

**2013-14 NEW YORK STATE EXECUTIVE BUDGET**

**EDUCATION, LABOR AND FAMILY ASSISTANCE  
ARTICLE VII LEGISLATION**

**MEMORANDUM IN SUPPORT**

**2013-14 NEW YORK STATE EXECUTIVE BUDGET**

**EDUCATION, LABOR AND FAMILY ASSISTANCE  
ARTICLE VII LEGISLATION**

**MEMORANDUM IN SUPPORT**

**CONTENTS**

<b>PART</b>	<b>DESCRIPTION</b>	<b>STARTING PAGE NUMBER</b>
A	Amend Education Law and make other changes necessary to authorize School Aid and implement education-related programs in the Executive Budget.	5
B	Establish a new financing structure for the State University of New York's Residence Hall Program.	7
C	Extend and amend the New York State Higher Education Capital Matching Grant Program.	8
D	Create the Next Generation NY Job Linkage Program.	9
E	Authorize the pass-through of any Federal Supplemental Security Income (SSI) Cost of Living Adjustment which becomes effective on or after January 1, 2014.	10
F	Transfer the administration of the Homeless Housing and Assistance Program from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal.	11
G	Combine and streamline delinquency prevention programs administered by the Office of Children and Family Services (OCFS).	12
H	Expand the Juvenile Justice Close to Home Initiative.	13

<b>PART</b>	<b>DESCRIPTION</b>	<b>STARTING PAGE NUMBER</b>
I	Merge the Office of the Welfare Inspector General into the Office of the State Inspector General.	14
J	Authorize STAR Re-registration and Anti-Fraud Program.	15
K	Merge and reform the Neighborhood and Rural Preservation Programs.	16
L	Modernize the investment powers of the State of New York Mortgage Agency and the Housing Finance Agency.	17
M	Provide for the utilization of excess Mortgage Insurance Fund reserves.	18
N	Transfer of the State Data Center from the Department of Economic Development to the Department of Labor.	19
O	Reform the Unemployment Insurance Benefit System.	20
P	Increase the minimum wage.	21
Q	Reform Interest Arbitration awards for fiscally distressed local governments, and extend current provisions expiring July 1, 2013.	22
R	Effectuate phase one of casino development	23

## MEMORANDUM IN SUPPORT

A BUDGET BILL submitted by the Governor in  
Accordance with Article VII of the Constitution

AN ACT in relation to school district eligibility for an increase in apportionment of school aid and implementation of standards for conducting annual professional performance reviews to determine teacher and principal effectiveness; to amend the education law, in relation to contracts for excellence, expenses for computer equipment, accountability of school districts, the financing of charter schools, apportionment of school aid, calculation of the gap elimination restoration amount, establishment of a community schools and extended learning time grant program, duties of school districts and the costs of certain tuition maintenance and transportation; to amend chapter 756 of the laws of 1992 relating to funding a program for work force education conducted by the consortium for worker education in New York city, in relation to apportionment and reimbursement; and in relation to extending the expiration of certain provisions; to amend chapter 169 of the laws of 1994 relating to certain provisions related to the 1994-95 state operations, aid to localities, capital projects and debt service budgets; to amend chapter 82 of the laws of 1995, amending the education law and certain other laws relating to state aid to school districts and the appropriation of funds for the support of government; to amend chapter 147 of the laws of 2001 amending the education law relating to conditional appointment of school district, charter school or BOCES employees; to amend chapter 425 of the laws of 2002 amending the education law relating to the provision of supplemental educational

services, attendance at a safe public school and the suspension of pupils who bring a firearm to or possess a firearm at a school, to amend chapter 101 of the laws of 2003 amending the education law relating to implementation of the No Child Left Behind Act of 2001, in relation to extending the expiration of certain provisions of such chapters; to amend chapter 472 of the laws of 1998 amending the education law relating to the lease of school buses by school districts, in relation to extending the provisions of such chapter; in relation to school bus driver training; in relation to the support of public libraries; to provide special apportionment for salary expenses; to provide special apportionment for public pension expenses; in relation to suballocation of certain education department accruals; in relation to purchases by the city school district of Rochester; and providing for the repeal of certain provisions relating to the suballocation of certain education department accruals (Part A); to amend the education law and the public authorities law, in relation to the acquisition, design, construction, reconstruction, rehabilitation, improvement and financing of dormitory facilities for the state university of New York (Part B); to amend chapter 57 of the laws of 2005 amending the labor law and other laws implementing the state fiscal plan for the 2005-2006 state fiscal year, relating to the New York state higher education capital matching grant program for independent colleges, in relation to the New York state higher education matching grant program for independent colleges and the effectiveness thereof (Part C); to amend the education law, in relation to establishing the Next Generation NY Job Linkage Program Act (Part D); to amend the social services law, in relation to increasing the standards of monthly need for aged, blind and disabled persons living in the community (Part E); to amend the private housing finance law, in relation to the

homeless housing and assistance program; and to repeal certain provisions of the social services law relating thereto (Part F); to amend the executive law and the social services law, in relation to consolidating the youth development and delinquency prevention program and the special delinquency prevention program; and to repeal certain provisions of the executive law relating thereto (Part G); to amend the executive law, the family court act, and the social services law, in relation to juvenile justice reforms; and to repeal certain provisions of the executive law and the family court act relating thereto (Subpart A); to amend the executive law, in relation to allowing the department of civil service, in consultation with the commissioner of the office of children and family services, to prescribe qualifications of facility director positions (Subpart B) (Part H); to amend the executive law, the public health law and the social services law, in relation to the merger of the office of the welfare inspector general with the office of the inspector general; and to repeal certain provisions of the executive law relating thereto (Part I); to amend the real property tax law, in relation to providing for the registration of recipients of STAR exemptions, and eliminating waste, fraud and abuse in the STAR program (Part J); to amend the private housing finance law, in relation to the community preservation program; and to repeal articles 16 and 17 of such law relating thereto (Part K); to amend the public authorities law and the private housing finance law, in relation to modernizing the investment powers of the state of New York mortgage agency and the New York state housing finance agency; and to repeal certain provisions of the public authorities law and the private housing finance law relating thereto (Part L); to utilize reserves in the project pool insurance account of the mortgage insurance fund for various housing purposes (Part M); to amend

the labor law, in relation to the powers of the commissioner of labor and to repeal subdivision 17 of section 100 of the economic development law relating to the operation of the state data center (Part N); to amend the labor law, in relation to increasing unemployment insurance benefits and contributions, to entitlement and eligibility criteria, to work search requirements, to relieving employers of charges for separations caused by misconduct and voluntarily leaving employment without good cause, to reduction of benefits based on pensions and dismissal pay, to enhanced penalties, in relation to fraudulently obtained benefits and new penalties for employers who cause overpayments by failing to timely and accurately respond to information about claims, to approving employer shared work benefit plans, and to the interest assessment surcharge; and to amend chapter 62 of the laws of 2003, amending the state finance law and other laws relating to authorizing and directing the state comptroller to loan money to certain funds and accounts, in relation to the effectiveness thereof; to repeal certain provisions of the labor law relating thereto; and providing for the repeal of certain provisions upon expiration thereof (Part O); to amend the labor law, in relation to the minimum wage and making technical corrections relating thereto (Part P); to amend the civil service law, in relation to the expiration of paragraph d of subdivision 4 of section 209 of such law and the authority of certain public arbitration panels thereunder (Part Q); and to amend the racing, pari-mutuel wagering and breeding law, in relation to the placement of casino gambling facilities and to amend the states finance law, in relation to establishing the casino revenue fund (Part R)

## **PURPOSE:**

This bill contains provisions needed to implement the Education, Labor and Family Assistance portions of the 2013-14 Executive Budget.

This memorandum describes Parts A through R of the bill which are described wholly within the parts listed below.

### **Part A - Amend Education Law and make other changes necessary to authorize School Aid and implement education-related programs in the Executive Budget.**

#### **Purpose:**

This bill contains various provisions necessary for implementation of the education portion of the 2013-14 Executive Budget.

#### **Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:**

Public education in New York represents a significant commitment of State and local resources. With total spending levels exceeding \$56 billion, New Yorkers have maintained the highest per-pupil spending levels in the nation – even in these difficult financial times. Not only is education the largest area of State spending, it is also the largest component of local property taxes. This substantial investment is a reflection of New York State’s long-standing commitment to providing opportunity for all students.

This bill includes several measures to authorize School Aid along with other changes necessary to implement education-related programs in the Executive Budget. Significant provisions include:

- **2013-14 School Aid Increase.** The 2013-14 Executive Budget recommends \$20.8 billion in School Aid for the 2013-14 school year, a year-to-year increase of \$611 million, or 3 percent. As part of the \$611 million total increase in School Aid for the 2013-14 school year, the bill would provide a methodology that would target most of the allocated increase to high need school districts, as well as modify the existing High Tax Aid formula to better target available aid to lower wealth school districts.
- **State of the State Initiatives.** The Executive Budget supports \$75 million in State of the State initiatives, most of which are based on the recommendations of the Governor’s *New NY Education Reform Commission*. These initiatives will build on a strong research base to guide investment to programs which have been shown to improve both academic and health outcomes for students. The bill would establish several programs based on the Commission’s recommendations. These programs include the following:



- **School-wide Extended Learning:** The bill would provide increased learning opportunities for students by requiring that school districts commit to extending the school day or school year by at least 25 percent with academically enriched programs. Awarding of funding will be prioritized to support high-quality extended school day or extended school year programs to school districts that target the schools and students with the greatest needs.
- **Community Schools:** The bill would support an innovative program designed to transform schools into community hubs. The community schools will integrate academic, health, nutrition, counseling, legal, and other services, as well as after school programming to support students and their families.
- **Compliance with the Teacher Evaluation Process Requirement.** Increases in State Aid would continue to be linked to a school district's compliance with the teacher and principal evaluation process. In order to be eligible to receive school aid increases in the 2013-14 school year and thereafter, school districts would be required to have an approved Annual Professional Performance Review (APPR) plan for teachers and principals in place by September 1<sup>st</sup> of each school year.
- **Contracts for Excellence.** The bill would require all school districts currently in the Contracts for Excellence program to remain in the program unless all of the school buildings in the school district are reported as "In Good Standing" for purposes of the State accountability system. School districts that remain would be required to maintain funding on Contracts for Excellence programs at the same level required for the 2012-13 school year.
- **School District Mandate Relief.** The bill would create a new waiver process that would allow school districts, BOCES and approved private special education programs to petition the State Education Department for flexibility from certain special education requirements and eliminate the requirement for school districts with fewer than 1,000 students to maintain an internal auditor.
- **Charter School Tuition Rates.** The per pupil charter school tuition payments made by school districts to charter schools for the 2013-14 school year would be maintained at 2010-11 levels.
- **Summer School Special Education.** The bill would align the payment process for July and August programs for students attending New York State Schools for the Blind and Deaf to the payment process for other students receiving special education programming in July and August, by making the student's school district of residence responsible for payment of costs in the first instance.
- **New York City Preschool Special Education.** The bill would authorize New York City to implement a process to select among State-approved special

education providers for preschool special education services, and to set provider rates within certain State parameters.

- **Preschool Special Education Audit Cost Recoveries.** The bill would increase the county share of preschool special education audit recoveries from the existing 40.5 percent to 75 percent.
- **Other Miscellaneous Provisions.** The bill would also provide for a number of other provisions including: extensions of existing provisions of State law; provide for earlier claiming deadlines for State Aid; and limit the number of times a school district could receive Full-day Kindergarten Conversion Aid.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget.

Effective Date:

This bill takes effect April 1, 2013, except that selected provisions take effect immediately or on other specified dates.

**Part B - Establish a new financing structure for the State University of New York's Residence Hall Program.**

Purpose:

This bill would establish a new financing structure for the State University of New York's ("SUNY") Residence Hall Program whereby the Dormitory Authority of the State of New York ("DASNY") would continue to finance the construction, operation and maintenance costs of new and existing dormitory facilities at SUNY. However, debt service costs associated with the program would be satisfied through a new fund held by the Commissioner of the Department of Taxation and Finance ("Commissioner") without State appropriation.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

SUNY's Residence Hall Program supports the operating, capital and debt service costs of 485 dormitory facilities at 26 of SUNY's State-operated campuses. The program is supported solely by the revenues collected from room rental charges. DASNY issues bonds to support the capital expenses of the program utilizing the State University Dormitory Revenue Credit, which includes a general obligation pledge of SUNY.

The current financing structure supporting the program requires that all revenue collected from the rental of dormitory facilities be deposited into the Dormitory Income

Account, which is held by the State Comptroller and under the control and management of the State Treasury. The revenues are appropriated in the State Budget and expended for the operations, capital expenses and debt service costs associated with the program.

The new financing structure established in this bill would allow for the revenues to be deposited in a newly created Dormitory Facilities Revenue Fund, held under the control of the Commissioner and outside of the State Treasury. Debt service obligations from existing bonds, as well as bonds issued under the new program, would be satisfied from revenue collected in the new fund. Subsequently, revenues remaining in the fund after the payment of debt service costs and the funding of required reserves would be transferred to the custody of the State Comptroller, where it would become the absolute property of SUNY. Once transferred, the revenues would be available for operating and capital costs and expended through a State appropriation.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget, as it would provide SUNY with necessary resources to manage their Residence Hall Program without adding new capital spending to the State's financial plan, which has limited available resources for new capital spending.

Effective Date:

This bill would take effect immediately upon enactment.

**Part C - Extend and amend the New York State Higher Education Capital Matching Grant Program.**

Purpose:

This bill would extend the Higher Education Capital (HECap) Matching Grant Program for one additional year and amend the reallocation process of the remaining funds.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The 2006 Enacted Budget authorized the creation of the \$150 million HECap Matching Grant Program to support capital projects at the State's various independent colleges. Projects were selected through a formula-driven process and were required to have a three to one (non-State to State) dollar match by eligible academic institutions. To date, 151 projects totaling \$142.3 million is currently allocated. The HECap Program is set to expire on March 31, 2013. This bill would extend the HECap program for one year and amend the current reallocation process so that remaining funds will be provided to eligible academic institutions on a competitive basis.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2014 Executive Budget, which assumes that the entire \$150 million is provided to eligible academic institutions. There is approximately \$7.7 million available for reallocation.

Effective Date:

This bill would take effect immediately upon enactment.

**Part D - Create the Next Generation NY Job Linkage Program.**

Purpose:

This bill would establish the Next Generation NY Job Linkage Program Act to refocus community college workforce programs on preparing students for employment in today's high-skills economy.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

With an estimated 210,000 unfilled jobs as of the end of August 2012, private-sector employers in New York State report difficulty in filling job openings – often due to a mismatch between the skills of the labor force and the specific needs of employers. The Next Generation NY Job Linkage Program Act would change the State's approach to funding community college vocational programs to ensure that students are prepared for the jobs of today and the jobs of tomorrow.

The current funding policy provides aid to community colleges for every student they enroll. This proposal would change that approach – for students pursuing vocational certificates and degrees only – to ensure that community colleges are best preparing students to enter the labor market with the skill-sets needed for the jobs available in their respective regions. To assist community colleges in examining their program offerings, the Department of Labor will provide a list of occupations that meet current regional workforce needs based on available labor market data. Additionally, occupations could be identified as “in demand” by the local Regional Economic Development Council.

The bill would also create a Next Generation NY Job Linkage Program Incentive Fund to reward community colleges that enable students to find or advance in good-paying jobs in their chosen occupation, train students for careers that are in demand by employers in their region, and help students graduate on time with an industry-recognized degree or certificate.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget, as it includes new requirements for enrollment in workforce programs to count in the determination of community college operating aid. The Executive Budget also includes a new \$5 million allocation for the Next Generation NY Job Linkage Program Incentive Fund.

Effective Date:

This bill would take effect immediately upon enactment.

**Part E - Authorize the pass-through of any Federal Supplemental Security Income (SSI) Cost of Living Adjustment which becomes effective on or after January 1, 2014.**

Purpose:

To authorize SSI benefits to be increased in 2014 by the percentage of any Federal SSI Cost of Living Adjustment (COLA).

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Social Services Law §§ 131-o and 209 establish specific amounts for the monthly Personal Needs Allowance (PNA) and the monthly SSI standard of need (the maximum combined Federal and State benefit) for recipients in various living arrangements. This bill amends those sections of law to set forth the actual 2013 PNA amounts and the standard of need for eligibility and payment of additional State payments. It also authorizes those amounts to be automatically increased in 2014 by the percentage of any Federal SSI COLA which becomes effective within the first half of calendar year 2014.

Legislation to effectuate the Federal SSI COLA has been enacted annually since 1984.

Budget Implications:

If the pass-through of the Federal SSI COLA is not authorized in State statute, there will be no statutory authority to provide SSI recipients with the full amount of any Federal increase plus a State supplement at the current level. The State supplements would be automatically reduced to reflect the current standards of need set forth in the SSL.

Effective Date:

This bill would take effect December 31, 2013.

**Part F - Transfer the administration of the Homeless Housing and Assistance Program from the Office of Temporary and Disability Assistance to the Division of Housing and Community Renewal.**

This bill would authorize the Division of Housing and Community Renewal (DHCR) to administer the Homeless Housing and Assistance Program (HHAP).

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The Social Services Law authorizes the Office of Temporary and Disability Assistance (OTDA) to administer HHAP, which finances construction of housing units for homeless individuals and families. This bill transfers that authority and establishes it in the Private Housing Finance Law under the administration of DHCR, the agency with primary responsibility for, and expertise in, capital construction and asset management. The bill would maintain the Commissioners of OTDA and DHCR and the Chairman of the Housing Finance Agency as board members of the Homeless Housing and Assistance Corporation (HHAC), and would expand board membership to include the Commissioners of the Office of Mental Health (OMH) and the Office of Alcoholism and Substance Abuse Services (OASAS). The bill would require that DHCR and HHAC consult with OTDA, OMH, OASAS and other appropriate agencies in carrying out the provisions of the program.

Many HHAP projects also receive funding through programs administered by DHCR. This bill would align housing development programs within one organizational structure so that application/design review, underwriting, and monitoring for construction grants would be managed by one agency to simplify the process for not-for-profits and private sector developers of homeless housing to access State funding. Programs to provide services which support homeless housing would continue to be administered by OTDA.

The bill would align the HHAP statute with current practice in several respects. It adds persons with AIDS, victims of domestic violence, persons with substance abuse issues or mental illness and veterans to the list of populations for whom HHAC must evaluate the need for homeless projects and seek to allocate funds to meet those needs, which reflects the current evaluation process. The bill requires that HHAP operating plans include a rent or other revenue structure that is affordable to the population being housed, which matches a requirement in the Request for Proposals. It increases the percentage allowed for technical assistance from one percent to two percent, which is consistent with annual appropriation language.

Budget Implications:

As the funding for HHAP is being transferred from OTDA to DHCR in the 2013-14 Executive Budget, there is no fiscal impact.

Effective Date:

This bill would take effect immediately upon enactment.

**Part G - Combine and streamline delinquency prevention programs administered by the Office of Children and Family Services (OCFS).**

Purpose:

This bill would enhance the ability of counties, or a city having a population of one million or more, to provide local youth development services by creating administrative efficiencies and greater flexibility in how youth development funding can be used.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Youth development consists of three funds: youth development and delinquency prevention (YDDP); special delinquency prevention programs (SDPP); and runaway and homeless youth (RHY) funding. YDDP and SDPP are similar services that are both eligible for state aid. The Executive Law prescribes separate administrative requirements for how YDDP and SDPP funds can be distributed to local governments. These requirements create administrative obligations for both localities and OCFS and result in the inefficient use of the state funds that are available.

Under this bill, YDDP and SDPP program funding would be combined and instead a municipality (defined as a county, or a city having a population of one million or more) could apply to receive youth development services funding that could be used for a variety of specified purposes that are consistent with the existing programs. This will provide municipalities with greater flexibility in meeting the youth development service needs within their jurisdiction and provide for administrative relief to both local governments and OCFS.

The proposal would not make programmatic or funding changes to the RHY program.

Budget Implications:

This bill would not reduce the funding levels when the YDDP and SDPP programs are combined and would streamline the allocation of youth development funding to local governments.

Effective Date:

This bill would take effect January 1, 2014.

**Part H - Expand the Juvenile Justice Close to Home Initiative.**

Purpose:

This bill would further the goals of the “Close to Home” initiative, designed to improve outcomes for youth in the juvenile justice system through comprehensive services provided closer to home, by requiring youth from counties outside of New York City who would otherwise be placed in non-secure Office of Children and Family Services (OCFS) facilities to be placed with the appropriate local commissioner of social services for receipt of services from private or not-for-profit entities

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Under existing law, OCFS operates facilities across the state for juvenile delinquents sent for residential placement by the family courts. Such facilities are costly to operate, especially now that youth from New York City who were served in the State’s non-secure placements are being placed with New York City, and many such facilities are a significant distance from the home communities of the youth still being served.

This bill would continue the transformation of the juvenile justice system by implementing a close to home initiative, similar to that enacted last year for youth from New York City, for youth from counties outside of New York City who require placement in a non-secure level of care. Effective May 1, 2013, family courts would no longer be authorized to place youth from counties outside of New York City in OCFS custody for placement in a non-secure level of care. In counties outside of New York City, adjudicated juvenile delinquents would be placed with a local social services district, thereby facilitating the delivery of comprehensive services closer to the youth’s home community.

In addition, OCFS would be authorized to close all of its non-secure facilities. At least 60 days before any closures, the Commissioner of OCFS would provide notice of such closures to the Legislature and post notices of closures on the agency's website. Upon such notice, OCFS would also file petitions in family court to transfer of custody of all non-secure youth in OCFS custody. Effective March 31, 2014, OCFS would no longer be authorized to operate non-secure facilities.

Close to Home provides an effective combination of community services, supervision, treatment and residential placement. Youth subject to placement in a non-secure facility would be placed in the least restrictive, most appropriate level of care, consistent



with public safety and with the goal of keeping youth closer to home to strengthen family and community connections.

This bill would also amend the minimum requirements to be an “OCFS Youth Facility Director”. Each OCFS facility has a Facility Director, and this change would allow candidates outside of New York State service to be considered for those positions, thereby giving OCFS greater flexibility to recruit candidates who are best-suited for the position. The position’s qualifications would be prescribed by the Department of Civil Service in consultation with the Commissioner of OCFS.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-2014 Executive Budget, because it authorizes the closure of OCFS non-secure youth facilities and implements a close to home initiative for counties outside of New York City. While the cost is estimated to be approximately \$2 million to the State, it will provide savings to local governments in SFY 2013-2014. The annualized savings thereafter are estimated to be \$4.2 million (\$1.4 million State, \$2.8 million local) by SFY 2014-2015.

Effective Date:

This bill would take effect immediately upon enactment; however, sections seven through fifteen of subpart A takes effect May 1, 2013 and sections one, two, four, five and six take effect March 31, 2014, and subpart B takes effect in 30 days.

**Part I - Merge the Office of the Welfare Inspector General into the Office of the State Inspector General.**

Purpose:

This bill would enhance the State’s ability to fight welfare fraud by merging the Office of the Welfare Inspector General (OWIG) into the Office of the State Inspector General (OIG).

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Under current law, OWIG is created within the Medicaid Fraud Control Unit of the State Attorney General’s Office, but the Welfare Inspector General is appointed by the Governor. Unlike every other Inspector General’s Office in the State, the OWIG has the authority to prosecute cases, but it has done so very infrequently in the last several years.

This bill would merge the OWIG into the OIG. This would improve the State’s ability to investigate allegations of welfare fraud, because the significantly greater resources of

the OIG could be leveraged to investigate these types of allegations. The OWIG's existing authority to prosecute welfare fraud cases would not be transferred to the OIG, but instead the OIG would ensure that these cases are referred to the appropriate prosecutor's office.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2014 Executive Budget because it will eliminate operational expenses necessary to maintain the OWIG as a separate agency and will allow more robust investigations of welfare fraud.

Effective Date:

This bill would take effect immediately upon enactment.

**Part J - Authorize STAR Re-registration and Anti-Fraud Program.**

Purpose

This bill would eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing the Department of Taxation and Finance to require all recipients of the Basic STAR exemption to be registered with the Department of Taxation and Finance, and (2) strengthening the penalties for fraud while tightening the standards and procedures for determining eligibility.

Statement in Support, Summary of Provisions, Existing Law and Prior Legislative History

Under the current structure of the STAR program, local assessors are solely responsible for making exemption eligibility determinations, and thus are responsible for preventing fraud and abuse in the program. However, there is no mechanism in current law that would allow assessors to determine whether a homeowner is receiving an unlawful STAR exemption in another locality, and there is evidence that some individuals are receiving STAR benefits unlawfully. This proposal is aimed at stopping this type of fraudulent activity. Its centerpiece is a statewide STAR re-registration program for BASIC STAR recipients, to be conducted by the New York State Department of Taxation and Finance. Based on the STAR eligibility criteria established in law, the Department would be authorized to notify local assessors of STAR beneficiaries in their jurisdictions who are not lawfully registered or are otherwise unqualified, and assessors may be directed to remove those exemptions from the roll. The proposal thus would ensure that the generous tax relief provided by the STAR program goes only to truly qualified homeowners, while relieving assessors of the lion's share of the burden of reviewing eligibility.

In support of this effort, the proposal would also (i) impose a meaningful penalty for those found to be receiving STAR benefits unlawfully, (ii) empower the Department of Taxation and Finance to establish guidelines for determining primary residency for STAR purposes, and make various other administrative reforms that will help root out waste, fraud and abuse in the STAR program.

#### Budget Implications

Enactment of this bill would increase All Funds receipts by \$1 million in SFY 2013-14 and annually thereafter.

#### Effective Date

This bill would take effect April 1, 2013.

### **Part K - Merge and reform the Neighborhood and Rural Preservation Programs.**

#### Purpose:

This bill would restructure the Neighborhood Preservation Program (NPP) and Rural Preservation Program (RPP) into a single, performance-based program.

#### Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would repeal Articles 16 and 17 of the Private Housing Finance Law (PHFL) that establish the Neighborhood Preservation Program and the Rural Preservation Program and create a new Article 27 to establish a new Community Preservation Program within the Housing Trust Fund.

Under current law, the Division of Housing and Community Renewal (DHCR) provides financial support to approximately 200 not-for-profit community-based housing corporations across the State. These corporations provide various housing related services to communities and are required to serve areas with significant unmet housing needs for low- and moderate-income populations. The proposed single program would support the same housing and community renewal activities that are supported under current law, without distinction relative to geographical characteristics.

Under the new program, funds would be awarded based upon achievement of performance standards established by the Housing Trust Fund Corporation. The bill also would authorize more than one corporation to file a joint application for funding and maintain recently enacted provisions that encourage program mergers and consolidations.

### Budget Implications:

This would set forth critical reforms that will better ensure the effective use of funds provided for the program. The Community Preservation Program is recommended for funding through excess revenue from the Mortgage Insurance Fund in FYs 2013-14 and 2014-15.

### Effective Date:

This bill would take effect July 1, 2013.

## **Part L - Modernize the investment powers of the State of New York Mortgage Agency and the Housing Finance Agency.**

### Purpose:

The bill would expand and modernize the investment powers of the Housing Finance Agency (HFA), the State of New York Mortgage Agency (SONYMA) and the Mortgage Insurance Fund (MIF) within SONYMA. The updated investment authority of SONYMA and HFA would conform with the investment instruments authorized for the Tobacco Settlement Financing Corporation (TSFC), and the updated authority for the MIF would grant certain additional investment powers that are already available to other public authorities.

### Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would modernize the investment practices of SONYMA, HFA and the MIF, and allow the MIF to generate additional earnings on its investments.

The bill authorizes SONYMA and HFA to invest in two specific categories of investments: "investment securities" and "ancillary facilities". The definition of investment securities includes investments currently authorized to the State Comptroller. The definition of ancillary facilities includes interest rate exchange agreements, bond insurance policies and similar agreements. Additionally, the bill grants the MIF authority to invest in government backed mortgage securities of Ginnie Mae, Fannie Mae, and Freddie Mac; HFA mortgages insured by the FHA; and obligations of public authorities of New York.

Under current law:

- SONYMA, HFA, and MIF are all authorized to invest in direct obligations of, or obligations guaranteed by, the federal government and New York State;
- Only SONYMA may invest in time deposits;
- SONYMA and MIF are authorized to invest in certificates of deposit;

- Only HFA is authorized to invest in any other obligations in which the State Comptroller is authorized to invest, pursuant to section ninety-eight of the state finance law;
- MIF is authorized to invest in direct obligations of, or obligations guaranteed by, any city of the State;
- MIF is authorized to invest in federal agency obligations; and
- MIF may invest its funds which are not required for immediate use or disbursement in certain obligations, provided such investments may be legally purchased by savings banks of the state and are approved by the Comptroller.

Budget Implications:

The additional of investment authority to the MIF would permit the MIF to generate additional revenues through prudent investments to support the creation and preservation of affordable housing.

Effective Date:

This bill would take effect immediately upon enactment.

**Part M - Provide for the utilization of excess Mortgage Insurance Fund reserves.**

Purpose:

This bill would provide for FY 2013-2014 utilization of excess Mortgage Insurance Fund (MIF) reserves to fund the creation and preservation of affordable housing.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The MIF, a division of the State of New York Mortgage Agency (SONYMA), was created in 1978 to insure mortgage loans for projects that would not otherwise be able to obtain private mortgage insurance, thereby encouraging the commercial and public investment of mortgage capital and increasing the supply of affordable housing in New York State.

The SONYMA statute allows for excess revenues from the MIF to be returned to the State, provided that (i) the SONYMA Board approves the return of the excess MIF revenue to the State and (ii) the reserves in the MIF are sufficient to attain and maintain a specified threshold credit rating agency rating. MIF excess revenues have previously been returned to the State and \$100 million was transferred to the General Fund in the FY ending March 2013.

The MIF is currently projected to have sufficient reserves for FY 2013-2014 that can be accessed without negatively impacting the Fund's credit rating. The excess MIF funds will be utilized in the following manner:

- Mitchell-Lama Portfolio (\$17,582,000): supports the refinancing and capital repairs of 36 Mitchell-Lama affordable housing projects that Homes and Community Renewal will acquire from the Empire State Development Corporation;
- Community Preservation Program (\$12,018,000): supports community-based housing corporations across the State that provide various housing related services for low- and moderate-income populations;
- Rural Rental Assistance Program (\$20,400,000): supports rental subsidies for low-income elderly and family tenants residing in federally-funded multifamily projects in rural areas of the State;
- Transfer \$100 million to the General Fund.

Budget Implications:

The bill is necessary for enactment of the FY 2013-2014 Executive Budget, which assumes the establishment or increased funding for housing initiatives as well as General Fund receipts.

Effective Date:

This bill would take effect immediately upon enactment.

**Part N - Transfer of the State Data Center from the Department of Economic Development to the Department of Labor.**

Purpose:

To move the State Data Center from the Department of Economic Development (DED) to the Department of Labor (DOL).

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Each state has a data center that collects, disseminates and analyzes census data pursuant to an agreement with the United State Census Bureau. New York's State Data Center is currently housed in DED. This bill would move the State Data Center into DOL. Currently, DOL's Division of Research and Statistics disseminates and analyzes labor data. This would thereby consolidate and streamline the collection, dissemination, research and analysis of statistical data within New York State.

Budget Implications:

As the funding is being transferred for the State Data Center from DED to DOL in the 2013-14 Executive Budget, there is no fiscal impact.

Effective Date:

This bill would take effect immediately upon enactment.

**Part O - Reform the Unemployment Insurance Benefit System.**

Purpose:

This bill would broadly reform New York's Unemployment Insurance (UI) system, reducing employer costs, increasing UI benefits for claimants, creating incentives for employment and stabilizing UI Trust Fund finances.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Currently, the UI Trust Fund is insolvent, with a \$3.5 billion deficit. Employer costs are high, while worker benefits are inadequate and lower than national averages. This bill would reform both the tax and benefit structure to eliminate the current deficit, decrease costs to employers, increase claimant benefits, and relieve businesses of uncertainty due to repeated Trust Fund deficit cycles. Enactment would result in a solvent Trust Fund in 2016. Specifically, the bill would:

- Increase the maximum weekly benefit to workers, currently \$405, annually through 2026, when the benefit would be incrementally adjusted to 50% of the average weekly wage and also increase the minimum benefit from \$65 to \$100;
- Modify the wage base, from \$8,500 to \$10,300 in 2014 with incremental increases thereafter, and amend the schedule for determining employer liability in order to increase revenues to stabilize the Trust Fund, eliminate the current deficit, and lower employers costs;
- Further decrease employer costs by removing obligations when employees are terminated or resign, reducing benefits when employees receive severance or pension, and combating fraud; and
- Encourage UI recipients to actively seek employment by mandating weekly contacts with potential employers, adjusting the benefit calculation, and increasing the requirements to accept employment offers.

Finally, this bill would permanently extend the authority of the Department of Labor (DOL) to assess a surcharge on employers for payment of interest due on UI benefit loans from the federal government.

Budget Implications:

Enactment of this bill is necessary, because the existing UI Trust Fund is insolvent and imposes an undue burden on employers. Further, if DOL is required to make federal interest payments and there is no mechanism in place to assess employers for this cost, the State could incur an estimated \$93 million in General Fund liability which is not assumed in the Financial Plan, or face federal sanctions.

Effective Date:

This bill would take effect immediately; however various sections would take effect on January 1, 2014 through August 23, 2015.

**Part P - Increase the minimum wage.**

Purpose:

This bill would raise the minimum hourly wage from \$7.25 to \$8.75, and make similar increases to the wages of food service workers.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

A minimum wage ensures that the most vulnerable members of the workforce can participate in and contribute to a robust economy. A reasonable minimum wage increases the standard of living for workers, reduces poverty and incentivizes fair and more efficient business practices. New York's minimum wage has not kept pace with increases in the cost of living. At present, 19 states have a higher minimum wage than New York, including our neighbors Connecticut, Vermont, and Massachusetts.

New York's current statutory minimum wage of \$7.25, which took effect in 2009 when the federal minimum wage was raised to this level, is unreasonable and unlivable. Prior to the 2009 federal increase, the State wage was \$7.15, effective January 1, 2007. This bill would amend section 652 of the Labor Law to increase the statutory minimum wage by \$1.50, to \$8.75.

Similarly, the minimum hourly wage for food service workers, including those subject to food and lodging deductions by their employer, which was last increased at the same time as the statutory minimum wage increases, is increased to \$6.03. Current law, by regulation, provides for a \$5.00 cash wage for these workers.



Increasing the minimum wage leads to greater economic growth. Evidence suggests that an increase of \$1 in the minimum wage generates approximately \$3,000 in household spending per year. At a time when Federal and State budgets are constrained by a long economic recovery, increasing the minimum wage is one of the few tools that will grow the economy without increasing government spending. Most importantly, this bill puts more money back into the pockets of working New Yorkers without raising their taxes.

Budget Implications:

Enactment of this bill has broad budget implications as it increases the standard of living for workers, reduces poverty, and incentivizes fair and more efficient business practices.

Effective Date:

This bill would take effect immediately upon enactment.

**Part Q - Reform Interest Arbitration awards for fiscally distressed local governments, and extend current provisions expiring July 1, 2013.**

Purpose:

This bill would extend mandatory interest arbitration and reform the arbitration process by limiting awards imposed upon fiscally distressed local governments.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

When public employers and their represented police and fire employees are at an impasse in their contract negotiations, current law provides the terms by which an interest arbitration panel can make awards and settle the dispute. While current law requires an arbitrator to consider a local government's "ability to pay", this concept is not defined.

This bill would extend the current statute mandating interest arbitration from July 1, 2013 to July 1, 2017. It was last extended in 2009. It would also establish criteria by which a local government (a county, city, town or village subject to the tax cap in General Municipal Law § 3-c) could be deemed fiscally distressed and would subsequently limit future arbitration awards involving such "distressed" local government.

For purposes of this bill, a local government would be "fiscally distressed" if one of the following two fiscal tests are met: (1) the local government's average full value property tax rate is above the 75th percentile of all municipalities statewide, as averaged over the

most recent 5 fiscal years; or (2) if the local government's five-year average general fund balance equals less than five percent of its budget.

For any fiscally distressed local government entering interest arbitration, the arbitration panel would be barred from increasing the cost of the employees' collectively bargained compensation package by more than two percent per year. Existing contractual step and longevity increases would not be affected nor would payments due to the relevant pension systems. Within this computation, the arbitration panel must also take into account the rising costs of health insurance for distressed local government employers and further reduce the amount awarded by the value of the increasing health insurance costs which exceeds two percent growth.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget, because current provisions governing interest arbitration are set to expire within the upcoming State fiscal year. In addition, the limitations set forth in the bill will assist fiscally distressed local governments by helping to control their rising costs.

Effective Date:

The bill would take effect immediately upon enactment and shall be effective for all collective bargaining agreements and interest arbitration awards that expire on or after April 1, 2013.

**Part R - Effectuate phase one of casino development**

Purpose:

This bill would commence the process necessary to effectuate phase one casino development.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This legislation would authorize the development of up to three casinos but would, among other things, exclude development of casinos in downstate New York. It would also establish an office of casino gambling regulation within the Gaming Commission and provide for the manner of gaming regulation, selection of casino developers, including the issuance of a formal request for information from prospective developers, and require local governmental and community support where a facility is to be located.

The Gaming Commission would also study and report on systems of casino gaming regulation, taxation structures and capital investment and consult directly with the Regional Economic Development Councils in preparing such study.

Finally, the bill would direct revenues derived from casino gambling and allocate them to a casino revenue fund established within the State Finance Law which would allocate ninety percent of such revenues for elementary and secondary education and ten percent for local government relief.

The laws of the State of New York presently do not address the development or regulation of commercial casino gambling activities.

This bill is necessary to prepare the State for casino development should the State Legislature approve second passage of a resolution to amend the State Constitution to authorize casino gambling and the voters of the State concur. Advance preparatory work by the state gaming commission is necessary for the State to maximize the potential benefits achievable following the ratification of the amendment.

Budget Implications:

Although this bill has no revenue impact in the near-term, casino revenue, if realized, would become part of future Financial Plans and therefore this bill should be considered as part of the 2013-14 Executive Budget process.

Effective Date:

This bill would take effect immediately upon enactment.

The provisions of this act shall take effect immediately, provided, however, that the applicable effective date of each part of this act shall be as specifically set forth in the last section of such part.