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# NY RISING

## 2013-14 Executive Budget

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# Director's Message

This year has been one of tremendous progress but one also fraught with great challenges. The fiscal reforms enacted over the past two years have moved New York past the era of perpetual budget crisis and bolstered confidence in State government. But our mettle was tested by Superstorm Sandy, and the size and scope of the recovery effort remains daunting.

As this Budget shows, however, New York is up to the challenge. The General Fund budget gap for 2013-14 was projected in January 2011 to be \$17.4 billion. Achievements of the last two years lowered the gap to \$1.3 billion, and the gap is eliminated in this Executive Budget. For the third year in a row, State Operations spending is held to two percent. The Budget honors the landmark two-year appropriations in School Aid and Medicaid, with increases tied to underlying economic growth. Reforms that have established fiscal integrity, a property tax cap, a new pension system (Tier VI), and the lowest middle class tax rates in 58 years are already paying dividends to taxpayers.

New York is on a new course. The budget process is no longer traumatic. Under Governor Cuomo's leadership, enactment of the State Budget has been orderly and on time. After a period of severe instability, the State's finances are on solid footing. New York has the means to carefully target new investments within affordable limits to strengthen our infrastructure, promote the economic recovery, and prevent the imposition of new tax burdens on State taxpayers.

In addition, the Executive Budget takes several steps to help local governments and schools manage their own budgets. To build on the mandate relief enacted last year, this Budget provides a new Tier VI savings financing option and gives additional mandate relief to help local governments operate more efficiently and continue to provide services within the property tax cap's limits. Additional one-time fiscal relief is also provided to assist school districts with extraordinary growth in pensions and the impact of a down economy.

The accomplishments of the past two years are, in large part, the result of public engagement and new ideas from such entities as the Governor's Medicaid Redesign Team and the Regional Economic Development Councils. Similar innovative thinking will be vital to the recovery from Superstorm Sandy and the process of building back stronger than before.

This challenge is daunting, but we have proven we can meet it. Under Governor Cuomo's leadership, we have built credibility, we have balanced the budget, we have passed on-time budgets, and the public trust has been restored. New York is, indeed, on the rise.



# Financial Plan Summary

## Historic Reforms

When Governor Cuomo took office on January 1, 2011, the State faced multi-year budget gaps totaling nearly \$86 billion through 2015-16. The imbalance represented the difference between projected disbursements to maintain current service levels and other commitments and the expected level of resources to pay for them.

The historic, on-time budgets approved by the Governor and Legislature on March 31, 2011, and March 30, 2012, significantly reduced the imbalances, bringing the multi-year budget gaps to under \$11 billion, based on current estimates. The following table summarizes the impact of the last two budgets on the State's multi-year budget gaps. Even before reflecting the impact of this year's Executive Budget proposal, the combined budget gap has declined by nearly 90 percent. The gaps have been closed by fundamental reforms to the State's spending habits, not fiscal gimmicks.

Size of Budget Gaps (\$ in Bil)						
	2011-12	2012-13	2013-14	2014-15	2015-16	Total
January 2011	10.0	14.9	17.4	20.9	22.5	85.7
Current Est. -- Before Exec 2013-14	0.0	0.0	1.35	4.0	5.2	10.6
\$ Reduction	10.0	14.9	16.1	16.9	17.3	75.2
Cumulative % Reduction			97%			88%

## A Responsible Gap-Closing Plan

Governor Cuomo's Executive Budget for 2013-14 continues the reformation of State finances. The Executive Budget eliminates the General Fund budget gap of \$1.35 billion in 2013-14 and further lowers the budget gaps projected in future years. The following table summarizes the multi-year impact of the Executive Budget.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET (millions of dollars)				
	2013-14	2014-15	2015-16	2016-17
<b>REVISED SURPLUS/(GAPS) BEFORE ACTIONS</b>	<b>(1,352)</b>	<b>(3,979)</b>	<b>(5,201)</b>	<b>(5,663)</b>
<b>FY 2014 Executive Budget Proposals</b>	<b>1,352</b>	<b>2,026</b>	<b>1,642</b>	<b>1,199</b>
<b>Spending Control</b>	<b>974</b>	<b>798</b>	<b>711</b>	<b>724</b>
Agency Operations	434	434	443	480
Local Assistance	412	298	268	244
Debt Management	128	66	0	0
<b>Extenders</b>	<b>331</b>	<b>671</b>	<b>671</b>	<b>408</b>
<b>Other Resources</b>	<b>47</b>	<b>557</b>	<b>260</b>	<b>67</b>
<b>BUDGET SURPLUS/(GAPS) AFTER ACTIONS</b>	<b>0</b>	<b>(1,953)</b>	<b>(3,559)</b>	<b>(4,464)</b>

## Financial Plan Summary

- Consistent with the Governor’s approach in balancing his first two budgets, which emphasized spending restraint, the gap-closing plan for 2013-14 includes \$974 million in savings from controlling State spending. The savings, after the investments described below, hold the growth in State spending to under two percent.
- Ongoing State agency redesign and cost-control efforts account for \$434 million of the savings from spending control. These include reductions in State agency operations through closures and consolidations of facilities to reduce excess capacity; strict controls on attrition and hiring; enterprise-wide consolidation of procurement, information technology, and workforce management functions; and a range of operational measures to improve efficiency. The total State cost of agency operations, which consists of personal service, non-personal services costs, and fringe benefits, is estimated at \$24.8 billion in 2013-14, unchanged from estimated 2012-13 levels. By comparison, when the Governor took office, spending for State agencies in 2013-14 was expected to total \$26.7 billion, over \$1.9 billion higher than the 2013-14 Executive Budget recommendation.
- Local assistance savings total \$412 million. The most significant proposal would defer automatic “cost of living” increases and trend factors in 2013-14 for all health and human service providers. Other savings include continued programmatic, auditing, and financial reviews; elimination of inefficient subsidies; program consolidations; enhanced review of claims-based data; and other measures. Disbursements for local assistance are projected to total \$60 billion in 2013-14, an annual increase of 2.3 percent.
- The Executive Budget honors the commitment, first made in 2012, to fund School Aid (on a school-year basis) at a level consistent with the growth in NYS personal income and to fund Medicaid at the long-term average growth in the medical component of the Consumer Price Index (CPI).
- Stable government requires a stable, predictable tax code. Accordingly, the budget proposes extending a number of expiring laws that affect the Financial Plan. Extenders are proposed for, among other things, the existing limits on charitable deductions for taxpayers with income above \$10 million, the Medicaid provider assessment, the waste tire fee, the Historic Commercial Properties Rehabilitation credit and the New York Film Production credit.
- With State finances steadied, New York has the means to target new spending within affordable limits to promote the economic recovery and, equally important, to prevent the imposition of new burdens on State taxpayers. The 2013-14 Executive Budget includes funding for, among other things, certain expenses of the NYS Thruway Authority, thereby preventing the need for a sizeable toll increase on commercial vehicles. The Budget also includes funding for new capital commitments essential to maintain the State’s core assets, expand economic development, and fund transformative capital projects; a deposit to the reserve for debt reduction; and one-time fiscal stabilization aid for school districts dealing with rapid growth in fixed costs, including pensions.
- The Budget also includes legislation to reform the State’s complex and inefficient Workers’ Compensation System. As a byproduct of reform, the State Insurance Fund (SIF), a State agency that provides Workers’ Compensation insurance, will release reserves no longer needed to fund

future liabilities. The Budget uses the released reserves prudently over four years to pay for new capital projects with cash rather than with debt, maintain Workers' Compensation rates at stable levels, finance the deposit to the debt reduction reserve, and meet other Financial Plan needs.

## Reducing the Structural Gap

For perspective, the budget gap for 2013-14 that is closed by this Executive Budget totals \$1.35 billion, equal to approximately 1.6 percent of projected State Operating Funds receipts. By comparison, the gap that needed to be closed with Governor Cuomo's first Executive Budget in 2011-12 equaled over 12 percent of expected receipts.

## Controlling Spending

The Executive Budget holds annual spending growth in State Operating Funds to 1.6 percent. All Funds spending increases by 1.9 percent from the level estimated for 2012-13.

TOTAL DISBURSEMENTS							
(millions of dollars)							
	2012-13	2013-14	Annual Chg.		2013-14	Annual Chg. After	
	Current	Current	Before Actions		Proposed	Actions	
		Services	Dollar	Percent		Dollar	Percent
<b>State Operating Funds</b>	<b>89,431</b>	<b>91,926</b>	<b>2,495</b>	<b>2.8%</b>	<b>90,841</b>	<b>1,410</b>	<b>1.6%</b>
General Fund*	52,459	53,878	1,419	2.7%	53,257	798	1.5%
Other State Funds	30,966	31,788	822	2.7%	31,528	562	1.8%
Debt Service Funds	6,006	6,260	254	4.2%	6,056	50	0.8%
<b>All Governmental Funds</b>	<b>133,952</b>	<b>137,094</b>	<b>3,142</b>	<b>2.3%</b>	<b>136,452</b>	<b>2,500</b>	<b>1.9%</b>
State Operating Funds	89,431	91,926	2,495	2.8%	90,841	1,410	1.6%
Capital Projects Funds	8,025	7,834	(191)	-2.4%	8,197	172	2.1%
Federal Operating Funds**	36,496	37,334	838	2.3%	37,414	918	2.5%
<b>Extraordinary Federal Aid</b>	<b>1,500</b>	<b>6,142</b>	<b>4,642</b>	<b>309.5%</b>	<b>6,142</b>	<b>4,642</b>	<b>309.5%</b>

\* Excludes Transfers

\*\* Excludes Federal disaster assistance for Superstorm Sandy and the Affordable Care Act.





# Economic Development

## Overview

Over the past two years, New York State has deployed new economic development strategies that have transformed the relationship among government, academia, and the private sector to attract investment and create jobs. Regional Economic Development Councils have replaced top-down development with an approach that enables each region to shape its own economic future. The New York Works Task Force, comprised of leading finance, labor, planning, and transportation professionals, has begun reinventing State economic and capital planning by coordinating capital plans across 45 agencies and authorities, overseeing investment in projects, and accelerating hundreds of vital projects across the State. Capitalizing on the wealth of innovation and high-technology development that comes from our SUNY system, Governor Cuomo launched NYSUNY 2020, a sustained, competition-based model to support job growth through our universities. A new focus on helping the State's emerging industries has begun, evidenced by special programs to support New York's wine, beer and spirits sector and our burgeoning Greek yogurt industry.

The 2013-14 Executive Budget continues this transformation with new programs and increased investment that will focus on accelerating the commercialization of new technology to create new businesses, providing additional resources for regional economic strategies guided by the Regional Economic Development Councils, and marketing the State's tourism assets to bolster economic growth, especially Upstate.

## Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

- **Fostering "Tech Transfer" – from Academia to Commercialization.** The Executive Budget provides funding for a multi-faceted plan to foster the commercialization of innovative ideas from our academic institutions. Key components of the plan include:
  - **Innovation Hot Spots.** The Innovation Hot Spots program will create or designate ten high-tech innovation incubators at locations affiliated with higher education institutions to encourage private-sector growth. Each Regional Economic Development Council will designate an existing or newly created incubator for the region and five winners will be designated in each of the next two years to receive benefits and support. Designated Innovation Hot Spots will become tax-free zones where start-ups and other businesses tied to the incubator will be exempt from business and sales taxes for a five-year period. The incubators will help to foster innovation and commercialization by offering inventors and entrepreneurs a low-cost, collaborative environment within which to work, and access to essential shared business services. An initial \$1.25 million will be available to provide operating support for winning Hot Spots, growing to \$5 million as the program is fully actualized.

- **The NYS Innovation Venture Capital Fund.** A new \$50 million venture capital fund will provide critical seed and early-stage funding to incentivize new business formation and growth in New York State and facilitate the transition from ideas and research to marketable products. The need for this investment is demonstrated by the fact that, while New York universities rank second nationally in total research spending with nearly \$4 billion spent annually (California ranks first with \$6.5 billion), only 4.6 percent of that New York spending is sponsored by industry. Furthermore, New York attracts only four percent of the nation's venture capital investment (California attracts 47 percent). This new program will strengthen the university/industry connection and prepare New York businesses to compete for venture investment. The Fund will be administered through Empire State Development (ESD) to help these nascent businesses develop to a stage where they can attract private-sector financing. Program funding will be sourced from the New York Power Authority and funds redirected from underutilized investment programs administered by ESD.
- **The Innovation NY Network.** To facilitate and enhance the commercialization process, Governor Cuomo has proposed creating the Innovation NY Network to build collaboration among academics, venture capitalists, business leaders, patent lawyers and other professionals. The Network will promote knowledge transfer and mentoring from successful entrepreneurs and experienced product developers to emerging New York innovators seeking to launch products and establish new businesses. The organization will be established on a university-based, not-for profit foundation model, and will not require taxpayer support.
- **Regional Economic Development Councils.** In 2011, Governor Cuomo established ten Regional Economic Development Councils (REDCs) to develop long-term regional strategic economic development plans. Since then, the REDCs have awarded over \$1.5 billion in State funding through a competitive process to spur job creation based on regional priorities. The first round of funding has already leveraged close to \$5 billion in total project investment statewide. The 2013-14 Executive Budget includes core capital and tax-credit funding that will be combined with a wide range of existing agency programs for a third round of REDC awards. The Governor will continue to make resources available from other State agencies to support community revitalization and business growth consistent with the existing Regional Council plans through the Consolidated Funding Application process. The core funding includes:
  - \$150 million in flexible new economic development capital funding – appropriated to ESD to fund regional priority projects;
  - \$70 million in State tax credits – set aside from the Excelsior Jobs tax credit program to fund regional priority projects;
- **New York Works Economic Development Fund Program.** The Executive Budget includes \$165 million to provide capital grants that support job creation and retention and fund capital investments that facilitate business expansion and the attraction of new businesses.

- **Market NY.** To bolster Upstate economic growth, the Governor has proposed a multi-faceted marketing plan that includes:
  - **Competitive Tourism Advertising Funds.** \$5 million in new competitive funding will be provided through the Department of Economic Development (DED) to support winning tourism marketing plans that best demonstrate regional collaboration among counties to promote regional attractions.
  - **Taste-NY.** \$2 million will be provided to implement the Taste-NY initiative, which will promote locally grown or produced food products, beer, wine and spirits or other New York-made goods through a two-part strategy that combines development of retail venues with aggressive marketing and branding. In high traffic rest areas, train stations and airports across New York, the State will establish “Taste-NY”-branded retail stores, carts, and next-generation luxury vending machines to sell predominantly New York State products free of all sales tax to the consumer.
- **Commitment to Western New York/Buffalo.** The Executive Budget provides an additional \$100 million in funding as part of the Governor’s ten-year \$1 billion commitment to revitalize Buffalo’s regional economy, including \$75 million in new capital funding and \$25 million in tax credits from the enhanced Excelsior Jobs Program. The Budget also includes over \$60 million in State funding to support the recently announced multi-year agreement to keep the Buffalo Bills in Western New York, including a \$54 million State contribution towards \$130 million in capital improvements to Ralph Wilson Stadium.
- **NYSUNY 2020 and NYCUNY 2020.** The Executive Budget includes \$55 million for a third round of NYSUNY 2020 grants and \$55 million for a new NYCUNY 2020. This \$110 million in new funding will offer additional grants for two- and four-year colleges and universities within both the SUNY and CUNY systems. Projects will be selected in a competitive manner based on economic impact, advancement of academic goals, innovation and collaboration. These programs will continue Governor Cuomo’s place-based regional economic development initiative, linking the knowledge and innovation of higher education to regional economic revitalization through large and small businesses.
- **New York Open for Business.** Supported by \$50 million in New York Power Authority resources, the Open for Business initiative will continue to provide an enhanced marketing effort to demonstrate the benefits of investing and doing business in New York.

### Other Budget Actions

- **State Data Center Transfer.** To better align programmatic priorities with agency core missions and to enhance efficiency, the Executive Budget authorizes the transfer of the State Data Center (which maintains Census Bureau data) and associated funding from DED to the Department of Labor. The Data Center is the primary and most comprehensive source for economic and demographic data, tracking the trends of the State of New York, its businesses and people.
- **Continued Commitment to Critical Economic Development Investments.** The 2013-14 Executive Budget includes nearly \$46 million to support ongoing economic development initiatives including: the New York State Economic Development Fund, the Minority and Women-Owned Business Development and Lending Program, the Urban and Community Development Program, the Entrepreneurial Assistance Program, tourism marketing initiatives, and international trade efforts.

- **Continued High Technology Funding.** The 2013-14 Executive Budget authorizes over \$32 million to support ongoing university-based matching grants and other high technology and research and development programs administered by DED's Division of Science, Technology and Innovation.
- **Mitchell-Lama Affordable Housing Program Transfer.** As part of the House NY Program, the Mitchell-Lama affordable housing asset portfolio will be transferred from ESD to Homes and Community Renewal (HCR) to preserve over 8,600 units of affordable rental housing throughout the State.
- **Reform of the Workers' Compensation System.** The Executive Budget contains a series of reforms which will benefit all businesses with employees by reducing the cost of purchasing workers' compensation insurance. Reforms will provide \$900 million in savings to employers by reducing assessments and streamlining the system, while a new bonding program will assist 10,000 businesses in defaulted trusts resolve their liabilities. These reforms result in significant economic benefits to businesses in the State without affecting the rights of workers.



# Reimagining Government

## Overview

New York State has undergone a dramatic transformation over the past two years. This evolution to a fiscally sustainable and functioning, responsible government is the fundamental precursor to a more prosperous *New New York*. In the spirit of Governor Al Smith, New York has embarked on the largest redesign of State government in over eighty years. New initiatives to share services and increase efficiency have allowed agencies to focus resources on their core missions, thereby improving services. A new emphasis on public participation through innovative approaches such as the Regional Economic Development Councils and the Medicaid Redesign Team has increased transparency and fundamentally altered the way the State makes decisions. The success of these efforts provides a strong foundation for the additional work that lies ahead.

The 2013-14 Executive Budget allows New York to take the next steps in the continued transformation of State government, allowing for even greater transparency and efficiencies. The Open New York initiative will begin with the unveiling of [OpenBudget.NY.gov](http://OpenBudget.NY.gov), the State's new fiscal transparency website. A dramatic reorganization of information technology services will help agencies manage the rapid pace of technological change and improve the way New York State interacts with and serves its citizens and businesses. The ongoing streamlining of the State's organizational structure will make government work better, thereby contributing to the State's ability to make new targeted investments.

## Open New York and Open Budget

The Executive Budget supports Governor Cuomo's Open New York initiative with the launch of "Open Budget," a new website that provides unprecedented access to New York's budget information. Open Budget uses technology to promote transparency and enhance citizen engagement which will, in turn, foster improved government performance.

The Open Budget portal provides easy, single-stop access to substantial and detailed budget data. To support transparency and encourage participation in government, this site gives researchers, citizens, business, and the media direct access to high-value data – including large amounts of raw financial data – so these groups can apply their collective expertise to search, explore and analyze budget information, and even develop applications that allow the data to be used for new and innovative purposes. Open Budget presents a user-friendly picture of revenue and expenditures and contains lookup tools and other features that allow people to easily view and download current and historical budget information.

## Transforming Information Technology Operations

In 2012, Governor Cuomo created the Office of Information Technology Services (ITS), to fold the State's significant information technology resources and expertise into a single agency. The consolidation is in keeping with the Governor's efforts to break down the traditional, rigid agency silos, where technology efforts were often duplicated and applications were rarely targeted to customer needs. With this change, the State will be well-situated to take advantage of evolving technology developments and provide better services to the public at a reduced cost to taxpayers.

As a first step in this consolidation, over 3,300 IT professionals from 37 agencies were transferred to ITS in November, 2012. Employees are now able to share expertise over many programs and can be quickly re-tasked to meet emerging needs. Skill shortages in one program can be addressed by redeploying staff from areas where needs are not as high.

Consolidation efforts will continue in 2013-14 as systems and services are realigned based on industry best practices. The State will adopt uniform IT standards across agencies, allowing New York to leverage our significant buying power to achieve optimal pricing. IT investments will flow through a common governance process to ensure they are targeted toward initiatives that will benefit users and the citizens who rely on State IT systems. Resources will be shared among agencies so that if an agency has invested in the development of an application, that technology will be available to every agency.

## Reorganizing Government

New York has made significant progress in restructuring the State organizational chart, enacting many of the recommendations of the Spending and Government Efficiency (SAGE) Commission. These efforts have improved the performance, efficiency and accountability of State government.

The State is reducing the cost of back office operations, such as business services, real estate management, information technology, and call centers, by consolidating these efforts into a central location. State procurement reforms allow agencies and local governments to purchase common goods and services through centralized contracts that will save a projected \$755 million over five years. Consolidations and coordination among agencies with overlapping missions have advanced operational improvements through shared services and changes in service delivery mechanisms.

The transformation of State government continues through 2013-14. Reforms and Executive Budget actions will:

- **Implement the Justice Center.** The Executive Budget transitions Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) operations to the Justice Center for the Protection of People with Special Needs, by June 30, 2013. In 2012, landmark legislation was enacted creating the Justice Center. The core mission of the Justice Center will be to protect the health and safety of vulnerable individuals in the State's care by maintaining primary responsibility for tracking, investigating and pursuing serious abuse and neglect complaints about facilities and provider agencies that are operated, certified, or licensed by six agencies.
- **Improve DMV Customer Service.** The Executive Budget proposes a comprehensive customer service improvement initiative at the Department of Motor Vehicles (DMV). DMV will improve the overall customer experience and reduce office wait times to 30 minutes or less by early 2014, as well as increase the number of transactions serviced outside of DMV offices by 50 percent. In addition, DMV will offer Saturday hours in certain offices to increase customer convenience.
- **Streamline Medicaid Administration.** The Executive Budget proposes the consolidation of all of the State's Medicaid administration activities into the Department of Health. Currently, multiple agencies play a role in administering the Medicaid program, despite the Federal requirement that there be one State Medicaid Agency. In 2013-14, all State Medicaid administrative functions (e.g., rate setting, negotiation of managed care contracts, claims processing) will be consolidated in DOH. This will standardize administrative practices, generate efficiencies, and free agencies to focus on Medicaid policy and the implications of Medicaid on their constituencies.

- **Streamline Administration of Homeless Housing Development to Speed the Completion of Projects.** The Executive Budget will transfer the \$30 million Homeless Housing Assistance Program – which finances construction of housing units for homeless individuals – from the Office of Temporary and Disability Assistance (OTDA) to Homes and Community Renewal (HCR). Currently, programs to finance construction of homeless and affordable housing are managed by OTDA and HCR, often requiring developers to work with two separate agencies to complete a single project. With this transfer, affordable housing developers will have a single point of contact and oversight – making it easier to do business with the State and speeding completion of projects.
- **Reduce Welfare Fraud to Protect Critical Services.** The Executive Budget proposes to merge the Office of the Welfare Inspector General (OWIG) into the Office of the Inspector General (OIG). With focused leadership, a full complement of staff, and support resources from OIG, the State will complete more investigations and refer more cases for prosecution to eliminate and deter fraudulent welfare payments. Combatting welfare fraud saves taxpayer money and helps ensure the most efficient use of resources available to serve those in need.
- **Attract and Manage Talent.** The Governor’s Office of Employee Relations (GOER) will be merged with the Department of Civil Service to focus on an enterprise-wide, strategic approach to managing the State government workforce. This merger will create a single State Employee Workforce Development Center, combining the currently separate recruitment and training efforts of the two agencies under a single official. This function will be of increased importance as we continue to find new ways to improve government effectiveness. The merged entity will be tasked with ensuring that as the demand for certain functions declines, workers are trained for new positions.
- **Coordinate and Consolidate Lab Functions.** Beginning in 2013-14, the State will initiate a four year master plan that will leverage State lab activities for more focused research, create more opportunities for economic development, and help agencies maintain flat spending over the next two years. New York State’s public health and environmental labs are operated by five agencies (DOH, Ag&Markets, DEC, OPWDD and OMH), with overlapping functions, different standards and accreditation, and limited coordination in response to public health concerns.
- **Improve the Workforce Development System.** State agencies will adopt consistent and high performance standards for workforce training and development, in conjunction with and certified by the State Department of Labor (DOL). The current workforce development system fails to train individuals to fill existing job openings, and is not equipped to prepare New Yorkers for the jobs that will be in demand over the next five to ten years.
- **Coordinate Health Insurance Purchasing.** The New York State Health Insurance Program (NYSHIP) and the Department of Health (DOH) both negotiate and purchase health insurance on behalf of the State. Beginning in 2013-14, DOH and the Department of Civil Service will adopt common approaches to take advantage of efficiencies resulting from best practices, including the alignment of hospital cost reimbursement policies, the expansion of patient centered medical home models, and the promotion of evidence-based strategies to enhance wellness and reduce health care costs. Future annual savings of more than \$50 million may be possible when these agencies adopt a common purchasing strategy for medical services.

- **Improve Services to Veterans.** The New York Employment Services System will be expanded to serve as a centralized statewide case management system for services to veterans. The cost of conversion is estimated at \$200,000 in hardware-related expenses, all of which is expected to be covered by a Federal grant.
- **Consolidate Back Office Functions.** The Executive Budget will consolidate disparate State agency print facilities into designated anchor facilities, based on proximity and common printing capability. This will reduce the number of print shops by 63 percent (from 24 to 9), and improve services and consistency while capturing State savings. The Budget will also consolidate warehouse functions, beginning with new policies to ensure a sound and reliable inventory system.

# Mandate Relief and Local Government Aid

## Overview

Building on the significant mandate relief enacted for 2012-13, the Executive Budget provides local government officials with additional tools to manage their finances in a responsible manner. This Budget contains several new proposals to continue to assist localities during this difficult economic period. Highlights include:

- **Stable Rate Pension Contribution Option.** While pension relief for local governments and schools will continue to grow over time as a result of the landmark Tier VI pension reform, these entities continue to face recurring and significant near-term increases in employer contribution rates brought by the 2008 market crash and the subsequent recession. The Executive Budget offers local governments and schools a bridge to the long-term savings of Tier VI, as well as greater predictability, through a Stable Rate Pension Contribution Option.
- **Local Sales Tax Rate Renewals.** The Executive Budget allows counties to renew their existing sales tax authority without action by the State Legislature. The current process creates unpredictability that makes it difficult for local officials to manage their budgets. The Executive Budget proposes making this solely a local responsibility.

These tools will help municipal leaders meet the pressures of the prolonged economic downturn, constrained local revenues, and rising expenses. In addition to these reforms, the Executive Budget continues to provide \$715 million to local governments in unrestricted aid, and an additional \$79 million for grants to promote greater efficiency.

## Implementing Mandate Relief

The 2012-13 Budget provided local governments with major structural mandate relief reforms. These included a takeover by the State of growth in the local share of Medicaid expenses; a new Tier VI in the State pension system; and Early Intervention reforms. These reforms will result in more than \$2.1 billion in financial relief to local governments and schools over the next five years. Tier VI savings for local government and schools will grow to more than \$60 billion over the next 30 years.

New York State also provides unrestricted aid to local governments, the primary vehicle of which is the Aid and Incentives for Municipalities (AIM) program. From 2004-05 to 2012-13, unrestricted aid to local governments outside New York City grew from \$465 million to \$715 million under the AIM program, an increase of 54 percent.



In 2011, the State enacted several initiatives totaling \$79 million to promote and reward local efforts to reduce the property tax burden through increased governmental efficiency and performance, consolidation/dissolution, or shared services, including \$40 million for the Performance and Efficiency Program and \$35 million for Citizens Reorganization Empowerment Grants and Citizen Empowerment Tax Credits.

Building on the significant mandate relief enacted in 2012, the Executive Budget provides new tools for local governments to address financial strain.

- **Stable Rate Pension Contribution Option.** Tier VI, enacted last year, is providing pension relief to local government and schools with each new employee hired under the new system. However, these entities continue to face recurring and significant near-term increases in employer contribution rates resulting from the 2008 market crash and the subsequent recession. If faced with continued, unfettered growth in near-term pension costs, some local officials believe that their city, town, village or school will approach functional and fiscal insolvency.

With Tier VI in place, there is now an opportunity to adopt an alternate pension funding mechanism – a Stable Rate Pension Contribution Option to provide local governments and school districts with immediate access to the long-term savings of Tier VI, as well as greater stability.

Local governments and school districts would be given the option to “lock in” long-term, stable rate pension contributions for a period of years determined by the Comptroller and the Teachers’ Retirement System (TRS) in order to achieve full funding in each system. The proposed stable rates would be 12 percent for the New York State Employees’ Retirement System (ERS), 12.5 percent for TRS, and 18.5 percent for the Police and Fire Retirement System (PFRS). Absent this option, the system average 2013-14 rates (inclusive of Group Life Insurance) would be 20.9 percent for ERS, 16.5 percent for TRS, and 28.9 percent for PFRS.

These stable rate pension contributions will dramatically reduce near-term payments for employers, but will require higher than normal contributions in the latter years. This proposal is fiscally neutral to the retirement funds over the full length of the period.

These immediate and significant savings, combined with the stability offered through this proposal, will provide immediate access to the savings of Tier VI and offer local governments and school districts needed relief, improving their ability to maintain necessary services to their residents and students. Local governments who opt in would avoid significant volatility in contribution rates and be better able to plan for the future.

- **Local Sales Tax Rate Renewals.** Under this proposal, counties would no longer be required to petition the State every two years to renew their current sales tax authority. This current process creates unpredictability that makes it difficult for local officials to manage their budgets. The Executive Budget proposes making this solely a local responsibility. Renewal of current sales tax rates would only require a majority vote of the county legislature, every two years. Any increase in the local sales tax or change to an existing statutory sharing arrangement would continue to require State Legislative approval.
- **Unnecessary Reporting Requirements.** All local government and school district reporting requirements would be eliminated on April 1, 2014 unless the Mandate Relief Council approves continuing them. This will place the burden of proof on State agencies and authorities to justify continuing a report rather than maintaining the status quo of local governments and school districts being required to regularly report.

- **Reform Early Intervention Program.** The Early Intervention (EI) program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (e.g., autism, cerebral palsy) or developmental delays. The Executive Budget recommends a series of program modifications to expand insurance coverage and streamline eligibility determinations, without impacting services, that provide significant fiscal and administrative mandate relief to counties and generate cumulative local savings totaling more than \$60 million over five years.
- **Enhance General Public Health Work Program.** The General Public Health Work (GPHW) program provides State aid reimbursement to Local Health Departments (LHDs) for a core set of public health services. Reforms associated with the first major overhaul of this program since its enactment will promote State health priorities, incentivize performance, and provide administrative relief to counties. The Budget will achieve \$3.5 million in savings in 2014-15 and provide mandate relief for local governments of more than \$16 million over five years.
- **Reforms to Preschool Special Education.** To increase the incentive for local governments to find and recover fraudulent and inappropriate spending by providers, counties and New York City would be allowed to keep 75 percent of all recoveries from local audits – this is nearly double the 40.5 percent that they are currently allowed to retain. In addition, New York City will be given the authority to competitively negotiate rates with Preschool Special Education providers. These reforms will help local governments contain the cost of this program.
- **School District Mandate Relief.** As recommended by the Mandate Relief Council, the Executive Budget will create a new waiver process which will allow school districts to petition the State Education Department for flexibility from special education requirements. In addition, the burdensome requirement of maintaining an internal auditor for school districts with fewer than 1,000 students will be eliminated.
- **Reform Workers' Compensation.** The Executive Budget contains a series of reforms to reduce the cost of purchasing workers' compensation insurance without affecting the rights or benefits of workers. This will provide financial relief for all insured government entities.
- **Reform Unemployment Insurance.** The Executive Budget includes substantial reforms that will decrease costs to employers, including local governments.

## Local Government Assistance

In addition to proposing mandate relief measures aimed at reducing local government costs and securing county revenues, the Executive Budget proposes to maintain all direct local government aid programs, including AIM for cities, towns and villages, at 2012-13 funding levels. This Budget also proposes continued level funding for grant programs which encourage and reward local governments for increasing their performance and efficiency.

The Executive Budget also proposes reforms to local government efficiency grant programs to improve their effectiveness. For the Local Government Efficiency Grant program and the Citizens Reorganization Empowerment Grant program, the local match for planning projects would be increased. If a project is later implemented, the local match would be refunded. This change would incentivize the implementation of projects that achieve taxpayer savings and promote greater efficiency. In addition, the maximum award for Local Government Efficiency Grant planning grants would be reduced to ensure that taxpayer resources primarily support implementation projects and achieve results.

Funding for the following local government programs would be maintained at current year levels:

- **AIM for Cities, Towns and Villages.** Consistent with 2012-13, the Executive Budget would maintain \$715 million in unrestricted AIM funding to cities, towns and villages.
- **Citizen Empowerment Tax Credits.** Funding to incentivize local government consolidation or dissolution under Governor Cuomo's Empowerment Tax Credits is continued at existing levels, providing a bonus equal to 15 percent of the newly combined local government's tax levy, of which at least 70 percent of such amount must be used for direct relief to property taxpayers.
- **Citizens Reorganization Empowerment Grants.** Funding is maintained for grants up to \$100,000 for local governments to cover costs associated with studies, plans and implementation efforts related to local government reorganization activities. To improve the effectiveness of this grant program, the local match for planning or study grants initiated by the local government would be increased from 10 percent to 50 percent. Upon approval of the local government reorganization, this 40 percentage point increase in local match would be refunded. This change would encourage the implementation of local government re-organization activities. There would be no change in the 10 percent local match for planning or study grants in response to a citizen petition, or for implementation grants. These grants share a \$35 million appropriation with the Citizen Empowerment Tax Credits.
- **Local Government Performance and Efficiency Program.** A \$40 million appropriation is continued for competitive one-time awards of up to \$25 per capita, capped at \$5 million, which recognize local governments that have achieved efficiencies and performance improvements.
- **Local Government Efficiency Grants.** Funding of \$4 million would continue to be provided to help cover costs associated with local government efficiency projects, such as planning for and/or implementation of a functional consolidation, shared or cooperative services, and regionalized delivery of services. To improve the effectiveness of this grant program, the local match for planning or study grants would be increased from 10 percent to 50 percent. As with the current grant program, if a local government implements a previously completed planning project, the local match from the planning project would be refunded (up to the local share for implementation). In addition, the maximum award for planning grants would be reduced from \$25,000 per municipality to \$12,500 per municipality and from \$200,000 to \$100,000 per grant. These changes would focus funding on implementation and further incentivize local government efficiency improvements.
- **Other Local Government Programs.** Other programs will be maintained at existing levels, including Video Lottery Terminal (VLT) Impact Aid, Miscellaneous Financial Assistance for Madison and Oneida counties, Small Government Assistance Grants for Essex, Franklin and Hamilton counties, and Efficiency Incentive Grants for Erie County and the City of Buffalo.

## Summary of Spending

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
AIM – Towns and Villages	67.6	67.6	0	0
AIM – Cities Outside NYC	647.1	647.1	0	0
<b>Total AIM</b>	<b>714.7</b>	<b>714.7</b>	<b>0</b>	<b>0</b>
Citizens Empowerment Tax Credits and Grants	1.2	1.7	0.5	42
Local Government Performance and Efficiency Program	4.3	12.6	8.3	193
Local Government Efficiency Grants	8.0	5.2	(2.8)	(35)
VLT Impact Aid	25.9	25.9	0	0
Miscellaneous Financial Assistance	2.0	2.0	0	0
Small Government Assistance	0.2	0.2	0	0
Buffalo/Erie Efficiency Grants	7.0	4.5	(2.5)	(36)

## Overall Fiscal Impact on Local Governments

The 2013-14 Executive Budget results in a year-to-year local impact of over \$943 million for municipalities and school districts for their fiscal years ending in 2014. These savings are primarily the result of an \$889 million increase to school districts, including \$561 million in allocated school aid. Local governments including New York City will benefit from \$27.4 million from various sales tax and income tax proposals, \$21.1 million from higher downstate transit assistance, and \$4.3 million from Early Intervention program reforms. The mandate relief reforms will deliver continued and increased relief in future years.

Impact of the 2013-14 Executive Budget on Local Governments (Local Fiscal Year Ending in 2014) (\$in millions)					
	Total	NYC	School Districts (non-NYC)	Counties	All Other
Allocated School Aid	561.0	224.0	337.0	0.0	0.0
Revenue Actions	27.4	21.6	0.1	4.8	0.9
Human Services	0.3	0.0	0.0	0.3	0.0
Transportation	21.1	9.4	0.0	11.7	0.0
Health	5.9	2.5	0.0	3.4	0.0
<b>Subtotal</b>	<b>615.7</b>	<b>257.5</b>	<b>337.1</b>	<b>20.2</b>	<b>0.9</b>
School Aid - Fiscal Stabilization Fund	203.0	TBD	TBD	0.0	0.0
School Aid - State of the State Initiatives	75.0	TBD	TBD	0.0	0.0
School Aid - Performance Grants	50.0	TBD	TBD	0.0	0.0
<b>Total 2013-14 Executive Budget Actions</b>	<b>943.7</b>	<b>257.5</b>	<b>337.1</b>	<b>20.2</b>	<b>0.9</b>

**Mandate Relief and Local Government Aid**

<b>Impact of the 2013-14 Executive Budget on Local Governments (Local Fiscal Year Ending in 2013 - 2016) (\$in millions)</b>				
	<b>LFY Ending in 2013</b>	<b>LFY Ending in 2014</b>	<b>LFY Ending in 2015</b>	<b>LFY Ending in 2016</b>
NYC	7.7	257.5	294.0	408.1
School Districts (non – NYC)	0.0	337.1	382.2	563.2
Counties	12.9	20.2	26.5	28.3
All Other	0.3	0.9	1.0	1.0
<b>Subtotal</b>	<b>20.9</b>	<b>615.7</b>	<b>703.7</b>	<b>1,000.6</b>
School Aid - Fiscal Stabilization Fund	0.0	203.0	0.0	0.0
School Aid - State of the State Initiatives	0.0	75.0	75.0	75.0
School Aid - Performance Grants	0.0	50.0	50.0	50.0
<b>Total 2013-14 Executive Budget Actions</b>	<b>20.9</b>	<b>943.7</b>	<b>828.7</b>	<b>1,125.6</b>



# Responding to Sandy

## Overview

The Executive Budget reflects a comprehensive plan to recover from the devastation brought about by Superstorm Sandy. The Budget ensures that resources are in place to continue our response to this crisis and build the infrastructure to prepare for the next disaster based on lessons learned.

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Congress is expected to approve \$60 billion in disaster aid for states impacted by Sandy. The 2013-14 Executive Budget includes provisions to support the implementation and coordination of \$30 billion in Federal disaster aid for recovery, rebuilding and mitigation activity in New York State.

Superstorm Sandy was the largest storm to hit the Northeast in recorded history. Its impact was devastating: 131 were people killed, including 60 deaths in our State; two million customers were left without power; approximately 300,000 housing units were damaged or destroyed; roads and subway tunnels experienced catastrophic flooding; and major power transmission systems were damaged. Sandy followed just a year after Hurricane Irene and Tropical Storm Lee hit New York, clearly demonstrating that we must prepare now, and in earnest, for increased frequency of extreme weather events.

To help New York State learn from Superstorm Sandy, Governor Cuomo convened four commissions: NYS Ready, NYS Respond, NYS 2100, and a Moreland Act Commission. The NYS Ready Commission was tasked with preparing our networks, systems and structures to withstand major weather events. The NYS Respond Commission was charged with making recommendations to ensure the ability and capacity to effectively respond to the next natural disaster. The NYS 2100 Commission reviewed the vulnerabilities faced by the State's infrastructure systems and developed specific recommendations to increase New York's resilience in five main areas: transportation, energy distribution, land use, insurance, and infrastructure finance. The Moreland Act Commission was established to study, examine, investigate, and review the response, preparation, and management of New York's power utility companies to Superstorm Sandy, Hurricane Irene, Tropical Storm Lee, the December 2008 Ice Storm, and other major storms that have impacted the State.

The recommendations of these commissions were presented in early January, and include approaches to protect against power loss, maintain fuel supply, harden the State's infrastructure, speed evacuations, improve disaster response coordination, improve communications with citizens both before and during a disaster, and train citizens how to prepare and stay safe during a disaster. These recommendations formed the basis of the crisis action plan presented by the Governor in the 2013 State of the State Address. The 2013-14 Executive Budget begins the implementation of this plan.

## Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

The Executive Budget provides support for Superstorm Sandy recovery and rebuilding projects, programs, and other initiatives. Specifically, the Budget includes appropriations of \$21 billion for disaster-related recovery, rebuilding and mitigation. An estimated \$30 billion of additional Federal aid will flow through these appropriations or be directly administered by the Federal government, local governments and other entities. These resources will support:

- **Community Reconstruction and Mitigation Plans.** Communities that were impacted by Superstorm Sandy, Hurricane Irene and Tropical Storm Lee will be eligible for \$2 billion in grants to support the creation of Community Reconstruction and Mitigation Plans. These plans will be created by each Community Reconstruction Zone, and Community Development Block Grant (CDBG) program criteria and target numbers will be used to govern the program.
- **The Recreate NY Smart Home and Recreate NY Home Buy-Out Programs.** These program will ensure that New York rebuilds to modern building standards and, in locations where rebuilding is impractical, provide a voluntary home buyout alternative.
- **Rebuilding and Hardening of Critical Infrastructure.** Investment will be made in the areas of transportation, fuel supply, water supply, wastewater treatment systems, and electric distribution and flood protection systems.
- **Repair and Build Natural Infrastructure to Protect Coastal Communities.** Restore damaged beaches, dunes, and berms, and build new natural infrastructure including wetlands, reefs, dunes, and berms to reduce the impact of wave action, storm surges, and sea level rise.
- **Repair and Rebuilding Health Care Systems.** Improvements will be made at hospitals, nursing homes and clinics to ensure these critical facilities are more resilient to future storms.
- **Financial Assistance.** Resources will be made available for businesses, local governments and others affected by the storm.
- **Universal Protocols for Emergency Response.** To improve coordination among State and local emergency response professionals, the State will provide training for key officials from local emergency management operations. The Division of Homeland Security and Emergency Services (DHSES) will collaborate with SUNY to develop a training program which covers incident command, response, recovery, and State emergency protocols. Those completing training will be certified by the State, and would maintain that certification through a multi-year renewal process and ongoing training.
- **A New “Resilient Information System.”** Existing mobile messaging and social networking technologies will be leveraged to integrate disaster planning, preparedness and response. This will include “NY-TEXT”, a program to allow mass text messages to be sent to all wireless phones in a chosen area, and a communications portal through which the public can access information on service outages, disaster preparedness tips and, following a disaster, resources for finding and requesting financial and other assistance.
- **Specialized Training for National Guard Members.** Training will be provided in key emergency response categories such as power restoration, search and rescue, heavy equipment operation, and crowd management. During Sandy, more than 4,500 Guard members provided relief and accelerated the recovery. With additional training and skills, these Guard members can have an even greater impact when responding to disasters.
- **Pre-positioned Stockpiles of Essential Equipment.** Critical equipment such as generators, water tankers, chainsaws, piping, light towers, and pumps will be purchased and pre-positioned in anticipation of the next emergency.

- **A Statewide Volunteer Network.** Establishment of a network of individuals, non-profit organizations and corporations will help the State meet critical needs in disaster relief efforts by matching volunteers with opportunities to assist.
- **A Citizen Education Campaign.** This program will better prepare New Yorkers by providing information, resources and supplies, reducing the number of families in need during a disaster and allowing first responders to focus greater attention on those who are most vulnerable.
- **Establishment of Vulnerable Population Databases.** First responders, outreach workers, and healthcare and human services personnel will have access to information to help find and serve those who may need assistance.
- **Energy Sector Worker Training.** This new program will ensure availability of skilled professionals to quickly diagnose and replace damaged components and maintain a state of good repair.

The Executive Budget also authorizes Design/Build for agencies that will implement disaster recovery projects. As demonstrated by the Tappan Zee Bridge project – whereby Design/Build was key to reducing estimated project costs by 20 percent – this strategy is a proven way to reduce costs and speed completion.

The Budget implements the Moreland Act Commission recommendations to strengthen the oversight and enforcement mechanisms of the Public Service Commission (PSC) to ensure public utility companies are held accountable and responsive to regulators and customers. Specifically, the PSC's authority is expanded to initiate administrative proceedings to recover more robust civil penalties, review utility company performance and emergency planning, ensure compliance, and modify or revoke certifications previously issued to any gas or electric utility. Finally, privatization of the Long Island Power Authority will be pursued, which would subject the new provider to PSC oversight, in order to protect ratepayers and ensure reliable service.



# Education and Arts

State Education Department  
Council on the Arts

## Overview

The Executive Budget reflects a strong commitment to improved student outcomes, sustainable cost growth and an equitable distribution of aid. School Aid increases at a rate tied to the State's underlying fiscal capacity with most of the increase provided to high need school districts. In recognition of extraordinary fixed cost increases, the Executive Budget provides additional one-time financial relief to school districts for the 2013-14 school year. The Executive Budget provides support for several key initiatives recommended by the *New NY Education Reform Commission* in its Preliminary Report to the Governor, and sustains important reforms from prior years, including implementation of the new teacher evaluation process and competitive performance and efficiency grants.

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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.

Although New York makes significant financial investments in education (per pupil spending is the highest among states), New York lags behind in graduation rates. Only 74 percent of our students graduate from high school and only 35 percent are college or career ready. Recognizing that a prosperous future for the State is dependent upon the quality of public education, the 2013-14 Executive Budget continues the work of building an education system that ensures every child has an opportunity for a sound, basic education, and that all of our children are educated in schools with excellent teachers and leaders, who are accountable for student success.

## Support for Public Education

Statewide increases in school spending, State support for education, and school property taxes have far outpaced the rate of inflation over the last ten years. New York public schools spend more per pupil (\$18,618) than any other state and 76 percent above the national average. However, New York's high education spending has not translated into equally high student performance.

Several initiatives implemented in 2011 have improved the ability to provide educational opportunities for our students at a level of spending that State and local taxpayers can sustain.

First, taxpayer support for education was made predictable and sustainable at both the State and local levels. The 2011-12 Enacted Budget included a two-year appropriation for School Aid and a statutory commitment to provide annual increases beginning in 2012-13. The School Aid proposal recommended for the 2013-14 school year fulfills this commitment to sustainable growth, with the increase tied to the rate of annual growth in New York State personal income. At the local level, a property tax cap was enacted to limit school tax increases to the lesser of 2 percent or the rate of inflation. Local voters retain control, however, and can override the cap with approval of 60 percent of voters. In the first year under the cap, 92.8 percent of school districts presented voters with budgets that were at or below allowable tax levy increases under the cap. Of these, 99.2 percent were approved by the voters on the initial vote.

In addition, Governor Cuomo created a competitive grant program to encourage school districts to implement innovative reforms that improve student achievement and make the long-term structural changes necessary to reduce costs and deliver more dollars directly to the classroom. These grants emphasize rewarding school districts that have made replicable and sustainable reforms. The first round of grants has been awarded, and a new round of applications will be released during the 2013-14 school year.

These changes were an important start, but recognizing the need to do more to build a world-class education system for New York, the Governor established the *New NY Education Reform Commission* in April 2012. The Governor charged the Commission with studying the best practices in public education, both nationally and internationally, in order to make recommendations that would increase educational productivity and student performance in New York State. Adhering to the Governor’s charge, the Commission held public hearings in each of the 10 regions of New York, received thousands of pages of testimony, and heard from more than 300 students, parents, educators and stakeholders. The Commission has presented the Governor with a Preliminary Education Action Plan, which addresses every phase of a student’s education from the earliest days of pre-kindergarten through college and career.

### Summary of Spending

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
School Aid (School Year)	20,196	20,807	611	3.0
Fiscal Stabilization Funding	0	203	203	n/a
<i>New NY Education Reform Initiatives</i>	0	75	75	n/a
<b>Total</b>	20,196	21,085	889	4.4

### Proposed 2013-14 Budget Actions to Implement the Governor’s State of the State and Other Initiatives

The 2013-14 Executive Budget reflects a continued commitment to supporting improved student outcomes, sustainable cost growth, and equitable distribution of aid. It builds on the foundational work of prior years, and begins the implementation of key recommendations of the *New NY Education Reform Commission*. The total year-to-year increase in aid for education is \$889 million, or 4.4 percent.

The 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. School Aid will continue to represent the largest State-supported program, accounting for about 28 percent of General Fund spending.

The Executive Budget also continues the State’s commitment to increase School Aid at a sustainable level in future years by including an appropriation for the 2014-15 State fiscal year. Under this appropriation, School Aid growth will be aligned with the State’s underlying fiscal capacity, as represented by the growth in New York State personal income. The Executive Budget links additional State Aid to compliance with the teacher evaluation process that will lead to increased accountability. School districts will not be eligible for aid increases unless they have fully implemented the teacher evaluation process for the 2013-14 school year by September 1, 2013.

Additionally, in recognition of extraordinary increases in school district fixed costs, including pension growth, the Executive Budget includes \$203 million in Fiscal Stabilization Funds for the 2013-14 school year.

The new Annual Professional Performance Review (APPR) system has made student performance a major component of teachers' evaluations – and thus an element of employment decisions. While 99 percent of school districts have successfully worked with their employees to negotiate agreements on teacher evaluation, six school districts including New York City have not been able to reach agreement. Those school districts are ineligible to receive State Aid increases for 2012-13, and remaining payments for the 2012-13 school year will be adjusted accordingly. Because many of the approved APPR plans expire after one year, the 2013-14 Executive Budget will continue to link increases in State Aid to compliance with the evaluation system to ensure implementation and accountability for improving student performance. School districts will not be eligible for aid increases unless they have fully implemented the teacher evaluation process for the 2013-14 school year by September 1, 2013. To be eligible for future year aid increases, school districts will continue to be required to maintain implementation of the teacher evaluation process.

The Executive Budget supports several initiatives 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. These competitive programs, which will be funded outside of School Aid, include:

- **Full-Day Pre-kindergarten Program (\$25 million).** The Executive Budget will provide support for a full-day pre-kindergarten program targeted toward higher need students in lower wealth school districts via a competitive process.
- **Extended Learning Time (\$20 million).** In order to provide increased learning opportunities, funding will be prioritized to support high-quality extended school day or extended school year programs, with academically enriched programming. Schools that apply to participate in the program must agree to expand learning time by 25 percent. The grant will cover the full cost of expanding learning time for students.
- **Community Schools (\$15 million).** The Executive Budget will support an innovative program designed to transform schools into community hubs. The community schools will integrate social, health and other services, as well as after-school programming to support students and their families.
- **Reward High Performing Teachers (\$11 million).** Annual stipends of \$15,000 will be provided for four years to the most effective teachers in the State. This program will begin with math and science teachers. By providing performance incentives for high performing teachers, enhancing professional development and utilizing these teachers to train other teachers, this innovative program will drive improvements in mathematics and science education.
- **Early College High School Programs (\$4 million).** The Executive Budget will provide a total of \$4 million in new State funding, bringing the State's total investment in Early College High School programs to \$6 million to improve college access and success.

The Executive Budget will require the State Education Department to implement recommendations of the *New NY Education Reform Commission* necessary to transform and modernize public education. Standards for teacher certification will be increased by requiring passage of a "bar exam." Additionally, longer, more intensive and high-quality student-teaching experience in a school setting will be required. Finally, the Department will be required to create a school performance management system that will streamline school district reporting and increase the fiscal and programmatic transparency and accountability of school districts.

## School Aid

- Target School Aid Increases to High-Need School Districts.** The Executive Budget provides a \$611 million increase in School Aid for the 2013-14 school year, consistent with the School Aid Growth Cap. Most of the allocated increase is provided to high-need school districts. Of the total increase, \$272 million is provided for general support, reflecting the net impact of a \$322 million Gap Elimination Adjustment (GEA) restoration, which is partially supported by a redirection of High Tax Aid. By redirecting High Tax Aid and increasing the GEA restoration, the Executive Budget promotes a more equitable distribution of aid to school districts. Another \$289 million supports increased reimbursement in expense-based aid programs (e.g., school construction, pupil transportation, and BOCES) and other miscellaneous aid categories under current law. High-need school districts will receive 75 percent of the 2013-14 allocated increase and 69 percent of total School Aid. Importantly, \$50 million will be used for a new round of competitive grants.
- Provide Fiscal Stabilization Funding for School Districts in the 2013-14 School Year.** In recognition of extraordinary increases in fixed costs, including pension contributions, the Executive Budget provides \$203 million in one-time financial relief to school districts for the 2013-14 school year.
- Award Funding Based on Performance.** The 2011-12 Enacted Budget authorized two competitive multi-year grant programs totaling \$500 million to encourage school districts to implement innovative approaches to achieve academic gains and management efficiency. The first round of these grants has been awarded to school districts that exhibited either dramatically improved performance or innovative management. The 2013-14 Executive Budget will continue this paradigm-changing reform with another round of grants, which will provide another \$50 million in annual funding through a competitive grant process to school districts.
- Provide Sustainable School Aid Growth.** The Executive Budget reaffirms the State's commitment to future funding increases for school districts by also including an appropriation that covers School Aid payable in the 2014-15 State fiscal year. This appropriation provides a 3.3 percent increase in School Aid for the 2014-15 school year based on projected growth in New York State personal income.

## Preschool Special Education

New York State offers extensive services to its students with disabilities, including services to children before they reach school age. The State's spending on Preschool Special Education has doubled over the past ten years to a projected State cost of \$1.1 billion for the upcoming school year. In order to address the unsustainable rate of program growth, as well as concerns resulting from recent provider audits which have uncovered high levels of inappropriate billing by several Preschool Special Education providers, the Executive Budget proposes several changes that will slow expense growth by improving fiscal oversight in the program. The proposals will ensure that scarce resources are focused on serving the needs of young children with disabilities, not dissipated through fraud.

- Conduct a Large-Scale Audit of Preschool Special Education Providers.** The State will select a vendor through a competitive process to audit providers and collect extensive provider data to develop a comprehensive database in order to improve oversight.
- Build Counties' Capacity to Monitor Providers.** The Executive Budget will build county capacity to oversee Preschool Special Education providers through the provision of \$1 million in targeted grants to counties and through the development of a fiscal integrity tool to better detect



fraud and abuse. In addition, to incentivize county oversight of providers, the Executive Budget will allow counties to retain 75 percent of audit recoveries.

- **Empower New York City.** Costs in the Preschool Special Education program are growing at a significantly faster rate in New York City than in the rest of the State. Uniquely situated as both the county and the school district, New York City would be authorized to implement a process to select providers for Preschool Special Education services, and to set provider rates within certain State parameters. This will allow New York City to better control costs and improve programmatic and fiscal oversight of providers.

### Other Budget Actions

- **Maintain the Contracts for Excellence Program.** In recognition of both the fiscal circumstances facing the State and the continued need to encourage improvements in academic outcomes, all school districts currently in the Contracts for Excellence program would 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. This approach will ensure participation of at least 15 school districts, including the Big Five city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). School districts that remain would be required to maintain funding for Contract for Excellence programs at the same level required for the 2012-13 school year.
- **Funding for Arts Grants.** The New York State Council on the Arts awards approximately 2,500 competitive grants to arts and cultural organizations annually. This reflects the State’s commitment to provide access to high-quality artistic programs, while also making investments in local initiatives with longstanding economic impacts, such as theatres, dance companies, museums and orchestras. The Executive Budget continues \$36 million in funding for arts grants, the same level provided last year.



# Environment and Energy

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

## Overview

This Budget increases investment in environmental, clean energy, and utility oversight programs and maintains core services at current levels for parks and agricultural programs. State Agency and public authority funding will provide an organizational platform and support for initiatives to make New York a leader in the clean tech economy, reduce the emissions that contribute to climate change, and lead the transformation of our transmission system to a distributed smart grid network. The Executive Budget also provides for strengthened and improved Public Service Commission oversight and enforcement powers.

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The State's environmental, energy and natural resource agencies support programs including land use planning and preservation, recreation and tourism, agricultural development, protection of water resources, regulatory oversight of environmental laws and regulations, oversight of food supply and food safety programs, and regulation of the State's utilities and energy programs. Working in conjunction with the State's environmental and energy-related public authorities, these agencies will address the causes and impacts of climate change and address the major deficiencies in our energy distribution system revealed in the aftermath of Superstorm Sandy.

The Department of Environmental Conservation's (DEC) mission is to conserve, improve and protect New York's natural resources and environment and to prevent, abate and control water, land and air pollution, in order to enhance the health, safety and welfare of the people of the State and their overall economic and social well-being.

Together, 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, OPRHP operates the State park system that comprises 214 State parks and historic sites. The system welcomes 59 million visitors to these sites annually.

The Department of Public Service (DPS), the staff arm of the Public Service Commission (PSC), regulates the rates and services of public utilities – an industry with an estimated \$32 billion in annual revenue – oversees the siting of major utility infrastructure, and manages other functions. The Executive Budget provides for strengthened and improved PSC oversight and enforcement powers. Additionally, in conjunction with the New York State Energy Research and Development Authority (NYSERDA), DPS oversees and administers the State's energy efficiency and renewable energy programs. The New York Power Authority (NYPA) supplies power statewide through two large hydroelectric facilities and more than 1,400 miles of transmission lines. NYPA does not receive direct support from the State.

The Department of Agriculture and Markets is charged with wide-ranging responsibilities including food safety inspection, agricultural economic development, farmland protection, animal and plant health surveillance, and the control of agricultural runoff (nonpoint source pollution) that can lead to the contamination of water.

## **Protecting the Environment**

The State's environmental and energy agencies protect the State's air, land and water, oversee food safety, provide critical support to the agricultural community, manage our energy resources, and offer safe, affordable and accessible recreational opportunities to New Yorkers.

The State has protected more than 820,000 acres of open space since 2003 and more than 37,000 acres of farmland since 1996. Under Governor Cuomo's leadership, the State acquired 69,000 acres of the former Finch Pruyn lands in the Adirondacks, the largest addition to the State Forest Preserve in over a century. Since 1992, the State parks system has expanded by more than 25 percent, with 66,000 acres and 29 new parks added. These actions have been financed primarily through the Environmental Protection Fund (EPF). This year, the 179<sup>th</sup> State Park was added, the new Franklin D. Roosevelt Four Freedoms Park on Roosevelt Island in New York City.

The Executive Budget increases support for critical environmental protection and energy programs. The Environmental Protection Fund (EPF), which provides dedicated funding to communities throughout New York to improve our environment, will be increased by \$19 million to \$153 million. The Cleaner, Greener Communities program, administered by NYSERDA to fund energy efficiency and renewable energy projects, will be supplemented by a net \$10 million in new State funding. To address a backlog of environmental capital needs, the Budget includes \$90 million of new capital appropriations for DEC, OPRHP, the Department of Agriculture and Markets, and the Olympic Regional Development Authority under the New York Works program. This infusion of capital funds will accelerate capital infrastructure projects statewide, spur the creation of jobs, and leverage private sector and Federal investment. In addition, the Budget provides the financial platform to implement the Moreland Commission recommendations that will strengthen the oversight and enforcement mechanisms of the Public Service Commission.

The Budget maintains services at current levels for parks, environment, and agricultural operating programs. Minimal spending reductions to agency budgets reflect initiatives to improve the efficiency of operations.

**Summary of Spending (All Funds)**

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Total Environment and Energy Spending	1,487	1,414	(73)	(4.9)
Department of Agriculture and Markets	124	115	(9) <sup>1</sup>	(7.2)
Department of Environmental Conservation	972	919	(53) <sup>2</sup>	(5.5)
Office of Parks, Recreation and Historic Preservation	285	276	(9) <sup>3</sup>	(3.2)

**Capital Investments**

Proposal	2013-14 (\$ in millions)	2014-15 (\$ in millions)
<b>New Capital Commitments:</b>		
Environmental Protection Fund	153	157
New York Works Infrastructure Investment	135	135
Increase Funding for the Cleaner, Greener Communities Program	10	0
<b>Total New Capital Commitments</b>	<b>298</b>	<b>292</b>

**Proposed 2013-14 Budget Actions to Implement the Governor’s State of the State and Other Initiatives**

- Environmental Protection Fund.** The Budget includes \$153 million for the programs supported by the EPF, an increase of \$19 million from 2012-13 that is funded by a transfer of \$15 million of unclaimed bottle deposit receipts and \$4 million from increased and improved enforcement of the unclaimed deposit program. Appropriations include \$12.7 million for solid waste programs, \$58.3 million for parks and recreation, and \$82.0 million for open space programs.
- Implement Moreland Commission Recommendations.** In response to Superstorm Sandy, Governor Cuomo established a Moreland Act Commission to examine the preparation and management of New York’s utility companies with respect to the storm. As recommended by the Commission, the Executive Budget strengthens the oversight and enforcement mechanisms of the Public Service Commission (PSC) to ensure public utility companies are held accountable and responsive to regulators and customers. Specifically, the PSC’s authority is expanded to initiate administrative proceedings to recover more robust civil penalties, review utility company performance and emergency planning, ensure compliance, and modify or revoke certifications previously issued to any gas or electric utility.

In order to implement these requirements, DPS’s auditing and investigation functions will be strengthened by allowing DPS to aggressively fill jobs to achieve a staffing level of 524 employees (including IT staff transferred to the Office of Information Technology Services as part of the Statewide IT consolidation). Additionally, DPS and NYSERDA staff functions will be

<sup>1</sup> Ag & Mkts change is driven primarily by the completion of the Food Lab in 2012-13.

<sup>2</sup> The DEC decrease primarily reflects changes in the projected pace of capital spending and the non-recurrence of one-time local assistance items in the 2012-13 Budget.

<sup>3</sup> The Parks decrease primarily reflects reductions associated with non-recurring Local Assistance projects.

streamlined to form a unified policy-making process, eliminate redundancy, and ensure a coordinated State energy policy. Finally, privatization of the Long Island Power Authority will be pursued, which would subject the new provider to PSC oversight, in order to protect ratepayers and ensure reliable service.

- **Make New York the Leader in the Clean Tech Economy.** New York will take several steps to continue as a national leader in building a clean tech economy. To plan and execute this strategy, Governor Cuomo has created a new cabinet-level position of Chairman for Energy Policy and Finance for New York State. The Chairman will direct the State's energy policy through a newly formed energy subcabinet, and will oversee several new initiatives:
  - The \$1 billion Green Bank, consisting primarily of NYSERDA and NYPA resources, will utilize innovative financing mechanisms to leverage public dollars with a private sector match to spur the clean economy.
  - To increase solar panel installations for homes and businesses and to provide long term certainty to solar developers and installers, the New York Sun Solar program, primarily funded by NYSERDA, will be expanded to \$150 million annually for 10 years.
  - The Charge NY Program, funded by NYPA, NYSERDA and a New York State tax credit, will invest in a network of electric car charging stations to reduce reliance on fossil fuels by providing grants and tax credits for charging infrastructure.
- **New York Works Infrastructure Investment.** The Budget provides \$90 million of new appropriations for the next round of the New York Works capital program that will address a backlog of environmental capital needs and spur job creation and economic development statewide. New capital appropriations funding of \$45 million will be included in the OPRHP budget to support health and safety projects and critical infrastructure rehabilitation. When combined with \$45 million from uncommitted reappropriations, OPRHP will be able to advance \$90 million in new capital projects. OPRHP's budget will also include \$2.5 million for Olympic Regional Development Authority infrastructure and \$2.5 million for State fairground rehabilitation, through the Department of Agriculture and Markets. DEC will receive \$40 million to address a variety of capital needs including projects at their recreational facilities, new funding for the Environmental Restoration Program (Municipal Brownfields), e-business initiatives, capping of high risk abandoned oil and gas wells and capital grants for clean water infrastructure projects.
- **Enhance the Cleaner, Greener Communities Program.** The Executive Budget includes \$25 million in funding in support of the Cleaner, Greener Communities program, a competitive grant program administered by NYSERDA and designed to reduce greenhouse gas emissions, save energy and benefit the State's economy. Grants will be provided to private, not-for-profit and municipal entities and will support a variety of purposes, including energy efficiency and renewable energy projects. Up to \$15 million of the funding will finance the current program level, and \$10 million will pay for new projects.
- **Expand Access to New York Grown Agricultural Products.** Building on the success of the last two years, the Executive Budget continues \$450,000 of funding for the FreshConnect farmers market program, which benefits farmers and consumers alike by awarding competitive grants to create and expand farmers markets in underserved communities throughout New York. To increase the availability of locally grown hops for the State's growing craft brew industry, the Budget includes \$40,000 for a new program to evaluate and test hop varieties in New York. The

new “Taste-NY” program will also expand access to locally grown and produced products by establishing strategically located tax free stores featuring New York products and by using coordinated branding to showcase New York grown products in supermarkets.

- **Maintain Core Agriculture and Markets Local Assistance Funding.** Core agricultural programs that protect health and safety, provide education, and support the promotion of New York state products will be maintained at the same level as the 2012-13 Executive Budget. These programs include the Migrant Childcare program, Cornell Veterinary Diagnostic Laboratory, Cornell Pro-Dairy, the Wine and Grape Foundation, and Farm Family Assistance.
- **Make the Waste Tire Fee Permanent.** The Budget proposes to permanently extend the Waste Tire Fee and utilize existing balances in order to maintain funding for existing solid and hazardous waste activities, thereby avoiding cuts to these essential programs.





# Health Care

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

## Overview

The Executive Budget continues historic Medicaid reforms initiated in 2011 as a part of Governor Cuomo's Medicaid Redesign Team effort. These reforms are achieving better health care outcomes at a more sustainable cost. The Budget supports more effective models of care, reforms the General Public Health Work Program, implements the New York Health Benefit Exchange, and promotes a sustainable health care delivery system.

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The mission of the Department of Health (DOH) is to ensure that high quality health services are available to all New Yorkers. Consistent with this mission, DOH assures 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 protects public health, supervises public health activities throughout the State, and operates health care facilities including Helen Hayes Hospital, four veterans' nursing homes, and the Wadsworth Laboratories. The Department also oversees all other health care facilities in the State.

The Office of the Medicaid Inspector General, established as an independent entity in 2006, preserves the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. The Office oversees community-based services provided through a network of county Area Agencies on Aging and local providers.

## Assuring Quality Health Care for All New Yorkers

New York's Medicaid program is the largest payer of health care and long-term care services in the State. Over five million individuals receive Medicaid-eligible services each month through a network of more than 60,000 health care providers and more than 20 managed care plans. Total Federal, State and local Medicaid spending will be \$57.6 billion in 2013-14.

Despite years of attempted cost containment, Medicaid spending prior to 2011 had grown at an unsustainable rate while failing to deliver the quality outcomes New Yorkers deserve. In 2009, New York State ranked 22<sup>nd</sup> among states in quality of health care measures and worst among all 50 states in avoidable hospitalization according to a Commonwealth State Scorecard of Health System Performance issued that year.

Recognizing the need to control spending growth and improve health results, Governor Cuomo commissioned the Medicaid Redesign Team (MRT), a new and inclusive approach to developing health care policy. Comprised of individuals representing virtually every sector of the health care delivery system, and with widespread public input, the MRT advanced proposals that create models of care to

significantly improve health outcomes and allow future spending to grow at a sustainable level tied to rational measures of growth – the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 3.9 percent).

In Phase 1, the MRT provided a blueprint for lowering Medicaid spending in State Fiscal Year 2011-12 by \$2.2 billion. The initial report included 78 recommendations that were enacted into law, including significant structural reforms that have bent the Medicaid cost curve and achieved the savings without any cuts to eligibility.

The MRT continued its innovative work in Phase 2 by establishing 10 workgroups to address more complex issues, as well as monitor the implementation of key recommendations enacted in Phase 1. In all, the State is expected to save \$17.1 billion over the next five years because of the Medicaid reforms.

The multi-year Medicaid reform action plan, established by the MRT, has not only allowed the State to exceed its fiscal goals but has transformed the program in a way that has had tremendous benefits for Medicaid members and providers. These benefits include:

- One million additional Medicaid members are now accessing high quality primary care through Patient Centered Medical Homes.
- Almost 6,000 high-needs Medicaid members are now getting individualized care management through New York’s Health Homes. Unique in the nation, Health Homes provide an integrated and coordinated setting for all primary, acute, behavioral health, and long-term services and supports to treat the whole person.
- Enrollment in Medicaid Managed Care continues to grow and enrollment in the State’s highly successful Managed Long Term Care Program has nearly doubled since the MRT began.
- New York is leading the nation in connecting high-needs Medicaid patients with supportive housing. To date, \$75 million in Medicaid funding has been allocated to expand access to housing for over 4,000 Medicaid patients.
- Medicaid is also investing in essential community safety net providers, reserving over \$82 million for a new Vital Access Provider program.
- Establishment of a Medical Indemnity Fund that has reduced hospital medical malpractice insurance premiums by 20 percent while providing quality medical care to impacted children.

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

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Medicaid (Total All Funds)	53,996	57,627	3,631	6.7
Medicaid (Global Cap)	15,320	15,913	593	3.9
Department of Health Spending (Excluding Medicaid)	4,411	4,177	(234)	(5.3)
Office of the Medicaid Inspector General	55	52	(3)	(5.5)
Office for the Aging	218	215	(3)	(1.4)

## Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

The Executive Budget reflects the continuation of the Medicaid spending cap enacted in 2011-12 and recommends funding consistent with its provisions. The Budget achieves \$125.3 million in savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts.

The Executive Budget also provides mandate relief for all counties and the City of New York by reforming the General Public Health Work and Early Intervention programs to reduce counties' administrative burdens and cut their costs by more than \$76 million over five years.

### Medicaid Redesign

The Executive Budget continues the implementation of MRT recommendations. These reforms represent the most comprehensive Medicaid reform in State history, with initiatives designed to improve the full spectrum of health care delivery.

The Executive Budget supports implementing Health Homes for complex high-cost recipients, investments in affordable housing, and the continued move to care management for all Medicaid recipients, which is expected to be completed in 2015-16. A cost neutral package of new MRT initiatives is also proposed to make critical investments in health care delivery, including:

- Supporting health home development and enhancing health homes to improve care coordination for mentally ill recipients discharged from State psychiatric centers and those receiving court ordered services through Assisted Outpatient Treatment (AOT).
- Making additional funding available for affordable housing.
- Assisting hospitals with the transition to a new indigent care methodology, designed to protect these hospitals from future Federal funding reductions.
- Making increased payments to essential community providers.
- Expanding tobacco cessation efforts.
- Integrating service delivery in common locations for physical health, mental health and substance abuse.

These investments are balanced by savings resulting from improvements in benefits design, more appropriate treatment outcomes, greater controls on pharmaceuticals, and compliance with Federal law that requires spousal support. In addition, the Medicaid program will benefit from the implementation of Federal health care reform through the Affordable Care Act (ACA).

### New York Health Benefit Exchange

In April, the Governor issued an Executive Order to establish a New York Health Benefit Exchange. The Executive Budget reflects the implementation of the New York Health Benefit Exchange that will serve as a centralized marketplace for the purchase and sale of health insurance, in accordance with the ACA. Once the Exchange is implemented, one million more New Yorkers will have health insurance, and

individuals and small businesses will see reductions in the cost of health insurance premiums. Planning for the Exchange is financed by the Federal government at almost no cost to New York. The Budget will also conform eligibility and benefits of public health insurance programs, including Medicaid, Child Health Plus (CHP), Family Health Plus (FHP) and Healthy New York, to better align and coordinate with the Exchange.

### Public Health and Aging Programs

The Department of Health and the State Office for the Aging administer programs that support New York's public health and senior care systems. The Budget proposes improvements to the General Public Health Work (GPHW) and Early Intervention (EI) programs and reduces costs by eliminating automatic inflators to providers, restructuring programs and implementing administrative efficiencies in government operations. These actions will save \$125.3 million in 2013-14 and \$138.3 million in 2014-15.

- **Enhance General Public Health Work Program.** The GPHW program provides State aid reimbursement to Local Health Departments (LHDs) for a core set of public health services, including family health, disease control, health education, community health assessment and environmental health. LHDs make program decisions and the State provides base grant funding and 36 percent reimbursement of remaining program costs. The Budget will achieve \$3.5 million in savings in 2014-15 and provide mandate relief for local governments of more than \$16 million over five years. Reforms associated with the first major overhaul of this program since its enactment in 1986 will:
  - **Promote State Health Priorities.** Encourage health insurance coverage and use of health home networks by limiting reimbursement to local health clinics for services provided to children under age 21 who already have access to health insurance, and allowing counties to bill third parties for sexually transmitted disease prevention and treatment services (counties are currently required to provide these services for free). In addition, legislation will add chronic disease prevention and emergency preparedness and response to the list of core public health services, and combine health education services into other service categories.
  - **Incentivize Performance.** Increase the State base grant funding by \$3.6 million annually. In addition, the Executive Budget invests \$1 million for additional payments to counties from a new incentive pool for improving performance outcomes.
  - **Provide Administrative Relief to Counties.** Eliminate unnecessary local reporting and statutory program requirements, such as the requirement that counties submit a municipal public health services plan and a separate report on fees and revenues.
- **Reform Early Intervention Program.** The EI program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed disabilities (e.g., autism, cerebral palsy) or developmental delays. The program serves approximately 68,000 children annually and is jointly financed by Federal, State and local governments. The Executive Budget recommends a series of program modifications that will not impact services, but will provide fiscal and administrative mandate relief to counties and generate cumulative local savings of more than \$60 million over five years. These proposals would:
  - **Expand Insurance Coverage.** This reform would require insurers, including Medicaid Managed Care and Child Health Plus (CHP) plans, to include EI service providers in their networks, and require consumers to use providers in their insurance networks.

- **Streamline Eligibility Determinations.** Under revised Federal regulations, the State will take advantage of options to achieve program efficiencies by using supplemental evaluations where a child was previously referred to the EI program, requiring screenings for children referred without a diagnosis, and using medical and other records to establish eligibility where appropriate.
- **Restructure Health Care Program Funding.** Currently, DOH operates 89 separate health awareness and prevention programs. This structure is inefficient and ineffective at achieving better health outcomes. Existing contracts will be re-evaluated to align contract periods and competitively award new funding. All providers will have the opportunity to compete annually for new funding based upon their ability to deliver identified health outcomes. The Budget will consolidate these separate programs into six competitive pools to achieve targeted health outcome goals. (2013-14 Value: \$40.0 million; 2014-15 Value: \$40.0 million)
- **Delay Planned Human Services COLA Increase.** Currently, certain providers receive automatic payment increases with no relation to actual cost growth or performance outcomes. The 1.4 percent human services COLA for 2013-14 will be delayed, which will impact certain public health and aging providers. (2013-14 Value: \$4.8 million; 2014-15 Value: \$12.0 million)
- **Focus Excess Medical Malpractice Funding.** The State currently provides a secondary layer of medical malpractice coverage to qualified physicians and dentists, which supplements their primary individual coverage. However, the program has become over-subscribed and has strayed from its original program intent to enable community hospitals to attract doctors in high-need, high-risk specialties to address health care access concerns. The Budget will modify the existing program and prioritize funding to support doctors in the most high-risk specialties to practice at community hospitals in highest risk areas. (2013-14 Value: \$12.7 million; 2014-15 Value: \$12.7 million)
- **Shift CHP Rate Setting.** Rate setting will be transferred from the Department of Financial Services to DOH and aligned with the programmatic oversight, consistent with Medicaid Managed Care and FHP. (2013-14 Value: \$16.2 million; 2014-15 Value: \$10.8 million)

### Efficiency Initiatives

- **Streamline Medicaid Administration.** Currently, multiple agencies play a role in administering the Medicaid Program, despite the Federal requirement that there be one State Medicaid Agency. In 2013-14, all State Medicaid administrative functions (e.g., rate setting, negotiation of managed care contracts, claims processing) will be consolidated in DOH. This will standardize administrative practices, generate efficiencies, and free agencies to focus on Medicaid policy and the implications of Medicaid on their constituencies.
- **Coordinate Health Insurance Purchasing.** DOH and the Department of Civil Service, who both negotiate and purchase health insurance, will adopt common approaches to take advantage of efficiencies resulting from best practices, including the alignment of hospital cost reimbursement policies, the expansion of patient centered medical home models, and the promotion of evidence-based strategies to enhance wellness and reduce health care costs.



# Higher Education

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

## Overview

The Executive Budget maintains a strong commitment to operate world-class colleges and universities with a rational and predictable system of State and tuition funding, new capital investments to spur economic development, a new emphasis on preparing students for the workforce at community colleges, and an action plan to enhance the role of New York State's public university systems in meeting the educational needs of our children.

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Each year, New York State's higher education institutions educate nearly 1.3 million students. The State University of New York (SUNY) and the City University of New York (CUNY) administer 47 four-year colleges and graduate schools that provide over 404,000 full- and part-time students with an array of undergraduate, graduate, and first professional educational opportunities. SUNY and CUNY also support 37 community colleges, serving more than 326,000 students. In addition, more than 547,000 students attend one of the more than 100 private colleges and universities across the state. Over the past 10 years, total enrollment at New York's institutions of higher education has increased by more than 178,000 (16 percent).

The State University Construction Fund (SUCF), City University Construction Fund (CUCF), and the Dormitory Authority of the State of New York (DASNY) administer and oversee a capital program for over 3,000 academic, research, hospital, dormitory, and multi-use facilities, which make up the physical infrastructure of the university system.

To help students obtain and afford a college education, the Higher Education Services Corporation (HESC) provides students and families with various types of financial aid services. HESC oversees numerous State-funded aid programs, including the Tuition Assistance Program (TAP), the Aid for Part Time Study program, and 15 scholarship and award programs. Together these programs provide close to \$1 billion in financial aid to over 350,000 students. HESC also partners with the Office of the State Comptroller in administering the College Choice Tuition Savings program.

## A Renewed Commitment to Higher Education

In 2011, Governor Cuomo signed landmark legislation to implement the NYSUNY 2020 Challenge Grant Program. This act overhauled New York State's system of higher education by instituting a rational and predictable tuition plan, a commitment to maintain State financial support, a competitive grant program to leverage the economic power of the State's university system, and assistance to make college affordable for students with limited income.

The rational and predictable tuition policy allows each SUNY and CUNY campus to raise tuition by \$300 per year for five years, replacing an era of unpredictable and sometimes extreme tuition increases. In the past, these large tuition increases usually happened when the State's economy was struggling, which

meant increases came at the worst time for New York’s students and their families, many of whom were already stretching to pay for college. The recent tuition plan prevents such unpredictable tuition hikes from occurring.

This tuition policy, coupled with the NYSUNY 2020 commitment to maintain the State’s General Fund support at prior-year levels, enables the public university systems to add more faculty, decrease class sizes, increase course offerings, and improve academic performance and graduation rates.

NYSUNY 2020 positions New York’s public universities to become a leading catalyst for regionally-focused economic development while maintaining affordability and improving academic quality for all students. Phase I of the program invested a total of \$140 million for capital projects at the four university centers – Albany, Binghamton, Buffalo, and Stony Brook. This funding helps the State’s major public universities invest in and strengthen academic programs, while demonstrating that New York is open for business. Phase II of NYSUNY 2020 provided an additional \$60 million in competitive capital grants for SUNY campuses.

Finally, NYSUNY 2020 maintains higher education affordability by augmenting the State’s TAP program. Using a portion of the additional tuition revenue, students attending SUNY state operated colleges and CUNY senior colleges receiving TAP awards will also receive financial aid in the form of tuition credits ensuring students with limited economic resources continue to have access to educational opportunities.

**Summary of Spending (General Fund)**

Category	AFY 2012 (\$ in millions)	AFY 2013 (\$ in millions)	Change	
			Dollar (in millions)	Percent
<b>Higher Education</b>	<b>3,224</b>	<b>3,214</b>	<b>(10)</b>	<b>(0.3)</b>
SUNY Operating Budget	969	969	0	0
CUNY Operating Budget	525	525	0	0
Community Colleges	651	652	1	0.2
SUNY Hospital Subsidy*	88	60	(28)	(31.8)
HESC Grants and Scholarships	991	1,008	17	1.7

\* Returns to the 2011-12 funding level after accounting for non-recurring aid included in the 2012-13 Enacted Budget.

**Proposed 2013-14 Budget Actions to Implement the Governor’s State of the State and Other Initiatives**

Consistent with the provisions in the NYSUNY 2020 Challenge Grant Program, the Executive Budget maintains General Fund operating support for SUNY and CUNY colleges at prior-year levels and accommodates authorized 2013-14 tuition increases by providing \$106 million in additional spending authority for SUNY and \$61 million for CUNY.

The Executive Budget also includes \$110 million for a third round of NYSUNY 2020 grants and a new NYCUNY 2020 program. Projects will be selected in a competitive manner based on economic impact, advancement of academic goals, innovation, and collaboration.

To ensure students are prepared for the jobs of today and tomorrow, the Executive Budget changes the approach to funding community college workforce and vocational programs. Instead of funding based solely on enrollment, in order to receive State support for these programs, community colleges will be



expected to partner with local employers and the Regional Economic Development Councils to identify job training needs. In addition, new funding will be provided to community colleges based on performance in measures of student success, including job placement. This new \$5 million investment, combined with the net impact of unrelated enrollment changes, results in a \$1 million year-to-year increase in community college support.

SUNY and CUNY will also begin to implement an action plan recommended by the *New NY Education Reform Commission* to raise the quality of education provided to our children in public schools. In particular, the university systems will play key roles in strengthening the admissions and curriculum requirements for teacher and principal preparation programs.

The Budget continues the TAP and scholarship programs administered by HESC. A \$17 million increase in spending for these programs largely reflects higher TAP payments from continued tuition increases at SUNY and CUNY community colleges.

### Major Initiatives

- **Create the Next Generation College Linkage Program.** The Executive Budget makes two changes to the current enrollment-based system of funding community colleges for workforce and vocational programs. The changes will serve to refocus college workforce and vocational programs on training students to succeed in today's high-skills economy. First, in order to qualify for State funding, community college workforce and vocational programs will be offered in partnership with employers and be focused on high-demand jobs that need to be filled now. Using guidance from the Department of Labor, and working with the Regional Councils, community colleges will help the workforce prepare for the future. Second, the Executive Budget includes \$5 million in new performance-based funding to reward community colleges that enable students to find or advance in good-paying jobs in their chosen occupation, provide training for careers that are in demand by employers in their region, and help students graduate on time with an industry-recognized degree or certificate.
- **Another Round of NYSUNY 2020 and a New NYCUNY 2020.** The Executive Budget includes \$55 million for a third round of NYSUNY 2020 grants and \$55 million for a new NYCUNY 2020 grant program. This \$110 million in new funding will offer additional grants for two- and four-year colleges and universities within both the SUNY and CUNY systems. Projects will be selected in a competitive manner based on economic impact, advancement of academic goals, innovation and collaboration. These programs will continue Governor Cuomo's place-based regional economic development initiative, linking the knowledge and innovation of higher education to regional economic revitalization through large and small businesses.
- **Improve the Quality of Teachers and Principals.** During 2013-14, both SUNY and CUNY will play key roles in implementing an action plan to improve the quality of New York's education system as recommended by the *New NY Education Reform Commission*. The university systems will help improve the quality of the next generation of teachers and principals by increasing admission requirements for entry into SUNY and CUNY teacher preparation programs and by strengthening the education training curriculum.



# Human Services

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

## Overview

The Executive Budget provides funding for core supportive services for needy populations, maintains current funding for child care subsidies that allow low-income individuals to seek or maintain employment, increases the State minimum wage, expands the availability of affordable housing across the State, limits spending growth to address the State's fiscal challenges, and authorizes an innovative new Pay for Success initiative to leverage private sector resources.

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

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

Programs funded through the Department of Labor (DOL) protect workers and promote workforce development. DOL also operates the State's Unemployment Insurance System.

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

Programs funded through the Division of Human Rights (DHR) 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.

## Providing Opportunity for All New Yorkers

Since the enactment of landmark Federal welfare reform of 1996, the State's public assistance caseload has declined by approximately one million recipients. The 2013-14 caseload is estimated at 554,000 recipients. The phased increase to the public assistance benefit enacted in 2009-10 was completed in 2012-13, increasing the maximum monthly grant by between \$46 and \$179 depending on family size (a \$98 increase for a family of three in New York City).

New York's Supplemental Security Income (SSI) program supplements Federal SSI benefits to low-income elderly, blind, and disabled persons. The 2013-14 caseload is estimated at 707,000 recipients. The State supplementation program is currently administered by the Federal government at significant cost to

the State. Expenditures for the State supplementation program have grown from \$656 million in 2006-07 to a projected \$766 million in 2013-14 as caseload and Federal administrative fees have increased. The 2012-13 Budget enacted a State takeover of Federal administration, which will achieve recurring annual savings of over \$90 million upon full implementation in 2014-15.

New York State’s child welfare programs are monitored by OCFS and administered by 58 local social services districts (LSSDs). The LSSDs are responsible for conducting direct investigations of alleged child abuse, as well as providing services to prevent foster care placements for at-risk youth and families, and foster care services when out-of-home placement is necessary.

The Child Welfare Services program supports approximately 168,000 child protective services investigations and more than 40,000 mandated preventive services cases. Federal funds support approximately \$472 million of statewide program costs. The State supports 62 percent of remaining costs, and local social services districts finance the remaining 38 percent. This funding approach, authorized in 2002-03 through Child Welfare Financing Reform, provides an incentive to use preventive services to keep families safely intact and to avoid unnecessary foster care placements. This front-end investment is paying dividends, as the foster care caseload has dropped by 33 percent since 2002-03 – from 34,900 to an estimated 23,369 in 2012-13.

The Executive Budget proposals increase the State minimum wage, provide for core supportive services for needy populations, limit spending growth to address the State’s fiscal challenges, and implement measures to improve program performance.

In Juvenile Justice, the 2013-14 Executive Budget builds upon the 2012-13 Close to Home initiative for youth from New York City to include youth from additional counties who would otherwise be placed in OCFS non-secure settings. Under this proposal, such youth would be placed in facilities administered by voluntary agency providers that can offer more appropriate and cost-effective care closer to their home communities. Consistent with these changes, the Executive Budget proposes to reduce capacity in OCFS operated youth facilities.

**Summary of Spending (All Funds)**

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Human Services	9,287	8,923	(366)*	(3.9)
OTDA	5,409	5,031	(378)*	(7.0)
OCFS	2,951	2,996	45	1.5
DOL	680	660	(20)	(2.9)
HCR	247	236	(11)	(4.5)

\* Year to year decrease reflects timing of disbursements. 2013-14 Public Assistance caseload and benefit payments are expected to be consistent with 2012-13 levels.

## Gap-Closing Actions

Proposal	2013-14 (\$ in millions)	2014-15 (\$ in millions)
<b>Juvenile Justice Reform</b>		
Expand Close to Home	(3)	(5)
Close/Downsize OCFS Facilities	1	6
<b>Human Services</b>		
Defer 2013-14 Cost of Living Adjustments (COLAs) and Trends	13	19
Utilize Mortgage Insurance Fund Resources to Support the Neighborhood and Rural Preservation Programs and the Rural Rental Assistance Program	32	32
<b>Total</b>	<b>43</b>	<b>52</b>

## Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

### Labor

- Increase the Minimum Wage.** The Executive Budget includes provisions to increase the minimum wage from \$7.25 to \$8.75 an hour, bringing it more in line with the cost of living. A reasonable minimum wage increases the standard of living for workers, reduces poverty, and incentivizes fair and more efficient business practices. Nineteen states currently have a higher minimum wage than New York. The current minimum wage represents only about one-quarter of the average hourly wage in the State, which is \$28. Since low-income individuals spend a larger percentage of their income than higher-income earners, salary increases in low-wage occupations lead to increased demand for goods and services and help spur economic growth. The change would take effect July 1, 2013.
- Reform Unemployment Insurance.** New York State's Unemployment Insurance (UI) system is insolvent, the cost to employers is unpredictable, and UI benefits for workers are insufficient. The Executive Budget proposes substantial reforms that will decrease costs to employers, modernize the UI system by making it sustainable and increase benefits for workers. These reforms will allow New York to pay off its Federal debt two years sooner than would otherwise occur – by 2016, rather than 2018 – bringing an end to interest payments that unnecessarily burden employers. The reforms would provide for an appropriately financed UI Trust Fund. For UI claimants, reforms will increase both minimum and maximum weekly benefit rates. For employers, reforms will lower total costs, with a savings of \$400 million over ten years. Finally, improved measures to prevent and detect UI fraud and abuse will safeguard employer tax dollars.

### Housing

- Expand Affordable Housing Opportunities.** There is a significant shortage of quality affordable housing in New York State – 2.9 million households are financially insecure in their homes, paying over 30 percent of their income on housing. The Executive Budget proposes a new House NY program that would invest \$1 billion of additional resources over five years to preserve and create 14,300 affordable housing units statewide. This would create significant economic benefits for the State, including long-term stabilization of distressed neighborhoods and the creation of jobs during construction. This multi-year initiative would include the revitalization of 45 Mitchell Lama affordable housing projects that suffer from significant physical

deterioration (\$706 million), the creation and preservation of over 5,000 affordable housing units through various housing and community development programs (\$231 million), and other initiatives.

- **Utilize MIF Resources to Support the NPP/RPP and the RRAP.** The Executive Budget proposes to utilize \$64 million in excess reserves from the Mortgage Insurance Fund (MIF) to support the Neighborhood and Rural Preservation Programs (NPP/RPP) and the Rural Rental Assistance Program (RRAP) through the Housing Trust Fund Corporation for a two year period. Additionally, the Budget proposes to consolidate the NPP and RPP into a single “Community Preservation Program” and implement reforms to encourage greater accountability and performance. (2013-14 Value: \$32 million; 2014-15 Value: \$32 million)
- **Streamline Administration of Homeless Housing Development.** Homes and Community Renewal (HCR) administers an array of capital housing development programs, including over \$1.2 billion of Federal Low Income Housing Tax Credits. The Office of Temporary and Disability Assistance (OTDA) separately administers the Homeless Housing and Assistance Program (HHAP), a \$30 million program to develop homeless housing. On average, 32 percent of HHAP projects also receive funding through HCR. Having two State agencies involved in the same capital housing projects creates inefficiencies for both developers and the State in terms of duplicative applications, underwriting, and compliance monitoring. Transferring HHAP to HCR would create a more streamlined process for developers, further encouraging supportive housing development, and would also create a more efficient process for the State, reducing duplicative efforts and increasing the effectiveness of the State’s housing programs. OTDA HHAP staff would be transferred to HCR, preserving programmatic expertise; HCR and OTDA would work closely on service components of HHAP projects, with OTDA providing input regarding project applications and program administration.

## **Human Services**

- **Pay for Success.** Also known as “Social Impact Bonds,” “Pay for Success” contracts are an innovative program to achieve better Human Services outcomes while saving taxpayer money. Program ideas will attract private funding for preventative programming with a promise to investors of a return on investment based on savings the programming achieves. Such programs share common characteristics including: rigorous measurement of outcomes; payments to service providers only when pre-determined outcomes have been successfully achieved as measured by an independent monitor; and creative private sector financing that helps proven service providers fund their operations with minimal risk to government budgets. The Executive Budget authorizes the State to undertake up to \$100 million of Pay for Success initiatives over the next five years. The initiative will offer the opportunity to invest in programs in the areas of health, education, juvenile justice, and public safety.
- **Merge the Office of the Welfare Inspector General (OWIG) into the Office of the Inspector General (OIG).** Combatting welfare fraud saves taxpayer money and helps ensure the most efficient use of resources available to serve those in need. The Executive Budget proposes to merge OWIG into OIG. With focused leadership, a full complement of staff, and support resources from OIG, the State will complete more investigations and refer more cases for prosecution to eliminate and deter fraudulent welfare payments. This is expected to increase recoveries over the next several fiscal years.

- **Combine Youth Delinquency Prevention Programs.** To improve and streamline youth delinquency prevention efforts, the Executive Budget combines the Youth Development Delinquency Prevention Program and the Special Delinquency Prevention Program into a single Youth Development Program. Funding would be allocated to counties based on specific risk factors and youth population to help ensure the most efficient and effective use of resources.
- **Defer 2013-14 Cost of Living Adjustments (COLAs) and Trends.** Currently, COLAs and trend factors increase State spending without any link to actual cost growth or performance outcomes. The Executive Budget defers the planned 1.4 percent COLA scheduled to take effect in 2013-14 for OCFS programs. This proposal would also defer administrative trends in various programs including Foster Care. (2013-14 Value: \$13 million; 2014-15 Value: \$19 million)

### Juvenile Justice

- **Expand the Close to Home Initiative.** Close to Home will be expanded to include youth from counties outside of New York City who would otherwise be placed in non-secure OCFS facilities. Youth will be provided more appropriate placements and services closer to their home communities. When fully implemented, this expansion of Close to Home, which provides a more effective alternative to inefficient facilities, will provide mandate relief and cost savings for both the State and localities. This action reflects State investment to expand the Close to Home initiative. (2013-14 Value: \$3 million; 2014-15 Value: \$5 million)
- **Rightsize the OCFS System.** The OCFS juvenile justice system capacity will be reduced by 88 beds and 15 after care slots to reflect the impact of expanding the Close to Home initiative to counties outside of New York City. Youth from counties outside of New York City who would otherwise be placed in non-secure youth facilities will be placed in residential settings that, in most cases, will be closer to their home community. To assist staff affected by this action, the State will implement a number of measures to place individuals in other vacant State positions, or provide re-training assistance if suitable State positions are not available. (2013-14 Value: \$1 million; 2014-15 Value: \$6 million)





# Mental Hygiene

Office of Alcoholism and Substance Abuse Services  
Developmental Disabilities Planning Council  
Justice Center for the Protection of People with Special Needs  
Office of Mental Health  
Department of Mental Hygiene  
Office for People with Developmental Disabilities  
Commission on Quality of Care and Advocacy for Persons with Disabilities

## Overview

The Executive Budget supports reforms that will continue to strengthen the oversight of care provided to vulnerable persons, make investments to improve the accountability of mental hygiene agencies, and ensure that individuals are served safely in the most integrated and cost effective setting possible.

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The mental hygiene agencies and associated not-for-profits provide services to individuals with mental illness, developmental disabilities, chemical dependencies, and problem gambling. These agencies – the Office of Mental Health (OMH), the Office for People with Developmental Disabilities (OPWDD), the Office of Alcoholism and Substance Abuse Services (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs (Justice Center) – support services for more than 1 million individuals, including more than 700,000 people with mental illness, 250,000 people with chemical dependencies or gambling problems, and 126,000 individuals with developmental disabilities. In addition, OASAS serves 480,000 youth in school and community based substance abuse prevention programs.

## Caring for New York’s Most Vulnerable Citizens

Last year, under Governor Cuomo’s leadership, legislation was passed to create the Justice Center for the Protection of People with Special Needs, which will transform how our State protects over one million New Yorkers living under the care of six State agencies. Activities of the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) will be subsumed by the Justice Center when it becomes operational on June 30, 2013.

The State’s vast mental hygiene system provides care and services for individuals in institutional facilities, community residences and community settings. The State operates institutional and research facilities serving about 5,800 people and provides funding and support for approximately 91,800 people living in community residences. Additionally, State funding supports outpatient, employment, clinic, habilitative, and treatment programs operated by 1,600 not-for-profit provider agencies that help individuals live in the setting they desire and lead full and productive lives.

The Executive Budget supports the Governor’s ongoing efforts to fundamentally improve the protection and care of vulnerable individuals. Strategic investments are funded by programmatic efficiencies and system-wide solutions to reduce State operations costs in service delivery, purchasing, business services, information technology, and other areas. To ensure that individuals receive appropriate services, the Executive Budget increases funding for certain lower-cost program models, and redirects funding from high-cost institutional services to more effective community-based programs.

## Mental Hygiene

Proposed actions for the Mental Hygiene agencies include reforming and restructuring State and local programs and administrative practices, establishing regional centers of excellence for State-operated inpatient psychiatric capacity, enhancing community mental health services, utilizing less costly and more effective in-state community residences, placing aggressive cost controls on agency operations, and maximizing payments from third-party payers.

The Executive Budget continues funding to divert individuals from prison to treatment programs, provide community mental health services for certain nursing home and adult home residents, and support community residential and day services for individuals served by OPWDD.

The Executive Budget proposals result in mental hygiene system funding of \$8.3 billion in 2013-14, an annual spending increase of \$25 million, or 0.4 percent.

### Summary of Spending (All Funds)

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
OPWDD	4,243.3	4,285.7	42.4	1.0
OMH	3,258.5	3,317.6	59.1	1.8
OASAS	608.7	616.1	7.4	1.2
CQCAPD	17.0	9.4	(7.6)	(44.8)
JUSTICE CENTER *	0.0	37.3	37.3	N/A
DDPC	4.2	4.2	0.0	0.0
<b>Total **</b>	<b>8,245.3</b>	<b>8,270.3</b>	<b>25.0</b>	<b>0.4</b>

\* Justice Center is expected to total approximately \$50 million after existing resources are transferred from other State agencies.

\*\* In addition to agency specific spending, the \$8.2 billion of 2012-13 total spending reflects \$113.6M in spending and receipts that has no net impact on the Financial Plan and that does not continue in 2013-14.

### Gap-Closing Actions

Proposal	2013-14 (\$ in millions)	2014-15 (\$ in millions)
OPWDD Ongoing De-Institutionalization, Attrition, and Efficiencies	5.9	20.0
OPWDD Local Efficiencies	32.1	64.2
OASAS Administrative Staffing, NPS, and Funding Efficiencies	4.6	4.6
OMH Psychiatric Center Regionalization and Restructuring	20.0	40.0
OMH Administrative Staffing and NPS Efficiencies	12.9	12.9
OMH SOMTA Efficiencies	4.6	4.6
OMH Local Efficiencies	10.0	20.0
CQCAPD Efficiencies	0.6	0.6
Fringe Benefits Impacts	8.2	51.1
Defer Planned COLA/Trend Increases	53.4	53.4
<b>Total</b>	<b>152.3</b>	<b>271.4</b>

## Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

### OPWDD Reforms

Governor Cuomo has taken substantial steps to ensure the health and safety of individuals with developmental disabilities in the State's care, and to improve the overall quality and cost-effectiveness of State services. Significant actions include:

- Increased hiring qualifications and training standards in State-run programs for direct support professionals, including pre-employment psychological and fitness training, mandatory drug testing, rigorous background checks, and a minimum of a high school diploma.
- Refocused efforts on cases of abuse, with creation of a centralized Incident Management Unit with real time oversight of incidents, and an overhauled investigations process that has direct relationships with local law enforcement/State Police.
- Holding non-profit providers more accountable for their performance via a restructured Early Alert program to quickly remedy deficiencies in non-profit provider services, with imposition of fines and revocation of operating certificates when appropriate.
- An improved statewide standardized objective process to ensure potential new non-profit providers have the requisite fiscal and programmatic expertise, and an initiative that supports and recognizes providers that have achieved excellence in service delivery.
- Enhanced fire safety efforts, implementing recommendations of outside experts to comply with enhanced standards, including unannounced fire drills, better training and safety plans, direct relations with local fire personnel, and capital improvements.

In addition, OPWDD is seeking authorization from the Federal government to make changes that will improve coordination of long-term care, acute and behavioral health care services for individuals with developmental disabilities, increase the flexibility of services provided to individuals with developmental disabilities, increase funding transparency, and improve overall service quality and outcomes. Without these changes there could be significant negative consequences on the State's ability to maintain current service levels.

To ensure OPWDD delivers the most integrated and cost effective services possible, the Budget supports ongoing plans to downsize institutional programs by including resources to fund more integrated and appropriate service opportunities in the community. Specifically, the Budget reflects the closures announced last year of the Finger Lakes and Taconic Campuses which are expected to be completed by December 2013. The vast majority of new services will be provided by the agency's network of non-profit providers. The Budget also reflects continued efficiencies and other saving actions via attrition, as well as stricter controls on NPS spending.

**OMH Reforms**

The Executive Budget continues efforts to restructure State Operations of inpatient services to improve the quality and levels of services, while utilizing these savings and making new investments to help ensure persons with mental illness can live safely and productively in the community. Significant actions include:

- The creation of regional centers of excellence for the diagnosis and treatment of complex behavioral health illnesses. This effort will ensure there will be ample capacity for treating individuals with mental illness who require inpatient services. Savings related to the State Psychiatric Center regionalization initiative will be reinvested to support the same or greater level of community-based services. This reinvestment will help facilitate earlier and better access to care.
- A new investment of \$10 million to ensure individuals receiving court-ordered services through Assisted Outpatient Treatment (AOT) and those who are being discharged from State psychiatric hospitals have access to services in the community through Health Homes. These providers will establish risk management and quality improvement programs to ensure continuity of care for these individuals in the community, and integrate physical and behavioral services.
- The development of 1,000 supported housing units for residents of nursing homes (including 400 by the end of 2014), 4,000 supported housing beds for individuals in adult homes (including 1,400 by the end of 2014), and 3,400 beds for the homeless housing program in New York City (including 634 by the end of 2014).
- The establishment of multi-disciplinary Mental Health Incident Review Panels for serious incidents involving a person with mental illness. This will facilitate timely and comprehensive reviews and provide for the implementation of more immediate corrective actions as needed.

**OASAS Actions**

The Executive Budget proposes actions to reduce costs in State Operations, while supporting programs to better serve individuals with dependencies on alcohol and chemical substances in non-profit provider programs. State Operations savings include the continuation of system-wide efforts to eliminate unnecessary consulting contracts, streamline and consolidate administrative space, and reduce agency administrative staffing levels.

The Executive Budget includes funding to support community and treatment opportunities, including new supportive housing units in New York City for homeless families with members suffering from a chemical dependency. These investments are supported by savings attributable to agency efficiency actions, as well as the use of available Federal funds.

**Justice Center Implementation**

A major accomplishment of the last year is the passage of legislation creating the Justice Center for the Protection of People with Special Needs. The Justice Center is a nationwide model for improving care for vulnerable populations that will transform how our State protects the over one million New Yorkers under the care of six State agencies. In accordance with this legislation, the Executive Budget transitions Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) operations to the Justice Center by June 30, 2013. The core mission of the Justice Center will be to protect the health and safety of vulnerable individuals in the State's care. It will have primary responsibility for tracking,

investigating and pursuing serious abuse and neglect complaints for facilities and provider agencies that are operated, certified, or licensed by the following six agencies: OMH, OPWDD, OASAS, the Department of Health (DOH), the Office of Children and Family Services (OCFS), and the State Education Department (SED).

Other components and responsibilities of the Justice Center include the following:

- Creation of new positions, including Executive Director, Special Prosecutor and Inspector General, trained investigators, lawyers, and administrators. The Justice Center's law enforcement branch will have concurrent authority with district attorneys to prosecute abuse and neglect crimes committed against such persons.
- Creation of a statewide 24/7 hotline staffed by trained professionals to ensure allegations of abuse are promptly reported to law enforcement and are fully and effectively investigated.
- Development of a register of workers who have committed serious or repeated acts of abuse and will be prohibited from ever being hired again in any position where they would work with people with disabilities or special needs.
- The responsibility to represent the State at all public employee disciplinary cases or those where the State is seeking termination of employment as the penalty.
- Development of common standards for investigations and requirements to be used to train investigators.
- Development of a code of conduct containing the basic ethical standards to which all individuals working with people with special needs and disabilities would be required to subscribe and would be held accountable.
- Consolidation of background check procedures, including reviewing and evaluating the criminal history for any person applying to be an employee, volunteer, or consultant at any facility or provider agency operated, licensed or certified by OMH, OPWDD, and OCFS in a position where a background check is required.
- The requirement to provide an annual report to the Governor and the Legislature concerning its work during the preceding year, which will include data on central register reports, results of investigations, types of corrective actions taken, results of its review of patterns and trends relating to abuse and reporting of abuse, suggested corrective actions and training efforts.

### Other Budget Actions

- **Defers Planned Cost of Living Adjustments (COLA)/Trend Increases.** Currently, providers receive automatic payment increases with no relation to actual cost growth. The Executive Budget defers the planned 1.4 percent annual human services COLA and maintains existing rates for other programs.

- **Makes Permanent Certain License Exemptions.** The Executive Budget includes legislation to make permanent the current long time temporary exemption for certain social work and mental health professional licensure requirements of persons employed by a program or service operated, regulated, funded, licensed, or approved by OMH, OPWDD, OASAS, DOH, OCFS, Office for the Aging, Department of Corrections and Community Supervision, and/or local governmental units or social services districts.

# Public Safety

Division of Alcoholic Beverage Control  
State Commission of Correction  
Department of Corrections and Community Supervision  
Division of Criminal Justice Services  
Division of Homeland Security and Emergency Services  
Office of Indigent Legal Services  
Division of Military and Naval Affairs  
Office for the Prevention of Domestic Violence  
Division of State Police  
Division of Veterans' Affairs  
Office of Victim Services

## Overview

The Executive Budget reflects a strong commitment to smart public safety, focused on preparedness, prevention, and performance. The Budget provides for the recovery from Superstorm Sandy and prepares New York for the next storm. It implements first-in-the-nation laws on gun control and the use of DNA testing. New performance-based programs aim to decrease the chances of new crimes being committed by formerly incarcerated persons, and the prison system continues to right-size.

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The State spends \$5 billion annually to protect New York's residents. The public safety agencies assist local communities with crime prevention, 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.

## Focusing on Preparedness, Prevention and Performance

### Disaster Recovery and Preparedness

In just two years, New York State has sustained damage from three powerful storms that have crippled entire regions: Hurricane Irene, Tropical Storm Lee and, most recently, Superstorm Sandy. The response to Sandy is ongoing, with billions of Federal aid expected to support the recovery. Combining efforts to repair the damage with smart decisions on how to mitigate future disasters will be the key to meeting the challenge of this "new normal."

### Criminal Justice

New York has one of the lowest crime rates in the country, and is the only state to have driven down incarceration while also driving down crime for more than a decade. From 2002 to 2011, the number of crimes committed in New York declined 17 percent. Simultaneously, the State's prison population has fallen from a peak of 72,600 in 1999 to fewer than 55,000, currently.

Continuing this trend, the prison population will decline by more than 800 in the current year, followed by smaller but steady declines in the coming years. To produce further population declines, the Department of Corrections and Community Supervision (DOCCS) is implementing new programs to better prepare offenders for a return to the community and enhance their chances of success once released. Despite seven closures during 2011-12, eliminating 3,800 excess beds and saving \$112 million, the prison system continues to have excess capacity.

Employing science in the fight on crime, the State has operated a DNA Databank since 1996. The DNA Databank law has been amended five times to expand the number of crimes that require a DNA sample upon conviction. The latest expansion took effect on August 1, 2012, placing all felonies in any State law and all Penal Law misdemeanors within the scope of the program – making New York the first state in the nation to do so. As of August 2012, the DNA Databank had identified 14,347 “hits” to assist in solving crimes and exonerating the innocent.

Following the tragic events of December 2012 in Newtown, CT and West Webster, NY, the State enacted a tough, comprehensive and balanced answer to gun violence. The new law addresses weaknesses in the current regulatory structure by establishing a clear, enforceable ban on assault weapons and high capacity magazines, closing a loophole that allowed guns to be sold privately without a background check, setting a single standard for licensing, tightening provisions governing the gun ownership by persons with serious mental illness or where an order of protection has been issued, requiring safe storage of guns, and creating new penalties for illegal gun use.

Overwhelmingly, increased spending recommended in the Budget is for the ongoing recovery from the recent major storms – Hurricane Irene and Tropical Storm Lee in September 2011 and Superstorm Sandy in October 2012. Spending for public safety agencies grows by nearly \$3 billion, primarily reflecting the impact of Federal disaster relief flowing to the State, and through it to local governments and other storm-impacted entities, such as public authorities and not-for-profits.

Excluding Federal disaster aid, spending for public safety agencies will decline 10 percent in 2013-14. This spending reduction is primarily the result of a retroactive collective bargaining settlement for correction officers in 2012-13, and the receipt of Federal disaster aid reimbursement to offset spending in 2013-14. After adjusting for these extraordinary changes, spending in State Operating funds grows \$42 million, or 1.2 percent.

**Summary of Spending (All Funds)**

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Public Safety	6,744	9,737	2,993	44.4
Department of Corrections and Community Supervision	3,139	2,959	(180)	(5.7)
Division of State Police	703	698	(5)	(0.7)
Division of Criminal Justice Services	282	249	(33)	(11.7)
Division of Homeland Security and Emergency Services	1,983	5,132	3,149	158.8

**Proposed 2013-14 Budget Actions to Implement the Governor’s State of the State and Other Initiatives**

**Disaster Recovery and Preparedness**

- **Spur Recovery from Superstorm Sandy.** The estimated total cost of response and recovery for Superstorm Sandy is \$32 billion, including costs of local governments, public authorities, not-for-profits, homeowners and businesses. In the coming year, an estimated \$5 billion in State and Federal funds will be invested in helping communities impacted by Superstorm Sandy recover and rebuild. Additional investments will be made in future years, as the recovery continues.



Federal assistance is expected to support virtually all of the response and repair costs, as well as, the cost of mitigation projects that will help New York build back better and smarter.

- **Ensure Universal Protocols for Emergency Response.** To improve coordination among State and local emergency response professionals and ensure efficient management during an emergency, the State will provide training for key officials from local emergency management operations. The Division of Homeland Security and Emergency Services (DHSES) will collaborate with SUNY to develop the training program, which will focus on incident command, response, recovery, and State emergency protocols. Those completing the training will be certified by the State, and would maintain that certification through a multi-year renewal process and ongoing training.
- **Accelerate Statewide Interoperable Communications Grants.** DHSES is assisting counties in developing a single public safety communications network that will allow all of the State's emergency responders to seamlessly communicate with each other. The State leads this effort by developing the strategy and setting the standards to guide regional communications consortia as they create their own systems. These systems, supported by State grants, are also available for use by State agencies. DHSES will award \$102 million in grants to counties in early 2013, \$66 million more than originally anticipated for 2012-13. This action accelerates the 2013 grant cycle, acknowledging the need to hasten development of interoperability, given the key role communications play in emergency response. Well-crafted plans submitted by counties demonstrate an expanded level of cooperation within regions and set the stage for improving radio system infrastructure and developing standard operating procedures to guide system usage statewide. The 2013-14 Executive Budget includes a \$75 million appropriation for another round of grants, the maximum amount of annual assistance pledged to counties under the 2010 enabling legislation.
- **Include Schools in the Intermutual Aid Program (IMAP) for Disaster Response.** In 2012, in response to Hurricane Irene and Tropical Storm Lee, legislation was enacted creating standards and practices on which local governments could rely when assisting one another in disaster response. The law set forth the financial and workforce rules all municipalities would follow, so that they may assist in disaster response without fear of bureaucratic obstructions or unexpected costs. The law also directed DHSES to undertake an evaluation of the potential for including school districts within the scope of IMAP and, consistent with DHSES recommendations, the Executive Budget adds school districts to the 2012 law.

## Criminal Justice

- **Protect Against Gun Violence.** The Executive Budget includes \$35.9 million to implement the NY SAFE Act – recently enacted legislation strengthening gun control. Additional staff at the Division of State Police and other public safety agencies will oversee the five-year recertification of all pistol licenses, launch new enforcement activities, and deploy school safety improvement teams at a cost of \$3.2 million. The bill also calls for an electronic database of all current gun licenses. The system will enable the State to compare records of gun licenses with other data that identify someone who, under Federal law, would be disqualified from possessing a firearm. When a disqualifying match of data is found, the information will be referred to the licensing official for action. The Budget provides a \$32.7 million capital investment for the creation of this database.
- **Continue Right-Sizing Prison Capacity.** To realign the prison system's capacity with continuing declines in the offender population and to achieve recurring savings for taxpayers, the Executive Budget recommends the closure of two prisons – Bayview in Manhattan and Beacon in

Dutchess County. The Bayview Correctional Facility was evacuated as a result of Superstorm Sandy and continues to be vacant. These two facilities are the least efficient in the State prison system. Bayview's total staff cost per inmate is \$74,385, and Beacon's total staff cost per inmate is \$69,863. These numbers are compared to a \$34,193 benchmark, representing the most efficient DOCCS facilities. The closures are expected to reduce bed capacity by more than 432, and will save \$18.7 million in 2013-14, growing to \$62.1 million in 2014-15, including proceeds from the sale of Bayview. Legislation in the Executive Budget reduces the one-year notification requirement for these prison closures to 60 days.

- **Reduce Reoffending with Targeted Grants.** Alternatives to Incarceration programs (ATIs) offer employment, treatment, and supervision services to offenders residing in the community, so that they do not commit another crime or violate the conditions of their parole or probation. The Executive Budget proposes that an existing \$11.4 million in funding for ATIs be restructured as a competitive grant program targeting the highest risk offenders. The program restructuring is based on a new "Results First" model that is based on achieving the maximum return on investment.
- **Reform the Traffic Adjudication Process.** Citizens regularly plead down tickets for serious traffic infractions, avoiding State fines, surcharges, and "points" that lead to higher auto insurance costs and license suspension. This practice threatens public safety and leads to a loss of \$58 million annually in State revenue. To curb the practice of pleading down speeding tickets, the Executive Budget advances legislation which will restrict plea bargaining, except in limited circumstances documented by the court. The Department of Motor Vehicles will also make plea information more easily available on the driver's record, so that it may be evaluated by prosecutors and judges when considering whether to offer or accept a plea bargain. Finally, the legislation authorizes the imposition of \$80 in surcharges for those violations to which speeding tickets are most commonly pled, eliminating the ability for ticketed drivers to avoid State penalties.
- **Hold New State Police Academy Classes.** During 2012-13, the Division of State Police resumed the recruitment and training of new members, holding two classes totaling 340 recruits. In 2013-14, the Division plans to again hold two classes bringing in 330 new recruits. After attrition of current officers, these classes are expected to result in a member strength of 4,657 officers, which reflects an increase of 5.2 percent from the prior year.

# Revenue Actions and Tax Reform

## Overview

There are no new taxes or fees in the Executive Budget. The Budget proposes to strengthen the State's already robust tax enforcement efforts to ensure all individuals pay their fair share. These provisions, as well as the extension of existing revenue sources, would generate an additional \$403 million in collections on an All Funds basis in 2013-14 from existing taxes and fees.

## Tax and Assessment Actions

The Executive Budget proposes no new taxes or fees.

## Expanded Tax Credits and Exemptions

The Executive Budget proposes five new tax credits or exemptions.

- **Establish the New York Innovation Hot Spots Program.** Create tax-free zones and a supportive environment in which inventors and entrepreneurs can foster innovation. A competitive program will be established to designate five higher education-private sector high-tech innovation incubators for start-up companies each year for two years. The start-ups will be free of sales and business taxes for the first five years of their existence.
- **Establish Tax-free Sales at Taste-NY Facilities.** Promote the sale of New York agricultural products, alcoholic beverages and similar items by combining tax-free sales at retail venues with aggressive branding and marketing. In high traffic rest areas, train stations and airports across New York, the State will establish "Taste-NY"-branded retail stores, carts, and next-generation luxury vending machines to sell predominantly New York State products free of all sales tax to the consumer.
- **Establish the Charge NY Electric Vehicle Recharging Equipment Credit.** Foster a consumer transition to plug-in electric vehicles (PEVs) by incentivizing the installation of PEV charging stations. The tax credit would be 50 percent of the taxpayer costs up to \$5,000 per charging station. Accelerating the replacement of less fuel efficient vehicles with PEVs benefits air quality and public health, reduces carbon and other emissions that contribute to climate change, and supports energy security efforts.
- **Extend, Enhance and Improve Transparency for the New York Film Production Tax Credit.** Provide predictability and opportunities for growth to an important industry by extending the Empire State film production tax credit of \$420 million a year for an additional five years, beginning in calendar year 2015. Restrictions on claiming the post-production portion of the credit will be reduced and additional reporting will be required to document the effectiveness of the credit in creating jobs.
- **Extend and Enhance the Historic Commercial Properties Rehabilitation Credit.** Provide assurance to developers who are rehabilitating historic commercial property, or are considering doing so, by extending the existing \$5 million per project tax credit for five years (2015-2019) and making the credit refundable beginning in tax year 2015.

## Revenue Extenders

- **Extend the High Income Charitable Contribution Deduction Limitation for Three Years.** Extend for three years, starting with tax year 2013, the existing limitation on charitable contribution deductions for New York State and New York City taxpayers with adjusted gross income over \$10 million. The current limitation of 25 percent of any charitable contribution deduction allowed under the Internal Revenue Code has had no noticeable impact on charitable giving.
- **Extend Utility Assessment.** Extend the Temporary Utility Assessment on electric, gas, water and steam utilities for five years. Originally enacted in 2009, this assessment provides over \$500 million in General Fund revenues, the loss of which could force harmful reductions in economic development and human services programs.
- **Extend Monticello VLT Rates.** Extend by one-year the current distribution percentages for net machine income earned at the Monticello Video Lottery Terminal (VLT) facility.
- **Make Certain Tax Rates and Authorizations for Account Wagering Permanent.** Make permanent the pari-mutuel tax rate and other racing-related provisions that have been extended numerous times on an annual basis.
- **Extend the MTA Business Tax Surcharge for Five Years.** Extend the MTA business tax surcharge for an additional five years through tax year 2018. The MTA business tax surcharge has been in effect since 1982 and generates roughly \$950 million annually, which goes directly to support the cost of the nation's largest transit system.
- **Make Waste Tire Fee Permanent.** Make permanent the \$2.50 per new tire fee for waste management. This fee, which generates \$24 million annually, supports important environmental efforts undertaken by the Department of Environmental Conservation.

## Loophole Closing Actions

The Executive Budget proposes two loophole closing actions that are expected to produce \$7 million in additional tax revenue on an All Funds basis in 2013-14.

- **Close Royalty Income Loophole.** The Executive Budget will close a loophole that allows New York companies that earn royalty income to avoid paying taxes on that income. Under the proposal, New York taxpayers would have to show on their tax return that the taxpayer's non-New York parent company included the royalty income in its tax liability. The demonstration would absolve taxpayers of the obligation to pay taxes on their royalty income.
- **Reform the IDA State Sales Tax Exemption.** Currently, Industrial Development Authorities (IDAs) are allowed to use State resources for economic development purposes without consulting with the State or receiving input from the regional economic development councils. The Executive Budget will make IDAs more accountable by limiting the industries to which IDAs can offer State sales and other use benefits to those key sectors (scientific research and development, software development, agriculture, back office operations, distribution centers, financial services data centers, and manufacturing) that are eligible to receive New York's Excelsior tax credits.

Additionally, IDA projects involving State sales tax exemptions will require the approval of the regional economic development council and in cases where an IDA recaptures State sales tax from under-performing projects, IDAs will be required to return the proceeds to the State.

## Tax Enforcement Actions

The Executive Budget proposes five actions that would improve tax audit and compliance activities and make it more difficult for business owners who refuse to pay State sales tax to remain in business or to re-open in another form. These actions are expected to produce \$47 million in additional tax revenue on an All Funds basis in 2013-14.

- **Expand the Cigarette and Tobacco Retailer Registration Clearance Process.** Provide the Department of Taxation and Finance (DTF) the authority to refuse to issue a certificate of registration to retailers with unpaid tax delinquencies. The certificate is required to sell cigarettes and other tobacco products at the retail level in NYS.
- **Increase the Civil Penalty for Possessing Unstamped Cigarettes.** Increase the penalty for possessing unstamped or illegally stamped cigarettes from \$150 to \$600 per carton to reflect the increased value of bootlegged cigarettes resulting from increases to the tax rate since 2000.
- **Update Criteria for Refusal and Revocation of a Sales Tax Certificate of Authority.** Expand criteria to refuse to issue sales tax Certificates of Authority (CoA) to include all delinquent taxes, and increase penalties for operating without a CoA.
- **Suspend Delinquent Taxpayers' Driver's Licenses.** Create a new program to aid in the enforcement of past-due tax liabilities by suspending, with certain exceptions, the New York State driver's licenses of taxpayers who owe taxes in excess of \$10,000. A "past-due tax liability" refers to any tax liability that has become fixed and final such that the taxpayer no longer has any right to administrative or judicial review. The program will be modeled after the State's successful use of license suspensions to compel legally owed child support payments.
- **Allow Warrantless Wage Garnishment.** Allow DTF to garnish wages of delinquent taxpayers without filing a warrant with the Department of State or County Clerks. The current requirement that a warrant be filed with the County before wages can be garnished can be unnecessarily harsh, as a warrant appears on a person's credit report for seven years, even if the delinquency has been resolved. Warrants offer no additional protection for delinquent taxpayers and requiring counties to receive the warrants from DTF represents an unfunded mandate. Wages will only be garnished if a taxpayer rebuffs DTF's efforts to negotiate a repayment agreement.

## Other Revenue Actions

- **Make Tax Modernization Provisions Permanent.** Make permanent the tax modernization provisions enacted in 2011 and extended last year. These provisions, including mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for non-complying vendors, would otherwise expire at the outset of the tax year 2013 filing season on December 31, 2013.
- **Eliminate Remaining Square Footage Quick-Draw Restriction.** Allow businesses of less than 2,500 square feet without a license for on-premise alcohol consumption that sell lottery tickets to offer Quick-Draw. This change will eliminate the size requirement and, when annualized, is expected to generate \$24 million in increased aid for education.

- **Require the Racing Industry to Pay for Safety Reforms.** The Executive Budget will support implementation of regulatory changes recommended by Governor Cuomo’s Task Force on Racehorse Health and Safety, following a spate of horse fatalities at New York thoroughbred tracks. The enhanced oversight will be funded by diverting 1 percent of total purse money generated by the State’s VLT revenues.
- **Recover State Revenue Lost through Vehicle and Traffic Ticket Plea Bargaining.** Extend the current State surcharges of \$80 to the series of stopping/standing/parking violations, which are commonly used when speeding tickets are pled down to lesser.
- **Establish a Statewide STAR Anti-fraud Protection Program.** Establish an anti-fraud protection program to combat STAR fraud and waste by empowering DTF to confirm eligibility via the tax return. Currently, there is no existing statewide mechanism for assessors to determine whether a homeowner is receiving illegally a STAR exemption on two homes, or on a home that is not the homeowner’s primary residence, both of which are prohibited. To maximize the effectiveness of the agency’s fraud detection efforts, DTF will simplify and redesign the STAR application form and ask all basic beneficiaries to re-register for the program.

### Technical Corrections

- **Make Technical Amendments to the Tax Classification of Uncompressed Natural Gas.** Clarify that the sales and use tax exemption for natural gas used in motor vehicles also applies to natural gas purchased with the intention to compress it for use in vehicles.

**Revenue Actions, Tax Reform and STAR**  
(millions of dollars)

	General Fund		All Funds	
	2013-14	2014-15	2013-14	2014-15
<b>Tax and Assessment Actions</b>				
Total Tax and Assessment Actions	0	0	0	0
<b>Expanded Tax Credits and Exemptions</b>				
Establish the New York Innovation Hot Spots program	0	0	0	0
Establish tax-free sales at Taste-NY facilities	0	0	0	0
Establish the Charge NY electric vehicle recharging equipment credit	0	(1)	0	(1)
Extend, enhance and improve transparency for the New York Film Production tax	0	0	0	0
Extend and enhance the Historic Commercial Properties Rehabilitation credit	0	0	0	0
<b>Total</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>
<b>Revenue Extenders</b>				
Extend the high income charitable contribution deduction limitation for three years	70	140	70	140
Extend utility assessment	236	472	236	472
Extend Monticello VLT Rates	0	0	(3)	0
Make certain tax rates and authorizations for account wagering permanent	0	0	0	0
Extend the MTA business tax surcharge for five years	0	0	0	0
Make Waste Tire fee permanent	0	0	9	24
<b>Total</b>	<b>306</b>	<b>612</b>	<b>312</b>	<b>636</b>
<b>Loophole Closing Actions</b>				
Close royalty income loophole	0	25	0	28
Reform the IDA state sales tax exemption	7	13	7	13
<b>Total</b>	<b>7</b>	<b>38</b>	<b>7</b>	<b>41</b>
<b>Tax Enforcement Actions</b>				
Expand the cigarette and tobacco retailer registration clearance process	1	1	1	1
Increase the civil penalty for possessing unstamped cigarettes	2	3	9	12
Update criteria for refusal and revocation of a sales tax Certificate of Authority	1	1	1	1
Suspend delinquent taxpayers' driver's licenses	25	5	26	6
Allow warrantless wage garnishment	10	10	10	10
<b>Total</b>	<b>39</b>	<b>20</b>	<b>47</b>	<b>30</b>
<b>Other Revenue Actions</b>				
Make tax modernization provisions permanent	6	22	6	22
Eliminate remaining square footage Quick-Draw restriction	0	0	12	24
Require the racing industry to pay for safety reforms	0	0	2	2
Recover State revenue lost through vehicle and traffic ticket plea bargaining	16	25	16	25
Establish a statewide STAR anti-fraud protection program	0	0	1	1
<b>Total</b>	<b>22</b>	<b>47</b>	<b>37</b>	<b>74</b>
<b>Technical Corrections</b>				
Make technical amendments to the tax classification of uncompressed natural gas	0	0	0	0
<b>TOTAL REVENUE ACTIONS</b>	<b>374</b>	<b>716</b>	<b>403</b>	<b>780</b>





# State Workforce

## Overview

The Executive Budget reflects recent collective bargaining agreements with the majority of the State workforce, resulting in two-year deficit reduction savings of \$241 million and on-going health benefit savings of \$230 million. The size of the State workforce is expected to be relatively stable in 2013-14, following a significant period of contraction.

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. There are 180,565 State employees employed in Executive agencies, the SUNY and CUNY systems and in the Office of the Attorney General and State Comptroller. In agencies directly controlled by the Executive, the number of positions has declined by 18,802 (14.0 percent) since 2007-08, from 137,680 to 118,878 as of the end of CY 2012.

Approximately 94 percent of the State workforce is unionized; there are ten employee unions and 14 negotiating units. There are approximately 11,000 Management/Confidential (M/C) employees, who are not represented by a union.

State employees receive an average compensation (salary and other pay) of \$68,900 plus fringe benefits, totaling \$104,508.

The largest State employers are:

Agency	Workforce (3/31/13 Estimate)
State University of New York	43,249
Department of Corrections and Community Supervision	29,337
Office for People With Developmental Disabilities	19,834
Office of Mental Health	14,453

## Efficient and Effective State Government

The State has settled new collective bargaining agreements with three-quarters of the entire workforce and nearly all of the workforce that is subject to direct Executive control. These agreements yielded significant wage and benefit concessions, including:

- No general salary increases for three years (2011-12 through 2013-14);
- 2 percent general salary increases in 2014-15, as well as in 2015-16 for CSEA, NYSCOPBA and Council 82; and,
- A two year temporary reduction in employee compensation.

In 2012-13, the State enacted Tier VI pension reform to help control the increasing cost of fringe benefits for the State, local governments and schools. As of April 1, 2012, all newly hired public employees belong to Tier VI. This new pension tier requires employees to contribute between 3 percent and 6 percent towards their pensions depending upon their annual salary; raises the retirement age from 62 to 63 (for non-uniformed employees); reduces the pension multiplier so that a 30 year employee, for example, will have a 55 percent pension benefit instead of a 60 percent benefit; changes the Final Average Salary period from 3 to 5 years; and places a \$15,000 cap on overtime factored in Final Average Salary. In addition, Tier VI provides new employees who do not belong to a bargaining unit and earn more than \$75,000 per year the option of enrolling in a defined contribution plan. It is estimated this reform will save the State, local governments and school districts more than \$80 billion over the next 30 years, significantly diminishing long-term pension costs.

## Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

- **Tier VI Refinancing Plan.** While pension relief for local governments and schools will continue to grow over time as more employees enter the new Tier VI, these entities continue to face recurring and significant increases in employer contribution rates resulting from the 2008 market crash and the subsequent recession. The Executive Budget offers local governments and schools a bridge to the long-term savings of Tier VI, as well as greater predictability, through a Tier VI Refinancing plan which offers a stable pension contribution option.

Local governments and school districts would be given the option to “lock in” long-term, stable rate pension contributions for a period of years determined by the Comptroller and the Teachers’ Retirement System (TRS) in order to achieve full funding in each system. The stable rates would be less than the scheduled contribution rates (inclusive of Group Life Insurance) of 20.9 percent for the New York State Employees’ Retirement System (ERS), 16.5 percent for TRS, and 28.9 percent for the Police and Fire Retirement System (PFRS).

- **Facility Closures and Realignments.** Actions at the Office of Children and Family Services (OCFS) and the Office of Mental Health (OMH) will impact 1,172 jobs, of which 704 would be eliminated through attrition. Additionally, closure of two Department of Corrections and Community Supervision (DOCCS) facilities will impact 273 positions, all of which can be absorbed in the current system. These closures will activate the Agency Reduction Transfer List (ARTL) process. ARTL allows for the transfer of impacted employees in “targeted titles” to the same or comparable positions in “hiring” agencies. For those not placed through ARTL, \$5 million will be made available to retrain employees for new opportunities in State service.
- **Income Related Medicare Adjustment Amounts (IRMAA) Reimbursement.** The State currently reimburses the full cost of State retirees’ Medicare Part B premium charge (\$104.90 per month in 2013). In 2007, the Federal government imposed an additional Medicare Part B premium on wealthy Medicare retirees – the Income Related Medicare Adjustment Amounts (IRMAA) –with the goal of having high-income retirees pay more into the Medicare system. The State currently provides full reimbursement for this additional premium as well. The Executive Budget proposes to eliminate reimbursement of this additional premium for high-income State retirees. This would affect less than five percent of State retirees with health coverage. The change will take effect on January 1, 2013, resulting in partial first-year savings of \$2.3 million, and growing substantially in later years.

## Workforce Summary

Category	2012-13 3/31/13 Est.	Other Placements*	Attritions/ New Fills	2013-14 3/31/14 Est.	Change	
					Number	Percent
Workforce Subject to Direct Executive Control	119,728	(608)	481	119,601	(127)	(0.11)
University Systems	56,425	0	0	56,425		0.00
Departments of Law and Audit and Control	4,412	0	0	4,412		0.00
<b>Grand Total</b>	<b>180,565</b>	<b>(608)</b>	<b>481</b>	<b>180,438</b>	<b>(127)</b>	<b>(0.07)</b>

\*Other Placements – 468 associated with 2013-14 initiatives and 140 associated with 2012-13 initiatives.

## Other State Workforce Actions

- **Mergers and Consolidations.** The Executive Budget reflects the implementation of recent State agency consolidations and enterprise shared services actions, and includes new proposals for further coordination and consolidations. Over 3,300 Information Technology professionals were transferred to the Office of Information Technology Services to improve services and meet emerging needs. By the end of 2013-14, the Finance and/or Human Resources transactional activities of over 50 agencies will have been consolidated into the Business Services Center within the Office of General Services. New efficiency actions in the Executive Budget include:
  - Streamlining State Medicaid Administration activities (i.e., rate setting, negotiation of managed care contracts, claims processing) within the Department of Health.
  - Transitioning the operations of the Commission on Quality of Care and Advocacy for Persons to Disabilities to the recently created Justice Center for the Protection of People with Special Needs.
  - Merging the Office of the Welfare Inspector General with the Office of the Inspector General.
  - Transferring the Homeless Housing Assistance program from the Office of Temporary and Disability Assistance to the Division of Homes and Community Renewal.
  - Merging the Governor’s Office of Employee Relations (GOER) with the Department of Civil Service to create a single State Employee Workforce Development Center.
  - Coordinating and consolidating statewide lab functions.
  - Coordinating health insurance purchasing between the Department of Health and the Department of Civil Service.
  - Merging several agency print shops into four “anchor” agencies.
  - Consolidating State warehouse functions beginning with new policies to ensure a sound and reliable inventory system.



# Transportation

Metropolitan Transportation Authority  
Department of Motor Vehicles  
Thruway Authority  
Department of Transportation

## Overview

The Executive Budget makes new capital investments to improve the transportation system, enhance its resiliency and create jobs, delivers historic levels of aid for transit systems as they recover from Hurricane Sandy, and funds a new initiative at the Department of Motor Vehicles to improve customer service.

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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) is responsible for construction, reconstruction, maintenance, and snow and ice removal for more than 38,000 State highway lane miles and more than 7,600 bridges. In addition, DOT provides funding for rail, airport, bicycle, pedestrian and canal programs, as well as local government highway and bridge construction.

The Department also provides coordination 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 two and a half billion passengers riding the subways, buses and commuter rail systems each year.

The State's transportation programs also include 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 102 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 is projected to collect more than \$1.7 billion in revenue for the State and localities in 2013-14. Credentialing and identification documents issued by DMV are relied on daily by New Yorkers to conduct financial transactions, obtain employment and board an aircraft, among other uses.

The Thruway Authority operates a 570-mile highway system, including the 426-mile mainline from Buffalo to New York City. Its subsidiary, the New York State Canal Corporation, operates the 524-mile navigable waterway. The New York State Bridge Authority is responsible for bridges spanning the Hudson River. These and other transportation-related authorities are mainly financed through toll revenue.

## **Investing in a Safe, Reliable Transportation System**

### **Department of Transportation**

The Executive Budget includes \$300 million of new State funding under the New York Works program to maintain, repair and replace critical highway, bridge and other transportation infrastructure, and to prolong the useful life of these assets. Funded components include \$200 million for core infrastructure improvements throughout the State. Additionally, to encourage regional economic development and to help leverage private investment, \$100 million for all modes of transportation infrastructure will be awarded competitively through the Regional Economic Development Councils. This State-financed capital enhancement builds upon core transportation funding to provide a total DOT capital program of nearly \$3.7 billion, including highways, bridges, rail, aviation, non-MTA transit, and DOT facilities. Funding for local highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) and Marchiselli program is maintained at \$402.8 million.

In addition, the DOT budget incorporates programmatic and operational efficiencies that will reduce operating costs, including shared service initiatives between DOT, State agencies and other transportation entities within the State.

DOT's capital program is supported by Federal aid, State capital projects funds, dedicated taxes and fees deposited in the Dedicated Highway and Bridge Trust Fund, and a significant subsidy that the Trust Fund receives from the General Fund. These monies support projects that improve and rehabilitate highway, bridge, aviation, rail, transit, port, bicycle and pedestrian facilities throughout the State. In 2012-13, the Department's capital program totaled over \$4.5 billion, including almost \$2.6 billion in Federal funds.

### **Mass Transit**

Since 1975, New York State has provided transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. Today, this \$4.7 billion aid program reflects the importance of the services provided by transit systems to an annual ridership of more than 2.8 billion passengers. In 2012-13, State transit aid accounted for approximately 37 percent of the operating resources used to support the State's transit systems.

The Executive Budget provides operating support totaling \$4.7 billion to transit systems. The MTA will receive over \$4.2 billion, an increase of more than \$358 million from 2012-13, and other transit systems will receive over \$454 million, which reflects an increase of \$23.5 million.

In 2011, Governor Cuomo signed into law the elimination of the MTA payroll tax for over 700,000 taxpayers, including most small businesses, those earning less than \$50,000 per year in self-employed income and other entities. In addition, public elementary and secondary schools were also made exempt from the tax, whereas they were previously reimbursed for their liability. The Budget includes \$307 million in General Fund support for the MTA to fully offset the revenue impact of this payroll tax reform.

The State's contribution to the MTA's capital program is fully funded using existing appropriation authority. These funds will create jobs and improve the MTA's core infrastructure. Spending continues from the State's \$770 million 2012-13 appropriation and the \$1.45 billion dedicated to the MTA from the 2005 Transportation Bond Act.

## Department of Motor Vehicles

As DMV transactions have increased steadily in volume and complexity, the Department has utilized electronic and internet-based services to increase the efficiency of transaction processing and to provide customers with a convenient alternative to visiting DMV offices. Currently, more than four million transactions per year are processed through the DMV website. However, the deployment of this new technology has not kept pace with the growth of DMV business or customer demand and, as a result, measures of customer service and satisfaction have declined. The Executive Budget will address this challenge by funding a new initiative to reduce waiting times and improve the customer experience in DMV offices, expand service hours, improve call center response and use technology to save customers' time and enable them to access services without going to a DMV office.

The Executive Budget appropriates \$350 million for DMV in 2013-14, an increase of just under \$16 million from prior year levels. This reflects a net increase of fixed cost and fringe benefit escalations coupled with reductions that include non-personal service efficiencies and the attrition of 46 non-customer-service FTEs over a two year period. In addition, the Budget includes an investment of \$4.5 million as part of the customer service initiative.

## Thruway Authority

The Executive Budget includes approximately \$85 million in funding assistance for the Thruway Authority, including the State takeover of personnel costs of the Division of State Police Troop T that patrols the Thruway. This support eliminates the need for a substantial commercial toll increase.

## Summary of Spending (All Funds)

Category	2012-13 (\$ in millions)	2013-14 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Transportation Spending <sup>1</sup>	8,765	9,160	395	4.5
Department of Transportation	4,253	4,386	133	3.1
Metropolitan Transportation Authority	4,214	4,425	211	5.0
Department of Motor Vehicles	296	323	27	9.1
Thruway Authority	2	26	24 <sup>2</sup>	1,200.0

## Gap-closing Actions

Proposal	2013-14 (\$ in millions)	2014-15 (\$ in millions)
DOT – Operational and Administrative Efficiencies	32.2	24.5
DMV – Customer Service Initiative	(4.5)	(1.4)
DMV – Operational and Administrative Efficiencies	2.6	3.8
<b>Total</b>	<b>30.3</b>	<b>26.9</b>

<sup>1</sup> Transportation spending includes phase-out of Federal Stimulus and 2005 Bond Act funds, offset by New York Works initiative spending and transit aid increases.

<sup>2</sup> Thruway spending increase reflects first-time State funding assistance to prevent a toll increase.

## **Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives**

The Executive Budget expands capital funding to restore and improve the State's transportation infrastructure, increases transit aid to support the vital role that transit systems play in the State's economy and provides new investment that will support DMV's effort to better serve its customers.

### **DOT Operations**

- **Implement Operational and Administrative Efficiencies.** DOT will implement a range of efficiencies through attrition, restacking and shared services opportunities, and savings from prior estimates of needed Amtrak corridor subsidies. (2013-14 Value: \$32.2 million; 2014-15 Value: \$24.5 million)

### **Department of Motor Vehicles Operations**

- **Launch Customer Service Initiative.** DMV will undertake a comprehensive customer service improvement initiative utilizing best practices in customer service and advanced technology including mobile device aps, self-service kiosks, and the offering of appointments to improve the overall customer experience and reduce office wait times to 30 minutes or less by early 2014, as well as increase transactions serviced outside of DMV offices by 50 percent. In addition, DMV will offer Saturday hours in certain offices to increase customer convenience. (2013-14 Cost: \$4.5 million; 2014-15 Cost: \$1.4 million)
- **Implement Operational and Administrative Efficiencies.** DMV will reduce personal and non-personal service expenses in 2013-14 through attrition of non-customer-service staff, contract rate reductions, postage expense decreases due to drop in license renewals, and contract reprioritization as part of the customer service initiative. (2013-14 Value: \$2.6 million; 2014-15 Value: \$3.8 million)

### **DOT Capital Plan Highlights**

- **Invest in Infrastructure through New York Works.** The 2013-14 Executive Budget includes \$300 million of new State funding under the New York Works program that will provide capital investment to maintain, repair and replace critical highway, bridge and other transportation infrastructure, and to prolong the useful life of these assets. Funded components include \$200 million for core infrastructure improvements and \$100 million for all modes of transportation infrastructure to be awarded competitively through the Regional Economic Development Councils.
- **Preserve Local Capital Aid.** Capital aid to local governments for highway and bridge projects is preserved at 2012-13 levels, with \$363.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program.

### **Transit**

- **Increase Transit Aid Levels.** The Executive Budget proposes \$4.7 billion of transit aid for systems throughout the State. Downstate systems, funded principally by dedicated taxes imposed in the region, will receive over \$4.5 billion, an increase of \$382 million in aid. Upstate transit systems will receive \$173.5 million, unchanged from 2012-13.



- **Use Transit Funds to Pay Transit Debt Service Costs.** The Budget will use surplus mass transportation operating assistance funds to pay for a portion of the debt service associated with previously issued MTA service contract bonds. (2013-14 Value: \$20 million; 2014-15 Value: \$0)
- **Pay MTA Costs Associated with Toll Suspension on Rockaway Bridges During Hurricane Sandy.** The Executive Budget includes \$2.5 million to reimburse the MTA for lost toll revenue on the Rockaway bridges during the month of November, 2012. The tolls were suspended on the Marine Parkway and Cross Bay Bridges to assist the Rockaways' storm recovery.



# Legislation Required for the Budget

## Education, Labor and Family Assistance

- Amend Education Law and make other changes necessary to authorize School Aid and implement education-related programs in the Executive Budget.
- Establish a new financing structure for the State University of New York's Residence Hall Program.
- Extend and amend the New York State Higher Education Capital Matching Grant Program.
- Create the Next Generation NY Job Linkage Program
- Authorize the pass-through of any Federal Supplemental Security Income (SSI) Cost of Living Adjustment which becomes effective on or after January 1, 2014.
- 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.
- Combine and streamline delinquency prevention programs administered by the Office of Children and Family Services (OCFS).
- Expand the Juvenile Justice Close to Home Initiative.
- Merge the Office of the Welfare Inspector General into the Office of the State Inspector General.
- Authorize STAR Re-registration and Anti-Fraud Program.
- Merge and reform the Neighborhood and Rural Preservation Programs.
- Modernize the investment powers of the State of New York Mortgage Agency and the Housing Finance Agency.
- Provide for the utilization of excess Mortgage Insurance Fund reserves.
- Transfer of the State Data Center from the Department of Economic Development to the Department of Labor.
- Reform the Unemployment Insurance Benefit System.
- Increase the minimum wage.

## Health and Mental Hygiene

- Make statutory changes necessary to continue implementing Medicaid Redesign Team recommendations.

## Legislation Required for the Budget

- Extend provisions of the Public Health, Social Services and Mental Hygiene Laws to preserve previously enacted Medicaid savings.
- Revise the methodology for distributing Indigent Care Pool (“ICP”) funds to general hospitals, including Federal Disproportionate Share Hospital (“DSH”) payments.
- Amend State law to conform to the requirements of the federal Affordable Care Act.
- Improve the State’s health care system by: reforming the Early Intervention and General Public Health Work programs; establishing a new outcome-based contracting and planning initiative for public health programs; streamlining and rationalizing the health planning process; promoting primary care through scope of practice changes; supporting innovative models of care and financing; and rationalizing the State-funded excess medical malpractice insurance pool.
- Require that the Methadone Registry include client dosage information to assist in facilitating disaster management.
- Clarify that OASAS can continue to fund provider programs via direct contracts or through the State Aid Funding Authorization process.
- Continue criteria and appropriate prior notice to ensure the efficient operation of hospitals by the Office of Mental Health; extend the community reinvestment program.
- Authorize the Office of Mental Health to recover Medicaid exempt income from providers of community residences.
- Streamline the organizational structure at the Office of Mental Health (OMH) by vesting statewide appointing authority with the Commissioner of OMH.
- Clarify the date when annual examinations and notice of rights are provided to sex offenders confined in a secure treatment facility.
- Improve the State and local response to violent incidents involving persons with mental illness through the establishment of mental health incident review panels.
- Eliminate redundant reports prepared by the Office of Mental Health (OMH) and the Office for People With Developmental Disabilities (OPWDD).
- Establish a one-year deferral of the Human Services Cost-of-Living Adjustment.

## Public Protection and General Government

- Authorize the Governor to close the Bayview and Beacon correctional facilities in State fiscal year 2013-14 with 60 days' notice.
- Transfer the former Fulton Correctional Facility to the Thomas Mott Osborne Memorial Fund.
- Limit plea bargaining of traffic tickets, extend State surcharges to new offenses, and establish minimum fines for traffic violations involving texting and cell phone use.

- Ratify the National Crime Prevention and Privacy Compact, allowing the State to participate in the National Fingerprint File program.
- Extend various criminal justice and public safety programs.
- Continue provisions relating to the disposition of certain monies recovered by county district attorneys.
- Provide the New York State Comptroller and the New York State Teachers' Retirement System Board statutory authority to make a long-term stable pension contribution option available to local governments and school districts.
- Amend the Civil Service Law in relation to the reimbursement of Medicare premium charges.
- Create a new account to finance an Administration Program in the New York State Gaming Commission.
- Redirect a portion of purse money to fund costs associated with recommendations by the Task Force on Racehorse Health and Safety.
- Improve the effectiveness of the Local Government Efficiency Grant Program and the Citizens Re-Organization Empowerment Grant Program.
- Eliminate burdensome reporting requirements imposed on school districts and local governments.
- Authorize transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps.
- Support consolidation of IT Functions and Services into the Office of Information Technology Services (ITS).
- Workers Compensation Reform: Business Relief Bill.
- Increase agencies' discretionary authority to purchase food grown, harvested, produced or processed in New York State up to \$200,000.
- Authorize school districts and Boards of Cooperative Educational Services to participate in the Intrastate Mutual Aid Program.
- Promote continuity of care for individuals and enable direct care employees to have increased flexibility for employment opportunities.
- Authorize certain State agencies and authorities to use design-build contracts and design-build-finance contracts for their capital projects.

## **Revenue**

- Extend the MTA business tax surcharge for five years.
- New York Film Production tax credit-extend for five years, enhance, and improve transparency.

- Establish the New York Innovation Hot Spots Program.
- Extend the high income charitable contribution deduction limitation for three years.
- Close the royalty income loophole.
- Extend and enhance the historic commercial properties rehabilitation tax credit.
- Establish the Charge NY electric vehicle recharging equipment tax credit.
- Make tax modernization provisions permanent.
- Establish Tax-Free Sales and the Sale of Alcoholic Beverages at Taste-NY Facilities.
- IDA reform for State sales tax exemption benefits.
- Make technical amendments to the tax classification of uncompressed natural gas.
- Equalize fuel tax treatment for volunteer ambulance services, fire companies, fire departments and rescue squads.
- Update Criteria for Refusal and Revocation of a Sales Tax Certificate of Authority.
- Expand the cigarette and tobacco retailer registration clearance process.
- Increase the civil penalty for possessing unstamped cigarettes.
- Suspend delinquent taxpayers' driver's licenses.
- Amend wage garnishment.
- Allow local governments to extend existing sales tax rates without State legislative approval.
- Eliminate remaining Quick Draw restriction.
- Extend Monticello Casino and Raceway video lottery terminal venue distribution rates.
- Make certain tax rates and authorization for account wagering permanent.

## Transportation, Economic Development and Environmental Conservation

- Provide the annual authorization for the CHIPS and Marchiselli programs.
- Continue the redistribution of the statewide collected transmission tax between the upstate (PTOA) and downstate (MMTOA) transit accounts in an equitable manner.
- Impose license sanctions for violations of the cell phone (mobile telephone) and texting (portable electronic device) laws by commercial motor vehicle operators and conform State law to federal law regarding cell phone use and texting by such operators.
- Permit the Department of Motor Vehicles to serve the public on Saturdays.
- Provide financial assistance for the New York State Thruway Authority and eliminate the need for a commercial toll hike.
- Enact the Cleaner Greener New York Act of 2013 to increase revenues deposited to the Environmental Protection Fund by redirecting unclaimed bottle deposit receipts and by strengthening enforcement of the Bottle Bill to prevent fraud.
- Make permanent the waste tire management and recycling fee.
- Make permanent the general loan powers of the New York State Urban Development Corporation.
- Extend the authorization for the Dormitory Authority of the State of New York to enter into certain design and construction management agreements.
- Provide general grant-making power for the New York State Urban Development Corporation.
- 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 to offset debt service related to the Western New York Nuclear Service Center (West Valley).
- Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the Department of Environmental Conservation's climate change program, from an assessment on gas and electric corporations.
- Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.
- Extend the Temporary State Energy and Utility Service Conservation Assessment, to provide continued revenues in support of necessary expenses of the State, including the purchase of utility services.

## Legislation Required for the Budget

- Implement recommendations made by the Moreland Commission on Utility Storm Preparation and Response, related to strengthening the oversight and enforcement mechanisms of the Public Service Commission to ensure that public utility companies are held accountable and responsive to regulators and customers.
- Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents.
- Facilitate an online corporate filing system and reduce costs and regulatory burdens on the State's businesses.



# 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 materials accessible to the general public through the Budget Division's official website ([www.budget.ny.gov](http://www.budget.ny.gov)). The central volume, *Executive Budget Briefing Book*, contains the Budget Director's Message, which presents the Governor's fiscal blueprint for 2013-14 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 *Five-Year Capital Program and Financing Plan* highlights major capital initiatives and objectives, and describes the approach to financing the capital program.

The website includes links to the mission and functions of each State agency, descriptions of major budget actions and tables that summarize the agency's spending by program and category. Also included is a "User's Guide" which provides background information on State government and the budget process, and explains how to interpret the agency budget tables. This portal also includes the budget requests of the Legislature and Judiciary, which are submitted without revision as required by the Constitution.

This year, under Governor Cuomo's Open Budget initiative, a new website is being launched. [OpenBudget.ny.gov](http://OpenBudget.ny.gov) uses technology to promote transparency and enhance citizen engagement, which will, in turn, foster improved government performance. The Open Budget portal provides easy, single-stop access to substantial and detailed budget data, presented in a user-friendly format, with lookup tools and other features that allow people to easily view and download current and historical budget information.

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 State Operations, Aid to Localities, Capital Projects, Debt Service and the Legislature and Judiciary. Other bills amend state law governing programs and revenues. These "Article VII bills," and all Executive Budget appropriation bills, are available from the Senate and Assembly document rooms located in the Capitol and the Legislative Office Building.

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

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

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

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

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

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

*Note: Readers are encouraged to visit the New York State Budget Division's website ([www.budget.ny.gov](http://www.budget.ny.gov)) and the new Open Budget website ([OpenBudget.ny.gov](http://OpenBudget.ny.gov)) 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.*