



Built to Lead

FY 2017 Executive Budget

Governor Andrew M. Cuomo

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DIRECTOR'S MESSAGE

New York State's finances are in their best shape in decades. Under the direction of Governor Cuomo, and as a direct result of his policies, the massive deficits that used to plague the budgeting process have been eliminated and turned into operating surpluses used to lower taxes and bolster reserves to the highest levels on record.

Debt outstanding at the end of FY 2016 is on track to be lower than when the Governor took office in 2011, representing the first time in modern times that total State debt has declined for four consecutive years. State debt measured as a percent of personal income has decreased from 6.0 percent in FY 2010 to 4.6 percent today – the most favorable debt to income ratio since the 1960s. During this period of declining debt, the State has still made major capital investments through use of settlement funds and prudent debt management. This Budget continues making targeted capital investments for housing, health care, transportation and economic development, while the ratio of debt to personal income is expected to improve even further.

For the sixth year in a row, the Executive Budget is balanced while limiting spending growth to two percent. The Governor's two percent State spending cap has changed the very nature of the State Budget process. For decades, revenue projections would define the level of State spending. This practice has ended under Governor Cuomo. No longer do we spend every dollar that we bring in, instead leaving more money in the hands of the people.

Because of the State's two percent cap, spending growth has been constrained to sustainable levels that do not outpace the growth in personal income, improving New York's livability and competitiveness. The spending cap allows the financial plan to better weather financial volatility. The cycle of boom and bust spending is over – no longer does the State ramp up spending in the good years, requiring cuts to programs in the bad years.

Finally, the fiscal discipline required by the State spending cap is driving innovation in government. New York State agencies are working more closely together than ever before, streamlining processes and eliminating waste, while improving services on which people depend. New Yorkers have every right to expect

their government to be efficient and effective, and government must honor the responsibility of being entrusted with public resources.

Governor Cuomo has instituted fundamental reforms that have reduced the cost of both State and local government. From eliminating unsustainable inflators in major State programs, to lowering pension costs for all levels of government, to helping counties comply with the property tax cap by relieving them of future Medicaid growth, the finances of government in New York State are on more solid ground.

The financial markets and employers have taken notice of New York's financial turnaround. Private sector investment is up, and New York now has the most private sector jobs in its history. Standard and Poor's, Fitch, and Moody's, recognized New York's outstanding financial performance by upgrading the State to its highest credit rating since 1972. The State now enjoys the second highest investment-grade credit rating possible from all three raters on its general obligation bonds, and S&P rates the State's Personal Income Tax Bonds and Sales Tax Bonds at AAA, the highest rating possible.

With our finances in order, this Budget makes a significant investment in education, providing a record level of support to our schools. It lowers taxes for small businesses and provides tax credits to support education and encourage employers to hire urban youth. It prudently uses an additional \$2.3 billion windfall from monetary settlements with financial institutions for time-limited investments. New York is taking on long-overdue infrastructure projects that for generations were held back by lack of confidence and imagination.

During the last five years, Governor Cuomo has rebuilt the State's fiscal house. Now, under his bold leadership, we are rebuilding the State itself. It is in the very nature of New Yorkers to believe in the possibility of a brighter tomorrow – we are indeed built to lead. Today, we step towards that future with confidence.

1. FINANCIAL PLAN OVERVIEW

Overview

Governor Cuomo has led a bipartisan effort with the Legislature to enact five timely, fiscally responsible budgets. The passage of the FY 2016 Budget marked the first time since 1978 that New York has enacted five consecutive on-time budgets. The Governor's budgets embrace the principle that State spending must grow more slowly than the overall economy to leave more money in the hands of the people and to discipline the government to use its resources prudently. This principle has been put into practice with the establishment of the two percent spending benchmark at the State level, and with the two percent property tax cap at the local level.

The effort to rein in State government spending is working. In the 50 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 7.0 percent, compared to income growth of 6.2 percent. With the adoption of the two 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 FY 2017 Executive Budget.

Importantly, the fiscal actions of the past five years have reduced volatility from the budget-making process. Rather than including large spending increases in good economic times that cannot be sustained when the economy slows, the past five budgets have been disciplined, sustainable and affordable in the long term. The budgets of the last five years have instituted fundamental reforms that have reduced the cost of State and local government in New York. These reforms include:

- Limiting the annual growth in State Operating Funds to two percent;
- Eliminating unsustainable inflators in major programs;
- 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 more than \$80 billion over 30 years;

- Relieving localities of the growth in the Medicaid program, and all its administrative costs, as a way to help counties remain with tax cap;
- Controlling and targeting new borrowing to keep debt service affordable and within the State's debt limit; and
- Setting aside more than \$1 billion in reserves to reduce debt and meet unforeseen "rainy day" needs.

The combination of spending restraint and the accompanying budget reforms have led to measurable improvements in the State's financial position.

- General Fund deficits totaling tens of billions of dollars have been eliminated and turned into operating surpluses used to bolster reserves to the highest levels on record.
- Total State debt has declined in each of the last three fiscal years, and will decline again in FY 2016. This is the first instance in modern times that New York's debt has declined for four consecutive years. Debt outstanding at the end of FY 2016 is on track to be lower than when the Governor took office in 2011. State debt measured as a percent of personal income has decreased from 6.0 percent in FY 2010 to 4.6 percent – the most favorable debt to income ratio since the 1960s – and is expected to decline annually over the plan period, even as the State makes targeted capital investments for housing,

health care, transportation, and economic development.

- The accumulated GAAP-basis deficit of \$3.5 billion inherited when the Governor took office has been eliminated.

In the summer of 2014, all three major credit rating agencies, Standard and Poor's, Fitch, and Moody's, recognized New York's outstanding financial performance by upgrading the State to its highest credit rating since 1972. The State now enjoys the second highest investment-grade credit rating possible from all three raters on its general obligation bonds (S&P rates the State's Personal Income Tax Bonds and Sales Tax Bonds at AAA, the highest rating possible).

FY 2017 Executive Budget Highlights

- The Executive Budget continues the disciplined approach to fiscal matters that has defined the Governor's first five 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. 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 two percent or less, consistent with the spending benchmark adopted in FY 2012. 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 two percent or less.
- An additional \$2.3 billion windfall from monetary settlements with financial institutions is again set aside primarily for one-time investments and reserves. The FY 2017 Executive Budget proposes using these settlement proceeds for investments that supplement State activities, including transportation (\$900 million), homeless and affordable housing (\$640 million), and economic development (\$255 million). In addition, settlements are used to increase funding for the Environmental Protection Fund (\$120 million), create a toll credit for regular users of the Thruway (\$340 million), support the Empire State Poverty Reduction Initiative (\$25 million), and promote municipal consolidation (\$20 million).

- The combination of effective budget management and adherence to the two percent spending benchmark in future fiscal years would produce surpluses, based on current projections. The Budget proposes a small business tax reduction plan and several new and expanded tax credits, which are sized to absorb much of the surplus that would otherwise be expected to occur if the State is successful in adhering to the two percent spending benchmark in future years. The following table summarizes the multi-year impact of the Executive Budget Financial Plan on General Fund operations.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS EXECUTIVE BUDGET GAP-CLOSING PLAN (in millions of dollars)				
	FY 2017	FY 2018	FY 2019	FY 2020
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE¹	(1,781)	(2,802)	(4,114)	(4,205)
Spending Changes	2,048	2,055	1,698	1,515
Agency Operations	397	145	40	(357)
Local Assistance*	1,333	2,124	2,259	2,480
Capital Projects/Debt Management	439	167	152	88
Initiatives/Investments	(21)	(381)	(753)	(696)
Resource Changes	(284)	(48)	130	(424)
Tax Revisions	(229)	(44)	164	100
Other*	65)	(4)	(34)	(624)
Tax Actions	17	(322)	(634)	(612)
Small Business Tax Rate Reductions	0	(298)	(298)	(298)
Tax Exemptions/Credits	17	(24)	(236)	(214)
Adherence to 2% Spending Benchmark²	n/a	1,650	3,234	4,575
EXECUTIVE BUDGET SURPLUS/(GAP)	0	533	114	949

¹ Before actions to adhere to the 2 percent benchmark.

² Savings estimated from limiting annual spending growth in future years to 2 percent (calculated based on current FY 2016 estimate). The Governor is expected to propose, and negotiate with the Legislature to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.

* Converting the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners.

- Consistent with the Governor’s approach in balancing his first five budgets, all of which emphasized spending restraint, the Executive Budget reduces spending in FY 2017 by \$2 billion compared to prior projections. The reductions reflect reestimates to spending based on updated information, specific cost-containment proposals, and the prepayment of FY 2017 expenses from excess resources available in FY 2016.
 - **Agency Operations.** Since the Governor took office in January 2011, State Executive agency operating costs have been held constant through ongoing State agency redesign and cost-control efforts. These efforts have included closure and consolidation 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 FY 2017 Executive Budget generally holds Executive agency operations at a fixed level of spending over the Financial Plan period. Projected cost of employee health insurance and worker compensation has been increased based on market conditions.

- **Local Assistance.** The Budget contains \$64.3 billion in Aid to Localities funding. Medicaid and School Aid are the State's largest local aid programs, comprising over 40 percent of the State Operating Funds budget. School Aid is increased by \$2.1 billion over the next two school years, including a \$991 million (4.3 percent) increase for the 2016-17 school year (SY 2017), bringing total aid to \$24.2 billion in SY 2017. Medicaid will grow at the indexed rate of 3.4 percent, consistent with the statutory index ("Global Cap"), to \$17.7 billion. In total, State-funded Medicaid will increase to \$18.0 billion, including spending outside the Global Cap. In addition, the State continues to provide a substantial amount of capital funding to improve and restructure the State's health care delivery system.

General Fund savings in the Executive Budget are expected from, among other things, aligning financial responsibility for City University of New York (CUNY) Senior Colleges with CUNY's governance (Currently, New York City appoints one-third of the CUNY board but provides virtually no financial support to Senior Colleges). The Budget proposes reinvesting \$240 million from this proposal to fund a potential retroactive labor agreement with CUNY employee unions. Other Executive Budget savings include: targeted reforms to STAR, medical malpractice, and early intervention; the reinstitution of New York City's contribution to the annual growth in Medicaid costs in recognition of the financial

capacity derived from the City's exemption from the Property Tax Cap; and updated cost estimates for a range of State programs, reflecting the impact of cost containment and spending controls enacted in prior years.

- **Debt Service.** Savings are expected through the prepayment of FY 2017 debt service in the current year, continued use of competitive bond sales, refundings, and proactive management of debt issuances.
- The forecast for tax receipts has been revised over the multi-year Financial Plan based on collections experience and an updated economic forecast. Other significant resource adjustments include downward revisions to expected Federal resources to fund the mental hygiene system; savings realized from the refunding in 2014 of bonds funded exclusively from State sales tax receipts paid to STARC; and tax receipt changes from the proposed changes to the STAR program.
- The Budget proposes tax reductions for small businesses, a new Education Tax Credit to encourage private investments in education, an expansion of the Urban Youth Jobs Program Tax Credit, and a new Thruway toll credit. In addition, the Budget extends several tax credits.

Annual Spending Growth

The Executive Budget holds FY 2017 annual spending growth in State Operating Funds to 1.7 percent, below the two percent spending benchmark. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 1.2 percent from the level estimated for FY 2016, excluding extraordinary aid.

TOTAL DISBURSEMENTS (in millions of dollars)							
	FY 2015	FY 2016	Annual	Annual%	FY 2017	Annual	Annual%
STATE OPERATING FUNDS							
General Fund (excl'ding transfers)	92,426	94,282	1,856	2.0%	95,885	1,603	1.7%
Other State Funds	54,255	57,556	3,301	6.1%	59,195	1,639	2.8%
Debt Service Funds	31,949	31,230	(719)	-2.3%	31,484	(46)	-0.1%
	6,222	5,496	(726)	-11.7%	5,506	10	0.2%
ALL GOVERNMENTAL FUNDS							
EXCL. EXTRAORDINARY AD)	138,642	143,593	4,951	3.6%	145,303	1,710	1.2%
State Operating Funds	92,426	94,282	1,856	2.0%	95,885	1,603	1.7%
Capital Projects Funds	7,548	9,268	1,720	22.8%	9,681	413	4.5%
Federal Operating Funds	38,668	40,043	1,375	3.6%	39,737	(606)	-0.8%
Excludes a) Federal disaster aid for Superstorm Sandy, b) additional Federal aid associated with Federal health care reform, and c) capital spending from the windfall monetary settlements with financial institutions.							

2. REVENUE ACTIONS AND STAR

Overview

The FY 2017 Executive Budget continues efforts to improve New York's business climate and lower taxes on small businesses, simplify the tax code, and improve the fairness of the tax system.

The Budget builds upon five years of tax relief accomplishments, including: the enactment of a property tax cap; the property tax freeze credit; the lowest middle class income 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; new START-UP NY tax free zones; and the most important overhaul of corporate taxes in seven decades including a reduction in corporate rates.

The additional tax relief proposed in the Executive Budget is made possible by continued adherence to the two percent spending limit.

Tax Cuts and Credits

The Executive Budget presents five tax cuts and credits that will provide \$444 million in direct tax relief by FY 2018, growing to \$594 million when fully annualized.

- **Lower Taxes on Small Businesses.** Small businesses are the backbone of the State's economy, accounting for 43 percent of all private sector jobs in New York. The Budget includes reforms that will improve competitiveness for small businesses, promote continued growth within the small business sector, and help further the expansion of the State's economy. Taxes are lowered both for small businesses who pay via the corporate tax and those paying through the personal income tax.
 - *Corporate:* The Budget reduces the net income tax rate from the current 6.5 percent to 4 percent effective January 1, 2017 for small businesses that file under Article 9-A. For the purpose of this tax cut, the definition of "small business" is a business with less than 100 employees, with net income below \$390,000. To avoid a "cliff" and stay consistent with how the dual rates are

treated under current law, the lower tax rates would be available to small businesses with net income below \$290,000, and the rate is phased up to the standard rate applicable to businesses with net income of \$390,000 or more. Small businesses have traditionally paid a lower rate than large corporate taxpayers, but their current advantage would disappear as corporate tax rates were lowered effective January 1, 2016. This change preserves the small business tax advantage in the new lower-tax environment. As an example, a small business taxpayer with \$285,000 in net income currently pays \$18,525 at a tax rate of 6.5 percent. Under this proposal, the same taxpayer would pay \$11,400 when their corporate tax rate falls to 4 percent.

- *Personal Income Tax:* For small businesses whose members pay taxes via the personal income tax, the Budget provides new and expanded tax cuts. The existing 5 percent sole proprietor and farm business income AGI subtraction, available to taxpayers with small business income of \$250,000 or less, is increased to 15 percent. As an example, a farmer or sole proprietor with net business income of \$240,000 in the current year and an effective tax rate of 6 percent would exempt 5 percent of his net income to save \$720. Under the proposed 15 percent exemption, the savings would grow to \$2,160. In order to create tax parity between small business types, the Budget also expands this 15 percent AGI subtraction to

include members of partnerships, S-corporations, and LLCs as long as at least some of their business income is derived from a business entity with less than \$1.5 million in NY gross receipts, and their total business income from these sources is below \$250,000. As an example, if a taxpayer is a member of a qualifying partnership with net business income of \$200,000, at an effective tax rate of 6%, she would currently pay \$12,000 in tax. Under this proposal, 15 percent of her income would be exempted, lowering her tax bill by \$1,800.

- **Enhance the Urban Youth Jobs Program Tax Credit.** This program encourages businesses to hire unemployed, disadvantaged youth, ages 16 to 24, living in the cities and towns with the highest poverty and unemployment rates. The annual allocation is increased from \$20 million to \$50 million for hiring years 2016 and 2017, of which \$10 million annually may be allocated statewide.
- **Establish Thruway Toll Tax Credits.** To lower the cost of traveling the New York State Thruway for commuters and other heavy users, and to lower the cost of bringing products to market for businesses, the Executive Budget provides a nonrefundable credit for Thruway tolls paid electronically. Drivers of passenger vehicles who spend at least \$50, annually, and businesses and commercial account holders who spend between \$100 and \$9,999 in Thruway tolls, annually, would receive a tax credit worth 50 percent of tolls paid. For farmers, the Budget provides a

100 percent nonrefundable credit, regardless of usage, for farm vehicle use on the Thruway. Over the three years, drivers will save \$340 million.

- **Establish the Parental Choice in Education Act.** The Executive Budget promotes educational choice and philanthropy, and provides support for teachers in recognition of their personal spending for their classrooms. The new credits provide \$150 million in tax relief annually through the Parental Choice in Education Act. An aggregate total of \$50 million is dedicated to a 75 percent nonrefundable credit for charitable contributions to educational scholarship organizations that provide support to low income students seeking to attend a nonpublic school or a public school outside of the student's district. Corporation franchise and individual taxpayers may claim this credit, up to a maximum annual credit of \$1 million. Another \$20 million is dedicated to a credit for contributions to public education entities, school improvement organizations, and local education funds, based on the same parameters as the credit for contributions to educational scholarship organizations. The Act also establishes a refundable tax credit worth an aggregate \$70 million, against the personal income tax, for up to \$500 in tuition costs per pupil for families with New York Adjusted Gross Income below \$60,000. Finally, recognizing that many teachers spend their own money on materials for their classroom, the Act creates a refundable credit equal to the cost of instructional supplies purchased by a public, charter, or private school educator, up to a

maximum of \$200, with an aggregate cap of \$10 million.

- **Establish Additional Alcohol Beverage Tax Tasting Exemptions and Production Credits.** The beer, wine and spirits industry has created over 1,600 jobs since mid-2011. Further, wine, beer, cider and liquor tastings are a tourist attraction, helping bolster travel and exploration of New York products. Alcoholic beverages used in tastings are currently exempt from the sales and use tax. The Budget expands benefits for this industry by also: exempting any product used in on-site tastings from the alcoholic beverage tax; amending the beer production credit to also include New York wine, liquor and cider production; and by conforming provisions of the Tax Law with the Alcoholic Beverage Control Law to eliminate confusion and uncertainty.

Tax Simplification Actions

- **Simplify the Taxation of Remarketed Rooms.** The Budget streamlines the collection of sales tax on remarketed hotel rooms. The purchase of hotel room occupancies by room remarketers such as Travelocity or Hotels.com would be exempt from the sales tax when those purchases are made from hotels for later resale to consumers. Currently, room remarketers collect the full amount of tax at the time of final sale to the consumer, then request a refund from the Department of Taxation and Finance for the amount of tax already remitted to the hotel.

Enforcement Initiatives

- **Expand Jeopardy Assessments to the Cigarette and Tobacco Tax.** The Department of Taxation and Finance currently has the authority to issue a jeopardy (i.e. accelerated) assessment when a delinquent sales tax vendor is at-risk of fleeing the State. The Budget expands this authority to the assessment of cigarette and tobacco products. Currently, inter-state and international bootlegging operators are avoiding the payment of taxes by fleeing the State before their assets can be seized through the normal assessment process. This provision will support the efforts of the Governor's Cigarette Strike Force, which was established in 2014 to curtail bootlegging and its effects.

Tax Law Extenders

- **Extend the Empire State 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.
- **Authorize an Additional \$8 Million for the Low-Income Housing Credit in Each of the Next Five Fiscal Years.** To help expand affordable housing in New York, this program

provides credits to 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 each of the next five fiscal years, beginning April 1, 2016. Credits are awarded in equal installments for a ten-year period. The total amount of credits to be awarded from this new authorization will be \$400 million over a multi-year period.

- **Extend the Hire-A-Vet Credit for Two Years.** To support veterans in their return to the workforce, the Budget extends this credit for an additional two years, adding the 2016 and 2017 hiring periods. The program provides a refundable tax credit to employers equal to 10 percent of wages paid to a qualified veteran (up to \$5,000) and 15 percent of wages paid to a disabled veteran (up to \$15,000).
- **Extend the Clean Heating Fuel Credit for Three Years.** To support efforts to reduce greenhouse gas emissions and to mitigate the effects of climate change, the Executive Budget modifies and extends, for an additional three years, the Clean Heating Fuel credit. The current credit is equal to one cent per percent of biodiesel per gallon of biofuel purchased by an eligible taxpayer. This proposal amends the credit to apply only to biofuel blends that are comprised of more than five percent biodiesel. The credit is currently scheduled to expire on December 31, 2016.
- **Extend the Alternative Fuels Tax Exemptions for Five Years.** The existing exemptions for e85,

CNG, hydrogen and B-20 from the sales, petroleum business and motor fuel taxes are extended for five years.

- **Extend the Excelsior Jobs Program for Five Years.** The Excelsior Jobs Program claims period is extended through 2029, allowing Empire State Development the ability to continue to offer a 10 year benefit period for the next several years. Unused credits from previous years will be used to fund the extension.
- **Extend the Credit for Companies that Provide Transportation to Individuals with Disabilities for Six Years.** The credit for companies who provide transportation to individuals with disabilities is extended for an additional six years. The current credit, scheduled to expire on December 31, 2016, offsets up to \$10,000 in costs associated with upgrading vehicles, or purchasing qualifying new vehicles, to accommodate the transportation of disabled individuals.
- **Permanently Extend the Non-Custodial Earned Income Tax Credit.** The non-custodial parent earned income tax credit is permanently extended, providing parity with the existing permanent earned income tax credit. The current credit is scheduled to expire on December 31, 2016. 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.
- **Permanently Extend Tax Shelter Reporting Requirements.** The requirement for taxpayers

to provide the Department of Taxation and Finance with copies of federal tax shelter reports is permanently extended.

- **Make Permanent and Update Certain Modernization Provisions of the Tax Law.** The tax modernization provisions relating to electronic filing, payment requirements, sales tax compliance tools, and preparer penalties are made permanent.
- **Extend Tax Preparer E-File Failure Penalties.** Expiring and expired tax preparer e-file failure penalties are extended and tax law sections regarding the regulation of tax preparers are consolidated.

School Tax Relief (STAR) Program Actions

- **Convert the STAR Benefit into a Tax Credit for New Homeowners.** The STAR program is simplified by transforming the exemption into a refundable personal income tax credit, allowing school districts to collect revenue without having to wait for reimbursement from the State. The change will only apply to first-time homebuyers and homeowners who move. Under current law, school districts collect reduced revenue as a result of the STAR exemptions, and the State compensates them for the cost of the exemption. There is no change to the amount of the STAR credit for taxpayers, only the mechanism used to claim the credit.

- **Convert New York City Personal Income Tax STAR Credit into a State Personal Income Tax Credit.** Currently, eligible NYC taxpayers apply for a NYC STAR Personal Income Tax credit on their NYS tax forms. The State reimburses the City for the lost revenue. The Executive Budget gives eligible taxpayers a credit against their State PIT, as opposed to their City PIT, thereby eliminating the need for the State to reimburse the City government. This simplification effort has no impact on the taxpayer and no impact on revenues for the City of New York.
- **Cap Annual Growth in Basic and Enhanced Exemption Benefit at Zero Percent.** The Executive Budget maintains FY 2017 STAR exemption benefits at no more than their FY 2016 levels, rather than allowing them to grow by up to two percent. The significant reduction in property tax growth resulting from Governor Cuomo's property tax cap and the existence of the Property Tax Freeze program has diminished the necessity of growing the STAR benefit.
- **Allow Late Filing of Enhanced STAR Renewal Applications and Senior Exemptions for Cases of Hardship.** The Budget allows late filing of Enhanced STAR renewal applications for cases of hardship (such as a serious personal illness or hospitalization for the taxpayer or an immediate family member), as late as the last day of the interest-free period for payment of school taxes. Additionally, the local option under the senior exemption in RPTL 467 is expanded to allow a late filing of renewal applications for hardship

up to the last day of the interest-free period for payment of school taxes.

- **Make Participation in Income Verification Program (IVP) Mandatory.** Under current law, participation in IVP is optional and seniors who are not enrolled have to re-apply for their Enhanced STAR benefits annually. The Budget makes participation in the Income Verification Program (IVP) for Enhanced STAR recipients mandatory, therefore eliminating the annual need to re-apply. IVP allows seniors who are re-applying for Enhanced STAR to authorize the assessor to have their incomes verified in subsequent years by the Department of Taxation and Finance. This change will make it easier for qualified senior citizens to keep their Enhanced STAR exemptions.
- **Make Direct STAR Payments to Property Owners in Appropriate Cases.** The Budget would allow the Commissioner of Taxation and Finance to directly reimburse a STAR-eligible property owner who didn't receive the STAR tax savings to which she was entitled due to an administrative error, and where no other remedy is readily available.

Other Revenue Actions

- **Authorize Combative Sports.** The Executive Budget proposes to legalize and regulate combative sporting events in New York State. Currently, only New York State bans such events.

- **Amend State and Local Tax Law to Comply with Newly-Adopted Federal Tax Regulations on Aviation Fuel.** All petroleum business tax revenue imposed on aviation fuel is directed to a new dedicated airport fund effective April 1, 2017 and the local sales tax on such aviation fuel is repealed, effective December 1, 2017.
- **Conform to New Federal Tax Filing Dates.** NYS law is conformed to new federal tax filing deadlines for certain business taxpayers. Recent Federal legislation changed the federal tax filing deadline for partnerships from April 15 to March 15, and from March 15 to April 15 for corporations.
- **Eliminate Charitable Giving as a Factor in Determining Domicile for the Estate Tax.** The Department of Taxation and Finance's long-standing administrative practice of not using qualifying charitable gifts of time or money as a means of determining domicile for purposes of calculating New York State estate tax liability is codified.

Gaming Initiatives

- **Extend Certain Tax Rates and Certain Simulcasting Provisions for One Year.** The pari-mutuel tax rate and other racing-related provisions are extended for one year.
- **Extend the Video Lottery Gaming (VLG) Vendor's Capital Awards Program for One Year.** VLG operators are provided one additional

year to earn qualifying capital awards, which encourage facility upgrades and improvements.

- **Extend Monticello Video Lottery Terminal Rates for One Year.** The higher commission rate for the Monticello Video Lottery Terminal Facility is extended for one additional year.
- **Amend the Upstate New York Gaming and Economic Development Act for Technical Changes.** The Tax Law is amended to clarify that the reduced tax rate paid by a Video Lottery Terminal facility that competes with a commercial gaming facility in the same region only applies to the pro-rated portion of the year when the competing commercial gaming facility is open, and not for the whole of such opening year. Additionally, the Budget clarifies that host county payments are based solely on the net gaming income of the specific commercial gaming in that host community.
- **Provide for an Additional Commission for Certain Video Lottery Terminal Facilities.** The intention of the Upstate Gaming and Economic Development Act of 2013 was for a Video Lottery Terminal Facility competing with a commercial gaming facility to pay the same percentage share of net gaming income to support education. However, since the Finger Lakes facility is not in the same gaming region as the proposed LAGO facility, even though it is less than 30 miles away, no such relief from the Gaming Act would be provided to Finger Lakes. The Budget corrects this inequity.

- **Increase Purse Surcharge and Regulatory Fee to Support Racehorse Health and Safety.** Under current law, one percent of purse enhancements is redirected from the VLT program to fund costs associated with recommendations made by the Task Force on Racehorse Health and Safety report and 0.5 percent of regulatory fee is imposed on thoroughbred, harness, off-track pari-mutuel betting and simulcast racing. To fully fund the recommendations of the Task Force and to enhance Gaming Commission's capacity to promote equine health and safety, the Budget increases the amounts to 1.6 percent and 0.6 percent, respectively.
- **Adjust Timing of Reimbursement to Gaming Commission of Per Diem Costs for Harness Racing Judge and Starter.** Licensed harness tracks are required to pay the per diem costs for one associate judge and one starter at each harness track facility. Currently, the Gaming Commission is required to notify the facility of the per diem costs before the month begins, which the track pays on the last business day of the month. However, actual costs and race days are not known until well after the month has concluded, leading to a lengthy reimbursement process. The reimbursement timing requirements of harness tracks are adjusted to establish a more efficient requirement process.
- **Remove Restriction for a Single Lab Testing Provider.** Section 902 of the Racing Law dictates that drug testing for race horses shall be conducted by a "state college within this state

with an approved equine science program.” Morrisville State College is the only college that fulfills this statutory requirement. This restriction is eliminated to allow the Gaming Commission to entertain bids from other facilities which might provide lab testing services at a lower price.

Fee Actions

- **Extend Waste Tire Fee.** In order to avoid cuts to essential programs, the Budget extends the Waste Tire Fee, which is scheduled to expire December 31, 2016. This \$2.50 fee, which has been in place since 2003, funds the abatement of waste tire sites and supports approximately 140 Department of Environmental Conservation employees involved in critical solid and hazardous waste cleanup activities.
- **Redirect DMV Funds to Dedicated Highway and Bridge Trust Fund.** The DMV Seized Assets, Compulsory Insurance, Internet Point Insurance Reduction Program and the Motorcycle Safety Funds are consolidated into the Dedicated Highway and Bridge Trust Fund (DHBTF). This will increase efficiency and transparency by reducing the overall number of DMV fund sources, and improve programmatic flexibility.

REVENUE ACTIONS and STAR
(in billions of dollars)

	General Fund		All Funds	
	FY 2017	FY 2018	FY 2017	FY 2018
Tax Cuts and Credits	(1)	(#44)	(1)	(#44)
Provide a Corporate and Personal Income Tax Small Business Tax Cut	-	(298)	-	(298)
Enhance the Urban Youth Opportunity Program Tax Credit	-	(80)	-	(80)
Establish Thruway Toll Tax Credits	-	(113)	-	(113)
Establish Education Tax Credits	-	-	-	-
Establish Additional Alcohol Beverage Tax Tasting Exemptions and Production Credits	(1)	(8)	(1)	(8)
Tax Simplification Actions	-	-	-	-
Simplify the Taxation of Remodeled Rooms	-	-	-	-
Enforcement Initiatives	-	-	-	-
Expand Jeopardy Assessments to the Cigarette and Tobacco Tax	-	-	-	-
Tax Law Extenders	17	9	16	6
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 Five Fiscal Years	-	(8)	-	(8)
Extend the Hire-A-Vet Credit for Two Years	-	-	-	-
Extend the Clean Heating Fuel Credit for Three Years	-	-	-	-
Extend the Alternative Fuel Tax Exemptions for Five Years	(1)	(1)	(2)	(4)
Extend the Excelsior Jobs Program for Five Years	-	-	-	-
Extend the Credit for Companies who Provide Transportation to Individuals with Disabilities for Six Years	-	-	-	-
Permanently Extend the Non-Custodial Earned Income Tax Credit	-	-	-	-
Permanently Extend Tax Shelter Reporting Requirements	18	18	18	18
Make Permanent and Update Certain Modernization Provisions of the Tax Law	-	-	-	-
Extend Tax Penalties for Failure to File	-	-	-	-
School Tax Relief (STAR) Program Actions	240	409	-	(#85)
Convert the STAR Benefit into a Tax Credit for New Homeowners - Credit Portion	-	(8)	-	(8)
Convert the STAR Benefit into a Tax Credit for New Homeowners - Spending Savings	98	194	-	-
Convert New York City Personal Income Tax STAR Credit into a State Personal Income Tax Credit - Credit Portion	-	(87)	-	(87)
Convert New York City Personal Income Tax STAR Credit into a State Personal Income Tax Credit - Spending Savings	87	284	-	-
Cap Annual Growth in Basic and Enhanced Exemption Benefit at Zero Percent	56	112	-	-
Allow Late Filing of Enhanced STAR Renewal Applications and Senior Exemptions for Cases of Hardship	(1)	(1)	-	-
Make Participation in Income Verification Program (VIP) Mandatory	-	5	-	-
Authorize the DTF Commissioner to Make Direct Payments of STAR Tax Savings to Property Owners in Appropriate Cases	-	-	-	-
Other Revenue Actions	1	1	1	1
Authorize Combatative Sports	1	1	1	1
Amend State and Local Tax Law for Consistency with Federal Tax Regulations on Aviation Fuel	-	-	-	-
Conform to New Federal Tax Filing Dates	-	-	-	-
Eliminate Charitable Giving as a Factor in Determining Domile for the Estate Tax	-	-	-	-
Gaming Initiatives	-	-	(1)	2
Extend Certain Tax Rates and Certain Simulating Provisions for One Year	-	-	-	-
Extend the Video Lottery Gaming (VLTG) Vendors' Capital Awards Program for One Year	-	-	-	-
Extend Monthly Video Lottery Terminal Rates for One Year	-	-	(8)	-
Amend the Update New York Gaming and Economic Development Act for Technical Changes	-	-	-	-
Provide for an Additional Commission for Certain Video Lottery Terminal Facilities	-	-	-	-
Increase Purse Surcharge from 10% to 16% and Regulatory Fee from 0.5% to 0.6%	-	-	2	2
Adjust Timing of Reimbursement to Gaming Commission of Per Diem Costs for Harness Racing Judge and Starter	-	-	-	-
Remove Restriction for a Single Lab Testing Provider	-	-	-	-
Fee Actions	-	-	6	24
Permanently Extend Waste Tie Fee	-	-	6	24
Redirect DMV Funds to Dedicated Highway and Bridge Trust Fund	-	-	-	-
TOTAL REVENUE ACTIONS and STAR	257	(25)	21	(696)

3. INVESTING IN NEW YORK

The State has received a total of \$8.3 billion from financial settlements with banks and insurers in FY 2015 and FY 2016, well beyond typical levels and what was budgeted in the Financial Plan. Using these resources, the FY 2016 Enacted Budget earmarked \$5.4 billion for one-time purposes, including \$4.6 billion for capital projects to support economic development and bolster some of the state's most vital infrastructure. The FY 2017 Executive Budget programs the remaining \$2.3 billion of available settlement funds for critical time-limited priorities.

Putting Settlement Revenues to Work

The FY 2017 Executive Budget directs \$2.3 billion in unallocated settlement funds to additional projects that will grow the economy over the long-term and position every region of the state for growth. Settlement funds will support transportation, housing, environmental infrastructure, economic development and other capital investments. These resources will support a wide array

of projects, from large-scale infrastructure projects and complex program enhancements, to smaller strategically critical needs in project funding. Specific investments include:

- **Thruway Stabilization Plan (\$700 million).**

The Budget invests \$700 million in Thruway infrastructure, on top of last year's commitment of \$1.285 billion. This two-year investment of nearly \$2 billion will support both the New NY Bridge project and other transportation infrastructure needs on the rest of the Thruway system across the State. Further, it will enable the Thruway to freeze tolls for all drivers until at least 2020.

- **Thruway Toll Reduction Plan (\$340 million).**

The Budget effectively cuts tolls in half for New York residents and businesses who utilize the Thruway most often by creating a three-year nonrefundable credit for Thruway tolls paid electronically. The toll reduction would benefit nearly one million passenger, business and farm vehicles. Drivers of passenger vehicles who spend at least \$50, annually, and businesses and commercial account holders who spend between \$100 and \$9,999, annually, in Thruway tolls would receive a tax credit worth 50 percent of tolls paid. For farmers, the Budget provides a 100 percent nonrefundable credit, regardless of usage, for farm vehicle use on the Thruway. The program would begin on January 1, 2016 and sunset December 31, 2018. Over the three years,

drivers will save \$340 million, paid for with settlement funds.

- **Transportation Capital Plan (\$200 million).** The Budget funds an unprecedented \$22 billion multi-year transportation capital plan to upgrade critical roads, bridges and other vital transportation infrastructure throughout the New York, especially Upstate. \$200 million in settlement funds will be allocated to DOT to help fund the plan. The \$22 billion plan includes \$1 billion each for the BRIDGE NY and PAVE NY programs to replace, rehabilitate, pave and maintain state and local bridges and roads. It also includes \$500 million for the Extreme Weather Infrastructure Hardening program, which will make investments in roadways across the state susceptible to flooding and other extreme weather related events.
- **Homeless and Affordable Housing (\$640 million).** The Budget commits \$640 million in settlement funds towards the \$20 billion comprehensive multi-year investment in affordable housing and services for individuals and families who are homeless or at risk of homelessness. Funding will be used to expand efforts to create, improve, and ensure homeless and affordable housing opportunities through a statewide multiagency housing program, and to support the State's emergency homeless response.
- **Environmental Protection (\$120 million).** The Budget uses \$120 million of settlement funds to support capital projects within the Environmental Protection Fund (EPF). Overall

funding for the EPF is increased to \$300 million – the highest amount ever and more than twice the Fund’s level when the Governor first took office. The EPF offers wide ranging benefits to communities around the state and plays an important role in preserving the state’s natural resources and habitats. It funds land acquisition, farmland protection, waterfront revitalization, municipal recycling, and local government assistance to improve wastewater treatment plants and municipal parks. It supports the stewardship of public lands, including state parks and millions of acres of public lands throughout the state. Beginning in FY 2017, the EPF will also support programs for greenhouse gas management and resiliency.

- **Economic Development (\$255 million).** The Budget includes \$170 million in settlement funds to support Upstate Revitalization Initiative projects to help continue to restore economic opportunity to regions across Upstate New York. An additional \$30 million is provided through Empire State Development capital appropriations, for a total of \$200 million. This program, modeled on the Buffalo Billion initiative and the existing structure of the Regional Economic Development Councils (REDCs), targets investment to economically-distressed Upstate regions. These additional funds are available to the four regions (North Country, Capital District, Mohawk Valley and Mid-Hudson) that were eligible for the first round of the Upstate Revitalization Initiative but were not a 2015 Best Plan Awardee. An additional \$85 million of settlement funds will

support other critically-needed economic development or infrastructure projects in the Budget to continue driving growth across New York State.

- **Empire State Poverty Reduction Initiative (\$25 million).** The Budget includes \$25 million of new funding to significantly expand the anti-poverty initiative, begun in 2015. Planning grants totaling \$5 million will be available in ten communities with high concentrations of poverty. In addition, \$20 million will be available for grants to match private sector and foundation funding.
- **Municipal Consolidation (\$20 million).** \$20 million in settlement funding is used to advance and enhance programs that encourage local municipal government consolidations. These programs will help lower the cost of government and reduce the burden placed on property taxpayers.

4. ECONOMIC DEVELOPMENT

The FY 2017 Executive Budget continues Governor Cuomo's focus on the revitalization of Upstate regions, job-creating programs and investing in key capital projects across the State. This aggressive job-creation agenda leverages the success of Governor Cuomo's regionally-focused economic development strategy to create jobs, strengthen and diversify economies, and generate economic opportunity across the State.

Overview

In the last five years, Governor Cuomo has completely redesigned the State's economic development strategy through his Regional Economic Development Councils (REDC). Economic revitalization has been fast tracked by replacing New York State's traditional top-down development strategy with an innovative approach that enables regional stakeholders to develop long-term plans based on regional priorities and unique assets. The REDCs have awarded nearly \$4

billion for job creation and community development projects that will create or retain over 200,000 jobs.

As part of this regional economic strategy, the State's unprecedented \$1 billion investment in the Buffalo area economy is helping to create thousands of jobs and spur new investment and economic activity.

START-UP NY, the groundbreaking initiative established in 2013 to transform SUNY and private college and university campuses and communities across the State into tax-free zones, is attracting new businesses and encouraging existing businesses to expand. To date, a total of 155 businesses have been approved for START-UP NY participation and are projected to create over 4,200 net new jobs and nearly \$221 million in investment.

Through the Upstate Revitalization Initiative (URI) \$1.5 billion was awarded to three Upstate regions – Central New York, the Finger Lakes and the Southern Tier. Each region received \$500 million over a multi-year period to support transformative investments that build upon its assets and leverage private sector capital to create jobs and strengthen regional economies.

The Executive Budget builds upon this framework of success and continues the Upstate Revitalization

Initiative (URI) to inject an additional \$200 million of State resources to drive revitalization in the North Country, Capital District, Mohawk Valley and Mid-Hudson regions. It also makes additional investments through the successful public-private partnership model developed by the SUNY Polytechnic Institute Colleges of Nanoscale Science and Engineering (SUNY Poly CNSE) targeted at leading-edge technologies and industries of the future.

Proposed FY 2017 Budget Actions

- **Continue Upstate Revitalization.** The Budget includes an additional \$200 million to support Upstate Revitalization Initiative projects that will further bolster economic opportunity to regions across upstate New York. Modeled on the Buffalo Billion initiative and the existing structure of the Regional Economic Development Councils, this initiative will target investment within a set of economically-distressed upstate metropolitan areas and their surrounding regions. By focusing investment on infrastructure projects as well as quality of life initiatives, Upstate New York is becoming a better place to live, work, and visit. These additional funds are available to the four regions (North Country, Capital District, Mohawk Valley and Mid-Hudson) that were eligible for the first round of the Upstate Revitalization

Initiative but were not selected as a 2015 Best Plan Awardee.

- **Support for Nano Utica.** The Budget includes \$200 million to support a cutting edge, 360,000 square foot wafer fabrication facility to be constructed at the Nano Utica site in Marcy. This project is expected to generate more than 1,000 new jobs and attract over \$2 billion in private investment.
- **Support Regional Economic Development Councils.** In 2011, Governor Cuomo established ten Regional Economic Development Councils (REDCs) to develop long-term regional strategic economic development plans. Since then, the REDCs have awarded nearly \$4 billion in State funding through a competitive process to spur job creation based on regional priorities. This new strategy has resulted in 200,000 new or retained jobs in New York.

The Executive Budget includes core capital and tax-credit funding that will be combined with a wide range of existing agency programs for a sixth round of REDC awards. The Budget continues 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 to fund high value regional priority projects; and

- \$70 million in State tax credits – set aside from the Excelsior Jobs tax credit program to fund regional priority projects.
- **Invest in Strategic Initiatives.** The Budget authorizes new funding for the following key economic development projects:
 - **New York Power Electronics Manufacturing Consortium.** The Budget includes an additional \$33.5 million towards the State's \$135 million multi-year commitment, to support the New York Power Electronics Manufacturing Consortium to develop and commercialize the use of wide bandgap power electronic devices.
 - **Clarkson-Trudeau Partnership.** An additional \$12 million is included in the Budget to support the 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.
 - **Brookhaven National Laboratory.** The Budget provides \$50 million over 5 years to support research facilities at the Brookhaven National Laboratory in Stony Brook, including \$10 million in FY 2017.
 - **Buffalo High-Tech Manufacturing Innovation Hub.** \$100 million over 10 years is provided to support the development of the Buffalo High-Tech Manufacturing Innovation Hub at Riverbend, including \$10 million in FY 2017.

- **Albany Nano G450C.** An additional \$60 million over 4 years is allocated to fulfill the State's investment at the Albany Nano G450C facility, including \$15 million for FY 2017.
- **Olympic Regional Development Authority (ORDA) Capital Improvements.** The Budget includes \$10 million in new capital funding for ORDA, including \$7.5 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.
- **Economic Development Initiatives.** The \$99 million New York Works Economic Development Fund Program will provide capital grants to support projects that facilitate an employer's ability to create new, or retain existing jobs, or fund infrastructure investments necessary to attract new businesses or to expand existing businesses.
- **Launch Another Round of NYSUNY 2020 and NYCUNY 2020.** To build upon the success of the initial Challenge Grants, the Budget includes \$110 million to launch a new round of NYSUNY 2020 and NYCUNY 2020. Priority will be given to plans that use technology to improve academic success, leverage public-private partnerships through the START-UP NY program, and better connect students to the workforce.
- **Support New York Open for Business.** To continue the enhanced marketing effort to demonstrate the benefits of investing and doing business in New York and to promote the State's

tourism assets, \$50 million will be appropriated through Empire State Development for the Open for Business initiative.

- **Expand and Promote Tourism.** In FY 2017, the State's economic development agencies will implement a \$50.5 million tourism campaign to attract visitors from around the world, a \$5 million increase in funding from FY 2016. The program includes a fourth round of \$13 million in competitive funding through the Market NY initiative to support tourism marketing plans and projects that best demonstrate regional collaboration among counties to promote regional attractions.

Other Budget Actions

- **Javits Center Expansion.** The Governor's 2016 economic development agenda includes a proposal to dramatically expand and improve the Jacob K. Javits Convention Center, by 1.2 million square feet, resulting in five times more meeting and ballroom space. The project will include construction of a truck marshaling facility capable of housing hundreds of tractor-trailers simultaneously to improve pedestrian safety and local traffic flow. The Budget includes legislation which would authorize design-build contracting for this project to accelerate project delivery and reduce cost.
- **Empire Station Complex.** Governor Cuomo also proposes to create the Empire Station Complex, a \$3 billion transformation of Penn Station and the

historic James A. Farley Post Office into a world-class transportation hub. The complex will feature significant passenger improvements, including first-class amenities, natural light, increased train capacity and decreased congestion, and improved signage to dramatically enhance the travel experience. The project will be expedited by a public-private partnership in order to break ground in 2016 and complete substantial construction within the next three years. The Budget includes legislation which would authorize design-build contracting for these projects to accelerate project delivery and reduce cost.

- **Fund the Innovation Hot Spots and Incubators Program.** The Executive Budget authorizes \$5 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.
- **Continue Commitment to Critical Economic Development Investments.** The 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.

- **Support High Technology Grants.** The Executive Budget authorizes over \$35 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.
- **Excelsior Jobs Program.** The Budget includes legislation that extends the Excelsior Jobs Program claims period five years from 2024 to 2029 to provide Empire State Development with the ability to continue offering a ten year benefit period to eligible companies.
- **Department of State (DOS) Agency Modernization.** As the State's general recording officer, DOS is responsible for keeping all corporate filing certificates and documents. The Budget contains \$3.7 million of one-time funding for DOS to convert all of these corporate documents to electronic images. Digitization will improve ease of access for official corporate documents available to businesses and the general public while streamlining business processes and alleviating DOS staffing pressures.

5. EDUCATION

The FY 2017 Executive Budget reflects the Governor's strong commitment to education through a \$2.1 billion increase in education aid over the next two years. The Budget also commits to fully restoring the GEA for every district by the SY 2018.

The Budget provides support for several key initiatives, including \$340 million to continue the Empire State Prekindergarten program, an expansion of prekindergarten for three-year-old children, the conversion of high-need schools into community schools, and increased funding for charter schools. Together, these initiatives will continue to transform public education across the State. Important initiatives from prior years are also sustained, including significant investments in prekindergarten and from the Smart Schools Bond Act.

Overview

Public education in New York represents a significant commitment of State and local resources. With total State and local spending levels exceeding \$60 billion, education is the largest area of State spending and the largest component of local property taxes. This is a reflection of New York State's long-standing commitment to provide all students with the opportunity for a strong, rigorous education. In the last four years alone, the Governor has enacted budgets with school aid increases totaling \$4.3 billion. The FY 2016 Budget included an additional \$1.4 billion (6.1 percent) increase, bringing school aid funding to its highest level ever at \$23.5 billion.

The Executive Budget continues the progress made during this administration to strengthen educational offerings and increase access across New York. Building upon the State's first investment in full-day prekindergarten for three-year-olds, the Budget provides additional funding to expand prekindergarten access for three-year-olds in the most vulnerable districts. In addition, the Budget reflects the Governor's commitment to support the conversion of failing

schools into community schools. These initiatives, along with programs already underway, will continue to transform public education across the State—reaching students earlier, providing more flexibility, and ensuring that students have access to highly effective teachers, programs and schools.

Support for Public Education

Statewide increases in school spending, State support for education, and school property taxes have combined to far outpace the rate of inflation over the last ten years. New York public schools spend more per pupil (\$19,818) than any other state and 85 percent above the national average.

Several recent initiatives have focused on improving the State’s ability to expand educational opportunities for young students and ensure all students are college or career ready. These major initiatives include:

- **Prekindergarten Programs.** The State currently spends over \$785 million on public prekindergarten programs for three- and four-year-olds, serving nearly 120,000 students statewide. The FY 2015 Enacted Budget committed \$1.5 billion over five years to support the phase-in of full-day prekindergarten for four-

year-olds, with the majority of funds being used to support the State's prekindergarten expansion in New York City. In addition, in December 2014, New York received a \$25 million grant award (\$100 million over four years) from the United States Department of Education to expand access to full-day prekindergarten in high-need school districts. Following that, the FY 2016 Enacted Budget included \$30 million to support the first State-funded full-day prekindergarten program for three year olds, while also allowing expanded access for four-year olds.

- **Smart Schools Bond Act.** In November 2014, the Smart Schools Bond Act Referendum proposed by Governor Cuomo was approved by voters. The Smart Schools Bond Act provides \$2 billion in funding to schools to reimagine our classrooms and provide New York's students with the technological resources, skills, and safe learning environments necessary to succeed in the evolving 21st century economy. Bond proceeds will fund enhanced education technology, including infrastructure improvements to bring high-speed broadband to schools and their surrounding communities and the purchase of classroom technology for use by students. Additionally, the Smart Schools Bond Act will enable long-term investments in full-day pre-kindergarten through the construction of new prekindergarten classroom space, the replacement of classroom trailers with permanent classroom space, and high-tech school safety programs.

Summary of Spending

Category	SY 2016 (millions)	SY 2017 (millions)	Change	
			Dollar (millions)	Percent
Total Education Aid	23,233	24,224	991	4.3

Category of Increase	Change (millions)
Reimbursement for Expense-Based Aids / Other	408
Additional Foundation Aid	266
Gap Elimination Adjustment Restoration	189
Community Schools Aid	100
Empire State Prekindergarten Program for Three-Year-Olds	22
Early College High Schools	4
QUALITYstarsNY	2
Total School Aid Increase	991

Proposed FY 2017 Budget Actions

The Executive Budget reflects the Governor's continued commitment to improved student outcomes and builds upon the foundational work of prior years, including the implementation of recommendations of the New NY Education Reform Commission's Final Action Plan.

In FY 2017, School Aid will continue to represent the largest State-supported program, accounting for

roughly 29 percent of total General Fund spending. For SY 2017, the Budget recommends \$24.2 billion in total education aid.

School Aid

The Executive Budget provides a \$2.1 billion increase in education aid over the next two years. The Budget also commits to fully restoring the GEA for every district by the SY 2018. For SY 2017, this growth consists of a \$991 million (4.3 percent) increase in formula-based aids and competitive grants. The increase reflects a Foundation Aid increase of \$266 million and a \$189 million Gap Elimination Adjustment (GEA) restoration, including fully restoring the GEA for approximately 200 higher need districts.

Empire State Prekindergarten

The Budget includes an additional \$22 million investment in prekindergarten to expand high quality half-day and full-day prekindergarten programs to three-year-olds in the highest need school districts. This funding builds upon the State's first investment in full-

day prekindergarten for three-year-olds included in the FY 2016 Enacted Budget.

The State will also provide \$5 million to support the implementation of QUALITYstarsNY, a quality rating and improvement system intended to ensure that we offer our youngest children the highest quality programs possible. This is an increase of \$2 million from the State's first investment in QUALITYstarsNY in the FY 2016 Enacted Budget.

Community Schools

The Budget continues the Governor's push to transform New York's 144 failing schools. Pursuant to SED regulations, a school is identified as "failing" if it has been in a monitored or "accountability status" for the previous three school years and has been among the bottom five percent in the State in English Language Arts (ELA) and math performance or has a graduation rate below 60 percent.

The FY 2016 Budget committed \$75 million to support the turn-around efforts in schools identified as "persistently failing," meaning they have been in the lowest accountability status for a decade. The FY 2017

Executive Budget provides an additional \$100 million to expand this initiative, \$75 million of which is specifically allocated amongst 17 school districts with a failing or persistently failing school. The remaining \$25 million will be available to other high-need school districts statewide that do not have a failing or persistently failing school. Schools will be able to use these funds for community school coordinators, before- and after-school mentoring services, summer learning activities, health and dental care referrals and connections, and other strategies to maximize student achievement.

Charter Schools

The Executive Budget increases statewide funding for charter schools by \$27 million so that they can continue to innovate, recruit high-quality teachers and staff, and provide a strong educational option for students and families. Further, the Executive Budget unfreezes the charter school tuition formula in New York City to allow local funding amounts to be reflective of the current economic environment. In addition, the

Budget makes permanent the calculation of rental aid for New York City charter schools.

Early College High Schools

New York has more than 65 early college high school programs with more than 7,000 students enrolled. These programs allow students to get a jump start on college by providing opportunities to earn college credit. To build upon the success of the existing programs, the FY 2017 Executive Budget commits \$4 million to expand the State's early college high school and career and technical education programs.

Other Budget Actions

- **Establish the Parental Choice in Education Act.** The Executive Budget promotes educational choice and philanthropy, and provides support for teachers in recognition of their personal spending for their classrooms by creating three new tax credit programs totaling \$150 million under a Parental Choice in Education Act.
 - **The Education Scholarship and Program Tax Credit.** This program provides \$50 million in credits to support scholarships for low- and middle- income students to attend a non-public school or a public school outside

of their district, and \$20 million in credits to support public school educational improvement programs such as prekindergarten and after-school activities. Corporation franchise and individual taxpayers who make donations will receive a nonrefundable credit equal to 75 percent of their authorized contributions, up to a maximum annual credit of \$1 million.

- **The Family Choice Education Tax Credit.** This credit provides \$70 million in reimbursements to families with incomes below \$60,000 per year for eligible tuition expenses paid to elementary and secondary schools in New York State. Families would be eligible to claim a credit of up to \$500 per student.
- **The Instructional Materials and Supplies Credit.** Recognizing that many teachers spend their own money on materials for their classrooms, the Act creates a refundable credit equal to the cost of instructional supplies purchased by a public, charter, or private school educator, up to a maximum of \$200, with an aggregate cap of \$10 million.
- **Extend Mayoral Control of New York City Schools.** The existing governance structure for New York City schools is extended for an additional three years, until June 30, 2019.

- **Supporting Non-Public School Programs.** Approximately 400,000 elementary and secondary students attend more than 1,600 non-public schools in New York State. The Executive Budget increases aid by approximately four percent to \$174 million to reimburse non-public schools' costs for State-mandated activities. The Budget also provides \$125 million in extraordinary aid, first authorized in June 2015, to reimburse non-public schools for the costs of performing State-mandated services in prior years.

6. ENVIRONMENT AND ENERGY

The FY 2017 Executive Budget increases funding for 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 capital funding for environmental facilities and wastewater infrastructure. State agency and public authority funding will continue to make New York a leader in the clean tech economy, reduce emissions that contribute to climate change, and allow the transformation of our electric power transmission system to a distributed smart grid network.

Overview

The State's environmental, energy and natural resource agencies support and regulate land use planning and preservation, recreation and tourism, agricultural development, protection of water resources, food safety, 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 enjoyable and safe 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 180 State parks and 35 historic sites. In 2014, the system welcomed a record 62 million visitors to these sites.

Together, DEC and OPRHP oversee 5.1 million acres of open space statewide, including 2.6 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 \$35 billion in annual revenue. DPS oversees the siting of major utility infrastructure, and provides oversight on cable franchise agreements and telecommunications service. 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.

Protecting the Environment

In Governor Cuomo's first term, more than \$16 billion was committed to environmental and energy programs for infrastructure, resiliency, and clean energy. This investment directly benefits the State's economy and was the boldest commitment to the environment by any first term New York Governor in a generation. In 2015, the Governor continued this commitment by establishing a \$200 million clean water infrastructure grant program, extending the State Superfund program, which funds the cleanup of hazardous waste sites, by \$1 billion, and unveiling the NY Parks 2020 initiative, to invest \$900 million in State parks by 2020.

The Governor's commitment to open space protection and improved access to wildlife-related recreation was reflected in the acquisition of the former Finch Pruyn Lands, the largest addition to the Adirondack Forest Preserve in a century. In addition, the enactment of the NY Open for Fishing and Hunting initiative streamlined and reduced hunting and fishing license fees and provided for dozens of new and improved ways to access the State's natural resources.

The FY 2017 Executive Budget increases support for critical environmental protection and energy programs. Funding for the Environmental Protection Fund (EPF), which provides dedicated funding to communities throughout New York to improve the environment, will be increased by \$123 million, to \$300 million. This represents the highest level of funding since the creation of the EPF, and exceeds the previous high by \$45 million. Since taking office, Governor Cuomo has more than doubled funding for the EPF, increasing annual funding by a total of \$166 million. Reflecting the Governor's commitment to combat climate change and reduce greenhouse gas emissions, the EPF for the first time will include a new climate change mitigation and adaptation account to provide funding for adaptive infrastructure, greenhouse gas management, and resiliency planning programs.

The Budget also includes \$135 million of new capital appropriations 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. Further, the Budget provides \$100 million

of new funding for clean water infrastructure grants to support drinking water and waste water capital improvements across the State.

Summary of Spending (All Funds)

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollars (millions)	Percent
Total Environment and Energy Spending	1,467	1,534	67	4.6
Department of Agriculture and Markets	120	105	(15)	(12.5)
Department of Environmental Conservation	922	998	76	8.2
Office of Parks, Recreation and Historic Preservation	323	326	3	0.9

The Budget increases capital funding for the environment, and maintains funding at current levels for agricultural, environmental and parks operating programs.

- Department of Agriculture and Markets.** Primarily due to a transfer of agricultural marketing responsibilities (\$12.4 million) to Empire State Development, along with the discontinuation of one-time local assistance program funds and the completion of one-time capital spending, total funding for Ag&Mkts is decreased by \$15 million.

- **Department of Environmental Conservation.** Total spending for DEC is increased by \$76 million, reflecting increases in the EPF and other capital program spending.
- **Office of Parks, Recreation and Historic Preservation.** Total funding for OPRHP is increased by \$3 million, reflecting growth in capital spending.

Proposed FY 2017 Budget Actions

- **Environmental Protection Fund.** The Budget includes appropriations of \$300 million for the EPF, the highest level of funding in the program's history and an increase of \$123 million from FY 2016. Appropriations include \$33.8 million for solid waste programs, \$76.8 million for parks and recreation, \$156.9 million for open space programs, and \$32.5 million for a new climate change mitigation and adaptation program. The increase will provide record funding for critical environmental programs such as land acquisition, farmland protection, invasive species prevention and eradication, water quality improvement, and an aggressive environmental justice agenda. Further, this funding level will allow for the creation of new programs to reduce greenhouse gas emissions and adapt to climate change. Funding to support the increase in FY 2017 will come from monetary settlement funds. No funding from Regional Greenhouse Gas Initiative (RGGI) proceeds will be used to support the EPF.

- **Clean Water Infrastructure.** Recognizing the growing infrastructure needs across the State, the Budget includes an additional \$100 million two-year commitment for municipal drinking water and waste water infrastructure grants, for a total \$250 million commitment including reappropriations. These funds will be used in conjunction with the Environmental Facilities Corporation's (EFC) revolving loan program.
- **Infrastructure Investment.** The Budget provides \$135 million of new capital appropriations that will address a backlog of environmental capital needs and spur job creation and economic development. Specifically:
 - \$90 million is allocated to OPRHP to support health and safety projects and critical infrastructure rehabilitation.
 - \$40 million is allocated to DEC to address a variety of capital needs including public access projects to connect hunters, anglers, bird watchers and other outdoor enthusiasts to un-tapped State owned lands. This funding will also provide for investments in information technology, and in health and safety repairs to State infrastructure, including dams, wetland restoration, State lands and fish hatcheries.
 - \$2.5 million is allocated to the Department of Agriculture and Markets to improve and rehabilitate the State fairgrounds.
 - \$2.5 million is allocated for ORDA infrastructure, supplementing \$7.5 million of

capital appropriations in the Authority's budget.

- **Expand Access to New York Grown Agricultural Products.** Building on last year's success, the 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 across the globe. In 2015, Taste NY achieved the Governor's goal of tripling gross sales of participating vendors, with sales of New York products jumping to \$4.5 million. Taste NY products are now available in over 30 retail locations statewide, and in 2015 over 1.3 million people attended 43 Taste NY events. 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. 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.
- **Maintain Core Agriculture and Markets Local Assistance Funding.** Funding for core agricultural programs that protect health and safety, provide education, and support the promotion of New York State products will continue. These programs include the Migrant Childcare program, Cornell Veterinary

Diagnostic Laboratory, Cornell Pro-Dairy, the Wine and Grape Foundation, and Farm Family Assistance.

- **Agricultural Marketing Orders.** The Budget includes legislation that will transfer administration of agricultural marketing programs (known as marketing orders) from Ag&Mkts to Empire State Development (ESD). This transfer will enable the State's agricultural associations involved with the marketing programs to utilize ESD's marketing expertise to better increase awareness and promotion of the State's agricultural products.
- **NYS Certified High Quality Initiative.** Utilizing Ag&Mkts, ESD, EPF, and other capital resources, the Budget will support implementation of the NYS Certified High Quality initiative. This program will fund marketing, branding, food safety, environmental management, and economic development initiatives to create the safest food system in the nation. A unique label will be created that identifies food from a New York producer who uses best practices in food safety, food handling, and environmental stewardship.
- **Transfer the Canal Corporation to NYPA.** The Budget includes legislation that transfers the New York State Canal Corporation from the New York State Thruway Authority to the New York Power Authority (NYPA). This transfer will enable the canal system to benefit from NYPA's experience in managing our State's water assets while ensuring the continued efficient operation of the canal system. NYPA operates seven hydro-

electric plants throughout the State, including three located within the canal system. NYPA and the Canal Corporation already share services on the canal system, and this transfer will only strengthen this partnership.

- **Clean Energy Workforce Opportunity Program.** In order to educate the next generation of clean energy workers, this new \$15 million fund will expand clean technology and renewable energy programs offered by SUNY. In partnership with clean energy businesses located on or near SUNY campuses, the fund will allow these schools to offer additional courses, hire new faculty, and purchase or upgrade the advanced machinery and lab equipment necessary to teach students the skills to succeed in the green energy workforce.
- **Department of Public Service Operations.** The Budget includes legislation that will enable the Department of Public Service (DPS) to more effectively utilize its resources by streamlining the review and approval of utility service rates changes requested by municipally owned gas and electric utilities. The Budget also includes legislation that will allow for more comprehensive reviews of highly technical and complex rate cases by extending the length of time the Public Service Commission has to approve utility sought rate increases, from eleven to fifteen months.
- **Make the Waste Tire Fee Permanent.** In order to avoid cuts to essential programs, the Budget permanently extends the Waste Tire Fee, which

is scheduled to expire December 31, 2016. This \$2.50 fee, which has been in place since 2003, funds the abatement of waste tire sites and supports approximately 140 Department of Environmental Conservation employees involved in mission critical solid and hazardous waste cleanup activities.

- **Reduce Navigation Law Reimbursement.** To provide nearly \$1 million in annual savings, the Executive Budget includes legislation which reduces the reimbursement provided to local municipalities for the costs of voluntary patrols of the State's waterways from 50 percent to 25 percent.

7. HEALTH CARE

The FY 2017 Executive Budget builds upon the Medicaid Redesign Team's historic reforms 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, promotes the State's Prevention Agenda, and continues investments in health care infrastructure and caregiver supports.

Overview

The Department of Health's (DOH) mission is to ensure high quality health services are available to all New Yorkers. Consistent with this mission, DOH manages comprehensive health care and long-term care coverage for low- and middle-income individuals and families through the Medicaid, 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 regulates all 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 Medicaid-funded services.

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 State's largest payer of health care and long-term care. Over six million individuals receive Medicaid-eligible services through a

network of more than 60,000 health care providers and more than 16 managed care plans. Total Federal, State and local Medicaid spending is expected to be \$63 billion in FY 2017.

Prior to 2011, Medicaid spending had grown at an unsustainable rate while failing to deliver quality outcomes for New Yorkers, despite years of attempted cost containment. In 2009, according to a Commonwealth State Scorecard of Health System Performance, New York State ranked 22nd among states in quality of health care measures and worst among all 50 states in avoidable hospitalization.

Recognizing the need to control spending growth and improve health care 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 tie future spending to a rational measure of growth – the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 3.4 percent).

The MRT's innovative and collaborative work has bent the cost curve for the Medicaid program and has saved the State and Federal governments over \$17 billion each, through FY 2016. In addition, these efforts have significantly improved the health care landscape. In the Commonwealth Fund's 2015 Scorecard of Health System Performance, New York State improved virtually across-the-board, achieving a rank of 13 among states in overall health system performance and climbing 24 spots to 26th among all 50 states in avoidable hospitalization.

Building on this success, and through further collaborations, New York is positioned to continue the transformation of health care for all payers and recipients. The Executive Budget advances this transformation through continued investments that will help introduce integrated models to improve care delivery and positive health outcomes at lower cost through New York's Medicaid waiver.

Summary of Spending

(All Funds Unless Otherwise Noted)

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollars (millions)	Percent
Medicaid (Total All Funds)*	63,656	63,308	(348)	-0.5
Medicaid (Global Cap)	17,104	17,692	588	3.4
Department of Health Spending (Excluding Medicaid and BHP)	4,052	4,183	131	3.2
Essential Health Plan	1,660	2,461	801	48.2
Office of the Medicaid Inspector General	53	51	(2)	-3.8
Office for the Aging	224	225	1	0.5

*The decline in the Medicaid All Funds number is primarily associated with shift of Medicaid funds to the Essential plan and a year to year reduction in supplemental Federal Medicaid payments to localities that reflects the approval of multiple years of Federal payments in FY 2016.

Proposed FY 2017 Budget Actions

The Executive Budget reflects the continuation of the Medicaid spending cap enacted in FY 2012 and recommends funding consistent with its provisions. The Budget achieves modest savings from public health and aging programs through program reforms, enterprise-wide efficiency measures, and general cost-control efforts.

Health Care Transformation

The success of the MRT and other State initiatives demonstrates that through constructive collaboration, unsustainable spending trends can be reversed while improving care delivery and health outcomes. The Federal government has recognized the success of New York's efforts and the saving that has been generated. In April 2014 the Federal government awarded New York State an \$8 billion, 5 year Medicaid waiver. In the first two years, \$1.7 billion has been awarded under the waiver. This includes \$963 million to 25 Performing Provider Systems (PPSs) statewide so that these consortiums of regional providers can implement approved Delivery System Reform Incentive Payments (DSRIP) program transformation projects; \$280 million for Health Homes and other reform initiatives; and \$500 million for financially distressed safety net hospitals whose viability is critical to achieving ongoing reforms. Over the next year these PPSs will increase their participation in value-based payment arrangements, continue to receive performance based payments reflecting their system transformation, clinical management and population health improvements and

progress towards the goal of reducing avoidable hospital use by 25 percent over the next five years.

In addition, the State will continue its implementation of the State Health Innovation Plan (SHIP) under the terms of a \$100 million Federal award. Implemented over four years, this plan will provide statewide access to high quality and coordinated care. The intent is to build upon Medicaid reform efforts and translate these efforts to achieve similar outcomes across New York's entire health care system.

The Budget also maintains \$2.5 billion in capital investments to make infrastructure improvements and provide additional tools to stabilize health care providers to further advance transformation goals.

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 and support health care

transformation. This package includes increased payments to essential community providers and new payments to enhance population health improvements. These investments are balanced by savings resulting from targeted Medicaid integrity initiatives to eliminate fraud and abuse, improvements in benefits design, greater pharmaceuticals controls, and compliance with the Federal spousal support law.

The Budget also re-institutes the New York City contribution toward financing the growth in Medicaid expenses, effective October 1, 2016. The contribution level is increased by 3.6 percent in FY 2017 and 5.8 percent in FY 2018, with annual growth of about two percent thereafter. The Medicaid cap was introduced as a means of helping counties remain within the two percent property tax cap. Since 2012, all local governments and school districts, except New York City, have been subject to the State's Property Tax Cap. Because of this exception, the City's property tax levy has been growing at a significantly higher rate each year than what is allowed under the tax cap. In 2016, the City's levy is approximately \$3.5 billion more than if it had been held to the property tax cap's growth limits. This makes New York City uniquely positioned to

assume responsibility for a portion of its Medicaid growth.

New York Health Benefit Exchange

In 2013, in accordance with the ACA, 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. The health plans offered through NY State of Health are, on average, 50 percent less expensive than those available in 2013 prior to the creation of the marketplace. To date, over 2.7 million New Yorkers have enrolled in coverage through the marketplace. The Executive Budget includes \$484 million in total funding for the operation of the NY State of Health.

Public Health and Aging Programs

DOH and SOFA administer programs that support New York's public health and senior care systems. The Executive Budget provides more than \$350 million for local government activities, makes new investments and reduces costs by restructuring programs and

implementing administrative efficiencies. These actions will save an estimated \$87.4 million in FY 2017 and \$106.6 million in FY 2018. Key items include:

- **Access Federal Health Services Initiative Funding.** Through the Child Health Plus program, states have the option to receive Federal funding to support health initiatives that benefit CHP eligible children. To receive additional Federal funding, the Executive Budget shifts a portion of the Medical Indemnity Fund (MIF) and support for Poison Control Centers to CHP. This initiative will result in \$36.2 million in annual State savings, primarily associated with shifting eligible MIF costs and reducing annual State support payments.
- **Focus Excess Medical Malpractice Funding.** The State currently provides a second layer of medical malpractice coverage to qualified physicians and dentists, which supplements their primary individual coverage. This program, however, has become over-subscribed and has strayed from its original intent to enable community hospitals to attract doctors in high-risk specialties. The Budget will modify the existing program and prioritize funding to support doctors in high-risk specialties and high risk areas. This initiative will result in \$25 million in State savings annually.
- **Reform Early Intervention (EI) Program.** The EI program provides a comprehensive array of therapeutic and support services to children under the age of three with confirmed

disabilities (e.g., autism, cerebral palsy) or developmental delays. The program serves approximately 68,000 children annually and is jointly financed by Federal, State and local governments. The Budget includes a series of program improvements that will result in a net State savings of \$5.0 million in FY 2017 and \$20.3 million in FY 2018. These actions also provide fiscal and administrative mandate relief to counties and generate cumulative local savings of more than \$105 million over five years without impacting service levels. They include:

- **Increase Insurance Reimbursement.** While over 40 percent of EI recipients have health insurance coverage, only two percent of total service claims are reimbursed by health insurers. This reform would require insurers, including Child Health Plus (CHP) plans to pay medically appropriate claims, abide by existing prompt payment requirements, and send payments to the billing provider.
- **Streamline Eligibility Determinations.** The State will take advantage of options under revised Federal regulations to achieve program efficiencies by requiring initial screenings for children who may not require more costly comprehensive medical evaluations and by using medical and other records to establish eligibility where appropriate.
- **Increase Administrative Reimbursement.** To more appropriately reimburse providers for their costs, the Budget increases the administrative component of provider rates

by 1 percent. The administrative component of EI rates has not been modified since 1994 despite changes in program and reimbursement requirements for providers.

- **Empire State Poverty Reduction Initiative.** The Budget includes \$25 million of new funding to significantly expand the anti-poverty initiative, begun in 2015. Planning grants totaling \$5 million will be available in ten communities with high concentrations of poverty. In addition, \$20 million will be available for grants to match private sector and foundation funding. In addition, the Budget continues the \$4.5 million increase enacted in FY2016 to the Hunger Prevention and Nutrition Assistance Program to allow the program to respond to the emergency food needs of hungry New Yorkers, increasing support for the program to \$34.6 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 \$8.5 million annually.
- **Continue Alzheimer's Caregiver Supports.** The Budget continues the \$25 million investment in care and support services for individuals living with Alzheimer's disease and other dementias and their caregivers.
- **Maintain Aging Supports.** The Budget continues the \$3 million increase in both the Community Services for the Elderly Program and

the Long Term Care Ombudsman Program (LTCOP).

- **Better Target Naturally Occurring Retirement Community (NORC/NNORC) Funding.** NORC programs provide support services to older persons in designated community residential settings statewide, but largely in metropolitan areas. As the housing preferences of older persons change, some existing NORC locations may no longer meet the statutory requirements for funding. This initiative would specifically target funding to those NORC/NNORC programs that continue to meet statutory requirements. This initiative is estimated to save the State \$951,000 annually.
- **Implementation of the Human Services Cost of Living Adjustment (COLA).** The Budget includes \$1.2 million to support the statutory cost of living adjustment for not-for-profits that provide services on behalf of DOH and SOFA.

Other Initiatives

- **Ending the AIDS Epidemic.** New York's successful strategic investments in the prevention and care for individuals with HIV/AIDS places the State in the position of being able to advance a plan for the end of the HIV/AIDS epidemic. The FY 2017 Executive Budget reflects the initial installment of a \$200 million multi-year commitment of new funding toward HIV/AIDS efforts, which is in addition to the \$2.5 billion in public funding that the State

currently directs toward addressing the health care needs of those living with the disease. Specifically, these funds will be used to expand the availability of affordable housing and housing assistance for those living with HIV and identify undiagnosed persons, link them with treatment and facilitate access to necessary medications to keep them HIV negative to prevent spreading the disease.

8. HIGHER EDUCATION

The FY 2017 Executive Budget strengthens the ability of New York's public system of higher education to excel academically and act as an economic engine. A renewed NYSUNY 2020 program and new strategic investments will yield further academic gains, create employment opportunities, and connect graduates to jobs. The Budget also realigns financial support for CUNY senior colleges commensurate with its governance structure.

Overview

Each year, New York State's higher education institutions educate over 1.2 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 396,000 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 333,000 students. In

addition, 532,000 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 127,000 (11 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 18 scholarship and award programs. Together these programs provide more than \$1 billion in financial aid to over 360,000 students. HESC also partners with the Office of the State Comptroller in administering the College Choice Tuition Savings program.

The State Education Department administers over \$100 million in funding for higher education including opportunity programs that help support the success of disadvantaged students and aid to private colleges.

Higher Education: Developing a Modern Workforce

SUNY/CUNY Senior Colleges

In 2011, Governor Cuomo signed groundbreaking legislation implementing the NYSUNY 2020 and NYCUNY 2020 Challenge Grant Program. This five-year program, which is scheduled to end on July 1, 2016, 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. The program

enabled families to plan for college expenses, while making it possible for the public university systems to add faculty, reduce class sizes, expand program offerings, and improve academic performance.

NYSUNY 2020 and NYCUNY 2020 also maintain 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.

In addition, NYSUNY 2020 and NYCUNY 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. These grants leverage State capital funding to incentivize bottom-up, individualized, long-term economic development plans on campuses and their surrounding communities.

Governor Cuomo built upon these initiatives by launching START-UP NY, the groundbreaking initiative established in 2013 to transform SUNY and private

college and university campuses and communities across the State into tax-free zones. This program is attracting new businesses and encouraging existing businesses to expand. To date, a total of 155 businesses have been approved for START-UP NY participation and are projected to create over 4,200 net new jobs and nearly \$221 million in investment.

In 2015, to promote student success and institutional excellence, the Governor began the process of shifting State support from an enrollment-driven formula to one that bases a portion of state aid on performance. SUNY and CUNY received \$30 million in new investment and performance funds allocated to campuses based on their performance improvement plans that identify and implement best practices from around the systems. These plans include goals to improve outcomes in student access, completion, and post-graduation success.

Community Colleges

Several recent initiatives have combined to help modernize our community college system. In 2013, the Next Generation NY Job Linkage Program was

established to connect students 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. This initiative provides \$5 million in incentive funding to reward community colleges based on the success of their students in job placement and academic performance.

To further align community college offerings with regional needs, in 2015 SUNY created regional planning councils to ensure that community colleges collaborate with neighboring colleges as well as stakeholders from state agencies, local governments and business. In addition, a new Community College Community Schools program was launched to provide our most disadvantaged students the tools and support they need to persevere and graduate.

Making College More Affordable

Governor Cuomo has made several strategic investments to make college more affordable and to encourage the best and brightest students to build their future in New York State and help to fill critical jobs. For

the first time in 14 years, New York State increased the maximum TAP award, from \$5,000 to \$5,165.

The Governor also created a new scholarship program for the top 10 percent of students in each high school. These students receive full tuition scholarships to any SUNY or CUNY college or university if they pursue a Science, Technology, Engineering and Math (STEM) career and work in New York for five years.

The FY 2016 Budget included the new *Get on Your Feet Loan Forgiveness Program* to provide Federal student loan relief to New York residents who graduate from college and continue to live in the state for the first two years out of school if their income is not high enough to cover their student debt burden without significant financial hardship. Recognizing that the rising cost of college and sub-optimal student outcomes make college choice more critical than ever, New York created a standard financial aid award letter for colleges and universities to provide students and their families with information on the total costs of education and the success of other students after graduation.

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 particular, the university systems have taken action to raise admission requirements and strengthen the curriculum for teacher preparation programs.

Summary of Spending (General Fund)

Category	Academic FY 2016 (millions)	Academic FY 2017 (millions)	Change	
			Dollars (millions)	Percent
SUNY State-Operated Campuses*	2,646	2,676	30	1.1
CUNY Senior Colleges*	1,217	1,232	15	1.2
SUNY and CUNY Debt Service	1,187	1,188	1	0.1
HESC Financial Aid Programs	1,066	1,134	68	6.4
Community Colleges	735	729	(6)	(0.8)
SED Programs	106	106	0	0
SUNY Hospitals Subsidy**	88	69	(19)	(21.2)
Subtotal	7,045	7,134	89	1.3
NYC Share of CUNY Senior Colleges	0	(485)	(485)	--
CUNY Retroactive Salary Increases	0	240	240	--
General Fund Total	7,045	6,889	(156)	(2.2)

*Includes funding for campus operations and employee fringe benefits.

**Returns to the FY 2016 Executive Budget funding level.

Strategic Investments in Higher Education

The Executive Budget renews the NYSUNY 2020 and NYCUNY 2020 program for another five-year period and makes strategic investments including \$30 million to implement SUNY and CUNY performance improvement plans, creation of a \$15 million Clean Energy Workforce Opportunity Program to develop a new clean-tech workforce development program on SUNY campuses, and \$110 million for another round of NYSUNY 2020 and NYCUNY 2020 capital challenge grants.

In a continued effort to modernize our community college system, the Executive Budget establishes a new Apprentice SUNY: NY State Advanced Manufacturing Apprenticeship Program for community colleges to develop one of the largest statewide public/private partnership apprenticeship programs in the country. The Budget also expands the Community College Community Schools program to provide more support services to ensure student success, and supports the advancement of undocumented immigrants by enabling them to apply for State college tuition assistance under a DREAM Act initiative.

Finally, the Executive Budget will rationalize funding for CUNY senior colleges by having the City of New York pay a share of financial support that aligns with the City's participation in the governance of CUNY.

Major Initiatives

- **Renew NYSUNY 2020 and NYCUNY 2020.** To maintain an affordable and stable system of funding New York's public university systems, the Budget extends the NYSUNY 2020 and NYCUNY 2020 program for an additional five years. A new rational tuition plan will allow SUNY and CUNY to increase the New York resident tuition rate up to \$300 per year, provided they demonstrate considerable efforts to reduce spending and justify tuition increases based on inflationary indices. Additional revenue generated by a tuition increase would be used to support investments in faculty, instruction and tuition credits for TAP-eligible students. The renewed NYSUNY 2020 plan also continues the Governor's commitment to provide a consistent level of support for SUNY and CUNY. In addition, the Budget includes \$110 million for a new round of NYSUNY 2020 and NYCUNY 2020 capital challenge 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.

- **Expand SUNY and CUNY Performance Initiatives.** The Budget continues the process of shifting state support from an enrollment-driven formula to one that bases a portion of State aid on performance. SUNY and CUNY will receive a new investment of \$30 million to implement campus performance improvement plans that identify and implement best practices from around the systems to improve outcomes in student access, completion, and post-graduation success. The Executive Budget also includes \$5 million for the Next Generation NY Job Linkage Incentive Fund.
- **Establish a Clean Energy Workforce Opportunity Program.** The Budget builds SUNY's capacity to educate the next generation of green energy workers. The \$15 million Clean Energy Workforce Opportunity Program will enable SUNY to work with clean energy companies to develop a new jobs training and certification program that will make New York a leader in clean tech workforce development. The funding will be used to hire new faculty and purchase cutting-edge equipment that will be used in these new academic programs.
- **Create Apprentice SUNY: NY State Advanced Manufacturing Apprenticeship Program.** To meet the growing need for a skilled workforce, the Budget provides funding for New York's community colleges to develop one of the largest statewide public/private partnership apprenticeship programs in the country, generating thousands of new employment opportunities for community college graduates.

In partnership with NYSDOL, this new \$5 million program will leverage the resources and capacity of the community colleges by building on the infrastructure developed with the \$15 million USDOL Trade Adjustment Assistance Community College and Career Training grant awarded in 2013. Apprentice SUNY will help 2,000 students receive classroom and practical training through new registered apprenticeships linked to degrees that provide new participants with paid on-the-job skills training, a degree or certificate, a portable, national industry-recognized credential and a full-time job upon graduation.

- **Expand Community College Community Schools.** To help more students and their families have the support they need to reach their educational goals, the Budget includes \$1.5 million to provide three additional Community College Community Schools grants. This program, which begun in 2015, helps community colleges to address student needs such as child and elder care, transportation, health care services, family counseling, and employment assistance.
- **Make the Dream of Higher Education Available to All.** The Executive Budget supports the advancement of undocumented immigrants by enabling them to apply for State college tuition assistance under a DREAM Act. This initiative continues the State's tradition of welcoming immigrants and honoring their contribution to our culture and economy.
- **Realign Funding and Governance for CUNY Senior Colleges.** The Budget adjusts financial

responsibility for CUNY senior colleges to better align with CUNY governance. New York City's share of public support for CUNY senior colleges is only two percent, yet the City controls 30 percent of appointments to the CUNY Board of Trustees. This governance and funding structure dates back to a time when New York City was experiencing a fiscal crisis and was unable to support CUNY senior colleges. As New York City is no longer in a fiscal crisis – it ended 2015 with a multi-billion dollar surplus and billions in reserves – the Budget resumes the practice of sharing CUNY senior college expenses with the City. Commensurate with the percentage of CUNY appointments, the Budget requires that the City of New York assume a 30 percent share of CUNY senior college net operating and debt service expenses, totaling \$485 million in the 2016-17 City fiscal year.

Enactment of this cost sharing arrangement will enable the State to provide \$240 million from the General Fund to CUNY to support retroactive salary increases needed to ensure fair and affordable agreements with CUNY's labor unions.

9. HUMAN SERVICES

The FY 2017 Executive Budget increases the minimum wage, makes an unprecedented \$20 billion investment in affordable housing, homeless housing and homeless services, provides funding for core supportive services for needy populations, and provides funding for child care subsidies that allow low-income individuals to seek or maintain employment.

Overview

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

The Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) oversee programs that support and provide assistance for 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 and adult protective services.

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 the Federal Welfare Reform Act of 1996, the State's public assistance caseload has declined by approximately one million recipients. The FY 2017 caseload is estimated at 557,000 recipients.

New York's Supplemental Security Income (SSI) program supplements Federal SSI benefits to low-income elderly, blind, and disabled persons. The FY 2017 caseload is estimated at 712,000 recipients.

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 by keeping them with their families, and for foster care services when out-of-home placement is necessary.

The Child Welfare Services program supports approximately 156,000 child protective services investigations with more than 45,000 cases receiving protective and preventive services. Federal funds support approximately \$486 million of statewide program costs. The State supports 62 percent of non-

federal costs, and LSSDs finance the remaining 38 percent. This funding approach, authorized in FY 2003 through Child Welfare Financing Reform, provides an incentive to use preventive services to keep families safely intact and to avoid unnecessary foster care placements. The front-end investment is paying dividends, as the foster care caseload has dropped by 47 percent, from 34,900 to approximately 18,500 in FY 2016.

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 State continues implementation of the Close to Home initiative. Under this initiative, in FY 2013, 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 also worked with OCFS on a plan to take custody of its youth that require a limited secure placement. The limited secure phase of Close to Home began in November 2015 and will be fully implemented in FY 2017.

Summary of Spending (All Funds)

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollars (millions)	Percent
Human Services	8,899	8,837	(62)	(0.7)
OTDA	4,989	5,024	35	0.7
OCFS	3,162	3,016	(146)*	(4.6)
DOL	492	467	(25)	(5.1)
HCR	210	286	76	36.2
DVA	17	15	(2)	(11.8)
NCS	15	15	0	0
DHR	14	14	0	0

*\$100 million of this change reflects a decrease in General Fund support for child care subsidies that results from an equal increase in Temporary Assistance for Needy Families (TANF) fund support for child care subsidies in OTDA.

Proposed FY 2017 Budget Actions

Labor

- Increase the Minimum Wage.** Governor Cuomo has consistently fought to increase the minimum wage in New York State. The FY 2014 Budget increased the minimum wage from \$7.25 to \$8.00 effective December 31, 2013; to \$8.75 effective December 31, 2014; and to \$9.00 on December 31, 2015. The Executive Budget builds upon these previous increases and includes provisions to further increase the minimum wage to \$10.50 in New York City and \$9.75 in the remainder of the State, effective July 1, 2016, gradually increasing the minimum wage to

\$15.00 in New York City on December 31, 2018 and across the rest of the State on July 1, 2021. This would bring the minimum wage more in line with the cost of living and the wage required to lift a family out of poverty. The Budget reflects that the phased-in increase towards a \$15 minimum wage has already been put in place for the State workforce and SUNY employees.

The current minimum wage represents less than one-third of the average hourly wage in the State, which is almost \$29. Eight states and the District of Columbia currently have a higher minimum wage than New York. A reasonable minimum wage increases the standard of living for workers, reduces poverty, and results in fairer business practices. Since low-income individuals spend a larger percentage of their income on basic needs than higher-income earners, salary increases in low-wage occupations lead to increased demand for goods and services and help spur economic growth.

- **Paid Family Leave.** Bonding with a new child or caring for a seriously ill family member should not cost employees their entire savings or job. The Budget includes legislation creating a paid family leave program. Under this program, employees will be eligible for twelve weeks of paid family leave when caring for an infant or ill family member. The maximum paid benefit will grow to 50 percent of the State's Average Weekly Wage by 2021. This program will be funded entirely through a nominal payroll deduction on employees.

- **Workers' Compensation Reforms.** New York's Workers' Compensation program delivers medical and lost wage benefits to thousands of injured workers. As currently structured, this \$7 billion program is complicated and cumbersome, delaying claim settlements and payments, and increasing costs to employers. The Budget includes legislation to reform the program to benefit both workers and employers. Major reforms will:
 - Redesign current operations to ensure the system will provide more timely and appropriate medical and wage replacement benefits to workers;
 - Create a new pooling agreement freeing employers' committed reserves;
 - Provide broader and more accessible options for medical care by expanding the list of eligible providers;
 - Make hearings more accessible through flexible scheduling and use of virtual hearings; and
 - Continue support for the World Trade Center Volunteer Fund.

Housing

- **100,000 Unit Affordable and Homeless Housing and Services Initiative.** The Executive Budget establishes a \$20 billion, comprehensive five year investment in affordable housing and housing opportunities and services for the homeless. The program will invest \$9.7 billion to establish 94,000 units of affordable housing, \$2.6 billion for 6,000 units of supportive housing and

will also establish 1,000 new emergency shelter beds. Over 15 years, the plan will result in 20,000 units or shelter beds, including 18,000 new supportive housing units.

Human Services

- **Raise the Age of Juvenile Jurisdiction.** New York is one of only two states in which the age of juvenile jurisdiction ends on a youth's 16th birthday. This means that all 16 and 17 year olds are processed in the adult criminal court system, and not through the Family Courts, regardless of the nature of their offense.

On December 22, 2015, as part of the continued efforts to protect youth involved in the criminal justice system, the Governor issued Executive Order #150 directing the Department of Corrections and Community Supervision (DOCCS), in collaboration with OCFS, to implement a plan to gradually remove minors from adult prisons in the State.

Beginning in August 2016, 16 and 17 year olds will be housed at Hudson Correctional Facility, currently a DOCCS operated facility that is undergoing transformation to appropriately house and serve younger offenders. Youth will receive specialized programming geared toward younger offenders and individuals presenting with mental health needs will have access to services provided by staff from the Office of Mental Health.

The FY 2017 Executive Budget reflects the next steps to juvenile justice reforms by advancing legislation to raise the age of juvenile jurisdiction to age 17 on January 1, 2018 and to age 18 on January 1, 2019. Additional reform measures include comprehensive diversion, probation, and programming services for 16 and 17 year old youth who will be involved in the juvenile justice system.

- **Empire State Poverty Reduction Initiative.** The Budget includes \$25 million of new funding to significantly expand the anti-poverty initiative, begun in 2015. Planning grants totaling \$5 million will be available in ten communities with high concentrations of poverty. In addition, \$20 million will be available for grants to match private sector and foundation funding.
- **Increase Support of Child Care Provider Inspection Activities.** The Budget includes a \$10 million State Operations appropriation to support child care provider inspection activities necessary to comply with the Federal Child Care and Development Block Grant Act of 2014.
- **Implementation of the Human Services Cost of Living Adjustments (COLA).** The Budget includes \$1.4 million to support the 0.2 percent statutorily required Cost of Living Adjustment at OCFS not-for-profits, for foster and adoptive parents, and the Nutrition Outreach and Education Program (NOEP) administered by OTDA.

- **Invest Annual Adoption Savings in Post-Adoption and Preventive Services.** In accordance with Federal law, the Budget will invest adoption assistance savings of \$5 million into post adoption and preventive services for children at risk of entering foster care. The \$5 million savings results from a greater Federal share of adoption assistance costs as income is no longer a factor in determining eligibility for Federal adoption assistance.

10. LOCAL GOVERNMENT

The FY 2017 Executive Budget continues Governor Cuomo's commitment to reducing property taxes, improving local government efficiency, and assisting distressed local governments, while maintaining core local government assistance.

Overview

New York's local government assistance programs provide general purpose aid to municipalities, as well as targeted grant programs and incentives for local government efficiency and consolidation actions. The Aid and Incentives to Municipalities (AIM) program provides unrestricted, general purpose aid to cities, towns, and villages.

Grant and incentive programs that provide funding related to municipal shared services, efficiencies, and consolidations include: the Citizens Reorganization Empowerment Grants, Citizen Empowerment Tax Credits, Local Government Efficiency Grants, and the Local Government Performance and Efficiency Program.

Other programs provide aid to specific local governments, including Aid to Municipalities with Video Lottery Gaming Facilities (VLT Impact Aid), Miscellaneous Financial Assistance, and Small Government Assistance.

The Financial Restructuring Board for Local Governments assists distressed municipalities by conducting Comprehensive Reviews to develop recommendations for restructuring and improving fiscal stability. The Board may offer grants or loans to help implement its recommendations.

Addressing the Property Tax Burden

New York residents face some of the highest property tax burdens in the nation. Since taking office Governor Cuomo has focused on fighting this burden by capping property taxes, improving local government efficiency, restructuring distressed local governments, and relieving mandates.

In his first year in office, Governor Cuomo advanced and secured approval of one of the strongest property tax caps in the country. In the first three years under the tax cap, property taxes grew an average of just 2.2

percent per year – less than half the average annual growth from 2000 to 2010. It is estimated that if these growth trends continue, the typical taxpayer will have saved more than \$2,100 in local property taxes by 2017.

To provide further relief, the Governor proposed the Property Tax Freeze. Enacted in 2014, the Property Tax Freeze provides New York homeowners an average of \$525 in direct relief over three years, bringing the combined average savings from the property tax cap and the Property Tax Freeze to \$2,625. The Freeze program also encourages local shared services, cooperation agreements, mergers, and efficiencies. In the first year (2014 for school taxes and 2015 for local government taxes), homeowners with incomes at or less than \$500,000 who reside in a school district or local government that stayed within the tax cap received a State tax credit equal to the increase in their property taxes. In order for their homeowners to get the tax credit in the second year, school districts and local governments must have continued to stay within the tax cap and have submitted an approved Government Efficiency Plan that demonstrates savings through shared services, cooperation agreements, mergers, or efficiencies.

As a result of the Property Tax Cap and the Property Tax Freeze program, local taxpayers will have saved more than \$17 billion through 2016. To ensure that this savings continues, at the end of the 2015 Legislative session, the Governor and Legislature extended the property tax cap through 2020.

In June, 2015, an additional program was enacted to provide direct relief to struggling New York taxpayers – the Property Tax Credit. The program is progressively structured so that taxpayers with lower incomes receive a higher benefit.

Credits will be remitted in the fall of each year, close to when the majority of New York homeowners have to pay their largest property tax bill – their local school district property taxes. All STAR-eligible homeowners with incomes below \$275,000 who live in school districts that comply with the property tax cap will be eligible to receive the credit. In the first year, 2016, the program will be coupled with the third and final installment of the Property Tax Freeze credit. Upstate homeowners will receive \$185 from the program, while taxpayers in Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester counties will receive \$130 from the new program. Beginning in 2017, the

program will provide property tax relief based on a percentage of a homeowner's STAR benefit, with lower incomes receiving a larger percentage. When the program is fully phased-in for benefits provided in 2019, it will provide \$1.3 billion of property tax relief and an average credit of \$530.

Improving Local Government Efficiency

One of the drivers behind New York's high local government cost and property tax burden is its duplicative and overlapping local government structure. To address this problem, the State provides a variety of grant and incentive programs for local governments.

As part of the FY 2016 Budget, Governor Cuomo advanced and secured approval of the Municipal Restructuring Fund, a program that provides funding to help local governments implement transformational projects that contribute to lower operating costs and reduced property tax burdens on a permanent basis. Representatives from the Department of State met with local leaders at regional roundtables and held a Local Government Innovation Conference in Albany in order to best structure the program to ensure that it meets

the needs of local governments. Applications for grants will be accepted beginning in early 2016.

In addition to the Municipal Restructuring Fund grants, the Budget continues funding for other programs that improve local government efficiency. This support will empower local governments and school districts to implement actions that reduce the property tax burden on their taxpayers.

- **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. This program shares a \$35 million appropriation with the Citizen Empowerment Tax Credits.
- **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. This program shares a \$35 million appropriation with the Citizens Reorganization Empowerment Grants.

- **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 implementing 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 consortium, and the maximum planning grant award is \$12,500 per municipality/\$100,000 per grant consortium. A \$4 million appropriation supports this program.
- **Financial Restructuring Board Awards.** Grants and/or loans of up to \$5 million per municipality may be awarded by the Financial Restructuring Board for Local Governments. There is \$80 million in Local Government Performance and Efficiency Program reappropriations available for these awards.

Restructuring Distressed Local Governments

The Financial Restructuring Board for Local Governments was created in 2013 to help distressed local governments restructure and regain solvency before the strict enforcement of a control board is needed. The ten-member board 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. The Review will assess the local government's operations, finances, and management structure. Based on this information, the Board may make recommendations on restructuring municipal operations to improve the local government's 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 to implement the recommendations. To receive the aid, the local government must agree to fulfill the terms of the recommendations.

The Board has undertaken Comprehensive Reviews for twelve local governments: the cities of Rochester, Albany, Utica, Jamestown, Elmira, Lockport, and Fulton, the villages of Alfred, Owego, Hoosick Falls, and Wilson, and the Town of Fishkill. Additional Comprehensive Review requests are expected.

Relieving Local Government Mandates

Governor Cuomo made mandate relief a priority and has eliminated dozens of burdensome requirements, including many of the most expensive. These important reforms are helping local governments manage their budgets and reduce the burden placed on property taxpayers. Reforms that have been advanced by the Governor and enacted include:

- **Medicaid Relief.** The State has eliminated growth in the local share of Medicaid, saving counties \$800 million over five years (FY 2015-2019). For FY 2015 and beyond, the cost of Medicaid to counties subject to the property tax cap will not increase – all growth in the Medicaid program for these counties is being absorbed by the State. 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 more than \$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 for access to 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. The Budget extends these reforms for three years.

Summary of Spending

Category	FY 2016 (millions)	FY2017 (millions)	Change	
			Dollars (millions)	Percent
AIM – Cities Outside NYC	647.1	647.1	0	0
AIM – Towns and Villages	67.6	67.6	0	0
Total AIM	714.7	714.7	0	0
Citizens Empowerment Tax Credits and Grants*	1.9	2.4	0.5	29
Local Government Efficiency Grants*	9.3	5.5	(3.8)	(40)
Local Government Performance and Efficiency Program*	9.9	16.7	6.8	68
VLT Impact Aid	29.3	29.3	0	0
Miscellaneous Financial Assistance	16.2	0.8	(15.4)	(95)
Village Per Capita Aid	2.0	0.0	(2.0)	(100)
Small Government Assistance	0.2	0.2	0	0
Buffalo/Erie Efficiency Grants**	1.6	0.0	(1.6)	(100)

* For FY 2017, Citizens Empowerment Tax Credit and Grants, Local Government Efficiency Grants, and the Local Government Performance and Efficiency Program are being funded out of the Special Infrastructure Account instead of the General Fund.

** Spending will be reduced to zero as the programs reach completion.

Proposed FY 2017 Budget Actions

- **Downtown Revitalization Initiative.** The Budget provides \$100 million for a new initiative to fund transformative housing, economic development, transportation, and community projects designed to attract and retain residents, visitors, and businesses to downtowns. Ten communities that are currently experiencing population loss and/or economic decline will be able to submit revitalization plans for their downtown area, developed in collaboration with policy and planning experts.
- **Municipal Consolidation Competition.** To further encourage local government consolidation, the Budget creates a new \$20 million consolidation competition designed to empower counties and other local governments to pursue opportunities for consolidation, shared services, and other changes that permanently reduce the property tax burden. This competition is designed to bring forth aspirational consolidation ideas that will change the structure of local government.
- **Continue Restructuring Programs.** The Budget continues funding to support the Municipal Restructuring Fund, the Local Government Performance and Efficiency Program, Citizen Empowerment Tax Credits, Citizens Reorganization Empowerment Grants, and Local Government Efficiency Grants. These programs will be funded through the Special Infrastructure Account, as authorized in the FY 2016 Budget.

- **Maintain Local Government Aid.** The Budget maintains most local government aid programs at FY 2016 levels, including: \$715 million in unrestricted AIM funding to cities, towns, and villages; \$29.3 million in VLT Impact Aid; and \$217,300 in Small Government Assistance. Legislative adds, such as Miscellaneous Financial Assistance and Village Per Capita Aid, are discontinued.

Overall Fiscal Impact on Local Governments

The Executive Budget results in a year-to-year net positive local impact of \$1.3 billion for municipalities and school districts for their fiscal years ending in 2017. This net local benefit is primarily the result of a statewide school aid increase of \$991 million, including competitive school grants, and the continuation of the State's Medicaid growth takeover with adjustments to the program. The benefit is primarily offset by an impact to New York City related to rationalizing funding and governance for CUNY senior colleges while providing CUNY contract funding.

Impact of the FY 2017 Executive Budget on Local Governments (Local Fiscal Year Ending in 2017) (\$ in millions)					
	Total	NYC	School Districts (non-NYC)	Counties	All Other
School Aid	963.0	364.0	599.0	0.0	0.0
Other Education	(95.1)	(185.1)	90.0	0.0	0.0
Revenue Actions	(13.0)	(13.0)	0.0	0.0	0.0
Medicaid	349.5	145.9	0.0	203.6	0.0
Health	20.9	12.5	0.0	8.4	0.0
Mental Hygiene	(1.5)	(2.0)	0.0	0.5	0.0
Municipal Aid	(1.6)	0.0	0.0	0.0	(1.6)
Environment	(0.9)	(0.1)	0.0	(0.8)	0.0
Other	(2.8)	0.0	0.0	(2.8)	0.0
Subtotal FY 2017 Executive Budget Actions	1,218.5	322.2	689.0	208.9	(1.6)
Wastewater Infrastructure Funds	50.0	0.0	0.0	TBD	TBD
New Competitive School Grants	28.0	TBD	TBD	0.0	0.0
Municipal Consolidation Competition	20.0	0.0	0.0	TBD	TBD
Grand Total FY 2017 Executive Budget Actions	1,316.5	322.2	689.0	208.9	(1.6)

11. MENTAL HYGIENE

The FY 2017 Executive Budget supports the expansion of community-based care, strengthens the oversight of services for vulnerable persons, and makes investments to ensure that individuals are served safely in the most integrated and cost-effective setting possible.

Overview

The Mental Hygiene agencies and associated not-for-profits provide services to individuals with mental illness, developmental disabilities, and addictions. These agencies are comprised of 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). The Mental Hygiene agencies 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 130,000 individuals with developmental disabilities.

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 community-based services and research facilities, and oversees residential, 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 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 Budget increases funding for community-based programs, and redirects

funding from high-cost institutional services to more effective lower-cost program models that provide expanded services to more people.

Proposed actions for the Mental Hygiene agencies include enhancing community mental health services, right-sizing and improving State-operated inpatient services, investing in behavioral health provider systems to help avoid more costly inpatient services, enhancing employment opportunities for individuals with disabilities, improving the investigatory process for abuse and neglect complaints, placing cost controls on State agency operations, and maximizing payments from third-party payers.

The Executive Budget proposals result in Mental Hygiene system spending of \$8.2 billion in FY 2017, reflecting annual spending growth of \$260 million (3.3 percent). However, due to technical adjustments such as interactions with the Department of Health (DOH) Global Cap, and recognition of the previous year's costs for a 53rd Medicaid cycle, the 27th Institutional payroll, and non-centralized billings for ITS services, projected spending decreases by \$219 million.

Summary of Spending (All Funds)

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollar (millions)	Percent
OPWDD	4,039.3	4,213.9	174.6	4.3
OMH	3,296.1	3,369.1	73.0	2.2
OASAS	592.4	603.6	11.2	1.9
Justice Center	41.8	42.7	0.8	2.0
DDPC	4.2	4.2	0.0	0.0
Subtotal	7,973.8	8,233.4	259.6	3.3
53 rd Medicaid Cycle and 27 th Payroll	168.6	0.0	(168.6)	N/A
NPS Transfer to OITS	27.3	0.0	(27.3)	N/A
Adjustments*	(908.6)	(1,191.1)	(282.5)	N/A
Total	7,261.1	7,042.3	(218.8)	(3.0)

*Adjustments reflect spending of \$909 million in FY 2016 and \$1.1 billion in FY 2017 for OPWDD services that are reflected in DOH Medicaid spending.

Proposed FY 2017 Budget Actions

OPWDD

Over the past five years, Governor Cuomo has taken substantial steps to ensure the continued health and safety of individuals with developmental disabilities, and to improve the overall quality, availability and cost-effectiveness of community-based, person-centered services. This Budget continues the long-standing commitment to support individuals with developmental disabilities in the most appropriate community-based settings, and reflects a 4.3 annual percent spending increase. Specifically, the Executive Budget will:

- **Continue to Improve the Quality and Variety of Services.** Over the past 18 months, OPWDD has made significant progress in providing services to people with intellectual and/or developmental disabilities through new resource investments and reallocation of existing resources. During this time, approximately 2,600 new people received certified community residential housing, including individuals transitioning from their homes, institutional facilities and school residential programs. At the same time, 3,800 individuals were new to employment supports; 2,300 people were provided the opportunity to self-direct their services; 5,500 new individuals received respite services; and 6,400 people were new to day service opportunities. In addition, approximately \$65 million in Balancing Incentive Program (BIP) transformation grants were awarded to over 100 agency providers to develop systematic improvements to delivery systems, enhance community integration, and increase employment opportunities for individuals with developmental disabilities.
- **Implement the Recommendations of the Transformation Panel.** In early 2015, a Transformation Panel was formed to share and discuss ideas to help shape the future of the OPWDD system. Members included individuals with developmental disabilities, parents, providers and advocates. Their formal recommendations will be released in 2016 and OPWDD will develop and implement strategies to enhance service delivery and provide high quality community- integrated services.

- **Invest \$120 Million for OPWDD New Service Opportunities.** This annual investment will support new service opportunities for individuals currently living at home or in residential schools. Services will be based on OPWDD's person-centered processes, which include an individualized needs assessment. These new resources will support expanded services throughout OPWDD's continuum of care, including certified and non-certified residential opportunities, day programs, employment, case management, and respite services for qualifying individuals. This level of funding will support up to 6,000 new or expanded opportunities for individuals with developmental disabilities to support the array of services necessary to meet their individual needs, including needs identified in OPWDD's recent Residential Request List survey. This funding is in addition to separate investments for the transition of individuals from institutional settings.
- **Invest \$15 Million in Expanded Affordable Housing.** In FY 2017, OPWDD will provide an additional \$10 million in capital funding (\$15 million in total) to support the development of affordable housing, which will ensure the availability of safe and accessible residential opportunities for individuals with intellectual and/or developmental disabilities.
- **Invest \$15 Million to Expand Crisis Services.** In 2014, OPWDD implemented START (Systemic Therapeutic Assessment, Respite and Treatment) programs in two geographic regions.

START is a crisis and prevention response model focused on ensuring effective treatment and reducing dependency on higher levels of service; OPWDD will invest an additional \$15 million to expand these services to other regions.

- **Dedicate \$24 Million to Transition Individuals to More Appropriate Community-Based Settings.** Consistent with the Olmstead Cabinet report and the Federal Centers for Medicare & Medicaid Services (CMS) requirements, the Budget continues to transition individuals from developmental centers (52 individuals) and intermediate care facilities (100 individuals) to more integrated, community-based support systems. As part of this effort, OPWDD will utilize a combination of not-for-profit and State-operated services to deliver appropriate community-based services specific to individualized needs.

OMH

The Executive Budget builds on Governor Cuomo's ongoing efforts to expand community services and transition individuals to more appropriate community settings. Specifically, the Budget will:

- **Continue to Improve the Quality and Variety of Services.** With investments in community-based services made in FY 2016, OMH has developed new mobile crisis teams, expanded clinic services, provided additional peer support

services, and funded additional supported housing units throughout the State. The expansion in community investments since FY 2015 has resulted in 7,500 new individuals receiving services and funded nearly 850 supported housing beds. This funding was also used to support rental subsidies for over 14,000 supported housing units statewide. The success of these community investments has resulted in the reduction of over 400 unnecessary, vacant inpatient beds.

- **Invest \$16 Million in Additional Community Services.** Building upon the community reinvestments funded in the FY 2016 Enacted Budget, this additional annual investment will be used to expand a variety of community services based on regional needs reflecting stakeholder input, and is expected to reduce the need for more costly inpatient beds.
- **Expand Services for Children.** The Budget proposes to provide six new “State Plan” Medicaid services for children: crisis intervention, community psychiatric support and treatment, psychosocial rehabilitation services, family peer support services, youth peer training and support services, and services from other licensed practitioners. These new services focus on earlier intervention for children experiencing behavioral health issues, helping to keep children with their families, thus preventing the need for more costly, high-intensity services and out-of-home placements.

- **Provide \$50 Million to Support New Residential Opportunities.** The Budget provides full annual support to continue ongoing residential projects, including nearly 1,200 units planned to open this year from the New York/New York III homeless housing agreement and about 800 other residential pipeline beds.
- **Invest \$1 Million to Implement Raise the Age.** OMH will provide additional staffing resources to provide mental health services to support minors who, in 2016, will be relocating from several rehabilitation facilities to a single separate juvenile facility. OMH will partner with the Office for Children and Family Services (OCFS) and the Department of Corrections and Community Supervision (DOCCS) on this effort.
- **Establish Jail-Based Restoration Programs for Felony-level Defendants.** OMH will work with participating counties to develop restoration units for felony-level defendants while they are restored to competency as they await trial. The restoration units will be operated in counties that volunteer to participate, and will be maintained as separate residential treatment units within the jail. This program has been identified as a best practice by the National Judicial College, and has been implemented in 10 other states with well-documented success. This program will also result in reduced operational costs for the State and participating counties.

- **Provide Mental Health Supports for OMH Long Term Care Patients Moving to Skilled Nursing Facilities or Managed Long Term Care Programs.** OMH will utilize either a Managed Long Term Care (MLTC) Program with wrap-around community support, or a Skilled Nursing Facility (SNF) to serve approximately 100 long-term care patients. This initiative will ensure that the population requiring both long-term care and mental health services will receive care in more appropriate settings.

OASAS

The Executive Budget supports OASAS' continued efforts to better serve individuals with dependencies on alcohol and chemical substances, and to provide services to those experiencing problem gambling issues. Specifically, the Budget will:

- **Combat the Heroin Epidemic.** In total, the Budget provides \$141 million, an increase of \$6 million from FY 2016, to address the growing heroin and opiate epidemic in communities across the State. These funds will continue to support prevention, treatment and recovery programs targeted toward chemical dependency, residential service opportunities, and public awareness and education activities. Specifically, the funding will enable OASAS to implement the following initiatives:

- **Family Support Navigators.** Navigators will assist and inform those seeking treatment and their families of options for insurance coverage and OASAS treatment systems.
- **On-Call Peers.** Peers will be available to assist individuals who are in need of Substance Use Disorder (SUD) treatment to make the connection from hospital emergency rooms to the OASAS treatment system.
- **Adolescent Clubhouses.** These safe, welcoming spaces will help teens and young adults who are in recovery or are at-risk for SUD to develop social skills that promote long-term health, wellness, recovery and a drug-free lifestyle.
- **Recovery Community and Outreach Centers.** These facilities provide recovery supports in a comfortable environment to individuals and their families that are in, or seeking, recovery from SUDs. The centers provide information and education on how to access treatment supports and wellness activities, and they extend peer supports and volunteers to assist in all areas of the Centers' operations.
- **Treatment Availability Tool.** This on-line tool will allow New Yorkers to search (in real time) for available treatment statewide; and
- **Kitchen Table Toolkit and Talk2Prevent.** New resources are offered including videos which can be used by parents, teachers and community members to help begin

conversations with youth concerning the health risks and dangerous consequences of heroin and prescription painkiller abuse. Talk2Prevent is designed to help New Yorkers talk early and often with your kids regarding alcohol and its dangers.

- **Transition Behavioral Health to Managed Care.** The Budget supports a total of \$7 million in new Medicaid rate enhancements to stabilize providers as they transition to managed care, including those that operate Free Standing Inpatient Alcohol Rehabilitation, Residential Rehabilitation Services for Youth, Residential Detox and Outpatient Detox services.
- **Implement Residential Redesign.** OASAS will continue to implement a redesign of residential treatment capacity which creates flexibility within the system to allow providers to serve individuals in need of short-term and long-term treatment as they detox from heroin and prescription painkillers.
- **Increase Housing and Community Capacity.** The Budget includes \$7 million in new funding for 300 new beds scheduled to be developed over the next two years. This includes 170 new congregate care beds associated with the NY/NY III program and 130 new beds in Suffolk, Albany, and Westchester counties, and in the Southern Tier to support the Governor's Combat Heroin initiative.
- **Provide for Synthetic Drug Testing.** The Budget also includes \$2 million in new capital funding to purchase synthetic drug testing

devices to be used by State Police and local law enforcement officials. These portable, hand-held machines can instantly analyze unknown substances and determine if they contain any dangerous synthetic drugs or any other substance. This information will enable officers to more accurately distinguish between individuals with symptoms of drug use and those experiencing non-drug induced psychotic episodes, as well as enable quicker treatment of these individuals if they are admitted to a hospital.

Justice Center

To protect the health and safety of vulnerable individuals in the State's care, the Justice Center has primary responsibility for receiving, investigating and/or reviewing abuse and neglect allegations at certain facilities and programs that are operated, certified, or licensed by the following six agencies: OMH, OPWDD, OASAS, DOH, OCFS, and the State Education Department. The Justice Center is responsible for ensuring the safety and well-being of the approximately one million adults and children with physical or intellectual disabilities and who require services or placement from one of the over 3000 facilities or service providers overseen by the six State agencies.

To fulfill its mission, the agency operates 13 locations across the State, and employs investigators, prosecutors, advocates, and others. The Justice Center investigates nearly 10,000 reported allegations of abuse and neglect annually, and in 2015 assumed more investigative responsibilities in State-operated facilities. Operational efficiencies have resulted in an accelerated case closure process, allowing the agency to close 4,000 more cases than were opened during the year and permanently accelerate the average case-closure timeframe. The Executive Budget recommends \$54.5 million in new appropriations, providing the necessary funding for the agency to perform its core functions timely and efficiently. Specific investments include the statewide training of local law enforcement officers to facilitate effective interviewing techniques of individuals with special needs and disabilities.

Multi-Agency Budget Actions

The Executive Budget includes \$12 million to support the statutorily driven Cost of Living Adjustment and Medicaid trend at not-for-profits that provide services on behalf of OPWDD, OMH and OASAS.

The Budget continues longstanding flexibility in the delivery of services operated, funded, or approved by various State agencies, including OMH, OPWDD, OASAS, and OCFS by extending for five years the existing requirements for certain social work and mental health workers.

12. PUBLIC SAFETY

The FY 2017 Executive Budget reflects an approach to public safety that is smart, tough and fair, while providing new resources to State and local responders to better protect New York families and their property during emergencies.

Overview

The State spends \$4.8 billion annually to protect New York 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

In September 2014, Governor Cuomo initiated a counter terrorism surge in the New York City metro area with enhanced security measures and an increased

State Police, Metropolitan Transportation Authority police, and National Guard presence. This year, the State began utilizing the “See Something, Send Something” mobile app to help New Yorkers report suspicious activity. The Governor also proposed, through the Department of Financial Services, new anti-terrorism and anti-money laundering regulations to detect, deter, and prevent illicit transactions that fuel worldwide criminal and terrorist networks. The FY 2017 Executive Budget builds upon these actions and strengthens preparedness by expanding the current surge to deploy law enforcement to critical infrastructure throughout the state.

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 2005 to 2014, the crime rate in New York declined 18 percent, with a continued decline in the first six months of 2015. In 2014, the number of major crimes committed reached the lowest levels ever recorded, when there were 80,014 fewer major crimes reported statewide than in 2005. Simultaneous with

this significant decline in crime, the State's prison population has fallen from a peak of 72,600 in 1999 to a current population of approximately 53,000 – the lowest level in more than two decades.

Last year, the Governor issued an Executive Order to establish a facility to house 16- and 17-year old youth who are in the State's correctional system. This action will relocate certain juvenile offenders from adult prison facilities into an age-appropriate alternative. The Governor also offered pardons to persons convicted of non-violent crimes committed when they were 16 or 17 years old, and who have since lived crime-free for 10 or more years, giving an opportunity for over 10,000 people to escape the limitations of a criminal record and become productive citizens. The FY 2017 Executive Budget takes additional measures to advance the Governor's Raise the Age Campaign.

Summary of All Funds Spending

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollar (millions)	Percent
Department of Corrections and Community Supervision	2,988	2,943	(45)	-1.5%
Division of State Police	730	726	(4)	-0.5%
Division of Criminal Justice Services	229	232	3	1.3%
Division of Homeland Security and Emergency Services	577	578	1	0.2%
All Other	260	305	45	17.2%
Total Public Safety	4,784	4,784	0	0.0%

Spending for public safety agencies is projected at \$4.8 billion for FY 2017. The year-to-year change in the Department of Corrections and Community Supervision is primarily attributable to the elimination of funding for a non-recurring 27th institutional payroll.

Proposed FY 2017 Budget Actions

Disaster Recovery and Preparedness

- **Continue the Surge and Make State Police Presence in New York City Permanent.** Reinforcing the Governor's 2014 counter-terrorism surge, the State will establish a permanent State Police presence in New York

City. These specially-trained uniformed State Troopers will partner with dozens of investigators to strengthen the law enforcement presence in and around New York City's transit hubs and other critical infrastructure.

- **Protect Critical Infrastructure.** The State currently engages public and private organizations to conduct security assessments of critical infrastructure and key resources. These assessments help local governments and businesses develop comprehensive protection strategies against evolving threats. The FY 2017 Executive Budget will increase the number of exercises performed annually and ensure exercises occur in each of New York State's 16 Counter Terrorism Zones.

Criminal Justice

- **Raise the Age of Juvenile Jurisdiction.** New York is one of only two states in which the age of juvenile jurisdiction ends on a youth's 16th birthday. This means that all 16 and 17 year olds are processed in the adult criminal court system, and not through the Family Courts, regardless of the nature of their offense. All other states, except for North Carolina, have set this age at 17 or 18 years old.

Beginning in August 2016, 16 and 17 year old youth will be housed at Hudson Correctional Facility, currently a DOCCS operated facility that is undergoing transformation to appropriately house and serve younger offenders. Youth will receive specialized age-appropriate

programming, and individuals presenting with mental health needs will have access to services provided by staff from the Office of Mental Health.

The FY 2017 Executive Budget reflects the next steps in juvenile justice reforms through legislation to raise the age of juvenile jurisdiction to age 17 on January 1, 2018 and to age 18 on January 1, 2019. Additional reform measures include comprehensive diversion, probation, and programming services for 16 and 17 year old youth who will be involved in the juvenile justice system.

- **Re-entry Initiatives.** In FY 2017, the State will undertake reforms to hold fewer people in prison pre-trial, bring sentencing practices into the 21st century and expand alternatives to incarceration. Through a comprehensive re-entry initiative, New York will provide citizens who enter the criminal justice system the opportunity to rehabilitate, return home, and contribute to their communities.
- **Alternatives to Incarceration.** In FY 2017, \$1 million will be invested to expand and modernize ATI programs, ensuring that they are focused on high-risk and high-need populations.
- **Video Visitation.** Incarcerated individuals who have regular contact with family members fare better upon release. This initiative will increase opportunities for video visitation between parents, children, and other family members.

- **Reduce Criminal Behavior through Education.** Expand college level education programs for incarcerated individuals through \$7.5 million investment of criminal forfeiture funds obtained by the Manhattan District Attorney.
- **Provide Transitional Support.** The first six months immediately following a person's release from the criminal justice system are the most crucial. The Governor's re-entry agenda supports transitional housing, connections to employment, and provision of medical and mental health services.

13. STATE WORKFORCE

Overview

The New York State workforce delivers vital public services and manages a range of critical facilities and provider networks. There are 180,252 full-time equivalent State employees within 59 Executive agencies, the SUNY and CUNY systems and in the Offices of the Attorney General and State Comptroller. The Executive has direct control over 65 percent of the State workforce (118,311 full-time equivalent employees). Staffing levels are expected to remain relatively stable in FY 2017.

Category	FY 2017		Change	
	3/31/16 Est.	3/31/17 Est.	Number	Percent
Workforce Subject to Direct Executive Control	118,311	118,538	227	0.19
University Systems	57,465	57,465	0	0.00
Office of the State Comptroller	2,643	2,663	20	0.76
Department of Law	1,833	1,839	6	0.33
Grand Total	180,252	180,505	253	0.14

Approximately 94 percent of the State workforce is unionized with the remaining portion serving in

Management/Confidential (M/C) assignments. State employees receive an average compensation (salary and other pay) of roughly \$69,000. Over the past five fiscal years, the State has spent an average of \$6.6 billion on employee fringe benefit programs, including employee and retiree health insurance, pensions and workers' compensation.

In FY 2013, the State enacted Tier VI pension reform to help control escalating 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 reform will significantly diminish long-term pension costs, saving the State, local governments and school districts more than \$80 billion over 30 years.

Consistent with Governor Cuomo's push to restore economic justice by making New York the first state in the nation to enact a \$15 minimum wage for all workers, the Budget includes the phased-in minimum wage increase for State employees and employees of the State University of New York.

Promoting Workforce Fairness and Affordability

Minimum Wage for State Workers

The minimum wage for State workers is being increased on the same phased-in schedule as is currently underway for fast food workers. The initial increase took effect in the first pay period beginning on or after December 31, 2015. As of that pay period, all State workers are receiving an hourly wage that is no less than:

- \$10.50 per hour for State employees whose job location is within the five boroughs of New York City; or
- \$9.75 per hour for State employees in all other job locations.

This initial increase will benefit nearly 2,000 employees. When fully phased-in on July 1, 2021, the \$15 minimum wage will benefit approximately 10,000 Executive Branch State employees (including employees of the Office of the Attorney General and Office of the State Comptroller), as well as employees of the State Legislature and the State Judiciary. The minimum wage is also being increased for more than 28,000 employees of the State University of New York.

The immediate costs of the increases will be absorbed in agency budgets as a result of increased efficiencies.

Collective Bargaining

Most State employee union contracts will expire at the end of FY 2016. Employees represented by the Public Employees Federation (PEF) and the Police Benevolent Association of New York State (PBANYS) are currently working under expired contracts. The union representing State Police Investigators has had no contract in place for the period beginning April 2011. The State is currently engaged in collective bargaining with these unions. The State Police Troopers and Commissioned and Non-Commissioned Officers whose contracts expire at the end of FY 2018 will receive a 1.5 percent general salary increase at the start of FY 2017 and again in FY 2018.

Meeting Emerging Priorities

Since 2013, the workforce levels in agencies subject to direct Executive control have remained stable, with annual changes of 1 percent or less. The FY 2017 Executive Budget continues that trend – there are no

planned layoffs and no newly announced facility closures.

In FY 2017, the State workforce will remain stable in most agencies or modestly decline via attrition primarily associated with continued efforts to improve operating efficiencies. The Budget includes workforce increases in select State agencies to support investments to meet emerging priorities, including:

- **The Department of Corrections and Community Supervision.** Additional staff will support a variety of efforts, including meeting the requirements of Executive Order #150, which requires 16 and 17 year old youth to be housed at a separate facility from adults. Youth offenders will be transitioned to the Hudson Correctional Facility where they will receive specialized age-appropriate programming and individuals with mental health needs will have access to services provided by the Office of Mental Health.
- **The Department of Health.** Additional staff will support the continued take-over of Medicaid Administration from the counties.
- **The Office of General Services.** Additional staff at the Business Services Center will support human resource and finance operations for various State agencies.

Employee Fringe Benefits and Fixed Costs

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions and workers' compensation coverage.

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollars (millions)	Percent
Health Insurance	3,479	3,709	230	6.6
Pensions	2,202	2,370	168	7.6
Social Security	981	966	(15)	-1.5
Workers' Compensation	454	357	(97)	-21.4
All Other	509	540	31	6.1
Total	7,625	7,942	317	4.2

All Funds spending is projected to increase by \$317 million (4.2%). The health insurance cost increase is primarily attributable to increased prescription drug costs, including increased utilization of specialty drugs for chronic conditions and price inflation for most other drugs. Pension costs are growing primarily due to the increase in the graded rate associated with pension amortizations, as determined by the pension systems. Workers' compensation costs are increasing based on growth in the average weekly wage for benefit

calculations and medical costs, partially offset by the use of \$140 million in existing reserve funds.

Proposed FY 2017 Actions

State Retiree Health Insurance Reform

The Executive Budget includes the following three proposals to help restrain the growth in State retiree health care costs:

- **Implement Differential Health Care Premium Contributions for Certain New Retirees Based on Years of Service.** The Budget provides more equitable funding for retiree health insurance coverage for certain new civilian State retirees with less than 30 years of service. Currently, an employee retiring with 10 years of service pays the same amount for their health insurance coverage as an employee who retires with 30 years of service. Under this proposal, similar to the calculation for pension benefits, new civilian retirees would pay differential healthcare premiums based on years of service. Those retiring with less than 30 years of service would have to contribute a greater share of their health insurance costs. Costs would be proportionately greater for an individual with ten years of service, and gradually decrease until they are no different than current levels once an individual reaches 30 years of service. This change would

take effect with new retirees as of October 1, 2016.

- **Eliminate Reimbursement for the Medicare Part B Income Related Monthly Adjustment Amounts (IRMAA) for High Income State Retirees.** The Federal government imposed this supplemental IRMAA premium in 2007 to require high income retirees to pay more of the increasing Medicare costs. New York, and only one other state (Hawaii), provide reimbursement of the premium to all high income retirees and their dependents. This taxpayer subsidy of New York State's high income retirees currently ranges from \$584 annually for new retirees with an Adjusted Gross Income (AGI) between \$85,000 and \$107,000, to a subsidy of \$3,216 annually for new retirees with AGI above \$214,000. The Budget eliminates this reimbursement effective January 1, 2016.
- **Maintain Reimbursement of the Medicare Part B Standard Premium for New State Retirees at \$104.90 per month.** New York is one of only three states (along with Hawaii and California) that provide full reimbursement of the standard premium to all eligible retirees and their dependents. Under this proposal, New York would continue to reimburse the standard premium for new and existing retirees (\$104.90 per month), but would not provide reimbursement for an unfunded Federal Cost of Living Adjustment imposed on new retirees, IRMAA payers or non-Social Security payers (\$17 per month). This change would take effect October 1, 2016.

14. TRANSPORTATION

The FY 2017 Executive Budget makes new capital investments to improve the State's transportation system, increase mobility, and support economic growth. The Budget reflects the Governor's commitment of \$8.3 billion in State resources toward the Metropolitan Transportation Authority's (MTA's) \$26.1 billion 2015-2019 transit capital plan that will renew, enhance and expand the MTA network. The Budget also funds an unprecedented \$22.1 billion 5-year State Transportation Capital Plan. This Plan will improve roads, bridges, airports, rail facilities, ports and transit systems funded through the Department of Transportation (DOT) budget and make State-funded investments in the Thruway to lessen the capital burden on toll payers. The State Plan covers the same period as the MTA plan (SFY 2016 through SFY 2020) and builds on \$18.3 billion in core DOT funding and \$1.3 billion in SFY 2016 Thruway Stabilization funds by adding \$1.8 billion in new State and Federal resources and \$700 million of new Thruway Stabilization funding.

As the result of investments in this Budget, tolls on all Thruway facilities, including the existing Tappan Zee Bridge and the New NY Bridge that will replace it, will be held at current levels until at least 2020. The Budget also includes \$340 million to fund a tax credit that will defray Thruway toll expenses for business and passenger electronic pass account holders that meet certain use thresholds.

Legislation included with the Budget will transfer the New York State Canal Corporation from the Thruway Authority to the New York Power Authority.

Overview

The State's transportation system is operated, maintained and administered by a network of State and local agencies and public authorities. The Department of Transportation (DOT) 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 who ride 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, and performs enforcement activities. DMV conducts more than 20 million customer transactions annually, and is projected to collect more than \$1.8 billion in revenue for the State and localities in FY 2017. New Yorkers rely on credentialing and identification

documents issued by DMV 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, which operates the 524-mile navigable waterway, will be transferred to the New York Power Authority under legislation proposed in the FY 2017 Executive Budget.

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

For the transportation plan period that began in FY 2016, the Executive Budget provides 5-year funding for a DOT capital program of over \$22.1 billion, including State-funded investments in the Thruway. The DOT total reflects previously planned core funding of \$18.3

billion, increased by \$1.1 billion of new State funds and \$700 million of new Federal funds anticipated under the Fixing America's Surface Transportation Act, or "FAST Act." These increases will help facilitate the capital improvement of highways, bridges, rail, aviation infrastructure, non-MTA transit, and DOT facilities.

Included within DOT's Capital Plan is funding to complete the initial phase of the Hudson Links Bus Rapid Transit project. This funding fulfills the Governor's commitment to ensure that the infrastructure is in place to deploy and operate the new service in time for the opening of the New NY Bridge.

A new \$200 million Upstate Airport Economic Development and Revitalization Competition is also included in the increased funding.

Funding for local highway and bridge projects under the Consolidated Highway Improvement Program (CHIPS) and Marchiselli program is maintained at last year's level of \$477.8 million.

The new plan also includes the launch of three new initiatives – BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program. These initiatives will further improve conditions on State and local roads and bridges, as well as provide resiliency to

roadways that are particularly susceptible to weather events. Over the plan period, \$2.5 billion is associated with these programs.

DOT's capital program is supported by Federal aid, State capital projects funds, financial settlement 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.

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 that provide an estimated 3.8 billion rides annually. In FY 2016, State transit aid accounted for approximately 35 percent of the operating resources used to support the State's transit systems.

The FY 2017 Executive Budget provides operating support totaling \$5.0 billion to transit systems. The MTA will receive \$4.5 billion, an increase of \$201

million over current FY 2016 estimates. This includes a \$309 million contribution from the General Fund to offset the revenue losses incurred by the MTA from elimination of the payroll tax for small businesses. The Budget provides \$194 million in operating support for upstate transit systems, an increase of \$5 million or 2.6%, over FY 2016. The Executive Budget also provides \$20 million in capital support for Upstate systems, an increase of \$5 million over FY 2016 capital funding.

The Budget reflects the Governor's commitment of \$8.3 billion in State resources toward funding the MTA's \$26.1 billion 2015-2019 transit capital plan. The Budget includes legislation to authorize the remaining \$7.3 billion of this commitment, and spending will continue from the \$1 billion FY 2016 appropriation, including \$750 million to support the MTA's 2015-2019 core capital program and \$250 million to advance the MTA's Penn Station Access project.

Department of Motor Vehicles

Accounting for the steady increase in the volume and complexity of its transactions, DMV has utilized electronic and internet-based services to increase the

efficiency of transaction processing. These services also provide customers with a faster and more convenient alternative to visiting DMV offices. Currently, more than four million transactions per year are processed through the DMV website, and this number is expected to continue to rise as customers take advantage of online transactions. Building on the success of previous customer service initiatives, DMV will continue to enhance the customer experience, employing office kiosks, an improved queuing system, and the use of greeters to answer questions, review paperwork, and direct customers to the most expedient means of completing their transaction. DMV's website has also been substantially improved to provide a more responsive design.

Thruway Authority

The Thruway is a vital transportation artery that connects people to their jobs and their families and moves billions of dollars of products to market. The FY 2017 Executive Budget includes a new appropriation of \$700 million from the Special Infrastructure Account for the Thruway Stabilization program. This money will

support capital investment on the Thruway system, complementing the \$1.285 billion appropriated for this program in FY 2016. Together, this State support will allow the Authority to avoid raising tolls on any of its facilities until at least 2020.

In 2012, the Thruway awarded a \$3.9 billion design-build contract for the replacement of the Tappan Zee Bridge. The New NY Bridge will form the centerpiece of the region's transportation system, ensuring the connection of communities and economic centers across the Hudson River for generations to come. In addition to resources from the Thruway Stabilization program, funding sources for the Bridge project include a \$1.6 billion Federal TIFIA loan, the largest in TIFIA program history. Construction began in the spring of 2013 and is expected to take approximately five years. The Bridge is on-budget and on-schedule for completion in 2018.

The Executive Budget also includes legislation to transfer the New York State Canal Corporation from the Thruway Authority to the New York Power Authority. The transfer allows the Budget to eliminate annual operating subsidies to the Thruway Authority. The subsidies, which began in FY 2014 to offset the need for

a commercial toll increase, has totaled \$85 million annually, including the State takeover of personnel costs of the Division of State Police Troop T which patrols the Thruway, a direct appropriation, and the waiver of certain annual billings due from the Authority to the State.

Summary of State Funds Spending

Category	FY 2016 (millions)	FY 2017 (millions)	Change	
			Dollar (millions)	Percent
Transportation Spending	8,429	8,663	234	2.8
Department of Transportation	3,220	3,402	182	5.7
Metropolitan Transportation Authority	4,908	4,986	78	1.6
Department of Motor Vehicles	278	275	(3)	(1.1)
Thruway Authority	23	0	(23)	(100)

Proposed FY 2017 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 investments that will support DMV's efforts to better serve its customers.

DOT Capital Highlights

- **Airport Economic Development and Revitalization Competition Program.** The Budget provides \$200 million for an Upstate competition to accelerate investments in commercial passenger and cargo service airports, creating thousands of well-paying jobs and promoting economic development. The State will award grants to five airports of approximately \$40 million each. Grants will fund projects that enhance safety, improve operations and access, reduce environmental impact, and create better passenger experiences. Successful proposals will create jobs, incorporate sustainable “green” building techniques, use renewable energy, demonstrate support from airlines and the community, leverage private investments, and demonstrate cost effectiveness.
- **BRIDGE NY Program.** The 5-year transportation program includes \$1 billion to replace, rehabilitate and maintain vital State and local bridges. By addressing the needs of at least 200 bridges across New York, this multi-year initiative will protect public safety and support economic growth and commercial activities.
- **PAVE NY Program.** The 5-year program includes \$1 billion for State and local paving projects that will ensure smoother rides for passenger and commercial traffic and result in fewer costly delays and slowdowns. Up to 1,300 lane miles of paving will be addressed over the plan period.

- **Extreme Weather Infrastructure Hardening Program.** The plan includes \$500 million over the 5-year program period to improve roadways that have proven susceptible to flooding and other extreme weather related events so that they remain safe and passable.
- **Preserve Local Capital Aid.** Capital aid to local governments for highway and bridge projects is preserved, with \$438.1 million provided for the Consolidated Highway Improvement Program (CHIPS) and \$39.7 million for the Marchiselli program.

Transit

- **Increase Transit Aid Levels.** The Budget proposes \$5.0 billion in transit operating aid for systems throughout the State. The MTA will receive \$4.5 billion, an increase of \$201 million from current FY 2016 estimates. Other transit systems will receive \$497 million, an increase of \$22 million from prior year operating aid levels despite the deterioration of dedicated transit tax revenue.
- **Verrazano Bridge Rebate Programs.** The MTA operating aid budget includes \$10.3 million for continuation of the commercial and Staten Island resident rebate programs, fully funding the State's contribution.

- **Debt Service Costs.** The Budget ends the annual use of \$20 million in mass transportation operating assistance funds to pay for a portion of State debt service associated with previously issued MTA service contract bonds.
- **Upstate Transit.** The Budget increases Upstate operating aid by \$5 million and capital aid for Upstate is increased by \$5 million.

Thruway Authority

- **Invest in Infrastructure and Freeze Tolls Until at Least 2020.** The Executive Budget includes a new capital appropriation of \$700 million, on top of last year's commitment of \$1.285 billion, to support capital projects throughout the Thruway system. This State investment in Thruway infrastructure will allow for tolls to be held at current rates until at least 2020.
- **Reduce Tolls for Frequent Thruway Users.** To lower the cost of traveling the New York State Thruway for commuters and other heavy users, and to lower the cost for businesses of bringing products to market, the Budget provides a nonrefundable credit for Thruway tolls paid electronically. Drivers of passenger vehicles who spend at least \$50, annually, and businesses and commercial account holders who spend between \$100 and \$9,999, annually, in Thruway tolls would receive a tax credit worth 50 percent of tolls paid. For farmers, the Budget provides a 100 percent nonrefundable credit, regardless of

usage, for farm vehicle use on the Thruway. The program would begin on January 1, 2016 and sunset December 31, 2018. Over the three years, drivers will save \$340 million.

- **Transfer the Canal Corporation to the Power Authority and Eliminate State Subsidies to the Thruway Authority.** Legislation in the Budget transfers the New York State Canal Corporation from the Thruway Authority to the New York Power Authority, allowing for the elimination of \$85 million in annual State operating subsidies to the Thruway.

15. 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
- Amend Education Law to implement school safety reforms in the Executive Budget
- Re-establish funding parity for CUNY
- Renew the NYSUNY 2020 and NYCUNY 2020 program
- Establish the SUNY Stony Brook Affiliation Escrow Fund
- Enact the New York State DREAM Act
- Extend and make conforming changes to various scholarship and loan forgiveness programs
- Allow public accounting firms to have minority ownership by individuals who are not Certified Public Accountants
- Extend mayoral control over the New York City public school system until June 30, 2019
- Reform the State Apprenticeship Training Council
- Increase the Minimum Wage

- Enhance the Urban Youth Jobs Tax Credit
- Make statutory changes to comply with the Federal Preventing Sex Trafficking and Strengthening Families Act
- Raise the Age of Juvenile Jurisdiction
- Authorize the pass-through of any Federal Supplemental Security Income Cost of Living Adjustment which becomes effective on or after January 1, 2017
- Modify Mortgage Insurance Fund Utilization

Health and Mental Hygiene

- Modify New York City's local funding contribution under the Medical Assistance Program
- Make statutory changes necessary to continue implementation of Medicaid Redesign Team recommendations
- Extend the Physicians Excess Medical Malpractice Program and amends its distribution methodology
- Extend the authorization to make Disproportionate Share Payments, to operate certain Special Needs Plans, to continue the current reimbursement methodology for general hospitals regarding behavioral rates, to operate the Patient Centered Medical Home Program, and to authorize temporary operators of adult homes

- Reform the Early Intervention program
- Modify the Health Care Facility Transformation program
- Make statutory changes necessary to allow retail business operations to operate limited services clinics
- Authorize the Office of Mental Health to continue to recover Medicaid exempt income from providers of community residences
- Extend authorization for the Comprehensive Psychiatric Emergency Program (CPEP)
- Extend for five years the long-time exemption from licensure for individuals working in certain programs and services that are regulated, operated, funded or approved by the Office of Mental Health (OMH), the Office for People with Developmental Disabilities (OPWDD), the Office for Alcoholism and Substance Abuse Services (OASAS), the Department of Health (DOH), the State Office for the Aging (SOFA), the Office of Children and Family Services (OCFS), the Department of Corrections and Community Services (DOCCS), the Office of Temporary and Disability Assistance (OTDA) and/or local governmental units or social service districts
- Authorize the Office of Mental Health to work with volunteering counties to establish jail-based restoration to competency programs for individuals awaiting trial

- Provide authority for OMH and OPWDD to appoint temporary operators for the continued operation of programs and the provision of services for persons with serious mental illness and/or developmental disabilities
- Permit State operated facilities to share clinical records with managed care organizations
- Authorize an OASAS licensed treatment facility that provides alcohol and/or substance abuse services to also operate a traditional physical health care clinic, while remaining eligible for DASNY financing

Public Protection and General Government

- Establish the Criminal Justice Reform Act of 2016
- 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
- Enhance the State's counter-terrorism intelligence gathering and analysis operations through the realignment of resources
- Extend the tuition benefit program for members of the New York Army and Air National Guard and the Naval Militia that would otherwise sunset
- Make the Procurement Stewardship Act and the Procurement Lobbying Law permanent

- Enact Workers' Compensation Reform
- Establish Paid Family Leave
- Establish the New York State Design and Construction Corporation Act
- Implement differential premiums for future New York State Health Insurance Plan retirees based on years of service
- Cap reimbursement of the Medicare Part B standard premium for new State retirees and cease reimbursement for the Income Related Monthly Adjustment Amounts for high income State retirees in the New York State Health Insurance Program
- Extend binding arbitration, including provisions for fiscally eligible municipalities, for three years
- Amend the Dedicated Infrastructure Investment Fund
- Authorize transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps

Revenue

- Convert STAR exemption benefit into a tax credit for new homeowners
- Cap annual growth in Basic and Enhanced STAR exemption benefit at zero percent
- Make Income Verification Procedure (IVP) Mandatory

- Allow late filing of renewal STAR and Senior Citizens exemption applications based on hardship or good cause shown
- Convert NYC PIT STAR Credit into NYS PIT Credit
- Authorize the Commissioner of Taxation and Finance to make direct payments of STAR tax savings to property owners in appropriate cases
- Make permanent and update certain modernization provisions of the Tax Law
- Authorize additional credits of \$8 million for Low-Income Housing Credit for each of the next five fiscal years
- Extend the Hire-A-Vet Credit for two years
- Extend the Empire State Commercial Production Tax Credit for two years
- Extend the Credit for Companies who Provide Transportation to Individuals with Disabilities for six years
- Permanently extend the non-custodial Earned Income Tax Credit (EITC)
- Permanently extend tax shelter reporting requirements
- Extend the Clean Heating Fuel Credit for three years
- Extend the Excelsior Jobs Program for five years
- Amend the State and New York City corporate tax reform statutes for technical amendments
- Conform to new federal tax filing dates

- Provide a corporate and personal income tax small business tax cut
- Establish education tax credits
- Establish Thruway toll tax credits
- Extend the alternative fuels tax exemptions for five years
- Establish additional alcohol beverage tasting exemptions and production credits
- Expand jeopardy assessments to the cigarette and tobacco tax
- Simplify the taxation of remarketed rooms
- Eliminate charitable giving as a factor in determining domicile for the estate tax
- Amend State and local tax law for consistency with Federal tax regulations on aviation fuel
- Remove restriction for Morrisville College to be a single lab testing provider and modify requirements for horsemen to contribute to equine steroid testing
- Increase VLT purse enhancements from 1.0% to 1.6% and increase regulatory fee from 0.5% to 0.6% to finance escalating lab testing costs and other expenses associated with equine health and racing integrity
- Adjust timing of reimbursement to the Gaming Commission of per diem costs for harness racing judges and starters
- Provide for an additional commission for certain Video Lottery Terminal facilities

- Extend Monticello 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
- Amend the Upstate New York Gaming and Economic Development Act for technical changes

Transportation, Economic Development and Environmental Conservation

- Commit the State of New York and the City of New York to fund \$10.828 billion of the MTA's 2015-2019 Capital Program
- Authorize MTA procurement reforms to create savings for their 2015-19 Capital Plan
- Enact project delivery reforms which generate savings throughout the MTA's 2015-19 Capital Plan period
- Consolidate four existing Department of Motor Vehicles' Special Revenue Funds within the Dedicated Highway and Bridge Trust Fund (DHBTF)
- Bring New York State into compliance with federal regulations regarding covered farm vehicles as well as requiring a P endorsement to operate certain vehicles
- 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
- Establish the Transformational Economic Development Infrastructure and Revitalization Projects Act
- 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
- Authorize the New York State Energy Research and Development Authority to finance a portion of its research, development and demonstration, policy and planning, and Fuel NY programs and to finance the Department of Environmental Conservation's climate change program, from an assessment on gas and electric corporations
- Authorize the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies
- Reduce the administrative burden associated with the Public Service Commission's review of municipal and investor owned utility rate requests
- Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents
- Place responsibility for mailing a copy of service of process with plaintiffs rather than the Department of State (DOS)

- Create a statutory model by which combative sports would be licensed and regulated by the State
- Extend the authorization of the Dormitory Authority of the State of New York to form subsidiaries
- Authorize the transfer of the New York State Canal Corporation to the New York Power Authority
- Enact the Private Activity Bond Allocation Act of 2016, to extend authorization for the issuance of tax exempt bonds for eligible purposes
- Enhance the marketing of New York farm products by authorizing the Empire State Development Corporation, in cooperation with the Department of Agriculture and Markets, to administer agricultural and dairy marketing orders
- Eliminate the sunset applicable to the waste tire management and recycling fee
- Create a new climate change mitigation and adaptation account and make changes to the Local Waterfront Revitalization Program in support of a \$300 million Environmental Protection Fund
- Reduce the authorized reimbursement rate paid to governmental entities that voluntarily enforce the provisions of the navigation law

Good Government and Ethics Reform

- Close the “LLC loophole” by defining LLCs as corporations for the purpose of political donations
- Set limits on outside income for members of the Legislature
- Implement campaign finance reform and public financing of campaigns
- Enact comprehensive FOIL reform
- Enact Public Officer’s Law reform
- Enhance voter opportunities
- Improve transparency and oversight related to vendors and for-profit businesses
- Enact lobbying reform

Pension Forfeiture Concurrent Resolution

- Amend the State Constitution to Require Pension Forfeiture of Public Officials Convicted of a Crime Related to Public Office

16. 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 (<http://www.budget.ny.gov/>). This year, the central volume, *Executive Budget Briefing Book* is included in the Governor's State of the State Book. It contains the Budget Director's Message, which presents the Governor's fiscal blueprint for FY 2017 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 online at the Budget Division's official website (<https://www.budget.ny.gov/>) or in print 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 (<http://www.budget.ny.gov/>) and the Open Budget website (<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.