



"The agenda... in this Budget is ambitious. But I believe it is eminently achievable if those of us in public office continue to exercise the restraint and political courage we have demonstrated over the past two years."

MARIO M. CUOMO, Governor
Budget Message — January 22, 1985

PREFACE

The 1985-86 Budget Summary contains a mid-year account of the operation of State programs. It includes the second quarterly update of the State Financial Plan, which is required by the Accounting, Budgeting and Financial Reporting Act of 1981 and has been transmitted separately to the Legislature.

The Summary also reviews the results of the recently completed 1984-85 fiscal year and, based on a forecast of the national and State economies for the balance of the current fiscal year and on an analysis of the first six months, it revises the receipt and disbursement estimates for 1985-86. The revised financial plan provides a solid basis for managing a balanced budget for the remainder of the fiscal year. In addition, this update is followed by a discussion of some of the policy and environmental factors that will help shape the Budget for 1986-87.

Finally, the Summary reports on progress toward the goals set forth in the 1985-86 Executive Budget Message. It places special emphasis on those programs that may have a significant impact on State financial planning during the balance of this fiscal year or in the coming year.

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General Fund Financial Plan
State Fiscal Year 1985-86
(millions of dollars)

	July	October	Change
Opening Balance	102	102	
Receipts			
Taxes			
Personal income tax	11,300	11,320	20
User taxes and fees	5,950	6,021	71
Business taxes	3,262	3,214	(48)
Other revenues	982	1,046	64
Miscellaneous receipts	1,094	1,000	(94)
Federal grants	78	86	8
Subtotal	22,666	22,687	21
Transfers from other funds	134	131	(3)
Total receipts	22,800	22,818	18
Disbursements			
Grants to local governments	13,811	13,799	(12)
State operations	5,764	5,775	11
General State charges	1,675	1,689	14
Debt service	221	221	0
Subtotal	21,471	21,484	13
Transfers to other funds for			
Debt service	585	585	0
Capital projects	424	429	5
Other transfers	269	269	0
Total disbursements	22,749	22,767	18
Required addition to fund balance	51	51	
Closing balance	153	153	

1985-86 STATE FINANCIAL PLAN
GOVERNMENTAL FUNDS
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening Balance	102	220	200	182	704
Receipts					
Taxes	21,601	539	0	27	22,167
Miscellaneous Receipts	1,000	1,071	443	1,150	3,664
Federal Grants	86	8,078	581	12	8,757
Bond Proceeds	0	0	285	0	285
Subtotal	22,687	9,688	1,309	1,189	34,873
Transfers From Other Funds	131	1,783	444	1,259	3,617
Total Receipts	22,818	11,471	1,753	2,448	38,490
Disbursements					
Grants to Local Governments	13,799	7,645	0	0	21,444
State Operations	5,775	2,686	5	0	8,466
General State Charges	1,689	157	0	0	1,846
Debt Service	221	0	0	910	1,131
Capital Projects	0	9	1,775	0	1,784
Subtotal	21,484	10,497	1,780	910	34,671
Transfers to Other Funds	1,283	790	19	1,525	3,617
Total Disbursements	22,767	11,287	1,799	2,435	38,288
Required Addition to Fund Balance	51				51
Change in Fund Balance	51	184	(46)	13	202
Closing Fund Balance	153	404	154	195	906

FINANCIAL SUMMARY

Recent Financial Results

The State concluded the 1984-85 fiscal year with its General Fund operations balanced on a cash basis and with a small (\$106 million) deficit when the year's results are reported in accordance with Generally Accepted Accounting Principles (GAAP). (See Appendix Tables I and II.) These outcomes are consistent with the financial plans adopted in April 1984, following enactment of the 1984-85 Budget.

The 1984-85 operating results mark the second straight year of cash balance, following the substantial cash shortfall recorded in 1982-83, and represent a sharp reduction in the GAAP operating deficit, down from the \$345 million imbalance reported for the 1983-84 fiscal year and the more-than-\$1 billion deficit reported for 1982-83.

The difference between the results on a cash and GAAP basis largely reflects variations in the timing of the accounting for certain transactions. Under GAAP, revenues are recognized when earned, rather than when received, while expenditures are recognized when the service has been performed (or goods received), rather than when paid for.

It is worth noting that, except for the adoption of the tax reduction program in April 1985, which resulted in a charge in excess of \$160 million against 1984-85 revenues, a modest GAAP operating surplus would have been achieved in the State's 1984-85 fiscal year.

Revised 1985-86 Cash Basis Financial Plan

Economic Forecast

The economic forecast for the balance of the fiscal year calls for continued expansion of the national and State economies at slightly more rapid rates than those achieved in the first half of the fiscal year, although at more sluggish rates than have marked the last two fiscal years. Real gross national product is expected to grow at annual rates of approximately 3 percent during the final two quarters of the fiscal year. At the State level, annual growth rates of approximately 6 percent for personal income, somewhat over 2 percent for nonagricultural employment, and 3.5 percent for prices are projected for the final half of the fiscal year. These expectations are not changed materially from those underlying the July revision to the Financial Plan.

General Fund

The second quarterly update of the State's 1985-86 General Fund Financial Plan indicates projected receipts of \$22,818 million, and disbursements of \$22,767 million, leaving a margin of \$51 million to meet the statutorily required repayment of the Tax Stabilization Reserve Fund.

Receipts:

General Fund receipts are now projected to total \$22,818 million, up \$18 million from the amount estimated for the year in the July update and up \$1,732 million, or 8.2 percent, from actual receipts in 1984-85. Included in the total amount are \$21,601 million in taxes, \$1,000 million in miscellaneous receipts, \$86 million from Federal grants, and \$131 million in transfers from other funds.

In addition to the estimate revisions, the revised 1985-86 Financial Plan also reflects a reclassification of anticipated amnesty receipts from the "miscellaneous receipts" category to specific tax sources (see Appendix Table III for detail on the effects of this reclassification and the discussion below for the treatment of amnesty in the Financial Plan).

Personal income tax: Net personal income tax collections are now expected to total \$11,320 million, up \$20 million from the July forecast. This change is a net of a \$30 million increase in receipts attributable to the reclassification of amnesty receipts noted above and a \$10 million reduction in normal collections, largely reflecting a lowered estimate of final payments on 1984 liability.

User taxes and fees: Receipts from user taxes and fees are now expected to reach \$6,021 million, up \$71 million from the first quarter reestimate. Of this amount, \$38 million is attributable to the reclassification of net amnesty revenues. Expected collections from motor fuel and sales taxes have been revised upward (by \$20 million and \$10 million, respectively) to reflect greater-than-anticipated receipts under the revised "first import" method of collecting these taxes on gasoline. Minor revisions have been made in anticipated receipts from other revenue sources largely reflecting collection experience to date.

Business taxes: Receipts from business taxes are now expected to total \$3,214 million, down \$48 million from the July revision, despite the addition of \$5 million in expected net amnesty receipts to this category. The largest downward revisions occur in the corporation and utilities tax, reflecting continued energy price weakness and lower-than-expected consumption during the initial half of 1985, and in the petroleum gross receipts tax, reflecting these factors as well as technical adjustments in the estimate. Small upward revisions were made in expected receipts from the insurance tax and the corporation franchise tax, and a downward revision in expected bank tax receipts. The estimate of receipts from the corporation franchise tax continues to reflect the repayment of \$72.5 million from the Mass Transportation Operating Assistance Fund. This amount, originally collected and advanced to that fund in 1984-85, is now scheduled to be repaid to the General Fund in March 1986.

Other taxes: Receipts from other taxes have been revised upwards again, to \$1,046 million, an increase of \$64 million from the July estimate and \$185 million from the 1984-85 level. Continued collection strength in both the real property gains and transfer taxes and the estate tax supports the bulk of the upward revision.

Miscellaneous receipts and Federal grants: Expected miscellaneous receipts have been reduced by \$94 million, to \$1,000 million, from the July estimate. Some \$75 million of the downward revision reflects the reclassification of expected amnesty receipts from this category to the specific tax sources. The balance of the revision reflects reductions in expected investment income and assessments. Federal grants have been revised upwards to \$86 million from the \$78 million expected in July.

Transfers from other funds: Expected transfers from other funds to the General Fund have been revised downward by \$3 million to \$131 million.

Disbursements:

General Fund disbursements are now projected to total \$22,767 million, up \$18 million from the July estimate, and an increase of \$1,732 million, or 8.2 percent from actual disbursements in 1984-85. The General Fund disbursement categories and the share of total General Fund disbursements represented by each are: grants to local governments, 60.6%; State operations, 25.4%; general State charges, 7.4%; short-term debt service, 1.0%; and transfers to other funds, 5.6%.

Grants to local governments: Total disbursements for grants to local governments are now estimated at \$13,799 million, a decrease of \$12 million from the July estimate. The revision reflects an upward adjustment in disbursements for the operating costs of the City University of New York as a result of the retroactive impact of the salary agreements negotiated with University employees, effective either July 1, or September 1, 1984, as offset by reductions in projected disbursements for certain higher education, housing and criminal justice programs based on experience for the first half of the 1985-86 fiscal year. These reductions reflect certain audit adjustments for City University operating reimbursements and lower-than-expected disbursements against 1984-85 authorizations.

State operations: The estimate of total disbursements for State operations during the 1985-86 fiscal year has been revised upwards \$11 million from July, to \$5,775 million. This upward revision has been necessitated principally by a Federal Grant Appeals Board decision on a Federal disallowance against the Office of Mental Retardation and Developmental Disabilities regarding certain Medicaid reimbursement claims made by the agency. Nearly \$50 million of the initial \$58 million disallowance has been restored to the State by the Grant Appeals Board decision. The projection of disbursements for State operations continues to assume the receipt by the State University of New York of \$30 million from hospital reimbursement rate appeals currently under review by the Department of Health. This review process has taken longer than originally expected.

General State charges: Total disbursements for fringe benefits and fixed costs have been increased \$14 million from the July estimate, to

\$1,689 million. Based on experience for the first six months of the fiscal year, disbursements for workers' compensation payments to the State Insurance Fund must be \$6 million greater than projected in July in order for the State to remain current in its monthly payments, and payments to satisfy judgments against the State will be \$4 million greater than projected in July. Certain technical changes account for the balance of the revision.

Transfers to other funds: The estimate of transfers to other funds is now \$1,283 million, an increase of \$5 million from July. All of the increased transfers will be to the State Capital Projects Fund for housing programs. The estimate of transfers under the Lottery Aid Guarantee remains at \$75 million.

Risks to the Plan

Economic forecast: The economic forecast underlying the revised plan reflects continued growth in the national economy throughout the balance of the State's fiscal year, at a rate somewhat higher than that achieved during the initial half of the fiscal year.

While the outlook is within the range of likely outcomes for the final two quarters of the fiscal year, it is clear from the erratic pattern of the national economy over the last year that the actual course of the economy could prove somewhat stronger or weaker than forecast and produce receipt results moderately above or below the estimates used here.

Federal tax reform: The focus on tax reform in Washington has added to the uncertainty surrounding the course of the economy. In addition, the likelihood of adoption of Federal tax reform could also materially affect the State's cash flow during the balance of the State's fiscal year. If Congress adopts legislation either sharply reducing tax rates for the 1986 income year or ending the deductibility of State and local income taxes for that income year, or if taxpayers believe that is what will happen, cash receipts under the income tax could be accelerated from April 1986 to December 1985 and, thus, from the 1986-87 fiscal year into the current year. Receipts from other taxes, such as the real property gains tax, could also be importantly affected by either the reality, or the expectation, of Federal action on tax reform. The Financial Plan currently does not anticipate any material change in taxpayer behavior as a result of these potential Federal policy actions.

Amnesty: The financial plan continues to reflect \$75 million in net additional State receipts as a result of an amnesty program now scheduled to run through the end of January. This amount, which was carried as a miscellaneous receipt pursuant to the original statutory authorization, has been allocated by revenue source in this update.

The estimate for the yield of the program remains highly uncertain. The estimate of the "net benefit" to the Financial Plan of \$75 million reflects a judgment as to the portion of the approximately \$200 million

in total State-local receipts expected to be collected under the program that will represent State tax receipts that would otherwise not have been received in the current fiscal year. This is a somewhat higher proportion of "new money" than was received in most comparable states. While achievement of the \$75 million is uncertain, it is also possible that the program will be more successful than anticipated (as has been the experience in other states) and, thus, will generate additional resources beyond the budgeted amount.

Lottery: State lottery ticket sales must increase substantially in the second half of the State's fiscal year if the current \$670 million estimate of receipts from this source is to be achieved. While the rate of growth required is modest compared with the growth experience of the lottery during the prior two fiscal years, the more subdued results of the first six months of this fiscal year suggest that caution is appropriate.

Federal aid: The apparent outcome of the protracted debate over the 1986 Federal Budget would appear to have only minor short-term consequences for the State's 1985-86 Financial Plan, although the long-term outcome is considerably more adverse to State and local government and the State's citizens.

1985-86 Conclusions

The October update of the 1985-86 Financial Plan indicates that the balanced cash budget enacted in April remains in balance after six months of experience and that this condition is expected to continue for the rest of the fiscal year. While a comprehensive update of the GAAP plan is not due until December, none of the changes reflected in this update would appear to alter the expectation that operating balance on a GAAP basis will be achieved in 1985-86 as well.

Other Governmental Funds

Special Revenue Funds

Receipts in Special Revenue Funds are now projected at \$11,471 million, an increase of \$30 million from the July projection. This increase principally reflects additional Federal grants anticipated for natural disaster relief and additional receipts during 1985-86 under the Job Training Partnership Act. These increases have been partially offset by a reduction of \$8 million in transfers from other funds as a result of a Federal Medicaid disallowance. Other minor offsetting revisions have been made to reflect actual experience during the first six months of the 1985-86 fiscal year.

Disbursements from Special Revenue Funds are now projected at \$11,287 million, an increase of \$18 million from July, reflecting the impact of the increased Federal receipts, described above, on spending levels. A significant shift has been made in the categorization of special

revenue fund spending, from State operations to grants to local governments, principally for spending from the Job Training Partnership Fund, to more accurately reflect the nature of disbursements from this fund.

Capital Projects Funds

The projection of receipts in Capital Projects Funds has been revised downward \$126 million from the July projection to \$1,753 million. This revision principally reflects the impact on 1985-86 capital spending of the decision to "trade-in" the Federal funds available for the construction of Westway and revised expectations for disbursement levels supported from bond proceeds.

It is now projected that disbursements from Capital Projects Funds will total \$1,799 million, a decrease of \$162 million from July. Again, the bulk of this downward revision results from the Westway trade-in, and lower-than-originally anticipated disbursements for bondable programs. The balance of the revision is based on experience for the first six months of the fiscal year.

Debt Service Funds

Receipts in Debt Service Funds for the 1985-86 fiscal year are now projected at \$2,448 million, a decrease of \$16 million from July. Half of this decrease reflects the impact on debt service funds of the Federal Medicaid disallowance described above. The balance of the change reflects receipts experience for the first six months of the fiscal year.

Disbursements from Debt Service Funds have been revised downward \$18 million to \$2,435 million. This reduction again reflects both the impact in transfers to other funds from debt service funds of the Federal Medicaid disallowance as well as experience to date.

Outlook For 1986-87

Economic outlook

The economic outlook for the fiscal year ahead appears less certain than usual at this time of year, with the forecasting community divided over the likelihood of a recession beginning during the next 18 months. Adding to the normal uncertainty surrounding the timing of the business cycle, Federal tax, trade and fiscal policy outcomes all appear particularly unclear at this point in time.

A summary of recent forecasts of the expected performance of the national economy indicates that about one-third of those polled expect a recession to begin by early 1987, while a somewhat smaller number expect the recovery to regain strength and accelerate into 1987. The consensus forecast (which, in essence, averages the two extremes) is for real growth of approximately 3 percent in 1986, falling slightly to 2.7 percent in 1987. While these real growth rates are relatively close

to those used in the preparation of the five-year financial projections last January, rates of growth in such aggregates as personal income and retail sales will probably be significantly lower than expected then due to the likelihood that the rate of price increase will be well below the nearly 5 percent annual rate projected at that time.

Federal Policy

Federal tax and budget policy will add to budgetary pressures in the year ahead. While the outcome of the budget policy debate produced little direct impact on State funding, reductions in Federal support for a variety of local government and direct aid programs will be occurring during 1986. Estimates of the impact of the 1986 Federal Budget cuts and other balancing actions on the State, its local governments and its citizens exceed \$1 billion. The extent to which the State can or should alter its priorities to deal with the fallout from such Federal policy actions is sure to be near the center of the 1986-87 State Budget debate.

Federal tax policy could also have a major impact on the agenda for the coming year. If Federal tax reform is enacted, a host of both fiscal and tax policy issues will be raised due to the automatic effect of changes in Federal tax law on State and local revenue and financing structures and the interstate competitive position of New York.

Forward Commitments

The revenue side of the State's 1986-87 Financial Plan will reflect several statutory, administrative and financial choices that have already been made.

Tax reductions: Based on current statutes and preliminary estimates, tax reductions already in law will reduce receipts in the coming year by approximately \$1.3 billion below the level that would have been achieved if the tax structure in effect in 1984 had remained in place. This is approximately twice the effect the tax reductions are having on the current year's financial plan. The more-than-\$600 million incremental cost of the tax reduction program is equivalent to more than one-third of the "normal" annual growth in the yield of the tax structure.

One-time revenues: General Fund disbursements in the current year will be supported, in part, by sources that will not be available in 1986-87, including a portion of UDC and Thruway Authority bond reimbursements, the one-time benefit from the tax amnesty program, and the aforementioned restoration of General Fund receipts from the Mass Transportation Operating Assistance Fund.

The increment to the disbursement side of next year's budget will also be, in part, shaped by decisions made during the current fiscal year. Spending for State operations will reflect the second year effect of the three-year collective bargaining agreement ratified this past summer.

Grants to local governments will reflect the annualized impact of various program increases enacted in the 1985 Legislative Session.

including school aid, Supplemental Security Income payments, the shelter grant allowance, community college operating aid, the sheltered workshop program, and State revenue sharing.

1986-87 Conclusion

Last year at this time it was possible to discern the outlines of a substantial tax reduction initiative and the ability to commit additional resources to financial reform in the coming year's Budget. This year's look ahead indicates a much more restrained environment for Budget-making. It is in part because of the success of last year's multi-year program to reduce taxes and because of the ongoing "costs" of maintaining GAAP operating balance that restraint will be required in 1986-87. State programs and local governments will have to deal within that framework in planning for their activities in the year ahead. It will provide the State with the opportunity and the challenge to make intelligent choices among competing spending priorities.

INTERNAL ADMINISTRATION CAPITAL PLANNING

Chapter 837 of the Laws of 1983 amended the State Finance Law to require the Governor to prepare an annual Five-Year Capital Plan for New York State. The second of these plans, presented in January 1985, included information on new and existing capital projects and on the financial resources to support them. It was presented on an "all funds" basis, including spending to meet capital needs from the Capital Projects Fund and the General Fund-Local Assistance Account, as well as Special Revenue, Internal Service and Fiduciary funds. The Capital Plan for State fiscal years 1985-86 through 1989-90 incorporated format changes required by the Legislature and additional information on public authority construction and financing programs.

The preparation of next year's five-year plan is under way and State agencies and public authorities are submitting Capital Projects Statements to the Division of the Budget. These statements include, for all projects that an agency proposes to undertake or continue in the next five years, descriptions of projects; appropriation, expenditure and disbursement data; and information on projected sources of financing. The Budget Division will use these statements, together with information from other sources, to make capital plan recommendations which will be submitted to the Legislature as part of the 1986-87 Executive Budget.

The plan preparation process has been automated this year to permit agencies and the Division of the Budget to place more emphasis on the fiscal and programmatic aspects of capital planning. Also available for use in future capital plans is a variety of statewide and agency-specific capital budget "data bases." For example, the General Fixed Assets Account Group, scheduled to become operational in 1987, will provide uniform data on the age and condition of individual facilities, and on replacement needs and costs. Furthermore, many agencies have recently developed inventories, master plans and data bases to improve the analysis of capital program options.

A separate update of the Five-Year Capital Plan for 1985-86 through 1989-90, reflecting legislative action and significant changes, is being submitted as required by Chapter 837. In addition, the Comptroller prepares quarterly reports on capital projects to monitor the progress of appropriations supporting the plan.

IMPROVING MANAGEMENT

With the support and direction of the Office of Management and Productivity (OMP), which is headed by a special assistant to the Governor, State agencies have initiated a wide range of programs to strengthen management, improve services, increase productivity and cut costs. Among the projects on the current year's agenda are:

- Expanded efforts to simplify forms and reduce paperwork. Based on a successful pilot project in 22 agencies, the Governor signed an Executive Order to introduce this program throughout State government. The initial project eliminated 1,928 forms and simplified nearly 300 more, saving the State nearly one-half million hours of staff time and other expenses (\$3.25 million) and saving business and the public an additional 724,000 hours of work (\$4.76 million, based on average private-sector clerical salaries).
- New programs to encourage State employees to find ways to save money and improve services. A major step has been the initial competition for the Governor's Productivity Award, which this year recognized nine employees for their accomplishments. Overall, 135 employees were nominated. Savings reached \$5.8 million, with another \$3.6 million in costs avoided directly traceable to employee efforts.
- The loaned executive program, which combines the experience of private-sector executives and State agency managers. An executive team from the Carrier Corporation and a task force of State personnel from 22 agencies completed a full-scale review of the State's printing operations. As a result, work has begun to install nearly 50 recommendations to improve printing practices and save millions of dollars in future costs. In a parallel effort, the use of presorting, Zip + 4 coding and other modern practices will significantly cut mailing costs.
- An effort to improve controls over State operations and enhance the ability of managers to meet their responsibilities. OMP is working with approximately 70 State agencies to develop programs to evaluate existing internal controls.
- Alternative methods to traditional purchasing practices. The Office of General Services (OGS) negotiated an agreement for the 30-month lease/purchase of much of the State's telephone equipment. This resulted in a direct savings of approximately \$9.4 million compared with previous leasing arrangements and avoided approximately \$2.9 million in costs which would have resulted from scheduled price increases. Further savings can be anticipated as the only remaining costs will be for equipment maintenance.

Similarly, OGS, with the Division of the Budget, has initiated a more competitive and lower-cost approach in obtaining

telecommunications, computer and other advanced equipment through capital leases at tax-exempt interest rates. OGS secured over \$25 million in major telephone switching equipment at a 5.1 percent interest rate, thereby saving hundreds of thousands of dollars in interest. Other agencies are currently pursuing this type of financing.

COLLECTIVE BARGAINING

Contracts covering 11 bargaining units, accounting for a combined base payroll of \$4.0 billion, were due to expire in 1985. This Administration has successfully negotiated three-year settlements with all but two of the major unions representing State employees. Negotiations have not begun for the State's newest bargaining unit within the Division of Military and Naval Affairs because of pending certification and/or representation issues. Additionally, the State does not yet have an agreement covering the employees in the Professional Services Negotiating Unit within the State University system.

Although specific details of the negotiated settlements vary among units, owing to the special needs and interests of the respective unit employees, the negotiated general salary increase for these employees is within the 4 percent cash fiscal and budgetary parameters established by the State in 1985-86 for these negotiations. These contracts also incorporate significant provisions reflecting the mutual interests of the Administration and the unions in the areas of health insurance and pay equity. Agreement was reached on establishing the new "Empire Plan" to provide for the first time, under one plan, comprehensive hospital and medical/surgical coverage for State employees. Funds equaling one percent of the base payroll will be available in the second and third years of the contracts to implement pay equity recommendations generated by the soon-to-be-completed classification and compensation study.

PROGRAM HIGHLIGHTS

ECONOMIC DEVELOPMENT

The State continues to promote new private capital investment to foster industrial and technological expansion and create new jobs. Central to these efforts is the innovative use of its network of economic development agencies and authorities and the increasingly productive partnership of business, government and university. In that context, the Governor's Director of Economic Development has prepared a strategic plan for expanding economic and job development which expands and builds upon the framework of public and private partnership initiated during the last two years.

REGIONAL ECONOMIC DEVELOPMENT

To ensure that all share in the benefits of statewide economic growth, it is essential to recognize the unique challenges facing each region as well as their special strengths. In 1985-86, \$20 million has been provided for a regional economic program to assist industrial, commercial and technological development. As a first step toward developing programs to address unique regional needs, each of New York's ten regions has submitted comprehensive strategies to the Director of Economic Development.

Another new program initiated this year is aimed at strengthening the State's chronically depressed regions. The Western New York Regional Development Corporation, a new subsidiary of the Urban Development Corporation (UDC), was created expressly to integrate all of the State's economic development efforts in western New York. A \$900,000 appropriation was provided to support the program, which will include redevelopment of the Buffalo waterfront and the Bethlehem Steel site. In addition, UDC's Targeted Jobs Development Program will provide \$19 million in the form of loans and grants. These will go to deserving business ventures located in distressed areas which often have difficulty in obtaining capital from conventional private sources.

The northern counties will soon witness one of the State's most dramatic economic development projects — the location of the U.S. Army's new Tenth Light Infantry Division at Fort Drum near Watertown. The newly created Development Authority of the North Country has been provided with \$2.5 million to address the needs of an estimated 25,000 new residents and to foster the establishment of new businesses in the region.

Development of major sports facilities can also contribute to economic growth in New York's communities. Based on recommendations in a report issued last year by the Sportsplex Corporation, \$22.5 million was provided in the current budget to help finance the construction of a stadium in Buffalo, \$6.5 million was provided for a civic center in Albany, and \$1.4 million will help finance a stadium in Broome County.

INVESTMENTS IN TECHNOLOGY

Advances in high technology are critical not only to the creation of new employment in manufacturing and related industries, but also to the protection of the State's traditional industrial base. New York is blessed by a strong partnership linking industry, higher education and government. Such a network facilitates advances in research and helps translate those advances into full-fledged manufacturing concerns which can provide long-term jobs.

One of New York's best-known efforts in high technology is the George Low Center for Industrial Innovation on the campus of the Rensselaer Polytechnic Institute (RPI) in Troy. Under legislation enacted in 1982, the State is investing an estimated \$30 million in constructing a facility to stimulate innovative manufacturing processes. This investment, to be repaid by RPI, will be matched by private support for acquiring the most up-to-date equipment. Construction is nearly complete and the opening is planned for late 1986.

The Science and Technology Foundation's Centers for Advanced Technology (CATs) Program is in its third year of operation and will provide \$7.0 million in 1985-86, a continuation of the \$7.0 million provided in 1984-85, to seven universities that conduct research in promising high-technology fields. As in the case of the RPI Center, the State's investment is matched by private and university funds and emphasizes the translation of research results into practical industrial and commercial applications. This transfer of technology to commercial use has already occurred in three cases.

Another Foundation program, the Corporation for Innovation Development, provides financial assistance to promising new companies. Since its inception in 1982, the Corporation has approved 20 investments totaling almost \$2.2 million in 16 new ventures. This year the Foundation has received an additional grant of \$600,000 from the Federal Economic Development Administration. Matched by a State appropriation of \$800,000, it will continue the development of technology-based new business.

A new industrial innovation program, also administered by the Foundation, has been established with an appropriation of \$8.4 million. In addition, an appropriation of \$500,000 will support the development of an industrial extension service. Modeled on the cooperative extension service which has brought such enormous benefits to American agriculture, it facilitates the process of technology transfer to commercial applications. Incubator space will be created to provide new companies with low-cost space and services during their critical formative stages. A new biotechnology center at Cornell University will contribute significantly to the State's research at the frontier of this critically important area.

This year Cornell was also designated a National Supercomputer

Center. Initial State support through the Science and Technology Foundation will leverage an estimated \$75 million in Federal and private funds to develop advanced computer technology that, in turn, will be available to the State's universities and industries.

UDC and the Job Development Authority (JDA) also play key roles in high technology. Like the Science and Technology Foundation, UDC plans to finance "incubator facilities" to house new companies during their financially tenuous stages. JDA, on the other hand, makes tax-exempt loans to help established firms develop or expand production facilities.

STRENGTHENING THE AGRICULTURAL BASE

Agriculture has always been a strong component of New York's economy. New efforts this year have stressed diversification of agricultural activities, development of new products, and increased efficiency of production. A \$20 million appropriation to the Urban Development Corporation will support construction of a new Biotechnology Institute at Cornell University. Advances in modular genetics, cell biology and cell production will support the agricultural and food processing sector of the State's economy.

A \$5.1 million appropriation has been provided to construct a food science laboratory at Cornell. The new building is expected to be ready for occupation by June 1988.

In addition, a total of \$1.3 million has been provided for three initiatives to strengthen agriculture by developing new business opportunities and by ensuring that New York agricultural products remain competitive. A new Agriculture Research and Development Program was implemented this year to help demonstrate the feasibility of emerging agribusiness opportunities in New York. An associated Technical Assistance effort is designed to help agricultural entrepreneurs bring ideas into reality. Finally, a new Product Quality and Market Development Program will help growers and marketers highlight premium New York products.

ASSISTING NEW AND ESTABLISHED INDUSTRIES

The Job Development Authority has become one of the nation's most effective instruments for meeting the financing needs of small manufacturing companies. Since the beginning of the current fiscal year, JDA has approved projects totaling \$85 million to create or retain an estimated 7,700 jobs. New Yorkers will be asked this November to support a referendum to increase JDA's investment capacity from \$300 million to \$600 million.

State public authorities are also involved in some of the largest construction projects in the nation, creating thousands of jobs and

reinforcing the economies of the cities in which they are located. The World Financial Center, rising at Battery Park City, will house several leading financial services firms critical to the economic health of New York City. Two 50-story office towers are nearly complete, and construction of the remaining two office towers and civic facilities is well under way.

The Jacob K. Javits Convention Center, a state-of-the-art facility occupying five blocks in New York City, will open in April 1986. This project has created 4,300 construction jobs and will generate significant tax revenues for both City and State. At the same time, the Times Square Redevelopment Project, a \$1.6 billion program to restore the internationally renowned Manhattan area to its former grandeur, is under way. During the current fiscal year, the State has contributed \$2.1 million toward initial work associated with the project. Finally, the 200,000 square foot Rochester Convention Center was completed this year, an occasion marked by a gala grand opening in August.

EMPLOYMENT AND TRAINING

Providing the skills training and employment opportunities necessary to move the State's unemployed, disadvantaged and dislocated workers into the workforce is a major objective of this Administration's comprehensive employment and training effort.

The Federal Job Training Partnership Act (JTPA), the foundation for the State's training programs, assists the chronically unemployed and underemployed to overcome barriers to meaningful employment opportunities. During the current year, approximately \$200 million in funding has been made available under JTPA to serve more than 134,000 disadvantaged and unemployed people, including adults, youth, older and dislocated workers.

More than \$10 million of this funding has been used to implement three programs targeted to dislocated workers. The Occupational Retraining and Reemployment Program finances individual contracts with local training providers to assist dislocated workers to obtain unsubsidized employment through on-the-job training and other related employment services. The Employer Specific and Tuition Assistance programs, operated cooperatively with State and local educational training institutions, provide occupational training reflecting the current needs of business and industry.

Summer employment and training programs continue to be primary targets for funding under JTPA. Approximately \$60 million has been provided to local service delivery areas to serve more than 65,000 economically disadvantaged 16- to 21-year-old youths.

In addition, New York State has continued the \$5.0 million School-

to-Employment Program (STEP) to assist economically disadvantaged 16- to 18-year olds to acquire the education, skills and counseling necessary to enter the workforce. During its first complete year of operation, STEP has supported 13 programs with more than 2,600 enrollees, and placed more than 1,350 in jobs.

The State has also increased its effort to move a greater number of dependent persons toward self-sufficiency, through improved job training and placement. The Work Incentive (WIN) Program enhances the employment potential of recipients of Aid to Families with Dependent Children (AFDC) by providing them training, job placement and supportive services. A three-year WIN demonstration project, initiated this summer, will greatly enhance the State's ability to reduce welfare dependency by permitting more flexibility in program design, allowing for expansion of program services into previously unserved areas and leveraging additional Federal resources.

Furthermore, legislation enacted last year revamped public assistance work-rule requirements and provided local social services districts with more support for innovative job training and placement. Financial support for that program has been increased again this year. In addition, a major effort in the coming year will seek to include the private sector more directly in job training and placement, and to develop employment plans at the local district level tailored to individual needs. This new program will place special emphasis on young parents and single persons who would otherwise face the prospect of long-term financial dependency.

The health and safety of the State's workforce also continues to be a concern of this Administration. A new State Occupational Safety and Health (OSH) training and education program was established this year to promote safe and healthy conditions in the workplace and prevent work-related accidents and illnesses. This \$2.0 million program will provide training grants aimed at both employers and employees in government, business, labor organizations, nonprofit entities and other bodies.

TRANSPORTATION

HIGHWAYS AND BRIDGES

On September 26, 1985, the Governor and the Mayor of the City of New York announced the details of a program to use \$1.725 billion in Westway trade-in moneys that are due to New York to fund substitute highway and transit projects. As provided in the trade-in package, 60 percent of the funds, or \$1.035 billion, will be spent on transit projects. This will consist of \$345 million allocated directly to projects selected by the New York City Transit Authority, and of \$690 million which the City will pay to the Authority as it receives an equal amount of trade-in funds for projects that would otherwise have been financed from City

revenues. The remaining 40 percent of the trade-in package, or \$690 million, will be reserved for construction of a replacement highway on the west side of Manhattan. In total, the package is designed to maximize benefits for transit and to make Federal trade-in funds available as promptly as possible.

With much of New York's industry located outside large metropolitan centers and 70 percent of its communities not served by railroads, the continued industrial development and economic growth of New York State clearly depends on effectively maintained highways and bridges. Of central importance is the State highway system, which accommodates over 60 percent of all automobile and truck traffic. New York remains committed to the improvement of this system, placing particular emphasis on the reconstruction and preservation of existing highways and bridges.

The 1985-86 State Highway and Bridge Program, combined with improvements to rail, transit, port, aviation and waterway facilities, constitutes the second year of the five-year Rebuild New York Program. Thanks to the success of the State Department of Transportation (DOT) in responding to a rapid acceleration of activity, the program is proceeding on schedule. The contract-letting program during the current fiscal year will match the 1984-85 record level of \$825 million — a \$115 million increase over 1983-84. This increase reflects both enhanced Federal aid resulting from the five-cent per gallon fuel tax increase and the \$1.25 billion Rebuild New York Bond Act approved by the voters in November 1983. Without such new funding sources, the backlog of deteriorated highways and structurally deficient bridges would have continued to grow, increasing hazards to road users and risking the loss of the State's competitive economic edge.

The State is continuing to reduce the backlog of deferred maintenance on existing facilities, protect its capital investment in new construction, and maintain highways and bridges reconstructed under the Rebuild New York Program. The \$5.0 million in added bridge painting funds made available in 1985-86 will enhance this badly needed program. State contracts for preventive maintenance have allowed redeployment of existing personnel and resources to reduce backlogs in pavement maintenance. DOT is also using sophisticated technical equipment to streamline design and improve project management.

MASS TRANSIT

The safe and efficient operation of metropolitan public transportation systems is a matter of fundamental importance to regional economies as well as to New York State as a whole. The availability of economical transit services in the New York City metropolitan area has a substantial impact on the economy of the City and adjacent suburban counties. In response to the progressive deterioration of mass transit in the metropolitan region during the 1970's, the State authorized a massive

\$8.5 billion five-year capital program to begin the vitally needed rebuilding process. This capital program, approved in October 1982 by the Metropolitan Transportation Authority (MTA) Capital Program Review Board, should reestablish reliable operations on metropolitan subways, buses and commuter rail facilities and ensure the long-term survival of the transit system.

To date, the MTA has committed approximately \$5.0 billion in capital improvements, and access to the capital bonding markets ensures the availability of all capital plan financing sources. The Transit Authority has reorganized its capital program management, focusing more responsibility for project selection and design on program managers in operating departments.

In June 1983, New York enacted legislation to require the MTA to prepare strategic plans for its operating agencies. The recently released Strategic Planning Initiative (SPI) should provide a framework for determining the future availability of capital funds to rebuild the region's subway, bus and commuter rail lines. The full three-year effort will also comply with the legislative mandate for MTA to address fundamental questions about the future configuration and scope of service of the region's transit network.

The initial phase of the Buffalo Light Rail Rapid Transit System began in May 1985, and remaining work is scheduled for completion by 1987. Work is also progressing on the \$42 million Transit Mall, an integral component of the overall project.

RAIL SERVICES AND WATERWAYS

Under its Branchline Assistance Program, the State has provided \$26 million through the current fiscal year for essential capital improvements. This effort is intended to stimulate economic development and to secure and attract jobs and industry. Since its inception, this program has eased the impact of abandonment by Conrail of over 450 miles of secondary trackage affecting some 350 rail users employing more than 30,000 people. On a statewide basis, it has funded necessary rail improvements and other capital investments that benefit some 375 rail-dependent shippers who collectively employ more than 99,000.

With nearly 100,000 pleasure boats passing through its 57 locks last year, the New York State Barge Canal System has become a significant artery of tourism and recreation. At the same time, development of hydroelectric generating capacity has progressed at a rate that will provide 200 megawatts of electricity annually by the year 2000. Recognizing the significant role of the Canal, the State has not only stepped up maintenance, but has doubled its normal capital investment for rehabilitation to \$50 million through the five-year Rebuild New York Program and has adopted legislation designed to facilitate the development of hydroelectric sites.

HOUSING

Several State agencies and authorities administer a variety of programs to provide safe and affordable housing for New York's citizens. The Division of Housing and Community Renewal (DHCR) develops housing policy, administers a major community renewal program and regulates certain types of privately owned housing. Two public authorities — the Housing Finance Agency (HFA) and the State of New York Mortgage Agency (SONYMA) — finance the development of multifamily and single-family housing. The Battery Park City Authority (BPCA), in addition to commercial development, is developing 2,200 new housing units at Battery Park City in lower Manhattan with another 1,710 units currently under construction. And finally, the Mortgage Loan Enforcement and Administration Corporation (MLC) manages a portfolio of 113 projects financed by the Urban Development Corporation.

As the result of legislation proposed by the Governor and enacted this year, the State's housing program has become one of the largest and most aggressive in the nation. Functioning in an environment of decreasing Federal support, these initiatives consist of multi-year programs to encourage private-sector development and bring the cost of housing within reach of low- and moderate-income families. As in the case of economic development, housing programs are largely dependent on a partnership between government and the private sector to combine public and private capital to create new housing or to preserve existing structures.

At the center of this ambitious effort was the enactment of legislation creating a \$25 million Affordable Housing Ownership Program and a \$25 million Low-Income Housing Trust Fund Program. These programs will provide \$50 million annually for grants and loans for housing low- and middle-income individuals and families.

The Low-Income Housing Trust Fund, established as a subsidiary of HFA and administered by DHCR, will spur the rehabilitation of vacant or underoccupied buildings by making grants, low-cost loans and other assistance available to low- and moderate-income families. The Affordable Home Ownership Program will be administered by a subsidiary of HFA and will stimulate investments in the construction of new affordable homes.

Another major aspect of this year's housing program has been a \$350 million expansion of SONYMA's extremely successful Affordable Housing Program. During this fiscal year, SONYMA will provide over \$400 million in mortgage funds to finance more than 7,100 units for first-time homebuyers. Because of SONYMA's tax-exempt status, homebuyers expected to participate in the program will receive mortgages bearing interest rates about three percentage points lower than conventional fixed-rate mortgages.

To expand the supply of multifamily housing, a \$700 million increase has been authorized in HFA's investment capacity. Through its Loans to Lenders Program, HFA has produced more than 3,000 multifamily housing units with approximately 1,000 units for low- and moderate-income households. In concert with the expanded HFA program, a \$13 million Insured Housing Initiatives Fund was authorized to make these new units even more affordable to low-to-moderate income families.

Another effort to increase housing production is the Rural Rental Assistance Program. In 1985-86, the program received a \$5.0 million State appropriation which, together with Federal funding, will provide approximately 500 new multifamily housing units in rural areas. Previously, the State had provided \$15 million for this program which, when fully expended, will produce 1,500 new units. A portion of these funds will be used to provide housing in the vicinity of the expanded Fort Drum complex.

Under legislation enacted in 1983, DHCR acquired responsibility for the rent control functions of the City's Department of Housing and Preservation Development and the rent stabilization functions of the Conciliation and Appeals Board. With this transfer, the Division now regulates the rents of some 1.2 million units across the State. The administration of rent control and rent stabilization in New York City remains near the top of DHCR's agenda, with the Division seeking to improve mechanisms to resolve tenant-landlord conflicts and reduce the time required to process cases and handle appeals.

THE ENVIRONMENT

New York State's program to safeguard the environment and protect its natural resources has been dramatically expanded by initiatives proposed by the Governor and enacted this year. This program is one of the largest and most aggressive in the nation, as shown by a 32 percent increase in the Department of Environmental Conservation's environmental enforcement staff.

The cleanup of inactive hazardous waste disposal sites continues to be a high priority for both the Department of Environmental Conservation and the Department of Health, and the State's efforts to ameliorate the threat of toxic contaminants in the environment have been accelerated. Legislation has been enacted to provide \$30 million annually for the State Superfund from a combination of State appropriations and assessments against waste generators. These resources will permit New York to expedite its program to clean up the more than 900 inactive hazardous waste dump sites throughout the State.

An additional 40 positions have been established for hazardous waste enforcement to control the transportation, storage and disposal of

hazardous waste. Municipal solid waste regulation will be greatly expanded by the addition of 42 new positions to enforce standards and provide technical assistance to local governments that are converting to new technologies for waste disposal.

Initiatives to protect New York's water supply for safe drinking and for industrial and recreational use were featured in this year's budget. Expanding the State Superfund and the municipal solid waste program will help protect the State's waters from the threat of toxic substances. Moreover, \$1.1 million was provided for 15 new positions and other expenses associated with the implementation of the new Petroleum Bulk Storage Monitoring Program. This program responds to the most serious threat of contamination to the State's groundwater. The former responsibilities of the Department of Transportation for oil spill cleanup have now been consolidated within the Department of Environmental Conservation's oil spill program and strengthened by the addition of eight new positions to ensure the rapid cleanup of surface petroleum spills. In addition, 15 new positions have been established to improve control over the use and disposal of pesticides.

A total of \$770,000 was appropriated for monitoring and cleanup efforts on the Niagara River, and eight new positions were provided to implement the Long Island Groundwater Management Plan to help protect the Island's important underlying aquifers. An additional 32 positions will enable the Department to address other critical water quality problems across New York State.

The development of resource recovery facilities also helps reduce water pollution by permitting the closing of landfills and the burning of solid waste that cannot be recycled. At the same time, the proceeds from selling energy generated by these facilities can help to defray their operating costs. Over \$19 million in Environmental Quality Bond Act funds were provided this year to finance grants to local governments that are developing resource recovery facilities.

New York is also committed to improving water quality by reimbursing municipalities for the costs of operating wastewater treatment plants, and this year's budget includes \$35.8 million to continue aid-to-localities payments for the operation and maintenance of such facilities. Capital grants for sewage treatment plant construction are also made to municipalities from State bond funds. The reprogramming of Pure Waters Bond Act proceeds permitted new commitments of \$16.7 million as the State match for Federal construction grants this year, and reappropriations of \$585 million ensure continued progress on previously approved grants.

The goal of New York's air pollution control program is to achieve and maintain a degree of air purity consistent with the protection of public health and welfare. To meet this goal, ten positions were added to develop standards governing maximum permissible levels of air toxicity and to

revise permit requirements, and \$5.8 million was appropriated to modernize the State's air quality monitoring system.

Reorganization of the Counsel's Office in the Department of Environmental Conservation and the addition of six positions will help reduce a backlog of enforcement cases and keep enforcement efforts in all programs on schedule in the future.

HUMAN SERVICES

MENTAL HEALTH/MENTAL RETARDATION/ALCOHOL AND SUBSTANCE ABUSE

During 1985-86, the State has significantly enhanced services to dependent populations served by the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), the Division of Alcoholism and Alcohol Abuse (DAAA), and the Division of Substance Abuse Services (DSAS). Enriched staffing for institutional programs, coupled with increased funding for innovative community-based programs, has resulted in a systemwide improvement in both the quality and variety of available services. OMH, OMRDD and DAAA are also collaborating on a long-term, coordinated capital reconfiguration plan based on an assessment of service needs by each participating agency.

Mental Health. The Office of Mental Health provides direct services to approximately 21,700 individuals who receive inpatient services in adult and children's psychiatric centers and forensic hospitals. Moreover, OMH operates a broad spectrum of State-staffed outpatient programs and two research institutes.

The 1985-86 appropriation will support a total of 708 positions to enhance staffing in high-priority, patient-related services. Of these, 500 will be provided through redeployment of positions from the Adult Mental Health Program because of a projected 2.8 percent decrease in the total number of clients to be served. Staff will be added to:

- Increase inpatient and outpatient services in facilities that serve a high proportion of acute care patients;
- Continue improvement of pharmaceutical distribution and dispensing systems in State facilities;
- Expand inpatient and day-treatment services in children and youth facilities in those locations of the State that have the greatest unmet needs;
- Complete the phase-in of the 144-bed Kirby Forensic Hospital which opened in New York City in February 1985; and
- Expand activities related to direct mental health research.

The State has also continued to make progress in increasing the availability of residential alternatives to inpatient psychiatric

hospitalization. For mentally ill adults, OMH has developed a new long-term, congregate-care housing program — Residential Care Centers for Adults (RCCAs). Legislation passed in July 1985 authorizes the development and operation of the 600 RCCA beds planned in the 1985-86 Executive Budget, and these beds, combined with the development of more than 1,600 new community residence beds over a two-year period, are significantly increasing both the number of beds and the range of residential care available to mentally ill adults in the community. At the same time, the Residential Treatment Facility Program for mentally ill children is moving toward its goal of 600 beds.

Consistent with the findings of the Governor's Select Commission on the Future of the State-Local Mental Health System and the direction set forth in the 1985-86 Executive Budget, OMH has embarked on a multi-year effort to improve the administration of the local mental health service network. An advisory panel has been reviewing OMH's recommendations for streamlining State funding of local mental health programs, and the agency's final proposals are expected late in 1985. At the same time, agreement has been reached on the structure of the Monroe-Livingston Demonstration Project, which is designed to test innovative approaches to both service delivery and financing. Discussions are under way as to the specifics of program design and implementation.

Mental Retardation and Developmental Disabilities. The Office of Mental Retardation and Developmental Disabilities has continued during the current year to improve its administrative and service delivery systems. It has laid particular stress on enhancing its client information system, improving funding mechanisms to ensure the financial viability of the voluntary provider system, upgrading the quality of care in its developmental centers, and examining ways to increase the efficiency of its regulatory process.

OMRDD is further expanding its service system by developing appropriate residential and day programs for mentally retarded or developmentally disabled citizens. During this fiscal year alone, approximately 1,400 residential placements will be accomplished, bringing the total number of clients in the community service system (consisting of intermediate care facilities, community residences and family care homes) to more than 14,000.

The Office has also made major progress in ensuring the development and availability of effective day services to enable disabled clients to achieve their maximum daily living and work potential. It is carrying out the Governor's Family Support Services initiative to provide critical services to families caring for disabled members at home, and is also seeking to streamline both the funding and regulation of day services. OMRDD will collaborate with the Department of Labor and the Office of Vocational Rehabilitation as it examines the effectiveness of the day services system in meeting the multiple needs of its clients.

As OMRDD expands its community service system and explores innovative mechanisms for providing services, the Office also seeks to improve the quality of services at its 20 developmental centers. Consistent with the goals of the 1985-86 Executive Budget, the Office is increasing staffing ratios through redeployment, investing funds for specialized equipment, improving the delivery of pharmaceutical services, and providing such alternative environments as community-like residential units.

Alcohol and Substance Abuse. The Division of Alcoholism and Alcohol Abuse and the Division of Substance Abuse Services are also emphasizing the development of comprehensive, community-based service systems for substance and alcohol abusers, and both have undertaken significant new community treatment initiatives in 1985-86. DAAA is expanding its community residential capacity, enhancing its public inebriate services and promoting multicounty consortia for programs in rural areas. At the same time, DSAS is increasing treatment capacity for homeless substance abusers and for many people awaiting treatment. Legislation approved in June 1984 provides residential substance abuse agencies with increased Home Relief payments that have allowed DSAS to expand and enhance services, with particular emphasis on underserved areas. In addition, DAAA, DSAS and the State Education Department are collaborating on improving and coordinating chemical abuse prevention and education services throughout the State, including those provided in schools.

INCOME MAINTENANCE

New York State's income maintenance programs are designed to provide adequate cash assistance to the needy, yet foster the self-sufficiency of recipients through employment incentives and training. A disturbing trend of caseload growth for the past several years continues, however, to raise serious questions about both the structure of the economy and the nature of dependency.

In the face of recent economic recovery, public assistance caseloads in New York and other states have continued to grow at a rate unprecedented in the past decade, with more than 10,000 Home Relief recipients added to New York State rolls since the development of the 1985-86 Executive Budget.

In the past, the number of persons falling into dependency often declined during periods of economic recovery or stability, and this, in turn, reduced the size of public assistance caseloads. However, it is far more difficult for recipients to achieve economic self-sufficiency when they are handicapped by significant educational, vocational or child care problems. Accordingly, to address the continued increase in dependency and its important long- as well as short-term implications for the State Financial Plan, it is necessary to assess the impact of such factors as

the structure of the economy; limited employment opportunities for public assistance recipients; the continued rise in the number of persons living below the poverty standard; and restrictive Federal policies which have forced the needy disabled to seek financial support through the Aid to Families with Dependent Children (AFDC) or Home Relief programs.

The Federal government has continued to retreat from its responsibility for needy individuals. Although several court orders mandate that disabled persons previously denied or terminated from coverage under Supplemental Security Income (SSI) and Old Age Survivors Disability Insurance (OASDI) be identified and reviewed for possible retroactive eligibility, the Federal government has been extremely slow to identify affected individuals. As a result, New York State has recently begun an independent outreach campaign, including a mailing to approximately 300,000 households to notify disabled persons that they may qualify for Federal financial assistance, the establishment of a toll-free hotline and the intensification of local district staff training.

Furthermore, several food stamp reauthorization proposals recently introduced in Congress would reduce recipient benefits, create administrative barriers to participation and eliminate the program's entitlement status over the next four to five years. New York is taking the lead in resisting these regressive legislative measures by increasing its efforts to call congressional attention to their undesirable consequences.

The Department of Social Services continues to strengthen its management of welfare programs. The major component of this effort is the installation of the Welfare Management System (WMS) in New York City. WMS, a state-of-the-art information system and eligibility-determination process, has been operational in all 57 upstate counties for four years and will be fully installed in New York City by December 1986. Simultaneously, the Benefit Issuance and Control System (BICS), a significant enhancement to the upstate WMS, will be operational in 33 counties by the end of this fiscal year. Implementation of the Child Support Management System (CSMS) will also assist the State to reduce unnecessary public assistance expenditures by increasing child support payments from absent parents.

The primary function of any income maintenance system, of course, is to ensure that eligible needy persons receive the assistance required to provide a basic living standard. Accordingly, grant increases for public assistance and SSI recipients living independently in the community were enacted this year and take effect on January 1, 1986.

SUPPORTIVE SERVICES

This Administration is committed to promoting economic independence and improving the quality of life for the State's most needy citizens — the weak and abused, the homeless, the elderly, the single parent, and

the troubled youth. New York State will make progress toward achieving these long-term objectives during the current year by expanding the availability of high-quality, affordable day care for low-income families, enhancing the State's capacity to protect children from abuse, and developing community-based alternatives to out-of-home placement.

Since 1981, the availability of day care subsidy programs for low-income and poor families has declined, resulting in disrupted employment opportunities, greater use of unlicensed day care arrangements and, in some cases, welfare dependency. To mitigate the harmful effects on families, the Executive Budget included approximately \$10 million for day care projects of particular importance to low-income families and public assistance recipients, and the Department of Social Services (DSS) has developed a strategy to ensure both the timely implementation of day care projects and the allocation of funds to areas in most need of such services. To date, 37 local social services districts have secured approval for proposed program expansion, with nearly half of the districts having new day care programs under way and remaining programs scheduled to begin by January 1, 1986.

There has also been significant progress in initiating day care programs for school-age children. DSS has received over 100 proposals from voluntary providers and plans to announce the grant awards later this fall. Selected projects will expand day care services to low-income and minority families, including homeless and refugee families. All told, the current year will see an increase in availability of day care services to more than 18,000 low-income children and families.

Unfortunately, the stresses of a modern society all too often result in the abuse and neglect of children, families and the elderly. More than 70,000 reports of suspected child abuse are received by the State Central Register annually, and approximately 7,000 cases of spousal abuse are reported to the Domestic Violence Hotline. Concern over the alarming incidence of child abuse led to the enactment of the comprehensive Child Abuse Prevention Act of 1985, which will enable New York to play an active role in protecting children from maltreatment in residential facilities and in providing appropriate training to employees and volunteers of residential child care and day care facilities. DSS has developed an action plan to ensure timely implementation of the investigatory, training and procedural requirements of the legislation.

In addition, DSS will solicit proposals to implement the Children and Family Trust Fund Act. Local and statewide grants awarded from the Trust Fund will improve prevention and treatment services for victims of child abuse and domestic violence, as well as promote public awareness and training efforts to combat this problem.

New York will continue to develop community-based preventive services for those adolescents most likely to find themselves in trouble in their family, social or community lives. DSS, in consultation with

the Council on Children and Families, has announced the award of Adolescent Pregnancy Prevention grants to 38 service providers for community service, outreach and primary prevention projects. In addition, as discussed elsewhere, an important mission of the new Division of Probation and Correctional Alternatives is coordinating recently passed legislation aimed at diverting at-risk youth from the jurisdiction of the courts to that of community agencies.

SERVING THE HOMELESS AND DEPENDENT POPULATIONS

Meeting the housing and related health and service needs of dependent populations — the homeless, the mentally ill, substance abusers, public assistance families, and the frail elderly — remains one of today's most complex social challenges. To address this issue, the State has developed a carefully coordinated response among several State agencies, local governments, and private and voluntary enterprises.

The keystone of the State's efforts for the homeless is the Homeless Housing Assistance Program (HHAP). DSS has completed its evaluation of proposals submitted by interested agencies and will shortly award \$17.5 million to municipalities, voluntary agencies and charitable organizations to acquire or rehabilitate temporary and permanent housing units across New York State. Over the three-year life of the program, the State has committed a total of \$50 million to develop an estimated 5,800 beds for homeless persons. In addition, a total of \$56 million will support public shelters and other emergency housing to provide temporary accommodations for the homeless until permanent housing becomes available.

The State is also implementing several programs to meet the service needs of specific homeless populations, including youth, substance abusers and the mentally disabled. For example, a \$2.2 million initiative will enable the Division for Youth to expand the State's Runaway and Homeless Youth Program to provide transitional and independent living programs for older homeless youth. These funds, together with the required local share, will provide housing and services to an estimated 600 youths across the State. Similarly, DSAS and OMH will develop additional residential beds for substance abusing and mentally ill homeless persons.

It is also critical for the State to maintain a full array of residential options for elderly and disabled adults. A major initiative in this area was implemented effective July 1, 1985, when State payments were increased by \$70 monthly for Supplemental Security Income (SSI) recipients in Adult Residential Care Facilities. This increase should reduce the incidence of facility closure, and improve the quality of care for residents, by enabling facility operators to comply expeditiously with State health, safety and program regulations. In addition, to encourage the development of additional family-type beds for clients, the State will

finance supplemental payments effective October 1, 1985 to help family-type providers meet such client-related costs as clothing, transportation and provider respite. Finally, enriched housing programs, which allow necessary renovation of homes and apartments, are often critically important if the frail elderly are to maintain independent living arrangements in the community. In the current year, DSS will award one-time grants to six new enriched housing programs for projects designed to reduce costly and unnecessary institutional placement.

MEDICAL ASSISTANCE

Providing high-quality health care in appropriate and cost-effective settings is a guiding principle for the administration of the State's Medical Assistance Program. Last year, New York began a multi-year effort to redirect the health care delivery system, with special emphasis on ambulatory and primary health care services. This year, the State is focusing on the delivery and reimbursement of long-term care in addition to developing the framework for a major restructuring of hospital reimbursement.

Long-term care services comprise about 47 percent of the total State Medicaid budget, and will account for an estimated State expenditure of \$1.4 billion in the current fiscal year. Moreover, the projected increase in the State's elderly population over the next 20 years guarantees a growing demand for long-term care services and several steps to meet this challenge have already been taken. The enactment of Chapter 959 of the Laws of 1984 makes proprietary home-care agencies eligible to become licensed and certified providers in the State. When implemented, this initiative should ensure an adequate supply of home care throughout the State. Additionally, the Long Term Care Policy Coordinating Council (LTCPC) has been studying potential financing mechanisms, the feasibility of continuing-care retirement communities, and other measures to improve the delivery of long-term care services to the State's elderly population. The LTCPC studies are near completion and will be forwarded to the Governor for consideration and possible implementation in the coming years.

Disabled individuals will have the opportunity this year for greater involvement in choosing and monitoring home-care services provided through the Medicaid program. A demonstration program is being established to test the use of an alternative payment mechanism for purchasing home care. Under this project, eligible individuals in up to six counties can participate in a program designed to increase their involvement not only in selecting and training their home-care service providers, but also in paying for services received. Participating Medicaid recipients will receive the funds needed to reimburse the providers of such services directly.

Significant revisions to the State's Medicaid reimbursement

methodology for nursing homes have been developed. Nursing homes are currently reimbursed on the basis of average allowable costs, which creates an incentive for facilities to admit lower-care patients while those who need greater care are often excluded. Effective January 1, 1986, reimbursement will be based upon prices established for each of 16 different patient classification groups. These groups, commonly referred to as resource utilization groups (RUGs), reflect the different level of care required by nursing home patients. Under RUGs, Medicaid reimbursement will vary depending upon the intensity of care required, thereby removing the fiscal disincentive to admit patients who need greater levels of care. Additionally, the new system should improve the efficiency of service delivery and complement the State's overall long-term care strategy.

Local governments continue to benefit from the State's takeover of a greater proportion of the local share of Medicaid costs for long-term care services. The State is implementing the final year of the three-year phase-in of the takeover during this fiscal year and, beginning January 1, 1986, the local government share of Medicaid costs for long-term care will decline to 10 percent.

Since January 1983, payments to hospitals for medical services have been governed by the New York Prospective Hospital Reimbursement Methodology (NYPHRM). A replacement system that essentially continues the existing per diem system for Medicaid and the other non-Medicare payors will be implemented effective January 1986. A critical component of the replacement methodology, known as NYPHRM II, is a continuation of the Bad Debt and Charity Care Pools. Providing financial relief to hospitals that care for the medically indigent will ensure this needy group access to necessary health care. NYPHRM II is an interim system, as the enabling legislation called for the analysis of alternate reimbursement mechanisms, including case payment, similar to the concept used at the Federal level by Medicare. Reimbursing on a per case, rather than a per diem, basis could provide incentives for reducing unnecessary hospital stays and containing the growth of hospital costs. In coming months the State will be moving forward on the design of such a system.

Notwithstanding these efforts, costs for health care continue to grow and consume a significant share of State and local resources. For this reason, the State will continue to seek ways to control the cost of the Medical Assistance Program while ensuring access to high quality care for those in need of health-care services.

PUBLIC HEALTH SERVICES

Although this Administration is committed to protecting the health and well-being of all the State's citizens, there has been a major emphasis

this year on meeting the nutritional and medical needs of the State's most vulnerable and dependent populations.

Funding for the Supplemental Nutrition Assistance Program (SNAP) has more than doubled. Designed to address the nutritional deficiencies of needy individuals, this \$17.5 million program will provide nutritional services to 22,700 women, infants and children, 11,000 frail elderly, and 4,800 homeless individuals during the current year.

Appropriations totaling \$7.5 million for the second year of the Prenatal Care and Nutritional Services Program will assist in reducing the State's high rate of infant mortality and morbidity. This level of funding will enable 12,650 low-income women to receive the comprehensive prenatal services, postpartum checkups, health education, and nutritional assessments so critical to the development and delivery of healthy babies. Additionally, a total of \$2.5 million will again be available to primary health care clinics during the current year to help meet the costs of providing general medical care to the medically indigent, including pregnant women.

To address the shortage of health professionals in State facilities operated by OMH, OMRDD and the Department of Correctional Services, the State will establish the State Health Services Corps. This program will provide educational scholarships and fellowships for health professionals who, in return, will work in these facilities for a specified period of time. The Department of Health is developing agreements with affected State agencies, coordinating educational and training programs, and recruiting potential participants with the goal of implementing this program during the 1985-86 academic year.

Over the past six months, there has been a growing national awareness and concern over the devastating effects of Acquired Immune Deficiency Syndrome (AIDS). New York recognized the need to deal with this problem in July 1983 with the creation of the AIDS Institute and the dedication of funding for research and community services. Over the last two years, the State has provided \$7.8 million to support research in epidemiology, diagnosis and treatment, immunology and microbiology. An additional \$4.0 million has been targeted toward community services to provide education and outreach services to providers, high-risk groups and the general public; develop and enhance a statewide AIDS referral system; and provide counseling and testing to persons who wish to determine if they have been exposed to the virus associated with AIDS. During the current year, the Institute will focus on more sophisticated epidemiological studies of the virus known as HTLV-III/LAV, on the development of AIDS projects related to diagnosis and treatment of infections, and on the further expansion of existing community services projects.

JUVENILE JUSTICE

Reversing a five-year trend of increased placements that began with the enactment of the Juvenile Offender Law in 1978, the Division for Youth (DFY) has experienced a decline since late 1983 in the number of juvenile offenders remanded to its care by the criminal courts. At the same time, however, demand for limited secure/noncommunity-based beds is increasing. In response to these countervailing trends, and the rigid statutes governing placement, the Division has taken several steps: it converted an entire secure facility to limited secure operation, and obtained the passage of legislation to allow certain juvenile offenders to be assigned to less-than-secure facilities. Finally, DFY gained additional limited secure capacity in July by opening a new 20-bed boys' facility on the Industry Campus in Monroe County two months ahead of schedule. These moves, together with the possible conversion of another secure facility to limited secure operation, will make these programs more responsive to current placement patterns and the needs of youth in care.

DFY is also carrying out several measures, enacted by the Legislature at the Governor's request, designed to help older youth function successfully in the community. For the growing numbers of older homeless youth, it is establishing regulations for shelters that will provide services to enable these youth to live independently. And to help ensure the economic self-sufficiency of youth moving into the community from DFY institutional care, the Job Development and Aftercare programs will provide employment, educational and other living skills. Requests for proposals have been solicited from agencies in the communities of greatest need, and programs should be operating during the second half of 1985-86.

To direct delinquency prevention resources more precisely to those communities and youth who are at the greatest risk, DFY is initiating a needs-based methodology for distributing the non-formula portion of the State-funded 1986 Special Delinquency Prevention Program. Such risk indicators as percentages of high school dropouts, students failing New York State reading tests, and unemployment rates among older teenagers (16-19 years old), as well as the rates of children in poverty and involved in child abuse and/or neglect cases, will help direct funding toward the geographic areas most in need of assistance. In addition, the Division continues to support local efforts to prevent juvenile delinquency through its Youth Development and Delinquency Prevention Program, for which the State provides 50 percent of the funding.

CRIMINAL JUSTICE

PUBLIC SAFETY

Substantial State investments in anti-crime and corrections programs continue to appear effective. In 1984, serious reported crime declined by more than 4 percent, reaching the lowest level since 1978 and representing the third consecutive yearly decrease. Preliminary data for the first half of 1985 indicate that this trend is continuing.

In response to escalating crime rates in the late 1970's and the public's demand for safety, State and local governments supported such new initiatives as stiffer sentencing laws, added support for police forces, bolstered prosecution and court resources and increased prison and jail space to incarcerate felony offenders.

This response by government probably has contributed to a measurable improvement in public safety. Felony arrests in 1984 rose by nearly 6 percent over 1983 levels; felony indictments grew by 3 percent; and felony convictions topped 29,000 — 14,000 more than in 1980. These levels are being sustained by the continued allocation of considerable financial resources to criminal justice programs.

CORRECTIONS

Government's effective response to crime is indeed taking criminal offenders off the streets. These activities, however, have also placed added strains on the State's penal system.

Over 5,700 cells have been added to the State's prison system since State fiscal year 1983-84 when the Governor initiated a multi-year capital construction program. The original budget plan calling for 8,600 cells was expanded to 10,200 cells subsequent to the adoption of the current budget, in recognition of the continued inmate population growth. The enabling legislation, Chapter 479 of the Laws of 1985, increased the Urban Development Corporation's maximum bonding authority to \$513 million and provided a net \$81 million in new capital appropriations for additional prison projects. The first offering of bonds, totaling \$295 million, occurred in late August, and proceeds from the sale will be used to reimburse the State for expenditures related to nine facility projects.

Elements of this expansion include construction of a 700-bed medium security facility in Franklin County; the addition of 200 beds each at Washington, Wyoming and Orleans correctional facilities; the addition of 200 beds for females at Bedford Hills Correctional Facility; and the addition of 100 beds at Altona Correctional Facility. Two new 500-cell maximum security facilities will also be constructed in designated upstate areas in place of previously planned construction in New York City.

The high rate of court commitments to State facilities has also placed

added pressure on local jails where inmates are housed while awaiting reception by a State facility. Recognizing the impact on localities, Chapter 494 of the Laws of 1985 authorizes the State to reimburse localities for the cost of maintaining State-sentenced felons in local jails for extended periods.

In addition to ensuring adequate system capacity, the Department of Correctional Services (DOCS) has continued its efforts to increase inmate programming and rehabilitation opportunities. There has been particular emphasis on programs to strengthen ties between inmates and their families, and to address the unique needs of the growing number of Spanish-speaking inmates.

Community supervision constitutes a crucial and increasingly significant component of the correctional system. The quality of these programs is a major factor in demonstrating the credibility of prison alternatives and ensuring public safety. To this end, efforts have focused this year on strengthening parole supervision as a means of successfully reintegrating offenders into society. Parole services have been regionalized to provide greater administrative support for the officer in the field. Concurrently, the direct supervision of parolees has been restructured to incorporate the concept of differential supervision. Under this model, parolees in need of more intensive supervision are placed in significantly smaller caseloads, facilitating closer relationships between the officer and the parolee. By mid-year, differential supervision had been implemented in the critical areas of New York City, with statewide installation projected by the close of the current fiscal year. Advancements in information processing have complemented these initiatives, improving the ability of officers to monitor service delivery, identify potential at-risk parolees in advance of a serious problem, and share data with other law enforcement and corrections personnel.

As part of the continuing effort to coordinate the criminal justice system, the key elements of probation and alternatives to incarceration have been merged in a new Division of Probation and Correctional Alternatives (DPCA). Effective July 1985 and pursuant to a comprehensive statewide planning process, 68 new programs in 43 jurisdictions will begin to divert appropriate target groups from jail and prison.

The recent PINS (persons-in-need-of-supervision) diversion legislation, passed at the initiative of the Governor and designed to divert troubled youth and their families from court intervention to preventive community services, is an important part of the new emphasis on community-based corrections. DPCA, in cooperation with other State agencies, is developing regulations and planning guidelines to direct the diversion process. At the same time, counties have begun to assess existing services, and will fill identified delivery gaps either directly or by contract. The State will reimburse 75 percent of the costs of providing needed services.

CRIME VICTIMS

Not since the enactment of the original compensation statute, in 1966, has New York made its leadership so clear in the advancement of the interests of the victims of crime. With the enactment of Chapter 688 of the Laws of 1985, the Crime Victims Board will be able to expand compensation benefits and services, broaden eligibility standards, expedite the award process, and build a true victims service network with local and not-for-profit agencies. The Board is capitalizing on these new opportunities by strengthening internal management and by defining new partnerships with State-supported local victim-witness agencies. The expanded benefits and services, including newly funded local victim assistance programs, will be financed through the use of approximately \$5.0 million in Federal aid.

STATE POLICE

The crime-fighting capability of the State Police continues to be strengthened through effective use of State and Federal funds. The first half of a two-year plan to add 200 narcotics investigators began in 1985, and further steps to combat serious crime include an expansion of the Violent Felony Warrant Unit, the establishment of a new regional crime laboratory for western New York, and continued development of criminal investigation information systems. Overall police strength is being supported through two training classes for recruits beginning in 1985-86. Furthermore, the hiring of new civilian technicians is allowing the reassignment of 50 troopers to patrol duties and the continued expansion of the Traffic Safety Law Enforcement Disposition System.

The State Police are making new contributions to public safety through specialized services. In a joint program with the Disaster Preparedness Commission, the Division has outfitted, and will operate and maintain, new state-of-the-art communications vans — a vital link in developing the statewide Emergency Communication System. The Division is also helping to ensure the safe transport of dangerous materials in the State through a vigorous hazardous materials enforcement program and by police escorts for shipments of spent nuclear fuel.

INFORMATION SYSTEMS

After a two-year review of State and local criminal justice information systems, the State has initiated a multi-year reform effort known as the Systems Improvements for Enhanced Community Safety Program. Proposed by the Governor and supported by the Legislature, the program received \$8.9 million to finance more than 20 local and State projects to improve agency-based information systems. These projects, many

of which set the stage for fundamental systems restructuring, are aimed at accomplishing three central goals:

- To automate and streamline the administrative aspects of criminal justice, so that law enforcement personnel have more time to spend on functions that contribute directly to public safety;
- To improve the quality and scope of information services provided by State criminal justice agencies, both to enhance the safety of law enforcement and corrections personnel, and to expedite the processing of individuals through the criminal justice system; and
- To promote the exchange of data among State and local criminal justice agencies in order to eliminate needless paperwork and duplicative entry of data.

The Systems Improvements for Enhanced Community Safety Program will have a profound effect on the administration of justice. It will increase the efficiency and effectiveness of State and local law enforcement, prosecution, community supervision and incarceration operations, and promote greater intergovernmental and intragovernmental cooperation in crime control and corrections.

EDUCATION

ELEMENTARY AND SECONDARY EDUCATION

Financial assistance for New York's 699 major school districts constitutes the State's largest single spending program. During the 1985-86 school year, the State will provide an estimated \$5.9 billion to help operate classes for approximately 2.61 million public school pupils. This amount represents an increase of \$485 million above the amount of aid distributed last year.

These moneys will fund a basic aid formula that allocates operating aid in inverse proportion to a school district's wealth, placing equal weight upon the real property value and personal income behind each pupil. The equalized operating aid ceiling will increase from \$2,750 to \$3,050 per pupil.

Other school aid provisions enacted in 1985 include:

- A new \$103 million supplemental support aid program for all school districts;
- A new \$13 million program for the Big Five city school districts to reduce class sizes in grades one through three;
- A new library materials aid program to provide each district with up to \$2.00 per public and nonpublic school pupil for the purchase of library materials;
- An increase from \$2.50 to \$3.00 per pupil enrolled in public and nonpublic schools for the purchase of computer software;

- An increased magnet school aid program;
- An increase in the aid salary ceiling from \$21,000 to \$25,000 for aid to Boards of Cooperative Educational Services (BOCES);
- Increased special services aid for the Big Five city school districts (which are ineligible to join BOCES);
- The provision of \$95.6 million in Hurd grants to small city school districts adversely affected by constitutional real property tax limits and a new Hurd aid formula for 1986-87 and 1987-88; and
- Increased aid to prepare adults for employment.

In addition, the State will also provide its school districts with:

- Reimbursement of 90 percent of approved transportation costs, plus the added provision of 90 percent of approved retirement expenses for districts that provide their own transportation services;
- Special assistance for pupils with handicapping conditions, including those who suffer from learning disabilities;
- Reimbursement of a share of school construction costs;
- Increased assistance for districts which have high property taxes and low wealth;
- Increased support for school lunch and breakfast programs;
- Funds to help school districts screen new pupils to identify those in need of special services as a result of unusual talents, handicapping conditions or low levels of achievement; and
- Grants totaling \$1.0 million to be distributed to school districts for the planning of new, regional schools of excellence.

These aid programs are all administered by the State Education Department.

HIGHER EDUCATION

New York State possesses one of the most diverse and respected networks of higher education in the nation. This network is also the largest — with the State University of New York the largest university system in the United States, the City University of New York the third largest system, and a diverse independent sector with combined enrollments that exceed the State University's.

State University of New York (SUNY). New York's State University continues to be a national leader in public higher education, and 1985-86 marks a watershed in the University's efforts to enhance this position.

The enactment of Chapters 551-554 of the Laws of 1985, effective April 1, 1986, will further strengthen SUNY's ability to manage its resources — \$1.7 billion in the current fiscal year — within broad policy and budgetary guidelines. In particular, while preserving the responsibilities of the Governor and the Legislature for maintaining programmatic and fiscal accountability, this legislation will enable both the individual campuses and the University Trustees to allocate and spend available resources on their own initiative to meet changing program

priorities. By continuing to support flexibility in purchasing and in other programs, the 1985-86 budget has established a solid foundation for SUNY's exercise of managerial discretion within established fiscal parameters.

Examples of these other initiatives include:

- The Retirement Incentive Program, enacted under Chapter 665 of the Laws of 1984, which resulted in 612 retirements and has permitted SUNY to reallocate those positions to academic programs facing growing enrollments;
- A reinvestment of faculty resources, no longer needed in programs experiencing long-term enrollment declines, which will strengthen other academic programs facing increased student demand;
- A \$4.9 million appropriation, which will help critical engineering programs to provide both the basic research and the highly trained workforce required by New York's economy; and
- A \$1.8 million appropriation for research and engineering equipment, which will be used to attract matching grants from private industry and other sources to place SUNY at the forefront of academic research.

As SUNY begins to operate within its new financial parameters, the Governor and the Legislature will continue to review its operations to ensure a cost-effective program that enriches both the University's academic mission and the State's economic life.

City University of New York (CUNY). The City University's 1985-86 appropriation of \$625.1 million for operating costs and fringe benefits represents approximately 30 percent of the total State funding for higher education. The appropriation provides additional funding for selective program improvements, which, in conjunction with the early retirement program, will allow CUNY to respond more effectively to new program needs while protecting the quality of existing programs.

In an additional effort to protect quality and access, the staffing plan process initiated last year will continue to help CUNY monitor its filled permanent position level and provide an early warning of potential problems. Although overall enrollment levels have declined slightly, and demographic projections indicate a smaller pool of students from traditional sources of recruitment, a few campuses continue to experience growth. An appropriation of \$2.9 million to CUNY has launched a cooperative effort with the New York City Board of Education to combat the growing dropout rate in junior and senior high schools and, ultimately, to improve CUNY's retention rates.

Expanding on the Queens Clinical Campus Program initiated last year, and on the long-standing Sophie Davis Biomedical Program at City College, \$6.2 million has been appropriated to develop a medical school at the City University. Its mission, in part, will be to facilitate medical education for minorities and to improve primary care in medically underserved areas.

The CUNY budget continues to support capital improvements, with major renovation projects under way at New York City Technical College, the Law School, City College and Lehman College, and new buildings at the planning or construction stages at Queens and York. Detailed design will begin soon for a new consolidated campus for the College of Staten Island. The campus, which will use land and some structures at the Staten Island Developmental Center, is scheduled for completion in 1990. In addition, the 1985-86 budget provides approximately \$24 million in new money for minor renovations and repairs to existing University facilities.

New and continued appropriations finance the replacement of academic and other equipment and the maintenance of an adequate equipment inventory. A computer charge of \$25 per student has been maintained, and will generate \$2.2 million in 1985-86 to provide for the acquisition of microcomputers and related equipment for students.

Community Colleges. The State's 37 community colleges have continued to strengthen their collective position as a primary source of trained personnel for the State's services and industries. State appropriations of \$258.8 million represent an increase of \$32.7 million in State aid, including funding for the Structural Unemployment Program, continued support of the Youth Internship Program, and a new community college day care program.

General Support for Higher Education. Legislation enacted during 1985 finances a variety of new programs to provide underrepresented minority groups with opportunities for professional education.

Additional moneys have been allocated for independent colleges and universities, with the State's program of direct assistance increasing by about 10 percent to \$108 million. Among other new programs of interest to the independent sector are the Dormitory Authority's pooled fund for equipment replacement and the previously authorized supplemental higher education loan program. The loan program, which also assists students in the public sector, empowers the Authority to make direct loans to students enrolled within the State in institutions of higher education and/or to their parents, and to finance educational loan programs administered by such higher education institutions. Students and parents would be eligible for these loans if they still have an unmet financial need after exhausting all other available grants and loans from Federal, State and private sources.

TABLE I
STATE FINANCIAL PLAN
CASH-BASIS OPERATING RESULTS
STATE FISCAL YEAR 1984-85
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening Balance	51	179	90	162	482
Receipts					
Taxes	19,788	647	0	25	20,460
Miscellaneous Receipts	1,123	814	100	995	3,032
Federal Grants	41	7,427	501	11	7,980
Bond Proceeds	0	0	318	0	318
Subtotal	20,952	8,888	919	1,031	31,790
Transfers From Other Funds	134	1,266	928	1,172	3,500
Total Receipts	21,086	10,154	1,847	2,203	35,290
Disbursements					
Grants to Local Governments	12,123	7,087	0	0	19,210
State Operations	5,554	2,181	5	0	7,740
General State Charges	1,610	121	0	0	1,731
Debt Service	248	0	0	902	1,150
Capital Projects	0	11	1,725	0	1,736
Subtotal	19,535	9,400	1,730	902	31,567
Transfers to Other Funds	1,500	713	7	1,281	3,501
Total Disbursements	21,035	10,113	1,737	2,183	35,068
Change in Fund Balance	51	41	110	20	222
Closing Fund Balance	102	220	200	182	704

TABLE II
STATE FINANCIAL PLAN
GAAP-BASIS OPERATING RESULTS
State fiscal year 1984-85
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues					
Taxes	20,197	580	0	25	20,802
Federal Grants	79	7,611	494	11	8,195
Miscellaneous Receipts	1,084	1,275	91	1,170	3,620
Total Revenues	21,360	9,466	585	1,206	32,617
Expenditures					
Grants to Local Governments	12,100	7,161	329	0	19,590
State Operations	7,599	1,431	0	0	9,030
General State Charges	1,495	101	0	0	1,596
Debt Service	248	0	0	1,061	1,309
Capital Projects	0	0	1,328	0	1,328
Total Expenditures	21,442	8,693	1,657	1,061	32,853
Other Financing Sources (Uses)					
Transfers from Other Funds	1,544	1	927	1,298	3,770
Transfers to Other Funds	(1,568)	(717)	(59)	(1,426)	(3,770)
Proceeds of Bond Sales	0	0	210	0	210
Total Other Financing Sources (Uses)	(24)	(716)	1,078	(128)	210
Excess (Deficiency) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses	(106)	57	6	17	(26)

TABLE III
Changes to Receipt Estimates
July to October
1985-86 Financial Plan
(millions of dollars)

	July Plan	Amnesty Reclassification	Estimate Revision	Oct. Plan
Personal income tax	11,300	30	(10)	11,320
User taxes and fees	5,950	38	33	6,021
Business taxes	3,262	5	(53)	3,214
Other taxes	982	2	62	1,046
Subtotal	21,494	75	32	21,601
Miscellaneous receipts	1,094	(75)	(19)	1,000
Federal grants	78	—	8	86
Total current receipts	22,666	0	21	22,687
Transfers from other funds	134	—	(3)	131
Total receipts	22,800	0	18	22,818

Table IV
1985-86 Receipt Estimates
Change from July Revision
(millions of dollars)

	July	October	Change From July
Personal income tax	11,300	11,320	20
User taxes and fees	5,950	6,021	71
Sales and use tax	4,440	4,485	45
Cigarette tax	429	430	1
Motor vehicle fees	411	415	4
Motor fuel tax	402	422	20
Alcoholic beverage tax	167	166	(1)
Highway use tax	68	70	2
Alcoholic beverage control license fees	33	33	0
Business taxes	3,262	3,214	(48)
Corporation franchise tax	1,625	1,650	25
Corporation and utilities tax	963	931	(32)
Insurance taxes	269	272	3
Bank tax	300	185	(115)
Petroleum gross receipts taxes	205	176	(29)
Other taxes	982	1,046	64
Estate and gift taxes	276	300	24
Real property gains tax	475	510	35
Part-nutrit tax	110	99	(11)
Real estate transfer tax	120	136	16
Other taxes	1	1	0
Miscellaneous receipts	1,094	1,060	(34)
Federal grants	78	86	8
Total current receipts	22,666	22,687	21
Transfers from other funds	134	131	(3)
Total receipts	22,800	22,818	18

TABLE V
STATE GENERAL OBLIGATION DEBT
As of March 31, 1985
(millions of dollars)

Purpose	Total Authorized	Authorized but Unissued		Amount of Debt Outstanding		
		Authorized	Unissued	Bonds	Notes	Total
Grade Crossing Elimination	\$240.0	\$0.0	\$0.0	\$3.0	\$0.0	\$3.0
Highway Construction	500.0	0.0	0.0	46.8	0.0	46.8
Transportation Capital Facilities						
Highways	1,250.0	0.0	0.0	435.5	0.0	435.5
Mass Transportation	1,000.0	3.2	0.0	696.1	0.0	696.1
Aviation	250.0	71.4	5.9	123.2	129.1	252.3
Pure Waters	1,000.0	220.9	9.1	528.0	9.1	537.1
Low-Income Housing	960.0	7.9	0.0	465.8	0.0	465.8
Middle-Income Housing	150.0	0.5	0.0	121.2	0.0	121.2
Urban Renewal	25.0	2.2	0.0	9.7	0.0	9.7
Mental Health Facilities	350.0	0.0	0.0	12.8	0.0	12.8
Higher Education Facilities	250.0	0.0	0.0	104.8	0.0	104.8
Parks & Recreation Land Acquisition	100.0	1.0	0.4	9.8	0.4	10.2
Outdoor Recreation Development	200.0	2.3	0.0	86.8	0.0	86.8
Environmental Quality						
Water	650.0	335.9	0.0	237.5	17.9	255.4
Air	150.0	75.7	0.0	55.7	0.0	55.7
Land	350.0	192.3	0.0	120.9	0.0	120.9
Rail Preservation	250.0	31.3	0.0	180.5	0.0	180.5
Energy Conservation through Improved Transportation						
Local Streets & Highways	100.0	0.0	0.0	75.7	0.0	75.7
Rapid Transit & Rail Freight	400.0	46.7	0.0	328.3	0.0	328.3
Rebuild New York through Transportation						
Infrastructure Renewal						
Highway Related Projects	1,067.5	957.6	0.0	35.7	74.2	109.9
Rapid Transit, Rail & Aviation	111.3	100.4	0.0	3.0	7.9	10.9
Ports, Canals & Waterways	71.2	62.3	0.0	6.0	2.9	8.9
Total General Obligation Debt	\$9,425.0	\$2,111.6	0.0	\$3,687.7	\$118.3	\$3,806.0

FOR ADDITIONAL READING OR REFERENCE

The books and reports listed are of recent origin and for the most part available in libraries or from the appropriate agency. All agencies referred to are units of the State government.

Annual Message of the Governor. Presented to the Legislature at the beginning of each session; sets forth policy or program proposals and outlines the Chief Executive's perspective on central issues facing the State; often includes a preview of critical problems to be addressed in the forthcoming *Executive Budget*. The Governor also issues special messages from time to time on individual programs or issues.

Department of Audit and Control, ***Annual Report of the State Comptroller.*** In addition to financial statements on New York State government, the reports provide an overview of the State's financial systems. The 1981 and 1982 reports also discuss the State's conversion to GAAP.

—***Special Report on Municipal Affairs.*** Issued annually; includes financial data for counties, cities, towns and villages.

—***State Aid to Local Government.*** Issued annually; describes each aid formula and sets forth trend data on payments.

—and the Division of the Budget, ***Official Statement.*** A detailed but readable discussion of the State's financial condition, issued and updated as required to support offerings of the State's notes and bonds; public authorities and local governments also issue official statements in connection with their sales of notes and bonds.

Department of Taxation and Finance, ***Annual Report.*** Last issued for 1983-84; the report for 1979-80 includes a history of the New York State tax system. An annual statistical supplement contains data on revenue collections, by taxing jurisdiction, and recent trends.

Division of the Budget, ***1985-86 New York State School Aid Programs, September 18, 1985.*** Describes the school aid programs funded within the appropriation for General Support for Public Schools, as well as other State appropriations affecting public schools.

—***Executive Budget,*** including the Message of the Governor. The annual budget is presented to the Legislature in January and discusses the State Financial Plan, the programs of each State agency, the basis of expenditure and revenue recommendations.

—*The Executive Budget in New York State: A Half-Century Perspective* (Albany: Division of the Budget, 1981). An account of the development and evolution of the New York State executive budget system through the late 1970's.

Education Department, *Annual Educational Summary*. Statistical and financial summary of elementary, secondary and postsecondary education, including data for both public and nonpublic schools; also includes data on professions, cultural institutions and other areas of Department concern.

Legislative Commission on Economy and Efficiency in Government, *Accounting and Financial Reporting Reform in New York State* (2 vols.; Albany, July 1980). A clearly written discussion of the arguments for converting the State's financial reporting to conform with generally accepted accounting principles (GAAP).