certain Programs	69	69
Utilize TANF Contingency Funds	261	0
Align Adult and Family Shelter Program Financing	36	36
Shift General Fund Costs to Earned Revenue	8	8
Authorize State to Administer SSI Supplementation Program	(1)	(11)
Invest in Juvenile Justice Programs	(9)	(45)
Rightsize Residential Juvenile Justice System	3	15
Utilize Federal Funds to support the Adult Protective/Domestic Violence Program	18	18
Cap Safe Harbour Funding	7	7
Implement Child Welfare Performance Initiative	5	5
Collect Past Due Local Reimbursement for State Juvenile Justice System Costs	27	9
Reduce Local Assistance Funding	8	11
Consolidate State Housing Administrative and Program Operations	4	4
Eliminate State Operating Subsidy for the New York City Housing Authority	3	3
Merge State Employment Relations Board into Public Employment Relations Board	1	1
State Operations and Other Miscellaneous Actions	23	18
<b>Total</b>	<b>477</b>	<b>184</b>

- **Delay Full Implementation of the Public Assistance Grant Increase.** The Executive Budget reduces from ten percent to five percent the statutory July 2010 public assistance grant increase and provides a five percent increase for three consecutive years, thereafter. If approved, the overall 30 percent grant increase enacted in 2009 would be implemented by July 2013 rather than July 2011. The State would be responsible for the local share of the grant increase through State Fiscal Year 2013-14. *(2010-11 Savings: \$14 million; 2011-12 Savings: \$36 million)*
- **Discontinue Temporary Assistance for Needy Families Funding of Certain Programs.** Due to the rising public assistance caseload and its associated costs, initiatives historically financed with Federal dollars from the \$2.4 billion Temporary Assistance for Needy Families (TANF) block grant are not funded. Such initiatives include the Summer Youth Employment program, Supportive Housing for Families, the Emergency Homeless program, Non-Residential Domestic Violence, CUNY/SUNY Child Care, Community Solutions to Transportation, and the Wage Subsidy program. *(2010-11 Savings: \$69 million; 2011-12 Savings: \$69 million)*
- **Utilize TANF Contingency Funds.** Temporary Assistance for Needy Families (TANF) emergency contingency funds would be used to mitigate the State's escalating public assistance costs. These funds were made available on a one-time basis through the 2009 American Recovery and Reinvestment Act (ARRA) to states with increased spending in public assistance benefits, emergency public assistance payments or other qualifying expenditures. *(2010-11 Savings: \$261 million; 2011-12 Savings: \$0 million)*
- **Align Adult and Family Shelter Program Financing.** The Executive Budget aligns funding for the adult homeless shelter system with the family shelter system to encourage local social services districts to conduct public assistance eligibility determinations for all individuals seeking placement in temporary shelter settings, including homeless shelters for adults. *(2010-11 Savings: \$36 million; 2011-12 Savings: \$36 million)*
- **Shift General Fund Costs to Earned Revenue.** The Executive Budget shifts the State share of the Automated Finger Imaging System (AFIS) and Electronic Benefit Transfer (EBT) System from the General Fund to a Special Revenue account to be funded using agency earned revenue. *(2010-11 Savings: \$8 million; 2011-12 Savings: \$8 million)*
- **Authorize State to Administer SSI Supplementation Program.** The Federal Social Security Administration (SSA) administers New York's SSI supplementation program and charges a fee for each check issued on the State's behalf. The fee is currently set at \$10.45 and total administrative costs are projected to be \$84 million in 2010-11. The Executive Budget authorizes the State to assume responsibility for the administration of the supplementation program, achieving over \$60 million in annual savings when fully implemented. *(2010-11 Investment: \$574,000; 2011-12 Investment: \$11 million)*

- **Invest in Juvenile Justice Programs.** The Executive Budget includes \$18.2 million to increase staff-to-youth ratios and to provide improved medical and mental health services for youth in State-operated juvenile justice facilities in order to improve conditions in the facilities and outcomes when youth return to their home communities. This action would result in an increase of 169 staff in the youth facility program. This investment would begin to address deficiencies identified by Governor Paterson's Task Force on Transforming Juvenile Justice. *(2010-11 Investment: \$9 million; 2011-12 Investment: \$45 million)*
- **Rightsize Residential Juvenile Justice System.** By consolidating and reducing capacity in line with population trends, the State would lower costs and improve the efficiency of the OCFS residential juvenile justice system. The Annsville and Taberg residential facilities located in Taberg, Oneida County would be consolidated into the Taberg facility. Additionally, two other facilities would be downsized to reduce excess capacity, including the Tryon Boys facility in Johnstown, Fulton County (eliminating the limited-secure program for boys) and the non-secure residential center for girls in Lansing, Tompkins County. These actions, which would take place in January 2011 in accordance with one-year statutory notification requirements, would reduce facility-wide vacancy rates from 30 percent to 19 percent and result in reduced staffing needs of 251 positions. After this action, OCFS would continue to operate 23 residential facilities with 1,209 beds and five day placement centers that have sufficient excess capacity to accommodate any upturn in the number of youth placed in State facilities by the Family or Criminal Courts. *(2010-11 Savings: \$3 million; 2011-12 Savings: \$15 million)*
- **Utilize Federal Funds to Support the Adult Protective/Domestic Violence Program.** Currently, local social services districts are allocated \$103 million annually in Federal Title XX funding. The State requires that \$66 million of this total be used to offset State and local Adult Protective and Domestic Violence (AP/DV) costs. The Executive Budget would shift the remaining \$37 million in Title XX funds, which are currently allocated to the districts for local discretionary services, to the AP/DV program in order to reduce State and local costs. In doing this, the State would generate \$18 million in savings and the direct cost to local social services districts of providing mandated AP/DV services would be reduced by \$19 million. *(2010-11 Savings: \$18 million; 2011-12 Savings: \$18 million)*
- **Cap Safe Harbour Funding.** The Executive Budget recommends capping the appropriation for a long-term safe house for sexually exploited youth at \$3 million. *(2010-11 Savings: \$7 million; 2011-12 Savings: \$7 million)*
- **Implement Child Welfare Performance Initiative.** The Executive Budget reflects efficiencies in the child welfare system associated with local social services districts developing and reporting on performance measures to improve outcomes for youth and families. *(2010-11 Savings: \$5 million; 2011-12 Savings: \$5 million)*

- **Collect Past Due Local Reimbursement for State Juvenile Justice System Costs.** The Executive Budget includes Article VII legislation that would allow OCFS to intercept payments to local social services districts for programs such as child welfare, foster care, adoption, and detention in cases where districts are deficient in paying their share (50 percent) of costs associated with operating youth facilities. *(2010-11 Savings: \$27 million; 2011-12 Savings: \$9 million)*
- **Reduce Local Assistance Funding.** The Executive Budget reduces funding for a variety of initiatives that are directly administered by OCFS, OTDA, DHCR and DOL. Examples include neighborhood and rural preservation, alternatives to detention and residential placement, and special needs housing programs. These programs are less central to other core priorities, such as providing public assistance benefits and child welfare programs. The Executive Budget would reduce funding between 10 percent and 33 percent from adjusted 2009-10 levels. \$176 million would remain available for these programs in 2010-11. *(2010-11 Savings: \$8 million; 2011-12 Savings: \$11 million)*
- **Consolidate State Housing Administrative and Program Operations.** Consistent with the Administration's effort to streamline the government services delivery structure, the Executive Budget would achieve \$3.5 million in cost savings through the consolidation of administrative and program operations of the Division of Housing and Community Renewal and "nyhomes" – the family of public benefit corporations that implement State housing finance programs. *(2010-11 Savings: \$3.5 million; 2011-12 Savings: \$3.5 million)*
- **Eliminate State Operating Subsidy for the New York City Housing Authority.** The Executive Budget eliminates the New York City Housing Authority (NYCHA) operating subsidy and requires the authority to manage the impact within its \$2.8 billion operating budget. NYCHA is the only local housing authority to receive an annual State operating subsidy. *(2010-11 Savings: \$3 million; 2011-12 Savings: \$3 million)*
- **Merge State Employment Relations Board into Public Employment Relations Board.** The Executive Budget recommends eliminating the State Employment Relations Board (SERB) and transferring its functions to the Public Employment Relations Board. This proposal would abolish ten positions including five SERB board positions. The remaining five SERB staff positions would be absorbed within other Department of Labor programs. *(2010-11 Savings: \$1.3 million; 2011-12 Savings: \$1.3 million)*

- **State Operations and Other Miscellaneous Actions.** The Executive Budget recommends an additional \$23 million reduction to agency operations. The reductions would be managed through various personal service and non-personal service actions, including not filling non-health and safety positions that become vacant through attrition, and reducing costs associated with supplies, travel, equipment, and contractual services. *(2010-11 Savings: \$23 million; 2011-12 Savings: \$18 million)*

### **Other Budget Actions**

- **Improve the Quality of Child Care.** In October 2009, the State reached agreements with the Civil Service Employees Association and the United Federation of Teachers, the unions that represent home-based child care providers. The Executive Budget provides \$6 million pursuant to the agreements for quality improvement grants and a professional development fund for home-based child care providers. In addition, \$8 million of funding is included in the Department of Health budget for health insurance costs associated with the agreements.
- **Prevent Adverse Human Services Cost of Living Adjustment (COLA).** Under current law, a negative 2.1 percent cost of living adjustment would occur for human services providers – including foster and adoptive parents – due to Consumer Price Index deflation. The budget includes legislation that would avoid a decrease that would otherwise occur.



# 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 illnesses, developmental disabilities, chemical dependencies, and problem gambling. These agencies — OMH, OMRDD, OASAS, DDPC, and one oversight agency, CQCAPD — are expected to serve nearly one million individuals in 2010-11, including more than 600,000 persons with mental illness, 260,000 persons with chemical dependencies or gambling problems, and 125,000 persons with developmental disabilities.

## II. History/Context

The mental hygiene system currently operates 47 institutional facilities serving a State-operated inpatient residential capacity of 7,200 individuals. The State also provides funding to support approximately 86,000 community residential housing options. Additionally, the State supports numerous outpatient, employment, clinic, habilitative, and treatment programs in partnership with 4,300 not-for-profit provider agencies. There are three facilities dedicated to conducting state-of-the-art research into the causes of and appropriate treatments for serving adults and children with psychiatric and developmental disabilities.

The proposed Executive Budget for the mental hygiene system would total approximately \$8.5 billion in 2010-11.

## III. Proposed 2010-11 Budget Actions

The 2010-11 Executive Budget recommends \$134 million in net savings actions for the mental hygiene agencies in addition to those ongoing actions reflected in the 2009-10 Deficit Reduction Plan and proposed via collective bargaining. Savings would be achieved by placing aggressive cost controls on agency operations; maximizing payments from third-party payers; reforming and restructuring State and local programs and administrative practices; reducing adult inpatient psychiatric center capacity; and delaying community bed development. In addition to these savings actions, the budget does not include any funding for a previously planned human services cost-of-living increase, but does propose legislation to forestall a 2.1 percent reduction that would otherwise occur, driven by the Consumer Price Index-based methodology in current law.



## Mental Hygiene

The Executive Budget recommendations support the development of approximately 2,600 new residential beds in 2010-11, including:

- 1,111 OMH beds, already in the pipeline, that provide both supported housing and congregate housing options;
- 256 OMH beds for New York/New York III;
- 992 OMRDD beds, including 510 associated with OMRDD's NYS-CARES initiative; and
- 272 chemical dependence treatment beds, including 183 associated with drug law reform.

The budget includes funding to divert individuals from prison to treatment programs, consistent with recent reforms to the State's drug laws, increases support for mental health services to adult home residents, and provides a Medicaid trend increase for OMRDD in 2009 and 2010.

### IV. Summary of Spending (All Funds)

Category	2009-10 (\$ in millions)	2010-11 (\$ in millions)	Change	
			Dollar (in millions)	Percent
<b>Total Mental Hygiene Spending</b>	<b>8,070</b>	<b>8,499</b>	<b>429</b>	<b>5.3</b>
<b>OMH</b>	<b>3,212</b>	<b>3,414</b>	<b>202</b>	<b>6.3</b>
<b>OMRDD</b>	<b>4,270</b>	<b>4,465</b>	<b>195</b>	<b>4.6</b>
<b>OASAS</b>	<b>565</b>	<b>597</b>	<b>32</b>	<b>5.7</b>
<b>CQCAPD</b>	<b>17</b>	<b>17</b>	<b>0</b>	<b>0.0</b>
<b>DDPC</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0.0</b>
<b>DMH</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0.0</b>

The majority of the spending increase is attributable to increased Federal support of \$223 million for a variety of ongoing State and local operated programs. General State Charges costs are projected to increase by \$129 million.

## V. Major Initiatives

### Gap-closing Actions

Proposal	2010-11 (\$ in millions)	2011-12 (\$ in millions)
OMRDD State Operations Efficiencies	25	28
OMRDD Local Restructuring	24	43
OMH State Operations Efficiencies	44	38
OMH Inpatient Restructuring	9	18
OMH Forensic/SOMTA Reforms	10	11
OMH Local Restructuring	18	13
OASAS Restructuring	3	3
CQCAPD Restructuring	1	1
<b>Total</b>	<b>134</b>	<b>155</b>

- **OMRDD State Operations Efficiencies.** Key efficiencies include:

- Reducing non-critical staff via attrition, improving the efficiency of food purchasing, consolidating non-residential leases, automating certain administrative processes, reducing utility consumption through improved energy efficiency, and implementing a more efficient use of capital resources;
- Streamlining the audit process by shifting ten positions responsible for Medicaid compliance reviews to the Office of the Medicaid Inspector General, which has primary responsibility for auditing the Medicaid program, and reducing the use of outside consultants, while targeting audit efforts to higher risk areas;
- Reducing costs for research and administrative operations at OMRDD's Institute for Basic Research in Developmental Disabilities located in Staten Island, reducing 20 positions in areas outside of autism research that have not generated comparable levels of external grant funding; and
- Consolidating Developmental Disabilities Services Offices administrative functions, including business office and human resource activities, as well as training and community planning efforts.

*(2010-11 Savings: \$25 million; 2011-12 Savings: \$28 million)*

- **OMRDD Local Restructuring.** The major savings actions include:
  - Achieving an overall 18 percent reduction in targeted case management services through reform of Medicaid Service Coordination. Reforms include increasing staff caseloads, reassessing the number of individuals requiring service, and developing different levels of service that are more closely tailored to individual needs;
  - Implementing a three percent overall rate reduction in the financing of residential habilitation services delivered in supervised Individualized Residential Alternative programs effective October 1, 2010. This reduction would be partially offset by trend increases provided in 2009 and 2010;
  - Delaying the development of certain residential opportunities for individuals aging-out of the school system and children's residential placements; and
  - Reforming the administration and oversight of the Family Care program over a multi-year period beginning in 2010-11.

*(2009-10 Savings: \$24 million; 2010-11 Savings: \$43 million)*
- **OMH State Operations Efficiencies.** Key actions include reducing non-critical staff via attrition; converting certain information technology consultant staff to less costly State employees; reducing overtime and the use of stand-by/on-call shifts; increasing the use of alternative work schedules; eliminating redundant reports; and eliminating all non-essential non-personal service spending. *(2010-11 Savings: \$44 million; 2011-12 Savings: \$38 million)*
- **OMH Inpatient Reforms.** Eight psychiatric center wards would be closed at various facilities, reducing State-operated inpatient capacity by approximately five percent. The resources associated with closing six wards would be used to support less costly and more appropriate community programs, and two wards would be replaced with Transitional Placement Program beds, a less staff-intensive outpatient model designed to support the transition of patients to community care. *(2010-11 Savings: \$9 million; 2011-12 Savings: \$18 million)*

- **OMH Forensic/SOMTA Reforms.** The census for civilly confined sexual offenders is projected to increase, but not to exceed 230 individuals in SFY 2010-11. Additional inpatient capacity is scheduled to open at St. Lawrence Psychiatric Center; therefore, inpatient capacity for sexual offenders at Manhattan Psychiatric Center would no longer be required. The budget also reflects efforts to encourage courts to use video-conferencing to reduce costly transportation and security services. *(2010-11 Savings: \$10 million; 2011-12 Savings: \$11 million)*
- **OMH Local Restructuring.** OMH would continue to restructure a variety of programs to focus resources on emerging priorities. OMH would maximize payments from recoveries through enhanced audit efforts, including recovery of payments from third party payers and exempt income revenue in excess of operating costs. Savings would also result from a change in billing practices by carving out Medicaid prescription drug costs from the operating costs of residential treatment facilities. A portion of the savings would be reinvested in a proposed multi-year remedial plan for adult home residents with mental illness, described in further detail below. *(2010-11 Net Savings: \$18 million; 2011-12 Net Savings: \$13 million)*
- **OASAS Restructuring.** This proposed restructuring reflects approximately \$1 million in operational savings by using e-technology for communications, training and procurement; controlling travel, food and pharmaceutical costs; streamlining administrative functions while limiting the use of cell phones and other electronic devices; and by deferring the development of new gambling prevention programs. *(2010-11 Savings: \$3 million; 2011-12 Savings: \$3 million)*
- **CQCAPD Efficiencies.** CQCAPD would achieve savings through elimination of all non-critical, non-personal service costs; increased use of alternative work schedules; elimination of two staff positions associated with the Interagency Coordinating Council for Services to Persons who are Deaf, Deaf-Blind, or Hard of Hearing and oversight of Special Housing Units; and increased use of Federal funding for certain local aid payments. *(2010-11 Savings: \$1 million; 2011-12 Savings: \$1 million)*

### Other Budget Actions

- **Adult Homes Reinvestment.** A portion of savings from delays in bed development begun in 2009-10, as well as proposed actions in this year's budget, are being reinvested pursuant to a proposed multi-year remedial plan in response to a Federal district court decision. This remedial plan would provide additional OMH supported housing for individuals leaving adult homes. The remedial plan would provide additional funding of \$1 million in 2010-11 to begin assessments of current residents, with funding of \$20 million annually in five years to be used for 1,000 additional supported housing units, education, skills development, and ongoing reviews of remaining adult home residents. *(2010-11 Investment: \$1 million; 2011-12 Investment: \$4 million)*
- **Paterson Drug Law Reform.** The Executive Budget reflects funding to support the operating costs for new residential treatment beds and outpatient treatment slots for addiction treatment services associated with drug law reform enacted in 2009-10. The OASAS budget includes \$13 million of funding for this effort.
- **OMRDD Residential Opportunities.** While the Executive Budget reflects a slowdown in funding for new bed development, funding for nearly 1,000 new residential opportunities in 2010-11 is still recommended. This includes support for over 500 NYS-CARES opportunities, as well as for individuals leaving institutional settings (including nursing homes) and aging-out of educational environments, representing an investment of \$46 million in 2010-11 and \$53 million in 2011-12.

# Revenue Actions

## Overview

Actions in the Executive Budget that would increase tax or fee liability total \$995.2 million on an All Funds basis in 2010-11 — less than 14 percent of the overall \$7.4 billion gap-closing plan.

- Ninety-three percent of all tax and fee actions in the budget (\$923.2 million All Funds) represent dedicated revenues for health care investments. The largest of these are two tax actions – a \$1.00 increase in the cigarette excise tax, and a new excise tax on beverage syrups and soft drinks – intended to lower long-term health care costs by discouraging unhealthy consumption habits that put New Yorkers at risk for obesity, diabetes, cancer, heart failure, strokes, and other diseases.
- Other major actions that increase tax or fee liability (\$72 million All Funds) include a court filing fee to finance civil legal services and other criminal justice activities, tax loophole closures that ensure all taxpayers pay their fair share, and a severance tax on natural gas extraction in the Marcellus or Utica Shale formation.

Other Executive Budget revenue actions that do not result in an increase in tax or fee liability total \$430 million on an All Funds basis in 2010-11. Major recommendations include improving tax audits to increase recoveries, allowing the sale of wine in grocery stores, deploying speed enforcement cameras, and expanding video lottery terminal (VLT) and Quick Draw operations. In addition, new tax credits and technical corrections to existing taxes will be advanced in this budget.

**Revenue Actions**

**Revenue Actions**  
(\$ in 000's)

	All Funds		General Fund	
	2010-11	2011-12	2010-11	2011-12
<b>I. Tax and Assessment Actions</b>				
Impose Severance Tax on Certain Natural Gas Producers	-	1,000	-	-
Increase Cigarette Excise Tax by \$1 per Pack	218,000	211,000	10,000	-
Impose a New Excise Tax on Beverage Syrups and Soft Drinks	465,000	1,000,000	15,000	30,000
Health Care Assessments and Surcharges	240,200	333,650		
<b>Total Tax and Assessment Actions</b>	<b>923,200</b>	<b>1,545,650</b>	<b>25,000</b>	<b>30,000</b>
<b>II. Loophole Closing Actions</b>				
Define Flow-Through Entities as Taxpayers For QETC and Biofuel Credit Claims	-	2,000	-	2,000
Treat Compensation For Past Services as Taxable for Non Residents	-	5,000	-	5,000
Treat S-Corp Gains and Installment Income as Taxable To Non Residents	30,000	12,000	30,000	12,000
Close Resident Trust Loophole	-	25,000	-	25,000
<b>Total Loophole Closing Actions</b>	<b>30,000</b>	<b>44,000</b>	<b>30,000</b>	<b>44,000</b>
<b>III. New or Increased Fees</b>				
Establish Early Intervention Parental Fees	1,000	17,072	-	-
Increase Certain Civil Court Filing Fees	41,000	54,000	41,000	54,000
<b>Total New or Increased Fees</b>	<b>42,000</b>	<b>71,072</b>	<b>41,000</b>	<b>54,000</b>
<b>IV. Tax Enforcement Actions</b>				
Allow the Use of Statistical Sampling for Certain Sales Tax Audits	8,000	12,000	8,000	12,000
Improve Audit and Compliance	221,000	221,000	221,000	221,000
<b>Total Tax Enforcement Actions</b>	<b>229,000</b>	<b>233,000</b>	<b>229,000</b>	<b>233,000</b>
<b>V. Other Revenue Actions</b>				
Eliminate Quick Draw Restrictions	33,000	54,000	-	-
Extend VLT Hours of Operation	45,000	45,000	-	-
Affiliate Nexus Provision	(5,000)	(5,000)	(5,000)	(5,000)
Allow the Sale of Wine in Grocery Stores	93,000	54,000	93,000	54,000
Legalize Mixed Martial Arts In New York	2,100	2,100	2,100	2,100
Deploy Speed Enforcement Cameras	32,900	86,800	32,900	86,800
<b>Total Other Revenue Actions</b>	<b>224,600</b>	<b>236,900</b>	<b>123,000</b>	<b>137,900</b>

## I. Tax and Assessment Actions

- **Impose Severance Tax on Certain Natural Gas Producers.** A three percent tax would be imposed on the severing of natural gas from a gas pool in the Marcellus or Utica Shale formation using a horizontal well.
- **Increase Cigarette Excise Tax by \$1.00 per Pack.** The State cigarette excise tax would be increased from \$2.75 per pack to \$3.75 per pack, which would represent the highest cigarette tax in the nation. This increase would result in a combined State and local tax of \$5.25 per pack in New York City.
- **Impose a New Excise Tax on Beverage Syrups and Soft Drinks.** An excise tax would be imposed on beverage syrups and soft drinks at a rate of \$7.68 per gallon for syrups and \$1.28 per gallon for bottled soft drinks and powders. On average, this will increase the cost of the tax on soft drinks by one penny per ounce. This tax exempts dietary aids, infant formula, and milk.
- **Health Care Assessments and Surcharges.** Assessments and surcharges totaling \$240.2 million on an All Funds basis in 2010-11 will be levied to support health care investments. In most cases, these assessments and surcharges have impacts on providers similar to direct cuts in funding, but without an associated loss of federal matching funding.
  - **Increase Hospital Assessment from 0.35 Percent to 0.75 Percent.** The hospital assessment on inpatient revenue would be increased from 0.35 percent to 0.75 percent. *(Revenue: \$130.2 million in 2010-11)*
  - **Increase Home Care Assessment from 0.35 Percent to 0.70 Percent.** The gross assessment on home care and personal care provider revenue would increase from the current 0.35 percent rate to 0.7 percent. *(Revenue: \$17.6 million in 2010-11)*
  - **Increase Nursing Home Assessment from Six Percent to Seven Percent.** The assessment on nursing home services is increased by one percent – from six percent to seven percent. This assessment would not be reimbursable by Medicaid. *(Revenue: \$67.8 million in 2010-11)*
  - **Expand HCRA Surcharge to Physicians' Services.** The 9.63 percent Health Care Reform Act (HCRA) surcharge on services performed in hospitals would be extended to surgical and radiological services provided in private ambulatory surgery centers, physicians' offices and urgent care settings. This recommendation would help level the playing field among providers who offer comparable services in different settings. *(Revenue: \$24.6 million in 2010-11)*



## II. Loophole Closing Actions

- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** This reform would eliminate the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S-Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and Qualified Emerging Technology Company (QETC) facilities, operations and training credits. The cap would apply to the entity, just as it does for C-Corporations.
- **Treat Compensation for Past Services as Taxable for Non-Residents.** A tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus would be eliminated.
- **Treat S-Corp Gains and Installment Income as Taxable for Non-Residents.** Three related tax loopholes that allow non-residents to avoid taxation by converting underlying S-Corporation assets to stock or receiving installment income after termination of S-Corporation nexus to New York would be eliminated. Currently, gains on stock and such installment income are considered intangible income and are therefore not subject to tax for non-residents.
- **Close Resident Trust Loophole.** A tax loophole created when income received by a resident trust avoids taxation if a non-resident is appointed as a trustee would be closed.

## III. New or Increased Fees

- **Establish Early Intervention Parental Fees.** Currently, the cost of Early Intervention services is shared between the State, Medicaid, local governments and commercial insurance. A parental fee would be established on a sliding scale based on income beginning at 251 percent of the Federal poverty level, ranging from \$45 to \$540 per child per quarter. States charging similar fees include: Alaska, Connecticut, Georgia, Illinois, Kentucky, Maine, Massachusetts, New Jersey, New Mexico, North Carolina, and Virginia.
- **Increase Certain Civil Court Filing Fees.** The Supreme Court filing fee would be increased from \$165 to \$215; the City/District Court fee would rise from \$45 to \$60 and motion fees in both the Supreme and Appellate Courts would increase from \$45 to \$120. This increased revenue would provide support for indigent defense, civil legal services, and cost increases in the Judiciary budget. The fees are structured to discourage frivolous cases and motions which cause court delays and backlogs, and also to preserve access to justice for persons of lesser means.

#### IV. Tax Enforcement Actions

- **Allow the Use of Statistical Sampling for Certain Sales Tax Audits.** The use of statistical sampling techniques would be authorized to determine the sales tax due.
- **Improve Audit and Compliance.** The Commissioner of the Department of Taxation and Finance would increase compliance staff by more than 330 positions, generating \$221 million in additional annual revenue.
- **Require Informational Returns for Credit and Debit Cards.** Federal requirements would be mirrored by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.
- **Unstamped Products.** The Department of Taxation and Finance will withdraw its Advisory Opinion regarding the Department's policy of forbearance of sales by agents of unstamped product to Indian retailers. The Department will promulgate rules and regulations to implement the Indian tax exempt coupon system. This action will permit the State to seek the lifting of the injunction preventing the State's statute prohibiting the sales of unstamped cigarettes to Indian retailers from going into effect.

#### V. Other Revenue Actions

- **Eliminate Quick Draw Restrictions.** A number of restrictions are currently imposed on the State's Quick Draw lottery game. For premises licensed to sell alcoholic beverages, Quick Draw may not be conducted unless at least 25 percent of gross sales are sales of food. For premises that do not sell alcoholic beverages, Quick Draw may not be conducted unless the establishment is a minimum of 2,500 square feet. Additionally, Quick Draw is currently limited to operating for no more than 13 hours daily, no more than eight of which may be consecutive. These restrictions would be eliminated.
- **Extend VLT Hours of Operation.** The hour restrictions on the operation of VLTs would be eliminated. The elimination of these restrictions would allow the Division of the Lottery to set hours based on facility utilization. The VLT program is currently limited to operating no more than 16 hours per day, and prohibited from operating after 2:00 AM.
- **Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget would be amended by narrowing the definition of a sales tax vendor by providing that the in-State activities of an affiliate in directing a seller do not make the seller a vendor.

## Revenue Actions

- **Allow the Sale of Wine in Grocery Stores.** The sale of wine in grocery stores would be allowed. The one-time franchise fee for this license would range from four-tenths of one percent to one-half of one percent of total gross sales, excluding sales of motor fuel and tobacco products. The franchise fee would be paid by each retail outlet. New York would join 35 other states that permit wine to be sold in grocery stores.
- **Legalize Mixed Martial Arts in New York.** Currently, 40 States safely regulate the sport of mixed martial arts and enjoy local and statewide economic benefits associated with the conduct of mixed martial arts events. While New York's ban on professional combative sports would be removed, conduct of the sport would be carefully regulated. An 8.5 percent admission tax on matches and exhibitions (which is already imposed on boxing and wrestling) would be collected, as well as a tax on broadcasting rights equal to the lesser of three percent of the contract value or \$50,000.
- **Deploy Speed Enforcement Cameras.** Automated cameras would be deployed to identify vehicles speeding in designated highway work zones and dangerous stretches of highway. Notices of violation in the amount of \$50 for highway speeding and \$100 for speeding in work zones would be issued to the registered owners of vehicles captured by the cameras. Cameras would be deployed in 40 work zones and in 10 additional locations.
- **Extend Married Tax Filing Provisions to Same Sex Couples.** Same-sex couples married in other jurisdictions would be permitted to file joint New York State tax returns. Filing jointly would provide these individuals with exemptions to State taxes on spousal health benefits and spousal estates, as well as other tax benefits.

## VI. New or Expanded Tax Credits

- **Expand the Low Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal would be authorized 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 ten-year period. As such, the total amount of credits that would be awarded from this new authorization would be \$40 million.
- **Extend and Expand Film Tax Credit.** An additional film tax credit allocation of \$420 million per year would be provided for tax years 2010 through 2014. This measure also imposes various reforms to enhance the State's return on investment. The reforms require that the recipient conduct at least ten percent of shooting days at a qualified facility; an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; and at least 75 percent of post-production costs are incurred in New York State in order to be considered a qualified cost and others.

- **Create Excelsior Jobs Program.** A new economic development program would be established to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job thresholds to be met and maintained prior to any project claiming benefits.

## VII. Technical Corrections and Extenders

- **Extend Major Provisions of the Bank Tax and Temporary GLB Provisions.** Bank tax reform provisions from 1985 and 1987 would be extended for one year, as well as provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.
- **Extend the Pari-Mutuel Tax.** Lower Pari-Mutuel tax rates would be extended 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.
- **Make Technical Corrections to the 2009-10 Enacted Budget Empire Zones Program Changes.** The intent of the Legislature would be clarified to decertify certain businesses retroactively to the 2008 tax year; make reporting provisions clear; and allow qualified investment projects to claim the investment tax credit and employee incentive tax credit after June 30, 2010.
- **Make Technical Corrections to the 2009-10 Enforcement Provisions.** Technical corrections would be made to restore nonfiling as a class E-felony, change mail response requirements for taxpayer reconciliation conferences, correct a typographical error (change "article one" to "one article"), define the contribution of aircraft from a non-resident to new subsidiary as a retail sale (and therefore taxable), and restore the requirement that IDAs file a report when they appoint an agent to manage a project.
- **Amend the Tax on Medallion Taxicab Rides.** The tax on medallion taxicab rides in the Metropolitan Commuter Transportation District (MCTD) would be amended with a flat tax of \$1,750 per quarter per medallion.



# Key Reforms and Initiatives

---

---



# Reforming Higher Education

SUNY and CUNY are among the most highly regulated of the country's large systems of public higher education. Everything from supply purchases to tuition rates are managed through the State budgeting process, hampering SUNY's and CUNY's ability to innovate and remain competitive with peer institutions in other states.

Governor Paterson's 2010-11 Executive Budget proposes the most significant overhaul of New York's public higher education system in a generation. The Public Higher Education Empowerment and Innovation Act would end a broken system that ties up tuition rate-setting in the State budget process. Instead, it would institute a rational tuition policy, removed from Albany politics, to make the cost of public higher education more predictable for students and families, allowing them to better plan for the future.

The Governor's reforms would also provide SUNY and CUNY with greater operational flexibility so that they can adapt and thrive in an ever-changing innovation economy. His proposal would eliminate numerous burdensome regulations related to contracting, procurement, land use, and other areas, while still maintaining appropriate accountability and oversight.

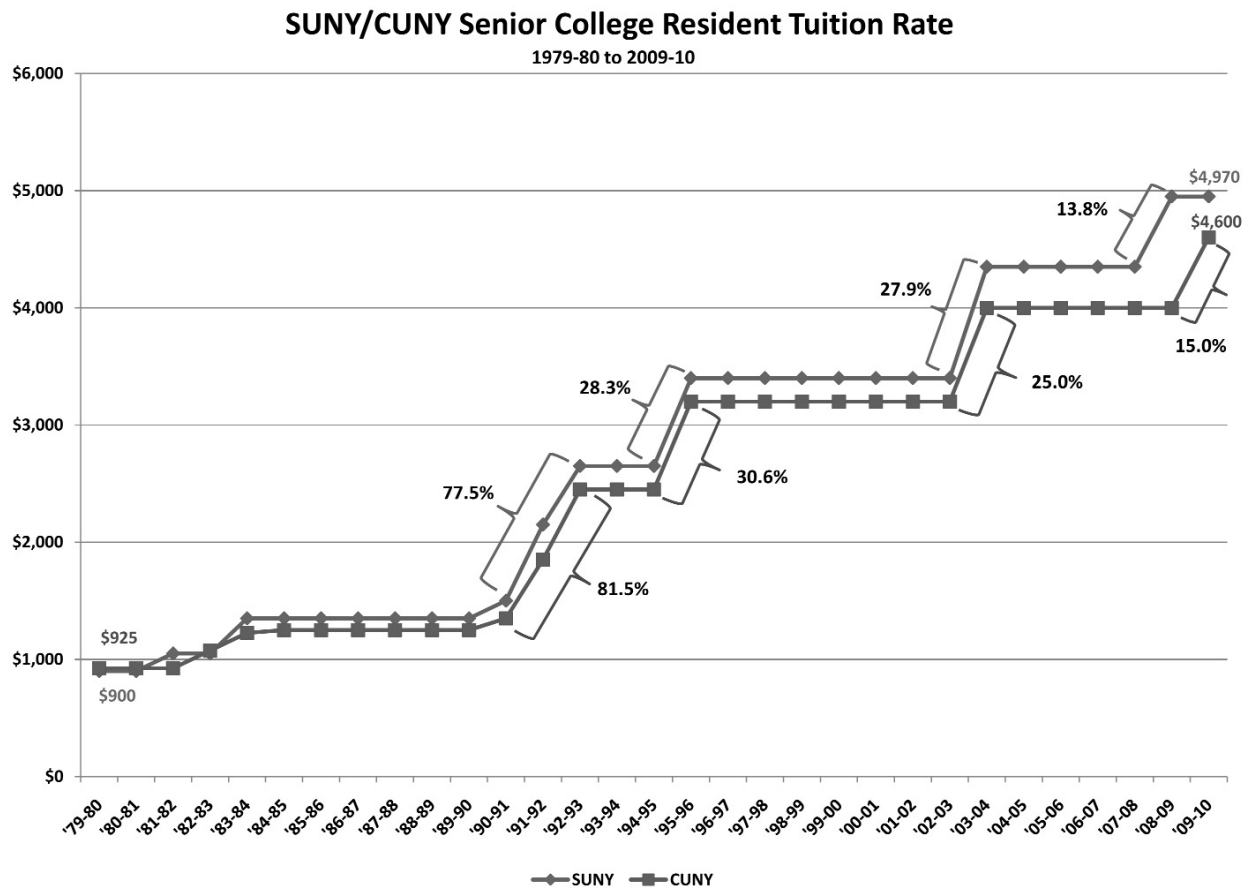
## Rational Tuition Policy

The Public Higher Education Empowerment and Innovation Act will insulate tuition-setting from the politics of the State budget process by placing responsibility for tuition rates with SUNY's and CUNY's respective boards of trustees within statutorily prescribed parameters.

For more than 30 years, funding for new initiatives at SUNY and CUNY senior colleges has depended almost entirely upon additional General Fund spending. During this period, resident undergraduate tuition rate increases authorized by the Legislature have been used almost exclusively to offset decreases in General Fund support. This has resulted in long periods of flat tuition rates, punctuated by sharp increases during recessionary periods when families can least afford it.

Under the current system, the extended time between tuition rate changes results in some students completing their degree programs without experiencing a tuition increase, while those attending during a fiscal downturn experience significant rate hikes – a system that many independent experts have derided as “tuition roulette.”



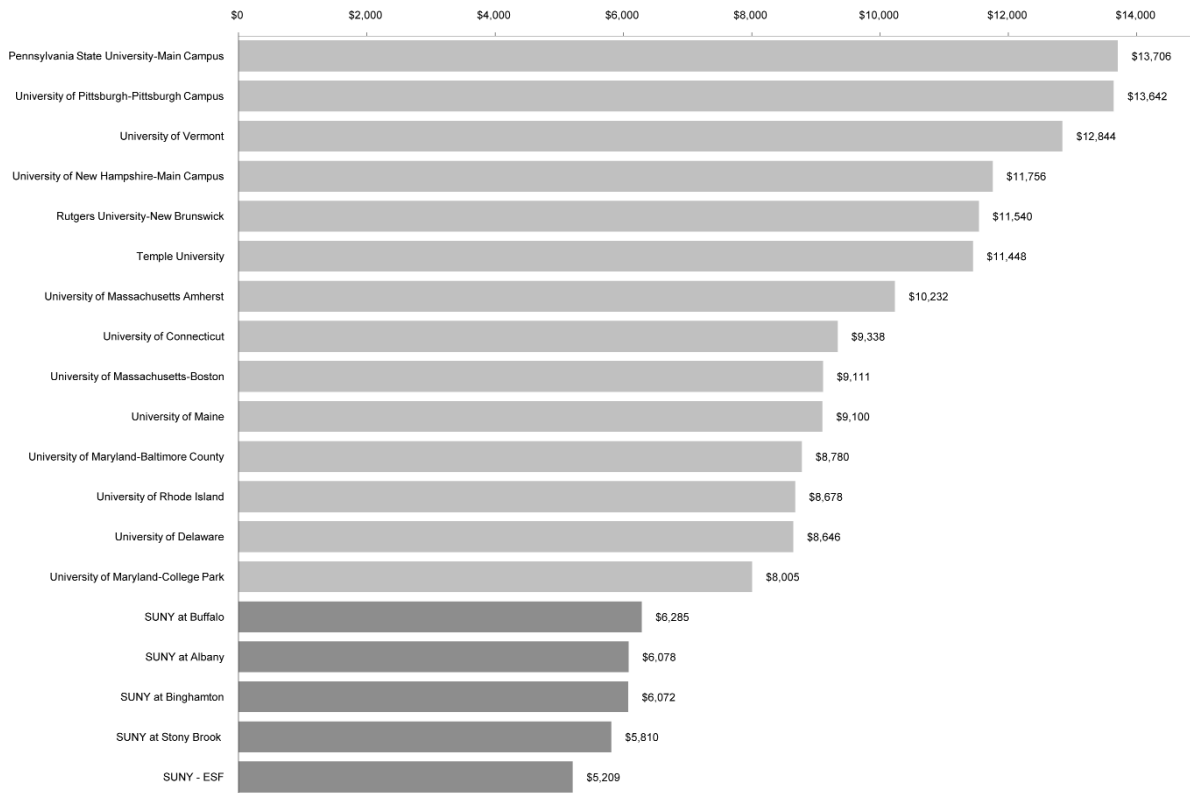


Additionally, SUNY and CUNY campuses are statutorily blocked from setting differential tuition levels that take into account their unique missions and cost-structures – even though most other outstanding public higher education institutions in the United States are able to do so. As a result, SUNY’s and CUNY’s tuition rates lag behind every other state in the northeast region — not only in tuition levels, but in the annual rate of growth, which leaves SUNY and CUNY at a greater disadvantage with each passing year regarding investments in educational excellence.

The differences between tuition charged at New York State’s institutions of public higher education and those in other states is most pronounced in the research/doctoral sector. These campuses typically provide extensive academic offerings at both the undergraduate and graduate level, while also supporting an intensive research effort. In nearly all 50 states, these types of institutions are often “flagships,” attracting national recognition and generating innovations that help drive their home states’ economies.

In Academic Year (AY) 2008-09 — the latest period for which comparative data is available — the average tuition and fees at SUNY’s university research centers were the lowest in the northeast: \$6,053 or 55 percent of the average non-New York tuition (\$10,904). A significant contributing factor to this difference is that most states allow differential tuition between their public research universities and masters/baccalaureate-level comprehensive colleges.

Resident Undergraduate Tuition and Fees for 2008-09  
at Public Research/Doctoral Institutions Located in the Northeast



Governor Paterson’s New York State Public Higher Education Empowerment and Innovation Act would reform the tuition-setting process and better align SUNY and CUNY with their peer institutions by:

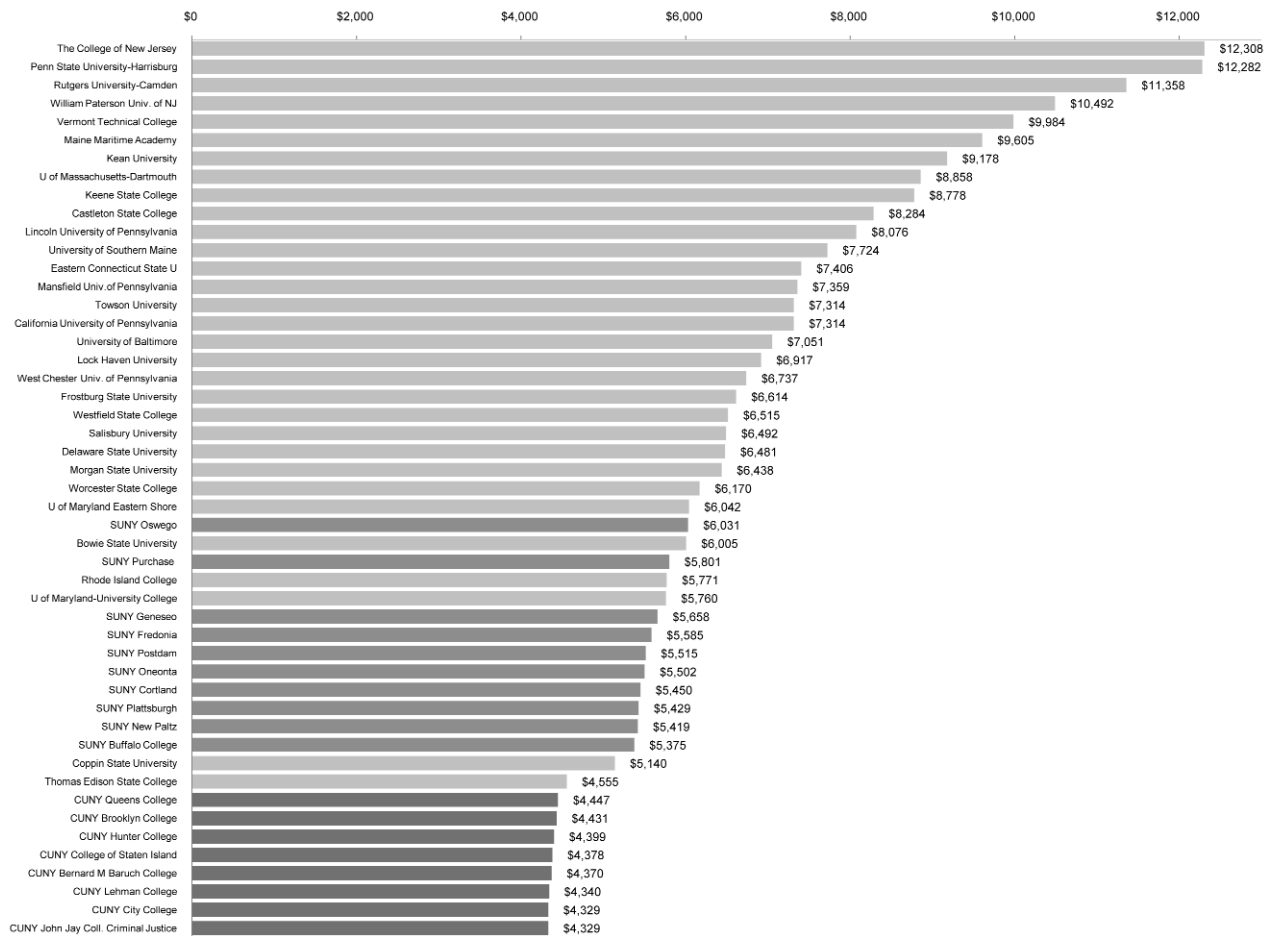
- Authorizing the boards of trustees for SUNY and CUNY to implement a responsible and rational incremental tuition policy that would provide the universities with the discretion to raise tuition up to an annual cap of two and one half times the five-year rolling average of the Higher Education Price Index (HEPI), making it easier for students and families to anticipate and plan for the true cost of attendance over the course of a degree program.
- Authorizing the SUNY and CUNY trustees to implement differential tuition rates for programs and campuses within their systems, based on the recommendation of the college president and in accordance with specific guidelines promulgated by the trustees.
- Moving tuition outside the State budget process, allowing SUNY and CUNY to receive and disburse revenues from tuition and self-supporting program activities without an appropriation.
- Prescribing specific semi-annual reporting requirements on revenues and expenditures at a campus-specific level to ensure continued transparency and accountability.

**2010-11 New York State Executive Budget**

## Reforming Higher Education

Masters/Comprehensive institutions represent what many think of as the typical college or university. They generally offer an extensive array of baccalaureate programs, but the graduate offerings are limited (most at the Masters level) and these are often targeted to local needs. The following chart illustrates SUNY's and CUNY's Masters colleges and their relative position among a set of peers in the northeast.

Resident Undergraduate Tuition and Fees for 2008-09  
at Selected Public Masters/Comprehensive Institutions Located in the Northeast



SUNY's and CUNY's institutions appear clustered near the bottom of the range. In AY 2008-09, the average tuition and fees for this group was \$5,567 which is about 74 percent of the average for non-New York institutions in the northeast (\$7,582).

## Real Property Maximization and Public-Private Partnerships

The real property assets on SUNY's 29 State-operated campuses encompass more than 2,300 buildings, 79 million square feet, and 20,000 acres of land. The replacement value of SUNY educational facilities is nearly \$27 billion. However, SUNY campus presidents are not empowered to maximize these vast resources to benefit the academic, research, and public service missions of their campuses. Current law requires SUNY to seek special legislation to lease any of its properties, even if doing so would advance the academic, research, and/or public service missions of a campus. All too often, potential private partners are unwilling or unable to wait the months or years it takes for a project to wind its way through the legislative and political process.

The NYS Public Higher Education Empowerment and Innovation Act would establish an open and transparent procedure outside of the legislative process — but with involvement of the Legislature — that would authorize SUNY to lease its capital assets. With this authority, SUNY could expand public-private partnerships to promote commercial and community-based activities, such as conference centers, student and faculty housing, health care facilities, business incubators, food service, telecommunications, and retail facilities. SUNY could also use its land in creative ways, such as producing bio-mass fuels and developing solar and wind farms.

The Act would increase SUNY's ability to maximize its vast capital assets and foster public-private partnerships, while protecting public interests by:

- Authorizing the lease of real property under the jurisdiction of SUNY to other entities in support of its educational purpose, and the participation in public/private partnerships that would benefit SUNY's mission, subject to approval of a newly created State University Asset Maximization Review Board. The Board would consist of three members appointed by the Governor, one of whom would be upon the recommendation of the Temporary President of the Senate and one of whom would be upon the recommendation of the Speaker of the Assembly. The Board would also consist of two non-voting members, one upon the recommendation of the Minority Leader of the Senate and the other upon the recommendation of the Minority Leader of the Assembly. The State Comptroller and Attorney General would also serve as non-voting ex-officio members. The Board would have forty-five days to approve or reject a project.
- Providing that lease agreements authorized pursuant to this legislation would be subject to minority and women-owned business enterprise (MWBE) provisions, prevailing wage rates, indemnification clauses, reverter clauses and project labor agreements, where applicable.
- Authorizing the construction and financing, by the Dormitory Authority of the State of New York (DASNY), of supplemental facilities outside of SUNY's Master Capital Plan for the benefit of SUNY by not-for-profit entities affiliated with the State University, provided that the associated projects are subject to prevailing wage, MWBE, and competitive process requirements.

### Procurement Reform

SUNY and CUNY make tens of thousands of purchases every year, from basic commodities to complex construction projects. The universities' boards of trustees have established rigorous procurement guidelines that provide appropriate checks and balances at the campus and central system levels. However, the majority of these purchases also require pre-approval from the Attorney General and the Office of the State Comptroller (OSC) before the transaction can occur.

These additional layers of approval add significant delays – and resulting costs – without providing additional accountability that could not otherwise be achieved through a post-audit arrangement. The post-audit regime is common to most other public university systems around the country. Contracts can be written such that they become void if impropriety is found during the post-audit process, and individuals can be held responsible for improper actions discovered.

SUNY is currently prohibited from utilizing modern construction delivery methods, such as Construction Manager at Risk and Design/Build. Access to these modern delivery mechanisms would accelerate schedules for capital projects, allow increased partnering and risk-sharing with the private sector, and reduce costs.

The Act would allow for more cost-effective operations without sacrificing accountability by:

- Removing provisions of law subjecting SUNY and CUNY to pre-approval of contracts by the OSC in order to streamline the procurement of goods and services, while maintaining provisions requiring the post-audit of such contracts by OSC.
- Allowing for the City University Construction Fund (CUCF) and DASNY to utilize alternative construction delivery methods for applicable CUNY projects.
- Broadening the abilities of the SUCF to implement capital projects through more efficient construction delivery methods, subject to procurement guidelines that must substantially conform to those applicable to existing public authorities.
- Allowing post-audit in lieu of pre-audit requirements for Office of the Attorney General approval of leases between SUNY and its alumni associations in support of dormitory projects.
- Authorizing SUNY-affiliated auxiliary service corporations, campus-related foundations, and other non-profit corporations to make purchases through the more affordable centralized contracting process of OGS, but prohibiting the resale of such commodities and services.
- Increasing the mandated performance bond threshold to promote small business participation for smaller capital projects.

### Other Provisions

The NYS Public Higher Education Empowerment and Innovation Act includes various other provisions that will enhance SUNY's and CUNY's operational efficiency and administrative effectiveness. These include:

- Authorizing DASNY to rehabilitate, construct and finance dormitories on behalf of community colleges, which would be required to assume full financial responsibility for the cost of the projects.

- Allowing SUNY to lease facilities within Albany County directly, rather than requiring the Office of General Services (OGS) to act on its behalf.
- Indemnifying SUNY students who are enrolled in required clinical or other experiential programs as part of their course of study.
- Allowing State University hospital participation in managed care networks and other joint and cooperative health care arrangements without pre-approval from any State entity, and conforming procurement guidelines of SUNY's health care facilities with those of the SUNY campuses.
- Providing that Medical Assistance recipients may receive initial and subsequent treatment from optometric clinics associated with the SUNY College of Optometry.

Implementing these reforms will have far-reaching consequences on the ability of New York's public higher education systems to drive growth in the innovation economy. At the SUNY university and medical centers alone, SUNY estimates that this legislation could create over 10,000 new faculty and staff jobs, over 43,000 construction jobs and educate over 20,000 additional students. SUNY and CUNY are vital to the State's economic recovery and future success. The Empowerment and Innovation Act will allow them to provide the high quality education students will need to succeed in the global innovation economy.



# Mandate Reform Agenda

## Overview

The Governor's Mandate Reform agenda will provide municipalities with essential fiscal relief that directly benefits property taxpayers – at a time when all levels of government must address an unprecedented fiscal crisis. It eliminates or modifies more than 100 existing mandates across a broad range of State programs, producing an estimated local fiscal benefit of nearly \$1 billion over the next three years. His proposal also puts in place strict protections to prevent the imposition of new unfunded mandates that drive up property taxes.

More than half of these mandate reform initiatives are advanced with the 2010-11 Executive Budget and require legislative action. Key statutory proposals include Wicks Law reform and a series of changes to reduce the cost of county mandated services. The remaining administrative actions provide relief from State agency regulations and are being implemented administratively pursuant to the Governor's Executive Order 17, under the direction of the Office of Taxpayer Accountability.

This commitment to preventing the state from shifting its costs onto local government would extend beyond the Executive Branch, however. The Legislature would be precluded from passing any new unfunded statutory mandates on local governments, under a four-year moratorium included in the budget. In addition, the State Education Department and the Office of Court Administration would be required to adopt a regulatory review process intended to prevent the imposition of mandates, which is modeled upon the Executive Order 17 review process now being followed by the State's Executive agencies.

## Major Statutory Reforms

### Four-Year Moratorium on Unfunded Mandates

Legislation advanced with the budget would protect local property taxpayers by imposing a four-year moratorium on all significant unfunded statutory mandates affecting local governments. During this four-year period, the Governor would work with the Legislature to secure approval of a constitutional amendment that protects localities from unfunded mandates. To ensure successful implementation of the proposed ban on unfunded mandates, statutory changes are also proposed to improve the existing legislative fiscal note requirement used to identify the estimated costs of any mandate.

### Wicks Law Reform

The Wicks Law imposes inefficient multiple contract requirements for the different aspects (electrical, plumbing, etc) of most public works projects. This mandate has the effect of substantially driving up capital construction costs.



## Mandate Reform Agenda

Under current law, New York City, Buffalo and several other school districts have a full exemption from all Wicks law requirements, while remaining school districts are subjected to Wicks-related cost increases for any project above \$500,000 Upstate and \$1.5 million Downstate. Governor Paterson's Executive Budget will end this disparate treatment by advancing a permanent repeal of the Wicks Law for all school districts, saving \$200 million annually in capital costs.

### County Mandated Services Reform

Counties and New York City are required by the State to pay a share of the cost for a range of mandated services such as welfare, Medicaid and early childhood services. The 2010-11 Executive Budget provides substantial relief for counties across nearly the full range of mandated services with major initiatives that include:

- **Preschool Special Education:** Counties are required to share in the cost of a rapidly growing preschool special education program, even though county officials have little authority to determine how these services are provided. To provide relief from growing preschool special education costs, county financial exposure would be capped at a two percent annual growth rate with school districts, which currently have no cost share in this program, assuming responsibility for any spending over this level. In addition, program costs would be better managed through statutory changes to encourage the placement of children with nearby providers and by requiring the State Education Department to respond to county audits of preschool special education providers in a timely manner.
- **Early Intervention:** A package of reforms will be advanced to address the growing costs in this program and provide counties with fiscal relief. These include: requiring insurance companies to pay for services covered under the terms of their policy; instituting a parental fee on services that would vary based on income; and revising rates for home- and facility-based care to encourage the use of less costly facility-based care.
- **Medicaid:** In addition to continuing the State's cap on the local Medicaid share and Family Health local share pick-up at a cost of \$1.3 billion, the 2010-11 Executive Budget will authorize a new demonstration program that gives counties that are closing or downsizing nursing homes the option to redirect these savings to enhance community-based long term care services and enable the placement of "hard to place" individuals in private nursing homes.
- **Local Jails/Probation:** In addition to regulatory changes advanced by the State Commission of Corrections, the 2010-11 Executive Budget includes several statutory changes to reduce the mandated cost-burden on county jails, including expanding the use of videoconferencing for certain court appearances and services to inmates, and providing additional flexibility in housing inmates. County probation offices would also benefit from initiatives that streamline the presentencing investigation processes, eliminate funding-specific mandates for aid, and provide additional flexibility in the day-to-day operations of probation departments.

### **Requiring the State Education Department and Office of Court Administration to Implement an E.O. 17 Process**

Statutory changes are proposed that will require both the State Education Department and the Office of Court Administration to implement a mandate review process similar to Executive Order 17 that is intended to discourage the promulgation of unfunded regulatory mandates by these non-Executive agencies, while providing relief from existing regulations. Since the Executive Order was issued in April 2009, the Governor's mandate review process has increased state agency interaction with local governments regarding the impact of proposed regulations on the affected municipalities, leading to the modification of numerous regulations to ease the burden on local governments. Furthermore, the existing regulation review process required as part of Executive Order 17 produced many of the initiatives included in the Governor's mandate reform agenda, and an assortment of additional proposals for further study and possible future action to reduce or completely eliminate their burden on local governments and thereby drive down property taxes.

### **Other School District Mandate Reforms**

In addition to the substantial relief that will be provided by repealing the Wicks Law for school districts, and by requiring the State Education Department to implement an Executive Order 17 mandate review process, the 2010-11 Executive Budget advances a number of other mandate reforms for school districts. It lessens the administrative paperwork burden by streamlining and eliminating unnecessary reporting and planning requirements and by allowing school districts to file reports with the State Education Department electronically. School districts will also be given additional fiscal flexibility with additional transportation savings options and through the use of reserve funds.

### **Procurement Flexibility**

School districts and other local governments would be given significant additional procurement flexibility by: increasing bidding thresholds; allowing local governments to piggyback on other states' and local governments' contracts, as well as certain federal contracts; authorizing electronic bidding and reverse auctions; giving local governments the ability to award contracts based on best value; and providing local governments with the option of publishing bid notifications in the statewide procurement opportunities newsletter. In addition, the fee imposed by the Office of General Services for use of State contracts will be eliminated.

## **Mandate Reform Agenda**

### **Other Mandate Reforms**

Several important mandate reforms were accomplished in the recent special legislative session as well as through administrative actions implemented in the current year. These include the: creation of a new lower cost Tier 5 in the State and local pension system that would save public employers \$35 billion over 30 years; collateral source reform that is yielding a \$43 million savings for New York City; and Executive efforts to provide rate relief worth \$264 million for local governments participating in the NYSHIP employee health insurance plan.

A full list of Governor Paterson's more than 100 proposed mandate reform initiatives is available at the Division of the Budget's website ([www.budget.state.ny.us](http://www.budget.state.ny.us)).

# Making Government More Efficient

The Executive Budget includes a broad range of initiatives that will make the operations of State government more efficient and lower the cost of providing essential public services. These include further across-the-board agency cuts, facility closures, mergers, consolidations, workforce actions, and shared services recommendations put forward by Governor Paterson's Office of Taxpayer Accountability (OTA). Overall, these measures will save more than \$1 billion in 2010-11, and move forward the goal of a more streamlined State government at a time when difficult cuts are required across every area of State spending to address an historic fiscal crisis.

## **Additional Across-the-board Agency Cuts**

Since taking office, Governor Paterson has implemented \$1.5 billion in across-the-board, recurring cuts to state agencies (\$1.0 billion in 2008-09 and \$500 million in 2009-10). The 2010-11 Executive Budget includes an additional \$500 million reduction to State agencies, bringing the total amount of recurring agency cuts that the Governor has instituted to \$2.0 billion.

## **Facility Closures**

### ***Prison Closures***

The prison population is projected to decline by 1,100 inmates in the current fiscal year and by another 1,000 inmates in the 2010-11 fiscal year. As a result, the Department of Correctional Services will continue to consolidate facilities and eliminate excess capacity. Two prisons will close in January 2011: Lyon Mountain minimum security (Clinton County) and Butler minimum security (Wayne County). Another two prisons will close in April 2011: the Moriah shock facility (Essex County) and Ogdensburg medium security facility (St. Lawrence County). The planned closures will be undertaken in compliance with the current statutory provisions requiring one-year notification. The consolidation of various dormitories will also be factored into the overall plan, providing flexibility to adjust to unexpected changes in the size and movement of the inmate population. Once the closures are completed, the DOCS workforce will have been reduced by 637 staff, including 17 managerial staff. These actions will save \$7 million in 2010-11 and \$52 million in 2011-12.

### ***Rightsize Residential Juvenile Justice System***

By consolidating and reducing capacity in line with population trends, the State will lower costs and improve the efficiency of the Office of Children and Family Services (OCFS) youth facility system. The Annsville and Taberg residential facilities would be consolidated. Two other facilities would be downsized to reduce excess capacity, including the Tryon Boys facility in Johnstown, Fulton County (eliminating the limited-secure program for boys) and the non-secure residential center for girls in Lansing, Tompkins County. These actions would take place in January 2011 in accordance with one-year notification requirements, reduce facility-wide vacancy rates from 30 percent to 19 percent, and result in reduced staffing needs of 251 positions. OCFS would continue to operate 23 residential facilities (1,209 beds) and five day placement centers with sufficient capacity to accommodate any upturn in placements by the Family or Criminal Courts. Overall, this proposal would produce savings of \$3 million in 2010-11 and \$15 million in 2011-12.

## **Workforce Actions**

At the close of the 2009-10 fiscal year, the portion of the State workforce that is subject to gubernatorial management is projected to total 132,525. This represents a decline of 5,150 since Governor Paterson took office in March 2008. After implementation of Executive Budget recommendations, the portion of the State workforce that is subject to gubernatorial management would total 131,900 – a decline of 5,775 compared to March 2008. When completed, the annual General Fund savings associated with these reductions would be approximately \$457 million, including fringe benefits.

In the 2010-11 Executive Budget, the Governor will seek to implement a number of workforce actions to reduce State employee salary costs. These actions are targeted to save \$250 million in 2010-11 and may include options such as a salary deferral or the delay or reduction of a four percent general salary increase.

## **Mergers and Consolidations**

The 2010-11 Executive Budget will recommend seven proposals to merge or consolidate State agencies and public authorities, producing full annual savings of \$14.8 million. This is the first step in an ongoing process of streamlining State agencies in a smart and targeted manner that delivers essential services at a lower cost.

### ***Recommendations in the 2010-11 Executive Budget include:***

To streamline the State's economic development delivery structure and ensure that New York emerges as a leader in the knowledge, technology and innovation-based economy, the 2010-11 Executive Budget proposes merging the Department of Economic Development and the Empire State Development Corporation into a new Job Development Corporation (JDC). The JDC will continue functions performed by the previous bodies, and will be better able to provide economic development and perform job creation activities with improved efficiency. The merger of the State's economic development bodies is expected to save \$4.7 million annually.

The Office of Homeland Security, State Emergency Management Office, the State 911 Board, the Office of Cyber Security and Critical Infrastructure Coordination and the Office of Fire Prevention and Control will merge into a single State agency, the Division of Homeland Security and Emergency Services, to provide greater support to local first-responders, improve coordination of a wide array of State and Federal grant programs, and advance the vision of a county-driven statewide communication network, delivering efficiency savings of \$1.5 million annually. In addition, the consolidated agency will award new grants from the cellular surcharge to county consortiums to assist in the development of regional interoperable communication networks for use by both State and local first responder agencies.

The operations of the Crime Victims Board, Office for the Prevention of Domestic Violence, and Division of Probation and Correctional Alternatives will merge with the Division of Criminal Justice Services (DCJS). The important missions of these agencies will be preserved, coordinated and enhanced as specialized offices within DCJS. DCJS already provides administrative support to these smaller agencies, and a full merger offers a more efficient and cost-effective environment for the delivery of programs and services for which these agencies are responsible. The merger will also foster improved coordination of policies and programs and consolidate grant operations. Overall, this action will produce efficiency savings of \$1.9 million.

The Executive Budget merges the Office of Real Property Services into the Department of Taxation and Finance, achieving over \$1.9 million in full annual savings by consolidating facilities and services in support of agency operations. This merger expands upon the current host agency arrangement between the agencies, which has already reduced overall costs for administrative support by \$650,000, and improves coordination of property tax relief efforts.

The State Employment Relations Board (SERB) will be abolished and the Public Relations Employment Board will absorb its remaining responsibilities for full annual savings of \$1.3 million. The case for the elimination of SERB is overwhelmingly clear, as the Federal government has already assumed most of SERB's prior responsibilities.

The Office of Welfare Inspector General would share administrative services with the Office of Medicaid Inspector General to achieve administrative efficiency and strengthen collaborative efforts to detect and control public benefits fraud.

The Division of Housing and Community Renewal and "nyhomes" will remain separate entities, but will be consolidated under a single management structure that is expected to achieve synergies in areas such as administration, asset management and grant making, producing annual savings of \$3.5 million.

The Governor proposes sweeping ethics reform, including the consolidation of all ethics-related functions into a single agency, thereby providing a consistent framework for making advisory decisions on ethical conduct and evaluating potential violations. The new Government Ethics Commission would combine the oversight of both the Executive and Legislative branches, as well as enforcement of the laws governing ethics, lobbying, and campaign finance.

## **Office of Taxpayer Accountability**

On June 13, 2009, Governor David Paterson announced the creation of the Office of Taxpayer Accountability (OTA). Its mission is to save taxpayer money by eliminating waste, fraud and abuse; achieving economies of scale; breaking down silos between State agencies; establishing an enterprise approach to State government; improving customer service; and sharing services to streamline functions.

### ***Ongoing Efforts to Root Out Waste, Fraud and Abuse***

In the past six months, OTA has generated nearly \$27 million in savings by leveraging the State's buying power and directing State agencies to cut wasteful spending by taking actions such as reducing travel by 25 percent, eliminating unnecessary printing and copying, and replacing paper processes with electronic submissions and notifications. In 2010, OTA will take additional actions to root out waste, fraud and abuse by:

- Increasing the use of debit cards for State payments
- Taking maximum advantage of the savings to be realized from the use of procurement cards
- Reducing energy consumption and setting electronic devices to "power down" sleep settings
- Auditing utility services
- In cooperation with the Office of General Services (OGS), consolidating, renegotiating and auditing leases
- Finding additional aggregate purchasing opportunities, including enterprise information technology procurements
- Carefully monitoring and evaluating the State's fleet inventory
- Aggressively overseeing and monitoring agency internal audit plans to ensure that audits are risk based, protecting taxpayer money, holding state officials accountable for funds being spent as effectively and efficiently as possible, and help prevent and eliminate waste, fraud and abuse.

An increasing crackdown on tax and Medicaid fraud is also an important component of Governor Paterson's budget and is discussed in detail in separate sections of this briefing book.

### ***2010-11 OTA Executive Budget Proposals***

#### ***Shared Services Initiatives***

Building on these actions, the 2010-11 Executive Budget will advance the specific additional Office of Taxpayer Accountability recommendations detailed below. It is expected that these and other efforts to streamline State operations will produce recurring savings of at least \$50 million in 2010-11. They include the following:

#### ***Customer Service***

- **Create a one-stop-shop (E-licensing) for businesses and professionals seeking licenses and permits to conduct business in New York.** Five agencies are currently developing an electronic enterprise system to modernize and consolidate aging legacy systems or create one where one currently does not exist. Once operational, additional agencies will migrate onto this platform as their systems become obsolete or require major upgrades. Developing a single statewide enterprise application is projected to avoid costs of \$9 million, with further savings accruing as more agencies migrate in the future.

- **Consolidate call centers to improve customer service and lower State spending.** Currently the State operates myriad independent call centers and has hundreds of dedicated lines and staff devoted to this function. Initially, savings will be realized by reducing the number of toll free lines and renegotiating contracts. By establishing a central management structure and knowledge repository, the ultimate goal of enhancing staff productivity and decreasing redundancy will be achieved over time. These efforts are projected to generate net savings of \$3.4 million in SFY 2010-11.

### ***Technology***

- **In-source information technology consultants.** Pursuant to Chapter 500 of the Laws of 2009, efforts are underway to in-source up to 500 technology consultants, generating significant savings. For every 100 outside contractors replaced with State employees, where appropriate and cost-effective, it is estimated that the State will save between \$2.5 and \$3 million.
- **Launch a new business model to jump start the consolidation of technology services under CIO/OFT.** Capitalizing on the strategic vision of CIO/OFT, a charter will be established between OTA and CIO/OFT that requires a reduction in statewide technology costs and a focus on customer-driven business relations. In turn, State agencies will be mandated to utilize CIO/OFT services and adhere to statewide technology policies and principles. A governance structure will be established to ensure that agencies have a voice in how technology decisions are made and service level agreements will be established to ensure transparency and accountability. Outside experts will be sought to help transform OFT's business model and ensure the State is trained and operating efficiently and effectively when purchasing IT products and delivering services statewide. The following services will be developed in the coming year:

**Consolidate all agencies onto a single e-mail platform to gain operational efficiencies.**

Over 40 agencies will migrate to the State's e-mail platform over the next eighteen months. By consolidating all State agencies' e-mail systems into a single system, the State will gain operational efficiencies that are anticipated to result in at least \$4 million in annual savings when fully implemented, and will position the State for unified communications beyond e-mail, which will further lower information technology costs.

**Enter into a public-private partnership to develop a shared data center.** By pursuing a cooperative effort with institutions of higher education and perhaps the private sector, true economies of scale can be achieved, economic development can be advanced, and combined resources can be leveraged to develop a new model for future facility projects.

**Fast track the State's ability to utilize Voice over Internet Protocol (VoIP).** This telecommunications technology will allow for audio and data transmission over the Internet and/or other digital networks to assist agencies with achieving greater operational efficiencies. These efforts have already begun with the Department of Taxation and Finance.



### *Asset Management*

- **Transform the State's decentralized approach to asset management into an enterprise solution that furthers both short-term and strategic objectives.** The State will deploy an asset management module to provide immediate insight into its holdings - everything from BlackBerries to cars to real estate – as a first step towards better management and future decision making. Real estate portfolio optimization will also be vigorously pursued. Outside expert services will be sought to rationalize the State's disparate, cross-agency processes for managing, operating and disposing of State-owned and leased space. This space utilization effort will be broad, proactive and intrinsically linked to changes in agency missions, workforce, and process improvements.

### *Human Resources*

- **Create a single statewide human resources system (e-HR) that contains electronic personnel records (recruitment to retirement) for each State employee.** While completion of such a system will take time and resources, in FY 2010-11 the State will start by completing an inventory of the State's myriad HR systems and business processes to identify best practices and re-engineering opportunities, including time and attendance to reduce waste, fraud, and abuse. A governance structure will be established to ensure appropriate agency involvement.
- **Develop an enterprise Learning Management System (LMS).** Deploy a statewide LMS system, while also planning for it to become part of a larger e-HR system in the future. This effort will advance two key budget priorities – delivering low-cost online training to first-responders through the public safety training facility at Oriskany and assisting managers with tracking the IT skills of the State's workforce to decrease the use of consultants.

### *Procurement*

- **Modernize the State's procurement processes to leverage the State's buying power and improve efficiencies.** The State will issue an RFP to obtain the services of a strategic sourcing vendor to analyze what the State spends in the context of the current market economy and ensure an emphasis on operational improvements. This data will establish standards for commonly purchased goods and services, enabling the State to consolidate purchases at lower prices and with better terms and conditions. Assuming ten distinct spending categories can be addressed next year, we estimate savings of \$10 million based on industry standards and other states' experiences.
- **Automate procurement processes.** OGS, in cooperation with the statewide Financial System, will pilot new technology to automate procurement process workflow and create an electronic library of standardized bid and contract language to support the effort to create purchasing best practices.

### ***Finance***

- **Create a single statewide financial management system (SFS).** Efforts are accelerating to create a single, statewide financial system, serving both the Office of the State Comptroller and State agencies. Previously independent projects overseen by OSC and DOB have merged to implement a single shared system, with the first phase expected to be implemented by next year. This joint approach can reduce project costs by \$24 million.
- **Improve the collection of all State non-tax debt.** Several State agencies and the Office of the Attorney General are collaborating to develop improved processes for debt collection, which will rely more heavily on a centralized, standardized collection agent. A minimum of \$5 million in recovered revenue is expected as a result of these improved processes.

### ***Empire Stat***

EmpireStat will be a critical tool for Governor Paterson and the public to assess whether the State is making real progress in areas that matter to New Yorkers: Economic Development/Jobs, Health Care/Vulnerable Youth, and Public and Road Safety. This tool will be used to conduct agency performance reviews, hold agencies responsible for their performance, report directly to New York State taxpayers on that performance, and provide direction for improvement where necessary.

### ***Mandate Reform***

The Governor is also advancing in the Executive Budget a comprehensive mandate reform agenda along with new local revenue options that would provide fiscal relief to municipalities. This package of more than 100 mandate reform actions will provide nearly \$1 billion in savings to local governments over the next three years. Key initiatives include a four-year moratorium on unfunded mandates, a full repeal of Wicks Law requirements for all school districts, and several proposals to contain growth in programs with required county cost sharing such as Early Intervention and preschool special education.

The mandate reform package includes numerous statutory initiatives, as well as many reforms resulting from the Executive Order No. 17 review process initiated by the Governor in 2009 and led by his Office of Taxpayer Accountability.

In addition to a broad-based mandate relief initiative, the budget proposes a series of reforms intended to promote local government efficiency and fiscal accountability. A more detailed discussion of the Governor's mandate reform and local government efficiency and accountability proposals are presented in separate sections of this briefing book.



# A Healthier New York

The Executive Budget will make New York a leader in improving the long-term health of its citizens through two proposed tax actions – a \$1.00 increase in the cigarette excise tax and a new excise tax on beverage syrups and soft drinks. These dedicated taxes are intended to lower long-term health care costs by discouraging unhealthy consumption habits that put New Yorkers at risk for obesity, diabetes, cancer, heart failure, strokes, and other diseases.

## Dedicated Tax on Cigarettes

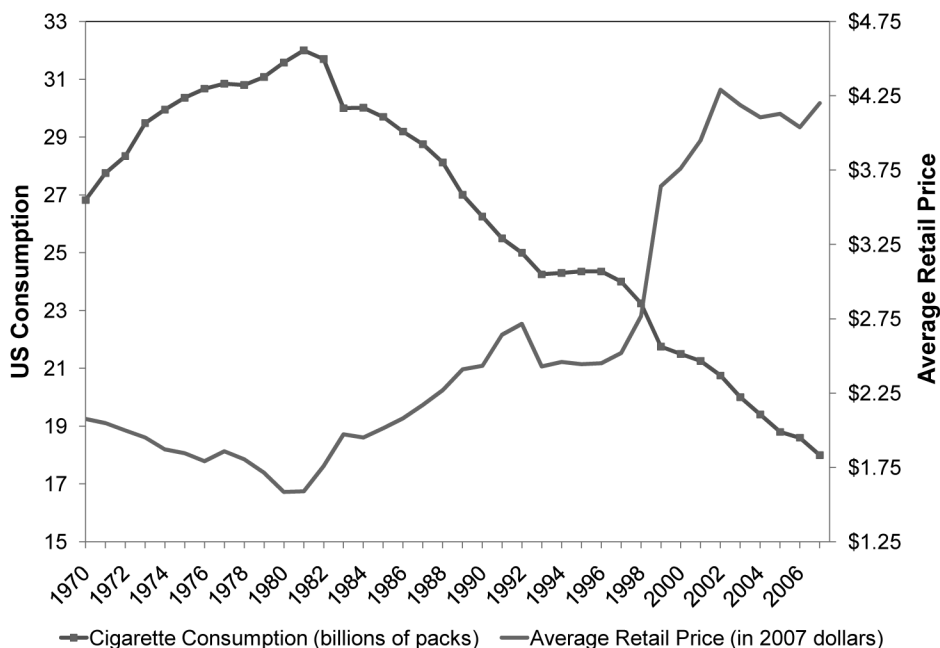
According to the Federal Centers for Disease Control and Prevention (CDC), adverse health effects from cigarette smoking account for more for than 400,000 deaths per year, including the deaths of approximately 25,000 New Yorkers. More deaths are caused each year by tobacco use than by HIV, illegal drug use, alcohol use, motor vehicle injuries, suicides and murders combined. Smoking dramatically increases the risk of:

- Coronary heart disease by 2 to 4 times
- Stroke by 2 to 4 times
- Men developing lung cancer by 23 times
- Women developing lung cancer by 13 times
- Dying from chronic obstructive lung diseases by 12 to 13 times

The proposed cigarette tax increase in Governor Paterson's Executive Budget from \$2.75 to \$3.75 is estimated to decrease cigarette use by a total of 14 percent, helping to prevent instances of these serious health problems. According to estimates by the Campaign for Tobacco-Free Kids, an increase of this magnitude would be expected to prevent more than 100,000 children from becoming smokers and cause more than 50,000 adult smokers to quit.

A clear negative relationship exists between the price of cigarettes and consumption levels. The following graph, replicated from the Campaign for Tobacco-Free Kids, shows national declines in consumption levels as the average price of cigarettes increased.

### U.S. Cigarette Price vs. Consumption

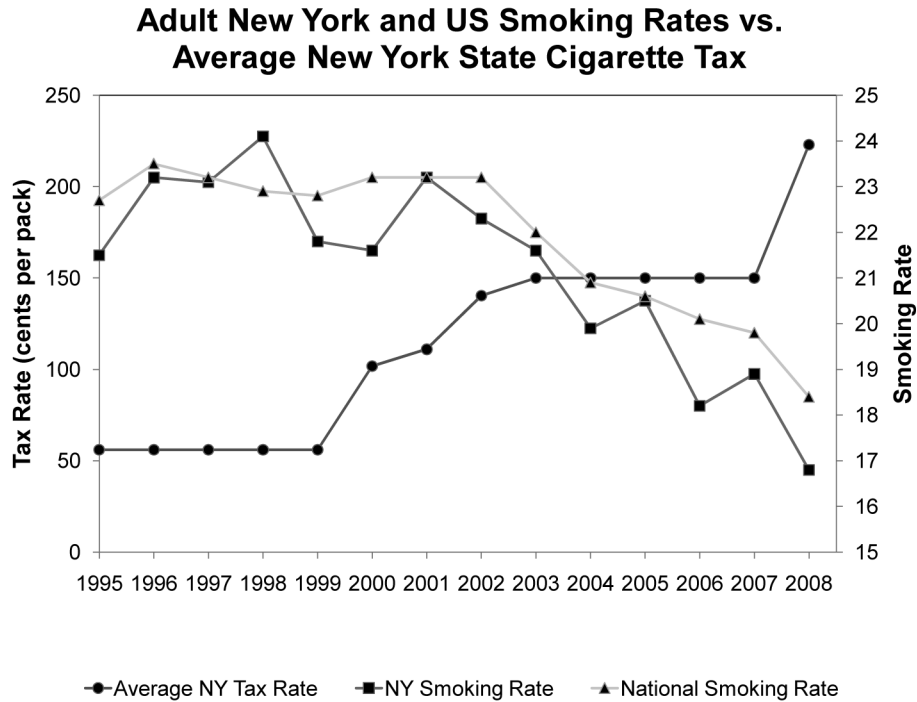


Health experts have long advocated increases in cigarettes taxes as a method for reducing smoking. In 2000, the U.S. Surgeon General stated, “Substantial increases in the excise taxes on cigarettes would have a considerable impact on the prevalence of smoking and, in the long term, reduce the adverse health effects caused by tobacco.”

In its 2006-07 Annual Report, the President’s Cancer Panel stated, “Increases in tobacco excise taxes, which are passed along to consumers in the form of higher tobacco product prices, have proven highly effective in reducing tobacco use by promoting cessation among current users, discouraging relapse among former users, preventing initiation among potential users, and reducing consumption among those who continue to use tobacco.” The Panel, which is part of the National Institutes of Health, included among its recommendations, “Encourag[ing] state governments to further increase tobacco excise taxes to discourage purchase of cigarettes and other tobacco products.”

New York State has been a national leader in the effort to discourage tobacco use through its cigarette excise tax. In the past ten years, New York has increased the cigarette excise tax three times, from \$0.56 at the beginning of 2000 to the current rate of \$2.75 per pack. In the year following the June 3, 2008 cigarette excise tax increase, the New York State Department of Health Smoker’s Quitline received over 220,000 calls – a record number.

According to survey data from CDC, in the late 1990s, New York’s adult smoking rate closely mirrored the national rate. However, as the State increased cigarette taxes at the beginning of



the decade, the adult smoking rate has fallen well below the national average.

There have been even greater reductions in youth smoking as the price of cigarettes has increased. According to research compiled by the Campaign for Tobacco-Free Kids, “every 10 percent increase in the real price of cigarettes reduces overall cigarette consumption by approximately three to five percent, reduces the number of young-adult smokers by 3.5 percent, and reduces the number of kids who smoke by six or seven percent.”

The 2010-11 Executive Budget proposes to increase the cigarette tax by an additional \$1.00 per pack to further encourage New Yorkers to quit smoking, discourage non-smokers from starting to smoke and to keep New York’s children healthy. Revenues from this dedicated tax increase will be invested, through HCRA, in the State’s numerous health care programs. To address the issue of tax evasion on Indian reservations, the Department of Taxation and Finance (DTF) will withdraw its Advisory Opinion regarding their policy of forbearance of sales by agents of unstamped product to Indian retailers. The DTF will promulgate rules and regulations to implement the Indian tax exempt coupon system. This action will permit the State to seek the lifting of the injunction preventing the State’s statute prohibiting the sales of unstamped cigarettes to Indian retailers from going into effect.

## **Dedicated Tax on Sugared Beverages**

New York is also facing another serious public health crisis -- one out of every four New Yorkers is obese. The percentage of adults in New York State who are overweight or obese increased from 42 percent in 1997 to 60 percent in 2008, and obesity among children and adolescents has tripled in the past three decades. Low-income populations, those with low educational attainment and communities of color experience higher rates of obesity. The Surgeon General estimated that obesity is associated with 112,000 deaths each year and poor diet and physical inactivity cause up to 365,000 deaths per year.

Obesity causes serious health problems like Type 2 diabetes, heart disease, high blood pressure, high cholesterol, cancer and osteoarthritis. Obese children are at much greater risk of having a heart attack, having a stroke, getting cancer and losing a limb.

Obesity has serious and substantial public health costs. The New York State Comptroller has reported that New York spends an estimated \$7.6 billion on adult obesity-related health problems, more than almost every other state. Around eighty percent of this cost is paid through publicly-funded health care programs such as Medicare and Medicaid.

A meta-analysis of 88 studies published in the American Journal of Public Health concluded that sugar-sweetened soft drink consumption was associated with increased caloric intake and body weight. Soft drink intake was also associated with lower intakes of milk, calcium and other nutrients. Research has demonstrated that soft-drink consumption is one of the main drivers of childhood obesity. For example, a study by Harvard researchers found that each additional 12-ounce soft drink consumed per day increases the risk of a child becoming obese by 60 percent. For adults, the association is similar. According to the New England Journal of Medicine, Americans consume about 250 to 300 more calories daily today than they did several decades ago, and nearly half this increase is accounted for by consumption of sugared beverages.

New York can make great strides in combating the obesity epidemic by applying lessons learned in our battle against tobacco. To improve the long-term health of New Yorkers while making investments in the State's health programs, the Executive Budget proposes an excise tax of \$7.68 per gallon for beverage syrups or simple syrups, and \$1.28 per gallon for bottled soft drinks, powders or base product, an approximately one cent per ounce increase in the cost of soft drinks. According to the New England Journal of Medicine, a penny-per-ounce excise tax could reduce consumption of sugared beverages by more than 10 percent.

Taxable sugar-sweetened beverages will include those that contain more than ten calories per eight ounces, such as soda, sports drinks, "energy" drinks, colas, fruit or vegetable drinks containing less than 70% natural fruit or vegetable juice, and bottled coffee or tea. Milk, milk products, milk substitutes, dietary aids, and infant formula would be exempt.

Revenue generated from the tax will be dedicated to health care spending through the Health Care Reform Act (HCRA), which finances over \$5 billion in health care costs annually, including a portion of Medicaid costs. HCRA also supports more than 75 different health and insurance programs including Child Health Plus, Family Health Plus, and the Elderly Pharmaceutical Insurance Coverage (EPIC) program.

A tax on sugared beverages is an important tool in fighting obesity. Since taking office in 2008, Governor Paterson has introduced eight programs to fight the prevalence of obesity, including requiring calorie posting in chain restaurants so individuals can make informed choices, banning artificial trans fat in prepared foods, requiring healthier foods in schools, creating the Healthy Food/Healthy Communities program to increase the number of food stores offering healthy foods in underserved communities, promoting the First Lady's Healthy Steps program to encourage middle school students to incorporate physical activity into their daily routine, increasing access to fresh fruits and vegetables through farmers markets and creating obesity coalitions to encourage healthy lifestyle changes where people live, work, and play.





# Federal Funding for New York

## Overview

Federal funding is an important component of New York's budget, representing more than one-third of total All Funds spending. Together with State taxpayer resources, it finances a range of critical priorities, including health care, education, and other services.

With the passage of the American Recovery and Reinvestment Act (ARRA) in February 2009, Federal support has been especially critical in helping New York and other states address unprecedented budget deficits during a global economic downturn. However, the scheduled expiration of ARRA fiscal relief in late 2010 will leave a more than \$4.4 billion funding shortfall that accounts for a substantial share of the State's overall projected 2011-12 out-year budget gap of \$6.3 billion.

For years, New York has received substantially less than its fair share of Federal aid. In 2008, our State sent \$55.6 billion more to the Federal government in taxes than we received in return in aid. Over the last decade, this balance of payments deficit totaled more than \$600 billion on a cumulative basis.

In its response to a serious fiscal challenge, the State is taking aggressive action to reduce long-term spending. At the same time, New York must also partner with its congressional delegation to ensure that the State receives its equitable share of Federal funds for essential government purposes, including health care, education, infrastructure, and job creation.

## Impact of the American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act will provide more than \$31 billion in Federal assistance over two years to New York State. Key ARRA funding categories include:

- \$7 billion for unemployment benefits, food stamp assistance and other forms of economic support for individuals and families threatened by the national recession;
- \$4.5 billion for "shovel ready" infrastructure investments in transportation, clean water, drinking water and other projects, as well as support for a range of energy-related programs such as weatherization and smart grid improvements;
- \$2.8 billion for education programs such as Pell Grants for college students, and substantial increases in Federal Title I and special education funding provided directly to school districts; and

## Federal Funding for New York

- \$14.1 billion for ARRA fiscal relief intended to help the State minimize cuts to essential services and reduce fiscal stress. Of this amount, more than \$11 billion is realized through a temporary increase in the Federal Medical Assistance Percentage (FMAP) over a 27-month period ending December 2010. The remaining \$3 billion comes from ARRA State Fiscal Stabilization Fund (SFSF) grants that are primarily intended to mitigate State cuts to education funding.

The ARRA has provided critical short-term support necessary to stimulate the national economy, as well as stabilize state and local finances. However, when ARRA state fiscal relief is fully exhausted in 2011-12, New York's Financial Plan will face an annual Federal funding loss of approximately \$4.4 billion in FMAP and SFSF funds, which were previously used to reduce the State's budget gap and minimize cuts to essential services. School districts will experience a nearly \$1 billion annual loss of direct Title I and special education funding on top of a reduction in SFSF revenue provided through the State. In addition, counties and New York City will lose \$1 billion from their local share of FMAP funding.

ARRA Fiscal Relief in the State Budget (\$ in millions)				
Category	2008-09	2009-10	2010-11	2011-12
FMAP	1,299	3,702	3,387	0
SFSF	0	1,523	1,275	220
Total	1,299	5,225	4,662	220

## Expanded Federal Support for Job Creation and Infrastructure

In December 2009, the House of Representatives passed the Jobs for Main Street Act. The United States Senate is expected to consider similar legislation in late January 2010.

The House version of this comprehensive legislation is intended to spur the creation and preservation of jobs through initiatives ranging from small business tax credits and new worker training programs to expanded infrastructure investments and an extension of ARRA fiscal relief for states.

With our State facing an unemployment rate of nine percent and large out-year budget gaps that threaten its capacity to create jobs, New York strongly supports Congressional action on a jobs bill. Small businesses need Federal tax credit programs that provide incentives for job creation or retention. Additionally, the State's disadvantaged populations in particular require targeted programs to support training and job skills development.

New York also urges the Federal government to support continued investments in job-creating infrastructure programs, including transportation and clean water. While an immediate infusion of infrastructure aid is important, Congress should act in the coming year to reauthorize long-term highway and transit investment legislation that will support the State's growing transportation needs. In addition, New York's local governments will require an estimated \$36 billion over the next 20 years to support a sewer and wastewater system that has not benefited from a sustained Federal investment since the 1970s.

Finally, in an effort to maintain the Nation's economic recovery, the jobs bill now under development in Congress should extend fiscal relief for states by continuing the FMAP and education funding provided under the ARRA. States such as New York serve as economic engines, supporting jobs and providing vital services. A short-term extension of ARRA fiscal relief will help minimize immediate cuts to health care, education and other essential services, while providing the State with the additional time necessary to realign its spending with available revenues.

### **A Need for Equitable Federal Health Care Reform**

Congress is now on the verge of passing historic health care reform legislation, which will improve our health care system and make substantial progress toward providing medical coverage for 2.5 million uninsured New Yorkers. While the Senate and House versions of this legislation treat New York in a significantly different manner, Governor Paterson has been urging Congressional leadership to enact a final bill that ensures equity for all states.

The State of New York has been a leader in expanding coverage to the uninsured through its Medicaid program. Federal health care reform should not penalize New York for its leadership while rewarding other states that have historically provided less coverage for their uninsured populations. In recent months, the Governor has steadily advanced a set of principles for achieving fair and effective health care reform — and is continuing to work with the State's Congressional Delegation to secure passage of a final agreement that expands health care coverage while providing equitable Federal reimbursement for the cost of providing Medicaid services.

### **New York's Federal Balance of Payments Shortfall**

New York sends substantially more revenue to the Federal government than it receives in the form of Federal spending and aid. In 2008, the State's negative balance of payments (BOP) between Federal taxes paid by its taxpayers and Federal spending in New York totaled \$55.6 billion, the highest of any state in the nation. Over a ten-year period through 2008, the State's shortfall totaled more than \$600 billion.

## Federal Funding for New York

Top Ten State BOP Shortfalls (2008 – \$ in millions)	
State	Shortfall
New York	(55,576)
New Jersey	(50,450)
Minnesota	(42,779)
Illinois	(34,199)
Texas	(25,671)
Ohio	(20,437)
California	(18,160)
Connecticut	(15,542)
Delaware	(14,966)
Washington	(10,451)

Top Ten State BOP Surpluses (2008 – \$ in millions)	
State	Surplus
Virginia	51,661
Kentucky	27,326
Maryland	23,773
Alabama	23,402
Arizona	18,500
South Carolina	18,452
Mississippi	17,401
Michigan	16,315
Florida	15,534
New Mexico	13,987

This BOP imbalance only will grow larger if New York is not treated fairly in the final health care reform legislation that is expected to be approved soon by Congress and signed into law by the President. In the absence of an equitable reform agreement, New Yorkers will be responsible for paying a large share of the cost of health care reform in the form of additional taxes and other revenue increases, while Federal aid to the State remains essentially flat.

### The State's Federal Funding Strategy

Governor Paterson recognizes that the State must directly confront the loss of time-limited Federal ARRA assistance by realigning spending with available revenues. Even if Congress acts to provide further short-term fiscal relief to states, New York must address the need to realign its spending in order to achieve permanent structural balance.

In concert with this realignment effort, the State will also partner with its Congressional Delegation to ensure New York receives an equitable share of Federal funding to minimize the need for service reductions, create jobs and reduce our balance of payments shortfall. If the final enacted health care reform bill shortchanges New York by failing to provide adequate Medicaid reimbursement, the Governor will work with the State's Delegation to rectify this inequity in subsequent legislation. The State will also continue to press for increased long-term Federal investment in transportation, sewer and water, and other infrastructure projects that create jobs and address critical public needs.

Finally, the State will urge Congress and the President to adopt Governor Paterson's prohibition on unfunded mandates. Just as the State will be precluded from imposing unfunded mandates on local governments, the Federal government needs to avoid the imposition of mandated expenditures on State and local governments that are not accompanied by necessary Federal funding. As one example of this new policy, the State will ask Congress either to permanently fund more than \$800 million in mandated special education costs under the Individuals with Disabilities Education Act (IDEA) that are now borne by the State and local school districts — or provide greater state and local flexibility in delivering and funding these services.

# 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 beginning in the 2011-12 school year, and make other changes necessary to implement the Executive Budget.
- Enact School District Paperwork Reduction and Mandate Reform.
- Modernize the nomenclature for special education aid formulas.
- Require the New York State Theatre Institute and the Empire State Plaza Performing Arts Center Corporation to become self-supporting.
- Enact the New York State Public Higher Education Empowerment and Innovation Act.
- Increase academic standards for non-remedial Tuition Assistance Program recipients.
- Amend the eligibility requirements for the Tuition Assistance Program (TAP) as it relates to students in default on certain student loans.
- Eliminate Tuition Assistance Program eligibility for graduate students.
- Place financially independent students under age 22 and married students with no children on new Tuition Assistance Program award schedules.
- Reduce the maximum Tuition Assistance Program (TAP) award for students matriculated in certain two-year degree programs to \$4,000.
- Provide Tuition Assistance Program awards to students attending certain institutions not under the State Education Department's direct supervision.
- Reduce Tuition Assistance Program awards by \$75.00.
- Include all private pension and annuity income in Tuition Assistance Program eligibility determinations.
- Extend the Patricia K. McGee Nursing Faculty Scholarship and the Nursing Faculty Loan Forgiveness Incentive programs until 2015.
- Extend the Regents Physician Loan Forgiveness Program until the end of the 2010-11 academic year.
- Amend the Education Law to eliminate certain State sponsored merit scholarship programs beginning in Academic Year 2010-11.



## Legislation Required for the Budget

- Amend the Education Law in relation to community college chargeback provisions.
- Extend current social worker and mental health professional licensing exemptions for the Department of Mental Hygiene, the Office of Children and Family Services, and local government programs.
- Amend various provisions of law in relation to the New York Higher Education Loan Program (NYHELPS).
- Make technical corrections with regard to the District Attorney and Indigent Legal Services Attorney Loan Forgiveness Program.
- Expand investment choices for the Optional Retirement Program to include corporations that manage or invest in mutual funds.
- Eliminate the STAR exemption benefit for properties having an equalized value of \$1.5 million or more.
- Lower the STAR "floor" from 89 percent to 82 percent.
- Restructure NYC Personal Income Tax STAR by limiting the tax rate reduction benefit to the first \$250,000 of income.
- Enable the use of an electronic benefit transfer system for the foster care and adoption programs.
- Create the Kinship Guardianship Assistance Program.
- Allow for court-ordered child protective investigations only in those instances in which there is reasonable cause to suspect child abuse or neglect.
- Authorize appearances by electronic means in Family Court proceedings.
- Clarify the scope and fiscal responsibility associated with the Safe Harbour for Exploited Children Act.
- Authorize the deduction and transfer of payments to child care unions from certain child care providers.
- Reduce mandates on local social services districts by streamlining county planning requirements.
- Clarify the State's authority to withhold payments to districts for past due youth facility reimbursement.
- Modify the scheduled Public Assistance Grant Increase.
- Authorize the Supplemental Security Income Federal Cost-of-Living Adjustment Pass-Through.
- Authorize the State to administer additional State payments for Supplemental Security

Income (SSI) recipients and other eligible individuals.

- Transfer the administration of the Nutrition Outreach and Public Education Program from the Department of Health to the Office of Temporary and Disability Assistance.
- Authorize the Office of Temporary and Disability Assistance to Access Wage Reporting Data.

## Health and Mental Hygiene

- Improve public health services and achieve savings by modifying the Early Intervention and Elderly Pharmaceutical Insurance Coverage programs; consolidating programs with similar purposes, eliminating programs which are less central to the core missions of the Department of Health and the State Office for the Aging; and implementing various other changes.
- Reform Medicaid reimbursement to hospitals and achieve cost savings; increase assessment on hospital inpatient services; extend Health Care Reform Act surcharges to certain physician services; reduce pharmacy costs; and authorize other cost containment initiatives.
- Reform Medicaid reimbursement of Long Term Care (LTC) services and achieve other cost savings, establish utilization controls for Personal Care Services, and increase assessments for nursing homes and home and personal care providers.
- Authorize the Insurance Department to approve health insurance premium rate adjustments before they take effect.
- Clarify the role of facility directors as representative payees and the use of Federal entitlement benefits in accordance with Federal laws and regulations.
- Eliminate the requirement that the Office of Mental Health issue a discreet report on the provision of mental health services to traditionally underserved populations.
- Authorize electronic appearances in proceedings conducted under the Sex Offender Management and Treatment Act.
- Extend Community Mental Health Support and Workforce Reinvestment Program and reduce and convert inpatient wards operated by the Office of Mental Health.
- Amend Unconsolidated Law to clarify the Office of Mental Health's existing authority to recover exempt income for community residences and family based treatment programs.
- Amend the Mental Hygiene Law in relation to payments made by the Office of Mental Health and the Office of Mental Retardation and Developmental Disabilities to family care homes.

## Legislation Required for the Budget

- Ensure quality care in detoxification units.
- Transfer the Alcohol and Drug Rehabilitation Program from the Department of Motor Vehicles to the Office of Alcoholism and Substance Abuse Services.
- Eliminate enriched funding for mental hygiene services in the five Unified Services Counties.
- Establish a one-year deferral of the Human Services Cost-of-Living Adjustment.

## Public Protection and General Government

- Merge the operations of the Crime Victims Board, Office for the Prevention of Domestic Violence, and the Division of Probation and Correctional Alternatives into the Division of Criminal Justice Services.
- Merge the Office of Homeland Security, the State Emergency Management Office, the State 911 Board, the Office of Cyber Security and Critical Infrastructure Coordination, and the Office of Fire Prevention and Control into a re-constituted agency named the Division of Homeland Security and Emergency Services.
- Establish the Division of Criminal Justice Services as the administrating agency for the Rape Crisis Program and remove the Department of Health from this responsibility.
- Relieve local probation departments of certain mandates and change the method of distributing State probation aid.
- Create a State entity to oversee the delivery of indigent defense services statewide.
- Authorize counties to create an office of conflict defender as part of a plan to provide representation for indigent defendants.
- Expand the number of offenders that must submit a DNA sample to the State.
- Establish a program for photo-monitoring enforcement of speed limits in work zones and designated stretches of highway.
- Reduce the Board of Parole from 19 to 13 members.
- Provide greater flexibility in the administration of local jails by altering segregation rules for certain inmates, authorizing broader use of video conferencing, authorizing men and women to share infirmaries, and permitting voluntary inmate work at not-for-profit corporations.
- Authorize increases to Judiciary civil fees to support indigent legal services for both criminal and civil matters and for the rising costs of court operations.
- Provide additional flexibility for towns and villages to consolidate justice courts and their facilities.

- Require the Judiciary to provide a public accounting of the expected impact on local governments of any new or expanded program mandated by its rules and regulations.
- Enable local governments to finance costs associated with the development of public safety communications systems through the Municipal Bond Bank Agency.
- Abolish the State Employment Relations Board and shift its responsibilities to the Public Employment Relations Board.
- Repeal the requirement that contractors collect a fee on sales from centralized contracts administered by the Office of General Services.
- Collect surplus funds from Workers Compensation insurance carriers.
- Protect injured workers' benefits and ensure that employers who participate in self-insured groups and group administrators fully meet their future fiscal responsibilities.
- Establish joint appointing authority for the Statewide Financial System Project.
- Provide the New York State Health Insurance Program the option to operate as a self-insured plan.
- Require State employees and retirees to contribute to Medicare Part B premiums.
- Provide the State and local governments outside of New York City the option to amortize a portion of pension contribution costs during a six-year period, in order to provide substantial financial relief.
- Merge the State Board of Real Property Services and the State Office of Real Property Services into the Department of Taxation and Finance.
- Authorize electronic reporting of property assessment information and e-filing of real property transfer forms.
- Restructure State aid for local governments to assess real property at full value.
- Reduce funding to local governments under the Aid and Incentives for Municipalities (AIM) program.
- Reduce State aid provided to municipalities in which a video lottery gaming facility is located.
- Place a four-year moratorium on new unfunded legislative mandates on local governments and school districts.
- Repeal the multiple bidding requirements for schools.
- Set the interest rate paid on judgments by local governments, the State, and certain public corporations at market rates.
- Provide local governments with additional flexibility to restructure and share services.

## Legislation Required for the Budget

- Increase procurement flexibility for local governments and the State.
- Provide additional oversight and accountability for commissioner-run special districts.
- Provide local governments with additional revenue options.
- Allow the New York City Transitional Finance Authority to issue Qualified School Construction Bonds as sinking fund bonds.
- Provide authorization for transfers, and temporary loans and amend miscellaneous capital/debt provisions, including bond caps.

## Revenue

- Impose a three percent tax on certain natural gas production.
- Increase excise tax on cigarettes.
- Impose an excise tax on syrups or simple syrups, bottled soft drinks, or powders or base products.
- Equalize the tax treatment of corporations and unincorporated businesses with respect to the calculation of the maximum allowable biofuel production and Qualified Emerging Technology Company tax credits.
- Make termination payments, non-compete covenants, and other compensation for past services to nonresidents taxable unless specifically exempt under Federal Law.
- Require certain S corporation gains from acquisition, liquidation, and installment sales of assets to be treated as New York source income by nonresident shareholders to the extent that the business was conducted in New York.
- Amend the definition of resident trusts in the personal income tax to reduce tax avoidance opportunities through the use of nonresident trustees.
- Mirror Federal law by requiring certain financial institutions to file information returns with the State annually regarding amounts of credit/debit card settlements and third party network transactions.
- Authorize the use of statistical sampling techniques for sales tax purposes.
- Authorize the Department of Taxation and Finance to use less costly alternative means of communication when providing tax bills, notices and other tax documents to addressees in order to reduce mailing costs.
- Reform the Offer in Compromise Program of the Department of Taxation and Finance.
- Require the Department of Taxation and Finance to provide recommendations to reform State and local taxes on telecommunications services.
- Eliminate the sunset of Quick Draw and eliminate certain restrictions on the game.

- Extend the hours of video lottery terminal operation, repeal the sunset date for the VLT program, and make technical corrections.
- Expand the base of the mortgage recording tax to include sales of cooperatives.
- Provide an income tax (circuit breaker) credit to help offset local school tax burden, establish an annual spending growth cap to restore structural budgetary balance and improve the chances of a year-end surplus, establish a property tax circuit breaker reserve fund, and increase the rainy day reserve fund.
- Clarify tax treatment of marriages recognized by New York State but not by Federal Law.
- Narrow the affiliate nexus provisions by excluding as a basis for sales tax vendor-status an affiliate's control over the seller.
- Allow the sale of wine in grocery and drug stores and impose a franchise fee, and modify several sections of law governing the operation of liquor stores.
- Authorize an additional credit of \$4 million for low-income housing credit.
- Extend the film production tax credit, provide \$2.1 billion in additional tax credit allocations over tax years 2010-14, and impose various restrictions that enhance the economic impact of this program.
- Establish the Excelsior Jobs Program.
- Make technical corrections to Part S-1 of Chapter 57 of the Laws of 2009 to clarify that the legislative intent was to make the Empire Zones decertification provisions applicable to tax year 2008.
- Extend for one year, major provisions of the 1985 and 1987 bank tax reforms, as well as the transitional provisions in New York's bank tax enacted in response to the Federal Gramm-Leach-Bliley Act.
- Authorize technical clean-up of 2009-10 tax enforcement and sales tax avoidance and restore the requirement that IDA-agent statements be submitted to the Tax Department.
- Extend for one year lower Pari-Mutuel tax rates and rules governing simulcasting of out-of-state races.
- Maintain the New York Estate Tax Unified Credit amount currently allowed independent of Federal Estate Law in effect on the date of death.
- Simplify and improve the imposition and administration of the taxicab ride tax imposed by Article 29-A of the Tax Law to preserve revenue for the MTA.

## **Transportation, Economic Development and Environmental Conservation**

- Provide the annual authorization for the CHIPS and Marchiselli programs.
- Consolidate the Department of Transportation's Accident Damage Account with the Dedicated Highway and Bridge Trust Fund.
- Establish a waiver process so that transit systems and State agencies and authorities that operate diesel vehicles, and those that operate diesel vehicles on their behalf, do not have to install pollution devices on older vehicles if those vehicles will be retired within three years.
- Eliminate the ability of an Industrial Development Agency to grant an exemption on the additional portion of the Mortgage Recording Tax that is dedicated to transit systems.
- Extend the Department of Transportation's single audit program for one year.
- Eliminate the ability of the Metropolitan Transportation Authority (MTA) employees to receive double the amount of workers' compensation benefits when injuries occur on leased New York City property.
- Extend owner controlled insurance to all MTA capital projects in order to provide savings to the Authority.
- Authorize the MTA to conduct a pilot program to test the use of electronic and reverse bidding.
- Eliminate the ability to sue the MTA when injuries result from reckless or deliberate conduct.
- Increase the Law Enforcement Motor Vehicle Accident Report threshold from \$1,000 to \$3,000 and eliminate the requirement that motorists also file accident reports.
- Allow the Department of Motor Vehicles to take advantage of bulk mailing rates by using the most up-to-date addresses provided by the United States Postal Service.
- Consolidate the State's Economic Development agencies.
- Extend the New York State Higher Education Capital Matching Grant Program.
- Establish a new Small Business Revolving Loan Fund.
- Establish the New Technology Seed Fund.
- Make permanent the general loan powers of the New York State Urban Development Corporation.

- Authorize support for the New York City Empowerment Zone, the New Technology Seed Fund and Governors Island.
- Allow equine drug testing to be conducted by a State college with an equine sciences program.
- Facilitate an efficient transfer of Tribal State Compact Revenue to the General Fund and make a technical correction to the distribution of the local share of such revenues associated with the Niagara Falls Casino.
- Eliminate the State's role in dog licensing while allowing municipalities more flexibility in maintaining their own licensing programs.
- Authorize State agencies to enter into memoranda of understanding with Cornell University to procure services and technical assistance.
- Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.
- Authorize the conduct and regulation of professional mixed martial arts sporting events in New York State.
- Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents.
- Extend the fund distribution formula for the Community Services Block Grant Program one year.
- Streamline the classification of not-for profit corporations.
- Include the New York City Housing Development Corporation under the State Bond Issuance Charge.
- Authorize and direct the Comptroller to receive for deposit to the credit of the General Fund a payment of up to \$913,000 from the New York State Energy Research and Development Authority (NYSERDA).
- Authorize NYSERDA to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation's climate change program, from assessments on gas and electric corporations.
- Eliminate the sunset of the Waste Tire Management and Recycling Fee; expand the authorized purposes of the Waste Tire Management and Recycling Fund; and rename the fund the Waste Management and Cleanup Fund.



## **Legislation Required for the Budget**

- Reduce fiscal and administrative burdens on the Department of Environmental Conservation regarding public notice requirements and annual report requirements, and provide for mutual aid and assistance between other states in the forest fire protection compact.
- Reduce the amount of real estate transfer tax revenue deposited into the Environmental Protection Fund.
- Reduce the authorized reimbursement rate paid to governmental entities that voluntarily enforce the provisions of the Navigation Law.
- Expand the authorized use of funds in the Snowmobile Trail Development and Maintenance Fund.

## **Office of Taxpayer Accountability Interagency Task Force Eliminations**

## **Office of Taxpayer Accountability Interagency Efficiencies**

## **Ethics Reform**

# Citizen's 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 2010-11 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 accessible to the general public through the Division of the Budget's official website ([www.budget.state.ny.us](http://www.budget.state.ny.us)).

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 (<http://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 release or within 24 hours.*