



**Building on  
Success**



## **2014-15 EXECUTIVE BUDGET**

January 21, 2014

**Governor Andrew M. Cuomo**

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# Director's Message

New York has undergone a dramatic turnaround in the past three years. In 2011, we faced a \$10 billion budget gap, symptomatic of decades during which the State spent beyond its means. Budgets were chronically late and politics dominated policy making.

Under Governor Cuomo's leadership, and as New Yorkers do, we rolled up our sleeves and went to work, reforming State government to deliver better results at a lower price. We replaced out-of-control inflators with new measures of affordability and committed to limit State spending growth to two percent. We reorganized the government, allowed the workforce to contract in a rational way, and negotiated new labor contracts appropriate to our fiscal condition. We reduced our debt and pension liability.

The State worked with partners in all sectors – public, private and nonprofit – to totally transform our Medicaid program through the Medicaid Redesign Team. New strategies for investments and economic growth were built from the ground-up by the Regional Economic Development Councils.

Now, only three years later, New York has a vastly improved fiscal outlook. All three major rating agencies have moved New York up from “stable” to “positive.” Employer confidence has led the State to reach an all-time high for private sector jobs. Most importantly, we are delivering a government that New Yorkers can take pride in.

For the fourth year in a row, the Executive Budget is balanced while limiting spending growth to no greater than two percent. We expect the current year to end in surplus and, with Governor Cuomo's steadfast commitment to fiscal responsibility, future surpluses are expected to grow.

As Governor Cuomo outlined in his State of the State address, surpluses will allow for tax cuts that create jobs, grow the economy and provide much-needed relief for struggling families. The Corporate Income Tax Rate will be reduced to its lowest rate since 1968. Tax cuts for manufacturers will attract investment to Upstate. Property taxes will be frozen for two years and, along with a tax credit for renters, will be linked to a taxpayer's ability to pay.

New York has long had a reputation as a high-tax, anti-business state, but we have made great strides in reversing that image. The property tax cap has already saved taxpayers billions of dollars, and the middle class is paying the lowest tax rate in 60 years. The tax cuts in this Budget are the next step in improving our State as a place to live, start a business and raise a family.

Our fiscal discipline does not preclude and, in fact, has allowed programmatic spending increases to improve the well-being of New Yorkers, and this Budget invests in vital initiatives such as Universal Pre-Kindergarten and after-school programs.

New York has come a long way. After years of late budgets, overtaxing and overspending, Governor Cuomo has fundamentally changed the State's trajectory. The dysfunction that eroded confidence in government has been replaced with a new spirit of cooperation. As the Governor continually reminds me, we must turn good ideas into a workable reality. This Budget accomplishes that goal.

New Yorkers come from many backgrounds, but we are unified by our determination, optimism and work ethic. These are the traits that laid the foundation for this Budget, positioning us for new investments and tax cuts to improve lives and create jobs. Indeed, New York is working again.



# Financial Plan Overview

Governor Cuomo has forged a bipartisan consensus with the Legislature to enact three on-time, fiscally responsible budgets. The budgets embrace the principle that State spending must grow more slowly than the overall economy, both to leave more money in the hands of the people – and to discipline the government to prudently use the resources granted to it. The principle has been put into practice at the State level with the establishment of the 2 percent spending benchmark, and at the local level with the 2 percent property tax cap.

The effort to control State government spending is working. In the fifty years prior to Governor Cuomo taking office, the annual State Budget grew faster than income 60 percent of the time (or three out of every five budgets), and spending over the entire period grew at an average rate of approximately 7 percent, compared to income growth of 6.2 percent. If spending and income had grown at the same rate, spending today would be approximately \$40 billion below today's levels. With the adoption of the 2 percent spending benchmark, the unsustainable trend has been reversed. Since 2011, State spending has grown more slowly than income each year—and will again with the Executive Budget for 2014-15.

The budgets of the last three years have instituted fundamental reforms that have reduced the cost of State and local government in New York and enabled spending restraint to continue. These reforms include:

- Replacing unsustainable inflators for major programs with rational formulas linked to fiscal capacity;
- Negotiating landmark collective bargaining agreements that provide fair and affordable wages and benefits;
- Creating a new tier of fair and affordable pension benefits, which is expected to save the State and local governments \$80 billion over 30 years;
- Relieving localities of the growth in the Medicaid program, and all the costs of administering it;
- Controlling and targeting new borrowing to keep debt service affordable and ensuring that the State abides by the debt limit; and
- Setting aside over \$450 million in reserves to reduce debt and meet unforeseen “rainy day” needs.

The policy of spending restraint—and the reforms that have accompanied it—have led to measurable improvements in the State's financial position.

- General Fund deficits totaling tens of billions of dollars have been eliminated without fiscal gimmicks.
- The State is on track to record a surplus of over \$300 million in the current year, which will be used to help support the 2014-15 initiatives.
- State debt measured as a percent of personal income stands at 5.2 percent – the most favorable ratio since the 1960s – and is expected to decline annually over the next decade, even with the capital investments for schools, health care, and economic development proposed in the 2014-15 Executive Budget.
- Total State debt declined from 2011-12 to 2012-13, and is on track to decline again in 2013-14, the first time debt has declined for two consecutive years since at least the 1960s.
- The accumulated GAAP-basis deficit of \$3.5 billion inherited when the Governor took office has been reduced in just three years to less than \$750 million, and is expected to be eliminated completely when 2013-14 is complete.

With the enactment of an on-time balanced budget in 2014-15, the State will be well-positioned to achieve its highest credit rating – “AA+” – since 1972. All three major rating agencies have assigned the State’s credit (currently at “AA”) a positive outlook.

## 2014-15 Executive Budget

- The Executive Budget continues the disciplined approach to fiscal matters that has defined the Governor’s first three budgets. It proposes recurring savings through targeted reforms, as well as continuation of the spending controls and cost-containment put in place in prior years. Agency operations are generally expected to remain at current levels across the Financial Plan period. Reserve levels are expected to remain intact. The projections for receipts and disbursements continue to be based on conservative assumptions.
- The Budget again limits the annual growth in State Operating Funds spending to 2 percent or less, consistent with the spending benchmark adopted in 2011-12. In addition, the Governor is expected to propose, and the Legislature is expected to enact, balanced budgets in future years that continue to limit annual growth in State Operating Funds to no greater than 2 percent.
- The combination of effective budget management and adherence to the 2 percent spending benchmark in each of the next four fiscal years will produce surpluses in future years, based on current projections.<sup>1</sup> For context, every 1 percent change in spending is equal to approximately \$900 million in the State’s \$90 billion Budget. The chart below shows the calculation of the surpluses that would be expected to occur.

ADHERENCE TO 2 PERCENT STATE OPERATING FUNDS SPENDING BENCHMARK -- SURPLUS CALCULATION (billions of dollars)						
	2014	2015	2016	2017	2018	Growth Rate
State Operating Funds Spending <sup>(1)</sup>	90.5	92.3	94.2	96.0	98.0	2.0%
Available Resources <sup>(2)</sup>	90.5	92.8	95.5	98.3	100.7	2.7%
Surplus <sup>(3)</sup>	0.0	0.5	1.4	2.2	2.7	

<sup>1</sup> Spending calculation based on current FY 2014 estimate. Executive Budget proposes an annual increase of less than 2 percent in FY 2015. Surplus shown in table would be larger if 2 percent calculation was made from FY 2015 proposed level.

<sup>2</sup> Available resources before proposed tax reduction plan. Resources include State Operating Fund tax receipts, miscellaneous receipts, and net other financing sources, but exclude resources in dedicated funds (SRO and debt service) not available to the General Fund. Assumes FY 2014 surplus of \$310 million is carried forward into FY 2015.

<sup>3</sup> Surplus that could be expected to occur under the spending and resource assumptions described above.

<sup>1</sup> Before tax reduction plan proposed in 2014-15 Executive Budget.

- The Executive Budget proposes a multi-year tax reduction plan for individuals and businesses, which has been sized to absorb the surplus that would otherwise occur, using current projections.
- Consistent with the Governor's approach in balancing his first three budgets, all of which emphasized spending restraint, the Executive Budget Financial Plan reduces spending in 2014-15 by nearly \$2 billion compared to prior projections. The savings, which are recurring and expected to grow in value in the future years, include the costs of universal pre-school kindergarten and other initiatives proposed in the Budget.

- **Agency Operations.** Since the Governor took office in January 2011, State agency operating costs have been significantly reduced through ongoing State agency redesign and cost-control efforts. These efforts have included 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 2014-15 Executive Budget holds spending for Executive agency operations constant over the Financial Plan period, with limited exceptions. In addition, the State's projected costs for health insurance and pensions have been lowered based on market conditions.
- **Local Assistance.** Reductions in State spending from prior projections are expected to generate \$1.6 billion in General Fund savings.<sup>2</sup> Savings are expected from, among things, the elimination of 2014-15 automatic health and human services "cost of living" increases, and updated cost estimates for a range of State programs, reflecting the impact of cost-containment and spending controls enacted in prior years.

Medicaid and School Aid are the State's largest aid programs, comprising over 40 percent of the State Operating Funds budget. Consistent with the intent of the reforms enacted in 2011-12, both programs are recommended to grow at a uniform rate of 3.8 percent, excluding growth from the Smart Schools bond act.

- **Debt Management.** Savings are expected through continued use of competitive bond sales, refundings, and consolidation of debt issuances.
- **Initiatives/Investments.** The Executive Budget proposes several new initiatives, the most significant of which is increased funding for a statewide Universal Full-Day Pre-Kindergarten program phased in over the next five years.

The Budget also proposes significant new capital initiatives. These include the Smart Schools bond act (\$2 billion) and a capital program to modernize health care facilities (\$1.2 billion).

- **Resources.** The Budget includes use of the \$310 million surplus from 2013-14 to fund a portion of the tax reduction plan that will affect 2014-15 receipts.

<sup>2</sup> Local assistance includes payments for School Aid, STAR, Medicaid, public assistance, child welfare, local government assistance and a range of other purposes.



- **Tax Reduction Plan.** The Executive Budget proposes tax and assessment reductions that will provide property, business, and estate tax relief. Property tax relief will consist of a residential property tax freeze credit, a residential real property tax credit, and a renter's credit. Business tax relief will be composed of an elimination of the tax rate on net income for Upstate manufacturers, a 20 percent real property tax credit for manufacturers, and corporate tax reform. The estate tax filing threshold will be increased, and the top rate decreased, over four years. Finally, the 18-a temporary utility assessment will be eliminated immediately for industrial customers and phased out more quickly for all remaining customers.

## **Annual Spending Growth**

The Executive Budget holds 2014-15 annual spending growth in State Operating Funds to 1.7 percent, below the 2 percent spending benchmark. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 1.3 percent from the level estimated for 2013-14, excluding extraordinary Federal aid related to Superstorm Sandy<sup>3</sup> and the implementation of the Affordable Care Act (ACA).

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<sup>3</sup> In October 2012, Superstorm Sandy caused widespread flooding, power failures, and wind damage to public and private property in New York City, Long Island, and other Downstate areas. Public infrastructure, including mass transit systems, public schools, and municipal buildings, sustained serious damage. The Executive Budget reflects Federal aid which will flow to local governments, public authorities, and not-for-profits over the next three years for recovery from Superstorm Sandy.

TOTAL DISBURSEMENTS (millions of dollars)				
	<u>FY 2014 Current</u>	<u>FY 2015 Proposed</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
<b>STATE OPERATING FUNDS</b>	<b>90,498</b>	<b>92,027</b>	<b>1,529</b>	<b>1.7%</b>
General Fund (excluding other transfers)	52,941	54,891	1,950	3.7%
Other State Funds	31,457	31,405	(52)	-0.2%
Debt Service Funds	6,100	5,731	(369)	-6.0%
<b>ALL GOVERNMENTAL FUNDS</b>	<b>135,350</b>	<b>137,168</b>	<b>1,818</b>	<b>1.3%</b>
State Operating Funds	90,498	92,027	1,529	1.7%
Capital Projects Funds	7,992	8,526	534	6.7%
Federal Operating Funds	36,860	36,615	(245)	-0.7%
<b>ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY FEDERAL AID)</b>	<b>140,865</b>	<b>142,141</b>	<b>1,276</b>	<b>0.9%</b>
Federal Disaster Aid for Superstorm Sandy	5,110	2,406	(2,704)	-52.9%
Federal Affordable Care Act	405	2,567	2,162	533.8%
<b>GENERAL FUND (INCLUDING TRANSFERS)</b>	<b>61,460</b>	<b>63,563</b>	<b>2,103</b>	<b>3.4%</b>
<b>STATE FUNDS</b>	<b>96,624</b>	<b>98,874</b>	<b>2,250</b>	<b>2.3%</b>



# Tax Reform, Revenue Actions, and STAR

## Overview

The Executive Budget contains proposals to continue improving New York's business climate and provide tax relief for over-burdened families. These reforms will provide more than \$2 billion in tax cuts by 2016-17.

These proposals build upon three years of tax relief accomplishments, including the enactment of a property tax cap, the lowest middle class tax rate in 60 years, elimination of the MTA payroll tax for more than 700,000 small businesses and the self-employed, creation of a new family tax relief credit, tax cuts for small businesses and manufacturers, reforms to unemployment insurance and workers compensation insurance, and new START-UP NY tax free zones.

The combination of effective budget management and adherence to the 2 percent spending limit will further improve the State's fiscal position and allow for surpluses that can be used for tax relief.

The proposals put forth in the Executive Budget are informed by the work of two commissions created and appointed by Governor Cuomo. The Tax Reform and Fairness Commission, co-chaired by former State Comptroller H. Carl McCall and Peter J. Solomon, conducted a comprehensive and objective review of the State's tax structure, including its corporate, sales, estate and personal income taxes. The Commission was charged with developing revenue neutral policy options to modernize the current tax system with the goals of increasing its simplicity, fairness, economic competitiveness and affordability.

The Tax Relief Commission, co-chaired by Mr. McCall and former Governor George Pataki, was charged with identifying ways to reduce the State's property and business taxes to provide much needed relief to New York's homeowners and businesses. Many of the proposals put forth by these two commissions are included in the Executive Budget.

## Tax Reform Actions

The Executive Budget presents a set of tax reform proposals valued at \$2 billion within three years. These actions will simplify the tax code and reduce taxes and assessments by almost \$500 million in 2014-15 and \$1.6 billion in 2015-16 on an All Funds basis.

- **Business Tax Relief.** Lower taxes lead to private sector investment and more job opportunities. The Executive Budget puts forth several proposals to improve our economic climate.
  - **Corporate Tax Reform.** New York's corporate franchise tax is outdated, and its archaic provisions result in unnecessarily lengthy and complex audit processes that take businesses years to resolve. The Executive Budget combines the corporate franchise and bank taxes to provide tax simplification and relief, and improve voluntary compliance. Further, the tax rate on net income is reduced from 7.1 percent to 6.5 percent, the lowest rate since 1968.

- **Establish a 20 Percent Real Property Tax Credit for Manufacturers.** Lowering the cost of doing business for manufacturers will make New York a more attractive place for firms to locate and create jobs. The Executive Budget provides a statewide refundable credit equal to 20 percent of property taxes paid by manufacturers who own property.
  - **Eliminate the Net Income Tax on Upstate Manufacturers.** To encourage the growth of manufacturing Upstate, the Executive Budget lowers the tax rate on income for Upstate manufacturers from the current 5.9 percent to zero in 2014 and thereafter.
  - **Eliminate 18-a Temporary Assessment for Industrial Customers, Accelerate Phase Out for All Others.** New Yorkers pay some of the highest energy bills in the nation. The temporary utility assessment (18-a) exacerbates this burden on struggling businesses and families. The temporary assessment on utilities is scheduled to be eliminated by March 2017, but the Executive Budget immediately eliminates the assessment on industrial customers and accelerates the phase-out for all other customers. The phase-out will save businesses and residents \$600 million over the next three years.
- **Provide Relief from New York's Most Burdensome Tax: the Property Tax.** By almost any measure, New York's real property taxes are the highest in the nation with an average residential bill of \$5,040. The following actions will provide taxpayer relief while helping to encourage structural change through local government administrative consolidation or shared services.
    - **Establish the Real Property Tax Freeze as a Personal Income Tax Credit.** This initiative addresses two problems -- New York's high property taxes and one of the primary drivers of those taxes -- the inefficiency of overlapping local governments. New York State has nearly 10,500 local government units, many of which provide duplicative services. New York is one of only 10 states where a resident can live in three local governmental jurisdictions at the same time (e.g. village, town, county).

To help address these problems, the Executive Budget freezes property taxes for two years, subject to two conditions. In year one (2014-15), the State will provide tax rebates to homeowners with qualifying incomes of \$500,000 or less who live in a jurisdiction that stays within the 2 percent property tax cap.

In order for their homeowners to get the tax credit in the second year, school districts and local governments must continue to stay within the tax cap and must develop a plan for sharing or consolidating services and eliminating duplication and overlap. For local governments and dependent school districts, this plan will be coordinated by the county. For independent school districts, it will be coordinated by the school district with the largest enrollment in the BOCES district. Each plan must achieve savings, in the aggregate, in an amount of at least one percent of participating entities' levy in the year following the second year of the credit. This percentage increases to two percent and three percent in subsequent years. These savings must be applied to tax reduction. Failure to achieve planned savings could result in recapture of State aid to the local government or school district. When fully implemented, local governments and school districts could provide property tax relief of up to \$1 billion. New York City is not subject to the cap.

- **Establish the Residential Real Property Personal Income Tax Credit.** To further alleviate the impact of property taxes on low- and middle-income New Yorkers, the Executive Budget creates a refundable tax credit against the personal income tax to provide targeted real property tax relief based on an individual homeowner's ability to pay. This relief program is progressively structured to provide a greater proportion of benefits to those with the highest property tax burdens as a share of their income. The credit is available statewide, but in areas outside of New York City, only residents of jurisdictions that adhere to the property tax cap will qualify. When fully phased in, the program, valued at almost \$1 billion, will benefit over 1.9 million homeowners yielding an average benefit of \$500.
- **Establish a Renter's Personal Income Tax Credit.** There are 3.3 million renter households across the state. Over 829,000 low-income renter households spend more than 50 percent of their monthly cash income on housing costs and thousands of moderate-income renters face similar burdens. To help defray the impact of escalating rental housing costs, especially for families, the Executive Budget creates a refundable credit for renters. This tax relief is composed of a base credit that declines with qualifying incomes up to \$100,000 for married taxpayers who are filing jointly and have related dependents, taxpayers filing as head of household, and married seniors filing jointly. Single seniors with incomes up to \$50,000 would also qualify. The base credit will be supplemented with an additional credit per federal exemption, where the value of the supplement also declines with income. When fully phased in the program will save \$400 million for approximately 1.3 million households. The average benefit for a family of four in New York City with income of less than \$50,000 would be about \$410.
- **Reform the Estate Tax.** New York is one of only 15 states that impose an estate tax. The State's exemption levels are among the lowest and the rates are among the highest. While the Federal government exempts from taxation the first \$5.25 million of an individual's estate, New York only exempts estates valued below \$1 million. The State's current estate tax policy encourages elderly New Yorkers to leave and places a special burden on small family owned businesses. To address these problems, the Executive Budget increases the exclusion threshold of the estate tax from \$1 million to eventual conformity with the Federal exemption amount, and reduces the top rate from 16 to 10 percent over four years. These actions will be coupled with proposals that will require the value of gifts to be added back to the estate and will close loopholes that allow certain trusts to avoid paying State taxes.
- **Simplify the Tax Code.** The Executive Budget eliminates nuisance provisions, which are costly to enforce, provide little revenue and complicate doing business in New York.
  - **Increase Personal Income Tax Filing Income Threshold.** The income threshold at which persons must file returns is raised from \$4,000 to the amount of the taxpayer's standard deduction. This threshold was last increased in 1987. The increase will eliminate the need to file a return for about 270,000 current filers.
  - **Repeal the Personal Income Tax Add-On Minimum Tax.** The add-on minimum tax which is imposed on 200 taxpayers and which generates only \$200,000 annually is eliminated.

- **Repeal the Boxing and Wrestling Exhibitions Tax.** The Boxing and Wrestling Exhibitions tax which is imposed on few taxpayers, requires both the State and taxpayers to expend time and resources on compliance, and generates only \$400,000, is eliminated. The State and local sales tax will instead be imposed on these events.
- **Repeal the Franchise Tax on Agricultural Cooperatives.** The franchise tax on Agricultural Cooperatives, which is imposed on very few taxpayers and generates almost no revenue, is also eliminated.
- **Repeal Article 12 of the Tax Law.** Tax collections on stock sales transfers from financial service companies are currently not retained by the State, but instead are fully and immediately rebated. This tax has been maintained in statute as an alternative source to repay New York City Municipal Assistance Corporation Bonds, which were retired in 2008. This tax creates unnecessary administrative work for the financial services industry as well as for the Department of Taxation and Finance.
- **Modify Signature Requirements on e-Filed Returns Prepared by Tax Professionals.** The current burdensome requirement that a tax professional obtain a signed signature document from his or her client prior to transmitting a return through the Federal/State program is eliminated and replaced with an electronic certification which states the taxpayer has authorized the preparer to file the return and the preparer has provided a copy of the filed return to the taxpayer.
- **Align Mobility and Personal Income Tax Filings for the Self-Employed.** Self-employed persons will be allowed to file and pay their MTA mobility tax when they file and pay their State personal income tax, simplifying compliance for about 39,000 self-employed taxpayers.
- **Other tax reforms.**
  - **Streamline Corporate Audit Procedures.** This proposal implements various initiatives which will increase audit efficiency and improve voluntary compliance.
  - **Reform the Investment Tax Credit.** New York offers a tax credit to businesses for investments in buildings and tangible personal property including assets acquired by purchase, with a useful life of four years or more and used in production. This proposal will tighten eligibility criteria to more effectively target the State's investment toward originally intended and more productive uses. For example, a credit will no longer be allowed for assets acquired by purchase when a former owner has claimed the ITC for investments in those assets.
  - **Repeal the Financial Services Investment Tax Credit.** This complex credit used by a narrow segment of the financial services industry is eliminated. For the last year for which data is available only 28 filers availed themselves of this credit. This change is being done in conjunction with consolidation of Article 32 and 9-a sections of corporate tax law.
  - **Close the Resident Trust Loophole.** In general, a trust is a legal agreement that represents a place where assets from an estate are held. The trust provides certain tax and legal benefits not available if the assets are not placed in trust. Currently, New York conforms to Federal law, which results in New York personal income tax immunity for

the trust grantor and the trust beneficiary. This proposal will decouple New York from Federal treatment of trusts and impose the personal income tax on the trust grantor.

## Tax Enforcement Actions

- **Authorize a Professional and Business Tax Clearance.** In addition to the State's ongoing enforcement tools, the Executive Budget proposes a new program to create a professional and business license tax clearance process. Tax compliance will be increased by the State denying a professional or business license to an applicant who has outstanding tax liabilities. This action is conservatively estimated to produce \$3 million in additional tax revenue on an All Funds basis in 2015-16.

## Other Revenue Actions

- **Expand the Low Income Housing Credit.** This program provides credits to builders who develop qualifying low income housing projects. The Executive Budget authorizes the Division of Housing and Community Renewal to allocate an additional \$8 million for the program in 2014-15, and an additional \$16 million in 2015-16. Credits are given in equal installments for a ten-year period. The total amount of credits to be awarded from this new authorization will be \$160 million over a multi-year period.
- **Enhance the Youth Works Tax Credit.** The NY Youth Works program seeks to provide permanent, unsubsidized employment for youth across New York State. The program allows thousands of young people to receive work readiness, occupational training and digital literacy training to build a foundation for future success. The Executive Budget proposes to extend and enhance the program, creating more full- and part-time job openings for young, at-risk New Yorkers. Employers will be eligible for an additional \$1,000 credit for every at-risk youth employed full-time for an additional year (\$500 for part-time status), and the annual credit allocation will increase from \$6 million to \$10 million. Additionally, the Tax Law will be conformed to a recent Labor Law change that reduces, from 20 to 10, the number of hours which full-time students must work in order to be eligible for the employer to claim the credit.
- **Modify Delivery of Family Tax Relief Credit After Tax Year 2014.** The law currently provides a \$350 credit to families with children under the age of 17, with planned credit prepayments in October of 2014, 2015, and 2016. This proposal will modify the prepayment component beginning with Tax Year 2015. Families will continue to get the full benefit of the credit. This provision will allow the Department of Taxation and Finance to determine credit eligibility when taxpayers file their returns instead of determining credit eligibility based on returns filed two years prior.

## Tax Law Extenders

- **Extend the Alternative Fuels Tax Exemptions for Two Years.** Extends, from September 1, 2014 to September 1, 2016, the sales, petroleum business tax, and motor fuel tax exemptions on e85, CNG, or hydrogen when purchased for use in a motor vehicle engine. The 20 percent



exemption on purchases of B20 (i.e., diesel fuel that contains at least 20 percent biofuel) is also extended. If these provisions are not extended, consumers who use these “green” alternative fuels will pay taxes on them, making them less competitive.

- **Extend the Non-Custodial Earned Income Tax Credit (EITC) for Two Years.** The credit complements the regular EITC by allowing a lower credit for parents who pay child support for a qualifying child with whom they do not reside.
- **Extend the Commercial Production Tax Credit for Two Years.** This tax credit covers 20 percent of qualified commercial production costs in New York State that exceed the average of the three prior years’ costs, plus five percent of costs above \$500,000 in the Metropolitan Commuter Transportation District (MCTD), and above \$200,000 outside the MCTD.
- **Extend and Reform the Brownfields Clean-Up Program.** The Executive Budget includes legislation to extend the Brownfields Cleanup Program for ten years, with important reforms to protect taxpayers and promote brownfield redevelopment, particularly Upstate. Under the reformed program, remediation tax credits will only cover actual cleanup costs and redevelopment credits will be rationalized to only cover sites that have been vacant for over a decade, worth less than the cleanup costs, or are priority economic development projects.
- **Extend Monticello Video Lottery Terminal Rates for One Year.** The current distribution percentages for net machine income earned at the Monticello Video Lottery Terminal (VLT) facility are extended by one year.
- **Extend Certain Pari-Mutuel Tax Rates and Simulcast Provisions for One Year.** The pari-mutuel tax rate and other racing-related provisions are extended for one year.
- **Extend the Video Lottery Gaming Vendor's Capital Awards Program for One Year.** This proposal provides VLT operators an additional one year to earn qualifying capital awards, which encourage facility upgrades and improvements.
- **Extend Fees for the Establishment of Oil and Gas Unit of Production Values.** The Department of Taxation and Finance establishes unit of production values which local assessors must use when assessing oil and gas wells and related facilities. This bill will extend the program until 2018.

## **School Tax Relief (STAR) Program Action**

- **Eliminate the Income Threshold Inflation Adjustment for Enhanced STAR Benefits.** In order to qualify for an enhanced benefit, homeowners must meet an age (65 and above) and income requirement. The income requirement has been annually increased since 2003-04 by a cost-of-living-adjustment (COLA). This proposal will maintain the eligible income threshold at the 2014-15 level of \$81,900, but eliminate the COLA thereafter.

## **Technical Corrections**

- **START-UP NY Technical Amendment.** This amendment creates a new refundable credit equal to the amount of telecommunications excise tax paid by businesses in START-UP NY areas.

- **Simplify the Distribution of Motor Vehicle Fee Receipts.** To simplify an unnecessarily confusing process, a General Fund transfer sourced from specific receipts is replaced by a generic General Fund transfer of an identical amount.
- **Make Technical Amendments to the Commercial Gaming Statute.** These amendments will allow commercial gaming receipts to be distributed for education in the year received (versus the following year) and will clarify the statute to provide that payments of regional county aid equals 10 percent of exclusivity payments received by the State.

## Fees

- **Require Racing Regulatory Fee to Cover Cost of Regulation.** By changing the existing surcharge on handle from 0.5 percent to 0.6 percent the State will ensure that regulation of this industry becomes self-supporting. Fees have not fully covered regulatory costs in recent years.

## Tax Reform, Revenue Actions, and STAR

Tax Reform, Revenue Actions, and STAR (millions of dollars)				
	General Fund		All Funds	
	2014-15	2015-16	2014-15	2015-16
<b>Tax Reform Actions</b>				
Corporate Tax Reform	-	(205)	-	(205)
Establish a 20 Percent Real Property Tax Credit For Manufacturers	-	(136)	-	(136)
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(24)	(24)	(24)
Eliminate 18-a Temporary Assessment For Industrial Customers, Accelerate Phase Out For All Others	(200)	(200)	(200)	(200)
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(976)	(400)	(976)
Establish the Residential Real Property Personal Income Tax Credit	-	(200)	-	(200)
Establish a Renter's Personal Income Tax Credit	-	(200)	-	(200)
Reform The Estate Tax	(33)	(175)	(33)	(175)
Increase Personal Income Tax Filing Income Threshold	-	-	-	-
Repeal the Personal Income Tax Add-On Minimum Tax	-	-	-	-
Repeal the Boxing and Wrestling Exhibitions Tax	-	-	-	-
Repeal the Franchise Tax On Agricultural Cooperatives	-	-	-	-
Repeal Article 12 of the Tax Law	-	-	-	-
Modify Signature Requirements on e-Filed Returns Prepared by Tax Professionals	-	-	-	-
Align Mobility and Personal Income Tax Filings For the Self-Employed	-	-	-	-
Streamline Corporate Audit Procedures (Administrative)	-	150	-	172
Reform The Investment Tax Credit	65	65	65	65
Repeal the Financial Services Investment Tax Credit	30	30	30	30
Close the Resident Trust Loophole	75	225	75	225
<b>Total</b>	<b>(487)</b>	<b>(1,646)</b>	<b>(487)</b>	<b>(1,624)</b>
<b>Tax Enforcement Actions</b>				
Authorize a Professional and Business License Tax Clearance	-	3	-	3
<b>Other Revenue Actions</b>				
Expand the Low Income Housing Credit	-	(8)	-	(8)
Enhance the Youth Works Tax Credit	-	(4)	-	(4)
Modify Delivery of Family Tax Relief Credit After Tax Year 2014	-	410	-	410
<b>Total</b>	<b>-</b>	<b>398</b>	<b>-</b>	<b>398</b>
<b>Tax Law Extenders</b>				
Extend the Alternative Fuels Tax Exemptions For Two Years	(2)	(4)	(8)	(16)
Extend the Non-Custodial EITC For Two Years	-	-	-	-
Extend the Commercial Production Tax Credit For Two Years	-	-	-	-
Extend and Reform the Brownfield Clean-Up Program	-	-	-	-
Extend Monticello Video Lottery Terminal Rates For One Year	-	-	(3)	-
Extend Certain Pari-Mutuel Tax Rates and Simulcast Provisions For One Year	-	-	-	-
Extend the Video Lottery Gaming Vendor's Capital Awards Program For One Year	-	-	-	-
Extend Fees For the Establishment of Oil and Gas Unit of Production Value	-	-	-	-
<b>Total</b>	<b>(2)</b>	<b>(4)</b>	<b>(11)</b>	<b>(16)</b>
<b>School Tax Relief (STAR) Program Actions</b>				
Eliminate the Income Threshold Inflation Adjustment For Enhanced STAR Benefits	-	-	-	3
<b>Technical Corrections</b>				
START-UP NY Technical Amendment	-	-	-	-
Simplify the Distribution of Motor Vehicle Fee Receipts	-	-	-	-
Make Technical Amendments to the Commercial Gaming Statute	-	-	-	-
<b>Fees</b>				
Require Regulatory Racing Fee to Cover Cost of Regulation	-	-	2	2
<b>TOTAL REVENUE ACTIONS</b>	<b>(489)</b>	<b>(1,249)</b>	<b>(496)</b>	<b>(1,234)</b>

# Reimagining New York for a New Reality

Since 2011, when Governor Cuomo took office, New York has suffered nine major events which were declared disasters by President Obama. In particular, Superstorm Sandy, Hurricane Irene and Tropical Storm Lee made it clear the so-called *100 year* storms are going to be a regular occurrence. Government must take action to address this new reality by looking forward and anticipating threats to our citizens and infrastructure. The Executive Budget supports a strategy to transform New York's infrastructure, transportation networks, power systems, coastal protection, weather warning system, and emergency management, to better protect the State from future extreme weather.

The State is primarily using its share of Federal funds appropriated for Sandy, Irene and Lee to implement this far-reaching program. With these resources, New York will make good on Governor Cuomo's commitment to rebuild the State's communities, homes, businesses, and infrastructure to restore our economy and mitigate similar damage from future storms.

## Recovery from the Storms: Building Back Better

New York faces special challenges in protecting its critical systems and infrastructure. Much of the infrastructure in New York City — transit and electric systems in particular — is built underground and is susceptible to damage from seawater. On Long Island, communities, power systems, wastewater systems, and fuel terminals are built along the coastline. In Upstate New York, communities and infrastructure are often built along waterways vulnerable to increasingly severe flooding. Major initiatives aimed at making our infrastructure more resilient include:

- **Harden the Electrical Grid.** The State's existing electrical grid will be hardened, undergrounding and hardening vulnerable overhead primary wire, elevating low-lying substations, expanding tree trimming, raising power lines for newly elevated homes, and creating a new outage management system on Long Island. In addition, at least ten new "microgrids" (independent community-based electric distribution systems) will be created next year through private sector investments and an innovative statewide program called NY Prize. The program will involve a \$40 million competition to help build community-scale microgrids for areas with approximately 40,000 residents. Microgrids can operate in tandem with existing power supply during normal conditions, but will disconnect and operate as independent power systems to keep the lights on during an emergency. The State is seeking Federal support for these \$1.4 billion grid hardening initiatives.
- **Protect the Coastline and Communities.** The US Army Corps of Engineers, in concert with the Department of Environmental Conservation and the Office of Parks, Recreation and Historic Preservation, is embarking on a long-term program to protect 83 miles of New York's exposed coastline, investing \$1.8 billion in Federal funds.
- **Safeguard Against Rising Waters.** A series of projects totaling \$147 million will be conducted along the State's vulnerable coastlines and waterways, to provide flood control for communities and critical infrastructure. Natural infrastructure can and must play a critical role in safeguarding lives and property. This long-term program will help protect miles of New York's exposed coastlines and waterways via innovative restoration of wetlands and dunes in places like Jamaica

Bay and Staten Island. These measures will help to protect New Yorkers and their environment from flooding and storm surge threats posed by the changing climate while at the same time greening urban landscapes.

- **Reconstruct and Harden the Mass Transportation System.** The MTA is undertaking a multibillion dollar overhaul of New York’s mass transportation systems, including the largest reconstruction of the subway system in 110 years. Every facet of the system’s infrastructure will be improved to withstand extreme weather. Investments will be made in technologies to seal subway and automobile tunnels, increase pump capacity in stations and tunnels, and projects to protect bus and train yards and the vital infrastructure that makes the systems run. An important part of this network resiliency initiative is the Penn Station Access Project. The entire Metro-North rail system currently depends on the Harlem River Lift Bridge and the Mott Haven Junction remaining fully operational to provide access into and out of Manhattan. Using existing tracks, the Penn Station Access Project would establish new links for the New Haven Line that by-pass both of these points of access, allowing commuters and others to still utilize Metro-North services to enter or leave Manhattan in the event of a disaster. To fund these initiatives, the MTA is utilizing approximately \$5 billion in current Federal repair and mitigation funding. The additional funding needed to complete the full program is expected to be drawn from funds made available in competitive Federal funding notices.
- **Strengthen our Airports.** The Port Authority is planning over \$200 million in projects, with Federal assistance, to install tide gates and drainage, new emergency generation capabilities, elevated fuel facilities, a new signage communications system and a flood wall around critical equipment, in order to make New York’s JFK and LaGuardia airports more resilient.
- **Replace Vulnerable Bridges.** The State seeks to use an additional \$486 million of Federal funds to replace or retrofit approximately 100 scour-critical and flood-prone bridges to ensure that they are fully protected against extreme weather events.
- **Protect and Improve Wastewater Systems.** Federal funds of at least \$1.6 billion will be distributed to counties and municipalities to improve wastewater systems. There are 610 municipal wastewater treatment plants in New York, 1,060 sewage collection systems and 22,000 miles of sewers – more than 30 percent of which are over 60 years old and beyond their expected useful life. Superstorm Sandy caused 200 million gallons of raw sewage to spill into waterways. Salt water surges destroyed vital electrical systems and engines at plants on Long Island and in New York City. These funds will allow communities to protect against future storms through the construction of dikes, levees, and movable floodwalls.
- **Reimagine Home Construction.** The State is proposing to use approximately \$1.5 billion in Federal funds to support housing reconstruction programs for homeowner rehab and reconstruction, home buyouts in areas vulnerable to repeated flooding, the construction and rehabilitation of multifamily and affordable housing, and mortgage assistance.
- **Foster Community Resilience.** The State will expand the NY Rising Community Reconstruction Program with a Phase II that includes an additional 22 communities. Under the current program, 102 communities across the State are creating their own individualized storm resiliency plans. Between the two phases of the program, the 124 participating communities will share in over \$650 million in Federal recovery funds to implement approved plans.

- **Recognize First Responders and Providers.** The State will assist more than 600 healthcare and human service providers and other community-based organizations with nearly \$250 million in Federal funds to aid in the repair, reconstruction and renovation of facilities, as well as to reimburse those organizations for emergency response costs immediately following the Storm. An additional \$200 million in Federal funds will be provided to health and human service providers for unreimbursed operating costs during and after Sandy, ongoing or new services to meet the continuing needs of Sandy-impacted New Yorkers, and other eligible health and social services costs.

## Disaster Preparedness: Making New York Ready

- **Establish a State-of-the-Art Weather Detection System.** The Division of Homeland Security and Emergency Services (DHSES) will collaborate with an academic partner to secure a private entity to establish and operate a state-of-the-art weather detection system – one of only six such systems in the nation. The system will provide real-time warnings of local extreme weather and flood conditions, and identify threats to communities, roads, bridges and the electric system. Data will be available for use in predictive modeling and early warnings to prevent loss of life and property. The number of weather stations will be increased from the current 27 to over 100, creating a highly sophisticated real-time weather reporting network that will accelerate and improve information sharing, thereby assisting emergency responders in responding to extreme weather events. An initial capital investment of \$15 million is being sought from Federal funding related to Superstorm Sandy.
- **Create the SUNY College of Emergency Preparedness, Homeland Security and Cybersecurity.** The Executive Budget will establish the nation's first college of its kind, an advanced degree, interdisciplinary college, specializing in both academic and professional aspects of law enforcement, security, public and international affairs, counterterrorism, emergency management, cybersecurity and forensics. The world class curriculum provided by the college will ensure that aspiring emergency managers, first responders, and other professionals graduate with the skills required to uphold New York State's status as a leader in state and national security. State funding of \$15 million is provided to initiate this project.
- **Equip Gas Stations with Back-up Power Capacity.** New York has the most comprehensive plan in the nation to ensure that power is maintained at strategically located gas stations in the event of an emergency. Starting in 2013-14, the State made \$17 million available to Downstate gas stations near highways and evacuation routes, as well as additional chain gas stations throughout the region, to install back-up power capacity. In an energy emergency, all strategically located Downstate gas stations will have the capability to deploy back-up power. In 2014-15, this program is being extended to include approximately 241 Upstate gas stations within a half mile of exits on critical highways. Another \$3.1 million will be made available through Federal funding related to Superstorm Sandy.
- **Expand State Strategic Fuel Reserves.** On Long Island, the State has created the nation's first state-based strategic fuel reserve. To prevent future supply disruptions, the reserve will be expanded statewide to serve emergency responders. The estimated additional \$10 million cost is expected to be supported by the New York Power Authority.
- **Prepare Citizens for Emergencies.** DHSES, in collaboration with the National Guard, will offer emergency preparedness courses to interested citizens throughout the year, with a goal of training 100,000 citizens by March 31, 2015. Support for this initiative will come from Federal homeland security funds.

- **Achieve Statewide Interoperable Communications.** 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 overall strategy and setting standards to guide regional communications consortia as they create their own systems. DHSES has already awarded \$200 million in grants to counties, and will invest another \$75 million toward this initiative in 2014-15. This amount includes a new program which will distribute \$10 million in annual formula-driven grants to counties to support ongoing operations of public safety communications centers. The results of an analysis of the State's progress toward full interoperability are expected in May, and will identify critical projects to close gaps in the statewide system.

# Restoring Public Trust

## Overview

The Executive Budget supports structural changes to reform campaign finance laws, police the ethics of State officials, and help restore public trust.

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New York's reformation of ethics enforcement began in 2011 with passage of the Public Integrity Reform Act (PIRA). PIRA created the Joint Commission on Public Ethics (JCOPE), which provides a single investigative body with jurisdiction over both the Governor and the Legislature, and increased penalties for certain campaign finance violations.

In 2012, the Legislature passed a Constitutional amendment to reform the way in which State Legislative and Congressional District lines are drawn every decade. If passed by the voters in November 2014, this amendment will expressly prohibit partisan gerrymandering and create a new commission to draw the district lines that will require approval by appointees of both the majority and the minority party leaders.

In 2013, Governor Cuomo established a Moreland Act Commission to investigate corruption in government and propose reforms to address weaknesses in the law. The Commission has undertaken a number of investigations to determine the role money plays in the political system and identify any weaknesses in the structure of the State Board of Elections. The Commission has also examined weaknesses in existing laws, regulations and procedures relating to public corruption, conflicts of interest, and ethics in State government, and made a number of recommendations with the Executive has put forward.

The 2014-15 Executive Budget includes further reforms to ensure New Yorkers have confidence that their elected officials are serving them faithfully. These proposals include new anti-bribery and corruption laws, public financing of elections, campaign finance reform, independent enforcement and oversight at the Board of Elections, and disclosure of outside clients of State Legislators conducting business before the State.

## Campaign Finance Reform and Public Financing of Elections

The Executive Budget includes comprehensive campaign finance reform and publicly financed elections reform to amplify the impact of smaller campaign donations and help enable a diverse pool of candidates.

- **Implement a Public Financing System.** The Executive Budget puts in place a public financing system modeled on New York City's, where contributions up to \$175 are matched \$6 to \$1. Strict limits will be in place to protect taxpayers. Currently, New York ranks last in the nation for percentage of population that contributes to a political campaign, meaning political candidates rely far more upon large donors than do candidates in other states. Candidates for the Senate and Assembly will be eligible for this voluntary program in 2016, followed by all candidates for State office in 2018.
- **Establish Limits on Campaign Contributions.** The Executive Budget reduces the annual limit on aggregate contributions from a contributor to a party or constituted committee. Specifically, contributions to party "housekeeping accounts" will be limited to \$25,000 per year, party committee transfers to candidates will be limited to only small donations (less than \$500 per



contributor), corporate contributions will be limited to \$1,000 per year, and the LLC loophole will be closed so that LLCs will be treated as corporations rather than individual contributors. Candidates who receive the benefits of public matching financing will have to adhere to lower limits. Large contributions to and transfers from political party committee accounts are currently unlimited.

- **Establish Campaign Finance Reform Financing.** The Executive Budget contains provisions that will allow resident taxpayers to make a donation to a new Campaign Finance Fund through a check off box on their State income tax return.
- **Enhance Restrictions on the Personal Use of Campaign Funds.** The Executive Budget limits the use of contributions to expenses that are directly related to elections or public duties. Expenditures for the exclusive personal benefit of the candidate or office-holder will be prohibited and a long list of expressly prohibited expenditures will be memorialized in statute.
- **Increase Disclosure Requirements.** The Executive Budget will mandate the disclosure of the names and addresses of significant donors to organizations that engage in independent spending, improve access to public access reports, and broaden the definition of electioneering activity that triggers the duty to disclose.

## **Strengthen Election Law Enforcement**

**Create an Independent Division of Election Law Enforcement within the State Board of Elections (SBOE).** This new, fully independent division, to be headed by a Chief Enforcement Officer appointed by the Governor, will ensure vigorous enforcement of our election laws. The Executive Budget provides \$5.3 million and adds 11 new staff reporting directly to the Chief Enforcement Officer, increasing staffing from the current 18 to a total of 29.

## **Restore Trust in Public Officials**

The Executive Budget includes a series of reforms designed to strengthen the State's tepid anti-bribery laws.

- **Protect Against Bribery of a Public Servant.** Under current State law, a prosecutor has to prove there was a corrupt agreement or understanding between the person paying the bribe and the person receiving the bribe, a standard not required under Federal law. Language included with the Budget would require that a prosecutor need only prove the person paying the bribe "intended" to influence the public official or the person receiving the bribe intended to be so influenced, bringing State law in line with the Federal standard.
- **Curb Corruption of Government.** Under this proposal, anyone, whether acting in concert with a public servant or not, who engages in a course of conduct to defraud the State or a local government would be guilty of the crime of "Corrupting the Government."
- **Require Reporting of Public Corruption.** For the first time, it will be a misdemeanor for any public official or employee to fail to report bribery.

- **Strengthen Penalties for Public Corruption.** New penalties are established for offenses such as fraud, theft, or money laundering involving State or local government property. Under this proposal, an offender would face a higher penalty if the illegal act was committed against the government. The sentence would be one level higher than for the underlying offense.
- **Increase Penalties for Official Misconduct.** Under current law, Official Misconduct is a misdemeanor. Three new degrees of Official Misconduct are established: a Class E felony (maximum penalty 4 years), a Class D felony (maximum penalty 7 years) and a Class C felony (maximum penalty 15 years).
- **Impose a Lifetime Ban from Government.** The new class of felony public corruption crimes will impose additional penalties, apart from jail sentences, criminal fines and the imposition of treble damages, including permanently barring all those convicted of public corruption felonies from holding any elected or civil office, serving as a registered lobbyist, receiving certain tax benefits, or doing business with the State, including through any organization they run.
- **Provide Additional Tools to Prosecutors.** Under this proposal, a witness who testifies before a grand jury investigating fraud on the government or official misconduct will receive only “use” immunity, not “transactional” immunity, for statements the witness may give under oath. This means the witness, who may or may not also be part of the criminal transaction under investigation, may still be prosecuted for his or her role if the prosecutor develops evidence other than, and independent of, the evidence given by the witness. This important tool in fighting crime conforms New York practice to Federal practice in this area.
- **Provide More Disclosure of Outside Clients with Business Before the State.** PIRA substantially improved New Yorkers’ ability to assess legislators’ potential conflicts of interest. But greater disclosure of potential conflicts is needed. Legislators will now be required to disclose the names of all of their firm’s clients who have business before the State. Reporting individuals will also be required to disclose what services they actually provide, so the public can more clearly understand their outside employment activity. Finally, legislators will be required to disclose all direct referrals of business to their firms by lobbyists or clients of lobbyists to avoid even the appearance of a conflict of interest.



# Economic Development

## Overview

The Executive Budget lowers taxes for manufacturers, continues the Regional Economic Development Councils and links them with START-UP NY to attract businesses from around the world, delivers on the promise of the “Buffalo Billion,” and makes strategic capital investments in Upstate projects.

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In the last three years, Governor Cuomo has redesigned the State’s economic development strategies and advanced bold new initiatives designed to foster growth and business investment throughout the State. The new direction has worked – unemployment is down in every region of the State, and we have added 380,000 new private sector jobs since 2010.

The Regional Economic Development Councils created in 2011 have replaced the top-down approach to economic development with a process that focuses on the unique strengths and priorities of each region. Transformative new initiatives, such as the “Buffalo Billion,” have begun the process of rebuilding and renewing regional economies while significant investments in tourism and promotion of New York goods and products have highlighted the State’s many assets while driving economic activity around the State. Innovative programs such as Taste NY and FreshConnect are expanding markets for New York’s agricultural producers

In 2013, START-UP NY was created to transform SUNY campuses Upstate and university communities statewide into tax-free communities – including no sales, property or business taxes for ten years, and no income tax for employees. START-UP NY will attract venture capital, start-ups, new business and investments from across the nation and around the globe to New York by offering new businesses the opportunity to operate completely tax-free while also partnering with world-class higher education institutions.

The 2014-15 Executive Budget builds upon this foundation to realize fully the potential to attract companies from around the world to locate and grow in New York State. The new Global NY initiative will link the powerful incentives of START-UP NY with the Regional Economic Development Councils to develop global marketing and export strategies. The Budget also maintains a key focus on the Upstate economy by providing tax relief for Upstate manufacturers, delivers on the promise of the “Buffalo Billion” and makes targeted capital investments in Upstate projects.

## Proposed 2014-15 Budget Actions

- **Targeted Tax Relief for Upstate Manufacturers.** As part of the Governor’s comprehensive tax relief package, the corporate income tax rate for Upstate manufacturers is reduced to zero. This measure will provide an additional \$25 million in tax relief to Upstate manufacturers. As further encouragement to invest in New York, manufacturers statewide will receive a credit equal to 20 percent of their property tax bill.
- **Launch Global NY.** Global NY will link the Governor’s START-UP NY and Regional Economic Development Council initiatives to attract international investment to Upstate and help New York companies export their products to international markets. In addition, a new international marketing campaign will leverage the powerful incentives of the START-UP NY program to grow the State’s foreign exports and encourage direct foreign investment.

- **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 \$2.2 billion in State funding through a competitive process to spur job creation based on regional priorities. This new strategy has resulted in 75,000 new or retained jobs in New York.

The 2014-15 Executive Budget includes core capital and tax-credit funding that will be combined with a wide range of existing agency programs for a fourth round of REDC awards. In 2014, the Regional Councils will also “Go Global” as the State recognizes and rewards plans that incorporate global marketing and export strategies that position their products and services to better compete globally. The Budget 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; and
  - \$70 million in State tax credits — set aside from the Excelsior Jobs tax credit program to fund regional priority projects.
- **Full Delivery of Billion Dollar Commitment to Buffalo.** The Executive Budget fulfills the Governor’s \$1 billion commitment to revitalize Buffalo’s regional economy by including \$680 million in new capital appropriations for the “Buffalo Billion” program. This complements \$150 million in prior-year capital appropriations and \$170 million in tax credits reserved from the Excelsior Jobs Program to provide the full \$1 billion for the initiative.
- **Strategic Capital Investments.** The Budget authorizes new funding for the following key economic development projects:
  - **Nano Utica.** \$180 million to support the purchase of new equipment for a project at Nano Utica, the State’s second major hub of nanotechnology research and development.
  - **NY Genomic Medicine Network.** \$105 million to support a partnership between the New York Genome Center and the University at Buffalo’s Center for Computational Research to advance biomedical research and to develop the genomic medicine industry in the State. The NY Genomic Medicine Network will link the medical community in New York City with the computational infrastructure at the University at Buffalo to increase the speed of genomic research and analysis critical to diagnosis of diseases. The Budget provides \$55.75 million for the New York Genome Center and authorizes \$50 million of the Buffalo Billion initiative for the University at Buffalo.
  - **Cornell University College of Veterinary Medicine.** \$5 million initial State investment to expand and upgrade infrastructure and teaching facilities at the Cornell University College of Veterinary Medicine to accommodate larger class sizes.
  - **Onondaga Lake Communities Revitalization.** \$30 million to support economic development and infrastructure improvements that encourage the revitalization of Onondaga Lake and its surrounding communities.
  - **Economic Transformation Program.** \$24 million to support communities affected by the closure of four correctional facilities in July 2014 and any closure of juvenile justice facilities in 2014-15. In consultation with the Regional Councils, those communities will be able to use the funds to leverage private sector investments that create jobs and support initiatives that transform their economies.

- **North Country Investments.** The Budget authorizes funding for the following priority projects in the North Country:
  - **Clarkson - Trudeau Partnership.** \$10 million to support a partnership between the State, Clarkson University and the Trudeau Institute to form a world-class biotech enterprise and further establish the North Country Region as a premier center of biotechnology research and development.
  - **Whiteface Mountain Veterans' Memorial Highway.** \$12 million from reappropriations to refurbish and repair the Whiteface Mountain Veterans' Memorial Highway as well as enable projects to repair the castle, elevator and tollhouse.
  - **Olympic Regional Development Authority (ORDA) Capital Improvements.** \$9.4 million in new capital funding for ORDA, including \$6.9 million for critical maintenance and energy efficiency upgrades to the Olympic and ski facilities, and \$2.5 million appropriated from the Office of Parks, Recreation and Historic Preservation budget as part of the New York Works initiative.
- **Expand and Launch Another Round of NYSUNY 2020 and NYCUNY 2020.** To build upon the success of the Challenge Grants, the Executive Budget includes \$110 million to expand and launch another round of NYSUNY 2020 and NYCUNY 2020. Priority will be given to plans that use technology to improve academic success and job opportunities for students, leverage public-private partnerships through the START-UP NY program, and better connect students to the workforce.
- **Establish a School of Pharmacy at Binghamton University.** The Executive Budget includes \$10 million in capital resources to fund initial planning and development costs for a new School of Pharmacy at Binghamton University. This initiative will help Binghamton continue to build its stature as a premier research university; expand enrollment; create jobs and increase economic activity in the region; and help meet health care workforce needs.
- **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.
- **Commercial Gaming.** On November 5, 2013, the voters approved the development of up to seven casinos, four of which will be located in Upstate New York. To begin the process for selecting and regulating casino operators, the Executive Budget recommends 10 additional staff for the Gaming Commission. Through a competitive procurement process, casinos are expected to be open as early as January 2015.

## Other Budget Actions

- **Market NY.** The Executive Budget includes a second round of \$5 million in competitive funding to support tourism marketing plans that best demonstrate regional collaboration among counties to promote regional attractions.
- **Innovation Hot Spots and Incubators Program.** The Executive Budget authorizes \$3.75 million in new funding to continue to foster innovation by offering start-up companies valuable business support services to help commercialize academic research and promote further collaboration between business and academia.

- **Continued Commitment to Critical Economic Development Investments.** The 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 Executive Budget authorizes nearly \$31 million to support ongoing university-based matching grants and other high technology and research and development programs administered by – the Department of Economic Development’s Division of Science, Technology and Innovation.
- **Strengthening Consumer Protections.** The Executive Budget contains proposals under the purview of the Department of Financial Services (DFS) aimed at strengthening consumer protections through the following reforms:
  - **Out-of-Network Claims.** Protect consumers from costly surprise out-of-network medical bills by placing responsibility for resolving billing disputes with insurance companies and medical providers. New Yorkers who try to stay in-network will not be held responsible for these surprise bills.
  - **No-Fault Automobile Insurance Fraud.** Curb no-fault insurance fraud, thus lowering New Yorkers’ auto insurance rates, by prohibiting payments to health providers engaged in fraudulent activity, levying civil fines for violations and authorizing the Department to perform unannounced facility audits and inspections.
  - **Title Insurance.** Establish licensure requirements for title insurance agents, closers and solicitors and significantly lower title insurance rates and closing costs for consumers through regulation.
  - **Student Protections.** Establish a Student Protection Unit within DFS to serve as the consumer watchdog for New York’s students. The Unit will be responsible for investigating student loan abuses and monitoring student health insurance plans, and other student financial projects.

# 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. The Budget provides support for several key initiatives, including a \$2 billion Smart Schools bond act, an investment of \$1.5 billion over five years to implement a statewide Universal Full-Day Pre-Kindergarten program, and an investment of \$720 million over five years to expand afterschool programs. Together, these initiatives will continue to transform public education across the State – reaching students earlier, providing more enrichment opportunities, and leveraging the power of technology in state-of-the-art classrooms to help prepare students to be college and career ready. Important reforms from prior years are also sustained, including continuation of annual professional performance reviews for teachers and principals.

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Public education in New York represents a significant commitment of State and local resources. With total spending levels exceeding \$58 billion, New Yorkers have maintained the highest per-pupil spending levels in the nation – even during 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, the State lags behind in graduation rates and college or career readiness. Only 74 percent of students graduate from high school in four years and only 35 percent of those graduates are college or career ready. Recognizing that a prosperous future for the State is dependent upon the quality of public education, the 2014-15 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 (\$19,076) than any other state and 81 percent above the national average. However, New York’s high level of education spending has not translated into equally high student performance.

Several initiatives implemented over the past three years have improved the State’s ability to provide educational opportunities to our students, and ensure that the best and brightest are teaching our students. These major initiatives include:

- Establishment of an annual professional performance review system (APPR) to hold teachers and principals accountable, and that links State aid increases to school district implementation of the APPR; and
- Creation of five competitive programs which were recommended by the *New NY Education Commission*. These include a full-day pre-kindergarten program for our highest need students; an extended learning time program where participating school districts increase learning time by



at least 25 percent; a community schools program designed to transform school buildings into community hubs that integrate social, health, mental health and other critical services to students and their families; a new Master Teacher Program that provides financial supports to Science, Technology, Engineering and Math (STEM) teachers who take part in professional development and mentorship activities; and a P-TECH (Pathways in Technology Early College High School) program that provides a rigorous, relevant “grades 9 to 14” education focused on the knowledge and skills students need for STEM careers.

## Summary of Spending

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (\$ in millions)	Percent
<b>Total Education Aid</b>	<b>21,075</b>	<b>21,882</b>	<b>807</b>	<b>3.8</b>

Category	Change (\$ in millions)
School Aid	682
Statewide Universal Full-Day Pre-K	100
Performance Programs	25
<b>Total Education Aid</b>	<b>807</b>

## Proposed 2014-15 Budget Actions

The 2014-15 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, including the implementation of key recommendations of the *New NY Education Reform Commission’s Final Action Plan*.

School Aid will continue to represent the largest State-supported program, accounting for about 29 percent of General Fund spending. For the 2014-15 school year, the Executive Budget recommends \$21.9 billion in total education aid, exclusive of funding from the Smart Schools bond act. This amount represents a year-to-year increase of \$807 million.

The 2014-15 Executive Budget will support several initiatives – many of which are based on the recommendations of the Governor’s *New NY Education Reform Commission’s Final Action Plan*. These investments, which total more than \$4.2 billion, will focus on improving the education system:

- **Smart Schools (\$2 billion).** The Executive Budget recommends a \$2 billion general obligation bond act, to be brought before voters in November 2014. Bond proceeds will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

- **Statewide Universal Full-Day Pre-Kindergarten (\$1.5 billion).** The Executive Budget builds upon the success of the first-ever State-funded full-day pre-kindergarten program by committing to invest \$1.5 billion over five years to support the phase-in of a Statewide Universal Full-Day Pre-Kindergarten program. In the 2014-15 school year, the State will provide total funding of \$100 million, focusing expansion first on the highest-need students. In each subsequent school year, the State's commitment will grow by at least an additional \$100 million.
- **After-school Programs (\$720 million).** The Executive Budget appropriates \$720 million over a five-year period to expand after-school programs across the State. An estimated \$160 million will be available in the 2015-16 school year, growing to \$200 million in the 2017-18 school year. These funds will allow schools to add or expand after-school programs to provide more enrichment opportunities for students.
- **Teacher Excellence Fund (\$20 million).** The Executive Budget provides support to reward teacher excellence, and recruit and retain the most highly effective educators. In order to qualify, teachers must be rated as "highly effective" and will be eligible to receive up to \$20,000 in annual supplemental compensation through the Teacher Excellence Fund.
- **P-TECH Expansion (\$5 million).** The Executive Budget provides \$5 million to expand the Pathways in Technology and Early College High School (P-TECH) program included in last year's Enacted Budget. This rigorous and relevant "grades 9 to 14" education, focuses on the knowledge and skills students need for STEM careers, targeting high-performing, at-risk students. Students receive both a high school diploma and an associate's degree at no cost to the students' families and are first in line for a job after graduation.

## School Aid

- **Target School Aid Increases to High-Need School Districts.** The Executive Budget provides an \$807 million increase in education aid for the 2014-15 school year, \$608 million of which is provided to school districts as formula-based School Aid. Most of the allocated increase is provided through a \$323 million partial restoration of the Gap Elimination Adjustment (GEA). Another \$285 million supports increased reimbursement in expense-based aid programs (e.g., school construction, pupil transportation, and BOCES) and other current aid categories. High-need school districts will receive over 70 percent of the 2014-15 allocated increase.

## 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 approximately \$1 billion. To improve service delivery and address significant program expense growth, the 2014-15 Executive Budget will include targeted reforms to Special Education Itinerant Teacher (SEIT) services. Recommended actions will focus on improving fiscal practices and service delivery in the SEIT services:

- **Limit Reimbursement to Services Delivered.** The Executive Budget recommends limiting payment to program operators only for services that are actually provided, incentivizing delivery of these mandated services to children. State law currently allows providers to be paid, even if services are not provided.

- **Establish Regional Rates.** Providers are currently reimbursed based on their historical costs and rates for these services can vary significantly, even within the same region. Establishing regional rates will rationalize the current payment rate structure.
- **Empower New York City to Negotiate Rates with Providers.** New York City is uniquely situated as both the county and the school district. As such, New York City is best positioned to significantly reduce growth in the preschool special education program without any impact on services. This proposal will authorize New York City to establish reimbursement rates for providers in New York City within maximum rates set by the State.

### **Other Budget Actions**

- **Property Tax Freeze.** To further incentivize school districts to control spending and property taxes, the 2014-15 Executive Budget freezes, for two years, the property tax bills of homeowners in school districts which stay within the property tax cap. In the second year, such districts will also have to agree to and implement a multi-year regional plan of shared services and administrative consolidation that produces recurring property tax savings. Eligible homeowners will receive a State tax credit to cover increases in their tax bills.
- **Maintain the Contracts for Excellence Program.** The Executive Budget proposes all school districts currently in the Contracts for Excellence program 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 15 school districts, including the Big Five city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers). School districts that remain will be required to maintain funding for Contracts for Excellence programs at the same level required for the 2013-14 school year.
- **Funding for Arts Grants.** The New York State Council on the Arts awards approximately 2,000 competitive grants annually to arts and cultural organizations. 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

The Executive Budget increases the Environmental Protection Fund (EPF), maintains State funding for core environmental, parks and agricultural programs, expands outdoor recreational opportunities, and provides a new round of New York Works capital funding for environmental facilities. State agency and public authority funding will continue to make New York a leader in the clean tech economy, reduce the emissions that contribute to climate change, and allow the transformation of our transmission system to a distributed smart grid network. The Executive Budget also provides funding for a new Long Island office of the Department of Public Service, which will review rates and oversee operations of the Long Island electric grid.

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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.

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. DEC is responsible for administration and enforcement of the State's Environmental Conservation Law.

The Office of Parks, Recreation and Historic Preservation (OPRHP) provides safe and enjoyable recreational and interpretive opportunities for New York State residents and visitors and functions as a steward of our valuable natural, historic and cultural resources. OPRHP operates the State park system that is comprised of 214 State parks and historic sites. Last year the system welcomed 60 million visitors to these sites.

Together, DEC and OPRHP oversee nearly 4.9 million acres of open space statewide, including 2.7 million acres in the Adirondack Park and nearly 300,000 acres in the Catskill Forest Preserve.

The Department of Agriculture and Markets (Ag&Mkts) 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.

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 provides oversight on cable franchise agreements and telecommunications service. The Executive Budget provides resources for a new Long Island office of the DPS, to oversee electric utility service on Long Island. Additionally, in conjunction with the New York State Energy Research and Development Authority (NYSERDA), DPS oversees 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 support from the State.

### Protecting the Environment

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. In 2012-13 the 179<sup>th</sup> State Park was added, the new Franklin D. Roosevelt Four Freedoms Park on Roosevelt Island in New York City, and in September 2013 the Governor announced plans to establish a new State park in Buffalo to transform the city's outer harbor waterfront.

The Executive Budget increases support for critical environmental protection and energy programs. The EPF provides dedicated funding to communities throughout New York to improve the environment. Governor Cuomo held the EPF steady at \$134 million in his first two budgets. Last year, the EPF was increased by \$19 million to \$153 million. This year the EPF will be increased by \$4 million to \$157 million. To address a backlog of environmental capital needs, the Budget includes \$135 million of new capital appropriations under the New York Works program for DEC, OPRHP, Ag&Mkts, and the Olympic Regional Development Authority (ORDA). This infusion of capital funds will accelerate capital infrastructure projects statewide, spur the creation of jobs, and leverage private sector and Federal investment.

### Summary of Spending (All Funds)

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Total Environment and Energy Spending	1,429	1,412	(17)	(1.2)
Department of Agriculture and Markets	119	122	3	2.7
Department of Environmental Conservation	919	876	(43)	(4.7)
Office of Parks, Recreation and Historic Preservation	282	292	10	3.6

The Budget maintains funding at current levels for parks, environment, and agricultural operating programs. Inflationary factors are offset by administrative and operational efficiencies.

- Department of Agriculture and Markets.** The Executive Budget increases total funding for Ag&Mkts by \$3 million, primarily due to increases in capital spending (\$2.3 million). State operations spending increases by \$1 million (1.6 percent) due to increases in personal service expenses, partially offset by a \$300,000 decrease in local assistance.

- **Department of Environmental Conservation.** The Executive Budget decreases total funding for DEC by \$43 million primarily as a result of the completion of projects related to the Federal American Recovery and Reinvestment Act (ARRA) and the 1996 Bond Act. Further reductions are due to the transfer of IT positions to the Office of Information Technology Services and decreases in non-personal service and local assistance spending. State operations spending increases by \$1.8 million (0.7 percent) due to increases in personal service expenses.
- **Office of Parks, Recreation and Historic Preservation.** The Executive Budget increases total funding for OPRHP by \$10 million due to increases in capital spending from the New York Works program. Funding for agency operations remains constant.

### Capital Investments

Proposal	2013-14 (\$ in millions)	2014-15 (\$ in millions)	2015-16 (\$ in millions)
<b>New Capital Commitments:</b>			
Environmental Protection Fund	153	157	157
New York Works Infrastructure Investment <sup>1</sup>	135	135	135
<b>Total New Capital Commitments</b>	<b>288</b>	<b>292</b>	<b>292</b>

1. \$45 million of OPRHP 2013-14 commitment was funded through reappropriations

### Proposed 2014-15 Budget Actions

- **Environmental Protection Fund.** The Executive Budget includes \$157 million for the EPF, an increase of \$4 million from 2013-14 as a result of increased and improved enforcement of the unclaimed deposit program. Appropriations include \$14 million for solid waste programs, \$58 million for parks and recreation, and \$85 million for open space programs.
- **Brownfield Cleanup and State Superfund.** The Executive Budget includes legislation to extend the Brownfields Cleanup Program for ten years, with important reforms to protect taxpayers and promote brownfield redevelopment, particularly Upstate. Under the reformed program, remediation tax credits will only cover actual cleanup costs and redevelopment credits will be rationalized to only cover sites that have been vacant for over a decade, worth less than the cleanup costs, or are priority economic development projects. In addition, the Budget includes a new \$100 million appropriation to extend the State Superfund cleanup program, including \$10 million through the Environmental Restoration Program to address municipally-owned brownfields.
- **Long Island Office of the Department of Public Service.** Consistent with Governor Cuomo's landmark legislation to restructure and improve oversight of electric service on Long Island, the Executive Budget includes \$5.5 million in funding for 39 new employees and the creation of a new Long Island Office of DPS (DPS LI). The new office will be empowered to review utility rates and operations, including storm preparedness and performance, to ensure Long Island electric customers receive reliable utility service at just and reasonable rates. PSEG Long Island, the new utility operating the electrical grid on Long Island, is seeking to freeze rates at 2013 levels through 2015.

- **Accelerate Phase Out of Temporary Utility Assessment.** As recommended by the New York State Tax Relief Commission, the temporary utility assessment (18-a), scheduled to be eliminated in 2017, will be eliminated immediately for industrial customers, while the phase out for other customers will be accelerated.
- **Reduce New York's Energy Costs.** Under Governor Cuomo's leadership, New York will continue to expand clean, reliable and affordable energy sources through several new programs funded by NYSERDA, NYPA and Federal sources:
  - The NY Prize initiative, a \$40 million competition to build "community grids," will provide funding to communities for the development of energy systems that combine decentralized, local, clean power sources with microgrids, in order to maintain utility service during even the worst storms and emergencies.
  - The Renewable Heat NY program will provide technical assistance, financing and incentives to grow the biomass heating industry and increase the availability of biomass heating options.
  - The Community Solar NY program will expand the deployment of solar energy by providing outreach and targeting funding towards schools and their surrounding communities.
- **New York Green Bank.** The \$1 billion Green Bank, launched by Governor Cuomo in 2013 to work in partnership with the private sector to remove market barriers in the clean energy sector, will offer its first financial products in early 2014. The Green Bank, financed through public authority resources, will accelerate clean energy deployment and create jobs by partnering with private sector institutions to provide financial products such as credit enhancement, loan loss reserves and loan bundling.
- **Improving Efficiency of Agency Operations.** The Executive Budget includes legislation that will enable DPS to streamline its operations to more efficiently oversee cable television franchises and telephone corporations and address shared metering violations. Additionally, Ag&Mkts will be given the authority to focus its food safety resources on the inspection of high risk food establishments while still maintaining required oversight of those that provide minimal risk to public health.
- **New York Works Infrastructure Investment.** The Budget provides \$135 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 funding of \$90 million will be provided to OPRHP to support health and safety projects and critical infrastructure rehabilitation. The OPRHP budget will also include \$2.5 million for Olympic Regional Development Authority infrastructure, supplementing \$6.9 million of capital appropriations in the Authority's budget. To improve and rehabilitate the State fairground, \$2.5 million is provided to the Department of Agriculture and Markets. DEC will receive \$40 million to address a variety of capital needs including creating 50 new public access projects to connect hunters, anglers, bird watchers and other outdoor enthusiasts to un-tapped State owned lands. This new funding will also provide for air monitoring infrastructure investments, remediation of legacy environmental contamination, investments in information technology, and makes updates and health and safety repairs to State infrastructure, including dams, State lands and fish hatcheries.

- **Expand Opportunities for Hunting, Fishing and Other Activities.** Building on last year's Open for Fishing and Hunting initiative, the Governor announced in the State of the State a new NYS Adventure License to allow lifetime hunters, anglers and Empire Pass license holders the option of receiving a special designation on their driver's license. The Executive Budget continues this commitment to outdoor recreation. The State will undertake 50 projects to provide access to more than 380,000 acres of existing State lands for recreation, including boat launches, bird watching areas, trails, and hunting blinds. Fish hatcheries around the State will also be rehabilitated. Further, to encourage hunting and fishing across the State, new 3- and 5-year hunting and fishing licenses have been created, the seven-day fishing license fee has been reduced, and the DEC will be able to offer promotional reduced fee licenses on designated days and more free sport fishing days each year. Lastly, the Budget will give the Department of Environmental Conservation the authority to regulate crossbow hunting and will also limit liability for landowners who wish to open up their properties for public recreation.
- **Expand Access to New York Grown Agricultural Products.** Building on last year's success, the Executive Budget includes \$1.1 million for the "Taste NY" program. This program is branding and expanding New York's food and beverage industry by making the wide variety of foods and beverages grown and produced in the State readily available and recognizable to New Yorkers and the public nationwide. The Budget also includes \$350,000 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 continues \$40,000 for a program to evaluate and test hop varieties in New York.
- **Cornell University College of Veterinary Medicine.** The Executive Budget includes a \$5 million initial State investment to expand and upgrade infrastructure and teaching facilities at the Cornell University College of Veterinary Medicine, to accommodate larger class sizes.
- **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 2013-14 Budget. These programs include the Migrant Childcare program, Cornell Veterinary Diagnostic Laboratory, Cornell Pro-Dairy, the Wine and Grape Foundation, and Farm Family Assistance.





# Health Care

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

## Overview

The Executive Budget continues historic Medicaid reforms of the Medicaid Redesign Team that are achieving better health care outcomes at a more sustainable cost. The Budget supports more effective models of care, sustains the State's health benefit exchange, encourages regional collaborations among providers and communities, and makes investments in health care infrastructure and health information technology to transform the health care delivery system.

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The mission of the Department of Health (DOH) is to ensure 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 (FHP), Child Health Plus (CHP), 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 15 managed care plans. Total Federal, State and local Medicaid spending is expected to be \$58.2 billion in 2014-15.

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 3.8 percent).

The collaborative process of the MRT has bent the cost curve for the Medicaid program and is on track to save the State and Federal governments \$17 billion each, through 2014-15. Building on this success, and through further collaborations, New York has the potential to completely transform health care for all payers and recipients. The Executive Budget launches the process through new investments that will help introduce new models to improve care delivery and health outcomes at lower cost.

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

<b>Category</b>	<b>2013-14 (\$ in millions)</b>	<b>2014-15 (\$ in millions)</b>	<b>Change</b>	
			<b>Dollar (in millions)</b>	<b>Percent</b>
Medicaid (Total All Funds)	55,608	58,193	2,585	4.6
Medicaid (Global Cap)	15,903	16,507	604	3.8
Department of Health Spending (Excluding Medicaid)	4,621	4,102	(519)	(11.2)
Office of the Medicaid Inspector General	63	57	(6)	(9.5)
Office for the Aging	217	216	(1)	(0.5)

### **Proposed 2014-15 Budget Actions**

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 \$10.9 million in savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts.

### **Health Care Transformation**

Health care represents one of the largest and fastest growing costs for businesses and governments, families and individuals. In New York, annual commercial health insurance premiums are approximately \$5,967 per member, a number that has grown on average 8.5 percent over the last six years. Health insurance drives up fringe benefit costs for local governments, putting stress on budgets and property taxes. Health insurance is also a major cost for employers, dragging down our economy and putting New York at a competitive disadvantage.

The success of the MRT proves that through constructive collaboration, unsustainable spending trends can be reversed while improving care delivery and health outcomes. Further evidence of the power of this approach is the success of the Finger Lakes Health Systems Agency (FLHSA), whose bottom-up regional health planning process has resulted in the Rochester area having the lowest Medicare cost in the nation while at the same time improving health outcomes.

By scaling this initiative statewide, through regional collaborations supported by the right infrastructure and technology, opportunities exist to achieve savings across the entire health care system – not just Medicaid. All payers of health care in New York will benefit from lower costs and improved quality.

The Executive Budget takes the next step in this transformation by providing capital funding for targeted investments that would complement projects supported by the Medicaid waiver, currently pending approval by the Federal government. By the end of 2014-15, the MRT will have generated over \$17

billion in Federal savings. The waiver will allow the State to reinvest up to \$10 billion of that savings into the transformation of New York's health care delivery system. Approval of the waiver is essential to fully implement the MRT action plan, strengthen health care infrastructure, reduce avoidable hospital admissions and respond to future expectations under the Affordable Care Act (ACA).

The Medicaid waiver and complementary investments will:

- **Expand the Availability of Capital.** Currently, many health care providers are financially disadvantaged and have limited ability to support critical infrastructure improvements. The Executive Budget advances a new \$1.2 billion capital program to support projects that improve financial stability and increase efficiency through greater provider collaboration. In addition, the Budget expands access to other forms of capital by encouraging private equity investments and expanding the availability of Health Facility Restructuring Program loans to nursing homes and clinics.
- **Establish Regional Health Improvement Collaboratives (RHICs).** Regional planning, where practiced in New York State, has demonstrated success in improving health outcomes at lower cost. The Budget provides \$7 million in 2014-15, growing to \$16 million in 2015-16 to support 11 RHICs, including support for FLHSA to share their experience and provide technical assistance to the other regions. RHICs will function as neutral conveners of key health care stakeholders to identify regional health care challenges and implement recommended solutions.
- **Improve Health Information Technology.** Collecting and sharing health care data across providers and regions will enable better evaluation leading to more efficient resource allocation, improving the quality of service at reduced costs. The Budget includes up to \$65 million in 2014-15 from covered lives assessment revenues associated with additional insured individuals to continue operational support for the State Health Information Network of New York (SHIN-NY), establish a statewide electronic medical record system, and an All Payer Claims Database (APCD). This investment will leverage up to \$30 million of Federal Medicaid funds for these projects for a total of up to \$95 million.

## 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. A cost neutral package of new MRT initiatives is proposed to make critical investments in health care delivery, which include:

- Supporting the integration of physical health and behavioral health services within a managed care environment, through Behavioral Health Organizations and Health and Recovery Plans.
- Making additional funding available for affordable housing.
- Making increased payments to essential community providers.
- Leveraging Health Homes to establish better linkages and improve care coordination for the mentally ill and criminal justice populations.
- Facilitating the transition of foster care children into managed care.

- Financing the Medicaid share of investments in Regional Health Planning, the SHIN-NY and APCD.

These investments are balanced by savings resulting from targeted Medicaid integrity initiatives to eliminate fraud and abuse, improvements in benefits design, greater controls on pharmaceuticals, and compliance with Federal law that requires spousal support.

### **New York Health Benefit Exchange**

In 2013, the Governor issued Executive Order #42 to establish a New York Health Benefit Exchange. The Exchange – NY State of Health – serves as a centralized marketplace to shop for, compare and enroll in a health plan, in accordance with the ACA. The Health Plans offered through NY State of Health are on average 53 percent less expensive than individual coverage purchased in 2013 for comparable coverage. Through January 17<sup>th</sup>, over 580,000 New Yorkers have completed applications and more than 326,000 have enrolled in coverage. Federal funding for the initial operations of the New York Health Benefit Exchange will end January 1, 2015, and the Executive Budget provides \$54.3 million in 2014-15, growing to \$148.3 million in State funding, between the DOH and Department of Financial Service budgets, to sustain its continued operations.

### **Public Health and Aging Programs**

DOH and SOFA administer programs that support New York's public health and senior care systems. The Executive Budget makes necessary investments and reduces costs by incorporating additional insurance revenues, eliminating automatic inflators to providers, restructuring programs and implementing administrative efficiencies in government operations. These actions will save an estimated \$10.9 million in 2014-15 and \$20.0 million in 2015-16.

- **Reflect Additional Insurance Revenues.** State public health funding generally supplements program funding after accounting for Federal funding and other available resources, including health insurance revenues. Recognizing the greater availability of health insurance coverage, the budget will modify funding for the AIDS Drug Assistance Program, Cancer Services and Family Planning to account for the collection of additional health insurance revenues. The 2014-15 savings is \$3.1 million, growing to \$12.8 million in 2015-16.
- **Encourage Linkages to Insurance Coverage for Prenatal Care Services.** The Executive Budget requires counties to make good faith efforts to link uninsured women with health insurance coverage for prenatal care reimbursement through the General Public Health Works Program. Additional health insurance revenues are expected to offset program costs, leading to a \$2 million savings in 2014-15 and a \$4.3 million savings in 2015-16.
- **Maintain Roswell Park Cancer Institute Funding.** The Budget maintains support for Roswell at \$103 million by replacing an expiring \$25 million capital grant with a commensurate amount of local assistance funds.
- **Defer the Planned Human Services Cost of Living Adjustment (COLA) Increase.** The Budget defers the two percent human services COLA for 2014-15, saving \$11.3 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. The 2014-15 savings is \$16.8 million, decreasing to \$12.6 million in 2015-16.

- **Discontinue Resident Working Audits.** The Executive Budget discontinues the requirement that DOH conduct audits of medical residents' working hours. This results in annual savings of \$1.1 million.
- **Continue Support for the Spinal Cord Injury Research Program (SCIRP).** SCIRP supports peer reviewed research efforts designed to develop, test and validate therapies for the treatment of spinal cord injuries. The Budget continues SCIRP funding at \$2 million annually.
- **Increased Funding for Health Tax Check-Off Accounts.** The Budget provides \$2.2 million in additional support for Alzheimer's, breast cancer and prostate cancer research and education activities supported through accounts financed by taxpayer donations on their State income tax returns. The additional funding is due to increased taxpayer support for these purposes.
- **Promote Organ Donation.** New York has one of the lowest organ/tissue donation consent rates in the nation. The Budget includes \$200,000 annually to launch a public-private partnership with the organ donation community to increase public awareness and improve consent rates.
- **Train Staff from Area Agencies on Aging.** In recognition of the significant changes in the health and long term care policy environment, the Budget includes \$250,000 to train local Area Agencies on Aging staff so they can provide up-to-date information and services to older adults.
- **Organize Health Care Program Funding.** The Budget consolidates 36 separate health awareness and prevention programs into 10 pools comprised of programs that serve similar functions or reflect the common characteristics. This action does not have a fiscal impact.

## Other Initiatives

- **Out-of-Network Consumer Protections.** Surprise medical bills from out-of-network providers charging exorbitant rates can cause economic hardships for patients. Legislation will be advanced with the Budget to protect consumers from large out-of-network medical bills by establishing a process to resolve billing disputes that holds consumers harmless, expanding network adequacy protections and improving disclosure of out-of-network reimbursement methods.



# Higher Education

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

## Overview

The Executive Budget strengthens the ability of New York's public system of higher education to excel both academically and as an economic engine. New strategic investments will yield further academic gains, create employment opportunities, and connect graduates to jobs.

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 nearly 402,000 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 328,000 students. In addition, more than 543,000 students attend 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 160,000 (14 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 systems.

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 342,000 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 groundbreaking legislation implementing the NYSUNY 2020 Challenge Grant Program. This act strengthened New York State's system of higher education by introducing a rational and predictable tuition plan, a commitment to maintain State financial support, a competitive grant program making our State universities incubators of academic excellence and economic growth, and assistance to make college affordable for students with limited income.

The rational tuition policy replaced an era of unpredictable and sometimes extreme tuition increases by allowing each SUNY and CUNY campus to raise tuition by \$300 per year for five years. These modest tuition rates maintain the affordability of New York's public colleges and universities, and the predictability enables families to plan for college expenses.



Coupled with the NYSUNY 2020 commitment to provide a consistent level of State General Fund support, the rational tuition policy makes it possible for the public university systems to add faculty, reduce class sizes, expand program offerings, and improve academic performance.

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

Beyond establishing a stable system of State and tuition support, NYSUNY 2020 launched a competition-based challenge grant program. This program has made New York's public universities incubators of academic excellence and economic growth at the center of the State's regionally based economic revitalization strategy. NYSUNY 2020 Challenge Grants leverage State capital funding to incentivize bottom-up, individualized, long-term economic development plans on campuses and their surrounding communities.

These strategic investments began with \$140 million for capital projects across the four SUNY university centers – Albany, Binghamton, Buffalo, and Stony Brook. The second phase awarded \$60 million to four projects that involve a consortium of 19 SUNY campuses. Phase III, funded in 2013, includes a third round of NYSUNY 2020 challenge grants as well as a first round of NYCUNY 2020 -- each with funding of \$55 million.

In 2013, Governor Cuomo built upon these initiatives by launching START-UP NY, a game-changing strategy to create tax-free communities affiliated with our public and private universities, and bring new economic investment to New York, especially Upstate. The program offers businesses that locate or expand in New York the opportunity to operate completely tax-free for ten years on or near eligible campuses. This unique marriage between public and private entities will drive economic growth and foster innovative collaboration. Businesses that partner with these institutions will benefit from access to industry experts and advanced research laboratories. The colleges and universities will benefit from the innovation-driven public-private partnerships that create new opportunities for students and researchers.

Another significant enhancement to our higher education system in 2013 was Governor Cuomo's Next Generation NY Job Linkage Program. This innovative program connects degrees to careers by having community colleges partner with regional employers to provide students with improved opportunities for post-graduation employment in a field related to their education. The Governor's initiative also provided \$5 million in incentive funding to reward community colleges based on the success of their students in job placement and academic performance.

Finally, both SUNY and CUNY have played key roles in implementing the New NY Education Reform Commission's recommended action plan to improve the quality of New York's education system. In 2013, the university systems took action to raise admission requirements and strengthen the curriculum for teacher preparation programs.

## Summary of Spending (General Fund)

Category	AFY 2014 (\$ in millions)	AFY 2015 (\$ in millions)	Change	
			Dollar (in millions)	Percent
<b>Higher Education</b>	<b>3,239</b>	<b>3,265</b>	<b>26</b>	<b>0.8</b>
SUNY Operating Budget	971	969	(2)	(0.2)
CUNY Operating Budget	526	525	(1)	(0.2)
Community Colleges	687	685	(2)	(0.3)
SUNY Hospital Subsidy	60	69	9	15.0
HESC Grants and Scholarships	995	1,017	22	2.2

## 2014-15 Strategic Investments in Higher Education

The Executive Budget makes several new strategic investments in higher education to leverage greater academic achievement and economic development.

To build upon the success of the Challenge Grants, the Executive Budget includes \$110 million to expand and launch another round of NYSUNY 2020 and NYCUNY 2020. Priority will be given to plans that use technology to improve academic success and job opportunities for students, leverage public-private partnerships through the START-UP NY program, and better connect students to the workforce.

The Executive Budget also includes a new full tuition scholarship to any SUNY or CUNY college or university for the top 10 percent of high school graduates if they pursue a career in the Science, Technology, Engineering and Math (STEM) job sector and commit to work in New York for five years. This investment will help fill job openings in one of the fastest growing sectors of the economy and encourage our best and brightest students to build their careers here in New York.

SUNY's role in transforming the State's economy is further established in the Executive Budget through the creation of the NY Genomic Medicine Network and the expansion of the NY Youth Works Program. To capture economic and medical gains for New York State in the emerging field of genomic medicine, Governor Cuomo will establish a strategic partnership between the NY Genome Center in New York City and the State University of New York at Buffalo. The Executive Budget also connects the occupational training component of the NY Youth Works Program – an initiative established by Governor Cuomo to combat youth unemployment – to the Job Linkage Program. This initiative will encourage employers to hire inner-city youth by offering to meet their training needs through a partnership with a community college.

The Executive Budget will also meet emerging needs in higher education by creating the nation's first College of Emergency Preparedness, Homeland Security and Cybersecurity. In addition, a new School of Pharmacy will be established at SUNY Binghamton.

Finally, consistent with the provisions of the NYSUNY 2020 Challenge Grant Program, the Executive Budget provides on-going General Fund operating support for SUNY and CUNY colleges and accommodates 2014-15 tuition increases by providing \$95 million in additional spending authority for SUNY and \$61 million for CUNY.

## Major Initiatives

- **Expand and Launch Another Round of NYSUNY 2020 and NYCUNY 2020.** The Executive Budget includes \$110 million for a new and expanded round of NYSUNY 2020 and NYCUNY 2020 grants, \$55 million for each university system. Funding will continue to be awarded through a bottom-up competitive process by which campuses develop plans for improving academic outcomes, finding efficiencies, and promoting innovation and economic development. The initiative will give priority to plans that: use technology, including but not limited to the expansion of on-line learning, to improve academic success and job opportunities for students; leverage economic and academic opportunities through the START-UP NY program; and provide experiential learning opportunities that connect students to the workforce. This strategic investment will continue the Governor's initiative to make our university systems into incubators of academic excellence and economic growth.
- **Offer a Science, Technology, Engineering and Math (STEM) Scholarship.** The Executive Budget includes \$8 million in funding for a new STEM scholarship program. Full tuition scholarships to any SUNY or CUNY college or university will be offered to the top ten percent of high school graduates if they pursue a STEM career and work in New York for five years. The scholarship will encourage the best and brightest students to pursue STEM college degrees and build their careers here in New York in one of the fastest-growing sectors of the economy.
- **Create a College of Emergency Preparedness, Homeland Security and Cybersecurity.** The Executive Budget includes \$15 million in capital resources to fund initial planning and development costs for a new College of Emergency Preparedness, Homeland Security and Cybersecurity within SUNY. The College will create the world's most comprehensive academic programs, research, and training opportunities for aspiring professionals, policy leaders, emergency managers and first responders. Through its affiliation with SUNY, the College can also serve as an economic driver for the State through the development of new companies and industries under the START-UP NY program.
- **Establish a School of Pharmacy at Binghamton University.** The Executive Budget includes \$10 million in capital resources to fund initial planning and development costs for a new School of Pharmacy at Binghamton University. This initiative will help Binghamton continue to build its stature as a premier research university, expand enrollment, create jobs, increase economic activity in the region, and help meet health care workforce needs in the State.
- **Create the NY Genomic Medicine Network.** As the next major investment of the "Buffalo Billion," the Executive Budget will provide funding for the State University of New York at Buffalo to partner with the NY Genome Center in New York City in a network that connects the medical community in New York City with the computational infrastructure at the University at Buffalo and the research community at Roswell Park Cancer Institute. This initiative will lead to job creation and significant advances in the emerging field of genomic medicine, and develop Upstate New York in as a national center for genomic research and jobs.
- **Connect the NY Youth Works Program to Community Colleges.** To encourage more employers to hire inner-city youth, the Executive Budget will tie the occupational training component of the NY Youth Works Program – an initiative established by Governor Cuomo to combat youth unemployment – to the Job Linkage Program. Businesses that want to hire under the NY Youth Works Program, but need training, could partner with a community college that will offer a specialized certification under the Job Linkage program.

# 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  
Division of Veterans' Affairs

## Overview

The Executive Budget provides funding for core supportive services for needy populations, increases funding for child care subsidies that allow low-income individuals to seek or maintain employment, expands the availability of affordable housing across the State, expands efforts to serve Veterans and their families, and makes further investment in the Pay for Success program.

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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 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.

Programs funded through the Division of Veterans' Affairs (DVA) connect veterans, members of the armed forces, and their families to various economic, medical, and social benefits and services available as the result of active duty military service.

## 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 2014-15 caseload is estimated at 564,000 recipients.

## Human Services

New York's Supplemental Security Income (SSI) program supplements Federal SSI benefits to low-income elderly, blind, and disabled persons. The 2014-15 caseload is estimated at 712,000 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 \$751 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 implementation in October 2014.

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 160,000 child protective services investigations with more than 50,000 cases receiving protective and preventive services. Federal funds support approximately \$467 million of statewide program costs. The State supports 62 percent of non-Federal 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 more than 40 percent since 2002-03 – from 34,900 to approximately 20,000 in 2013-14.

The Executive Budget proposals provide for core supportive services for needy families, while limiting spending growth and implementing measures to improve program performance.

In Juvenile Justice, the 2014-15 Executive Budget reflects continued implementation of the Close to Home initiative. Under this initiative, in 2012-13, New York City youth requiring a non-secure placement were transferred from OCFS to New York City custody to receive services closer to their home community. New York City is working with OCFS on a plan to take custody of its youth that require a limited secure placement. This limited secure phase of Close to Home is expected to be implemented during 2014-15. After the limited secure phase is implemented, OCFS will reduce its limited secure facility capacity.

### Summary of Spending (All Funds)

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Human Services	9,226	8,878	(348)	(3.8)
OTDA	5,402	5,059	(343)*	(6.3)*
OCFS	2,921	2,963	42	1.4
DOL	633	590	(43)**	(6.8)
HCR	241	237	(4)	(1.7)
DVA	15	15	0	0
DHR	14	14	0	0
*Year-to-year change reflects a reduction in public assistance expenditures due to caseload changes and in SSI expenditures due to implementation of the State takeover of program administration that was previously authorized.				
** Year-to-year change primarily reflects transfer of resources to the Office of Information Technology Services.				

## Proposed 2014-15 Budget Actions

### 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 costs. New resources of \$100 million will be invested to create and preserve 3,000 affordable housing units in multi-family developments. This investment of Federal storm recovery funds for affordable housing will serve as a catalyst to attract private investment into the market by lowering mortgage costs and leading to more affordable rents.

The Executive Budget also continues the House NY program initiated in 2013-14 that invests \$1 billion over five years to preserve and create 14,300 affordable housing units statewide. This will 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 includes: the revitalization of 44 Mitchell Lama affordable housing projects that suffer from significant physical deterioration and were transferred to the Housing Finance Agency from Empire State Development Corporation in 2013-14 (\$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. The 2014-15 Budget expands upon the House NY program by adding \$40 million in new capital resources for construction and renovation of affordable housing for low income and homeless individuals and families.

- **Utilize MIF Resources to Support the NPP/RPP and the RRAP.** The Executive Budget proposes to continue the utilization of \$32 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.

### Human Services

- **Create the Commission on Youth, Public Safety and Justice.** Despite significant reductions in juvenile crime and incarceration, New York is one of only two states that continue to prosecute 16- and 17-year olds through the adult criminal justice system. In 2014, the Governor will establish the Commission on Youth, Public Safety and Justice to make recommendations on how best to raise the age of juvenile jurisdiction, improve outcomes for youth, and promote community safety.
- **Expand Pay for Success.** Also known as “Social Impact Bonds,” “Pay for Success” contracts are part of an innovative program to achieve better human services outcomes while saving taxpayer money. Program initiatives attract private funding for preventative programming with a promise to investors of a return on investment based on savings the programming achieves. In 2013-14, New York launched the nation's first state-led Pay for Success project to train and employ approximately 2,000 formerly incarcerated individuals. Pay for Success projects are characterized by 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 State makes no payment if the program does not meet goals, ensuring taxpayer dollars are only spent if results are achieved. Building upon this success, the Executive Budget increases its

utilization of this innovative structure from \$30 million, as authorized in the 2013-14 Budget, to a total of \$125 million. New initiatives will be undertaken in the areas of early childhood development and child welfare, health care, public safety, and developing solutions to reduce homelessness.

- **Increase Child Care Funding.** The Child Care Block Grant is made up of State, Federal and Local funds. The Executive Budget increases total block grant funding by \$21 million to allow local social services districts to maintain child care subsidies in the face of increased costs for child care services.
- **Provide New Economic Opportunities and Improve Services for Veterans.** The Executive Budget provides \$250,000 for the Division of Veterans Affairs to undertake a disparity study to examine the equity in contracting for service-disabled veteran small business owners. This will be the first action intended to establish up to a five percent goal in awarding State contracts to service-disabled veterans. In addition, the Governor will convene a Veterans and Military Families Summit in 2014 to identify key policy areas of need and the ways in which New York State can better serve those who have served our nation.
- **Establish a Fair Hearings Chargeback.** OTDA administers and the State pays for the fair hearings process through which recipients of various benefit programs such as Supplemental Nutrition Assistance (“SNAP”), public assistance and Medicaid may appeal a decision made by a local social services district. In certain districts, many such hearings are withdrawn prior to occurrence due to lack of evidence or other factors. This practice creates significant additional costs for the State and inconvenience for recipients. The Executive Budget includes a performance improvement initiative that will encourage local social services districts to improve their administrative practices. If a district fails to meet certain performance criteria, the State would be authorized to “chargeback” the district for a portion of the costs incurred for hearings from that district.
- **Defer the Human Services Cost of Living Adjustment (COLA).** The Executive Budget will defer the planned 2 percent COLA scheduled to take effect in 2014-15 for OCFS programs. This action will save \$19 million in 2014-15.
- **Expand Educational Services Offered to Youth in OCFS Facilities.** In 2013-14, OCFS was authorized to enter into contracts with the Boards of Cooperative Educational Services (BOCES) for special education services at its youth facilities. Building upon this initiative, the Executive Budget will expand OCFS' authority to contract with BOCES to cover additional areas such as foreign languages, music, art, career and technical skills and others that will increase educational opportunities for youth at the agency's facilities.

# Local Government

## Overview

The 2014-15 Executive Budget continues Governor Cuomo's commitment to lowering property taxes, improving local government efficiency, and assisting distressed local governments while maintaining core local government assistance. Highlights include:

- **Freezing Property Taxes.** The Executive Budget includes a two-year freeze on property taxes for homeowners in school districts and local governments that stay within the property tax cap. To ensure that officials are working together to eliminate waste and duplication, local governments and school districts will be required to develop regional efficiency plans in order for their residents to receive the second year of the tax freeze. The results of those efficiencies should lead to further property tax reductions.
- **Eliminating Duplicative and Overlapping Governments.** Funding of \$39 million is included to provide grants for implementing consolidations and regional services as well as tax credits to residents of local governments that fully dissolve or consolidate.
- **Assisting Distressed Local Governments.** Available funding for the Financial Restructuring Board is maintained at \$80 million to provide grants or loans to local governments that implement restructuring initiatives identified by the Board.

In addition to these reforms, the Executive Budget continues to provide \$715 million to local governments in unrestricted aid.

## Freezing Property Taxes

New York residents face one of the nation's highest property tax burdens. In his first year in office, Governor Cuomo advanced and secured approval of one of the strictest property tax caps in the country. In the first two years under the tax cap, property taxes grew at an average annual rate of just 2.5 percent – 40 percent lower than the average annual growth from 2000 to 2010.

The 2014-15 Executive Budget takes the next step in reducing this burdensome tax by freezing the increase in property taxes for homeowners in local governments and school districts that stay within the cap for the next two years. This will be effective for school districts and the Big 4 cities starting with the 2014-15 fiscal year and for all other local governments in fiscal years beginning in 2015.

Homeowners with incomes at or less than \$500,000 who reside in a school district or local government that stays within the tax cap will receive a State tax credit equal to the increase in property taxes.

In order for their homeowners to get the tax credit in the second year, school districts and local governments must continue to stay within the tax cap and must develop a plan for sharing or consolidating services and eliminating duplication and overlap. For local governments and dependent school districts, this plan will be coordinated by the county. For independent school districts, it will be coordinated by the school district with the largest enrollment in the BOCES district.

Each plan must achieve savings, in the aggregate, in an amount of at least one percent of participating entities' levy in the year following the second year of the credit. This percentage increases to two percent



and three percent in subsequent years. These savings must be applied to tax reduction. Failure to achieve planned savings could result in recapture of State aid to the local government or school district. When fully implemented, local governments and school districts could provide property tax relief of up to \$1 billion. New York City is not subject to the cap.

## **Eliminating Duplicative and Overlapping Local Governments**

The property tax freeze is intended to serve as a catalyst to drive New York's numerous and overlapping layers of local governments to find efficiencies and reduce property taxes. In previous years, grant programs were created and reformed to aid and encourage local governments and their residents to consolidate and merge services. The 2014-15 Executive Budget continues this commitment by appropriating an additional \$35 million for the Citizen Empowerment Tax Credits and Citizens Reorganization Empowerment Grants as well as another \$4 million for the Local Government Efficiency Grant program.

- **Citizens Reorganization Empowerment Grants.** These grants provide funding of up to \$100,000 for local governments to cover costs associated with planning and implementing local government reorganization activities, such as consolidations and dissolutions. Expedited assistance is given to local governments that have received a citizen petition for consolidation or dissolution.
- **Citizen Empowerment Tax Credits.** For cities, towns, or villages that consolidate or dissolve, these tax credits provide an annual aid bonus equal to 15 percent of the newly combined local government's tax levy. At least 70 percent of such amount must be used for direct relief to property taxpayers.
- **Local Government Efficiency Grants.** These competitive grants provide funding 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. The maximum implementation grant award is \$200,000 per municipality/\$1 million per grant, and the maximum planning grant award is \$12,500 per municipality/\$100,000 per grant.

## **Assisting Distressed Local Governments**

With his 2013 State of the State address, Governor Cuomo called for new way to help distressed local governments regain solvency before the strict enforcement of a control board is imposed. To meet this need, the Financial Restructuring Board for Local Governments was created.

The Board is a ten-member panel available year round to offer assistance to eligible municipalities. It is chaired by the Budget Director and includes the State Comptroller, the Attorney General, the Secretary of State, and six other members appointed by the Governor. Of these six appointees, one is recommended by the Temporary President of the Senate, and one is recommended by the Speaker of the Assembly.

Any eligible county, city, town, or village may request a comprehensive review from the Board. This review will assess the local government's operations, finances, and management structure and, based on this information, make recommendations on restructuring municipal operations to improve its finances and efficiency. In addition, the Board can offer grants and/or loans of up to \$5 million per municipality through the Local Government Performance and Efficiency Program for implementing the recommendations. If the local government agrees to undertake the Board's recommendations, it will be contractually bound to fulfill those terms in order to receive the aid.

In November 2013, the Board accepted its first two comprehensive review requests, and additional requests are anticipated.

The Board also can serve as an alternative arbitration panel for eligible municipalities and municipal unions to resolve contractual disputes through binding arbitration (e.g. police, fire, or deputy sheriff unions). An eligible municipality and municipal union may jointly agree to have the Board serve as its binding arbitration panel. After reviewing the evidence submitted, the Board, by majority vote, will make a just and reasonable determination of the matters in dispute. The determination will be final and binding on the municipality and municipal union.

The 2014-15 Executive Budget maintains funding of \$80 million available under the Local Government Performance and Efficiency Program for the Financial Restructuring Board to provide grants and loans to local governments as a condition of implementing recommended efficiency initiatives. It also provides \$2.5 million to support the Board's review of local governments.

## **Enhancing Local Revenues through the Upstate New York Gaming & Economic Development Act**

Last year's passage of Proposal One – Upstate New York Gaming & Economic Development Act - was a major victory for local governments and school districts. As a result of New Yorkers voting to authorize up to seven gaming resorts in the State, new revenue will be allocated to local governments and much needed property tax relief will be provided. The Act also authorized 2,000 Video Lottery Terminals (VLTs) at Off-Track Betting facilities on Long Island.

Ten percent of the revenues from the new casinos will be split equally between the host municipality and the host county with an additional ten percent going to other counties in each region. The remaining 80 percent of the State's tax revenues, after making up for reduced revenues from the Video Lottery Gaming program, will be used statewide for elementary and secondary education or property tax relief. Also due to the amendment's passage, ten percent of the net gaming revenue received by the State from Native American gaming facilities in each respective exclusivity zone will be distributed to the zone's non-host counties.

The total statewide fiscal impact, when fully implemented, of the new casinos, VLT's and Native American compacts is estimated to be \$430 million annually, with approximately \$192 million in local government assistance being provided to counties and host municipalities.

## **Reducing Mandates on Local Governments and Taxpayers**

The burden of mandates is not a new one. These requirements have grown over decades and are marbled throughout statute and regulation. Significant progress has been and continues to be made to eliminate these mandates to provide real, recurring relief to local governments, school districts, and their taxpayers. Such reforms include:

- **Medicaid Relief.** Medicaid is one of the biggest costs for counties and New York City. The State is absorbing the growth in the local share of Medicaid growth, saving counties and New York City \$1.2 billion over five years. Along with the expense growth, the State is also assuming Medicaid administrative responsibilities for counties. This will result in greater efficiencies and help achieve State and Federal health care reform initiatives.

- **Pension Reform.** In recent years, pensions have been one of the fastest growing costs for local governments and school districts. In 2012, a new pension tier was created in the State pension system that will save the State, local governments, and school districts \$80 billion over the next 30 years. In 2013, local governments and school districts were given the option to have a more stable pension contribution rate, which has greater predictability and allows locals to access the savings from the 2012 reforms.
- **Binding Arbitration.** After decades of local government calls for change to the binding arbitration process with police and fire unions, reforms were enacted in 2013 to require arbitrators to give significant weight to a distressed local government's ability to pay and to consider the property tax cap when making awards. This will help ensure that awards reflect the high burden already faced by property taxpayers in these communities.
- **Affordable Care Act Funding Acceleration.** The 2013-14 Budget used State funds to lower County Medicaid Cap contributions by \$86 million through an advancement of enhanced FMAP for the period January 1, 2014 through March 31, 2014 associated with childless adults under the Affordable Care Act.
- **Early Intervention.** Reforms to the Early Intervention program enacted with the 2012-13 budget will save local governments \$54 million over five years.

In addition to these major reforms, dozens of other reforms have been enacted and are being advanced, including:

- **Reforming Preschool Special Education.** Because of the reforms enacted last year, counties are now able to keep all recoveries from local audits of preschool special education providers (instead of 40.5 percent). To further address significant program expense growth and improve service delivery, the Executive Budget will include targeted reforms to the Special Education Itinerant Teacher (SEIT) services component of preschool education. These reforms include limiting reimbursement to services delivered, establishing regional rates, and empowering New York City to negotiate rates with providers.
- **Transforming Information Technology Operations.** As part of Governor Cuomo's ongoing initiatives to improve efficiencies and reduce costs, the State has invested in consolidating information technology and implementing shared services. In partnership with the College of Nanoscale Science and Engineering, the State is nearing completion of the first phase of a data center consolidation. This state of the art data center serves as a foundation for offering services to State agencies. The Executive Budget will include provisions for accessing the data center and other IT services by local governments. Specifically, the end user computing and collaboration tools used by State agencies will be offered to localities. Local governments will be able to control or save costs by avoiding the need to procure, operate and maintain their own independent systems. In the future, application solutions in the areas of Health and Human Services, Real Estate, and Public Safety will be deployed statewide and maintained centrally to support local government business processes.
- **Improving Local Public Safety.** The Division of Homeland Security and Emergency Services (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. DHSES has already awarded \$200 million in grants to counties, and will invest another \$75 million toward this initiative in 2014-15. In addition, the State will invest \$10 million over the next three years in the New York State Protection Cloud, a technology sharing initiative for State

and local law enforcement. By making a single solution available to all law enforcement agencies, the State will increase local crime-fighting capabilities, eliminate barriers to effective information sharing, and support coordinated responses across jurisdictions.

- **Providing Procurement Flexibility.** Local governments have been provided with expanded procurement options, such as the authority to "piggyback" on Federal General Services Administration contracts and county public works contracts. This year's Executive Budget extends this authorization for an additional six years. In addition, the Executive Budget will expand to all counties and cities, towns and villages with populations above 50,000 the authorization to undertake infrastructure projects using the design-build method previously authorized for the State.
- **Reforming Workers' Compensation and Unemployment Insurance.** Recent reforms have reduced the cost of purchasing workers' compensation and unemployment insurance, providing financial relief to all employers, including local governments.
- **Authorizing Efficient School Transportation.** Schools are authorized to provide student transportation based on patterns of actual ridership.

These important reforms will help local governments manage their budgets and reduce the burden placed on property taxpayers.

## Maintaining Core Local Government Aid

In addition to freezing property taxes and providing grants to help local governments consolidate and restructure, the 2014-15 Executive Budget proposes to maintain most direct local government aid programs, including AIM for cities, towns and villages, at 2013-14 funding levels.

- **AIM for Cities, Towns and Villages.** The Executive Budget maintains \$715 million in unrestricted AIM funding to cities, towns and villages.
- **Consolidation and Restructuring Programs.** The 2014-15 Executive Budget maintains \$39 million in funding to support the Citizens Reorganization Empowerment Grants, the Citizen Empowerment Tax Credits, and the Local Government Efficiency Grants. It also maintains \$80 million in funding to be awarded by the Financial Restructuring Board through the Local Government Performance and Efficiency Program.
- **Other Local Government Programs.** Other programs will be maintained at existing levels, including Video Lottery Terminal (VLT) Impact Aid, Small Government Assistance Grants for Essex, Franklin and Hamilton counties, and Efficiency Incentive Grants for Erie County and the City of Buffalo.

## Program Reductions

- **Miscellaneous Financial Assistance to Villages.** The Executive Budget discontinues Miscellaneous Financial Assistance to Villages. This aid stream was created in the 2013-14 Budget and provided arbitrary aid amounts to four villages established after the creation of the Aid and Incentives for Municipalities (AIM) program.

- Village Per Capita Aid.** The Executive Budget discontinues Village Per Capita Aid. This aid stream was created in the 2013-14 Budget to provide villages with aid payments totaling \$0.80 per capita. The median 2013-14 payment was \$1,416 and 85 percent of the payments to villages were less than \$5,000. The largest payment of \$42,955 represented approximately 0.06 percent of that village's budget.

## Summary of Spending

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
AIM – Cities Outside NYC	647.1	647.1	0	0
AIM – Towns and Villages	67.6	67.6	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	1.2	0.0	0
Local Government Performance and Efficiency Program	4.2	12.5	8.3	198
Local Government Efficiency Grants	8.0	5.2	(2.8)	(35)
VLT Impact Aid	27.2	27.2	0	0
Miscellaneous Financial Assistance	3.4	0.0	(3.4)	(100)
Village Per Capita Aid	1.5	0.0	(1.5)	(100)
Small Government Assistance	0.2	0.2	0	0
Buffalo/Erie Efficiency Grants*	5.5	2.7	(2.8)	(51)

\*All reappropriations are maintained. Lower anticipated spending is due to slower claims as programs near completion.

## Overall Fiscal Impact on Local Governments

The 2014-15 Executive Budget results in a year-to-year local impact of over \$638 million for municipalities and school districts for their fiscal years ending in 2015. These savings are primarily the result of a \$608 million increase in allocated school aid. Local governments including New York City will benefit from \$35 million from various sales tax and income tax proposals, \$5.0 million from higher Downstate transit assistance and \$5.1 million in savings from preschool special education reforms.

In addition, the Executive Budget recommends a \$2 billion general obligation bond act, to be brought before voters in November 2014, and commits to invest \$1.5 billion over five years for phase-in of a Statewide Universal Full-Day Pre-Kindergarten program and \$720 million over five years to expand after-school programs.

Impact of the 2014-15 Executive Budget on Local Governments (Local Fiscal Year Ending in 2015) (\$in millions)					
	Total	NYC	School Districts (non-NYC)	Counties	All Other
Allocated School Aid	608.0	231.0	377.0	0.0	0.0
Preschool Special Education	5.1	2.8	0.0	2.3	0.0
Revenue Actions	35.2	37.1	0.0	(1.6)	(0.3)
Human Services	(10.0)	(10.0)	0.0	0.0	0.0
Transportation	5.0	2.2	0.0	2.8	0.0
Municipal Aid	(4.6)	0.0	0.0	(3.0)	(1.6)
<b>Subtotal</b>	<b>638.7</b>	<b>263.1</b>	<b>377.0</b>	<b>(0.5)</b>	<b>(1.9)</b>
Smart Schools Bond Act	2,000.0	783.0	1,217.0	0.0	0.0
<b>Total 2014-15 Executive Budget Actions</b>	<b>2,638.7</b>	<b>1,046.1</b>	<b>1,594.0</b>	<b>(0.5)</b>	<b>(1.9)</b>

This table does not reflect allocation of \$1.5 billion over five years for phase-in of a Statewide Universal Full-Day Pre-Kindergarten program and \$720 million over five years to expand after-school programs. Those details require an analysis of statewide needs that is ongoing.



# Mental Hygiene

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

## Overview

The Executive Budget supports expansion of community-based care, continues to strengthen the oversight of care provided to vulnerable persons, makes investments to improve the accountability of mental hygiene agencies, and ensures 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, and addictions. 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, 245,000 people with chemical dependencies or gambling problems, and 126,000 individuals with developmental disabilities. In addition, OASAS serves 414,000 youth in school and community based substance abuse prevention programs.

## Caring for New York’s Vulnerable Citizens

The State’s Mental Hygiene system provides care and services for individuals in institutional facilities, community residences and community settings. The State operates institutional and research facilities and supports outpatient, employment, clinic, habilitative, and treatment programs operated by not-for-profit provider agencies that help individuals live in the setting they desire and lead full and productive lives.

The Executive Budget reflects 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 community-based programs, and redirects funding from high-cost institutional services to more effective lower-cost program models.

Proposed actions for the Mental Hygiene agencies include enhancing community mental health services, right-sizing and improving State-operated inpatient services, utilizing less costly and more programmatically appropriate in-state community residences, enhancing employment opportunities for individuals with disabilities, placing aggressive cost controls on agency operations, and maximizing payments from third-party payers.

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



The Executive Budget proposals result in Mental Hygiene system funding of \$7.4 billion in 2014-15, an annual spending increase of \$62.4 million, or 0.9 percent.

### Summary of Spending (All Funds)

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
OPWDD*	3,446.5	3,457.7	11.2	0.3
OMH	3,263.9	3,316.1	52.2**	1.6
OASAS	579.4	579.4	0.0	0.0
JUSTICE CENTER	38.0	41.7	3.7	9.7
CQCAPD	4.7	0.0	(4.7)	(100.0)
DDPC	4.2	4.2	0.0	0.0
<b>Total</b>	<b>7,336.7</b>	<b>7,399.1</b>	<b>62.4</b>	<b>0.9</b>

\* \$730 million in 2013-14 and \$745 million in 2014-15 for OPWDD services are reflected in DOH Medicaid spending.

\*\*Reflects \$28.2 million increase in General State Charges costs.

## Proposed 2014-15 Budget Actions

### 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 community-based, person-centered services. Significant actions include:

- Transitioning individuals from segregated settings, such as developmental centers, intermediate care facilities and sheltered workshops to more integrated, community-based support systems.
- Refocusing the service delivery system through OPWDD's comprehensive, consistent, and person-centered needs assessment process.
- Exploring new options for community-based services and housing opportunities by participating in the New York State Money Follows the Person (MFP) demonstration program and the Balancing Incentive Program.

In addition, OPWDD is seeking authorization from the Federal government to make changes that will improve coordination of long-term care and 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.

To ensure OPWDD delivers the most integrated and cost-effective services possible, the Executive Budget supports ongoing plans to downsize institutional programs by including \$9 million in new resources to fund more integrated and appropriate service opportunities in the community. This will assist in the transition of about 300 individuals from State institutions to more integrated community settings. The Budget reflects continued efficiencies and other saving actions via attrition, as well as stricter controls on non-personal services (NPS) spending which will reduce planned costs by \$11 million.

The Executive Budget also provides opportunities to ensure that individuals can be relocated back to New York from out-of-state placements, and that in-state and out-of-state providers receive the appropriate level of payments for providing services to individuals with developmental disabilities which will lower costs by \$8 million. Specifically, the Budget clarifies that individuals who have aged out of school at private residential placements will receive funding for appropriate day, rehabilitation and care management services rather than “tuition” payments, and ensures that Supplemental Security Income (SSI) payments are used as intended to cover costs for individuals in residential settings. The Budget also includes reforms to encourage more integrated community employment opportunities for individuals with developmental disabilities which is expected to reduce costs by \$10 million.

## **OMH Reforms**

The Executive Budget continues efforts to restructure State-operated inpatient services to improve the quality and array of available services, while utilizing these savings to make significant new investments to help ensure persons with mental illness can live safely and productively in the community.

The Budget provides \$25 million in increased funding to expand community services which is expected to reduce inpatient stays and local government costs. Enhanced services include additional crisis and respite beds, home and community-based services waiver slots, supported housing, mental health urgent care walk-in centers, mobile engagement teams, first episode psychosis teams, peer-operated recovery centers, family resource centers, evidence-based family support services, suicide prevention services, community forensic and diversion services, telepsychiatry, transportation services, family concierge services and greater integration of physical and behavioral health services. On an ongoing basis, these enhancements will be supported by an investment, on average, of \$110,000 for every inpatient bed that is closed.

OMH will begin the process of creating 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 restructuring will support the significantly expanded community-based services noted above. This restructuring will help facilitate earlier and better access to care, serve 3,000 more individuals with mental illness, reduce the burden on local government finances, and reduce approximately 400 unnecessary inpatient beds.

Funding from restructuring inpatient services, which is expected to save \$30 million, will also support a rental stipend increase of \$550 annually in the Downstate region and the development of 200 new supported housing units for residents of nursing homes (a total of 600 by the end of 2015), 500 new supported housing beds for individuals in adult homes (a total of 1,750 by the end of 2015), and 300 new beds for the homeless housing program in New York City (a total of 3,200 by the end of 2015).

The 2014-15 Executive Budget will also reinvest Medicaid savings from behavioral health programs that may be reduced, or have already been reduced, to ensure that behavioral health capacity is preserved in the impacted communities as the State prepares for the transition to managed care.

## **OASAS Reforms**

The Executive Budget supports OASAS’ movement to a more coordinated system of care that addresses behavioral and physical health care needs of individuals with substance use disorders. It continues to support programs to better serve individuals with dependencies on alcohol and chemical substances or problem gambling issues in non-profit provider programs.

The Executive Budget includes funding to support community and treatment opportunities, including supportive housing units in New York City for homeless families with members suffering from a chemical dependency.

### Justice Center Reforms

The Justice Center officially opened in June 2013 and is a nationwide model for improving care for vulnerable populations. The core mission of the Justice Center is to protect the health and safety of vulnerable individuals in the State's care. It has primary responsibility for tracking, investigating and pursuing serious abuse and neglect complaints related to 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).

The Executive Budget reflects \$800,000 in non-personal services (NPS) efficiencies through leveraging existing cooperative agreements with State Agencies, reducing projected spending on regional office space, and maximizing statewide shared services opportunities.

In addition, the Justice Center absorbed core responsibilities from the former Commission on Quality of Care and Advocacy for Persons with Disabilities (CQCAPD) in 2013-14, which includes advocacy and other programs to support individuals with disabilities. The Federal Protection & Advocacy designation held by CQCAPD was shifted to an independent entity that directly receives Federal funds for that purpose.

### Multi-Agency Budget Actions

- **Defer Planned Cost of Living Adjustments (COLA)/Trend Increases.** The Executive Budget defers the planned two percent annual human services COLA and maintains existing rates for other programs, avoiding \$76 million of new costs.

# Public Safety

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  
Office of Victim Services

## Overview

The Executive Budget supports continued progress toward making New York more ready for and resilient to future emergencies. Equally important, it reflects an approach to public safety that is tough, smart and fair. These priorities, taken together, ensure the safety of all New Yorkers.

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The State spends \$4.7 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 Emergency Preparedness and Crime Prevention

### Emergency Preparedness

Within the last three years, New York State sustained damage from Hurricane Irene, Tropical Storm Lee, and Superstorm Sandy – three powerful storms that crippled entire regions. Acknowledging that future extreme weather events and natural disasters are likely, the Executive Budget supports a series of emergency preparedness initiatives to prevent loss of life and damage to our communities. These initiatives include establishing a state-of-the-art weather detection system, equipping gas stations with back-up power, expanding the State's strategic fuel reserve, preparing citizens for emergencies, and developing interoperable public safety communications. In addition, the Executive Budget creates a new College of Emergency Preparedness, Homeland Security and Cybersecurity within the State University of New York. With these actions, New York is building a world-class emergency management and response network.

### Criminal Justice

New York has one of the lowest crime rates in the country and also has the lowest imprisonment rate of any large state. From 2003 to 2012, the number of crimes committed in New York declined 13.1 percent. In 2011, the number of major crimes committed reached the lowest levels ever recorded, when there were 70,738 fewer major crimes reported statewide than in 2003. In 2012, the number of major crimes increased by 2,786, indicating the persistent need to invest in crime-fighting efforts, especially the prevention of gun-related violent crimes.

Simultaneous with this significant decline in crime, the State's prison population has fallen from a peak of 72,600 in 1999 to fewer than 54,200, currently – the lowest level in more than two decades. To produce further population declines, the Department of Corrections and Community Supervision (DOCCS)

continues to focus efforts on programs to better prepare offenders for a return to the community and enhance their chances of success once released. Despite nine prior closures, eliminating nearly 4,300 excess beds and saving \$132 million, the prison system continues to have excess capacity.

Spending for public safety agencies is projected at \$4.7 billion for 2014-15, reflecting no growth in spending for the operations of all public safety agencies. Modest increases in the budgets for Division of State Police and the Division of Homeland Security and Emergency Services are attributable to planned capital investments. The reduction in the Division of Criminal Justice Services primarily reflects the elimination of spending on non-recurring items directed by the Legislature and transferring the cost of certain technology services to the Office of Information Technology Services.

### Summary of Spending (All Funds)

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Public Safety	4,685	4,684	(1)	0.0
Department of Corrections and Community Supervision	2,957	2,949	(8)	(0.2)
Division of State Police	676	692	16	2.4
Division of Criminal Justice Services	261	226	(35)	(13.4)
Division of Homeland Security and Emergency Services	522	533	10	1.9

In addition, the Executive Budget also reflects \$5.5 billion in Federal aid which will flow to local governments, public authorities, and not-for-profits over the next three years to continue the State's recovery from Superstorm Sandy. The State will also receive \$80 million in reimbursements for funds advanced during the immediate response and aftermath of the storm.

## Proposed 2014-15 Budget Actions

### Disaster Recovery and Preparedness

- **Establish a State-of-the-Art Weather Detection System.** The Division of Homeland Security and Emergency Services (DHSES) will collaborate with an academic partner to secure a private entity to establish and operate a state-of-the-art weather detection system – one of only six such systems in the nation. The number of weather stations will be increased from the current 27 to over 100, creating a highly sophisticated real-time weather reporting network which will accelerate and improve information sharing, thereby assisting emergency responders in responding to extreme weather events. An initial capital investment of \$15 million is being sought from Federal funding related to Superstorm Sandy.
- **Create the SUNY College of Emergency Preparedness, Homeland Security and Cybersecurity.** The Executive Budget provides \$15 million to initiate establishment of an advanced degree, interdisciplinary college, specializing in both academic and professional aspects of law enforcement, security, public and international affairs, counterterrorism, emergency management, cybersecurity and forensics. The world class curriculum provided by the college will ensure that aspiring emergency managers, first responders, and other professionals graduate with the skills required to uphold New York State's status as a leader in state and national security.

- **Equip Gas Stations with Back-up Power Capacity.** New York is the first state in the nation with a comprehensive plan to ensure that power is maintained at strategically located gas stations in an emergency. In 2013-14, the State made \$17 million available to Downstate gas stations near highways and evacuation routes, as well as additional chain gas stations throughout the region, to install back-up power capacity. In an energy emergency, all strategically located Downstate gas stations will have back-up power in place within 24 hours. In 2014-15, this program is being extended to include approximately 241 Upstate gas stations within a half mile of exits on critical highways. Another \$3.1 million will be made available through Federal funding related to Superstorm Sandy.
- **Expand State Strategic Fuel Reserves.** On Long Island, the State has created the nation's first state-based strategic fuel reserve. To prevent future supply disruptions, the reserve will be expanded statewide to serve emergency responders. The estimated \$10 million cost is expected to be supported by the New York Power Authority.
- **Prepare Citizens for Emergencies.** The Division of Homeland Security and Emergency Services, in collaboration with the National Guard, will offer emergency preparedness courses throughout the year to interested citizens, with a goal of training 100,000 citizens by March 31, 2015. Support for this initiative will come from Federal homeland security funds.
- **Achieve Statewide Interoperable Communications.** 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 overall strategy and setting 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 has already awarded \$200 million in grants to counties, and will invest another \$75 million toward this initiative in 2014-15. This includes a new program distributing \$10 million in annual formula-driven grants to counties to support ongoing operations of public safety communications centers. The results of an analysis of the State's progress toward full interoperability are expected in May, and will identify critical projects to close gaps in the statewide system.

## Criminal Justice

- **Protect Against Gun Violence.** Established in 2004, Operation IMPACT has been the State's primary tool to promote the use of data-driven crime-fighting approaches in Upstate communities, focusing law enforcement resources where they are most needed. While crime in IMPACT jurisdictions is down 14 percent since the initiative began, most of this decline is due to reductions in property crime. The Executive Budget revitalizes and refocuses the program on reducing gun violence in Upstate communities. A total of \$15.2 million will be invested through a new initiative called GIVE – Gun-Involved Violence Elimination. This program will be offered to the same communities currently receiving Operation IMPACT funding. Through GIVE, local law enforcement will adopt proven strategies to prevent gun violence, ensuring that New York remains the safest large state in the nation.
- **New York State Protection Cloud.** Accurate and timely information is at the core of today's effective policing, and up-to-date technology tools are needed to deliver that information efficiently. Over the next three years, the State will invest \$10 million in shared technology for State and local law enforcement. By making a single solution available to all law enforcement agencies, the State will increase local crime-fighting capabilities, eliminate barriers to effective

information sharing, and support coordinated responses across jurisdictions. As local law enforcement agencies join the system over the next four years, savings to these participating agencies are expected to grow to \$12 million annually.

- **Continue Right-Sizing Prison Capacity.** To realign the prison system's capacity with continuing declines in the inmate population and to achieve recurring savings for taxpayers, the Executive Budget reflects the closure of four prisons. The planned closures were announced in July 2013, ensuring that this action complies with the statutorily-required one year notification process for staff and impacted communities. The closures are expected to reduce capacity by more than 1,300 beds, and will save \$30 million annually. The combined annual savings for taxpayers of these four closures and the 9 prior closures is \$162 million. As has been the practice in the past, these communities will be eligible for economic development grants to ease the economic impact resulting from the closures. The Executive Budget makes \$24 million in new capital funding available for this purpose.
- **Stop Drunk Drivers.** Drunk and drug impaired driving remains a persistent problem that poses a serious threat to highway safety – there are 47,000 drivers with three or more drunk-driving convictions who still have their licenses. Under a proposed new law included in the Budget, drivers found guilty twice of driving while intoxicated or driving while impaired by drugs or alcohol within a three-year period will have their licenses suspended for five years. Drivers who have three such convictions in their lifetime will have their licenses permanently revoked. In addition, fines for certain violations related to DWI/DWAI will be increased, which could produce a small amount of additional State revenue.
- **Crack-Down On Youth Texting While Driving.** The Executive Budget includes legislation to intensify the efforts to curtail the prevalence of texting while driving by young drivers. Under the proposed new law, any person under the age of 21 convicted of texting-while-driving will have their license suspended for one year, which is double the current length of suspension for such violations. To further deter such behavior, the maximum fines for texting or cell phone use while driving violations will be increased, which could result in a very small increase in local court revenue.
- **Create the Commission on Youth, Public Safety and Justice.** Despite significant reductions in juvenile crime and incarceration, New York is one of only two states that continue to prosecute 16- and 17-year olds through the adult criminal justice system. In 2014, the Governor will establish the Commission on Youth, Public Safety and Justice to make recommendations on how best to raise the age of juvenile jurisdiction, improve outcomes for youth, and promote community safety.

# State Workforce

## Overview

The Executive Budget reflects collective bargaining agreements with 90 percent of the State workforce that has resulted in initial savings of \$300 million and on-going health benefit savings of \$230 million. The size of the State workforce is expected to be relatively stable in 2014-15, 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 179,759 State employees employed in Executive agencies, the SUNY and CUNY systems and in the Offices of the Attorney General and State Comptroller. The number of positions in agencies directly controlled by the Executive will have declined by 8,239 (6.5 percent) between the period December 2010 to the end of 2014-15, from 127,392 to 119,153.

Approximately 94 percent of the State workforce is unionized; there are 10 employee unions and 14 negotiating units. In addition, approximately 10,800 employees are considered Management/Confidential (M/C) and are not represented by a union.

State employees receive an average compensation (salary and other pay) of \$66,993 plus fringe benefits, totaling \$104,160.

The largest State employers are:

Agency	Workforce (3/31/14 Estimate)
State University of New York	43,342
Department of Corrections and Community Supervision	29,001
Office for People With Developmental Disabilities	19,031
Office of Mental Health	14,616

## Maintaining a Cost-Effective State Workforce

The State has settled collective bargaining agreements with 90 percent of the entire workforce and nearly all of the workforce that is subject to direct Executive control. These agreements yielded significant wage and benefit savings, including:

- No general salary increases for three years (2011-12 through 2013-14);
- Two percent general salary increases in 2014-15, as well as in 2015-16 for CSEA, NYSCOPBA, Council 82, and UUP;
- A two-year temporary reduction in employee compensation; and
- Increases to employee/retiree health benefit premium shares, copays, out-of-network deductibles and coinsurance that save nearly \$230 million annually.



In 2012-13, the State enacted Tier VI pension reform to help control increasing retirement costs for State government, local governments and school districts. As of April 1, 2012, all newly hired public employees belong to Tier VI. This new pension tier requires employees to contribute, depending upon annual salary, between 3 percent and 6 percent of their salary toward their pension; raises the retirement age for non-uniformed employees from 62 to 63; 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; extends the Final Average Salary period from 3 to 5 years; and places a \$15,000 cap on overtime factored in the calculation of 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 significantly diminish long-term pension costs, saving the State, local governments and school districts more than \$80 billion over the next 30 years.

Additionally, in calendar year 2013, the State commenced the provision of prescription drug coverage to its Medicare eligible retirees through a Part D Employer Group Waiver Plan (EGWP). This will facilitate the maximization of Federal Medicare reimbursement, thereby reducing the State's Other Post-Employment Benefits (OPEB) liabilities from \$59 billion to \$54 billion without reducing current benefit levels.

Finally, the State's employee and retiree health plan, the Empire Plan, is now entirely self-insured. The medical component of the Plan became self-insured on January 1, 2013, and the hospital, prescription drug and mental health components became self-insured on January 1, 2014. Previously, the State paid a set annual premium to its health insurance carriers to fund benefit claims. Under the new arrangement, the State assumes full responsibility for the payment of benefit claims. This allows the State, local governments and public authorities (and their employees and retirees) to avoid paying annual New York State and certain Federal Affordable Care Act taxes, fees and assessments.

## **Proposed 2014-15 Budget Actions**

- **Eliminate Reimbursement of Supplemental Medicare Part B Premiums for Higher Income State Retirees.** Annual spending growth in the area of employee and retiree health benefits is nearly 7 percent, or roughly \$200 million. Retirees account for about 45 percent of such spending, or \$90 million. Currently, to minimize the cost of retiree health benefits, upon turning 65 all retirees participating in the New York State Health Insurance Plan (NYSHIP) are required to enroll in Medicare Part B (Medical Insurance Coverage).

To further curtail retiree health benefit spending growth, the Executive Budget will eliminate State reimbursement of the additional monthly Federal Medicare Part B premium – the Income Related Medicare Adjustment Amounts (IRMAA) – which has been paid by higher-income retirees since 2007. The State will continue to reimburse the regular Federal premium of \$104.90 per month in 2014. The additional IRMAA premiums are paid by single retirees who earn more than \$85,000 per year and married retirees who earn more than \$170,000 per year. This demographic consists of less than five percent of 145,000 State retirees and dependents with Medicare coverage. Depending upon income bracket, the additional IRMAA premiums range from \$42.00 to \$230.00 per month in 2014. This action will take effect on January 1, 2014, resulting in savings of \$1.7 million in 2014-15, but will grow to over \$7 million on a full annual basis in 2017-18.

## Workforce Summary

Category	2014-15				Change	
	3/31/14 Est.	Attrition	New Fills	3/31/15 Est.	Number	Percent
Workforce Subject to Direct Executive Control	119,413	(3,318)	3,058	119,153	(260)	(0.22)
University Systems	57,137	0	0	57,137	0	0.00
Departments of Law and Audit and Control	4,407	0	69	4,476	69	1.57
<b>Grand Total</b>	<b>180,957</b>	<b>(3,318)</b>	<b>3,127</b>	<b>180,766</b>	<b>(191)</b>	<b>(0.11)</b>

## Other State Workforce Actions

**Investments.** In the area of human services, positions will be filled in the Office for Temporary and Disability Assistance to support the Supplemental Security Income program takeover from the Federal government. Additionally, staff will be added in the NYS Gaming Commission to support the Upstate New York Gaming Economic Development Act and the Department of Public Service to provide oversight to the Long Island Power Authority and the Public Service Enterprise Group (PSEG) Long Island, the private utility that will handle the day-to-day operations of the Long Island electric grid.



# 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 an increase in aid for transit systems, and continues to implement initiatives to improve customer service at the Department of Motor Vehicles.

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 43,000 State highway lane miles and more than 7,800 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 2014-15. Credentialing and identification documents issued by DMV are relied on daily by New Yorkers to conduct financial transactions, obtain employment, and board 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 five bridges spanning the Hudson River. These and other transportation-related authorities are primarily financed through toll revenue.

## Investing in a Safe, Reliable Transportation System

### Department of Transportation

The Executive Budget implements the second year of a two-year transportation program providing over \$3.4 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non-MTA transit, and DOT facilities. The investments include \$155 million in new State funding under the New York Works program to fast-track road improvements and create jobs by accelerating highway and bridge

projects into 2014-15; \$45 million for essential project engineering; and \$25 million to enhance transit, rail and aviation programs. Funding for local highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) and Marchiselli program is maintained at a record high of \$477.8 million.

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 infrastructure, rail, transit, port, bicycle and pedestrian facilities throughout the State.

In addition to the ongoing core capital program, DOT has played a crucial role in State storm preparedness and disaster recovery, preparing for and then cleaning up and rebuilding after the impacts of storms Lee, Irene, and Sandy. The Department also provided support to local governments with debris removal and repair efforts resulting from these extreme weather events. To date, DOT has reopened, repaired and replaced State highway and bridge infrastructure, with a work value of approximately \$420 million, funded largely by Federal emergency relief programs.

The Executive Budget also proposes to make design-build contracting authorization permanent and to extend the provisions to award construction projects that optimize quality, cost and efficiency to local governments in instances where projects are not subject to the Wicks Law. Since being signed into law in 2011, DOT has used design-build for eleven procurements including bridge and deck replacements, and highway, bridge and rail station rehabilitation that resulted in 40 accelerated projects totaling \$858 million. The most prominent example of savings that can be achieved using the design-build procurement method is the New NY Bridge project which will be replaced at a cost that is \$1 billion less than previously estimated.

## **Mass Transit**

Since 1975, New York State has provided transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. Today this multi-billion dollar aid program reflects the importance of the services provided by transit systems to an annual ridership of more than 2.8 billion passengers. In 2013-14, State transit aid accounted for approximately 38 percent of the operating resources used to support the State's transit systems.

The Executive Budget provides operating support totaling \$4.8 billion to transit systems. The MTA will receive over \$4.3 billion, an increase of more than \$85 million from 2013-14, and other transit systems will receive over \$461 million, which reflects an increase of \$7.9 million. The Budget also includes \$309.2 million in General Fund support for the MTA to fully offset the revenue impact of the 2011 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.

Superstorm Sandy caused excessive damage to the MTA's infrastructure, thus increasing the need for capital investment. In 2013, an amendment was approved to the MTA 2010-14 Capital Plan to add projects totaling \$4.75 billion to begin the repair and restoration of these assets. In addition, the MTA estimated \$321 million in operating losses that included lost fare and toll revenue. This funding is

expected to be supported primarily through Federal disaster recovery funds. Additional Federal funding is expected to be made available for resiliency projects to ensure MTA assets are better able to withstand future storm events.

### Department of Motor Vehicles

As DMV transactions have increased steadily in volume and complexity, DMV 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. In 2013-14, DMV began to implement a customer service initiative that installed kiosks in most of their offices to conduct transactions, a new queuing system to more efficiently manage customer flow in offices, expanded office hours and roaming customer service representatives or greeters in all of their offices to answer questions, review paperwork and direct customers to the most expedient means of service delivery. DMV is also in the process of creating a modern, dynamic and easy-to-use website using "responsive design" to allow access via mobile devices, including smart phones and tablets. Moving forward, DMV will continue to be innovative, striving to redesign and realign their procedures to maintain a high level of customer service.

The Executive Budget appropriates \$318 million for DMV in 2014-15, a decrease of over \$24 million from prior year levels. This primarily reflects a transfer of personal services to the Office of Information Technology Services. Additionally, the Budget includes a reduction of 10 staff through attrition from prior year levels to reflect the benefits of the customer service initiative.

### Thruway Authority

The Executive Budget continues to provide State funding assistance of approximately \$86 million 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, which began in 2013-14, offsets the need for a commercial toll increase.

The Thruway has awarded a \$3.9 billion contract for the replacement of the Tappan Zee Bridge which is over \$1 billion less than previously estimated. The New NY Bridge project was also awarded a \$1.6 billion Federal TIFIA loan, the largest in TIFIA program history. Dredging and pre-construction of trestles began in Spring 2013 and construction is expected to take approximately five years.

### Summary of Spending (All Funds)

Category	2013-14 (\$ in millions)	2014-15 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Transportation Spending	9,646	9,490	(156)	(1.6)
Department of Transportation <sup>1</sup>	4,798	4,631	(167)	(3.5)
Metropolitan Transportation Authority	4,507	4,529	22	0.5
Department of Motor Vehicles <sup>2</sup>	315	304	(11)	(3.5)
Thruway Authority	26	26	0	0.0

1. The year-to-year decline in DOT spending is primarily due to variations in Federal capital funding, transfer of technology functions and spending to the Office of Information Technology Services and the impact of the New York Works project acceleration initiative that occurred in 2012-13.

2. The year-to-year decline in DMV spending is primarily due to transfer of technology functions and spending to the Office of Information Technology Services.

## Proposed 2014-15 Budget Actions

The Executive Budget provides 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 continues investment that will support DMV's efforts to better serve its customers.

### DOT Operations

- **Eliminate Cost Growth Through Operational and Administrative Efficiencies.** Adjusted for the shift of IT personnel to the Office of Information Technology Services (OITS), the 2014-15 Budget for DOT operations is maintained at the same level as 2013-14 as the result of operational and administrative efficiencies.
- **Additional Freight Rail Safety Inspectors.** The 2014-15 Executive Budget provides funding available for five additional freight rail safety inspectors, doubling DOT's current inspection capability on the State's equipment and 3,500 miles of track, encompassing freight rail and Amtrak.

### Department of Motor Vehicles Operations

- **Eliminate Cost Growth Through Operational and Administrative Efficiencies.** The 2014-15 Executive Budget reduces DMV's personal service expenses by \$552,000 through attrition to reflect benefits of customer service initiatives. As a result, DMV's personal and non-personal services expenses will be maintained at the same level as 2013-14, excluding the impact of shifting IT personnel and expenses to the Office of Information Technology Services (OITS) which creates a nominal year-to-year reduction.

### DOT Capital Plan Highlights

- **Invest in Infrastructure through New York Works.** The 2014-15 Executive Budget implements the second year of a two-year transportation program providing over \$3.4 billion for capital improvement of all modes of transportation infrastructure. The investments include \$225 million of New York Works funding to accelerate road and bridge projects, provide for project engineering, and improve transit, rail and aviation facilities.
- **Preserve Local Capital Aid.** Capital aid to local governments for highway and bridge projects is preserved at 2013-14 levels, with \$438.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program. In order to improve transparency, financing efficiency and seamlessness of payments to local governments, the CHIPS, Marchiselli and other local programs are being appropriated and brought on budget. Previously, CHIPS, Marchiselli and other local programs were financed outside the budget, with bonds issued, and payments made directly from State-supported bonds issued by the Thruway Authority.

## Transit

- **Increase Transit Aid Levels.** The Executive Budget proposes \$4.8 billion of transit aid for systems throughout the State. Downstate systems, funded principally by dedicated taxes imposed in the region, will receive over \$4.6 billion, an increase of \$90.7 million. Upstate transit systems will receive \$175.9 million, an increase of \$2.3 million.
- **Use Transit Funds to Pay Transit Debt Service Costs.** The Budget will use \$40 million in surplus mass transportation operating assistance funds to pay for a portion of the debt service associated with previously issued MTA service contract bonds.





# 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.
- Authorize the \$2 billion Smart Schools Bond Act of 2014 to be submitted for voter approval in November of 2014.
- Amend Education Law and State Finance Law as necessary to implement the Smart Schools Bond Act of 2014.
- Establish the Nurse Practitioners Modernization Act.
- Amend Education and Executive Law in relation to the investigation and reporting of patterns of harassment, bullying or discrimination and removal of school officers.
- Extend anti-discrimination protections to students who attend public schools.
- Establish a Science, Technology, Engineering and Mathematics (STEM) College Scholarship Program for the top 10 percent of High School students.
- Extend the New York State Higher Education Capital Matching Grant Program.
- Authorize the pass-through of any Federal Supplemental Security Income Cost of Living Adjustment which becomes effective on or after January 1, 2015.
- Electronic Benefit Transfer (EBT) Restriction.
- Mortgage Insurance Fund Utilization.
- Expand educational services at Office of Children and Family Services youth facilities and extend the timeframe for facility closures under the Close to Home initiative.

## Health and Mental Hygiene

- Make changes to the General Public Health Work program, improve HIV testing, restructure certain health research and education programs, promote capital access to strengthen health care infrastructure, provide relief from unnecessary State requirements and authorize new health care service delivery models.
- Reauthorize provisions of the Health Care Reform Act (HCRA) for three years.
- Make statutory changes necessary to continue implementation of Medicaid Redesign Team recommendations.

- Expand existing exemption in the Nurse Practice Act to direct care staff in non-certified settings funded, authorized or approved by OPWDD.
- Extend for three years the clarification that Office of Mental Health and the Office for People with Developmental Disabilities facility directors who act as representative payees may use a person's funds for their care and treatment consistent with federal law and regulations.
- Authorize the Office of Mental Health to continue to recover Medicaid exempt income from providers of community residences.
- One-year deferral of the human services "Cost-of-Living Adjustment".

### **Public Protection and General Government**

- Increase license sanctions for multiple alcohol- and drug-related driving offenses, and increase fines for certain alcohol- and drug-related driving offenses.
- Increase license sanctions for texting and cell phone violations committed by persons under the age of 21, and increase the maximum fines for all texting and cell phone use while driving violations.
- Continue provisions relating to the disposition of certain monies recovered by county district attorneys.
- Suspend a subsidy to a revolving loan fund from cell surcharge revenues.
- An act to amend the Civil Service Law in relation to the reimbursement of Medicare premium charges.
- Support the previous consolidation of information technology staff and services within the Office of Information Technology Services.
- Extend the authorization for local governments and school districts to piggyback on certain county, state, and federal contracts and extend the authorization for joint purchases of electricity and fuel from the Office of General Services for both local governments and state agencies.
- The Public Trust Act, Campaign Finance Reform, and Public Campaign Financing.
- Authorization for transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps.

### **Revenue**

- Corporate tax reform.
- Allow direct payment of STAR tax savings in certain cases.

- Extend fees for the establishment of oil and gas unit of production values.
- Require racing regulatory fee to cover the cost of regulation.
- Modify signature requirements on e-filed returns prepared by tax professionals.
- Eliminate annual cost of living adjustment for income standard applicable to the Enhanced STAR exemption.
- Extend the Noncustodial Parent Earned Income Tax Credit for two years.
- Mandate for professional and business licenses electronic tax clearance upon application or renewal.
- Close the resident trust loophole.
- Repeal the additional minimum personal income tax.
- Establish the residential real property personal income tax credit.
- Establish a renter's personal income tax credit.
- Modify delivery of the family tax relief credit after Tax Year 2014.
- Increase the personal income tax filing threshold to reduce the number of taxpayers who need to file personal income tax returns.
- Extend the Empire State Commercial Production Tax Credit for two years.
- Authorize additional credits of \$8 million for the low-income housing credit for each of the next two fiscal years.
- Extend and Reform the Brownfield Cleanup Program.
- Establish a 20 percent real property tax credit for manufacturers.
- Eliminate the net income tax on upstate manufacturers.
- Reform the investment tax credit.
- Repeal the financial services investment tax credit.
- Repeal the franchise tax on agriculture cooperatives.
- Provide a refundable credit for the excise tax on telecommunication services paid by START-UP NY companies.
- Enhance the youth works tax credit.
- Extend the alternative fuels tax exemptions for two years.

- Simplify the distribution of motor vehicle fee receipts.
- Comprehensive estate tax reform.
- Repeal the boxing and wrestling exhibitions tax.
- Extend Monticello Raceway Video Lottery Terminal rates for one year.
- Extend certain tax rates and certain simulcasting provisions for one year.
- Extend the Video Lottery Gaming (VLG) vendor's capital awards program for one year.
- Repeal Article 12 of the Tax Law.
- Align mobility and personal income tax filings for the self-employed.
- Make technical amendments to the commercial gaming law.
- Provide a two-year property tax freeze through a refundable personal income tax credit.

**Transportation, Economic Development and Environmental Conservation**

- Allow the Department of Transportation to make payments to municipalities from appropriations for the Consolidated Local Street and Highway Improvement Program, Suburban Highway Improvement Program, Multi-Modal and Marchiselli programs.
- Make the Infrastructure Investment Act permanent and extend the provisions to certain local entities.
- Consolidate two existing Special Revenue Funds within the Dedicated Highway and Bridge Trust Fund (DHBTF), and makes technical corrections to two expiration dates in existing law.
- Make permanent the authorization of the Department of Motor Vehicles to serve the public on Saturdays.
- Make permanent the authorization of the Department of Motor Vehicles to provide the Accident Prevention Course Internet Program.
- Bring New York State into compliance with federal requirements relating to medical certifications of commercial driver's license holders.
- Strengthen enforcement measures against persistent toll violators.
- Make permanent the pesticide product registration fees and the timeframes for pesticide product registration review and streamlines pesticide reporting requirements.

- Implement Open for Fishing and Hunting II by enhancing New York’s fish and wildlife program, including authorizing the use of crossbows, creating 3- and 5-year hunting, fishing and trapping licenses, reducing 7-day fishing license fees, authorizing promotional reduced license fees and 6 additional free fishing days, increasing the availability of private property for recreational activities; and authorizing distinctive license plates.
- Authorize the Department of Agriculture and Markets to withhold the renewal of a food processing license to establishments that have outstanding penalties of \$2,400 or more.
- 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 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.
- Require retail gasoline outlets located in strategic locations in upstate New York to have emergency back-up power capacity.
- Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents.
- Authorize the Department of State to send copies of incorporation certificates to each county clerk electronically.
- Authorize the State to charge the fee required by federal law for including real estate appraisers on the federal National Registry of real appraisers.
- Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies.
- Authorize the Department of Public Service to increase efficiencies, reduce spending, and ease the administrative burden for three programs: Telecommunications Regulation, Shared Metering, and Cable Franchising.
- Eliminate the assessment on industrial utility customers and accelerate the phase out for all other utility customers.
- Enhance consumer protection through no-fault automobile insurance fraud reform.
- Enhance insurance coverage for out-of-network health care services.
- Provide for the licensure of title insurers doing business in New York State.
- Extend the authorization for the Dormitory Authority of the State of New York to enter into certain design and construction management agreements.

## **Legislation Required for the Budget**

- Extend the authority of the Dormitory Authority of the State of New York to establish one or more subsidiaries for certain purposes.
- Eliminate the fee charged for loans provided to certain health care facilities.
- Extend the authorization of the New York State Urban Development Corporation to administer the Empire State Economic Development Fund.
- Extend the general loan powers of the New York State Urban Development Corporation.

# 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 2014-15 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, continuing under Governor Cuomo's Open New York and Open Budget initiatives, substantial and detailed budget data are available through both New York's Open Budget (<https://openbudget.ny.gov/>) and Open Data (<https://data.ny.gov/>) portals. These portals open appropriation, budgeting and actuals spending data to researchers, taxpayers and the public to add to their field of knowledge, spark innovation and help improve government.

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 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 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.*