



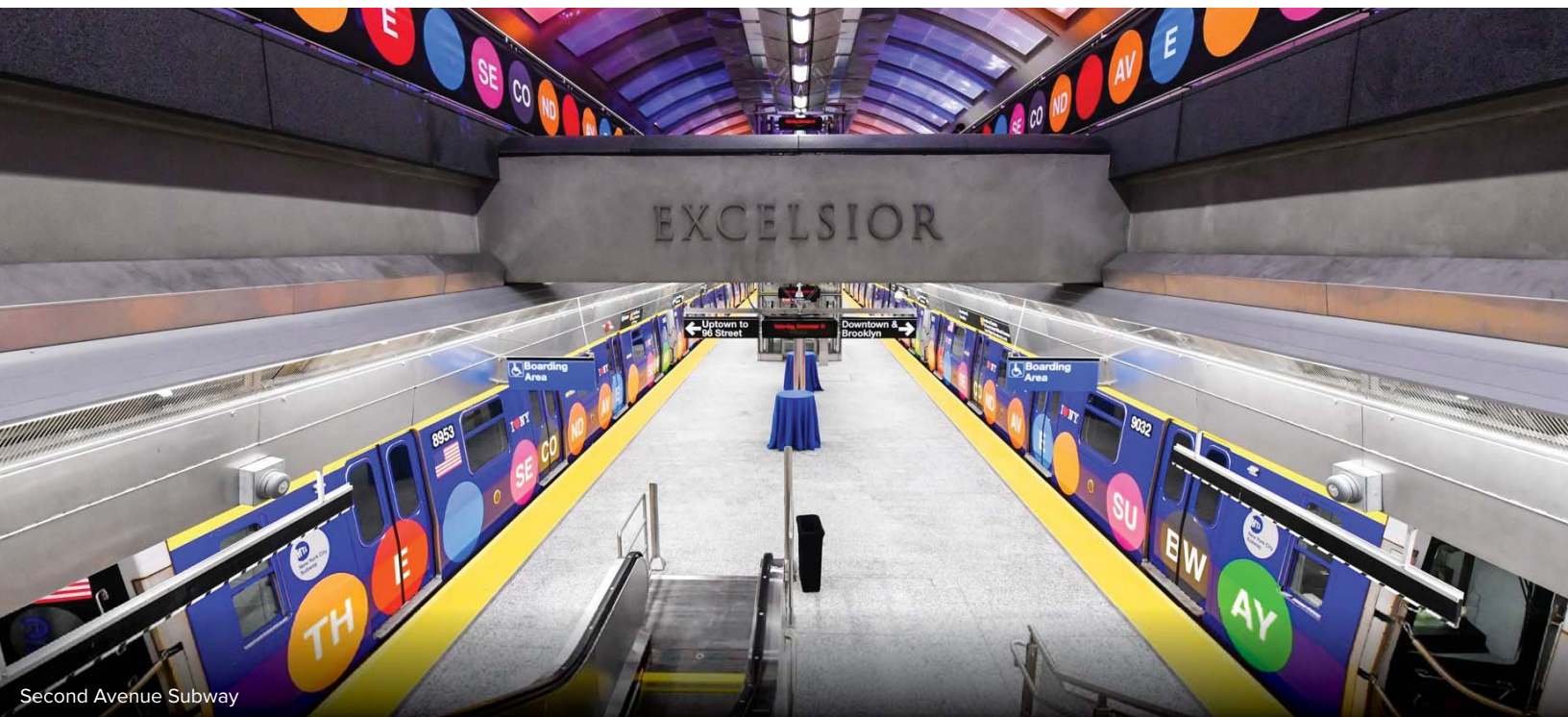
FY 2018 Executive Budget



Greater Rochester International Airport



JFK International Airport



Second Avenue Subway

Andrew M. Cuomo, Governor

Robert F. Mujica Jr., Budget Director



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Director's Message

New York's finances have made a dramatic turnaround since the depth of the recession and the preceding high-spending eras. Governor Cuomo has built a foundation of fiscal responsibility that has enabled him to deliver on the promise of New York.

Policies enacted by the Governor established the discipline to organize the State's fiscal house, leading to an unprecedented investment in infrastructure targeted at economic development, transportation, and health care. Taxes have been cut to their lowest levels in generations, including the lowest tax rate for the middle class since 1947.

For the first time in modern history, the State's outstanding debt declined for four straight years and is on track to decline a fifth consecutive year. State debt measured as a percent of personal income is at the most favorable ratio since the 1960s, and is expected to improve further in each year of the capital plan.

This year's Executive Budget continues the Governor's prudent fiscal management. For the seventh straight year, the Budget is balanced and limits spending growth to two percent. This two percent cap, self-imposed by Governor Cuomo and the Legislature, has changed the nature of the State Budget process.

For decades, State spending was driven by revenue projections. In the good years, spending went up, only to be cut in the bad years. By constraining expenditures to sustainable levels, New York's spending no longer outpaces growth in personal income, allowing for both tax cuts and increased rainy day reserve balances. Lower taxes and fiscal stability are improving the lives of New Yorkers and boosting the State's competitiveness. Now, New York is leaving more money in the hands of the people.

The Governor's fiscal discipline is also driving governmental innovation. New York State agencies are working together more closely than ever before, streamlining processes and eliminating waste, while improving services on which people depend. New Yorkers have every right to expect performance from their government – it must be efficient and effective, and government must honor the responsibility of being entrusted with public resources.

The spending cap has worked in tandem with fundamental reforms to reduce State and local government costs, and has allowed the State to shoulder billions of dollars in local government costs to lower property taxes. 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 increasingly solid ground.

Financial markets and employers have taken notice of New York's financial turnaround. Private sector investment is up, and New York has the most private sector jobs in its history. Standard and Poor's (S&P), 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, the FY 2018 Executive Budget sets out to ensure that our middle class has every opportunity to take part in New York's growing economy. The Budget provides a record level of support for our schools, including funding for pre-kindergarten, after school programs, and turning schools into community hubs. It proposes tuition-free college for middle class New Yorkers at State University of New York and City University of New York schools, and community colleges. The Budget also doubles the tax credit for child care and continues the groundbreaking work of the Medicaid Redesign Team that's improving the health of New Yorkers at a sustainable cost. It builds on the Governor's historic investment in infrastructure and economic development with new targets in the life sciences sector, transportation and health care.

Over the last six years, Governor Cuomo has reimagined State government to be more efficient and responsible – driving resources back into our communities. At the same time, he has reaffirmed New York's mantle of progressive leadership by advancing measures that expand opportunity and lift the middle class. The promise of New York is built on our shared values – hard work, inclusivity and compassion. As he embarks on the next year, Governor Cuomo has set a course for New York's future that gives each of us the undeniable opportunity to live up to our State's motto – Excelsior, Ever Upward.

Overview

Governor Cuomo has led a bipartisan effort with the Legislature to enact six timely, fiscally responsible budgets. These 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 2018 Executive Budget.

Importantly, the fiscal actions of the past six 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 budgets have been disciplined, sustainable, and affordable in the long term. The budgets of the last six 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 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;

Budget Highlights

Prudent Fiscal Practices. The Executive Budget holds annual spending growth in State Operating Funds to less than 2 percent, consistent with the fiscal benchmark adopted by the current administration, and is balanced on a cash basis in the General Fund, as required by law.

Proceeds from Windfall Monetary Settlements. An additional \$1.4 billion windfall from monetary settlements received in FY 2017 is again set aside primarily for one-time capital investments and a \$150 million deposit to the State's Rainy Day Reserves.

Performance Profile

New York's prudent fiscal management has resulted in the following:

- Six timely consecutive budgets.
- Spending levels adhere to two percent spending benchmark.
- Another planned deposit of \$150 million will bring general reserves to \$2.5 billion – highest levels on record.
- Gaps have been eliminated on both a cash basis and GAAP basis.
- Total State debt has declined for five consecutive years.
- Credit ratings have been upgraded and the State now has its highest credit rating since 1972.
- Medicaid and School Aid growth is based on statutory indexes.
- Spending for agency operations has been held flat through ongoing State agency redesign and cost-control efforts.
- The State workforce levels are down nearly 10,000 since 2011.

- Relieving localities of the growth in the Medicaid program, and all its administrative costs, as a way to help counties remain within the property tax cap;
- Controlling and targeting new borrowing to keep debt service affordable and within the State's debt limit; and
- Setting aside nearly \$1.1 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.
- State-related debt outstanding has declined for four years, FY 2013 through FY 2016, and is expected to decline for the fifth consecutive year in FY 2017. This marks the first time in modern history that New York has achieved this result, and debt will have declined from \$55.7 billion to \$50.8 billion during the five-year period. Debt outstanding at the end of FY 2017 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 5.9 percent in FY 2011 to 4.2 percent in FY 2017 – the most favorable debt to income ratio since the 1960s – and is expected to remain relatively constant 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 2018 Executive Budget Highlights

- The FY 2018 Executive budget is proposed in an uncertain fiscal environment. Tax receipts during the current year have been weaker than expected, with DOB revising its estimates downward in each quarterly update. At the Federal level, the new presidential administration and Congress may redefine the partnership with the states in health care, social services, and infrastructure, with potentially adverse consequences for State finances.
- Accordingly, the Executive Budget for FY 2018 adopts a cautious stance. It continues the prudent fiscal practices that have produced six consecutive timely and balanced budgets. The Executive Budget holds annual spending growth in State Operating Funds to less than 2 percent, consistent with the fiscal benchmark adopted by the current administration, and is balanced on a cash basis in the General Fund, as required by law.
- Medicaid and School Aid are recommended to grow in line with their statutory indexes. The index for Medicaid spending subject to the Global Cap is the ten-year moving average of the medical component of the Consumer Price Index (CPI). The index for School Aid is the estimated annual growth in State personal income. Spending for agency operations is expected to be held flat, and a plan is proposed that would use the \$1.4 billion in new monetary settlements to fund capital projects and other time-limited costs, as well as a deposit to the rainy day reserves, if fiscal conditions permit.
- The tax reforms enacted in recent years are continued, reducing the burden on middle-class taxpayers. Average middle class savings in 2018 will be \$250, and when fully effective the annual savings will be \$700.
- To plan for Federal uncertainties, the Executive Budget includes contingency language that would authorize the Budget Director to reduce certain local assistance payments by a uniform amount in the event that Federal aid is reduced from planned levels.
- General reserves will be increased by \$150 million, and total \$2.5 billion at the end of FY 2018.
- The following table summarizes the multi-year impact of the Executive Budget Financial Plan on General Fund operations.

Table 1: FY 2018 Executive Budget Gap-Closing Plan (General Fund)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE¹	(3,533)	(7,122)	(8,935)	(6,816)
Spending Changes	<u>2,705</u>	<u>2,476</u>	<u>2,432</u>	<u>2,326</u>
Agency Operations	624	218	161	11
Local Assistance ²	1,623	2,243	2,577	2,718
Capital Projects/Debt Management	580	391	316	331
Initiatives/Investments/New Costs	(122)	(376)	(622)	(734)
Resource Changes	<u>(2)</u>	<u>(826)</u>	<u>(976)</u>	<u>(1,633)</u>
Tax Revisions	(415)	(475)	(679)	(1,039)
All Other ²	413	(351)	(297)	(594)
Tax Actions	<u>830</u>	<u>3,700</u>	<u>4,820</u>	<u>4,344</u>
PIT Top Bracket Extender	683	3,375	4,505	4,029
Tax Extenders/Credits	147	325	315	315
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE¹	0	(1,772)	(2,659)	(1,779)
Adherence to 2% Spending Benchmark³	n/a	2,464	4,751	6,739
EXECUTIVE BUDGET SURPLUS/(GAP)	<u>0</u>	<u>692</u>	<u>2,092</u>	<u>4,960</u>

¹ Before actions to adhere to the 2 percent benchmark.

² The FY 2018 Executive Budget proposes converting the NYC PIT credit to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners - it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount.

³ Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2017 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.

- Consistent with the Governor's approach in balancing his first six budgets, all of which emphasized spending restraint, the Executive Budget reduces spending in FY 2018 by \$2.7 billion compared to prior projections. The reductions reflect reestimates to spending based on updated information, specific cost-containment proposals, and the prepayment of FY 2018 expenses from excess resources available in FY 2017.
 - **Agency Operations.** Since the Governor took office in January 2011, Executive State agency operating costs have essentially remained flat through ongoing State agency redesign and cost-control efforts. These measures have included closures and consolidations of facilities to reduce excess capacity; enterprise-wide consolidation of procurement, information technology, and workforce management functions; and a range of operational measures to improve efficiency. The FY 2018 Executive Budget generally holds Executive agency operations at a fixed level of spending over the Financial Plan period.
 - **Local Assistance.** Medicaid and School Aid are the State's largest local aid programs, composing over 45 percent of the State Operating Funds budget. The Executive Budget increases education aid by \$1 billion, including a School Aid increase of \$961 million (3.9 percent), consistent with the statutory growth formula. Total School Aid will reach \$25.6 billion for school year (SY) 2018. Medicaid will grow at the indexed rate of 3.2 percent or \$567 million, consistent with the statutory index ("Global Cap"), to \$18.3 billion. In total, Department of Health (DOH) Medicaid spending will increase to \$19.5 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 local assistance savings in the Executive Budget include, among other things, targeted reforms to STAR, health care programs, and pharmaceutical costs; use of asset sale proceeds to offset State support to City University of New York (CUNY); and updated cost estimates for a range of State programs, which reflect the impact of cost containment and spending controls enacted in prior years.
 - **Capital Projects/Debt Management.** Savings include the planned payment of FY 2018 debt service in the current year, continued use of competitive bond sales, and refundings.
- **Initiatives/Investments/New Costs.** The Executive Budget proposes new initiatives and additional funding that have a budgetary impact. Among the most significant are funding for a new scholarship program to allow families and individuals making up to \$125,000 per year to attend college tuition-free at all public universities in New York State (Excelsior Scholarship); juvenile justice reform, which proposes to raise, over time, the age of criminal responsibility for juveniles from 16 to 18; and reforms to the State's indigent criminal defense system. The Budget also proposes providing student financial assistance to undocumented immigrants (DREAM Act) and enhanced funding for economic development, local government aid, and domestic violence prevention.

- **Resources.** Tax receipts during the year have been weaker than expected. Since the introduction of the FY 2017 Executive Budget in January 2016, DOB has reduced the annual estimate for tax receipts in each updated Financial Plan. In the current update, DOB is again revising the tax receipts estimate downward in each year of the Financial Plan. In comparison to the Mid-Year estimate, General Fund tax receipts have been reduced by \$415 million in FY 2018, \$475 million in FY 2019, and by nearly \$700 million in FY 2020. Other resource changes include an upward revision of available resources to fund the mental hygiene system; new and increased fees; and tax receipt revisions from the proposed changes to the STAR program.
- **Tax Actions.** The current income tax rate for high-income earners would be extended for three years, through calendar year 2020. The current rate has been in place since January 1, 2012, when the top rate was cut from 8.97 percent to 8.82 percent. The Executive Budget also proposes a permanent extension of the high-income charitable contribution deduction, as well as several other tax extenders. In addition, the Budget proposes an increase to the Child and Dependent Care Credit. The Budget proposes new tax actions, which include requiring online marketplace providers to collect and remit sales tax on behalf of all vendors that sell to New York residents, and authorizing transportation network companies (TNC's) to operate outside the City of New York and throughout the State, subject to a 5.5 percent tax.

Other Financial Plan Matters

- **Status of Labor Agreements.** The current spending estimates for personal service reflect the potential costs of labor agreements with State unions patterned on the labor contract ratified by the Public Employees Federation (PEF) membership in December 2016.
- **New Monetary Settlements.** New settlements that have not been appropriated to date total \$1.4 billion. Following the approach used in FY 2016 and FY 2017, the FY 2018 Executive Budget proposes using the new settlements for capital purposes and other time-limited investments. Specific investments include: the Buffalo Billion Phase II (\$400 million), Health Care Capital Grants (\$200 million), Life Sciences (\$300 million), Counter-Terrorism and Emergency Response Preparedness (\$203 million), Downtown Revitalization (\$100 million), and the Division of Military and Naval Affairs (DMNA) armories (\$20 million). In addition, the Budget proposes depositing \$150 million of the settlement money into the State's rainy day reserve, if fiscal conditions permit.
- **Master Settlement Agreement (MSA).** In 2018, bonds issued in 2003 that were secured by annual payments under the MSA with tobacco manufacturers will be fully retired. DOB expects that MSA payments of approximately \$125 million in FY 2018, and \$400 million annually thereafter, will be available for State purposes. The Executive Budget proposes using the payments to help defray the costs of the State's takeover of Medicaid costs borne

by counties and New York City, one of the most important mandate relief measures enacted in recent years. The State takeover, in which local Medicaid costs are capped at 2015 calendar year levels, began in FY 2016 and is expected to cost the State \$735 million in FY 2018, growing to \$917 million in FY 2019.

- **Long-Term Fiscal Reforms.** The Budget includes legislation that creates a Retiree Health Benefit Trust Fund for the purposes of funding health benefits of retired employees and their dependents. It also includes legislation that would direct a portion of any future cash-basis surplus to the Debt Reduction Reserve Fund.
- **Cash Position.** DOB expects that the State will have sufficient liquidity in FY 2018 to make all planned payments as they become due. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

Annual Spending Growth

The Executive Budget holds FY 2018 annual spending growth in State Operating Funds to 1.9 percent, below the two percent spending benchmark. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 3.4 percent from the level estimated for FY 2017, excluding extraordinary aid.

Table 2: Total Disbursements (Millions of Dollars)

	<u>FY 2017 Current</u>	<u>FY 2018 Proposed</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
STATE OPERATING FUNDS	96,200	98,062	1,862	1.9%
General Fund (excluding transfers)	58,732	61,293	2,561	4.4%
Other State Funds	32,119	31,166	(953)	-3.0%
Debt Service Funds	5,349	5,603	254	4.7%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	147,281	152,278	4,997	3.4%
State Operating Funds	96,200	98,062	1,862	1.9%
Capital Projects Funds	10,903	13,759	2,856	26.2%
Federal Operating Funds	40,178	40,457	279	0.7%
Excludes (i) Federal disaster aid for Superstorm Sandy, and (ii) additional Federal aid associated with Federal health care reform.				

The FY 2018 Executive Budget continues efforts to improve New York's business climate, simplify the tax code, and improve the fairness of the tax system.

Overview

The Budget builds on six years of tax relief accomplishments, including: enactment of a property tax cap; the property tax freeze credit; the lowest middle class income tax rate in 70 years; elimination of the MTA payroll tax for more than 700,000 small businesses and the self-employed; creation of a newly enhanced family tax relief credit; tax cuts for small businesses and manufacturers; reforms to unemployment insurance and workers compensation insurance; 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

- Begin the Phase-In of the Middle Class Tax Cut.** The Budget supports the phase-in of the middle class tax cuts. Average savings in 2018 will be \$250 and, when fully effective, six million New Yorkers will save \$700 annually. Once fully phased in, the new rates will be the lowest in more than 70 years. These actions build on the middle class tax cuts of 2012, which lowered rates from 6.85 percent to 6.45 percent for taxpayers in the \$40,000-\$150,000 income bracket, and to 6.65 percent in the \$150,000-\$300,000 income bracket. Under the new rates which are phased-in beginning in 2018, the rate will drop even further and will continue to drop all the way to 5.5 percent and 6.0 percent, respectively, when the cuts are fully effective. The new lower tax rates will save middle class New Yorkers \$4.2 billion, annually, by 2025.
- Establish Life Sciences Tax Credits.** The vitality of New York's economy in the 21st century is dependent on the State's ability to commercialize research and translate it into private sector economic impact. New York State is an undisputed national leader in attracting cutting-edge research support in life sciences from external funding

Budget Highlights

Begin the Phase-In of the Middle Class Tax Cut. Six million New Yorkers will save \$250 in 2018 and \$700 annually when fully effective.

Invest in Life Sciences. The Budget provides \$650 Million to support the Life Sciences industry, including \$250 million in Tax Incentives, making it more attractive for existing and new firms in life sciences to locate, invent, commercialize, and produce here in New York.

Support Families with Child Care Costs. The Budget assists families in offsetting costs of child and dependent care through a newly enhanced New York State Child and Dependent Care Credit.

Reprivatize the New York Racing Association (NYRA). The Executive Budget re-establishes a privately controlled board of directors for NYRA and increases oversight by enhancing the powers of the Franchise Oversight Board (FOB). The re-privatization of NYRA represents the successful culmination of the Governor's multi-year effort to ensure horse racing in New York State is competently managed, accountable, and transparent.

Performance Profile

Lower Tax Rates for Every New Yorker. Enacted personal income tax cuts will save taxpayers \$26.3 billion through Governor Cuomo's first two terms (FY 2012 – FY 2019). Every New Yorker now pays a lower tax rate than they did before the Governor took office.

Lower Taxes for Business. Enacted business tax cuts will save businesses \$7.6 billion through Governor Cuomo's first two terms (FY 2012 – FY 2019). New York now has the lowest corporate tax rate since 1968 and the lowest manufacturers' tax rate since 1917. The MTA payroll tax has been eliminated for more than 700,000 small businesses and the self-employed

Focusing Relief on the Middle Class. The new lower tax rates will save middle class New Yorkers nearly \$6.6 billion in just the first four years, with annual savings reaching \$4.2 billion by 2025. These tax cuts benefit more than 6 million filers who will save an average of about \$700.

sources like National Institutes for Health. But New York has not been successful at attracting the private venture capital needed to translate life science research into commercialization. As part of a \$650 million multi-pronged strategy to attract and retain firms in life sciences to locate, invent, commercialize, and produce here in New York, the Executive Budget provides three new tax incentives, worth \$250 million over 10 years:

- Existing life science businesses would be eligible for an annual allocation of \$10 million in Excelsior tax credits;
 - New life science businesses would receive a 15 percent refundable tax credit on all new qualifying research and development expenditures. Small businesses in the life sciences industry could be eligible for a 20 percent credit.
 - Angel investors would receive a credit of 25 percent of their investment in small life sciences companies, with a maximum of \$250,000 per investor.
- **Enhance the Child and Dependent Care Credit.** To assist families in offsetting the costs of child and dependent care, the Budget supplements the current New York State Child and Dependent Care Tax Credit and more than doubles the benefit for families earning between \$60,000 and \$150,000. This credit provides households who qualified for the Federal Child and Dependent Care Credit the ability to claim a percentage of the Federal credit on their State income taxes. The Budget increases the benefit by an average of 123 percent for tax filers with New York adjusted gross income (AGI) between \$50,000 and \$150,000. For a family with an income of \$70,000 and child care costs of \$3,000, the expansion of this credit will lower out-of-pocket childcare expenses by \$240.
 - **Expand the Workforce Training Credit.** To encourage employer investment in the State's workforce, the current Employee Training Incentive Program (ETIP) credit is expanded. Under the new program, incumbent

worker training will be included as eligible expenses for the credit, given that such trainings are part of a company's expansion and retention projects. The requirement to create additional jobs is removed.

Tax Reform Actions

- **Establish Excelsior Business Program.** The Executive Budget includes a proposal to establish the Excelsior Business Program, which builds upon the strengths of other programs and focuses on new and early-stage businesses involved in research and development or production of new products and technology to create better partnership opportunities between businesses, and college and university sponsors. In addition to tax-free benefits for these early-stage businesses, the program would also offer enhanced tax credits for companies that expand and create additional jobs while in the program.
- **Treat Disregarded Entities As A Single Taxpayer for Tax Credit Purposes.** The Executive Budget protects existing tax credit structures following a recent decision of the Tax Appeals Tribunal that could result in certain taxpayers losing their tax credits. An individual taxpayer and associated single-member Limited Liability Companies (disregarded entities) would be treated as one entity for tax credit purposes. Absent this action, an individual taxpayer with three qualifying disregarded entities would only be able to claim the credit due to one of them.
- **Require State S-Corporation Conformity with Federal Return.** Currently, S-corporations may elect (at the Federal level) to treat subsidiaries as part of one unified S-corporation. The Federal election is non-binding for State tax purposes (the subsidiary can be a C-corporation for State tax purposes). Failure to mandate consistent treatment at the State level has resulted in a tax avoidance opportunity, as well as confusion and tax filing errors, for S-corporation shareholders. This provision would deem an S-corporation election at the Federal level to be a binding election for New York State purposes.
- **Reform the Investment Tax Credit.** The investment tax credit is modified to exclude costs related to the production of natural gas, steam, or water as a credit-eligible activity. Also, costs incurred outside of New York for the creation, production or reproduction of a film, visual or audio recording or commercial; or the duplication of a master of a film, visual, or audio recording or commercial, will no longer be eligible in the calculation of the investment tax credit. This will encourage more film production activities to take place in New York.
- **Modernize Sales Tax Collection to Reflect the Internet Economy.** Online providers such as Amazon and eBay supply a marketplace for sellers from outside of the online provider to sell their products to consumers. Currently, such outside sellers are required to collect sales tax from New York residents if the seller is located in New York. Many marketplace providers agree to collect the tax for the outside seller in this instance. The Executive Budget requires the marketplace provider to collect the tax when they facilitate the sale to residents, whether the seller is located within, or outside, New York.

- **Allow Transportation Network Companies to Operate Outside New York City.** Transportation network companies (TNC's), such as Uber and Lyft, are authorized by the Executive Budget outside the City of New York and throughout the State, creating uniform licensing requirements. Municipalities are given the option to license TNC's. TNC rides that commence outside of NYC are subject to a 5.5 percent tax. The comparable tax in NYC is 8.875 percent. TNC's are expected to create jobs while expanding much needed transportation options.
- **Tax and Regulate Vapor Products.** Use of these products continues to increase. According to the CDC, e-cigarette use rose from 4.5 percent of high school students in 2013 to 13.4 percent in 2014. An FDA study found cancer causing agents in half of e-cigarette samples tested. The Executive Budget expands the definition of tobacco products to include vapor products used in electronic delivery systems such as e-cigarettes, hookah pens, and vape pens, and imposes a tax rate of ten cents per milliliter.
- **Reform the Taxation of Cigars.** The Executive Budget replaces the current distributor level percentage tax on large cigars with a 45 cent per cigar flat tax. The current tax structure, which is the result of litigation, has resulted in revenue losses and relies on an industry pricing survey to determine the tax on a product produced by the same industry.
- **Impose the Real Estate Transfer Tax on the Transfer of a Real Estate Business Interest.** The Executive Budget amends the definition of "conveyance" to include the transfer of an interest in a business entity with fewer than one hundred shareholders that owns real property and has a fair market value that equals or exceeds 50 percent of all the assets of the entity on the date of conveyance of an interest in the entity. Members of these entities can currently avoid tax by selling their business interest, which represents part of the real estate owned.
- **Close Co-Op Sale Loophole.** The Executive Budget eliminates a current-law loophole that occurs when a New York co-op owned by a non-resident is made part of a business interest and the business interest (non-taxable) is sold instead of the co-op itself (taxable).
- **Close Non-Resident Asset Sale Loophole.** Federal law provides special rules for the sale of a trade or business treated as an asset acquisition. An Internal Revenue Code (IRC) §1060 election allows the seller to consider the transaction to be the sale of an intangible interest (non-taxable), while the buyer deems the transaction to be the purchase of an asset. As a result, IRC §1060 elections afford an opportunity for non-residents to avoid NYS taxation on transactions that involve the purchase of New York-source assets. The Executive Budgets closes this loophole by treating an IRC §1060 election as a tangible asset sale for both the buyer and seller.
- **Close Sales Tax Related Entities Loopholes.** Tax loopholes related to non-resident business purchases, and leasing below cost to related entities, will be closed.

Enforcement Initiatives

- **Require Practitioners to be Compliant with State Tax Obligations before Receiving Excess Medical Malpractice Coverage.** Doctors and dentists are restricted from procuring State-subsidized Excess Medical Malpractice Insurance if they are not compliant with their State tax obligations.
- **Require New State Employees to be Compliant with State Tax Obligations.** State agencies and authorities are precluded from hiring employees who are delinquent in their State tax obligations, unless a payment plan is in place.
- **Streamline Bank Account Data Matching.** The Executive Budget allows the Department of Taxation and Finance (DTF) to submit fixed and final debt to financial institutions for delinquent taxpayer data matching purposes. Currently, DTF is only authorized to provide warranted tax debt to financial institutions for data matching.
- **Expand Jeopardy Assessments to the Cigarette and Tobacco Tax.** DTF is currently authorized to issue a jeopardy (i.e. accelerated) assessment when a delinquent sales tax vendor is at risk of fleeing the State. The Executive 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.
- **Clarify the Amount of Untaxed Cigarettes Required to Seize a Vehicle.** The Executive Budget clarifies inconsistencies between Tax Law and Penal Law. The Tax Law requirement for vehicle seizure is lowered from 25 cartons of untaxed cigarettes to 10 cartons, and the felony charge in Tax Law is increased from a class E felony to a class C felony.
- **Close the Real Estate Transfer Tax Loophole.** Certain transfers of residential real property valued in excess of \$1 million are subject to an additional (above the base 0.4 percent) one percent real estate transfer tax (RETT). To avoid this taxation, some taxpayers are splitting building contracts for new homes into two contracts (land, house), each worth less than \$1M and agreeing to pay inflated prices for land if the current owner tears down an existing structure before the sale. The Executive Budget provides the Commissioner of DTF explicit authority to treat as subject to tax any transfer of an interest in real property that has been formulated so that the primary purpose of the formulation is to avoid or evade the additional RETT.

Tax Law Extenders

- **Extend the Personal Income Tax Top Bracket for Three Years.** The top personal income tax bracket is scheduled to sunset on December 31, 2017. Without legislative action, this will result in a decline of the top marginal tax rate from 8.82 percent to 6.85 percent. The Executive Budget extends the current top bracket and associated tax rate for three years.
- **Make the High Income Charitable Contribution Deduction Limitation Permanent.** The Executive Budget makes permanent the existing charitable contribution deduction limitation of 25 percent, currently scheduled to expire at the end of tax year 2017. The limitation on tax deductions for State and New York City taxpayers with adjusted gross income over \$10 million has had no noticeable impact on charitable giving.
- **Extend the Empire State Film and Post-Production Tax Credits for Three Years.** The credit is extended for three years through 2022 with an annual allocation of \$420 million. The extension includes the enhanced Upstate credit for wages and salaries.
- **Expanding Employment Opportunities for Youth.** Since 2012, the Urban Youth Jobs program has incentivized the employment of 45,000 young adults at nearly 1,700 businesses in areas of New York with high youth unemployment. This highly successful program, which connects youth with stable, well-paying jobs, was expanded in FY 2016, providing \$30 million for the original 13 targeted areas – including Albany, Brookhaven, Buffalo, Hempstead, Mount Vernon, New Rochelle, New York City, Rochester, Schenectady, Syracuse, Utica, White Plains, and Yonkers – and an additional \$20 million for young people across the State who live outside of those areas.

The FY 2018 Budget extends this program with a \$50 million annual allocation over the next five years, through 2022, and formally changes the name to the New York Youth Jobs Program, recognizing the availability of this opportunity throughout the State.

- **Extend the Alternative Fuels Property and Electric Vehicle Recharging Property Credit for Five Years.** Extend the tax credit for five years through 2022. The tax credit supports the Governor's effort to combat climate change by reducing carbon emissions.
- **Permanently Extend Warrantless Wage Garnishment.** The Executive Budget makes permanent the authorization for DTF to garnish wages of delinquent taxpayers without filing a warrant with the Department of State or County Clerks. The current program, set to expire on April 1, 2017, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF. The program has also proven to be taxpayer friendly, since warrants appear on an individual's credit report for seven years, even if the delinquency has been resolved.

School Tax Relief (STAR) Program Actions

- **Convert New York City Personal Income Tax Rate Reduction Benefit into a State Personal Income Tax Credit.** Currently, New York City (NYC) (City) taxpayers with incomes below \$500,000 receive an approximate 6 percent rate reduction benefit on their City personal income taxes. The State reimburses the City for the cost of the PIT rate reduction. The Executive Budget converts the rate reduction benefit into a nonrefundable NYS PIT credit for 2.9 million NYC taxpayers, thereby eliminating the need to reimburse the City government. This is consistent with the conversion of the NYC STAR PIT credit from an NYC credit to a State credit in the FY 2017 Enacted Budget.
- **Allow Taxpayers to Make Partial Real Property Tax Payments.** The Executive Budget reverses the existing general prohibition on partial property tax payments. When a partial payment is made, the outstanding balance may be subject to penalties and interest. Collecting officers will be required to accept partial payments that meet the applicable restrictions unless local authorities take specific action to restrict or prohibit such payments.
- **Maintain Basic and Enhanced Exemption Benefits at Existing Levels.** The Executive Budget maintains FY 2018 STAR exemption benefits at no more than their FY 2017 levels, rather than allowing them to grow by 2 percent. The significant reduction in property tax growth resulting from the property tax cap and the ramp up of the new Property Tax Relief Credit have diminished the necessity of growing the STAR benefit.
- **Make Participation in Income Verification Program (IVP) Mandatory.** The Executive Budget ensures that qualifying seniors enrolled in the PIT Credit program receive the full value of the benefits they deserve and simplifies the process for qualifying senior citizens to keep their Enhanced STAR exemptions by making participation in the Income Verification Program (IVP) for recipients of Enhanced STAR mandatory. Participation in the IVP is currently optional and seniors who are not enrolled are obligated to re-apply for their Enhanced STAR benefits annually. In cases where a PIT return is filed, the IVP allows seniors who are re-applying for an Enhanced STAR exemption to authorize the assessor to have their incomes automatically verified in subsequent years by DTF. In cases where no PIT return is filed, qualifying seniors will be guided through a simple application process in order to demonstrate their eligibility.
- **Allow for Confidential Intergovernmental Sharing of STAR Information.** The Executive Budget allows DTF to share STAR information with local assessors so they can help DTF locate primary residency changes or duplicate exemptions. This proposal also protects the confidentiality of beneficiary information, preventing its public release as well.
- **Make Technical Amendments to Co-op STAR Credit.** Currently, it is possible that a co-op owner receives a greater STAR credit than their school tax liability. The Executive Budget amends the STAR Credit law to provide that a co-op STAR PIT credit not exceed what the

co-op owner would have been charged in school taxes if it were separately assessed. Assessors will be required to report the taxable assessed values of individual co-ops to DTF (currently, DTF is only provided the taxable assessed value of the entire apartment building).

Gaming Initiatives

- **Reprivatize the New York Racing Association (NYRA).** The Executive Budget re-establishes a privately controlled board of directors for NYRA, a culmination of the Governor's multi-year effort to ensure horse racing in New York is competently managed, accountable, and transparent. The proposal also increases oversight by enhancing the powers of the Franchise Oversight Board (FOB), which will help safeguard the accomplishments of the current Board of Directors. Under certain circumstances, the FOB could require an independent financial review of NYRA finances, a corrective action plan, and would be authorized to encumber racing support payments. Additionally, NYRA is authorized to conduct racing after sunset and to reduce racing during the winter meet at Aqueduct Racetrack under certain circumstances.
- **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 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.
- **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.
- **Alter Local Gaming Aid Distribution.** The Executive Budget redistributes existing local gaming aid payments to provide \$2.25 million annually to Madison County. When the State, the Oneida Nation, and affected counties signed the 2013 agreement establishing local government gaming host aid, the Oneida Nation casino that opened in Madison County in 2015 was not envisioned.
- **Expand Lab Testing Providers for Horses.** 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. The proposal also modifies requirements for horsemen to contribute to equine drug testing.

- **Modernize and Consolidate Charitable Gaming Laws.** The proposal consolidates the laws governing charitable gaming into the same chapter as other laws the Gaming Commission is charged with enforcing. It also modernizes regulation of charitable gaming to allow more flexibility to organizations who conduct gaming activities to support their charitable purposes.

Fee Actions

- **Extend Fees for the Establishment of Oil and Gas Unit of Production Values.** DTF establishes unit of production values which local assessors must use when assessing oil and gas wells and related facilities. Currently set to expire on March 31, 2018, the Executive Budget extends this program through FY 2021.
- **Realign Production Costs for Realtor Identification Cards.** Realtors currently pay a licensing fee to the Department of State that does not reflect the cost of producing a realtor identification card. The Budget assures that realtors – not the taxpayers – assume the \$5 cost of producing the card.
- **Establish a Taste-NY Alcohol Permit.** The Executive Budget continues the effort to promote and expand Taste-NY stores by allowing up to 10 Taste-NY operators to obtain a special license to sell craft beverages along with food and souvenir items. Currently only vintners, brewers, and distillers that own Taste-NY stores can sell both alcohol and other products. In 2016, Taste-NY sales benefitting New York food and beverage producers doubled to more than \$10.5 million.
- **Establish a Motion Picture Theater Alcohol Permit.** The Executive Budget would authorize the State Liquor Authority to issue an alcohol license to movie theaters. Currently, only movie theaters with kitchens may serve alcohol. Only customers holding tickets to movies rated PG-13 or higher could purchase alcohol. Only one drink could be sold to a customer at a time.
- **Apply the Public Safety Communications Surcharge to Prepaid Devices.** The Public Safety Communications Surcharge is expanded to prepaid purchases, with devices priced at or below \$30 subject to a 60¢ surcharge; and those above \$30 subject to a \$1.20 surcharge. Currently, mobile plan subscribers pay \$1.20 per month. Local governments that currently impose the surcharge on contracts can opt in for a 30 cent surcharge on all retail devices. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Operations Grant Awards (SICOG) program.
- **Increase the Cap on Divisible Load Permits.** The Executive Budget increases the statutory cap on the number of divisible load permits the Department of Transportation may issue from 25,000 to 35,000 incrementally over the next ten years.

Technical Amendment

- **Make Technical Amendments to the State and Local Sales Tax Statute.** The Executive Budget clarifies the imposition of sales tax on charges for transporting, transmitting, or delivering gas or electricity when the transportation, transmission or distribution is sold by the provider of the commodity.

Table 3: Revenue Actions and STAR (Millions of Dollars)

	General Fund		All Funds	
	FY 2018	FY 2019	FY 2018	FY 2019
Tax Cuts and Credits	-	-	-	-
Establish Life Sciences Tax Credits	-	-	-	-
Enhance the Child and Dependent Care Credit	-	-	-	-
Expand the Workforce Training Credit	-	-	-	-
Tax Reform Actions	123	219	132	237
Create Excelsior Business Program	-	-	-	-
Treat Disregarded Entities As A Single Taxpayer for Tax Credit Purposes	-	-	-	-
Require State S-Corporation Conformity with Federal Return	-	5	-	5
Reform the Investment Tax Credit	-	-	-	-
Modernize Sales Tax Collection to Reflect the Internet Economy	64	128	68	136
Allow Transportation Network Companies to Operate Outside New York City and Impose a State Assessment Fee on Fares	12	23	16	32
Tax and Regulate Vapor Products	3	5	3	5
Reform the Taxation of Cigars	12	23	12	23
Impose the Real Estate Transfer Tax on the Transfer of a Real Estate Business Interest	4	5	4	5
Close Co-Op Sale Loophole	10	10	10	10
Close Non-Resident Asset Sale Loophole	10	10	10	10
Close Sales Tax Related Entities Loopholes	8	10	9	11
Enforcement Initiatives	9	21	12	24
Require Practitioners to be Compliant with State Tax Obligations before Receiving Excess Medical Malpractice Coverage	1	2	1	2
Require New State Employees to be Compliant with State Tax Obligations	1	2	1	2
Streamline Bank Account Data Matching	5	15	5	15
Expand Jeopardy Assessments to the Cigarette and Tobacco Tax	-	-	2	2
Clarify the Amount of Untaxed Cigarettes Required to Seize a Vehicle	-	-	1	1
Close the Real Estate Transfer Tax Loophole	2	2	2	2
Tax Law Extenders	698	3,460	698	3,460
Extend the Personal Income Tax Top Bracket for Three Years	683	3,375	683	3,375
Make the High Income Charitable Contribution Deduction Limitation Permanent	-	70	-	70
Extend the Empire State Film and Post-Production Tax Credits for Three Years	-	-	-	-
Expanding Employment Opportunities for Youth	-	-	-	-
Extend the Alternative Fuels Property and Electric Vehicle Recharging Property Credit for Five Years	-	-	-	-
Permanently Extend Warrantless Wage Garnishment	15	15	15	15
School Tax Relief (STAR) Program Actions	351	134	-	(340)
Convert New York City Personal Income Tax Rate Reduction Benefit Into a State Personal Income Tax Credit				
• Credit Portion	-	(340)	-	(340)
• Spending Savings	277	352	-	-
Allow Taxpayers to Make Partial Real Property Tax Payments	-	-	-	-
Maintain Basic and Enhanced Exemption Benefit at Existing Levels	50	98	-	-
Make Participation in Income Verification Program (IVP) Mandatory	24	24	-	-
Allow for Confidential Intergovernmental Sharing of STAR Information	-	-	-	-
Make Technical Amendments to Co-op STAR Credit	-	-	-	-
Gaming Initiatives	-	-	(2)	-
Reprivatize the New York Racing Association	-	-	-	-
Extend Certain Tax Rates and Certain Simulcasting Provisions for One Year	-	-	-	-
Extend Monticello Video Lottery Terminal Rates for One Year	-	-	(2)	-
Extend the Video Lottery Gaming (VIG) Vendor's Capital Awards Program for One Year	-	-	-	-
Alter Local Gaming Aid Distribution	-	-	-	-
Expand Lab Testing Providers for Horses	-	-	-	-
Modernize and Consolidate Charitable Gaming Laws	-	-	-	-
Fee Actions	3	11	90	124
Extend Fees for the Establishment of Oil and Gas Unit of Production Values	-	-	-	-
Realign Production Costs for Realtor Identification Cards	-	-	0	0
Establish a Taste-NY Alcohol Permit	0	-	0	-
Establish a Motion Picture Theater Alcohol Permit	0	-	0	-
Apply the Public Safety Communications Surcharge to Prepaid Devices	3	11	7	26
Increase the Cap on Divisible Load Permits	-	-	1	1
Increase Title Fees	-	-	74	81
Implement REAL ID Licenses	-	-	7	16
Technical Amendments	-	-	-	-
Make Technical Amendments to the State and Local Sales Tax Statute	-	-	-	-
TOTAL REVENUE ACTIONS and STAR	1,184	3,845	930	3,505

*Does not include the phase-in of the middle class tax cuts enacted with the FY 2017 Budget.

The Executive Budget continues Governor Cuomo's ambitious plan to rebuild New York's infrastructure. The unprecedented plan to invest \$100 billion, launched last year, is well underway and the FY 2018 Budget includes additional resources for transformational new projects that will position every region of the State for growth.

Overview

Governor Cuomo is delivering on his historic investment in New York State's infrastructure. In partnership with public authorities, and local and Federal governments, \$100 billion is being invested in infrastructure projects across New York to promote economic development, create jobs, and expand opportunity. These investments are enabling New York to rebuild and modernize its roads, bridges, broadband networks, public buildings, and other critical infrastructure across the State while putting thousands of people to work.

At the same time, Governor Cuomo has jumpstarted long-stalled or long-overdue projects, such as the replacement of the Tappan Zee Bridge, the redevelopment of LaGuardia and JFK Airports, the Gateway Tunnel project between New York and New Jersey, and the Penn-Farley Station project. As 2016 came to a close, the Second Avenue Subway opened for business after decades of starts and stops, achieving the system's first major expansion in more than 50 years.

Governor Cuomo has financed these investments responsibly, maintaining an affordable infrastructure plan that will not overburden future taxpayers. For the first time in modern history, outstanding State debt has dropped for four consecutive years (FY 2013 through FY 2016) and is expected to decline for a fifth consecutive year. In addition, the State has seen improvement in its debt to personal income ratio, a common measure used by rating agencies to assess debt affordability. This ratio in FY 2017 is at its lowest (best) level since the 1960s and is expected to further improve over the next five years.

Major Infrastructure Investments

Governor Cuomo has made infrastructure a priority. In the last several years, major investments include:

Budget Highlights

\$100 Billion Infrastructure Plan Bolstered with New Investments.

The unprecedented plan to invest \$100 billion, launched last year, is well underway and the FY 2018 Budget includes additional resources for new projects.

JFK Master Plan. Reduce congestion and improve access to the airport through Van Wyck Expressway lane expansions.

Clean Water Infrastructure. Initiate a historic Clean Water capital program to support drinking water, wastewater, and source water protection initiatives.

Life Sciences Investments. Provision of strategic tax credits, and capital and operating grant funding to fuel a world-class Life Sciences Cluster in NY.

Infrastructure Investments. Continue proven economic development programs such as the Buffalo Billion, Regional Economic Development Competitions, and Downtown Revitalization to further the State's robust economic recovery.

Performance Profile

Job Creation. The two transportation capital programs, together totaling \$55 billion, are projected to create more than 130,000 jobs.

Debt Affordability. Governor Cuomo's disciplined approach has lowered outstanding debt for four years in a row, a first in modern State history, and is expected to decline for a fifth consecutive year. New York's debt to personal income ratio is at its lowest (best) level since the 1960s and is expected to further improve over the next five years.

- **Transportation and Transit.** The State is funding a \$27 billion capital plan to preserve and upgrade roads, bridges, and other vital transportation infrastructure throughout the State. It is the largest transportation plan ever enacted in New York State. The plan includes the Tappan Zee replacement project. Following decades of inaction, the New NY Bridge construction is well underway, remains on budget and is scheduled to open on time in 2018.
- **MTA Capital Commitment.** The 2015-2019 MTA transit capital plan will support \$28 billion in investments, funded from multiple sources, including Governor Cuomo's commitment – now law – of \$8.3 billion in additional State resources. This MTA funding level is the largest ever approved by the MTA Capital Planning Review Board and will keep this vital transit system in a state of good repair, while meeting expansion needs.
- **Affordable and Homeless Housing Capital Plan.** The State is investing \$20 billion in a comprehensive, five-year plan for affordable and homeless housing to ensure New Yorkers who are homeless or at risk of homelessness have safe and secure housing. The program will create or preserve 100,000 new affordable housing units and 6,000 supportive housing units.
- **Gateway Tunnel Project.** The rail tunnels under the Hudson River used by Amtrak are critical to the regional economy. These aging tunnels are in dire need of repair and expansion to increase capacity. Governor Cuomo is partnering with New Jersey's Governor, members of the U.S. Senate, and the Federal government on the Gateway Tunnel project, a comprehensive plan to revitalize existing rails and tunnels, and add a new, two-track tunnel under the Hudson River. Combined, these improvements will enable passenger train capacity under the river to double. The project's estimated \$20 billion cost will be split with \$10 billion paid for by the Federal government, and \$5 billion each from the two states. At the direction of the two governors, the Port Authority of New York and New Jersey established the Gateway Development Corporation to identify and maximize Federal grant opportunities, and pursue low-interest loans.

- **New LaGuardia and John F. Kennedy Airport Master Plans.** Revitalize New York's major airports, including LaGuardia (LGA) and John F. Kennedy (JFK). These two airports serve over 80 million passengers per year but are outdated relics of a bygone era. The State will partner with public and private sector entities to overhaul and modernize these airports.
- **Economic Development Initiatives.** Strengthening the State's economy is at the top of Governor Cuomo's agenda. This aggressive agenda leverages the success of Governor Cuomo's regionally-focused strategy to create jobs, strengthen and diversify economies, and generate economic opportunity across the State.
- **Empire Station.** The State is investing \$700 million to leverage a total of \$3 billion, including private sector and Federal partners, for the transformation of the James A. Farley Post Office building into the Moynihan Train Hall. Combined with extensive renovations at the existing Penn Station, this will create a new Empire Station.
- **Hospital Restructuring.** The State is funding a \$2.6 billion Hospital Restructuring and Reinvestment initiative to improve the financial viability and efficiency of the State's health care delivery system. Funding is available for general hospitals, residential healthcare facilities, diagnostic and treatment centers, clinics licensed pursuant to public health or mental hygiene law, assisted living programs, primary care and home care providers.
- **New NY Broadband.** Access to broadband is a vital resource critically important to the future of the State's economy, and the education and safety of New Yorkers. Broadband availability and capacity is being expanded across the State. The program will create ultra-high-speed networks and promote broadband adoption. The State is partnering with private industry using a minimum match of 1:1. Combined, this will result in an investment in excess of \$1 billion for the broadband initiative.
- **Parks 2020.** The State is making a multi-year capital investment of \$900 million to fund capital rehabilitation and improvement of State parks and historic sites, more than triple the investment from prior administrations. The effort helped spur a record 65 million visitors to New York State Parks in 2015.
- **Clean Water.** The State has been marshalling resources for drinking water and waste water infrastructure. On top of existing programs, \$350 million was made available for water quality protection.

New Infrastructure Investments

Governor Cuomo continues his commitment to infrastructure, with a number of major projects to build, rebuild, and revitalize capital assets across the State. The FY 2018 Executive Budget initiates additional infrastructure projects throughout New York, expanding on the already unprecedented \$100 billion investment. Major initiatives include the following:

- **JFK Master Plan.** As part of the Governor's plan to Transform JFK Airport into a 21st Century transportation hub, the State will provide \$1.5 billion to improve roadway access to JFK by eliminating traffic bottlenecks at the Kew Gardens interchange, and increasing traffic capacity on the Van Wyck Expressway. This significant investment of public resources will provide impetus for private sector investment at a transformed and reimagined JFK, driving the total investment potential as high as \$10 billion.
- **Clean Water.** The Budget provides funding for over \$2 billion in clean water infrastructure investments over the next five years. This investment will protect public health and the environment, and safeguard the State's water resources. These funds will be expended via locally based construction projects that will result in improved and safer municipal drinking water distribution, filtration systems, and wastewater treatment infrastructure.
- **Renewable Energy.** In FY 2018, the New York State Energy Research and Development Authority (NYSERDA) will provide \$360 million that will leverage \$1 billion of Private Sector investment in 11 large scale renewable energy projects across the State, involving clean technologies like wind, solar, fuel cell, and hydroelectric power. This will be the largest single State investment at one time, and an increase of \$210 million over recent awards. By 2020 NYSERDA expects to support 35 additional renewable projects which will result in more than \$4 billion in additional private sector investment in this vital industry.
- **Economic Development.** The Budget provides over \$1.3 billion in Economic Development grant moneys across a number of worthwhile programs including Buffalo Billion II, Regional Economic Development Council (REDC) Round VII, and the Downtown Revitalization Programs. These grant programs incentivize local private sector investments that stimulate and strengthen local economies and create jobs across the State.

Assuring Affordability

Governor Cuomo created an affordable infrastructure plan through strategic alliances with multiple partners across the State. This has enabled the State to make significant investments in critical projects, without burdening future tax payers.

Infrastructure Plan Funding Sources

Governor Cuomo's infrastructure plan (including FY 2018 investments) is funded from multiple sources, including State, Federal, public authorities, local governments, and private enterprise. Public authorities and Federal money will support 43 percent of the infrastructure projects (21 percent and 22 respectively). The private sector and local governments will account for 21 percent. The remaining 36 percent will be funded from the State budget from a combination of tax dollars, bond proceeds, settlement funds, and federal resources.

Debt Affordability

Governor Cuomo has used a disciplined approach to controlling and targeting new borrowing to keep debt service affordable and within the State's debt limit. This effective management of State debt has enabled him to deliver an affordable infrastructure plan. This is evidenced in the improving debt metrics that are used to measure debt affordability, specifically:

- State-related debt outstanding has declined for four years, FY 2013 through FY 2016, and is expected to decline for the fifth consecutive year in FY 2017. This marks the first time in modern history that New York has achieved this result, and debt will have declined from \$55.7 billion to \$50.8 billion during the five-year period.
- State-related debt outstanding as a percentage of personal income declined from 5.9 percent in FY 2011 (Governor Cuomo's first year) to 4.5 percent in FY 2016, and is expected to decrease to 4.1 percent by 2022.
- Debt service costs have ranged from \$5.6 billion to \$6 billion from FY 2011 through FY 2017 (estimated), after adjusting for debt service prepayments. This represents a stable growth rate of 0.4 percent, well below the historical growth rate in debt service costs and below inflation. Debt service growth from FY 2011 through FY 2022 is projected at 2.3 percent.

Investing Settlement Funds Prudently

From FY 2015 through FY 2017, the State has received more than \$9 billion in monetary settlements, primarily from financial institutions for violations of State and/or Federal laws. Governor Cuomo has prudently directed these funds toward capital investments and non-recurring expenditures. These resources are being used by New York State to invest in new infrastructure projects, which will create jobs and position every region of the State for unprecedented economic growth.

Overview

The Federal government influences the economies and budget of the State, not only through grants, but also direct spending on its own programs, such as Medicare and Social Security. Fiscal ties between the Federal government and the states are only part of a complex relationship in which funding predictability has been a long-term concern.

Federal funding is an essential component of New York's Budget, totaling \$52 billion – nearly one-third of anticipated All Funds spending in FY 2018. Alongside State taxpayer resources, Federal funds finance a number of critical programs at both the State and local level, including health care, human services, education, public protection, transportation, and other services.

The Federal government seeks to influence state conduct in various ways such as: placing conditions on Federal grants; mandates included in Federal legislation; Federal preemption of state laws; Federal tax policies which affect state and local tax bases; regulatory actions taken by Federal agencies; and Federal exposure of state and local governments to liabilities.

Federal Funding

Federal funds are predominantly targeted at programs that support the most vulnerable New Yorkers and those living at or near the poverty level, such as Medicaid, Temporary Assistance for Needy Families (TANF), the Child Care and Development Fund (CCDF), Elementary and Secondary Education Act (ESEA) Title I grants, and Individuals with Disabilities Education Act (IDEA) grants. Other Federal resources are directed at infrastructure and public protection. Overall, the Federal resources expected to be utilized by the FY 2018 Budget include:

Budget Highlights

\$52 billion in Federal funds included in the State's FY 2018 Budget. Federal funding accounts for nearly one-third of All Funds spending.

Medicaid. The largest source of Federal funds in the FY 2018 Budget, Medicaid accounts for nearly two-thirds of all Federal receipts.

Affordable Care Act. If the ACA were to be fully repealed, as has been discussed by the incoming presidential administration, an estimated 2.7 million New Yorkers would lose coverage.

Performance Profile

New York State of Health Exchange. Since its inception in 2014, the NY State of Health has enrolled more than 3.4 million New Yorkers in affordable health coverage. 2.7 million New Yorkers are receiving coverage under the Affordable Care Act. The number of uninsured New Yorkers has declined by nearly 850,000.

Decreasing the Uninsured. Between 2013 and 2015 the rate of uninsured in the State declined from 10 percent to 5 percent.

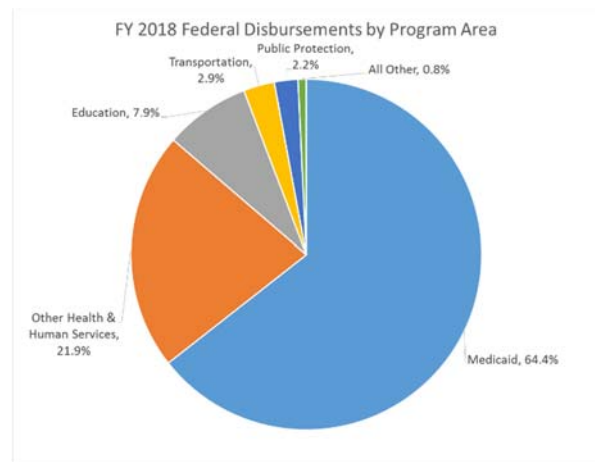
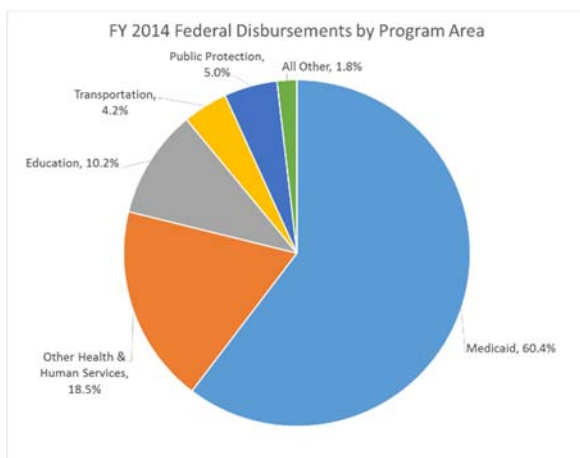
Medicaid Waiver. Governor Cuomo's Medicaid Redesign Team's innovative and collaborative work bent the cost curve for the Medicaid program, saving the State and Federal governments \$17 billion each. Almost half of the Federal savings is being returned to the State by the Federal Centers for Medicare and Medicaid Services (CMS). This \$8 billion in new Federal funding, over several years, will transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries.

- **Medicaid** (\$33.5 billion). Federal Medicaid dollars help support health care for more than six million New Yorkers, including more than two million children. Medicaid is the single largest category of Federal funding, representing nearly two-thirds of Federal resources anticipated in the FY 2018 Budget.
- **Other Health and Human Services Programs** (\$11.4 billion). Support from the Federal government provides for a variety of other health programs administered by the Department of Health (DOH), as well as programs administered by the Office of Temporary and Disability Assistance (OTDA), the Office of Children and Family Services (OCFS), Homes and Community Renewal (HCR), and the Department of Labor (DOL), among others. Specific programs include the Essential Health Plan, TANF-funded public assistance benefits, Flexible Fund for Family Services, Home Energy Assistance Program (HEAP) benefits, Supplemental Nutrition Assistance Program (SNAP) administrative costs, Child Support administrative costs, Child Care, Foster Care, and the Unemployment Insurance Program administrative costs.
- **Education** (\$4.1 billion). K-12 education, special education and higher education receive Federal support. Similar to Medicaid and the human service programs, much of Federal education funding received is directed toward vulnerable New Yorkers, such as students in high poverty schools or those with disabilities.
- **Transportation** (\$1.5 billion). Federal resources support infrastructure investments in highway and transit systems throughout the State, including funding participation in the transportation capital plans enacted with the FY 2017 Budget.
- **Public Protection** (\$1.1 billion). Federal funding also supports various programs and operations of the State Police, the Department of Corrections and Community Supervision, the Office of Victim Services, the Division of Homeland Security and Emergency Services, and the Division of Military and Naval Affairs. Federal funds are also passed on to municipalities to support a variety of public safety programs.

- **All Other Funding** (\$0.4 billion). A number of other programs in the Economic Development, Mental Hygiene, Parks and Environmental Conservation, and General Government Areas are also supported by Federal resources.

Federal Funding Trends

The \$52 billion in Federal funds expected to be utilized by New York State in FY 2018 is an increase of \$10.9 billion or 26 percent compared to FY 2014. This increase is primarily driven by increases in funding for Medicaid and other health programs.



- Federal support for Medicaid has increased by \$8.7 billion (35 percent) over the past 5 years, primarily because of rising costs in the health services sector and expansions of coverage resulting from the Affordable Care Act (ACA).
- Federal support for other Health and Human Service Programs increased by \$3.8 billion (50 percent) over the past 5 years. This was also primarily driven by the ACA, specifically the creation of the Essential Plan, which now covers over 620,000 low to moderate income New Yorkers.
- In FY 2014, more than 60 percent of Federal disbursements by the State were Medicaid (nearly 80 percent when including non-Medicaid health and other human services expenditures).
- By FY 2018, the percentage had grown to nearly 65 percent (more than 86 percent with other non-Medicaid health and other human services expenditures), even as total Federal disbursements grew by nearly \$11 billion (26.4 percent) over the 5-year period.

- Federal receipts have consistently represented roughly one-third of all State budget revenue sources (31.8 percent in FY 2014, 33.8 percent in FY 2018), increasing by more than \$10 billion over the 5-year period.

Other program areas have seen decreases in their Federal resources. These include:

- Public Protection funding decreased by just over \$912 million (-45 percent) since FY 2014, however this is primarily due to the completion of projects supported by Federal Emergency Management Agency (FEMA) Public Assistance funding for damages sustained during natural disasters.
- Transportation funding decreased by \$228 million (-13 percent) in the last 5 years, reflecting the phase-out of non-recurring resources as well as variations in the timing of obligations and disbursements.
- Education funding decreased by approximately \$76 million (-2 percent) over the last 5 years, primarily due to the expiration of Federal ARRA funds, including the Race to the Top program.
- All Other Funds decreased by \$365 million (-48%), including the expiration of ARRA funding for Department of Environmental Conservation (DEC) initiatives, as well as adjustments and accounting reclassifications primarily related to Medicaid payments made by DOH to other State agencies.

Table 4: Federal Disbursements by Program Area (Millions of Dollars)

Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	5 Year Change	
						Dollars	Percent
Medicaid	24,848	30,052	32,056	32,428	33,528	8,680	34.9
Other Health and Human Services	7,617	7,426	9,067	10,722	11,405	3,789	49.7
Education	4,186	3,713	4,195	4,058	4,110	(76)	(1.8)
Transportation	1,720	1,609	1,827	1,568	1,492	(228)	(13.2)
Public Protection	2,043	2,462	1,970	1,752	1,131	(912)	(44.6)
All Other	758	480	365	330	393	(365)	(48.1)
Total	41,172	45,743	49,476	50,858	52,059	10,887	26.4

Federal Risks

The amount and composition of Federal funds received by the State has changed over time as a result of legislative and regulatory actions at the Federal level, and will likely continue to change under the incoming Congress and administration. However, at this time it is not possible to predict the actual fiscal impact of future Federal policy shifts. Notable areas with potential for change include health care and infrastructure policy.

- **Affordable Care Act.** If the Affordable Care Act were fully repealed, as has been discussed by the incoming presidential administration, an estimated 2.7 million New Yorkers would lose coverage. The NY State of Health has successfully cut the percentage of uninsured New Yorkers in half, from 10 percent to five percent. It has also significantly expanded eligibility and access to health coverage, allowing hundreds of thousands of previously uninsured New Yorkers to achieve economic and healthcare security.
- **Implications of the Medicaid Financing Structure.** Medicaid plays a role in both state and Federal budgets. As a result of the joint financing structure, Medicaid acts as both an expenditure and the largest source of Federal revenue in New York State's budget. Medicaid is also a countercyclical program. During economic downturns, individuals lose jobs, incomes decline and more individuals enroll in Medicaid. This increases program spending as state revenue declines, making it difficult to match rising expenditures. The influx of Federal Medicaid funds also has positive effects on New York State's economy resulting in a multiplier effect directly affecting not only the providers who received Medicaid payments for the services they provide to beneficiaries, but also indirectly affecting other businesses and industries.
- **Predictable Revenue Streams.** Achieving fiscal sustainability is a challenge for all levels of government. Federal, state and local governments share in responsibility for providing public services and it is incumbent on each to develop budgetary practices that enable improved service delivery while lowering taxpayer costs. Federal laws and regulations define the relationships for covering the cost of programs that provide everything from public safety to health care to education.

The transition at the Federal level to a new administration and Congress has put in flux the flow of revenue for federally supported programs especially mandatory programs such as TANF and the Children's Health Insurance Program that are funded outside the Federal appropriations process and set to expire in Federal FY 2017. The Federal revenue streams supporting these programs, and others up for reauthorization, totaled more than \$42 billion nationally in FY 2016.

- **Tax Actions.** Potential Federal tax actions can have a substantial impact on states. Tax-exempt financing is the primary method for state and local governments to fund infrastructure and other projects. Federal actions that increase the cost to issue municipal bonds or diminish their market demand could significantly raise the cost to build important infrastructure projects that Governor Cuomo has made a priority. Additionally, Federal tax reform that preempts or limits New York's long-standing authority over its state budget and tax systems would have similar ramifications.
- **Federal Debt Ceiling.** Congress has passed three suspensions of the debt limit since 2013, the most recent extending through March of this year. If the debt limit is not raised or suspended in a timely fashion, it may cause the Federal government to default on its payments. A Federal government default, particularly for a prolonged period, could have a materially adverse effect on national and state economies, financial markets, and

intergovernmental aid payments. The specific effects on the Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

A payment default by the United States may adversely affect the municipal bond market. Municipal issuers, as well as the State, could face higher borrowing costs and impaired market access. This would jeopardize planned capital investments in transportation infrastructure, higher education facilities, hazardous waste remediation, environmental projects, and economic development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

- **Budget Control Act.** The Budget Control Act (BCA) of 2011 raised the debt limit and established discretionary spending caps on the Federal government through Federal FY 2021. Despite modest legislative adjustments to the budgetary caps contained in the BCA, the possibility for a reduction in Federal support is elevated as long as the caps remain in place. The Bipartisan Budget Act of 2015 temporarily increased the discretionary spending caps imposed by the BCA through Federal FY 2017. Without similar adjustments to the BCA for Federal FY 2018, Congressional Budget Office (CBO) estimates that discretionary spending caps will be reduced. This could subsequently lead to cuts in the discretionary programs on which the State relies.

Under Governor Cuomo's leadership, New York State is building a results-driven service delivery system that is restoring the public's faith in government. New Yorkers have every right to expect performance from their government – it must be efficient and effective.

Overview

Performance management is a framework utilized by high-performing private- and public-sector organizations that will make the State's delivery of services more efficient, cost-effective, transparent and accountable.

State agencies will collaborate to focus on efforts that support their core missions, align with strategic priorities, and set performance goals accordingly. They will measure outcomes against those goals to deliver a streamlined, smarter and more effective government.

Integration of Management and Budget

To support the Governor's efforts, DOB will integrate the investment of State resources with a review of program and policy delivery outcomes. This new mission includes the review of agency performance, and a continued emphasis on government performance throughout the State. The synthesis of management and budget functions will ensure that the policies, programs, and projects contained in the Budget are delivered in a timely, cost-effective manner.

Enhanced Use of Data and Evidence

Evidence-based policymaking uses research and program results data to inform policy, management and budget decisions. It drives dollars to programs that have been proven to be effective. New York State's performance management framework will utilize evidence-based policymaking to reduce wasteful spending by evaluating cost effectiveness, allowing the State to expand successful programs and strengthen accountability. Focusing on outcomes makes it easier to promote accountability.

Budget Highlights

Agency Management Plans.

Plans must preserve funding for mission critical efforts and strategic initiatives with agencies identifying cost efficiencies and reducing State operating funds spending in FY 2018.

OGS Office Space Optimization Fund.

The OGS Real Estate Center is building on the success of their restacking initiative through a recurring investment in State-owned buildings so agencies may relocate from leased space. The savings from avoided lease costs in the first 10 years from the initial round of improvements is projected to exceed the cost of improvements by \$16.7 million.

Performance Profile

The NYS Lean Program has created efficiencies across State operations. By the numbers:

- **85 percent.** The reduction in the time it takes to credential new substance abuse disorder counselors.
- **39 minutes.** The time it takes to register a vehicle acquired through a casual sale at the DMV, down from 60 minutes.
- **50 percent.** Businesses and individuals are issued licenses and permits they need to operate 50 percent faster than before Lean.
- **\$33 million.** The State saved \$33 million by consolidating office spaces and decreasing leased properties.
- **221 million.** Over 221 million records are accessible Open NY across 64 entities. Open NY is providing global transparency, accessed from over 12,080 cities, and over 200 countries and territories.

Government Accountability and Transparency

Citizens expect to know how effectively their tax dollars are being spent on delivering the services they need. DOB and State agencies will measure and report on their success in making the State more efficient, cost-effective, transparent and accountable.

Enterprise Risk Management

An effective Enterprise Risk Management (ERM) program is an integral part of the State's strategic decision making process. The full spectrum of an organization's risk should be considered as an interrelated portfolio, rather than addressing risks only within silos. In 2015, Governor Cuomo created New York's first statewide framework for ethics, risk and compliance. Successful integration of ERM into agencies' day to day decision-making and management practices enables agencies to leverage opportunities and avoid, mitigate, and transfer risk, resulting in more resilient, effective, and efficient programs.

It is important for agencies to assess and prioritize risk while operationalizing their strategic plans, and establishing performance goals and controls. Risk assessments enable more substantive compliance with internal control and audit filings, and provide a basis for prioritization in strategic, annual Performance and Lean Process Improvement plans. New York State faces varied and complex forms of risk, including emergency management, operational, technology, insurance, legal, compliance, and ethical. Continuous internal assessment and monitoring helps identify and mitigate issues on an ongoing basis.

Procurement Reform

The Governor is undertaking a comprehensive review of current procurement practices across all State entities to establish processes that are efficient, outcome-focused and properly safeguarded to ensure public money is spent with integrity. Additional procurement training and knowledge sharing opportunities will help State procurement staff be better positioned to conduct effective and ethical procurements.

Digital Innovation

In 2013, Governor Cuomo issued an Executive Order directing State agencies to, for the first time, review and catalog data they collect and make that data publicly available on the State's new open data website.

Open.ny.gov

The Open.ny.gov initiative is designed to help State agencies and local governments by fostering research, promoting informed decision-making, and enhancing collaboration. It is a shared resource for localities across the State, providing unified access to government data and helping local governments cut down costs and improve efficiency, in addition to increasing transparency.

For example, in 2016, the New York State Energy Research and Development Authority (NYSERDA) made available on Open NY residential and small commercial solar projects currently in development in New York State through NY-Sun, an integral component of the Governor's Reforming the Energy Vision (REV). By making this data available on Open NY, NYSERDA is helping the private sector scale up New York's sustainable, self-sufficient solar industry.

New York State is also using data analytics to combat the spread of opioid abuse, prevent payments for fraudulent tax returns, and improve service delivery for health and social services agencies.

OpenBudget.ny.gov

The Open Budget website provides easy, single-stop access to New York's wealth of budget data, including comprehensive machine-readable raw financial data along with tools and charts to make that information more understandable. The result is:

- Unprecedented access and transparency to New York's budget;
- Open access to easy-to-use tools, charts and data;
- Improved government performance, and enhanced citizen engagement and trust.

Performance Management Projects

Effective Management of Statewide Capital Planning and Assets

Capital planning is critical to water, sewer, transportation, sanitation, and other essential public services. It is an integral component of any economic development program and strategic plan. The Governor's New York Works Task Force helped centralize the State's capital planning to leverage and integrate the funding into economic development planning statewide.

This process continues. For example, in 2016, the State launched a diagnostic effort to assess the current capital planning process, evaluate project delivery, and catalog the State's capital assets.

As a result of this effort, the State is amassing up-to-date central project level data for outcome tracking and decision-making. The new approach enables the State to better align capital spending with strategic priorities, more actively manage its portfolio of capital assets, and use outcome-based feedback and prioritization to ensure project selection best meets the needs of New York State. Improvements in project tracking will help the State deliver them on-time and on-budget. All of these actions combined enable the State to free up resources and put them toward additional projects.

NYS Real Estate Center of Excellence

Governor Cuomo tasked the Office of General Services with creating the NYS Real Estate Center of Excellence to proactively and strategically manage the State's real estate portfolio. The Center's Restacking Initiative achieved net savings of over \$33 million by consolidating existing office space, and eliminating unnecessary and costly leases. The Center enables OGS to manage the real estate portfolio holistically in a data-driven, efficient and cost-effective manner by:

- **Developing a centralized inventory of all State real estate assets.** Right-size the portfolio through acquisition and disposition, and seek asset monetization opportunities.
- **Centralizing the real estate planning and development function.** Minimize financial, operating, and scheduling risks for the State.
- **Providing energy management governance.** Support the Governor's EO88 initiative, which directs agencies and authorities to improve the energy efficiency of State buildings.
- **Serving as the State's primary resource for real estate matters.** Services include:
 - Development of policy, strategic initiatives, and performance metrics.
 - Identifying and introducing private industry real estate management best practices.
 - Proactively identifying opportunities to reduce cost while supporting the State's mission.
 - Consolidating and standardizing facility management and leasing practices of State agencies.

NYS Lean Program

The New York State Lean Initiative was created in 2013 at the recommendation of Governor Cuomo's Spending and Government Efficiency (SAGE) Commission. The Commission identified a series of opportunities to make State operations more efficient and effective, particularly in light of the Governor's two percent spending growth cap.

In the fall of 2013, the State conducted 10 pilot Lean projects in four State agencies related to different business licensing, permitting, and registration processes. By early 2016, the program expanded to include over 400 projects in 38 agencies with over 9,000 State workers participating and over 600 trained as Lean practitioners. Examples of success of the program include:

- **High priority initiatives.** As part of New York's Combat Heroin Initiative, State staff reduced the time to certify substance abuse disorder providers and services by about 50 percent and to credential new counselors by about 85 percent—even while experiencing an increase in demand due to the heroin epidemic.
- **Department of Motor Vehicles (DMV).** There are over 11 million licensed drivers in New York State. Using Lean, the DMV reduced the wait time to register a vehicle acquired through a casual sale from 60 to 39 minutes and, in select pilot offices, to obtain a driver's permit from 172 minutes to 45 minutes as part of a broader effort to reduce office wait times by more than 50 percent.
- **Licensing and permitting.** There are roughly two million businesses registered in New York State, and over 800,000 individuals are licensed to practice various occupations by the Department of State. These businesses and individuals are getting licenses and permits about 50 percent faster than before the Lean program started. For example, the time to issue an operating certificate to a new healthcare facility fell from 137 days to 31 days, and the time to issue a real estate broker or agent license fell from 20 days to 4 days.
- **Investigations.** Several agencies investigate potential wrong-doings, and process streamlining helps resolve cases faster and allows for greater capacity within limited resources. For example, the Justice Center reduced the time to complete an initial review of abuse and neglect cases from 79 to 13 days, eliminating a backlog of 4,500 cases.

The FY 2018 Executive Budget continues Governor Cuomo's focus on revitalizing Upstate regions, job-creating programs and investing in key capital projects across the State. This aggressive 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

Together, the Empire State Development Corporation (ESD) and the Department of Economic Development (DED) finance key economic development projects and provide policy direction across the State. The Economic Development portfolio includes the administration of regionally-based economic development programs, marketing and advertising activities to promote tourism, strategic business investments as well as the administration of programs to expand university-based research and technology.

In addition to the efforts of these specific economic development agencies, Governor Cuomo has harnessed the full power and breadth of the State's activities for job creation and economic growth. Economic planning is now coordinated across all agencies and authorities so that capital investments, tax-credit funding, and the wide-range of agency programs have a much more profound economic impact than the sum of the individual programs.

Creating Jobs and Growing the Economy

In the last six 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 empowers regional stakeholders to develop long-term plans, putting to work their unique knowledge and understanding of local priorities and assets. To date, the REDCs have awarded nearly \$4.6 billion for job creation and community development projects, creating or retaining over 210,000 jobs.

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

Budget Highlights

Buffalo Billion Phase II.

Building on a foundation of success, a second phase, \$500 million investment in Buffalo and surrounding areas will continue Buffalo's remarkable redevelopment.

Life Sciences.

This groundbreaking five-year \$650 million initiative will spur the growth of a new, world-class life science research cluster in New York, expanding the State's ability to commercialize this research and grow the economy.

Empire Station. The State is investing \$700 million to leverage a total of \$3 billion, including private sector and Federal partners, for the transformation of the James A. Farley Post Office building into the Moynihan Train Hall. Combined with extensive renovations at the existing Penn Station, this will create a new Empire Station that will restore New York City's status as the linchpin of the northeast regional transportation network.

Performance Profile

Economic Regional Councils. Since 2011 the REDCs have awarded nearly \$4.6 billion in State funding to over 4,100 projects through a competitive process to spur job creation based on regional priorities. This new strategy has resulted in 210,000 new or retained jobs in New York.

Buffalo Billion. The State's \$1 billion investment in the Buffalo area economy is helping to spur new investment and economic activity. Projects funded through the Buffalo Billion are on track to create or retain 8,340 jobs.

The New NY Broadband Program is leveraging a \$500 million investment in high-speed internet access to deliver more than \$1 billion in broadband projects and ensure availability in unserved and underserved areas of the state. Access to broadband is vital for success in a 21st Century economy.

Through the Upstate Revitalization Initiative (URI), \$1.7 billion was awarded to seven Upstate regions over a multi-year period to support transformative investments that build on regional assets and leverage private sector capital to create jobs and strengthen regional economies.

The Executive Budget expands this job-creating investment by building on the economic progress of the Buffalo region, where it invests \$500 million to launch the second phase of the Buffalo Billion. It also provides \$650 million over five years to fuel a world-class life sciences cluster in New York, and makes key investments in economic development and infrastructure projects throughout the State.

Proposed FY 2018 Budget Actions

- **Buffalo Billion Phase II.** The Executive Budget allocates \$500 million over five years to support the second phase of the Buffalo Billion investment development plan. Buffalo Billion Phase II will extend investment in Western New York to the neighborhood level and strengthen existing connections between downtown, suburban, and surrounding areas. Phase II will focus on revitalization and smart growth efforts, improvements to workforce development and job training, growing advanced manufacturing, tourism and life sciences, and connecting communities to foster growth through rail expansion.
- **Investment in Life Sciences.** New York is uniquely positioned to become a global powerhouse in the life science sector, with significant untapped potential to commercialize research and translate it into private sector economic impact. The life science sector encompasses the fields of biotechnology, pharmaceuticals, biomedical technologies, and life systems technologies. It includes organizations and institutions that devote the majority of their efforts to the various stages of research, development, technology transfer and commercialization.

Firms in this sector are developing new medical and pharmaceutical breakthroughs that have the potential to save lives through new therapies or the early detection of diseases like autism and cancer. These firms are also making significant advancements in agriculture and environmental biotechnologies, helping create a cleaner and more sustainable future.

New York is already an undisputed national leader in attracting cutting-edge research in life sciences from external funding sources such as the National Institutes for Health. But New York has not been successful in attracting the private venture capital needed to commercialize life science research. By strengthening incentives, investing in facilities, and improving access to talent and expertise, New York will significantly increase its share of industry-funded research and development, support the commercialization of existing academic research, and usher in the next generation of advanced technologies. This initiative will position New York to be a magnet for emerging manufacturing-based enterprises, bolstering regional economies and creating thousands of jobs.

The Governor's \$650 million multi-faceted strategy includes \$250 million in tax incentives for new and existing life science companies, \$200 million in State capital grants to support investment in wet-lab and innovation space, and \$100 million in investment capital for early stage life science initiatives, with an additional match of at least \$100 million for operating support from private sector partnerships.

The first investment under this new initiative will provide \$15 million to support the buildout of the JLABS Innovation Center at the NY Genome Center. This collaboration with Johnson & Johnson JLABS division will provide entrepreneurs 35,000 square feet of lab space and offices, and access to scientific, industry and capital funding expertise to build early stage companies into economic engines.

- **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 \$4.6 billion to more than 5,200 projects. This strategy has resulted in 210,000 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 seventh round of REDC awards totaling \$750 million. 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. The Budget continues to make resources available from State agencies to support community revitalization and business growth consistent with the existing Regional Council plans through the Consolidated Funding Application process.

- **Empire Station.** The State is investing \$700 million to leverage a total of \$3 billion, including private sector and Federal partners, for the transformation of the James A. Farley Post Office building into the Moynihan Train Hall. Combined with extensive renovations at the existing Penn Station, this will create a new Empire Station.

- **Round 2 of Upstate Airport Economic Development and Revitalization Competition.** In FY 2017, the Governor established the \$200 million Upstate Economic Development and Revitalization Competition. The competition includes \$190 million to support airport projects and \$10 million allocated through the Governor's Aviation Capital Grant Program. In the first round, \$40 million was awarded to Elmira Corning Regional Airport to activate the airport's \$58 million transformation, and \$39.8 million in funding was awarded to the Greater Rochester International Airport to initiate a \$63.4 million transformation. In round two, Plattsburgh International Airport will receive \$38 million to jumpstart the airport's \$43 million overhaul and Syracuse Hancock International Airport will receive \$35.8 million towards their \$45.1 million transformation. The bold plans and designs developed by these airports will enhance safety, improve operations and access, reduce environmental impact, and create a better passenger experience.
- **Life Sciences Laboratory Public Health Initiative.** The Budget includes \$150 million to support a life sciences laboratory public health initiative which will develop life science research, innovation and infrastructure through a joint effort between Empire State Development and the Department of Health.
- **Launch Another Round of NYSUNY 2020 and NYCUNY 2020.** To build upon the success of the NYSUNY 2020 and NYCUNY 2020 Challenge Grant program, the Budget includes \$110 million to launch a new round of grants. Priority will be given to plans that use technology to improve academic success, leverage public-private partnerships, and better connect students to the workforce.
- **New York Works Economic Development Fund.** The \$199 million New York Works Economic Development Fund will provide capital grants statewide 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.
- **Kingsbridge National Ice Center.** The budget provides an additional \$108 million in loan funding for the redevelopment of the currently vacant Kingsbridge Armory in the Bronx into an ice-sports facility. With the bridge loan funding from the State, the project is anticipated to create 400 permanent jobs. The facility, which will be known as the Kingsbridge National Ice Center, will feature multiple year-round indoor ice rinks and a 5,000 seat feature rink for national and international ice hockey and skating events.
- **Long Island Transformative Investments.** The Executive Budget invests \$160 million from existing capital resources in transformative projects on Long Island. Investments include \$80 million for enhancements to sixteen LIRR Stations (\$35 million funded by the MTA), \$40 million to improve system connectivity with MacArthur Airport and Brookhaven National Lab, as well as a \$40 million for infrastructure investments that will support economic growth, environmental sustainability and water quality in business districts in Smithtown and Kings Park.

- **Town of Woodbury Transit and Economic Development Hub.** The Budget supports the acceleration of the \$150 million reconstruction project to build the Town of Woodbury Transit and Economic Development Hub. The project, which will create nearly 600 jobs, will overhaul a highly congested corridor that feeds the Woodbury Common Premium Outlets, a regional economic engine.
- **New York Power Electronics Manufacturing Consortium.** The Budget includes an additional \$33 million to complete the State's \$135 million multi-year commitment to the New York Power Electronics Manufacturing Consortium. The consortium will develop and commercialize wide bandgap power electronic devices.
- **Strategic Economic Development Investments.** The Budget includes \$207.5 million for investments in strategic economic development projects that create or retain jobs and support innovation.
- **Photonics Venture Challenge in Rochester.** New York State will establish a \$10 million, multi-year Photonics Venture Challenge in Rochester. This business competition aims to support start-up companies that commercialize these rapidly developing technologies through a business accelerator program. It includes a top award of \$1 million to the most promising start-up company. There are currently no accelerator programs in the world with a photonics focus and the Rochester region is uniquely positioned to build a nationally recognized program.
- **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.
- **Support High Technology Grants.** The Executive Budget authorizes over \$35 million to support ongoing university-based matching grants, and other high technology research and development programs administered by the Department of Economic Development's Division of Science, Technology and Innovation.
- **Clarkson-Trudeau Partnership.** The remaining \$5 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.
- **Expand and Promote Tourism.** The Budget includes a record-high \$55 million to support the State's tourism campaign and attract visitors from around the world, a \$5 million increase in funding from FY 2017. The program includes a fifth round of \$15 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. Tourism is New York's fourth largest employment sector.

- **I Love NY Centers.** Modeled after the successful Long Island Welcome Center, the State will establish welcome centers--one in each region of the State--that feature an array of experiences including Taste NY, Path Through History, I Love New York and State Parks that highlight each region's tourism assets.
- **Olympic Regional Development Authority (ORDA) Capital Improvements.** The Budget includes \$12.5 million in new capital funding for ORDA, including \$10 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.
- **Cultural, Arts and Public Spaces Development Fund.** The Budget provides \$10 million dedicated to increasing business and tourism in downtowns through a Cultural, Arts and Public Spaces Development Fund. This fund will support the State's commitment to vibrant public spaces and artistic and cultural experiences at regional attractions such as amphitheaters and performing arts spaces.
- **Establish Excelsior Business Program.** The Executive Budget includes a proposal to establish the Excelsior Business Program, which builds upon the strengths of other programs and focuses on new and early-stage businesses involved in research and development or production of new products and technology to create better partnership opportunities between businesses, and college and university sponsors. In addition to tax-free benefits for these early-stage businesses, the program would also offer enhanced tax credits for companies that expand and create additional jobs while in the program.
- **Continue Commitment to Critical Economic Development Investments.** The Budget includes nearly \$35 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, and international trade efforts.
- **Institute Buy American Policy.** Implement the nation's strongest mandate for the purchase of American-made products by State entities. Under the Governor's "Buy American" plan, all State entities will be required to give preference to American-made goods and products in any new procurements more than \$100,000.
- **Advance Consumer Protections.** The Budget includes a number of proposals that advance important consumer protections in the banking, insurance and financial services industries. These protections would help ensure the fairness and stability of products and services New Yorkers rely upon and mitigate adverse financial impacts from unscrupulous practices. These proposals include:

- **Protect Consumers Utilizing Reverse Mortgage Products.** Consumers using reverse mortgage products do not receive the same protections as those afforded to regular mortgage holders. The Executive Budget proposes legislation that will require the same consumer protections, such as settlement conferences, regardless of the mortgage product they utilize.
- **License/Regulate Student Loan Servicers.** Student loan servicers are the critical link between borrowers and lenders and they are currently unregulated and unlicensed. The Budget includes legislation that would authorize the Department of Financial Services to license and regulate this industry.
- **Ban Bad Actors From the Banking Industry for Egregious Misconduct.** The Budget puts forth legislation to empower the Superintendent of Financial Services to ban the continued involvement of bad actors from the banking and insurance industries.
- **Protect the Elderly from Financial Exploitation.** The Budget includes several proposals to help stop and prevent elder exploitation, including an Elder Abuse Certification Program for Banks in New York State and empowering Elder Abuse Certified Banks to place holds on bank accounts where fraudulent activity is occurring.
- **Allow the Department of Financial Services to better regulate the business practices of online lenders.** The Budget includes legislation which would also require any lender making non-business loans of less than \$25,000 and business loans of less than \$50,000 to be licensed by DFS while also clarifying the meaning of the phrase “making loans in New York” to more closely track with the practices of online lenders.

The FY 2018 Executive Budget reflects the Governor’s strong commitment to education through a \$1 billion annual increase in education aid, including \$961 million in the School Aid growth cap. This represents a cumulative 31 percent increase over six years. The Budget provides a \$428 million increase in Foundation Aid, and includes support for several key initiatives, including an unprecedented investment in State-supported after-school programs, the continued transformation of high-need schools into community hubs, expansion of prekindergarten for three- and four-year-old children in high-need districts, and additional funding for early college high schools. Together, these investments will continue to transform public education across the State. Important initiatives from prior years are also sustained, including \$340 million to continue the Statewide Universal Full-day Prekindergarten Program and the \$2 billion Smart Schools Bond Act.

Overview

Public education represents a significant commitment of New York’s resources. With total State and local spending levels exceeding \$60 billion, education is both the largest area of State spending and the largest component of local property taxes. New York has ranked first nationally in per pupil spending for more than ten years, a reflection of the State’s long-standing commitment to provide all students with the opportunity to excel as learners, workers, and citizens. Over six years, School Aid increases will total \$6.1 billion. Last year alone, the FY 2017 Budget included an additional \$1.5 billion (6.5 percent) increase, by far the largest increase of any category of State spending, showing once again School Aid is the State’s highest funding priority.

The FY 2018 Executive Budget continues the progress made to strengthen educational offerings and increase access across the State. Building upon the State’s multi-year investment in high-quality, full-day prekindergarten, the Budget provides additional funding to expand prekindergarten access for three- and four-year-olds in high need-school districts. In addition, the Budget reflects the Governor’s continued commitment to the transformation of high-need schools into community hubs. These initiatives, along with programs already underway, are improving public education across the State—reaching students earlier and ensuring students have access to highly effective teachers, programs and schools.

Budget Highlights

\$1 billion Education Aid Increase. Foundation Aid is increased by \$428 million. State support for school districts will have increased by 31 percent over the last six years. Approximately 70 percent of total funding goes to High Need school districts.

Expand After-School Programs. The Budget provides an unprecedented \$100 million—an increase of \$35 million—for public after-school programs. This year’s increase will be targeted to the State’s 16 Empire State Poverty Reduction Initiative (ESPRI) communities.

Increase Support for Community Schools. The Budget provides \$150 million—an increase of \$50 million—to support the continued transformation of high-need schools into community hubs.

Performance Profile

Rising Graduation Rates.

Since FY 2012, high school graduation rates have increased every year.

Improved Access to After School Program.

This year, 80,000 students in ESPRI communities will be enrolled in high quality, publicly-funded after school programs—an increase of 36 percent.

Increased Opportunities for Early Childhood Education.

In FY 2018, the State will serve 121,000 students in high quality, publicly-funded prekindergarten programs.

Transforming School Districts into Community Hubs.

One-third of school districts in New York receive community schools funding and have begun transforming their schools into community hubs with wrap-around services.

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 (\$20,610) than any other state in the country—87 percent above the national average (\$11,009).

Several recent initiatives have focused on improving the State's education system. These major initiatives include:

- Prekindergarten Programs.** The State spends more than \$800 million annually on public prekindergarten programs for three- and four-year-old children, serving over 121,000 students statewide. In FY 2015, the Enacted Budget committed \$1.5 billion over five years to support the phase-in of a full-day prekindergarten program for four-year-old children across the State. That same year, 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. In FY 2016, the Enacted Budget included \$30 million to support the first State-funded full-day prekindergarten program for three-year-olds, while also expanding prekindergarten access for four-year-olds. Building on that investment, the FY 2017 Enacted Budget further expanded prekindergarten access to three-year-old children in the State's highest-need school districts.
- 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 districts to reimagine the State's classrooms and provide New York's students with the technological resources, skills, and learning environments necessary to succeed in the 21st century. Funding supports enhanced education technologies including infrastructure improvements, high-speed broadband internet access, and active learning technologies. Additionally, the Smart Schools Bond Act supports the State's long-term investments in

full-day prekindergarten through the construction of new prekindergarten classrooms, the replacement of classroom trailers with permanent classroom spaces, and high-tech school safety programs. To date, over 180 Smart Schools Investment Plans totaling \$170 million have been approved by the Smart Schools Review Board.

- **Community Schools.** When schools and communities partner to provide students with health and social services, learning improves and students succeed. The FY 2017 Budget invested \$175 million to transform failing and high-need schools into community schools. This funding supports services that are unique to each school's individual needs, including before-and-after school programs, summer learning activities, medical and dental care, and other social services.

Table 5: Summary of Spending (State Operating Fund)

Category	2016-17 School Year (millions)	2017-18 School Year (millions)	Change	
			Dollar (millions)	Percent
School Aid	\$24,644	\$25,605	\$961	3.9

Table 6: Education Aid Increase

Category of Increase	Change (millions)
Additional Foundation Aid	\$428
\$50 Million Community Schools Set-aside	
Reimbursement for Expense-Based Aids / Other	\$333
Fiscal Stabilization Fund	\$150
Empire State After-School Program	\$35
Expanded Prekindergarten for Three- and Four-Year-Olds	\$5
Early College High Schools	\$5
Other Education Initiatives	\$5
School Aid Growth Cap	\$961
Charter School Tuition Reimbursement	\$22
Smart Schools Debt Service	\$17
Total Education Aid	\$1 billion

Proposed FY 2018 Budget Actions

The Executive Budget reflects the Governor's strong commitment to improved student outcomes and builds upon the foundational work of prior years. In FY 2018, School Aid will continue to represent New York's largest State-supported program, accounting for roughly 30 percent of total General Fund spending.

School Aid

The FY 2018 Executive Budget provides an overall school aid increase of \$961 million (3.9 percent). This includes a \$428 million increase in Foundation Aid with a community schools set-aside increase of \$50 million for the continued transformation of high-need schools into community hubs, \$333 million in reimbursements for expense-based aids, an unprecedented \$35 million investment in public after-school programs in high-need school districts, a \$5 million expansion of high-quality prekindergarten for three- and four-year-old children, and an additional \$5 million investment in early college high schools. Approximately 70 percent of total funding supports school districts categorized as High Need.

Community Schools

The Budget continues the Governor's push to transform New York's high-need districts into community schools. Last year's Budget invested \$175 million to support the Governor's community school efforts across the State—\$100 million as a set-aside within Foundation Aid, and \$75 million in grants to support the operating and capital costs associated with the transformation of failing schools into community hubs. The FY 2018 Budget increases the community schools set-aside by \$50 million—for a \$150 million total community schools set-aside—for the continued transformation of high-need schools into community hubs. School districts will be able to apply these funds to a wide-range of community schools activities, including hiring community school coordinators, providing before- and after-school mentoring services, offering summer learning activities, and providing health and dental care services.

Empire State After-School Program

Last year, the FY 2017 Budget provided \$65 million—in addition to \$88 million in Federal Support—for public after-school programs throughout the State. The FY 2018 Budget increases the State's after-school investment to an unprecedented \$100 million through \$35 million in new funding for public after-school programs in the State's 16 Empire State Poverty Reduction Initiative (ESPRI) communities. This new funding will create an additional 22,000 spots for students in after-school programs, increasing the number of spots in ESPRI school districts by 36 percent. With these new investments, 80,000 students in ESPRI school districts will receive after-school care in the 2017-18 school year.

Prekindergarten

The Budget includes an additional \$5 million investment in prekindergarten to expand high-quality half-day and full-day prekindergarten for three- and four-year-old children in high-need school districts. Preference for these funds will be given to the few remaining high-need school districts currently without a prekindergarten program. This funding builds upon the State's prekindergarten program for three- and four-year-old students included in the FY 2016 Enacted Budget. The State will also continue its \$5 million investment in the implementation of QUALITYstarsNY, a quality rating and improvement system intended to ensure New York's youngest students are enrolled in the highest quality prekindergarten programs possible.

Charter Schools

The Budget maintains the charter cap at its current level while providing additional flexibility. The Budget would also create a new tier of Charter School Transitional Aid to provide school districts with support in making tuition payments to charter schools. Additionally, the Budget would increase support for new and expanding charter schools located in privately leased space in New York City. The Executive Budget updates the charter facilities aid calculation in New York City to better reflect actual costs.

Early College High Schools

New York currently has more than 55 early college high school programs with more than 8,000 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 Budget commits an additional \$5.3 million to expand the State's early college high school programs. This expansion is specifically geared for schools focused on computer science

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 3.9 percent to \$181 million to reimburse non-public schools' costs for State-mandated activities. The Budget will also continue the two-year \$60 million appropriation, first enacted in 2016-17, to accelerate reimbursement for the Comprehensive Attendance Policy (CAP) program.

In addition, consistent with spending under the Smart Schools Bond Act, the Budget includes \$25 million in capital funding to enhance classroom technology and connectivity projects that will benefit students attending non-public schools. This program will finance improved educational technology and infrastructure such as interactive whiteboards, computer servers, wireless access points, routers, desktop, laptop and tablet computers, and high-speed and wireless internet connectivity.

Other Budget Actions

- **Advanced Placement Test Assistance.** New York State has one of the highest rates of participation in national Advanced Placement (AP) exams in the country. Unfortunately, Advanced Placement exams can be costly—approximately \$93 per exam. While partial subsidies exist, the remaining cost can still be a burden for low-income families. Because of this, the FY 2018 Budget provides \$2 million to fund AP exam costs for 68,000 low-income students. This funding will provide further access to advanced coursework for low-income students, and will promote educational equity across the State.
- **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, 2020.
- **Master Teachers Program.** Building on the success of Governor Cuomo’s Master Teacher Program which has already awarded more than 800 teachers, the Budget provides \$2 million to fund an additional cohort of 115 master teachers—specifically teachers in computer science. Each master teacher is awarded \$15,000 per year for four years (\$60,000 total). Those selected as master teachers will pledge to engage in peer mentoring, participate in and lead professional development activities, work closely with pre-service and early career teachers to foster a supportive environment for the next generation of STEM teachers, and ensure the most innovative teacher practices in STEM are shared across all grades and regions.
- **Empire State Excellence in Teaching Awards.** To recognize and honor excellence and innovation in the classroom, the Budget provides \$400,000 to fund a second round of Empire State Excellence in Teaching awards. This funding will be awarded on a regional basis and will recognize at least 60 teachers. Awardees receive \$5,000 to use for professional development activities, including coursework to enhance expertise, attendance at a state or national education conference, or enrollment in a summer institute or certification program.
- **Prevent Cyberbullying Initiative.** The Budget invests \$300,000 to combat and prevent cyberbullying and other forms of online harassment. Funds will be used to provide a wide array of school-based cyberbullying prevention strategies, including cyberbullying professional development for school counselors and school-based public awareness campaigns.
- **State Education Department Inspector General.** The Budget establishes a new, independent Inspector General to oversee and investigate allegations of corruption, fraud, criminal activity, conflicts of interest, or abuse, by any person within the State Education Department. Unlike other State agencies, the State Education Department is not currently overseen by any investigative entity. This Inspector General would be appointed by mutual agreement between the Senate and Assembly.

The FY 2018 Executive Budget initiates an unprecedented investment in clean water programs, increases capital funding for environmental and recreational facilities, maintains historic funding levels for the Environmental Protection Fund (EPF), and continues State funding for core environmental, parks and agricultural programs. 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 enable the transformation of our electric power transmission system to a distributed smart grid network.

Overview

The State's environmental, energy and natural resource agencies and authorities 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 to enhance the health, safety and welfare of New Yorkers 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 New York's valuable natural, historic and cultural resources. OPRHP operates the State park system, a network of 180 State parks and 35 historic sites. In 2015, the system welcomed a record 65 million visitors.

Together, DEC and OPRHP oversee 5.35 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) has wide-ranging responsibilities, including food safety inspection, agricultural economic development, farmland protection, animal and plant health surveillance, and control of agricultural runoff (nonpoint source pollution) that can lead to water contamination.

Budget Highlights

Invest in Clean Water. Initiate an historic \$2 billion Clean Water Infrastructure Act to support drinking water, wastewater, and source water protection initiatives.

Historic EPF Funding. Continue funding for the EPF at \$300 million, the highest level in history.

State Fair Modernization. Invest an additional \$70 million for the next round of improvements to transform the State Fairgrounds.

Continue \$900 Million NY Parks 2020 Initiative. Invest \$120 million to transform New York's parks, recreation and historic facilities.

Nation's largest multi-use trail network. Invest \$53 million to develop phase one of the nation's largest multi-use trail network.

Cogeneration Plant and Microgrid. Provide \$88 million to construct a cogeneration plant and microgrid to reduce energy costs, capture savings, and power the Empire State Plaza and surrounding municipal buildings.

Performance Profile

Record Parks Attendance.

The Governor's \$900 million investment through the NY Parks 2020 initiative, has so far resulted in capital improvements at 128 parks statewide, spurring a record 65 million visitors in 2015.

Record State Fair Attendance.

The initial \$50 million to modernize the State Fair has paid dividends. The 1.1 million visitors at the 2016 State fair exceeded the previous record by 10.5 percent.

Nation's Lowest Per Capita CO2 Emissions.

New York has the lowest per capita carbon dioxide emissions of any state in the country, with 8.1 metric tons of carbon dioxide per person.

The Department of Public Service (DPS), the staff arm of the Public Service Commission (PSC), regulates the rates and services of public utilities – an industry with an estimated \$32 billion in annual revenue. DPS oversees the siting of major utility infrastructure, and provides oversight of cable franchise agreements and telecommunications service. Additionally, DPS provides oversight of the New York State Energy Research and Development Authority's (NYSERDA) implementation of the PSC-approved Clean Energy Fund.

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 and Investing in Agriculture

Governor Cuomo has made unprecedented investments in the State's environmental and energy programs. These include:

- Establishing a \$400 million clean water infrastructure grant program;
- Extending the State Superfund hazardous waste cleanup program by \$1 billion;
- Unveiling the \$900 million NY Parks 2020 initiative;
- Investing over \$260 million in environmental projects through the New York Works program; and
- Increasing the EPF to an historic \$300 million level.

The Governor has taken major actions to combat climate change and reduce greenhouse gas emissions. New York has the lowest per capita carbon dioxide emissions of any state in the country, with 8.1 metric tons of carbon dioxide per person. These steps include:

- Launching the Clean Energy Standard, which will grow renewable energy to 50 percent of power generation by 2030.

- Establishing the 10-year, \$5 billion Clean Energy Fund, which drives investment in clean energy and energy efficiency. The fund supports the Governor's \$1 billion NY-Sun solar energy program, and the \$1 billion NY Green Bank, which partners with the private sector to increase investment in clean energy projects.

The Governor is committed to protecting open space and improving access to wildlife-related recreation. This is reflected in his acquisition of the former Finch Pruyn Lands, the largest addition to the Adirondack Forest Preserve in a century. The Governor enacted the NY Open for Fishing and Hunting initiative, which streamlined licensing and reduced hunting and fishing fees. He also provided for dozens of new and improved ways to access the State's natural resources.

The State has invested more in agriculture during Governor Cuomo's tenure than at any point in history, including record levels of grant funding through the EPF and the Ag&Mkts local assistance budget. The Governor has also supported strategic investments to modernize the State Fair, grow the agriculture industry in the Southern Tier, and protect farmland in the Hudson Valley. Through the Taste NY and NYS Grown & Certified programs, Governor Cuomo has prioritized the promotion of locally grown and produced foods and products.

The FY 2018 Executive Budget increases support for critical environmental protection programs. To ensure that current and future New Yorkers have access to clean water, the Budget initiates the \$2 billion Clean Water Infrastructure Act. Funded at \$400 million per year over five years, this unparalleled investment will support drinking water, wastewater, and source water protection initiatives.

Support for the EPF, which provides dedicated funding to communities throughout New York to improve the environment, will continue at \$300 million. This is the highest level of annual funding since the creation of the EPF and an increase of \$166 million since the Governor took office.

The Budget also includes \$246 million of new capital appropriations for DEC, OPRHP, Ag&Mkts, and the Olympic Regional Development Authority (ORDA), an increase of \$110 million from FY 2017. The increased resources will be utilized for Phase II of the State Fair modernization plan, and to accelerate improvements to the State's recreational assets. These capital resources will also continue to fund infrastructure projects statewide, spur the creation of jobs, and leverage private sector and Federal investment.

Table 7: Summary of Spending (All Funds)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollars (millions)	Percent
Department of Environmental Conservation	1,008	1,236	228	23
Office of Parks, Recreation and Historic Preservation	332	333	1	0
Department of Agriculture and Markets	117	122	5	4
Department of Public Service	74	77	3	4
Hudson River Valley Greenway	0.4	28.4	28	7000
New York Power Authority	2	28	26	1300
Energy Research and Development Authority	14	26	12	86
Adirondack Park Agency	5	5	0	0
Total Environment and Energy Spending	1,552.4	1,855.4	303	19.5

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

- **Department of Environmental Conservation.** Total spending for DEC is increased by \$228 million, reflecting funds from the Clean Water Infrastructure Act and increases in other capital program spending.
- **Office of Parks, Recreation and Historic Preservation.** Total funding for OPRHP is increased by \$1 million, reflecting growth in New York Works spending.
- **Department of Agriculture and Markets.** Total funding for Ag&Mkts is increased by \$5 million, reflecting growth in capital spending for the State Fair modernization.
- **Department of Public Service.** Total funding for DPS increases by \$3 million, reflecting growth in State operating spending associated with General State Charges.
- **Hudson River Valley Greenway.** Total funding for the Greenway is increased by \$28 million, reflecting capital spending for the new Empire State Trail.
- **New York Power Authority.** Total funding for NYPA is increased by \$26 million, reflecting capital spending for the new Empire State Trail.
- **New York Energy and Research Development Authority.** Total funding for NYSERDA is increased by \$12 million, reflecting growth in capital spending.

Proposed FY 2018 Budget Actions

- **\$2 Billion Clean Water Infrastructure Act.** The Budget proposes an historic \$2 billion Clean Water Infrastructure Act to be funded at \$400 million per year over five years. This unparalleled investment in drinking water, wastewater and source water protection will protect public health and the environment, and safeguard our precious water resources. These capital resources will be utilized to improve municipal drinking water distribution and filtration systems, replace lead service lines, improve wastewater treatment infrastructure, make strategic open space and farmland protection investments, expedite the cleanup of hazardous waste that may impact drinking water, and support green infrastructure.
- **Environmental Protection Fund.** The Budget continues EPF funding at \$300 million, the highest level of funding in the program's history. Appropriations include \$41 million for solid waste programs, \$87 million for parks and recreation, \$150 million for open space programs, and \$22 million for the climate change mitigation and adaptation program. This investment will provide funding for critical environmental programs such as land acquisition, farmland protection, invasive species prevention and eradication, enhanced recreational access, water quality improvement, and an aggressive environmental justice agenda.
- **Nation's Largest Multi-Use Trail Network.** The Budget proposes investing \$53 million develop fragmented stretches of the Hudson River Valley Greenway and Erie Canalway. When complete, the trail network will stretch through the Hudson Valley and Adirondacks from New York City to the Canadian border and along the Erie Canal from Albany to Buffalo. This \$53 million, phase one investment will create the largest multi-use trail network in the nation, attracting new tourists to explore New York's diverse landscapes and rich history.
- **State Fair Modernization.** The Budget provides up to \$70 million in additional capital funding to modernize the State Fair, which saw record attendance levels in 2016. This funding will be used to develop a multi-use, hybrid building to host events, build a gondola to transport visitors and concertgoers between the Fairgrounds and Onondaga County's Lakeview Amphitheater, make parking improvements, and construct a new on-ramp to Interstate 690. This investment builds upon the \$50 million included in the FY 2016 budget that has transformed the State Fair by creating a new Empire RV park, expanding the midway, improving Chevy Court, and restoring the main fairground gate.
- **NY Parks 2020 Initiative.** In furtherance of the NY Parks 2020 initiative, which is investing \$900 million in State Parks by 2020, the Budget allocates \$120 million in New York Works capital funding to OPRHP, an increase of \$30 million from FY 2017. This funding will aid the ongoing transformation of the State's flagship parks and support critical infrastructure projects. The additional \$30 million will target projects that can strategically leverage private funding to improve OPRHP's facilities and services.
- **Cogeneration Plant and Microgrid.** The Budget includes \$88 million in new appropriations for the construction of a cogeneration plant and microgrid to power the Empire State Plaza and surrounding municipal buildings in Albany. In furtherance of the Governor's goal to

accelerate energy efficiency in State buildings through the Build Smart NY program, the cogeneration plant will simultaneously produce electricity and provide a heating source for State buildings. Through the development of microgrid installations, an important component of the Governor's Reforming the Energy Vision (REV) strategy, New York State is moving toward decentralizing its power grid, providing enhanced reliability, interconnection with existing utility systems, and optimized energy efficiency. These cogeneration plant and microgrid projects are innovative and transformative energy solutions that will reduce CO2 emissions by 25,600 tons/year, reduce annual utility costs, and provide additional protection against severe weather events and emergencies.

- **Launch the Adventure NY Program.** DEC will launch the Adventure NY program, which will improve access to State lands, rehabilitate campgrounds, and upgrade DEC recreational facilities. This new initiative will build on existing efforts and includes \$70 million in New York Works capital funding, an increase of \$30 million from FY 2017. This funding will also enable DEC to continue to address critical infrastructure needs, including dam safety and flood control projects.
- **Expand Access to New York Grown Agricultural Products.** In 2016, Taste NY sales doubled to more than \$10.5 million, Taste NY products became available in more than 60 retail locations statewide, and Taste NY participated in events that drew over 2 million people. Building on this success, the Budget continues funding for initiatives that connect New York's food and beverage producers with consumers, including:
 - \$1.1 million for the Taste NY program. This program makes 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;
 - \$35.7 million for the New York State Grown & Certified program. Launched in 2016, this program is designed to strengthen consumer confidence in New York State products, address food product labeling, and assist New York farmers so they can take advantage of the growing demand for local, high quality food;
 - \$625,000 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; and
 - \$40,000 to evaluate and test hop varieties in New York to increase the availability of locally grown hops for the State's growing craft brew industry.
- **Improve Access to Healthy, Locally Sourced Food in Schools.** The Budget seeks to increase the number of students eating healthy foods in schools by making \$750,000 available to the Farm-to-School Grant Program, an increase of \$500,000 from FY 2017. These additional resources will fund up to 15 new projects that enhance a school district's

ability to buy local produce or a producer's ability to sell to school districts. To further this commitment, the Budget also proposes increasing funding for the New York Agriculture in the Classroom program from \$116,000 to \$416,000, in order to expand in-school programs that teach young children about eating healthy, fresh foods.

- **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.
- **Achieve Consistency Across Environmental Clean-up Activities.** Consistent with the State Superfund, which also supports cleanup, containment and remediation activities, legislation supporting the Budget will classify a portion of the Oil Spill Fund spending related to response, remediation, and cleanup of petroleum spills as capital.
- **End the Temporary Utility Assessment.** Under the Governor's direction, the Temporary Utility Assessment, which was authorized in 2009, began a three year phase out in 2014 that has resulted in ratepayer savings through the current year of \$775 million. Effective March 31, 2017, and consistent with the Governor's commitment, the assessment will expire as scheduled, and will result in immediate ratepayer savings of \$122 million in FY 2018 from current year levels.
- **Fund Utility Oversight Expenses from Utility Assessment Revenues.** Legislation supporting the Budget will allow eligible utility oversight expenses from Ag&Mkts, DEC, the Department of State, and OPRHP to be funded from an existing assessment on utilities. These eligible costs, totaling less than \$3 million, include oversight of transmission and generation projects, and consumer protection activities.

The FY 2018 Executive Budget advances the Medicaid Redesign Team's (MRT) critically important reforms that are improving the health of New Yorkers at a sustainable cost. It does this by delivering more effective models of care, sustaining the State's health benefit exchange, encouraging regional collaborations among providers and communities, promoting the State's Prevention Agenda, and building on investments in health care infrastructure and caregiver supports.

Overview

The Department of Health's (DOH) mission is to ensure that 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), the Essential Plan (EP) and the 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 Center for Laboratories and Research. The Department also regulates all health care facilities in the State.

The Office of the Medicaid Inspector General 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.

Budget Highlights

Mandate Relief to Counties.

The Budget maintains support for the takeover of county Medicaid costs by eliminating required growth over the prior year. Local Medicaid savings will total \$3.2 billion in FY 2018.

Controlling Health Care Costs.

The Budget proposes a cost-neutral package of savings and investments in the Medicaid program as part of the MRT's initiatives.

Waiver Implementation.

The State will continue implementation of the \$8 billion Medicaid waiver, achieving successes in transitioning towards value based payment arrangements and reducing avoidable hospitalizations.

Fighting HIV/AIDS.

The FY 2018 Executive Budget continues the \$200 million multi-year commitment to combat HIV/AIDS and end the epidemic.

Performance Profile

New York State of Health Marketplace. Since its inception in 2014, the NY State of Health has enrolled more than 3.4 million New Yorkers in affordable health coverage. 2.7 million New Yorkers are receiving coverage under the Affordable Care Act. The number of uninsured New Yorkers has declined by nearly 850,000. Between 2013 and 2015 the rate of uninsured in the State declined from 10 percent to 5 percent.

Bending the Cost Curve. Between 2011, when the MRT began, and 2016, State Medicaid spending per recipient dropped from \$9,556 to \$8,543, or 11 percent.

Medicaid Spending Declines. In FY 2017, total Medicaid spending is expected to decrease by 0.2 percent from prior year levels, the first decline in five years.

Improved Outcomes. In 2015, the Commonwealth Fund's Scorecard of Health System performance ranked New York 13th among states in overall health system performance, nine spots better than the 2009 measurement. New York State also moved up 24 spots to 26th among all 50 states in avoidable hospitalizations.

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 80,000 health care providers and over 90 fully and partially capitated managed care plans. Total Federal, State and local Medicaid spending is expected to be \$65 billion in FY 2018.

Prior to 2011, Medicaid spending had grown at an unsustainable rate despite years of attempted cost containment while the program failed to deliver quality outcomes for New Yorkers. 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 outcomes, Governor Cuomo commissioned the MRT, a new and inclusive approach to developing health care policy. Composed 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 3.2 percent).

The MRT's innovative and collaborative work has bent the cost curve for the Medicaid program, reducing per recipient spending by 11 percent since 2011. In addition, these efforts have significantly improved the health care quality. In the Commonwealth Fund's 2015 Scorecard of Health System Performance, New York State improved 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.

The Executive Budget builds on this success and advances the transformation through continued investments that will help introduce integrated models to improve care delivery and health outcomes at lower cost through New York's Medicaid waiver.

Table 8: Summary of Spending

(All Funds Unless Otherwise Noted)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollars (millions)	Percent
Medicaid (Total All Funds)	63,158	65,158	2,000	3.2
Medicaid (Global Cap)	17,692	18,259	567	3.2
Department of Health Spending (Excluding Medicaid and BHP)	4,362	4,794	434	10.0
Essential Health Plan	3,731	4,224	493	13.2
Office of the Medicaid Inspector General	51	48	(3)	-5.3
Office for the Aging	247	235	(11.5)	-4.7

Proposed FY 2018 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 cap ties growth to the 10-year rolling average of the Medical Consumer Price Index (currently estimated at 3.2 percent). 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 generated savings. In April 2014, the Federal government awarded New York State an \$8 billion, 5 year Medicaid waiver, which was granted a further 5 year extension in December of 2016 to operate through March 31, 2021. This extension will allow New York to further implement the work of the MRT and ensure improvements are sustained through reforms of New York's Medicaid payment system. In the first three years, \$3.3 billion has been awarded under the waiver. This includes \$2.1 billion 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; \$401 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. They will also continue to receive performance-based payments reflecting their system transformation, clinical management and population health improvements and progress toward the goal of reducing avoidable hospital use by 25 percent by 2020.

In addition, the State will continue its implementation of the State Health Innovation Plan (SHIP) under the terms of a \$100 million Federal award. Currently, in the third year of a four year phase-in, this plan will foster statewide access to high quality and coordinated primary 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.

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 package of new MRT initiatives is proposed to make critical investments in health care delivery and support health care transformation. Medicaid Budget highlights include:

- **Care Management for All.** The Budget continues the goal of Medicaid care management for all enrollees by April 2018. Proposals will tighten eligibility for Medicaid Managed Care for enrollees who are also eligible for Medicare but are not enrolled in the Federal program, and also by reducing supplemental payments. Additionally, the Managed Long Term Care benefit is streamlined by requiring a nursing home level of care determination, and by eliminating supplemental payments and marketing costs. Care management will improve benefit coordination, quality of care, and patient outcomes over the full range of health care, including mental health, substance abuse, developmental disability, and physical health care services.
- **Pharmaceutical Pricing Efficiencies.** The Budget continues efforts to control the rising cost of prescription drugs. In Medicaid, gross prescription drug costs have grown by \$1.7 billion or approximately 38 percent over the last three years. This year, the Governor is proposing a three-point plan to protect consumers and taxpayers from the health and economic consequences of the rapidly rising cost of prescription drugs as follows:
 - Create a price ceiling for certain high cost prescription drugs reimbursed under the Medicaid program by requiring a 100 percent additional supplemental rebate for any amounts in excess of a benchmark price as recommended by the DOH's Drug Utilization Review Board. The plan will also limit year-over-year price increases for generic drugs paid for by the Medicaid program.
 - Impose a surcharge on high-priced drugs when they are sold into the State. The proceeds collected from the surcharge will be reallocated to insurers to lower insurance premiums for New Yorkers the following year so the cost is not passed on to consumers.
 - Regulate Pharmacy Benefit Managers (PBMs) to protect consumers and ensure that PBMs are not contributing to the rising costs of prescription drugs through unfair business practices.

- **Efficiencies in Long Term Care.** Consistent with Federal law, the Budget proposes to require legally responsible relatives to support the cost of caring for an institutionalized family member receiving Medicaid. Additionally, hospice services covered by Federal Medicare reimbursement will no longer be eligible for payment by Medicaid.
- **Support Essential Health Care Providers.** The Budget provides \$334 million in continuing funding to support critical health care providers through the State's VAP and Value Based Payment Quality Improvement (VBP QIP) programs. This funding provides transitional operating assistance to financially distressed health care providers to facilitate the redesign of their healthcare delivery systems to improve their financial stability and the availability of vital health care services.
- **Minimum Wage.** The Medicaid Budget reflects \$255 million to support the direct cost of the FY 2018 minimum wage increases for health care workers that provide services reimbursed by Medicaid.
- **School Supportive Health Services.** The Budget reflects savings associated with the joint development of a plan to improve the Medicaid claiming of School Supportive Health Services (SSHS) in New York City. The City, in consultation with DOH, will identify opportunities to enhance Federal funding for SSHS and lower State and New York City Medicaid costs. In the event that the plan is insufficient at generating the required savings levels, DOH will have the authority to reduce Medicaid Administration payments to the City.

New York Health Benefit Exchange

In 2013, in accordance with the Federal Affordable Care Act, 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 3.4 million New Yorkers have enrolled in coverage through the marketplace, 2.7 million of which are receiving coverage under the Affordable Care Act. The number of uninsured New Yorkers declined by nearly 850,000 between 2013 and 2015. The Executive Budget includes \$553 million in total funding for the operation of the NY State of Health, including \$17.2 million in recently extended Federal grant support for the Exchange.

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 to support services provided by local governments, makes new investments, and reduces costs by restructuring programs and implementing administrative efficiencies. These actions will save an estimated \$100.6 million in FY 2018 and \$125.2 million in FY 2019. Key initiatives include:

- **Consolidate Health Care Resources to Achieve Savings.** DOH separately administers multiple public health awareness and prevention programs for a variety of priorities, including disease prevention, maternal and child health, public health workforce support, and programs that serve the health care needs of individuals. These programs range in size, have different contract periods, and allow for limited coordination to address emerging public health needs or improve health outcomes. The Budget recommends consolidating 39 public health appropriations that are duplicative and overlap into 4 pools. Funding for each pool is reduced by 20 percent, achieving savings of \$24.6 million, and flexibility is provided to support ongoing programs or new investments to meet new or emerging public health priorities.
- **Rationalize General Public Health Work (GPHW) Reimbursement to New York City.** Through the GPHW program, DOH reimburses New York City and county health departments for core public health services by providing base grants and covering 36 percent of the remaining net costs. The Budget reduces New York City's rate from 36 to 29 percent, generating a savings of \$11 million in FY 2018. This is in recognition that the City, unlike other counties, is able to directly access other forms of public health funding, including Federal Centers for Disease Control and Prevention funding. The 36 percent reimbursement rate is preserved for all other county health departments.
- **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 reforms to increase reimbursement from third-party insurers that will result in a State savings of \$3.9 million in FY 2018 and \$14.3 million in FY 2019. These actions also provide fiscal and administrative mandate relief to counties, and generate cumulative local savings of more than \$74 million over five years without impacting service levels. Reforms include facilitating the collection of insurance information, maximizing appeals of insurer payment denials, and requiring insurers to pay for benefits covered by the child's health insurance policy and to abide existing prompt pay requirements.
- **Discontinue Underutilized Cost of Living Adjustment.** Funding was enacted in 2015 to provide a wage increase targeted to direct care workers and direct service providers. DOH and SOFA providers have not adopted this COLA as anticipated, citing the complexity of identifying the targeted workers. The Budget recommends elimination of this funding for both DOH and SOFA to generate a savings of \$4 million annually.
- **Preserve Aging Supports.** The Budget continues the \$1 million increase in the Community Services for the Elderly (CSE) Program from FY 2017. In addition, the Budget provides \$1.1 million in discrete transportation funding to CSE to provide localities the flexibility to direct resources where they are needed most.

- **Maintain New York Connects Funding.** The Budget realigns direct SOFA funding for New York Connects to Federal funds through the Balancing Incentive Program without impacting existing service levels.
- **Capital Financing for Essential Health Care Providers.** The Budget provides \$500 million in additional capital support for essential health care providers, including a minimum of \$30 million directed to community-based providers, to support capital projects, debt retirement, working capital and other non-capital projects that facilitate health care transformation. Included within this amount is \$50 million that is directed to Montefiore Medical Center to expand the availability of affordable healthcare. This investment will bring the total amount of capital support provided to health care providers for transformation efforts to \$3.3 billion over 4 years.
- **Life Sciences Laboratory Public Health Initiative.** The Budget includes \$150 million to support a life sciences laboratory public health initiative which will develop life science research, innovation and infrastructure through a joint effort between Empire State Development and the Department of Health.
- **Ending the AIDS Epidemic.** New York's investments in the prevention and care for individuals with HIV/AIDS have linked more people to care and decreased new infections. New York leads the nation in the percent of at-risk individuals on pre-exposure prophylaxis and linkage to care efforts have had a success rate of about 75 percent. In 2016, Governor Cuomo signed legislation that eliminates barriers to HIV testing, increases STD screening and access to treatment, and furthers HIV/AIDS research. The FY 2018 Executive Budget continues the \$200 million multi-year commitment towards these efforts.
- **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 annual funding at \$8.5 million. Since its inception, the Spinal Cord Injury Research Board has provided funding for over eighty contracts, some of which have contributed to advancements such as the development of a spinal nerve retraining technique, and the development of a novel cell therapy that promotes rapid recovery of function.
- **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. This initiative provides support through investments in regional contracts for caregiver support organizations, funding for Centers of Excellence that specialize in treating this disease, and funding for the Alzheimer's Community Assistance Program (AlzCAP), which is implemented through local chapters of the Coalition of Alzheimer's Associations.

Other Initiatives

- **Reforming Health Care Regulations.** The rapid pace of health care innovation and reform has outpaced the ability of New York State’s regulatory structure to adapt, resulting in complex and outdated regulatory barriers. To address this, the Budget proposes a stakeholder engagement process, modeled off the successful MRT, to review existing health care regulatory structures and recommend appropriate changes, including regulations involving the intersection of physical health and behavioral health. The goals of this effort will be to: increase the speed with which providers can complete construction projects; support the delivery of services across an integrated system of care; modernize regulations that serve the core purposes of ensuring access and protecting patient safety; use achievement of quality and other performance outcomes as factors in determining the frequency and extent of inspection activities; and create an environment where the State and providers can collaborate to further explore new and innovative models of care.
- **Test and Monitor Drinking Water.** The Executive Budget includes two initiatives to help achieve the State’s goal of maintaining a safe water supply and informing New Yorkers when potentially hazardous substances contaminate their drinking water. First, every public water system is required to test drinking water for the presence of emerging contaminants once every three years and report the findings. Second, the testing of private wells will be required for new wells as a condition of sale of any residential property and once every five years for leased residential property. Testing results will be reported to DOH.
- **Regulate and Tax Electronic Cigarettes.** To further safeguard public health, the Budget requires the regulation of vapor products (electronic cigarettes) in the same manner as tobacco products and includes these products under the Clean Indoor Air Act. Recent studies have shown that emissions from many of these products, which typically contain nicotine, also contain cancer causing agents. These substances accumulate in indoor air impacting nonusers as well. Regulating the use of these products indoors sends a consistent message to youth and the non-smoking public about the acceptability of indoor smoking and vaping.

The FY 2018 Executive Budget will help alleviate the crushing burden of student debt while enabling thousands of bright young students to realize their dream of higher education through a groundbreaking initiative to make New York's public colleges tuition-free for middle-class families. The Budget also includes several strategic investments that will strengthen the ability of New York's colleges and universities to excel academically and act as an economic engine for their regions.

Overview

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 more than 403,000 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 over 324,000 students. In addition, nearly 520,000 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 103,000 (9 percent).

The State University Construction Fund (SUCF), City University Construction Fund (CUCF), and the Dormitory Authority of the State of New York (DASNY) administer 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.

The Higher Education Services Corporation (HESC) is New York State's student financial aid agency and a national leader in helping make college affordable for New York residents. HESC oversees numerous State-funded financial aid programs, including the Tuition Assistance Program (TAP), the Aid for Part Time Study program, and 18 scholarship and loan forgiveness programs. Together, these programs provide financial aid to more than 373,000 students. HESC also partners with the Office of the State Comptroller in administering the College Choice Tuition Savings program.

The State Education Department administers funding for higher education, including opportunity programs that help support the success of disadvantaged students and aid private colleges.

Budget Highlights

Over \$7 Billion for Higher Education. The Executive Budget increases support for higher education by 5.4 percent. The State already provides over \$7 billion in total support for higher education in New York – an increase of \$1 billion since FY 2012.

Make SUNY and CUNY Tuition-Free for Middle-Class Families. Governor Cuomo proposes making college tuition-free for New York's middle-class families at all SUNY and CUNY two- and four-year colleges.

Pass the DREAM Act. The DREAM Act would open the doors of higher education to thousands of undocumented students, an investment in New York's future.

Renew Predictable Tuition Plan for SUNY and CUNY. Predictable funding for CUNY and SUNY protects students from tuition spikes that have occurred in the past and provides our public colleges with additional resources.

Performance Profile

New York's Affordable Higher Education. The NYSUNY 2020 and NYCUNY 2020 program, established in 2011, has kept tuition increases low and predictable. In 2016, average tuition and fees at New York's public four-year colleges were \$7,710, or 20 percent less than the national average and lower than 38 other states.

A Growing Student Body. Over the past 10 years, total enrollment at New York's institutions of higher education has increased by 103,000 (9 percent).

Higher Education: A Path to Opportunity

Under the leadership of Governor Cuomo, New York State provides more than \$7 billion in total support for colleges and universities—an increase of \$1 billion since 2012. This investment includes \$5 billion for SUNY state-operated campuses and CUNY senior colleges, and more than \$750 million for community colleges. New York State also provides over \$1 billion in financial assistance to students through the Tuition Assistance Program, various scholarships and loan forgiveness programs.

New York's support for public higher education, including local funding, is significantly higher than most other states—an average of \$8,830 per student in Fiscal Year 2015, 27 percent above the national average and more than 45 other states.

New York State is also reigning in college costs: average tuition and fees at the State's four-year public institutions were \$7,710 in 2016, 20 percent less than the national average and lower than 38 other states.

Governor Cuomo has championed financial assistance and debt relief for New York students. For many of New York's students, the subsidy of the Tuition Assistance Program—with additional support from the Federal Pell Grant—means that tuition is fully covered. The Governor's Get On Your Feet Loan Forgiveness Program—the nation's only state-sponsored need-based loan forgiveness program—provides up to 24 months of Federal student loan debt relief to recent college graduates, regardless of degree or profession.

In 2011, Governor Cuomo established the NYSUNY 2020 and NYCUNY 2020 program to keep tuition increases low and predictable, while providing additional resources to New York's public colleges and universities. NYSUNY 2020 and NYCUNY 2020 fixed an unpredictable tuition rollercoaster that prevented students and their families from being able to plan for the full cost of their education and ended the days of drastic tuition spikes. As a result of this program, New York's public four-year resident tuition rates remain the lowest in the northeast and in the lowest quartile nationally. This legislation also allowed campuses to better plan and leverage the State's investments for student success.

Through NYSUNY 2020 and NYCUNY 2020, Governor Cuomo has made significant strategic investments in New York's public college systems by providing a consistent level of annual State funding, as well as \$580 million in competitive capital grants to make SUNY and CUNY incubators of academic excellence and economic growth. These grants leverage State capital funding to incentivize bottom-up, individualized, long-term economic development plans on campuses and their surrounding communities.

Table 9: Summary of Spending (General Fund)

Category	Academic FY 2017 (millions)	Academic FY 2018 (millions)	Change	
			Dollars (millions)	Percent
SUNY State-Operated Campuses*	2,691	2,844	153	5.7
CUNY Senior Colleges*	1,239	1,269	30	2.5
SUNY and CUNY Debt Service	1,156	1,258	102	8.8
HESC Financial Aid Programs	1,022	1,174	152	14.9
Community Colleges**	751	731	(21)	(2.7)
SED Programs***	124	109	(15)	(12.1)
SUNY Hospitals Subsidy***	88	69	(19)	(-21.6)
General Fund Total	\$7,071	\$7,454	\$383	5.4

*Includes funding for campus operations and employee fringe benefits.

**Decrease in funding largely attributable to enrollment declines at SUNY.

***Returns to the FY 2017 Executive Budget appropriation level.

Strategic Investments in Higher Education

Building on the success of the Governor's record in providing students with a path to an affordable and quality college education, the Executive Budget proposes a groundbreaking free-tuition program for middle-class families, as well as several other strategic investments to ensure all students in New York have the opportunity to achieve their goals, regardless of financial circumstances. These investments will strengthen the ability of New York's colleges and universities to excel both academically and as economic engines.

Major Initiatives

- **Make SUNY and CUNY Tuition-Free for Middle-Class Families through Excelsior Scholarships.** Governor Cuomo proposes making college tuition-free for New York's middle-class families at all SUNY and CUNY two- and four-year colleges. New York's tuition-free college degree program, the Excelsior Scholarship, is the first of its kind in the nation and will help alleviate the crushing burden of student debt while enabling thousands of students to realize their dream of higher education. As a college education is increasingly necessary to succeed in the 21st century workplace, the Excelsior Scholarship program will ensure all of New York's students have access to a quality education and the skills they need to succeed in the global economy. Tuition-free college would begin immediately for

students of families making up to \$100,000 annually, and phase in over the next two years to those making \$125,000 annually. To qualify for an Excelsior Scholarship, students in both community college and four-year colleges who are residents of New York State must be on track to complete their degree in only two or four years, depending on the program. Once fully phased in, the program is estimated to cost \$163 million per year.

- **Pass the DREAM Act.** The Executive Budget includes legislation to enact the DREAM Act, opening the doors of higher education to thousands of New Yorkers. Since 2002, undocumented students qualify for in-state tuition at SUNY and CUNY if they graduated from a New York high school or received a GED in the state. Yet, each year, many talented students who graduate from New York high schools remain unable to fulfill their potential simply because they cannot afford the tuition and lack access to tuition assistance to help pay for school. The DREAM Act will give undocumented students access to the Tuition Assistance Program, as well as State-administered scholarships. An investment in young immigrants' futures is an investment in New York's future.
- **Renew a Predictable Tuition Plan for SUNY and CUNY.** The Budget renews a predictable funding plan for CUNY and SUNY that will both protect students from tuition spikes that have occurred in the past and provide our public colleges with additional resources to invest in college affordability and student success. This plan limits increases in the resident tuition rate at SUNY and CUNY to no more than \$250 a year for the next five years. The revenue generated from any tuition increase will be reinvested to support faculty, instruction, initiatives to improve student success and completion, and tuition credits for TAP-eligible students.
- **Strengthen Higher Education Infrastructure.** To further advance SUNY and CUNY partnerships for economic development, Governor Cuomo proposes investing \$110 million for a new round of the NYSUNY 2020 and NYCUNY 2020 Challenge Grant Program. Established in 2011, this program incentivizes bottom-up, individualized, long-term economic development plans on SUNY and CUNY campuses that include public-private partnerships to benefit the campuses and surrounding communities.
- **Align REDCs and Community College Regional Councils.** To better align existing higher education and training programs with Regional Economic Development Council (REDC) goals, Governor Cuomo proposes launching an industry-driven partnership between REDCs and Community College Regional Councils. These partnerships will spur workforce development programs to meet the needs of local employers in emerging industries. To ensure that Career and Technical Education (CTE) opportunities are integrated into workforce development planning and partnerships, the Governor will appoint two CTE leaders to each Community College Regional Council. This effort will improve the talent pipeline, and create stronger career pathways in New York State by combining the best education, training workforce, and business assets in the region.

- **Use CUNY Foundation Resources to Benefit Students.** Foundations and organizations affiliated with CUNY manage over a billion dollars intended to benefit students and the University. However, a recent interim report of the State Inspector General, as part of an ongoing investigation into CUNY's management practices, identified numerous examples of financial waste and abuse. This included expenditures for questionable activities by CUNY's affiliated not-for-profit foundations. The Budget implements a series of ethical reforms to the governance and oversight of these organizations and redirects \$35 million from CUNY foundations to fund tuition assistance initiatives.
- **Refocus State Support for Private Colleges.** The Executive Budget will refocus State aid to New York's independent colleges and universities to help leverage college affordability and make strategic investments. Under a program popularly referred to as Bundy Aid, the State currently provides unrestricted financial support to more than 100 independent postsecondary institutions located in New York State. To encourage these colleges to rein in tuition costs, the Executive Budget will pay Bundy Aid only to colleges with tuition increases below \$500 or the Higher Education Price Index, whichever is greater. Any savings from this change will be reinvested to help fund a new competitive round of the Higher Education Capital Matching Grants program, which supports strategic investments at independent colleges to improve academic programs, enhance student life or provide economic development benefits to the college community.
- **Make Colleges Accountable for Exorbitant Tuition Rates.** To make colleges accountable for exorbitant tuition costs, the Executive Budget will only offer the Tuition Assistance Program to colleges that maintain increases in tuition rates below \$500 or the Higher Education Price Index, whichever is greater. This will not impact any current students.

The FY 2018 Executive Budget continues the unprecedented \$20 billion investment in affordable housing, homeless housing, and homeless services. As the minimum wage begins its rise to \$15 an hour, the Budget builds on the Governor's commitment to expand opportunity while funding core supportive services for needy populations. It also protects youth involved in the criminal justice system by raising the age of juvenile jurisdiction. It executes all of these measures while limiting spending growth and improving program performance.

Overview

New York's human services programs promote the safety and well-being of the State's most vulnerable residents, safeguard workers' rights, and support New York's veterans and their families.

The Office of Temporary and Disability Assistance (OTDA) and the Office of Children and Family Services (OCFS) oversee programs that support and provide: financial assistance to elderly and disabled persons who are unable to work; services to public assistance recipients to prepare for and secure employment; child support enforcement; child care subsidies to assist low-income working families; protective services for children and adults; and services to at-risk youth in the community, local detention centers, and State operated facilities.

Homes and Community Renewal (HCR) preserves and creates affordable housing. The Office of National and Community Service (NCS) supports community service grants that provide youth education, assistance to individuals with disabilities, public health services, and disaster preparedness.

The Department of Labor (DOL) protects workers and promotes workforce development. DOL also operates the State's Unemployment Insurance System. The Division of Human Rights (DHR) protects civil rights in the areas of employment, housing, public accommodations, education and credit.

The Division of Veterans' Affairs (DVA) connects 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.

Budget Highlights

\$20 Billion Affordable and Homeless Housing and Services Initiative. This initiative will create or preserve 100,000 units of affordable housing and 6,000 units of supportive housing.

Affordable New York Housing Program. This new program will create about 2,500 new units of affordable housing per year.

Raise the Age of Juvenile Jurisdiction. Raises the age of juvenile jurisdiction and provides for additional reform measures, including comprehensive diversion, probation, and programming services for 16 and 17 year old youth who will be involved in the juvenile justice system.

New York Youth Jobs Program. The Program is extended with a \$50 million annual allocation over the next five years.

Summer Youth Employment Program. The Budget increases funding for the Summer Youth Employment Program by \$5 million.

Performance Profile

Public Assistance. The FY 2018 public assistance caseload is estimated at 559,000 recipients, a decrease of approximately one million since enactment of the Federal Welfare Reform Act of 1996.

Foster Care. The foster care caseload declined from 37,000 in FY 2003 to 17,500 in FY 2017 due to the State's emphasis on preventative services.

Jobs for Youth. Since 2012, the Governor's Urban Youth Jobs program has incentivized the employment of 45,000 young adults at nearly 1,700 businesses in areas of New York with high youth unemployment. The FY 2018 Executive Budget extends the program five years and renames it the New York Youth Jobs Program, recognizing the availability of this opportunity throughout the State.

Providing Opportunity for All New Yorkers

Restoring economic justice and fairness has been a centerpiece of the Governor's effort to create sustainable economic growth into the 21st Century, helping to open doors of opportunity to all New Yorkers.

This sweeping effort provides New York's most vulnerable residents with affordable, safe and secure housing, raises the minimum wage to \$15 per hour to help restore fairness to hard work, and supports families tending to sick loved ones and their newest arrivals with a new paid family leave policy. It also gives the State's youth every opportunity to work and succeed while protecting 16 and 17 year olds from the adult justice system.

In 2016, New York set a record for financing the creation or preservation of more than 17,000 affordable homes and apartments, and was the number one affordable housing bond issuer in the nation with \$2.5 billion. The achievement was the beginning of the Governor's unprecedented \$20 billion investment in affordable housing, which will provide 100,000 units of affordable housing and 6,000 units of supportive housing.

In April 2016, Governor Cuomo signed into law the nation's first statewide \$15 minimum wage plan. The phased-in plan, enacted in the FY 2017 Budget, marks a major milestone in Governor Cuomo's efforts to restore economic justice and fairness to working families in New York State. An estimated 2.3 million people will be affected by the increases in the minimum wage.

Establishing Paid Family Leave marks a pivotal next step in the pursuit of equality and dignity in both the workplace and home. When fully implemented, New York's Paid Family Leave program will provide the most comprehensive benefits in the nation. New York workers will receive 12 weeks of paid leave when caring for an infant or a family member with a serious health condition.

As part of ensuring that juveniles have a better opportunity to turn their lives around, the State continues to implement the Close to Home Initiative. Under this program, New York City youth requiring non-secure placement were transferred from OCFS to New York City custody to receive services closer to their home community. OCFS and New York City also fully implemented a plan in FY 2017 to include youth requiring a limited secure placement in the program.

At the end of 2015, Governor Cuomo issued Executive Order #150, directing the Department of Corrections and Community Supervision (DOCCS) to create a correctional facility exclusively for youth. The Hudson Correctional Facility was transformed and now houses 16 and 17 year olds. The Executive Budget builds on this effort by including legislation that would raise the age of juvenile jurisdiction and provide for additional reform measures, including comprehensive diversion, probation, and programming services for 16 and 17 year olds.

Table 10: Summary of Spending (All Funds)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollars (millions)	Percent
Human Services	9,079	9,160	81	0.9
OTDA	5,067	5,163	96	1.9
OCFS	3,118	2,959	(159)	(5.1)
DOL	586	575	(11)	(1.9)
HCR	262	417	155	59.2
DVA	17	16	(1)	(5.9)
NCS	15	16	1	6.7
DHR	14	14	0	(0.0)

Proposed FY 2018 Budget Actions

Labor

- **Expanding Employment Opportunities for Youth.** Since 2012, the Urban Youth Jobs program has incentivized the employment of 45,000 young adults at nearly 1,700 businesses in areas of New York with high youth unemployment. This highly successful program, which connects youth with stable, well-paying jobs, was expanded in FY 2016, providing \$30 million for the original 13 targeted areas – including Albany, Brookhaven, Buffalo, Hempstead, Mount Vernon, New Rochelle, New York, Rochester, Schenectady, Syracuse, Utica, White Plains, and Yonkers – and an additional \$20 million for young people across the State who live outside of those areas.

The FY 2018 Budget extends this program with a \$50 million annual allocation over the next five years, through 2022, and formally changes the name to the New York Youth Jobs Program, recognizing the availability of this opportunity throughout the State.

Housing

- **Affordable New York Housing Program.** Under the Affordable New York Housing Program, developers of new residential projects with 300 units or more in certain areas of Manhattan, Brooklyn and Queens would be eligible for a full property tax abatement for 35 years if the project creates a specific number of affordable rental units and meets minimum construction wage requirements. The units must remain affordable for 40 years. For all other affordable developments in New York City, the period of affordability and abatement eligibility would be tied to the number of affordable units. This new program will create about 2,500 new units of affordable housing per year.
- **Affordable and Homeless Housing and Services Initiative.** The Budget continues the \$20 billion, comprehensive five-year investment in affordable housing, supportive housing and related services to provide New Yorkers with safe and secure housing that began in FY 2017. This investment will create or preserve 100,000 units of affordable housing and 6,000 units of supportive housing. Funding includes \$3.5 billion in capital resources, \$8.6 billion in State and Federal tax credits and other allocations, and \$8 billion to support the operation of shelters and supportive housing units and to provide rental subsidies.

To ensure that the progress will continue to be made, the Budget fully appropriates the additional capital resources needed for the following:

- Supportive Housing. \$950 million for the construction of 6,000 supportive housing units throughout the State;
- New Construction. \$601 million for new construction or adaptive reuse of rental housing affordable to households that earn up to 60 percent of area median income (AMI);
- Senior Housing. \$125 million for developing or rehabilitating affordable housing targeted to low-income seniors, aged 55 and above;
- Rural and Urban Community Investment Fund (CIF). \$45 million for mixed-use affordable housing developments that may include retail, commercial or community development components;
- Middle Income Housing. \$150 million for new construction, adaptive reuse, or reconstruction of rental housing affordable to households that earn up to 130 percent of AMI;
- Affordable Housing Preservation. \$177 million for substantial or moderate rehabilitation of affordable multi-family rental housing currently under a regulatory agreement;

- Mitchell-Lama Rehabilitation. \$100 million to preserve and improve Mitchell-Lama properties throughout the State;
- Public Housing. \$125 million for substantial or moderate rehabilitation and/or the demolition and replacement through new construction of public housing authority developments outside of New York City;
- Small Building Construction. \$62.5 million for rehabilitation and/or the demolition and replacement through new construction of buildings of 5 to 40 units;
- Home Ownership. \$41.5 million for promoting home ownership among families of low and moderate income and stimulating the development, stabilization, and preservation of New York communities;
- Mobile and Manufactured Homes. \$13 million for mobile and manufactured home programs;
- Main Street Programs. \$10 million for stimulating reinvestment in properties located within mixed-use commercial districts located in urban, small town, and rural areas of the State;
- New York City Housing Authority (NYCHA). \$100 million for projects and improvements related at housing developments owned or operated by NYCHA.

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 have been housed at Hudson Correctional Facility, currently a DOCCS operated facility that has been transformed to appropriately house and serve younger offenders. Youth are receiving specialized programming geared toward younger offenders, and individuals with mental health needs will have access to Office of Mental Health services.

The FY 2018 Budget advances principles of social justice and affirms New York's progressive values by advancing legislation to raise the age of juvenile jurisdiction to age 17 on January 1, 2019 and to age 18 on January 1, 2020. 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. These reforms will give juveniles the best chance at turning their lives around while ensuring public safety.

- **Summer Youth Employment Program.** The Budget increases funding for the Summer Youth Employment Program by \$5 million, to \$36 million, to ensure that the State can continue to create job opportunities. In 2016, approximately 18,750 youths were employed through the program.
- **Protect Runaway and Homeless Youth.** Runaway and homeless youth face a lack of affordable, safe and stable housing. To provide Runaway and Homeless Youth Act (RHYA) programs with increased flexibility so they can improve services, the Budget proposes policy reforms that, at county option, double the allowable length of stay in short-term RHYA crisis programs to 120 days and extend long-term RHYA transitional and residential independent living programs from 18 months to 24 months. The reforms also allow for, at county option, increasing the maximum permissible age for youth in long term RHYA programs to 24 years of age.
- **Reauthorize the Child Welfare Financing Structure.** The Budget extends for five years the current child welfare financing structure, which has helped to incentivize reductions in the foster care population by providing open-ended 62 percent State reimbursement for child protective and preventive services, and a fixed block grant for more expensive foster care placements. In addition, this proposal maintains the 62 percent open-ended State share for adoption administration and independent living. It also extends the financing structure for residential placements by the Committee on Special Education, which is being restructured for New York City placements under a separate proposal.
- **Maintain Child Care Funding.** The Federal Child Care Block Grant Development Act of 2014 enacted new requirements related to health and safety and subsidy eligibility that imposed unfunded mandates on New York with estimated new annual costs that are well greater than the \$300 million level of total Federal support for New York's child care programs. The Budget includes \$806 million to maintain current levels of child care subsidies. The State will work aggressively to secure additional funding or sensible regulatory relief from this unprecedented, unfunded Federal mandate.
- **Restructure Funding for Children with Special Needs in NYC.** The Budget proposes to restructure funding for residential placements of children with special needs made by the Committee on Special Education in New York City to better align fiscal responsibilities with the entity that makes the placement decisions. The City would pay tuition costs associated with New York City Foster Care placements.

- **Balance the Foster Care Block Grant.** The Foster Care Block Grant (FCBG) currently provides State reimbursement for local social service districts' costs for children in foster care. The State share has increased from 46 percent to 54 percent since 2011, and is projected to reach 57 percent by FY 2021. At the same time, the local share has decreased from 39 percent to 33 percent since 2011. This proposal would balance State and local shares at an estimated 50 percent, net of Federal funding.
- **Require Federal Title XX funding to be used for Child Care Subsidy Costs.** New York State receives \$98 million in annual Federal Title XX funding that is allocated to counties. Of this amount, \$66 million is set aside for Adult Protective and Domestic Violence Services, \$5 million supports training activities for county and State staff, and \$27 million for all other services, which counties can use at their discretion to fund certain services. The Budget would require the \$27 million for all other services to be used to support Child Care subsidy costs, enabling the State to maintain the current level of child care subsidies while reducing General Fund costs for the program.
- **Public Assistance Lottery Intercept.** Currently, Social Services and Tax Law allow the State to recoup 50 percent of lottery winnings from public assistance recipients with winnings over \$600 in order to pay back any cash assistance received by the recipient in the last 10 years. The Executive Budget would authorize the State to recoup the remaining 50 percent of such winnings over \$600, up to the amount of cash assistance provided.

The FY 2018 Executive Budget continues Governor Cuomo's commitment to reducing property taxes, improving local government efficiency, and assisting distressed local governments, while maintaining most core local government assistance support. Most notably, the Budget establishes a new initiative for voter-approved county-wide shared services plans to help reduce the burden of high property taxes.

Overview

Federal, state and local governments share in responsibility for funding and providing public services. It is incumbent on each to develop budgetary practices that enable improved service delivery while lowering taxpayer costs.

Under Governor Cuomo, New York State has improved services while holding annual spending growth to 2 percent. The State's commitment to finding and capturing efficiencies has positive impacts for all levels of government. For example, the Medicaid Redesign Team is containing growth in health care costs, allowing the State to take over all local Medicaid growth and creating Medicaid savings for the Federal government. Local property taxpayers, State taxpayers, and Federal taxpayers all benefit.

The Budget encourages efficiency across all levels of government, and provides aid to assist local government in the provision of services.

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: Citizens Reorganization Empowerment Grants, Citizen Empowerment Tax Credits, Local Government Efficiency Grants, the Local Government Performance and Efficiency Program, the Municipal Restructuring Fund, and the Municipal Consolidation and Efficiency Competition.

Budget Highlights

County-wide Shared Services Property Tax Savings Plans.

This initiative requires counties to prepare plans to address the crushing burden of property taxes through shared services that generate real, recurring savings, subject to voter approval by county-wide referendum.

Design-Build Procurement.

Expands the authorization for design-build procurement to include counties outside of New York City.

Aid and Incentives for Municipalities.

Maintains core local government assistance through the AIM program at \$715 million in FY 2018.

Local Impact.

FY 2018 Executive Budget actions will provide a net positive impact of nearly \$1 billion for all local governments on a local fiscal year basis in 2018. After Executive Budget actions, local governments would receive a total of more than \$40.8 billion in State support through major local aid programs and savings.

Mandate Relief to Counties.

The Budget maintains support for the takeover of county Medicaid costs by eliminating required growth over the prior year. Local Medicaid savings will total \$3.2 billion in FY 2018.

Performance Profile

Property Tax Cap is Controlling Tax Growth.

Under the Property Tax Cap, the typical taxpayer will have saved more than \$2,100 in local property taxes through 2016.

Taxpayers are Receiving Significant Benefits.

Through the Property Tax Cap and the Property Tax Freeze, local taxpayers will have saved more than \$17 billion through 2016.

New Property Tax Credit is Providing Further Relief.

The Property Tax Credit, enacted in 2015, will provide an additional \$1.3 billion in property tax relief and an average credit of \$530 when the program is fully phased-in by 2019.

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.

Property Tax Relief Programs

In his first year in office, Governor Cuomo advanced and secured approval of one of the strongest property tax caps in the country. Since enactment of the cap, property taxes have grown by an average of just 2.2 percent per year – less than half the average annual growth from 2000 to 2010.

To provide further relief, in 2014 the Governor worked with the Legislature to enact the Property Tax Freeze. The freeze program provides New York homeowners an average of \$500 in direct relief over three years, bringing the combined average savings from the tax cap and the tax freeze to \$2,600. The freeze program also encourages local shared services, cooperation agreements, mergers, and efficiencies.

As a result of the tax cap and the 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. When the program is fully phased-in 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 2017 Budget, Governor Cuomo advanced and secured approval of the Municipal Consolidation and Efficiency Competition, a \$20 million 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 inspire aspirational consolidation ideas that will change the structure of local government.

In addition to the Municipal Consolidation and Efficiency Competition, the FY 2018 Executive 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.** Funding of up to \$100,000 is available to local governments for planning and implementing reorganization activities, such as consolidations and dissolutions. 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 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 consolidation or shared 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.

- **Municipal Restructuring Fund.** Funding is provided to help local governments implement projects that will substantially transform the delivery of services or consolidate government entities, yielding permanent property tax reductions. A total of \$25 million in funding is available for eligible projects.

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. To date, the Board has undertaken Comprehensive Reviews for seventeen local governments.

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. Among the most important reforms advanced by the Governor and enacted are:

- **Medicaid Relief.** The State has eliminated growth in the local share of Medicaid, saving counties \$3.2 billion in FY 2018. All growth in the Medicaid program for 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 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.

- **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 FY 2017 Budget extended these reforms for an additional three years, until 2019.

Table 11: Summary of Spending

Category	FY 2017 (millions)	FY2018 (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*	2.0	2.5	0.5	25
Local Government Efficiency Grants*	4.0	5.0	1.0	25
Local Government Performance and Efficiency Program*	8.9	10.0	1.1	13
VLT Impact Aid	29.3	28.6	(0.7)	(2)
Miscellaneous Financial Assistance	13.7	2.3	(11.4)	(84)
Village Per Capita Aid	2.0	0.0	(2.0)	(100)
Small Government Assistance	0.2	0.2	0	0

* 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. A portion of anticipated spending for these programs in FY 2018 will also be funded in this manner.

Proposed FY 2018 Budget Actions

- **Countywide Shared Services Property Tax Savings Plans Initiative.** The FY 2018 Budget continues the Governor's efforts to relieve the property tax burden by proposing a new initiative for voter-approved county-wide shared services plans. Counties will be required to work with the other local governments contained within their county, as well as with the community, labor, and civic leaders, to develop these plans. The plans must generate real, recurring savings for taxpayers. Possible actions include sharing services such as joint purchasing, highway equipment, storage facilities, and plowing services. They can also establish energy and insurance purchasing cooperatives, reduce back office administrative overhead, eliminate duplicative services, and improve service coordination. They would be presented to voters for approval in the next general election, and would be implemented after a majority vote for approval. If a plan were not approved by the voters, it would be revised and resubmitted by the county for another vote in November 2018.

- **Interest Rate on Court Judgements.** The Budget changes the interest rate paid by the State and local governments on court judgements or accrued claims from the current fixed nine percent rate to a market rate. Eliminating the fixed rate would likely generate savings for local governments and would remove a potential incentive for plaintiffs to delay proceedings.
- **Design-Build.** The Budget expands the authorization for design-build procurement to include counties outside of New York City. Providing this powerful procurement tool to counties could streamline construction timelines and reduce costs.
- **Continue Restructuring Programs.** The Budget continues funding to support the Municipal Consolidation and Efficiency Competition, the Municipal Restructuring Fund, the Local Government Performance and Efficiency Program, Citizen Empowerment Tax Credits, Citizens Reorganization Empowerment Grants, and Local Government Efficiency Grants. A portion of 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 2017 levels, including \$715 million in unrestricted AIM funding to cities, towns, and villages and \$217,300 in Small Government Assistance. VLT Impact Aid is reduced from \$29.3 million to \$28.6 million to reflect a modest reduction along with changes in aid following the conversion of Tioga Downs to a destination resort casino. FY 2017 Legislative adds through Miscellaneous Financial Assistance and Village Per Capita Aid are discontinued.
- **New Local Government Assistance.** The Executive Budget redistributes existing local gaming aid payments in order to provide \$2.25 million annually to Madison County to reflect the opening of an Oneida Nation casino.

Overall Fiscal Impact on Local Governments

The Executive Budget results in a year-to-year net positive local impact of nearly \$1.0 billion for municipalities and school districts for their fiscal years ending in 2018. This net local benefit is primarily the result of a statewide school aid increase of \$961 million, including new competitive grants and the Fiscal Stabilization Fund. The benefit is offset by modest proposals to rebalance cost shares for certain programs.

The FY 2018 Budget provides local governments with nearly \$40.8 billion in State support through major local aid programs and savings initiatives.

Table 12: Impact of the FY 2018 Executive Budget on Local Governments

(Local Fiscal Year Ending in 2018, Includes Major Local Aid Programs, in Millions)

	Total	NYC	School Districts (non-NYC)	Counties	All Other
School Aid - Total SFY 2018 Exec Budget Impact on LFY 2018	761.0	294.9	466.1	0.0	0.0
School Aid - Total SFY 2018 Major Local Aid Programs	25,260.7	10,141.0	15,119.7	0.0	0.0
Other Education - Total SFY 2018 Major Local Aid Programs	344.5	TBD	TBD	0.0	0.0
Special Education - Total SFY 2018 Major Local Aid Programs	1,335.0	705.0	237.0	393.0	0.0
STAR - Total SFY 2018 Major Local Aid Program	3,435.0	851.0	2,584.0	0.0	0.0
Medicaid - Total SFY 2018 Exec Budget Impact on LFY 2018	(4.0)	0.0	0.0	(4.0)	0.0
Medicaid - Total SFY 2018 Major Local Aid Programs/Savings	3,227.0	1,643.0	0.0	1,584.0	0.0
Human Services - Total SFY 2018 Exec Budget Impact on LFY 2018	(81.4)	(62.3)	0.0	(19.1)	0.0
Human Services - Total SFY 2018 Major Local Aid Programs	4,380.0	2,787.0	0.0	1,593.0	0.0
Health - Total SFY 2018 Exec Budget Impact on LFY 2018	(3.3)	(8.2)	0.0	4.9	0.0
Health - Total SFY 2018 Major Local Aid Programs	465.0	257.0	0.0	208.0	0.0
Mental Hygiene - Total SFY 2018 Major Local Aid Programs	70.1	34.9	3.0	32.2	0.0
Transportation - Total SFY 2018 Major Local Aid Programs	810.0	227.0	0.0	334.0	249.0
Municipal Aid - Total SFY 2018 Exec Budget Impact on LFY 2018	2.0	0.0	0.0	2.2	(0.2)
Municipal Aid - Total SFY 2018 Major Local Aid Programs	743.6	0.0	0.0	2.4	741.3
Public Protection - Total SFY 2018 Exec Budget Impact on LFY 2018	(3.4)	0.0	0.0	(3.4)	0.0
Public Protection - Total SFY 2018 Major Local Aid Programs	176.0	54.0	0.0	122.0	0.0
Environment - Total SFY 2018 Major Local Aid Programs	175.0	0.0	0.0	TBD	TBD
All Other - Total SFY 2018 Exec Budget Impact on LFY 2018	(2.6)	(0.6)	0.0	(2.0)	0.0
All Other - Total SFY 2018 Major Local Aid Programs	412.0	187.0	147.0	30.0	48.0
Revenue Actions - Total SFY 2018 Exec Budget Impact on LFY 2018	128.2	55.2	1.5	61.3	10.2
Total SFY 2018 Exec Budget Impact on LFY 2018	796.5	279.0	467.6	39.9	10.0
School Fiscal Stabilization Fund	150.0	TBD	TBD	0.0	0.0
New Competitive School Grants	50.0	TBD	TBD	0.0	0.0
Grand Total SFY 2018 Exec Budget Impact on LFY 2018	996.5	279.0	467.6	39.9	10.0
Grand Total SFY 2018 Major Local Aid Programs/Savings	40,833.9	16,886.9	18,090.7	4,298.6	1,038.3

The FY 2018 Executive Budget supports 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. The Budget also combats the heroin epidemic through a significant expansion of prevention, treatment and recovery programs.

Overview

The Mental Hygiene agencies and associated not-for-profits provide services to individuals with mental illness, developmental disabilities, and addictions. These agencies are composed 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, 240,000 individuals with chemical dependencies or gambling problems, and 130,000 people 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. It also 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 individuals

Budget Highlights

Invest \$200 Million to Combat the Heroin Epidemic. These funds will support prevention, treatment and recovery programs targeted toward chemical dependency, residential service opportunities, and public awareness and education activities.

Invest \$120 Million for OPWDD Program Priorities. Funding will support program reforms and provide new service opportunities to individuals currently living at home, or aging out of the school system.

Invest \$92 Million Annually to Improve Quality and Expand Capacity of OMH Services in Communities. The Budget adds \$11 million annually to expand capacity in less-restrictive, more integrated community-based settings.

Performance Profile

OMH Community-Based Care Expansion Increases Service Capacity While Eliminating Costly Vacant Beds. The expansion in community-based capacity since FY 2015 has resulted in 20,000 new individuals receiving services and funded over 1,000 supported housing beds. These investments have resulted in the reduction of over 500 unnecessary and expensive vacant inpatient beds.

Expanded Respite Services Help More People with Developmental Disabilities Live at Home. Over the past four years, the State has provided families with respite services that support more than 41,000 enrollments – an increase of over 7 percent. These services provide temporary relief to family caregivers, helping people with developmental disabilities live at home.

Support for More Independent Living. OPWDD rental subsidies have increased by 75 percent since FY 2013, helping more than 4,200 individuals reside on their own.

receive appropriate services tailored to individual needs and circumstances in a cost-effective manner, 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 expanding efficient 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 \$8.4 billion in FY 2018, reflecting annual spending growth of \$223 million (2.7 percent).

Table 13: Summary of Spending (All Funds)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollar (millions)	Percent
OPWDD	4,115.8	4,251.2	135.4	3.3
OMH	3,368.0	3,437.4	69.4	2.1
OASAS	608.3	625.6	17.3	2.8
JUSTICE CENTER	41.1	42.1	1.0	2.4
DDPC	4.2	4.2	0.0	0.0
Subtotal	8,137.4	8,360.5	223.1	2.7
Adjustments*	(1,125.2)	(1,314.0)	(188.8)	N/A
Total	7,012.2	7,046.5	34.3	0.5

*Adjustments reflect spending of \$1.125 billion in FY 2017 and \$1.314 billion in FY 2018 for Mental Hygiene services that are reflected in DOH Medicaid spending.

Proposed FY 2018 Budget Actions

OPWDD

Governor Cuomo's commitment, demonstrated by budget investments and important policy reforms, has ensured the continued health and safety of individuals with developmental disabilities and improved the overall quality, availability and cost-effectiveness of community-based, person-centered services. This Budget continues the State's pledge to support individuals with developmental disabilities in the most appropriate community-based settings, and reflects a 3.3 percent annual spending increase. Specifically, the Executive Budget will:

- **Make \$120 Million Available for Program Priorities, Including New Service Opportunities.** The Executive Budget includes State resources that leverage a total of \$120 million in new funding on an annualized basis. This investment will continue helping individuals with intellectual and developmental disabilities who currently live at home or in residential schools as they transition to adult services in the OPWDD system. It also supports other programmatic reforms. Over the last several years, OPWDD has leveraged this funding and other resources to:
 - **Expand the Availability of Certified Housing Supports Communities.** OPWDD oversees and operates one of the largest community-based residential programs in the nation, ensuring some of New York's most vulnerable residents have safe and affordable places to live. The certified options include residences that are operated by both the State and its network of not-for-profit provider agencies, which provide 24/7 supports, or homes that offer less than 24/7 supervision for people who are able to live more independently. In total, OPWDD supports more than 37,300

individuals in community-based residential programs for a total cost of \$5.1 billion annually. Over the past four years, OPWDD has expanded these services by offering more than 4,300 individuals certified, residential supports in the community.

- **Support More Independent Living.** In addition to the more traditional certified residential options, OPWDD also supports people who reside on their own by providing rental subsidies to individuals who wish to live in an apartment in their community. Today, OPWDD authorizes rental subsidies to more than 4,200 individuals, an increase of about 75 percent from FY 2013.
- **Provide More Day Program and Employment Options.** Day and employment services are a crucial aspect of offering participants the personal, social and vocational supports needed to live in their community. OPWDD has invested significantly in these services, and increased the array of available employment readiness programs over the past four years. There are currently more than 78,700 enrollments in day and employment supports, representing a net increase of 2 percent since FY 2013.
- **Increase Respite Availability.** Respite services provide temporary relief to family caregivers, helping people with developmental disabilities live at home with their families for longer periods. Over the past four years, the State has provided families with respite services that support more than 41,000 enrollments – an increase of over 7 percent.
- **Commit \$15 Million to Develop Independent Living Housing.** The Budget provides \$15 million in capital funding to expand independent living housing capacity. This investment builds upon the agency's successes in providing safe and accessible residential opportunities for individuals with intellectual and developmental disabilities capable of living in an apartment of their own. These funds are in addition to resources that will be available from the five-year, \$20 billion affordable and supportive housing plan, which will help support the development of residential opportunities for people with intellectual and developmental disabilities.
- **Invest a Total of \$21 Million to Expand Crisis Services.** In 2014, OPWDD implemented the START (Systemic Therapeutic Assessment, Respite and Treatment) Program, which is a crisis prevention response model focused on ensuring effective treatment earlier, reducing dependency on higher service levels. The Budget provides an additional \$12 million above the FY 2017 investment to continue expansion of START services in the downstate area.
- **Dedicate \$24 Million to Transition Individuals to Community-Based Settings.** Consistent with the Olmstead Cabinet report and the requirements of the Federal Centers for Medicare & Medicaid Services (CMS), the FY 2018 Budget supports continued efforts to assist individuals to transition from developmental centers (56 individuals) and intermediate care facilities (100 individuals) to more integrated, community-based supports. As was the process with previous efforts to transition people from institutional programs, including the

successful closure of the Broome Developmental Center at the end of FY 2016, OPWDD will utilize a combination of not-for-profit and State-operated services to deliver these new community-based service opportunities based on the specific needs of the individuals.

- **Support OPWDD's Transition to Managed Care.** The OPWDD system will transition to managed care in phases, beginning with an enhanced care coordination model through the development of regional Care Coordination Organizations (CCOs) before a transition to a fully capitated rate structure. Beginning in late 2017, CCOs are expected to begin operations and will be rolled-out on a regional basis. Enrollment on a voluntary basis in managed care is expected to begin in 2019, and the transition to managed care is planned to be completed within a five year period. The Budget applies ongoing Department of Health (DOH) Global Cap resources to support the initial start-up costs of transitioning the OPWDD service delivery system from a fee-for-service payment structure to managed care. OPWDD is the last remaining Medicaid system to transition to managed care, which has shown enhanced quality outcomes and cost control for other Medicaid populations. Developing and implementing a managed care system for OPWDD requires short-term investments for start-up and administration costs at both the State agency and provider agency levels, which will be supported by DOH Global Cap resources. Any savings resulting from the implementation of care coordination organizations and managed care will be reinvested in the OPWDD system.
- **Establish Blue Ribbon Panel for the Institute for Basic Research in Developmental Disabilities on Staten Island.** The Budget will convene a blue ribbon panel to examine the feasibility of transitioning the Institute for Basic Research in Developmental Disabilities (IBR) from the OPWDD to the CUNY College of Staten Island (COSI). The panel will include prominent researchers, academicians, parents and political leaders.

OMH

The Executive Budget builds on Governor Cuomo's effort to expand community services and transition individuals to more appropriate and cost-effective community settings. With investments in community-based services made in recent years, OMH developed new mobile crisis teams, established first episode psychosis programs, provided additional peer support services, and funded the expansion of supported housing units throughout the State. The expansion in community-based capacity since FY 2015 has resulted in 20,000 new individuals receiving services and funded over 1,000 supported housing beds. Since FY 2015, the success of these community investments has resulted in the reduction of over 500 unnecessary, vacant inpatient beds. The Budget continues to improve quality and expand capacity of services in the community. Specifically, the Budget will:

- **Invest \$11 Million in Additional Community Services.** This additional annual investment will be used to expand community services based on regional needs reflecting stakeholder input, and is expected to reduce the need for more costly inpatient beds in FY 2018. Once fully implemented, this additional commitment will bring the total new investments since FY 2015 to \$92 million annually.

- **Fund 280 Additional Supported Housing Community Beds.** OMH will reconfigure 140 state-operated residential beds, which are less integrated and more costly to operate, and replace them with funds to develop 280 community-based, scattered site supported housing units in the same geographic area. These new units, when provided in tandem with access to other existing community services, will ensure the continued support and care of all individuals transitioning into less restrictive settings while keeping them close to their families.
- **Provide \$10 Million to Enhance Support for Existing Residential Programs.** The Budget increases funds for supported housing and single residence occupancy programs. This investment will help preserve access and maintain existing housing capacity as the State brings new housing units online through the Empire State Supported Housing Initiative.
- **Redesign Service Dollars Administration.** Service Dollars are funds available to meet the service plan needs of OMH clients by supporting a variety of emergency and non-emergency expenses for which there are no other resources. The Executive Budget proposes to standardize the oversight of Consumer Service Dollars, thereby ensuring funds are used consistently with OMH spending guidelines. OMH anticipates increased oversight and monitoring of these expenditures will lead to better use of the existing funds.
- **Transform OMH State-Operated Outpatient Clinics.** OMH will review clinic treatment services at all 85 State-operated facilities to reduce any overlap of services and ensure that clinics are operating at optimal patient capacity to address community need. This will allow each facility to redesign its clinic system and maximize its impact on the community it serves. Reductions will be targeted to low-performing facilities, which will enable remaining resources to be directed to clinics with higher productivity and capacity.
- **Revamp Hutchings Children & Youth Services.** OMH will evaluate and develop a plan to achieve efficiencies for the administration and care of Hutchings' Children and Youth inpatient services. The plan is anticipated to involve working closely with an Article 28 hospital that could be utilized to deliver existing OMH services, expand access to inpatient bed capacity, and improve the coordination and delivery of medical and mental health services for children in the central New York region.
- **Establish Jail-Based Restoration Programs for Certain Defendants.** Currently, defendants who are deemed incompetent to stand trial are treated at an OMH inpatient psychiatric hospital until they are restored to competency and returned to jail to await trial. This cycle often repeats itself with more than one visit to the inpatient psychiatric hospital, extending the time individuals are detained prior to trial. OMH will work with counties on a voluntary basis to develop specialized residential treatment units within their jails. The Executive Budget invests \$850,000 to assist county jails in making any necessary infrastructure improvements to provide these separate treatment units. This program has been identified as a best practice by the National Judicial College, and has been implemented successfully in nine other states including California, Virginia, and Wisconsin.

OASAS

Since Governor Cuomo took office, OASAS has been at the forefront of the State's aggressive effort to end the heroin and opiate crisis plaguing our communities. In June 2016, the Governor signed a comprehensive package of legislation that will increase access to treatment, expand community prevention strategies, and limit the over-prescription of opioids in New York State. This legislation, combined with additional financial investments to enhance prevention, treatment and other services, has increased OASAS's ability to better serve individuals struggling with substance use disorders (SUDs).

Although the State has made headway in addressing the crisis, there is still more work to be done. Specifically, the Budget invests \$200 million to combat the Heroin Epidemic, an increase of \$30 million from FY 2017. 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:

- **Residential Treatment Beds.** The State will add 80 new residential beds run by not-for-profit providers. These new beds are integral for ensuring widespread service availability for those in need of inpatient care.
- **Opioid Treatment Program Slots.** The State will open 600 additional Opioid Treatment Program (OTP) slots, which will provide individuals with the medications they need, including buprenorphine, to help with the State's whole-patient approach to services and care.
- **Community Coalitions.** Funding for 10 new regional coalitions and partnerships will allow families, service providers, educators, law enforcement, State agencies and local leaders to increase cross-sector collaboration on the prevention and treatment of SUDs.
- **Family Support Navigators.** OASAS currently supports 10 navigator programs to assist and inform those seeking treatment and their families of options for insurance coverage and OASAS treatment systems. The Budget includes funding to add another 10 programs, for a total of 20 programs statewide, including two in each ESD region.
- **Peer Engagement.** Similar to family navigators, OASAS also currently supports 10 Peer Engagement programs, one in each ESD region. These crucial programs help individuals in need of treatment make connections from hospital emergency rooms to the OASAS treatment system, putting them on the path to recovery. The Budget includes funding to add another 10 programs, for a total of 20 programs statewide.

- **Adolescent Clubhouses.** These safe, welcoming spaces will help teens and young adults who are in recovery or are at-risk for SUDs to develop social skills that promote long-term health, wellness, recovery and a drug-free lifestyle. The Budget supports eight new Clubhouses, for a total of 15 statewide including five in New York City, two in the Mohawk Valley and one in each of the remaining ESD regions.
- **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 Budget supports five new centers, for a total of 14 centers statewide, which 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.
- **24/7 Urgent Access Centers.** Urgent Access Centers will be opened throughout the State to offer round-the-clock access to SUD treatment services. These 10 centers will help alleviate traditional "work day" delays in linking clients with appropriate treatment.
- **Recovery High Schools.** These "schools within a school" will help students in recovery learn in a substance-free and supportive environment. Legislation is included in the budget to establish a pilot program at up to two schools. These schools are expected to be operational in FY 2019 in hard-hit regions of the State.

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 who, due to physical or intellectual disabilities, or the need for services or placement, are receiving care from one of the over 3,000 facilities or service providers overseen by the six State agencies.

The Executive Budget recommends \$54.5 million in new appropriations, providing the necessary funding for the agency to perform its key functions timely and efficiently.

Multi-Agency Budget Actions

The Executive Budget invests \$17 million to support the direct cost of FY 2018 minimum wage increases for direct care, direct support, and other workers at not-for-profits that provide services on behalf of OPWDD, OMH, and OASAS.

New York State's nonprofit sector provides critical services to New Yorkers from all backgrounds and from all corners of the state. Nonprofit organizations are often the first point of contact for individuals and families who are experiencing hardship, and they provide educational opportunities, healthcare, and other basic forms of assistance that serve as the basis of a thriving society. As nonprofit organizations across the nation face uncertainty in Federal funding and increased pressures to maintain an adequate social safety net, Governor Cuomo remains committed to improving the State's relationship with the nonprofit sector and strengthening a partnership that enriches the lives of all New Yorkers.

Overview

New York State has the largest nonprofit sector in the nation, and its work touches the lives of almost every resident. There are nearly 100,000 nonprofit organizations across the State, accounting for 17 percent of private sector employment and nearly \$68.6 billion in annual wages in FY 2016. They provide a wide range of services, including healthcare, education, housing, childcare, access to the arts, supports for people with disabilities, assistance to immigrants, and care for the elderly.

Many of these nonprofit organizations provide services on behalf of the State and interact with multiple State agencies. However, historically, the State has not looked at the nonprofit sector holistically. Each partnership was examined only in relation to the type of service a nonprofit provided and the State agency with which it interacted.

Governor Cuomo has taken a new approach. He created a cabinet-level Interagency Coordinator for Nonprofit Services to harness the expertise of the nonprofit service providers and better understand and help overcome challenges faced by the entire sector – particularly those receiving State funding to provide services. The Governor's commitment has also been demonstrated through the Nonprofit Infrastructure Capital Investment Program, which is delivering \$100 million in competitive grants to help nonprofit organizations address infrastructure needs. Both the Coordinator and the recently awarded infrastructure funding promote the work of nonprofit organizations and provide the State with additional insights into the work and needs of the sector. The result will be a strengthened relationship between the State and the nonprofit sector.

Budget Highlights

Services and Supports for Homeless New Yorkers. The Governor's continued \$20 billion investment in affordable housing, supportive housing, and related services will, in part, be delivered by nonprofit organizations. This includes nonprofit organizations providing services that prevent homelessness, and support homeless individuals and families.

Combatting the Heroin Epidemic. Nonprofit organizations are key partners in providing prevention, treatment, and recovery programs aimed at ending the heroin and opioid crisis. The FY 2018 budget provides \$200 million for these efforts.

Performance Profile

Prequalification Reduces Redundant Paperwork for Nonprofit Organizations.

The State created a prequalification process for nonprofit organizations in 2013 that enables them to store key documents online and demonstrate that they are ready to do business with New York. Over 6,000 nonprofit organizations have been prequalified to apply for grant opportunities with New York.

Grants Gateway Portal. In 2013, the State launched the Grants Gateway portal, providing a single location for nonprofits to access State grant opportunities. Since then, it has expanded to allow for online applications and contracting. Currently, there are over 30,000 active users from nonprofit organizations.

The Governor's focus on strengthening New York's safety net means nonprofit organizations are at the forefront of providing services that address major social issues such as poverty, hunger and homelessness.

Developing a Sector-Wide Approach

Strengthening the Social Safety Net. Governor Cuomo is committed to advancing social justice and creating a level playing field where all New Yorkers have the opportunity to succeed. This pledge is evident through his efforts to create more affordable housing; provide better supports and services to individuals with substance abuse disorders; help families gain access to affordable and nutritious food; address poverty in low-income communities; and expand access to pre-kindergarten. None of these efforts would be possible without nonprofit organizations. The State's nonprofit partners provide the "boots on the ground" to carry out the Governor's vision, and provide the State with information and expertise about the communities being served.

The Executive Budget includes significant funding for programs and services that are carried out by the State's nonprofit partners. Many of these investments are targeted to specific policy priorities.

For example, in FY 2018, New York State will provide \$200 million to continue addressing the State's heroin epidemic. This investment, which represents a \$30 million increase from FY 2017, will enable the Office of Alcoholism and Substance Abuse Services to add new residential treatment beds, open additional Opioid Treatment Program slots, increase Family Support Navigators and Peer Engagement programs, and provide additional supports and services. Nonprofit organizations are already essential service providers for many of these initiatives and their role will grow as funding expands in the fight against opioids.

The Executive Budget will also continue to invest in efforts to address poverty through the Empire State Poverty Reduction Initiative (ESPRI). In FY 2017, ESPRI provided a total of \$25 million to 16 municipalities throughout New York to address poverty in their communities. Each of these 16 municipalities will have a

nonprofit organization lead its local efforts. The FY 2018 Budget proposes an additional \$35 million in funds for after-school programs in these municipalities. This funding may be awarded to schools in collaboration with nonprofit organizations through a competitive process.

Improving Business Processes for the State's Nonprofit Partners. By identifying and addressing operational issues that impact nonprofits' business operations, New York State has the opportunity to help nonprofit organizations focus more of their time and energy on serving their clients and communities.

Some of these efforts are already underway. Under Governor Cuomo, the State has taken multiple actions to improve the contracting process. The most notable was the creation of the Grants Gateway, an on-line portal that streamlines and simplifies the grant application process. Through Grants Gateway, nonprofit organizations can prequalify as grantees or contractors and complete applications and contract documents electronically.

In FY 2018, the State will develop an Action Plan to continue to improve business processes for the State's nonprofit partners. This will reflect the results of ongoing research on the impact of Federal guidance about indirect cost rates for contracts; standardize the format of Requests for Proposals and other procurement documents; and identify opportunities to streamline State oversight of nonprofit performance, including audits, without compromising quality or accountability. The State will also continue working to improve its processes to further reduce the number of late contracts and late payments for nonprofit organizations.

The State will also focus linking nonprofit business operations with larger policy and social justice efforts. The nonprofit labor force includes a large number of low wage workers. These workers often do not have access to the tools and resources that support upward mobility in their careers. Many nonprofit leaders agree that their workforce would benefit from an initiative to develop the long-term career prospects of these employees. In FY 2018, the State, including the Department of Labor, will work with nonprofit umbrella groups to develop models for a career ladder program for low wage nonprofit workers.

The FY 2018 Executive Budget strengthens preparedness against terrorism, natural disasters, and cyber-related threats. It advances principles of social justice and affirms New York's progressive values by raising the age of juvenile jurisdiction for 16 and 17 year olds, removing mandatory prison sentences for minor offenses, and reforming the bail system to prevent individuals who pose no risk to public safety but cannot afford bail from being confined for long periods of time before trial. These reforms balance law and order with compassion and common sense.

Overview

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.

The Department of Corrections and Community Supervision (DOCCS) is responsible for providing services that offenders need in safe and secure facilities, preparing offenders for release, and ensuring they receive appropriate monitoring and support while under community supervision.

The Division of Criminal Justice Services (DCJS) collects and analyzes statewide crime data, administers local criminal justice programs, administers the State's Sex Offender Registry and DNA Databank, and tracks the effectiveness of system-wide criminal justice strategies designed to enhance public safety.

The Division of State Police protects the citizens of the State, prevents and detects crime and other violations of law and promotes highway safety.

The Division of Homeland Security and Emergency Services (DHSES) is dedicated to the preparation and protection of the State's citizens, communities, resources, economy, and infrastructure from threats and acts of terrorism, natural disasters, and other emergencies.

Budget Highlights

Increase State Police and National Guard Presence in New York City. The Budget continues the Governor's New York Crossings Project, which assigns 150 State Police members and 150 National Guardsmen, respectively, to bolster security and anti-terror exercises at nine MTA-operated bridges and tunnels.

Strengthen Response to Cyber Incidents. The FY 2018 Executive Budget supports the creation of a Cyber Incident Response Team aimed at strengthening cyber preparedness and response.

Bail Reform and Reduce Pre-trial Detention. Reform the bail system to prevent individuals who pose no risk to public safety but cannot afford bail from being locked up for long periods of time before trial.

Modernize Sentencing Laws. Remove mandatory minimum terms of imprisonment for minor felony offenses.

Performance Profile

Improving Public Safety.

New York has one of the lowest crime rates of any large state in the country. From 2006 to 2015, the crime rate in New York declined 20 percent, reaching an all-time low since reporting began in 1975.

Declining Prison Population.

The significant decline in crime coincides with a 28 percent drop in the State's prison population, from a peak of 72,600 in 1999 to a current population of approximately 52,000 – the lowest level in more than two decades.

Combating Terrorism. The Division of Homeland Security and Emergency Services conducted 600 counter terrorism exercises in FY 2017. The Budget supports continuation of exercises in each of New York State's 16 Counter Terrorism Zones.

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. In response to the 2015 terrorist attacks in Paris and San Bernardino, the Division of Homeland Security and Emergency Services increased the number of security assessment exercises across New York. The Office of Counter Terrorism, along with State, Federal and local law enforcement partners, completed more than 600 "Operation Safeguard" counter terrorism exercises at businesses and organizations across the state to test their suspicious activity reporting programs and counter terrorism plans.

The FY 2018 Executive Budget builds upon these actions. It strengthens preparedness by providing active shooter trainings for six upstate cities, training for airport employees to identify potential threats to public safety, and bolstering security and anti-terror activities at nine MTA-operated bridges and tunnels.

Criminal Justice

New York has one of the lowest crime rates in the country and the lowest imprisonment rate of any large State. From 2006 to 2015, the crime rate in New York declined 20 percent, reaching an all-time low since reporting began in 1975. This makes New York the safest large state. The significant decline in crime coincides with a 28 percent drop in the State's prison population from a peak of 72,600 in 1999 to a current population of approximately 52,000 – the lowest level in more than two decades.

In December of 2015, the Governor issued an Executive Order to establish a facility to house 16- and 17-year old youths who are in the State's correctional system. Since August of 2016, these youths have been housed at Hudson Correctional Facility, currently a DOCCS operated facility that has been transformed to appropriately house and serve younger offenders. Youth receive programming geared toward younger offenders, and individuals with mental health needs are provided access to Office of Mental Health services.

The FY 2018 Executive Budget builds on these efforts by raising the age of juvenile jurisdiction for 16 and 17 year olds. It also expands access to on-the-job training opportunities for inmates, removes mandatory prison sentences for minor offenses and reforms the bail system to prevent individuals who pose no risk to public safety but cannot afford bail from being confined for long periods of time before trial.

Table 14: Summary of Spending (All Funds)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollar (millions)	Percent
Department of Corrections and Community Supervision	3,067	3,120	53	1.7%
Division of State Police	831	767	-64	-7.7%
Division of Criminal Justice Services	235	224	-11	-4.7%
Division of Homeland Security and Emergency Services	609	580	-29	-4.8%
All Other	270	318	48	17.8%
Total Public Safety	5,012	5,009	-3	0.1%

Spending for public safety agencies is projected at \$5 billion for FY 2018. The year-to-year change in State Police is attributable to retroactive payments associated with NYS Police Investigators Association's collective bargaining agreement and one-time costs associated with the expansion of Troop NYC. DHSES year-to-year change is due to the completion of disaster recovery projects resulting from Hurricane Irene and Tropical Storm Lee. The Department of Corrections and Community Supervision's increase is associated with the payment of general State charges for maintenance personnel funded through capital. The \$48 million year-to-year change for other criminal justice agencies is largely related to timing of contract payments for the Office of Indigent Legal Services and increased Federal grants and subsequent payments in the Office of Victim Services.

Proposed FY 2018 Budget Actions

Emergency Preparedness and Cyber Security

The FY 2018 Executive Budget strengthens preparedness against terrorism, natural disasters, and cyber-related threats.

- **Increase State Police and National Guard Presence in New York City.** As part of the Governor's New York Crossings Project, the State Police and the Division of Military and Naval Affairs will assign 150 members and 150 National Guardsmen to bolster security and conduct anti-terror exercises at nine MTA-operated bridges and tunnels. In addition, the State Police will collaborate with Triborough Bridge and Tunnel Authority Police on toll enforcement as automatic tolling systems are rolled out.

- **Strengthen New York's Response to Cyber Incidents.** The Budget supports creation of a new Cyber Incident Response Team to provide cybersecurity support to state entities, local governments, critical infrastructure and schools. The team will strengthen cyber preparedness and response through outreach, coordinated exercises, and best practices at non-executive State agencies, Authorities, local governments, and critical infrastructure. Housed within the DHSES Office of Counter Terrorism, the team will be the first responder to reported cyber incidents and will work with the targeted organization to regain normal operations.
- **Protect Critical Infrastructure.** In FY 2018, DHSES will build on the 600 counter terrorism exercises conducted in FY 2017 by continuing these essential security assessments of critical infrastructure and key resources in each of New York State's 16 Counter Terrorism Zones.
- **Local Emergency Responder Active Shooter Training.** The State Preparedness Training Center will provide full scale active shooter training to local emergency responders in six cities.
- **Civilian Airport Employee Security Training.** DHSES Office of Emergency Management will conduct train-the-trainer programs and provide direct training to civilian airport employees focused on increasing security awareness and active shooter preparedness. The program will place emphasis on the importance of their role in reporting potential threats and responding appropriately during an emergency in order to protect themselves and the public.

Criminal Justice

The FY 2018 Executive Budget proposes comprehensive reforms from arrest to trial that will ensure equal justice for all citizens.

- **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.

In December of 2015, the Governor issued Executive Order #150 to establish a facility to house 16- and 17-year old youths who are in the State's correctional system. Since August of 2016, these youths have been housed at Hudson Correctional Facility, currently a DOCCS operated facility that has been transformed to appropriately house and serve younger offenders.

The FY 2018 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, 2019 and to age 18 on January 1, 2020. Additional reform measures include comprehensive diversion, probation, and programming services for justice-involved youth.

- **Improve Indigent Legal Services.** This year, the Governor will introduce a plan to extend the provisions of the Hurrell-Harring settlement to the rest of the State. Under this plan, the State will fund one hundred percent of the costs necessary to extend the reforms in the Hurrell-Harring settlement to all of the State's counties and the City of New York, with appropriate fiscal oversight through the Division of Budget. The annual cost to the State is estimated to be \$240 million when fully phased-in. This initiative will guarantee that indigent defendants have counsel at arraignment, provide caseload relief for local judges and prosecutors, and improve the State criminal justice system for indigent defendants.
- **Reform Bail Practices and Reduce Pre-trial Detention.** New York is one of four states in the nation that does not allow public safety to be taken into consideration in release and bail decisions. This approach means people in New York who do not present a risk to public safety but cannot afford bail are detained while those who may present a risk to public safety are able to post bail and gain release.
- **Ensure Access to a Speedy Trial.** Develop and formalize an effective legislative and administrative approach to ensure the constitutional right to a speedy trial is protected across New York State.
- **Update Evidence Based Practices to Ensure Fairness.** Permit eyewitness photo identification arrays into evidence and require video recording of custodial interrogations for serious crimes. Further, the requirement for video recording would help prevent wrongful convictions based on false confessions while also protecting law enforcement from erroneous allegations of correction. The Governor previously dedicated nearly \$1.7 million in grant funding to help localities purchase video equipment.
- **Modernize Sentencing Laws and Remove Mandatory Prison Terms for Minor Offenses.** Expand determinate sentencing to non-violent, non-drug, non-sex offenses. Remove mandatory minimum terms of imprisonment for minor felony offenses.
- **Reform Post-Release Supervision.** Allow individuals on parole for certain offenses to reduce their term of supervision by three months for every six months of good conduct.
- **Incentivize Comprehensive Rehabilitation and Programming through Sentence Reductions.** Expand limited credit time allowances to DMV call center and vocational culinary arts programs.
- **Change Maximum Security Correctional Facilities Visitation Schedule.** Reduce the number of days visitors are allowed at maximum security correctional facilities to align more closely with medium security correctional facilities.

- **Risk Reduction Enhanced Response Pilot Program.** The Office for the Prevention of Domestic Violence will increase the number of pilot programs in FY 2018 to cover four more high risk areas. This program seeks to prevent intimate partner related homicides in New York State by jointly focusing local law enforcement and service providers on interventions.

The New York State workforce delivers vital public services and manages a range of critical facilities and provider networks. There are 181,744 full-time equivalent State employees within 59 Executive agencies, the State University of New York (SUNY) and City University of New York (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 (118,809 full-time equivalent employees). Staffing levels are expected to remain stable in FY 2018.

Overview

Workforce levels in agencies subject to direct Executive control have remained stable, with annual changes of 1 percent or less over the past five years. The FY 2018 Executive Budget continues that trend with continued efforts to capture operational efficiencies via attrition.

Table 15: Summary of Workforce Levels

Category	FY 2018		Change	
	3/31/17 Est.	3/31/18 Est.	Number	Percent
Subject to Direct Executive Control	118,809	118,673	(136)	(0.11)
University Systems	58,433	58,433	0	0.00
Office of the State Comptroller	2,663	2,663	0	0.00
Department of Law	1,839	1,839	0	0.00
Total	181,744	181,608	(136)	(0.07)

Nearly all agencies have stable workforce levels, with modest attrition reductions expected for the Office of Mental Health (-353) and the Office for People with Developmental Disabilities (-253) as streamlining of institutional capacity continues. The Budget also includes workforce increases in select State agencies to support emerging programmatic priorities. This includes:

- **The Department of Health.** 163 net additional personnel to support the continued take-over of Medicaid Administration from counties as part of the Governor's effort to provide mandate relief and help localities stay under the 2 percent property tax cap.

Budget Highlights

Create the Empire Star Public Service Award. This award will represent the highest honor a State employee may receive and will include a \$5,000 professional development scholarship.

State Retiree Health Insurance Reforms. The Budget includes three proposals that will restrain retiree health insurance expense growth. Over the past three fiscal years, New York State Health Insurance Program (NYSHIP) retiree costs have increased about 16 percent, from \$1.11 billion in FY 2014 to \$1.28 billion in FY 2016. This exceeds the two percent spending benchmark and challenges the State's ability to remain economically competitive.

Performance Profile

Pension Reform. Tier VI pension reform enactment has helped control escalating retirement costs for the State, local governments and school districts. This reform will significantly diminish long-term pension costs, saving the State, local governments and school districts more than \$80 billion over 30 years.

Improving Government Efficiency. The executive controlled State workforce has declined by nearly 10,000 positions (-8.4%), comparing when Governor Cuomo took office in 2011 to the December 2016 workforce. Agencies are streamlining their services and focusing on filling critical vacancies.

- **The Department of Corrections and Community Supervision.** A net increase of 126 staff primarily to reflect revised projections of facility staffing requirements.
- **The Department of Motor Vehicles.** 107 net additional staff primarily to implement the Federal Real ID Act, also including five staff to support the ridesharing initiative.
- **The Division of Homeland Security and Emergency Services.** 98 additional staff to train airport employees on increasing security awareness, to train firefighters and emergency management staff in swift water rescues, and for the new Cyber Incident Response Team initiative.
- **The Department of Transportation.** 86 net additional staff for engineering personnel to provide design and construction inspection services needed to deliver the State's \$27 billion capital plan for roads and bridges.
- **The Office of Temporary and Disability Assistance.** 73 additional staff to support increased emergency shelter oversight responsibilities in the new Division of Shelter Oversight and Compliance to ensure safe and secure temporary accommodations for homeless individuals and families.
- **Other Agencies.** Other agencies with a net increase in the workforce include the Division of State Police for the processing of sexual offense evidence kits related to Chapter 500 of the Laws of 2016 (+26); the Office of Children and Family Services for the Human Services Call Center program expansion (+11); the Office of Indigent Legal Services to assist with reimbursement-based contract grants (+3); and the Office of Parks, Recreation and Historic Preservation for the new Cave of the Winds Attraction in Niagara Falls (+2). Other agencies with a net decrease via attrition include: the Office of Information Technology Services (-179); Office of the Medicaid Inspector General (-27); Department of State (-14); and the Department of Economic Development (-5).

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 of \$70,740. Over the past five fiscal years, the State has spent an average of \$7.2 billion on employee fringe benefit programs, including employee and retiree health insurance, pensions, the Social Security payroll tax and workers' compensation insurance for injured workers.

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 is significantly diminishing long-term pension costs, saving the State, local governments and school districts more than \$80 billion over 30 years.

Promoting Workforce Fairness and Affordability through Collective Bargaining

The State has reached responsible labor agreements with several employee unions, and is in the midst of negotiations with the remaining groups. Labor agreements are in place with unions representing State Troopers, Officers and Investigators through FY 2018. In addition, three-year agreements have been reached with the Public Employees Federation and with the Graduate Student Employees Union (pending member ratification). Both agreements provide for annual 2 percent general salary increases in FY 2017, FY 2018 and FY 2019, respectively. The budget also includes extension of the provisions of these agreements to M/C employees.

The State has also reached agreement with the New York State Correctional Officers and Police Benevolent Association on a five-year labor contract through FY 2021 (pending member ratification). This agreement would provide for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the cost of which are offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

The State is negotiating comparable responsible successor agreements with all of the remaining unions, including: the Civil Service Employees Association, United University Professions, Council 82, the Police Benevolent Association of New York State, and District Council 37 (Housing).

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.

All Governmental Funds spending, including the Judiciary, is projected to increase by \$325 million (4.1%). The health insurance growth is primarily attributable to medical inflation and, to a lesser degree, increased medical services utilization. Pension costs are growing primarily due to lower than expected investment returns. Workers' compensation costs are increasing due to growth in the average weekly wage for benefit calculations and medical costs, partially offset by the use of existing reserve funds. The 'All Other' decrease of \$136 million primarily reflects increased escrow receipts of \$190 million offset by growth in Federal and other funds.

Table 16: Summary of Fringe Benefits Spending (All Funds)

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollars (millions)	Percent
Health Insurance	3,682	3,976	294	8.0
Pensions	2,457	2,540	83	3.4
Social Security	988	992	4	0.4
Gross Workers' Comp.	459	539	80	17.4
All Other	347	211	(136)	-39.2
Total	7,933	8,258	325	4.1

Proposed FY 2018 Budget Actions

The Empire Star Public Service Award

New York State is composed of a diverse and dedicated workforce of remarkable men and women who provide invaluable services to millions of New Yorkers every day. Many of these public servants stand-out for going above and beyond the call of duty. They exceed what is expected of them in their day-to-day work, and in unforeseen circumstances and emergencies. In recognition of these extraordinary employees, Governor Cuomo proposes to launch the Empire Star Public Service Award.

The Empire Star Public Service Award will represent the highest honor a State employee can receive and will include a \$5,000 professional development scholarship. Through this award, the Governor will publicly recognize and highlight the outstanding service and accomplishments of public employees from all ten regions of the State, nominated by their co-workers for exemplary job performance. Recipients will have distinguished themselves from their peers through meaningful contributions to State government, demonstrating their dedication to serve New Yorkers with a high level of performance, integrity and pride. An Awards Selection Committee, which will include the Department of Civil Service and the Governor's Office of Employee Relations, will review all nominations.

State Retiree Health Insurance Reforms

The Executive Budget includes three proposals to help restrain the growth in State retiree health care costs. Over the past three fiscal years, New York State Health Insurance Program (NYSHIP) costs for retirees have increased about 16%, from \$1.11 billion in FY 2014 to \$1.28 billion in FY 2016. This is well beyond the benchmark growth rate of 2% per year, and challenges the State's ability to remain economically competitive.

- **Implement Differential Health Care Premium Contributions for Certain New Retirees Based on Years of Service.** Currently, the taxpayer cost for a retiree with 10 years or more service is the same as that for a retiree with 30 years of service. Under this proposal, similar to the calculation for pension benefits, taxpayer support for new civilian retirees would vary based on years of service. Those retiring with less than 30 years of service would receive

a taxpayer subsidy which is less than that for retirees with 30 or more years of service. Subsidies begin at ten years of service, and gradually increase until they are no different than current levels once an individual reaches 30 years of service. This change would take effect with new civilian retirees as of October 1, 2017.

- **Eliminate Taxpayer Subsidy 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 a greater share of Medicare costs. New York taxpayers currently subsidize the entire IRMAA premium of New York State's high income retirees. This subsidy is worth \$642 annually for retirees with an Adjusted Gross Income (AGI) between \$85,000 and \$107,000, growing to a subsidy of \$3,535 annually for retirees with AGI above \$214,000. The Budget eliminates this reimbursement effective January 1, 2017. Connecticut and Hawaii (partial reimbursement) are the only other states that provide reimbursement for IRMAA.
- **Maintain Reimbursement of the Medicare Part B Standard Premium for New York State Retirees at Current Levels.** Currently, New York taxpayers reimburse the standard premium for new and existing retirees at \$104.90 per month for those who enrolled in Medicare on or before December 31, 2015 and \$121.80 per month for those who enrolled in Medicare on or after January 1, 2016. This proposal would freeze reimbursement at the current levels rather than providing automatic inflationary increases, and make escalators subject to the annual budget process. This change would take effect May 1, 2017, based on rates in effect December 31, 2016. Only five other states reimburse the Standard Part B premium (California, Connecticut, Hawaii, Nevada and New Jersey), and Ohio recently phased out reimbursement.

Reduce the Interest Rate on Court Judgments

The Executive Budget proposes to reduce the interest rate on court judgments paid by the State, local governments, and certain public corporations and authorities to a market rate. Currently, the interest rate on judgements can be as high as 9 percent annually, which leads to excessive taxpayer costs. The market-based interest would be the weekly average one year constant maturity treasury yield, which is the same rate utilized by the Federal government.

The FY 2018 Executive Budget continues New York State's historic investments in the State's transportation system, which are improving our roads and bridges, increasing mobility, and supporting economic growth. The budget reflects the third year of the \$55 billion transportation capital plan, which is enhancing and expanding the Metropolitan Transportation Authority (MTA) network, and improving roads, bridges, airports rail facilities, ports and transit systems funded through the Department of Transportation (DOT) budget. This commitment also includes State-funded investments in the Thruway to lessen the capital burden on New York's toll payers.

In addition, legislation included with the Budget will provide a legal framework for allowing ridesharing services to operate outside the City of New York.

Overview

The State's transportation system is operated, maintained and administered by a network of State and local agencies and public authorities. 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 MTA, the four Upstate regional transportation authorities, and other (usually county-sponsored) transit systems. These systems provide bus, subway, commuter rail and light rail services as well as "paratransit" services designed to meet the needs of the disabled. The MTA provides transit and commuter services in the New York City region to over 2.7 billion passengers who ride the subways, buses and commuter rail systems each year, and facilitates 300 million annual bridge and tunnel crossings. It includes Metro North and the Long Island Railroad (LIRR) commuter lines.

Budget Highlights

Continue Support of the Transportation Capital Plan.

The State's unprecedented \$27 billion investment in DOT and Thruway Authority programs, enacted with the FY 2017 Budget, will ensure stronger State and local roads and bridges for years to come.

Continue Support of the MTA Capital Plan.

The MTA is investing \$28 billion in its capital program over 6 years, including \$8.3 billion in funding from New York State.

Major Commitments to Upstate and Downstate Transportation Projects.

The budget accelerates projects that will study options to transform I-81 in Syracuse, build a new Amtrak station in Schenectady, replace the Scajaquada Expressway, complete the replacement of the Kosciuszko Bridge in Brooklyn and Queens, and make much-needed improvements in access to the John F. Kennedy International Airport and MacArthur Airport, and revitalize the Route 32/Route 17 Interchange near Woodbury Common Premium Outlets, a regional economic engine in Orange County.

Performance Profile

Second Avenue Subway is Open for Business. The first major expansion of the New York City Subway in more than 50 years opened in 2017 and will serve more than 200,000 people per day.

New NY Bridge Continues to Rise. Construction of the long-overdue replacement of the Tappan-Zee Bridge is on-budget and on-schedule for completion in 2018.

Improving Commutes and Conservation. Open road tolling will be completed at all MTA bridges and tunnels by the end of 2017. This initiative is projected to save commuters up to 21 hours of drive time every year and conserve approximately one million gallons of fuel.

DMV Cuts the Lines. Through the NYS Lean Program, the DMV has reduced wait times, including reducing the wait to obtain a driver's permit from 172 minutes to 45 minutes as part of a broader effort to cut office wait times by more than 50 percent.

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 \$2 billion in revenue for the State and localities in FY 2018. 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 former subsidiary, the New York State Canal Corporation, which operates the 524-mile navigable waterway, is now operated by the New York Power Authority.

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

New York's economy relies on a resilient and efficient transportation infrastructure to continue attracting investment and creating jobs. The State's unprecedented \$27.14 billion investment in DOT and Thruway Authority programs, enacted with the FY 2017 Budget, will ensure stronger State and local roads and bridges for years to come.

The plan includes three new initiatives: BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program, in addition to \$2 billion in Thruway Stabilization funding that supports capital investments across the entire Thruway system.

Following decades of inaction, the replacement for the Tappan Zee Bridge is rising above the surface of the Hudson River. The New NY Bridge, a \$3.98 billion design-build construction project remains on budget and scheduled to open in 2018. Cashless tolling has already begun and the former toll plaza in Tarrytown has been demolished.

The FY 2017 Budget also supported the largest MTA capital plan in history. With public transit ridership nearing capacity and the system in need of significant repair and hardening, the MTA is investing \$27.98 billion in its multi-year capital program, including \$8.3 billion in funding from New York State.

After nearly a century, the first phase of the Second Avenue Subway finally opened in December. The new line includes the three new ADA-compliant stations at 96th Street, 86th Street and 72nd Street, and new entrances to the existing Lexington Ave/63rd Street Station at 63rd Street and Third Avenue. It provides service from 96th Street to 63rd Street and serves more than 200,000 people per day, reducing overcrowding on the Lexington Avenue Line and restoring a transit link to a neighborhood that lost the Second Avenue elevated subways in 1940.

Ongoing capital investments will modernize and expand the MTA network, including construction of four new Metro-North stations in underserved areas of the Bronx with service to Penn Station, extension of the Second Avenue Subway to East Harlem, a new fare payment system, advancement of the East Side Access project to bring Long Island Rail Road riders into Grand Central Terminal, and a second track along 18 miles of the LIRR between Farmingdale and Ronkonkoma. The MTA is also moving forward on development of a third track on one of the busiest sections of the LIRR to increase capacity and speed commutes.

The new MTA Capital Program will purchase nearly 1,000 new subway cars, over 300 commuter rail cars and over 1,700 state-of-the-art buses equipped with Wi-Fi and USB charging ports. The plan also provides financing for the Governor's initiative to reimagine and renovate 31 subway stations throughout the New York Metropolitan area to enhance customer experience with improved lighting, wayfinding signs and modern finishes. The renovated stations will offer charging stations; all underground subway stations are targeted to have cellular connectivity and Wi-Fi by the end of this year.

Table 17: Summary of State Funds Spending

Category	FY 2017 (millions)	FY 2018 (millions)	Change	
			Dollar (millions)	Percent
Department of Transportation	3,402	3,728	326	9.6
Metropolitan Transportation Authority	4,969	5,234	265	5.3
Department of Motor Vehicles	274	294	20	7.3
Transportation Spending (Total)	8,645	9,256	611	7.1

Proposed FY 2018 Budget Actions

Department of Transportation

In support of the transportation plan period that began in FY 2016, the Executive Budget provides \$5 billion for the third year of DOT's capital program, which will facilitate the improvement of highways, bridges, rail, aviation infrastructure, non-MTA transit, and DOT facilities. Progress continues on the three new initiatives launched last year – BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program to further improve conditions on State and local roads and bridges, as well as provide resiliency to roadways that are particularly susceptible to weather events.

The Executive Budget continues Governor Cuomo's record commitment to funding local highway and bridge projects. Funding for the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli program is maintained at last year's level of \$477.8 million. The Budget also continues \$100 million in highway aid through the PAVE NY program, and \$100 million to fund local bridge projects from the BRIDGE NY program.

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 the State's General Fund.

Additional transportation Budget actions include the following:

- **Upstate Airport Economic Development and Revitalization Competition Program.** The Budget continues to support the \$200 million Upstate Airport Economic Development and Revitalization Competition, established by the Governor in FY 2017. The competition includes \$190 million to support airport projects and \$10 million allocated through the Governor's Aviation Capital Grant Program. In the first round, funding was awarded to Elmira Corning Regional Airport to, and the Greater Rochester International Airport. Governor Cuomo recently announced the winners of the competition's second round. Plattsburgh International Airport will receive \$38 million to jumpstart the airport's \$43 million overhaul and \$35.8 million will drive forward a \$45.1 million transformation of the Syracuse Hancock International Airport.
- **Major Commitments to Upstate and Downstate Transportation Projects.** The Budget accelerates projects that will study options to transform I-81 in Syracuse, build a new Amtrak station in Schenectady, replace the Scajaquada Expressway, complete the replacement of the Kosciuszko Bridge in Brooklyn and Queens, make much-needed improvements in access to the John F. Kennedy International Airport and MacArthur Airport, and revitalize the Route 32/Route 17 Interchange near Woodbury Common Premium Outlets, a regional economic engine in Orange County.

Transit

New York State provides transit system operating assistance through the Statewide Mass Transportation Operating Assistance (STOA) program. This multi-billion dollar aid program reflects the importance of transit system services that provide an estimated 3.8 billion rides annually. State transit aid accounts for approximately one-third of the operating resources used to support the State's transit systems.

The FY 2018 Executive Budget provides \$5 billion in operating support to transit systems. The MTA will receive \$4.5 billion, an increase of \$30 million over current FY 2017 estimates. This includes a \$244 million contribution from the General Fund to partially offset the revenue losses incurred by the MTA from payroll tax changes for schools and small businesses made in December 2011. The Budget provides \$199 million in operating support for upstate transit systems, and continues to provide \$20 million in dedicated upstate capital support.

The Budget continues to reflect the enacted commitment of \$8.3 billion in State resources for the MTA's 2015-2019 capital plan, with a \$1.5 billion in new appropriation. Other transit Budget highlights include the following:

- **Increase Transit Aid Levels.** The Budget provides \$5.0 billion in transit operating aid for systems throughout the State. The MTA will receive \$4.5 billion, an increase of \$30 million from current FY 2017 estimates. Other transit systems will once again receive a record-high \$502 million, collectively.
- **Verrazano Bridge Rebate Programs.** The Budget continues full funding for and makes permanent the existing commercial and Staten Island resident rebate programs, again providing \$10.3 million toward the MTA's operating budget.
- **LIRR Station Improvements.** As part of the Governor's Long Island Transformative Investments, 16 LIRR stations will be enhanced with an \$80 million investment that includes \$35 million from the MTA.

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 2018 Executive Budget includes reappropriations of nearly \$2 billion from the Special Infrastructure Account for the Thruway Stabilization program. This money will continue to support capital investments including the New NY Bridge and other capital projects throughout the system.

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 the Bridge is on-budget and on-schedule for completion in 2018.

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, close to seven 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 further enhance the customer experience by 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

Through the NYS Lean Program, the DMV reduced the wait time to register a vehicle acquired through a casual sale from 60 to 39 minutes and, in select pilot offices, to obtain a driver's permit from 172 minutes to 45 minutes as part of a broader effort to reduce office wait times by more than 50 percent.

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 the Education Law to create New York State's first Recovery High School programs
- Make various changes to State law to align with recent changes to the Federal McKinney-Vento Homeless Assistance Act
- Make SUNY and CUNY Tuition-Free for Middle-Class Families
- Enact the New York State DREAM Act
- Make colleges accountable for exorbitant tuition rates
- Renew a predictable funding plan for SUNY and CUNY
- Use CUNY Foundation Resources to Benefit Students
- Enhance the State's ability to recover unpaid wages
- Raise the Age of Juvenile Jurisdiction
- Reauthorize Child Welfare Financing, and restructure financing for Residential School Placements of children with special needs in New York City
- To clarify the State definition of "abused child" under the Family Court Act
- Enhance services for runaway and homeless youth
- Provide health care services to children in foster care through Managed Care plans
- Increase the amount of lottery winnings that the State can recoup, related to current and former public assistance recipients, from fifty percent of such winnings to one-hundred percent
- Authorizes the pass-through of any Federal Supplemental Security Income Cost of Living Adjustment which becomes effective on or after January 1, 2018
- Enhance protections for children residing in or visiting publicly-funded emergency family shelters
- Mortgage Insurance Fund Utilization

- Creates the Affordable New York Housing Program
- Enhance services provided through veterans' treatment courts and broaden the availability of such courts
- Administrative hearings consolidation

Health and Mental Hygiene

- Enhance appropriate third-party health insurance reimbursement for Early Intervention services
- Reduce Department of Health's General Public Health Work Program reimbursement to New York City from 36 percent to 29 percent
- Increase cost sharing requirements for the Essential Plan
- Pharmaceutical-related Medicaid Redesign Team recommendations
- Long-term care-related Medicaid Redesign Team recommendations
- Transportation-related Medicaid Redesign Team recommendations
- Extend the Medicaid Global Cap and other miscellaneous Medicaid-related proposals
- This bill would reauthorize the Health Care Reform Act (HCRA) for three-years
- Extend various provisions of the Public Health and Social Services Laws
- Authorizes Pharmacy Benefit Manager registration and disclosure requirements
- Authorize additional capital support for essential health care providers
- Establish the Health Care Regulation Modernization Team
- Require public water systems to test drinking water for the presence of emerging contaminants
- Require the testing of private water wells

- Authorizes the establishment of voluntary jail-based restoration to competency programs within locally-operated jails and State prisons operated by the Department of Corrections and Community Supervision
- Amend Public Health Law to continue government rates and clarify all Behavioral Health services, except inpatient, are included; to extend those rates through March 31, 2020; and to add a value based payment requirement
- One-year deferral of the human services “Cost-of-Living Adjustment”

Public Protection and General Government

- Extend various criminal justice and public safety programs that would otherwise sunset
- Bring fairness and consistency to the penalties administered to New Yorkers who possess small amounts of marijuana
- Make revisions to cybercrime laws to strengthen punishments for computer tampering and identity theft; and expand computer intrusion laws to better protect private citizens
- Criminal Justice Reform Act
- The Correction Reform Bill would allow the DOCCS Commissioner to set conditions of parole in certain instances, would establish earned reductions during post-release supervision, would add two new advanced skills to a list of programs that would qualify inmates for Limited Credit Time Allowance, and would reform non-violent State Prison sentences
- Establishes a Hate Crime Task Force
- Expand eligibility for victims of certain non-physical injury crimes
- Create a new reimbursable expense of “loss of savings” to benefit vulnerable elderly persons and incompetent or physically disabled persons
- Additional duties of the Commissioner of the Office of General Services concerning flood damage and recovery
- New York State Buy American Act
- Authorize the transfer of Division of Military and Naval Affairs employees in the unclassified service of the State to the Office of General Services

Legislation Required for the Budget



- Extend the authority of the Office of General Services (OGS) to enter into construction contracts without formal competitive bidding in certain emergencies and streamline contracting for construction projects performed in secure facilities
- Authorize the Commissioner of the Office of General Services to procure legislative printing without competitive bidding up to an amount not to exceed eighty-five thousand dollars
- Makes various amendments to the preferred sources program for commodities and services
- Strengthens compliance with State insurance fund audits
- Stabilizes State Insurance Fund investments
- Permits term appointments for eligible, highly-specialized ITS positions without examination
- Provide a market interest rate on court judgments and accrued claims paid by the State, municipal corporations and certain public corporations and housing authorities
- Cap reimbursement of the Medicare Part B standard premium at 2016 levels and cease reimbursement for the Income Related Monthly Adjustment Amounts for high income State retirees and their dependents in the New York State Health Insurance Program
- Implement differential premiums for future New York State Health Insurance Program civilian retirees based on years of service
- Establishes County-wide Shared Services Property Tax Savings Plans
- Extend anti-discrimination protections to public schools
- New York State Consolidated Laboratory Project Act
- Establishes the Excelsior Business Program
- Unemployment Insurance Earnings Disregard
- Authorization for transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps

Revenue

- Establish a Taste-NY alcohol permit



Legislation Required for the Budget

- Establish a motion picture theater alcohol permit
- Convert the NYC PIT STAR Rate Reduction Benefit into a credit
- Cap STAR benefit growth
- Make participation in the Income Verification Program (IVP) mandatory for enhanced STAR recipients
- Allow taxpayers to make partial tax payments
- Relax the tax secrecy rules for STAR credit
- Technical fix for the Co-op's STAR Credit
- Extend Oil and Gas Fee Expiration Date
- Authorize SUNY Chancellor to certify and approve the disbursement of funds for veterans' homes operated by the SUNY
- Establish Life Sciences Tax Credits
- Expand the workforce training credit
- Extend the Empire State Film Production Tax Credit and Post-Production Tax Credit for three years
- Create the New York Youth Jobs Program Tax Credit
- Extend the Alternative Fuels Property and Electric Vehicle Recharging Property Credit for Five Years
- Reform the Investment Tax Credit
- Treat disregarded entities as a single taxpayer for tax credit purposes
- Extend the Personal Income Tax top bracket for three years
- Permanently extend the high income charitable contribution deduction limitation
- Enhance the Child and Dependent Care Credit
- Allow warrantless bank account data matching
- Require New State Employees to be Compliant with State Tax Obligations

- Require practitioners to be compliant with State tax obligations before receiving excess medical malpractice coverage
- Permanently extend warrantless wage garnishment
- Require New York State S corporation conformity with Federal return
- Close the co-op sale loophole
- Close non-resident asset sale loophole
- Modernize sales tax collection to reflect the Internet economy
- Close sales tax related entities loopholes
- Make technical amendments to the State and local sales tax statute
- Apply the Public Safety Communications Surcharge to Prepaid Devices
- Tax and regulate vapor products
- Clarify the amount of untaxed cigarettes required to seize a vehicle
- Expand jeopardy assessments to the cigarette and tobacco tax
- Reform the taxation of cigars
- Impose the real estate transfer tax on the transfer of a real estate business interest
- Close the real estate transfer tax loophole
- Relieve the General Fund of responsibility for funding equine drug testing in horse racing, require horsepersons to contribute to drug testing research and equipment, and broaden the field of potential New York lab testing providers
- Charitable gaming reform
- Re-privatize the New York Racing Association
- Extend certain tax rates and certain simulcasting provisions for one year
- Extend Monticello Video Lottery Terminal rates for one year
- Extend the Video Lottery Gaming (VLG) vendor's capital awards program for one year
- Alter local gaming aid distribution

Transportation, Economic Development and Environmental Conservation

- Extends the disposition of certain revenues to the Public Transportation Operating Account
- Increase the Cap on Divisible Load Permits
- Enhance Public Transportation Safety Board (PTSB) Enforcement Power
- Compliance with Federal Requirements for Truck Size and Weight Provisions and Suspension of Vehicle Registrations for Carriers Placed Out-of-Service
- Maximize the collection of tolls owed to public authorities
- Assess an additional three million dollars annually to the New York City Traffic Violations Bureau to cover the State's administrative expenses of the program
- Provide access to important and enhanced transportation options for residents and visitors throughout the State, while ensuring the safety, reliability, and cost-effectiveness of those services within the State of New York
- Waive fees for a replacement non-driver identification card for crime victims whose cards are lost or destroyed as a result of the crime
- Increases the reinstatement fee from \$25 to \$100 for non-residents seeking to have their driving privileges restored
- Increases the certificate of title fee from \$50 dollars to \$75 dollars, and the duplicate certificate of title fee from \$20 dollars to \$40 dollars to adjust for inflation
- To provide funding for the issuance of REAL ID documents by the Department of Motor Vehicles
- Addresses highway safety to stem the rise in highway deaths by providing enforcement tools to reduce fatalities, change roadway behavior, and make work zones safe for workers and motorists
- 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
- Extends the effectiveness of provisions of law relating to participation by minority and women-owned business enterprises in State contracts

Legislation Required for the Budget



- Extend the Infrastructure Investment Act and expand the definition of an authorized entity that may utilize design-build contracts
- 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 on plaintiffs rather than the Department of State (DOS)
- Assess a five dollar fee to cover the cost of producing an identification card for real estate license applicants
- Increase the State match for the Local Waterfront Revitalization Program from 50 to 75 percent
- Removes the Chairperson of the New York State Athletic Commission (NYSAC) from the list of salaried state officers
- Authorize expenses of the Department of Health to be reimbursed by a cable television assessment, and expenses of the Office of Parks, Recreation and Historic Preservation, and of the departments of Agriculture and Markets, Environmental Conservation, and State, to be reimbursed by a utility assessment
- Make permanent the authorization for Dormitory Authority of the State of New York to enter into certain design and construction management agreements
- Provides the Superintendent of the Department of Financial Services (DFS) authorization to order failing insurers into administrative supervision proceedings
- Enhance enforcement powers of the Superintendent of Financial Services in relation to illegal and unlicensed activity in the Insurance and Banking Industries
- Empower the Superintendent of the Department of Financial Services (DFS) to license and regulate student loan servicers
- Empower banking institutions to protect vulnerable adults from financial exploitation
- Empower the Superintendent of the Department of Financial Services (DFS) to ban the continued involvement of bad actors from the banking and insurance industries
- Require “lending circles” to register with the Department of Financial Services (DFS)
- Establish a Risk Adjustment Paid Family Leave Fund
- Allow the Department of Financial Services (DFS) to better regulate the business practices of online lenders

- Protect consumers utilizing reverse mortgage products
- Amendments to the Department of Financial Services (DFS) assessment provisions, distribution rules for insurance companies and determining factors relating to insurers reserve standards
- Amend Navigation Law to establish a new capital account, the New York Environmental Protection and Spill Remediation Account
- Enact the Clean Water Infrastructure Act of 2017
- Makes technical changes to Environmental Protection Fund (EPF)
- Reduce and sustainably manage food waste by requiring large food waste generators to divert excess edible food to food banks and food scraps to organics recycling facilities
- Authorize shared service agreements between the Power Authority of the State of New York, Canal Corporation and Department of Transportation
- Authorize the New York State Energy Research and Development Authority to finance a portion of its energy research, development and demonstration program, and its energy policy and planning program, as well as the Department of Environmental Conservation's climate change program and the Department of Agriculture and Markets' Fuel NY program, from an assessment on gas and electric corporations

Good Government and Ethics Reform

- Requires an advisory opinion for outside income for the Legislature
- Close the "LLC loophole" by defining Limited Liability Companies as corporations for the purpose of political donations
- Financial Disclosure requirements for Local elected officials
- Implement campaign finance reform and public financing of campaigns
- Comprehensive FOIL Reform
- Expand State Inspector General Jurisdiction to Include Affiliate Organizations of SUNY and CUNY
- Clarify State Inspector General's Authority over State Procurements
- Establish SUNY and CUNY Foundation Financial Controls

- Creates an Inspector General for the New York Port Authority
- Create State Education Department Inspector General
- Appointment of a Chief Procurement Officer
- Amendment of government vendor contributions
- Report on the feasibility of single identifying codes or numbers
- Early Voting and Automatic Voter Registration

Limits Outside Income of Legislators Concurrent Resolution

- Limits Outside Income of Legislators Concurrent Resolution

Establish Same Day Voter Registration Concurrent Resolution

- Establish Same Day Voter Registration Concurrent Resolution

Impose Term Limits for Elected Officials Concurrent Resolution

- Impose Term Limits for Elected Officials Concurrent Resolution

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 (<https://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 Citizen's Guide to the Executive Budget



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 (<https://www.budget.ny.gov/>) and the Open Budget website (<https://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.

ACA	Affordable Care Act
AG	Attorney General
AGI	Adjusted Growth Income
AIM	Aid and Incentives for Municipalities
ARRA	American Recovery and Reinvestment Act of 2009
CHP	Child Health Plus
CMS	Centers for Medicare & Medicaid Services
COLA	Cost-of-Living Adjustment
CPI	Consumer Price Index
CUNY	City University of New York
DASNY	Dormitory Authority of the State of New York
DDPC	Developmental Disabilities Planning Council
DEC	Department of Environmental Conservation
DHSES	Division of Homeland Security & Emergency Services
DMNA	Division of Military and Naval Affairs
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health
DOT	Department of Transportation
DSRIP	Delivery System Reform Incentive Payment
DTF	Department of Taxation and Finance
EI	Early Intervention
EP	Essential Plan
EPF	Environmental Protection Fund
EPIC	Elderly Pharmaceutical Insurance Coverage
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GPHW	General Public Health Work
HESC	Higher Education Services Corporation
M/C	Management/Confidential
MRT	Medicaid Redesign Team
MSA	Master Settlement Agreement
MTA	Metropolitan Transportation Authority
NYC	New York City
NYS	New York State
NYSHIP	New York State Health Insurance Program
OASAS	Office of Alcoholism and Substance Abuse Services
OCFS	Office of Children and Family Services
OMH	Office of Mental Health
OPWDD	Office for People with Developmental Disabilities
OTDA	Office of Temporary and Disability Assistance
PEF	Public Employees Federation
PIT	Personal Income Tax
PSC	Public Service Commission

Glossary of Acronyms



SICG	Statewide Interoperable Communications Operations Grant Awards
SOFA	State Office for the Aging
STAR	School Tax Relief
SUNY	State University of New York
TANF	Temporary Assistance for Needy Families
TNC	Transportation Network Companies
URI	Upstate Revitalization Initiative
U.S.	United States
VLT	Video Lottery Terminal

