CONTENTS

GENERAL FUND FINANCIAL PLAN
STATE FISCAL YEAR 1988-89
(dollars in millions)

	April Estimate	Mid-Year Estimate	Change From April
Receipts:			
Taxes			
Personal income tax	15,132	13,535	(1,597)
User taxes and fees	7,221	7,096	(125)
Business taxes	3,791	3,773	(18)
Other taxes	1,345	1,398	53
Total taxes	27,489	25,802	(1,687)
Miscellaneous receipts and Federal grants	1,010	995	(15)
Transfers from other funds	29	676	647
Total receipts	28,528	27,473	(1,055)
Disbursements:			
Local assistance	18,194	18,223	29
State operations	6,912	6,705	(207)
General State charges	1,890	1,957	67
Debt service	138	169	31
Transfers to other funds			
—Capital projects	558	512	(46)
—Debt service	738	736	(2)
—Other transfers	82	149	67
	28,512	28,451	(61)
Required repayment to the Tax Stabilization Reserve Fund	16	16	
Potential imbalance	0	(994)	
Tax Stabilization Reserve Fund	0	69	
Potential gap to be closed	0	(925)	

1988-89 STATE FINANCIAL PLAN
All Governmental Funds
(Dollars in Millions)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Receipts:					
Taxes	25,802	693	0	32	26,527
Miscellaneous receipts	985	2,360	568	1,296	5,209
Federal grants	10	9,517	716	2	10,245
Total receipts	26,797	12,570	1,284	1,330	41,981
Disbursements:					
Local assistance	18,223	9,988	0	0	28,211
State operations	6,705	3,421	8	0	10,134
General State charges	1,957	200	0	0	2,157
Debt service	169	0	0	1,069	1,238
Capital projects	0	7	2,122	0	2,129
Total disbursements	27,054	13,616	2,130	1,069	43,869
Other financing sources (uses)					
Transfers from other funds	46	2,170	572	1,606	4,394
Transfers to other funds	(1,397)	(1,652)	(90)	(1,892)	(5,031)
Bond and note proceeds	0	0	327	0	327
Temporary transfer from the Infrastructure Trust Fund	630	0	0	0	630
Total sources (uses)	(721)	518	809	(286)	320
Required repayment to the Tax Stabilization Reserve Fund (a)	0				0
Potential gap to be closed	925				925
Change in fund balance	(53)	(528)	(37)	(25)	(643)
Opening fund balance	53	2,191	193	231	2,668
Closing fund balance	0	1,663	156	206	2,025

(a) The State is required to repay $16 million to the Tax Stabilization Reserve Fund on March 31, 1989, which will be immediately used to finance a portion of the 1988-89 cash-basis General Fund operating deficit.

FINANCIAL SUMMARY

Total receipts for the year are now expected to be $1 8 billion lower than originally projected in the April financial plan, with General Fund tax collections representing $1.7 billion of that shortfall. This reduction means that tax receipts are expected to grow by only one percent in 1988-89, compared to almost nine percent growth in 1987-88 — and that personal income tax receipts are projected to decline by nearly three percent in 1988-89. These results are all the more notable because the economy has performed about as expected in April although the stock market crash has affected personal and corporate tax collections. More importantly, Federal tax reform has altered patterns of taxpayer behavior in ways that could not be fully predicted, expecially in the area of capital gains. In addition, projected disbursements have increased primarily as a result of mandated spending, including Medicaid and interest on short term borrowing. This brings the remaining gap — after reflecting the $950 million deficit-reduction plan agreed upon by the Governor and the Legislature — to $994 million. The revised projections and the near-term implications of the projected gap are discussed in the remainder of this document.

INTRODUCTION

In the aftermath of Federal tax reform, revenue forecasts in New York and other states — such as California and Massachusetts — that rely heavily on the personal income tax have been incorrect by large margins. In other Northeastern jurisdictions, including New Jersey and New York City, sales and corporate taxes are also falling short of projections. The uncertainty caused by massive Federal and State tax changes will subside somewhat with the passage of time, as individual and business taxpayers complete their initial round of adjustments to the new Federal and State tax system and as estimators gain experience with the new system as well. Changes in taxpayer behavior over the last two years have caused massive year-to-year swings in revenue, as taxpayers altered both the timing of taxable income and the timing of tax payments against that income. As a result, economic and tax collection information that had been useful in the past in constructing estimates of tax liability has given misleading signals, leading to substantial underestimates of 1986 tax liability and overestimates of 1987 tax liability. The net effect has been to obscure baseline revenue, particularly for the income tax and the corporate franchise tax.

In July, the Division of the Budget released the first quarterly update to the 1988-89 cash-basis financial plan, indicating a shortfall in receipts of about $1.1 billion — largely reflecting tax reform-related overestimates of tax liability. Essentially all of that shortfall was in the income tax — the bulk of it reflecting an overestimate of the 1987 income tax liability base, and commensurate reductions in payments against the 1988 liability base, which was lowered as a result of the reduction in 1987 liability. The apparent cause of the preponderance of the shortfall, then and now, was an overestimate of capital gains.

After reflecting $950 million in deficit-reducing actions agreed upon with the Legislature, that plan contained a projected gap of $133 million which would be closed by the use of the assets of the Tax Stabilization Reserve Fund and by other undesignated actions.

The July financial plan anticipated that the adverse trends in 1987 income tax liability could improve during the remainder of the year, and assumed that returns filed under extensions of the filing date would be accompanied with greater than usual payments. In addition to the risk of further deterioration in 1987 (and thus 1988) income tax liability, the Budget Director advised in a memo transmitting the July financial plan to the Governor that there were indicators of some weakness in the sales tax and corporate taxes, and that there was "more potential for further deterioration than for improvement."

In mid-August the Comptroller estimated that this deterioration would be about $400 million, others disagreed. The Budget Director believed that a judgment about the likelihood and magnitude of further deterioration should await critical additional information — extended income tax returns, the second quarterly estimated payment of income and corporate taxes, and an additional quarter of sales tax collections.

Additional information is now available, and the deterioration has continued. In fact, it has been worse than expected by the Legislative, the Comptroller or the Budget Division. As a result, the revised financial plan contains downward revisions to General Fund receipts of $640 million — primarily reflecting a reduction in 1987 and 1988 income tax liability, and smaller reductions in the sales tax and the corporate franchise tax.

The financial plan implications in the short-term are clear: the State will have to take additional actions to close the projected gap in 1988-89. Some relatively modest portion of the gap can be closed through additional administrative actions to restrain spending in the remainder of the fiscal year, and by withdrawing remaining monies in the Tax Stabilization Reserve Fund. Additional actions to close the remaining gap will be evaluated and could include (1) further spending cuts requiring legislative approval, (2) reducing a planned year-end deposit to the Education Accumulation Revolving Account, (3) deferring income tax refunds into 1989-90, and (4) issuing deficit notes

REVISIONS TO THE STATE FINANCIAL PLAN

Economic Forecast

The Budget Division's economic forecast reflects a general consensus among economists that real gross national product will grow at a moderately strong pace of about 3 percent throughout the remainder of 1988 and about 4 percent for the year as a whole. With inflation close to the 5 percent level during 1988, the gross national product in current dollars will post a growth of approximately 7 percent or more for the remainder of the 1988-89 fiscal year. Personal income and wages will grow at roughly an annual rate of 8 percent. Although the Federal Reserve Board has chosen a tighter monetary policy in recent months, the effect on the economy will be felt mostly in 1989.

The New York State economy will continue to show moderate growth for the remainder of the 1988-89 fiscal year. Some further weakness in the financial services sector is possible, although the worst of the cost-cutting measures seem to be past. New York is expected to continue to experience employment growth, though perhaps at a rate a bit lower than the national average, and modestly outperform the nation in personal income and wage growth.

General Fund

The financial plan for the General Fund currently projects total receipts of $27.473 billion and total disbursements of $28.451 billion. After reflecting a $16 million repayment to the Tax Stabilization Reserve Fund, the plan projects a gap to be closed of $994 million.

Changes in Receipts Estimates

Total General Fund receipts for 1988-89 are now projected to be $27.473 billion — a reduction of $1.728 billion from the April financial plan, before reflecting the $673 million in receipts provided for in the $950 million deficit reduction plan agreed to with the Legislature in July. Relative to the April financial plan, the reduction consists primarily of a $1,579 million reduction in the income tax, $125 million in the sales tax, and $130 million in the corporate franchise tax, with an increase in the bank tax estimate of $115 million.

Personal Income Tax: Net personal income tax collections are now projected to total $13,535 million, down nearly $1.6 billion from the April forecast. This downward revision would have been greater by $55 million except that a new regulation on the effective tax rate to use in computing withholding on special one-time wage payments, including bonuses, is expected to raise that amount during the balance of the fiscal year.

The revision reflects reductions attributable to estimated 1987 liability (down by more than $700 million from April) as refund issuance and return processing experience for that liability period continues more adverse than earlier expected. The cause of the disparity is a substantial reduction in capital gains realizations during 1987 from those projected.

Final payments on 1987 liability, contrary to some expectations, have continued weak through the extension period in October and would appear likely to end the processing cycle down nearly one-third from the year-ago total, requiring downward revision of the estimate for projected 1988 liability and for estimated payments against that liability during the 1988-89 fiscal year. Through October, collections of estimated payments on current-year liability are roughly even with the year-earlier figures. When adjusted for the inclusion of fiduciaries in this year's numbers (1988 is the first year estimated payments were required of certain estate and trust taxpayers), year to date experience is down 3 percent. As a result of this experience, annual estimated tax payments have been revised downward by $660 million, to $2,915 million.

Except for the modifications to planned withholding table changes noted above, withholding collections would have been revised downward by $55 million more than reflected here, or a total downward revision of $230 million, reflecting continued weakness in collections through September. The estimate for the balance of the year assumes that much of the weakness in withholding tax collections in recent months results from the impact of the withholding tax change enacted in October of 1987, rather than from any underlying weakness in wages. The April budget estimates assumed that many workers would adjust the number of withholding exemptions to reflect the repeal of the personal exemptions for taxpayers, but it appears that taxpayers did not respond as expected. Collections over the next few months will be important in evaluating the validity of that assumption.

Finally, the revised estimate reflects a variety of small downward adjustments to anticipated collections from prior year activity, resulting from lower than projected delinquencies and higher than projected refund issuance.

The short-term risks to the forecast appear balanced, with some upside potential in estimated tax receipts and some downside potential in withholding tax collections.

User Taxes and Fees: In aggregate, 1988-89 receipts from these sources are estimated at $7,096 million, or $125 million below the April estimate, as a result of collection experience to date.

The principal revision is a $125 million reduction in estimated State sales and use tax receipts. Year-over-year growth in State sales and use tax receipts during the first six months of 1988-89 has been minimal, and, even when adjusted for comparability, unusually depressed relative to growth in New York personal income. This represents a departure from collection experience during the past several years, when State sales and use tax receipts as adjusted grew more rapidly than New York

personal income in a consumer-spurred economic expansion. Among the factors that may be contributing to the apparent slowdown are inflated auto sales in the late summer of 1987, slowed clothing sales, and substantial year-over-year growth in personal savings during the second and third quarters of the calendar year. For the balance of the year, sales and use tax receipts growth is expected to more closely approximate, but still lag slightly, personal income growth.

The revision also reflects a $9 million increase in estimated motor fuel tax and motor vehicle fee receipts and offsetting reductions in estimated receipts from the alcoholic beverage tax, the cigarette tax, and the highway use tax, consistent with collection experience to date.

Business Taxes: Business taxes have been revised downward from April by a net of $18 million, to $3,773 million, reflecting continued weak collection experience in the corporate franchise and most other business levies, as partially offset by strong growth in the collections under the bank tax. This experience mirrors slower than expected growth in taxes on corporate profits in many other states.

The corporate franchise tax has been revised down by $130 million, to $1,670 million, reflecting continued deterioration in collections from fiscal year companies and sharp growth in refund issuance for taxable years ending prior to December 31, 1987. The revised estimate still calls for nearly 7% growth in collections for the year as whole, while collections for the first half of year are more than 3 percent below those of the comparable period of 1987-88.

The estimate for bank tax collections has been revised up by $115 million, to $575 million, and now indicates growth for the year of 41%. Collections for the year to date have grown somewhat faster than that and are expected to weaken slightly as the year progresses.

Other small, downward revisions have been made to the estimates of the yield of the corporation and utilities, insurance and petroleum gross receipts taxes reflecting collection experience and the persistence of low energy prices.

Other Taxes: Receipts in this category are now expected to total $1,398 million in 1988-89, or $53 million more than forecast in April. The revision reflects a reduction of $26 million in estimated real estate transfer tax receipts, and increases of $77 million in estimated estate and gift tax receipts and $2 million anticipated pari-mutuel tax receipts. The reduction in real estate transfer tax receipts reflects less-than-expected growth in receipts over those of the prior year, which were depleted as a result of the 1986 Tax Reform Act. Also affecting this estimate are lower than expected audit receipts and higher interest rates. The increased estate and gift tax estimate reflects the receipt of greater-than-expected payments on major estates and exceptional increases in gift tax receipts in the first six months of the year.

Miscellaneous Receipts: Miscellaneous receipts have been revised downward by $15 million to $995 million. Downward revisions in anticipated reimbursements of Division for Youth expenditures and in expected investment income, as well as a drop in the anticipated transfer from the State of New York Mortgage Agency are partially offset by higher than projected reimbursements of other General Fund expenditures and certain one-time revenues associated with the deficit reduction plan.

Transfers from Other Funds: Receipts in this category are now expected to total $676 million, an increase of $647 million from the April projection. Of the total amount expected to be received in the General Fund during the 1988-89 fiscal year, it is anticipated that $630 million will be transferred from the Infrastructure Trust Fund. The balance of transfers from other funds are expected to be received from Special Revenue Funds and Debt Service Funds.

Changes in Disbursement Estimates

General Fund disbursements are classified as local assistance, State operations, general State charges (which include fringe benefits and certain fixed costs), and debt service on short-term obligations. Moneys are also transferred from the General Fund to several other funds within the Governmental Funds Financial Plan primarily for the purpose of supporting capital costs, providing for the payment of principal and interest on long-term general obligation debt and making payments pursuant to lease-purchase and special contractual obligation agreements.

Total General Fund disbursements for State fiscal year 1988-89 are now estimated at $28,451 million, a decrease of $61 million from the amount projected in the April Financial Plan. This decrease principally reflects the impact of actual disbursements for the first six months of the fiscal year on the estimated annual total, and the impact of actions taken in the Deficit Reduction Plan.

The Deficit Reduction Plan (DRP) — which included spending slowdowns and budget controls affecting all State agencies — was implemented in July as part of an agreement with the Legislature to provide resources of $950 million. When the first quarterly update to the Financial Plan was released in July, the anticipated savings attributable to the DRP was projected at $277 million. Other revisions made to certain disbursement estimates brought the total projected decreases in spending to $282 million.

Since the July update, increases in spending have occurred, generally in entitlement or reimbursable programs where the State has minimal control over costs. These increases total $221 million, almost one-half of which is in the Local Assistance category. Of that total, $37 million reflects a reduction in lottery receipts.

Local Assistance: General Fund disbursements in this category are now estimated at $18,223 million, $29 million higher than estimated in the April Financial Plan. Whereas the July Financial Plan update reflected decreased projections totalling $75 million — including $40 million in DRP actions and $35 million primarily from the elimination of a reserve for a Tuition Assistance Program increase — second quarter results indicate that spending will increase $104 million over the July projection. Nearly 80% of this change reflects additional entitlement program spending for Medicaid and the court ordered handicapped program, and support for the operation of local health departments. Medicaid spending is now estimated to be $59 million greater than that projected in July, resulting from higher-than-expected costs of the medical malpractice program and local salary settlements. Offsetting some $13 million of this increase is lower-than-projected spending for Income Maintenance and other Social Services programs. Other significant increases in this category include: $24 million for education programs; $9 million for programs of the Department of Health and substance abuse and alcoholism programs; and $18 million for special day care programs.

State Operations: The estimate of General Fund disbursements in this category is $6,705 million, down $207 million from the April plan. This reduction reflects savings expected from the DRP ($137 million) and $70 million in other State operations decreases. Included in this latter amount is about $55 million resulting from a reclassification of spending from State operations to the general State charges category for fringe benefit costs associated with negotiated salary agreements. Additional administrative actions expected to be taken this month will provide further savings during the 1988-89 fiscal year. These actions will help reduce the projected General Fund financial plan imbalance explained in this document, although it is premature to predict the potential savings from these actions.

General State Charges: Total General Fund spending in this category is now estimated at $1,957 million, an increase of $67 million from April. Significant changes from the April Plan include the $55 million reclassification from State operations described above, and $15 million in savings from the DRP. Additionally, this update reflects $32 million in increases from the July plan, including $9 million in retirement benefits for certain State University and Education Department employees, $7 million in the employer's share of Social Security contributions, $7 million in workers' compensation payments, and $6 million in property tax payments to local governments and school districts for State-owned lands.

Debt Service: Total spending for interest payments on short-term debt instruments, including Tax and Revenue Anticipation Notes and

Bond Anticipation Notes is now expected to reach $169 million, an increase of $31 million from the April projection. The State has encountered cash flow difficulties during the 1988-89 fiscal year as a result of the substantial decline in receipts. To meet its obligations, the State borrowed $950 million from the State's Short-Term Investment Pool (STIP) in June 1988, which was repaid in September. The State also borrowed $500 million from STIP in September and $250 million during October. It is currently anticipated that an additional borrowing of $500 million will be necessary in November.

Transfers to Other Funds: Disbursements in this category are now estimated at $1,397 million, an increase of $19 million from the April projection.

The 1988-89 transfer from the General Fund to the Capital Projects Fund is now projected at $512 million, a decrease of $46 million from the April projection. The Deficit Reduction Plan accounts for $63 million in reduced transfers for Capital Projects spending; these reductions are partially offset by second quarter increases totalling $24 million due to additional disbursements to the Housing Trust Fund Corporation, for the Affordable Housing Program and for environmental and recreational programs.

Transfers from the General Fund for the payment of debt service on general obligation bonds and other lease-purchase and special contractual obligations payments are now estimated at $736 million, a decrease of $2 million from the April plan.

The balance of the increase, $67 million, in estimated transfers to other funds from the General Fund results primarily from the need to restore the balance of the State Lottery Fund at the close of the fiscal year. Pursuant to the Lottery Aid Guarantee, the General Fund is required to reimburse the State Lottery Fund for any shortfall in receipts below the amounts paid directly from the Fund to school districts.

Other Governmental Funds

Special Revenue Funds

Receipts in Special Revenue Funds are now estimated at $12,570 million, a decrease of $200 million from the April projection. Disbursements from Special Revenue Funds are now estimated at $13,616 million, a decrease of $63 million from the April projection.

Revisions in Receipt Estimates

Total miscellaneous receipts in Special Revenue Funds have been reduced $117 million from the April projection. The preponderance of this change reflects a $68 million decrease in miscellaneous receipts resulting from the elimination of amounts expected to be received from unclaimed bottle deposits and tipping fees pursuant to legislation that

has not been enacted by the Legislature; and a $72 million decrease in the estimate of Lottery receipts. These decreases are partially offset by an increase of $26 million in investment income expected to be earned by the Mass Transit Operating Assistance Fund and a deposit by the State of New York Mortgage Agency to the Infrastructure Trust Fund. Total receipts from Federal grants have been reduced $64 million. This reduction largely reflects reduced receipts to the Unemployment Insurance Occupational Training Fund and a change in the accounting treatment of Federal administrative reimbursements received by the Department of Transportation, which are now reflected as an operating transfer from the Federal Capital Projects Fund.

Revisions in Disbursement Estimates

The projection of spending in grants to local governments has been decreased $53 million, to $9,988 million. Of this decrease, $47 million is due to a reduction in spending from the Unemployment Insurance Occupational Training Fund for training benefits offered under the Federal Trade Adjustment Assistance Act. Experience for the first six months of 1988-89 has shown that training allowances for displaced auto workers have been much lower than expected. Other revisions include: in Capital Projects, a $58 million reduction as a result of legislative inaction on the unclaimed bottle deposits and tipping fee legislation; and in State operations, a $37 million increase for the Offices of Mental Health and Mental Retardation and Developmental Disabilities as a result of the availability of additional Federal Medicaid funds, and a $14 million increase for the State University as a result of additional funds available to be transferred from the State University Income Fund.

Revisions in Other Financing Sources (Uses) Estimates

Net other financing sources have been decreased by $469 million. The largest change in this category reflects the transfer of $630 million from the Infrastructure Trust Fund to the General Fund as part of the Deficit Reduction Plan implemented in July, partially offset by a decrease in the amount originally expected to be transferred from this Trust Fund to Capital Projects Funds in support of housing and transportation programs. Other significant changes reflect a $72 million transfer from the General Fund to reimburse the State Lottery Fund for education aid payments made from the Fund in excess of Lottery proceeds available for such purposes. An additional $54 million increase reflects the change in the accounting treatment of Federal reimbursements for administrative expenses of the Department of Transportation, as discussed above.

Capital Projects Funds

The projection of total receipts in Capital Projects Funds has been revised upward $173 million from the April projection, to $1,284 million.

Disbursements in Capital Projects Funds are now estimated at $2,130 million, an increase of $80 million from the April projection.

Revisions in Receipt Estimates

Miscellaneous receipts are now expected to reach $568 million, an increase of $112 million from the April projection. This change reflects a $110 million increase in reimbursements from the Urban Development Corporation for correctional facilities disbursements, $20 million from various public authorities pursuant to the Deficit Reduction Plan, and a $10 million increase in receipts as repayments for costs of projects at Mental Hygiene facilities. The balance largely reflects a change in implementation of a portion of the deficit reduction program with respect to amounts to be provided by the Metropolitan Transportation Authority. Offsetting these increases is a reduction of $51 million in reimbursements from the Housing Finance Agency for the State University College of Optometry.

Receipts in the Federal Grants category have been increased $61 million, primarily due to a change in accounting treatment of Federal reimbursements to the Department of Transportation in support of their administrative costs. These amounts are now reflected as an operating transfer to the Department of Transportation's Administrative Reimbursement Account in the Miscellaneous State Special Revenue Fund.

Revisions in Disbursement Estimates

Projected disbursements from Capital Projects Funds have been increased $80 million from the April projection, to $2,130 million. This revision reflects a $137 million increase in reimbursable spending for projects at correctional and Mental Hygiene facilities and $47 million in additional bondable spending including $30 million to be financed from ACTION bonds. Other increases include $12 million for housing programs, resulting from changes based on experience for the first six months of 1988-89. These increases are partially offset by the impact of the Deficit Reduction Plan, and a $51 million reduction for SUNY's College of Optometry.

Revisions in Other Financing Sources (Uses) Estimates

The projection of net other financing sources in Capital Projects Funds has been reduced $87 million. Operating transfers from other funds have decreased $80 million. Operating transfers to other funds from the Capital Projects Funds have increased $54 million to reflect the transfer of Federal administrative reimbursements for the Department of Transportation to a Special Revenue Fund, as discussed above. Sales of general obligation bonds have been increased $47 million from the April projection, to $327 million.

Debt Service Funds

Receipts in Debt Service Funds are now estimated at $1,330 million, an increase of $12 million from the April projection of $1,318 million. Disbursements from Debt Service Funds have been decreased $2 million from the April projection, to $1,069 million.

Revisions in Receipt Estimates

Tax receipts are $2 million higher than the April projection, reflecting increased receipts to offset debt service for emergency highway bonds. Total miscellaneous receipts have been increased $20 million from the April projection, to $1,296 million. This revision is due to a reclassification of $10 million from Federal Grants to this category and to an anticipated $10 million increase in receipts to the State University Income Fund, a portion of which is attributable to the DRP. The $10 million decrease in Federal Grants reflects the reclassification of certain receipts of the Housing Debt Fund to miscellaneous receipts.

Revisions in Disbursement Estimates

The changes in debt service disbursements of $2 million is attributable to a reduction in State lease purchase payments to UDC for facilities at Columbia and Cornell Universities.

Revisions in Other Financing Sources (Uses) Estimates

The projection of net financing uses in Debt Service Funds has been increased $25 million. Transfers from other funds in support of Mental Hygiene lease-purchase obligations have increased $35 million, while transfers to other funds have increased by $60 million including an additional $37 million to the operating account of the Office of Mental Health and the Office of Mental Retardation and Developmental Disabilities and $21 million in transfers to the various operating accounts of the State University.

Risks to the Plan

The risks to the financial plan for the remainder of the fiscal year appear relatively balanced. There is upside potential in estimated payments on 1988 income tax liability, and downside potential in withholding tax collections, the sales tax, and the corporate franchise tax. In addition, although the bank tax estimate assumes a slowing rate of growth, it may be difficult to obtain.

IMPROVING MANAGEMENT

ETHICS AND ACCOUNTABILITY

New York State has been among the leaders in taking positive steps to establish the framework that will ensure an open and ethical government. The State Ethics Commission, which has jurisdiction over statewide elected officials, State officers and employees under the Ethics in Government Act, has already begun its educational, advisory and rule-making activities. The Commission has also sought the advice of interested groups on changes that would strengthen and clarify the ethics law. It will gain enforcement powers when the major portions of the Ethics Act take effect on January 1, 1989.

The Ethics Act provides New York with strong and enforceable ethical standards for statewide elected officials, State officers and employees. This will enhance the accountability and efficiency of officers and employees and increase the public's confidence in the ethics of the State's workforce and agencies.

State agencies are also implementing the New York State Governmental Accountability, Audit and Internal Control Act of 1987, a companion to the Ethics Act and a critical component of the Governor's comprehensive program to improve the accountability and management of State operations. Specifically:

- —Each agency has appointed an internal control officer who is responsible for evaluating, updating and maintaining efficient internal control programs, identifying weaknesses and initiating appropriate corrective action.
- —Programs are being developed to train all employees in their responsibilities under the law and to impress upon managers the importance of internal controls in establishing accountability and achieving high levels of productivity. These programs will be incorporated into staff development training and available to agencies by April 1, 1989.
- —Each agency has undertaken extensive evaluations of its vulnerability to the abuse, misuse or wasteful use of assets, resources or equipment to help assess its need for an internal audit function. The Budget Director will soon identify those agencies required to establish and maintain audit units and set forth a schedule for their establishment.
- —The Budget Director will review proposed agency appointments to the position of Director of Internal Audit, which shall be subject to his approval. The Budget Division has developed criteria for these positions to ensure that candidates possess the professional and academic experience necessary to carry out internal audit functions effectively.

—The Governor has ordered a speedy beginning of the biennial independent audit of the Executive Chamber required by the internal control law. Because of the importance of effective internal control systems and the public's right to know that its government is functioning properly, the audit of the Chamber will take place during the first year of the two-year audit cycle and will be completed well before the March 31, 1991 deadline

PRODUCTIVITY

The Governor's Productivity Award Program, funded by a grant from Marine Midland Bank, recognizes exceptional, creative and innovative achievements of State employees. The 1988 program is recognizing employees who:

—Designed a computerized audit system to identify overpayments to physicians and hospitals for radiology claims. This has resulted in the collection of $2.7 million to date

—Worked with industry specialists to identify a quick-drying concrete pavement mixture and design a high speed drill to shorten the amount of time needed to patch highway pavement. Their use has significantly increased the productivity of road repairs while reducing construction costs and traffic delays.

Among other steps to improve the State's productivity are the following:

—Together with the Division of the Budget, the Office of Management and Productivity has increased the accountability of State public authorities. These efforts have resulted in changes in compensation policy and practices, and opportunities for future reductions in bond issuance costs. The Office is conducting more comprehensive reviews to enhance the accountability of authorities and improve program coordination.

—There have been major advances in expediting contract processing for not-for-profit providers of human services programs. Multi-year contracts, with simplified renewal procedures, have been initiated in both the Office of Mental Retardation and Developmental Disabilities and the Division for Youth. The contracts allow providers and State agencies to revise budgets, payment schedules and program plans annually, and improve the flow of funding for contract services. These improvements are being extended to other State agencies dealing with the not-for-profit community. In addition, State agencies are exploring the feasibility of standard contract formats and mechanisms to track the progress of contract processing.

—To improve services to tenants and landlords, the Office of Rent Administration (ORA) in the Division of Housing and Community Renewal has carried out administrative improvements recommended by the Office of Management and Productivity.

Changes include a new management team and organizational structure, accelerated automation of ORA operations, revised office procedures and improved staff training. As a result, complaint processing has been streamlined and backlogs reduced.

—The Office of General Services (OGS) is continuing its efforts to upgrade and simultaneously contain the costs of telecommunications. After saving more than $9 million by purchasing its own telephone equipment, OGS successfully installed the Albany-based CAPNET telecommunications network. The State is now moving to implement EMPIRE NET, a state-of-the-art digital high speed voice and data communications network. This system, designed to serve the State well into the next century, will provide low-cost voice and data transmission.

—Through a series of successful consolidations and transfers over the last six years, OGS has assumed responsibility for laundry services totaling approximately 40 million pounds a year for more than 39 Department of Mental Hygiene institutions and facilities. These efforts have reduced manpower needs for laundries by more than 260 positions The feasibility of further consolidations is being studied.

—In view of the challenges posed by the changing demographics of the State, the Department of Civil Service is developing a strategic plan aimed at anticipating the workforce needs of agencies. Working with selected pilot agencies, Civil Service has identified such specific critical human resource problems as shortages of health care professionals and civil engineers, and specific regional shortages in certain occupations.

INTERNAL ADMINISTRATION

COLLECTIVE BARGAINING

The State has completed negotiations with unions representing approximately 185,000 Executive Branch employees. Negotiations are continuing with the Police Benevolent Association, which represents 800 members of the Bureau of Criminal Investigation in the Division of State Police. Legislation to provide salary increases and benefits for the nonunionized Management/Confidential employees is pending.

The new agreements cover a three-year contract period and represent a major component of the State's structural spending base. They are expected to be accommodated this year only by requiring decreases in agencies' expenditures for other purposes.

CAPITAL PLANNING

The State Finance Law requires the Governor to prepare a Five-Year Capital Plan for New York State. The fifth of these annual plans, delivered to the Legislature in January 1988, provided information on anticipated and existing capital projects and on the financial resources to support them. It included spending to meet capital needs from the Capital Projects Fund as well as from Special Revenue, Internal Service and Fiduciary funds. Data on capital activities supported by the General Fund-Local Assistance Account are also presented for information.

The preparation of the next Five-Year Capital Plan is under way, with State agencies and public authorities submitting Capital Projects Statements to the Division of the Budget (DOB). These statements include descriptions, appropriation and disbursement data, and anticipated sources of financing for all projects that an agency proposes to undertake or continue in the next five years. DOB will rely on these statements and information from other sources to make Capital Plan recommendations for the 1989-90 Executive Budget.

As required by law, DOB is submitting a separate update of the Five-Year Capital Plan for 1988-89 through 1992-93, reflecting legislative action and significant changes. In addition, the Comptroller prepares quarterly reports on capital projects to monitor the status of appropriations supporting the plan.

PROGRAM HIGHLIGHTS

ECONOMIC DEVELOPMENT

New York's Economic Development Program emphasizes cooperation between private and public sectors to encourage the growth of businesses and create new employment opportunities. At the core of the State's efforts is the Department of Economic Development (DED). The Omnibus Economic Development Act of 1987 charged the Department

with coordinating the work of State agencies and public authorities, and provided a new framework for comprehensive development assistance tailored to the specific needs of companies, industries and regions.
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REGIONAL ECONOMIC DEVELOPMENT

Regional economies differ in their strengths, weaknesses and needs, and State support encourages communities to develop local agendas. Under the Regional Economic Development Program, DED has strengthened its ten regional offices to help municipalities and businesses put together local development projects. Regional cabinets, comprised of the regional offices of other State agencies, have been formed to coordinate the delivery of services related to economic development. A "one-stop shopping" service now provides easy access to information and applications for financial assistance through any of the State's economic development agencies.

The Regional Economic Development Partnership Program under the direction of the Urban Development Corporation (UDC) has provided more than $30 million in grants and loans since 1984 to encourage industrial, commercial and technological development consistent with regional strategic development plans. Through UDC's Regional Revolving Loan Trust Fund, $2.8 million is available to capitalize regional loan funds.

This year, the Governor designated nine more Economic Development Zones, bringing the statewide total to 19. Businesses in these areas will be eligible for tax credits and abatements, financing and State permit assistance. The Job Development Authority (JDA) is implementing a new program to provide a debt service deferral for the first three years for real estate, machinery and equipment loans in any of the designated zones. To date, JDA has approved 12 loans totaling $8.8 million in six zones.

The State also supports local economic growth through regionally based subsidiaries such as the Harlem Urban Development Corporation (HUDC). In cooperation with UDC and New York City, HUDC is studying the feasibility of developing the Harlem Piers area as a cultural and residential complex. In addition, HUDC is working with State and Federal agencies and local leaders to establish the Harlem International Trade Center to promote international trade, especially with developing nations.

The Western New York Economic Development Corporation, a UDC subsidiary established in 1984, conducts marketing studies and provides technical assistance and loans to small and medium-sized businesses. Appropriations for the Corporation total nearly $1.1 million this year. The Development Authority of the North Country, established in 1985 to help communities meet local housing and infrastructure needs

associated with the Army's expansion of Fort Drum in Watertown, will manage the $12 million Fort Drum Housing Loan Revolving Fund to help create affordable housing.

INVESTMENTS IN TECHNOLOGY

One of the State's primary economic objectives is to sponsor and encourage industrially relevant technological research and development, industrial productivity and the capitalization of new technology enterprises. The New York State Science and Technology Foundation, celebrating its 25th anniversary this year, is the primary vehicle for accomplishing this mission. It administers more than $22.5 million in appropriations for a variety of high technology investment programs.

The New York Centers for Advanced Technology (CATs) Program, administered by the Foundation, provides matching grants to each of ten centers of technological excellence within the State's top research institutions. The balance of the funds that support the centers are derived from industry and other non-State sources. Collectively, CATs have fostered collaborative research with hundreds of companies and helped produce nine new spin-off companies and 25 patents.

Another Science and Technology Foundation program, the Corporation for Innovation Development (CID), fosters the formation and development of new and innovative technological businesses with State investments ranging from $50,000 to $250,000. Since its inception in 1982, companies receiving CID investments have increased their employment levels by an average of 60 percent to nearly 350 employees. An appropriation of $1.6 million supports this program.

UDC has also contributed to university-related high technology research. Since 1983, it has provided more than $190 million in financing for the construction of research centers at SUNY Buffalo and Rennselaer Polytechnic Institute, and Alfred, Clarkson, Columbia, Cornell, New York, Rochester and Syracuse universities.

STRENGTHENING THE RURAL ECONOMY

Agriculture is one of the State's most important industries, with direct farm employment of almost 100,000 and total annual output valued at nearly $3 billion. New York has aggressively helped agricultural businesses remain competitive and increase market share for local products. The Office of Rural Affairs, established in 1987, helps coordinate the efforts of State agencies to address rural needs. The departments of Agriculture and Markets and Economic Development cooperate to bolster consumer awareness of and demand for New York produce through the Seal of Quality marketing program. Appropriations totaling almost $1.4 million are available for this purpose.

The Department of Agriculture and Markets is continuing its commitment to the Integrated Pest Management Program, a multidisciplinary effort designed to reduce pesticide use to the minimum level necessary to produce high quality food and agricultural products. An appropriation of $700,000 has been provided this year. Also in cooperation with the Office for the Aging and the Department of Health, the Department of Agriculture and Markets has sponsored a $100,000 program to provide coupons to low-income residents and senior citizens through which they can obtain fresh fruits and vegetables from New York State farmers' markets.

Initiated in 1985, the Department of Agriculture and Markets' Agriculture Research and Development Program provides $860,000 in grants to stimulate economic activity in the food and agriculture industry. To date, $442,000 has been awarded through a competitive review process.

Through its Rural Development Loan Fund, the Job Development Authority also provides low-cost loans for fixed assets and working capital to rural businesses in distressed areas. Currently capitalized at some $1.7 million, the Fund has assisted 49 projects worth more than $24 million since its inception in 1982.

REBUILDING THE INDUSTRIAL BASE

The Job Development Authority continues to be one of the most important sources of low-cost financing for small manufacturing companies. Over the past five years, JDA has approved $355 million in loans and loan guarantees to 692 companies throughout the State helping create or retain more than 63,000 jobs. During this fiscal year, JDA has approved loans and loan guarantees valued at more than $95 million to 75 companies.

A key to business development is the ability of sewer, water, electrical and other services to meet increased demands. A total of $1.5 million is available this year for both public and private infrastructure improvements through the Department of Economic Development's Industrial Infrastructure Program.

UDC's Small and Medium-Sized Business Assistance Program assists firms employing up to 500 people with financial support for modernization and expansion and for the construction of day care facilities. This year, appropriations of $2 million are provided. An additional $7.5 million has been provided by UDC through the High Risk Targeted Investment Program for projects in economically distressed areas of the State and through the Minority Revolving Loan Fund for minority- and women-owned enterprises.

The Industrial Effectiveness Program was established in 1987 as a joint effort of DED and UDC to assist manufacturers who are having difficulty achieving or maintaining high levels of productivity. A total of $11.1 million is provided in the budget for technical and financial assistance.

EMPLOYMENT AND TRAINING

Despite New York's strong economy, many workers continue to be chronically unemployed, underemployed and underutilized. Both a strong economy and a cohesive society depend upon integrating the disadvantaged into the mainstream through programs that help overcome structural and social barriers to employment.

To this end, the State provides a broad range of employment and training services to individuals of varied ages and work experiences through the Federal Job Training Partnership Act (JTPA) and State youth employment and training funds. JTPA, with annual funding of over $170 million, concentrates on economically disadvantaged persons who find it hard to obtain employment because of age or other factors. The State's Economic Development Skills Training Program, administered by DED, provides training funds to help ensure that the disadvantaged, dislocated workers and displaced homemakers are trained and prepared to take advantage of opportunities resulting from the State's economic development.

The youth employment and training programs of the Department of Labor (DOL), supported by $21 million in State funds, focus on youth not served by JTPA. They provide a continuum of services from in-school intervention programs for young economically disadvantaged students to more intensive out-of-school programs for older youth who need basic skills to complete their education or to enter the job market. DOL also focuses on the homeless, welfare recipients, minorities, single parents and dropouts.

The Governor's Career and Education Expo '88, held in May in New York City, was attended by thousands of youth. This event brought together corporations, State and City agencies, unions, educational institutions and other organizations to educate and inform youth about training and careers. DOL's Job and Career Centers in New York City will build on Expo '88. In addition, a network of community centers will coordinate services offered by DOL and other State and private agencies. Beginning in October, these new centers are furnishing the broadest possible range of training opportunities.

The State continues to address high priority worker health and safety problems. The Asbestos Licensing and Training Program requires the licensing of contractors handling asbestos and the training and certification of workers involved in its removal. Since the program began in January 1988, DOL has conducted several hundred inspections to ensure the safe removal of asbestos. Because of the importance of this program, the State has more than doubled the level of resources committed for 1988-89.

Similarly, the State has significantly increased funding for the Garment Industry Inspection Program with a view to reducing the number of illegal "sweatshop" operators in New York City.

The State has also initiated a new Health Care Worker Training

Program to promote career advancement opportunities for entry-level workers and paraprofessionals. This joint State and union initiative has awarded $600,000 for programs to upgrade workers' skills and address shortages in health personnel.

TOURISM

In 1987-88, visitors spent an estimated $12 billion enjoying the State's natural, recreational and cultural attractions, an increase of more than $1 billion over the prior year.

This year, DED's tourism promotion will total more than $15 million and continue to highlight New York's diversity. In addition, $5.8 million is available in matching grants to support local tourism promotion.

In its third full year of operation, the Jacob K. Javits Convention Center continues to draw thousands of new visitors to New York City for conventions and trade shows. These events generate hotel and restaurant business and provide substantial City and State tax revenues.

HOUSING

Several State agencies and public authorities administer programs that support the development and continued availability of affordable housing. The Division of Housing and Community Renewal (DHCR) develops housing policy, carries out a major community renewal program, and regulates certain types of privately owned housing including the rents of some 1.2 million units of housing across the State. The Housing Finance Agency (HFA) and the State of New York Mortgage Agency (SONYMA) finance the development of multifamily and single-family housing. Besides financing the World Financial Center and developing related commercial property, the Battery Park City Authority (BPCA) is developing 3,910 housing units at Battery Park City in lower Manhattan. In addition, the Mortgage Loan Enforcement and Administration Corporation (MLC) manages a portfolio of 113 projects financed by the Urban Development Corporation and by the Project Finance Agency.

The New York State Housing Task Force, co-chaired by the Lieutenant Governor and the Chairman of the Dime Savings Bank, was appointed in 1988 to evaluate the effectiveness of existing housing programs, recommend improvements to those programs and to the State's affordable housing delivery systems, and identify issues requiring further analysis and study. The mission of the Task Force is to enhance the State's ability to address the housing needs of the homeless and of low- and moderate-income New Yorkers.

In 1988, the State substantially increased financial support for programs that assist the construction or rehabilitation of affordable housing by enacting the $326 million housing component of the Infrastructure Trust Fund (ITF). This initiative seeks to reduce the cost of housing

and increase its supply. The $128 million Turnkey Housing Program will be used to make grants for the construction and rehabilitation of rental housing that low-income families and individuals can afford. The $85 million Permanent Housing for Homeless Families Program will be matched by an $85 million contribution from New York City to rehabilitate and construct housing for the City's homeless families as part of a multi-year effort to eliminate the use of welfare hotels. Some $40 million in other ITF housing programs will encourage homeownership by low-income New Yorkers, $20 million will finance predevelopment costs for affordable housing projects, $20 million will support necessary infrastructure improvements, and $12 million will provide grants for the rehabilitation or improvement of single-room occupancy housing. The ITF appropriation also makes available $12 million for the development of housing in the North Country/Fort Drum region and $9 million for the purchase of present sites by mobile home tenants' associations.

Housing New York is one of the country's largest and most aggressive state housing programs. In an environment of decreasing Federal support, it encourages private-sector development and brings the cost of housing within the reach of low- and moderate-income families. At the center of this ambitious multi-year effort is a joint State and New York City program involving BPCA and the Port Authority of New York and New Jersey to finance the construction or rehabilitation of 60,000 housing units for low-, moderate- and middle-income New Yorkers.

In addition, the Affordable Home Ownership Development Program (AHODP), administered by a subsidiary of HFA, promotes home ownership by persons of low- and moderate-income through grants that reduce the cost of developing owner-occupied housing.

The Low-Income Housing Trust Fund Program (LIHTF), established as a subsidiary of HFA, provides grants, low-cost loans and other assistance for the construction or rehabilitation of housing for low- and moderate-income families. These two programs have made available $202 million in State assistance since 1985.

To ensure that funds are used most effectively to increase the availability of affordable housing, the statutes that authorize these programs were substantially amended in 1988. Specifically, the LIHTF's statute now authorizes private developers to participate directly in the program, and increases the existing cap on the amount of subsidy allowed for each assisted housing unit to $55,000 with an additional $20,000 available for certain higher-cost projects. Funds can also be used for both new construction and the rehabilitation of existing units. The AHODP statute was amended to raise award limits to $20,000 per unit, or $25,000 per unit for high-cost projects or for projects receiving loans from the Federal Farmers Home Administration.

Another major component of this year's program has been the $120 llion expansion of SONYMA's ability to finance the extremely ccessful Affordable Housing Program. This year SONYMA will ovide more than $365 million in mortgage funds to help finance more ın 6,000 units for first-time homebuyers. Because of SONYMA's tax-empt status, these mortgages bear interest rates about two percentage ints lower than conventional fixed-rate mortgages. During this fiscal ar, SONYMA's Mortgage Insurance Program (MIP) has dramatically :reased its level of activity. This program provides low-cost mortgage ırance for the new construction and renovation of housing units oughout the State. Since April 1, MIP has insured 42 projects with ırtgages totaling almost $40 million, which will provide approximately 300 new or rehabilitated housing units. This program has been rticularly useful in encouraging the New York Community Preservation ırporation to invest in housing in deteriorated areas in New York City. IP has also facilitated the implementation of HFA's Secured Loan ntal Program by insuring mortgages for two projects that will provide 4 housing units.

In conjunction with the Insured Housing Initiatives Fund, HFA's cured Loan Rental Program continues to provide low-cost financing multifamily housing by reducing mortgage interest rates. To date 300 units have been financed, of which two-thirds are available to v- and moderate-income tenants at affordable rents.

The Rural Rental Assistance Program has received a $10 million ıte appropriation. Together with Federal funding, it will subsidize proximately 300 new multifamily housing units in rural areas for a riod of 15 years and support 170 existing units for an additional ten ırs. The State previously provided $30 million for this program which ll ultimately support 3,000 subsidized units. A portion of these funds ll be used for housing in the vicinity of Fort Drum.

ENERGY AND THE ENVIRONMENT

The State administers a wide variety of energy conservation ɔgrams, many supported by petroleum overcharge recoveries collected ring the past two years. More than $78 million had been committed of the first quarter of 1988-89, of which more than $10 million has en fully spent. So far this year, 115 Energy Conservation Management ants totaling $12.1 million have been awarded and over 16,000 ɔliance rebates totaling more than $1.5 million have been approved.

The New York State Energy Research and Development Authority YSERDA) sponsors or cosponsors research to develop innovative ergy projects in cooperation with private industry, utilities, academic titutions and the Federal government. For example, district heating ıtems supported by the Authority now operate in Buffalo, Jamestown and Rochester. Cost savings for downtown customers in these cities have exceeded $20 million.

During the 1988 legislative session, agreement was reached on the Solid Waste Management Act. This Act will assist local governments to address the difficult challenge of managing solid waste. It establishes a hierarchy of solid waste management priorities emphasizing waste reduction and reuse and recycling of wastes. It also reinforces the traditional State-local roles in solid waste management where the State is responsible for providing guidance and technical assistance in the development and implementation of local plans and programs.

A General Fund appropriation of $26 million has been provided to DEC and other State agencies to carry out the Act, including grants to localities and technical assistance. The Governor's proposal to use unclaimed consumer container deposits to help local governments in implementing waste reduction and recycling programs still awaits legislative action. Revenue from this measure is estimated to be at least $60 million annually.

The summer of 1988 was marred by infectious and hospital waste washing up on the State's beaches. A total of $2 million has been provided to enhance compliance and enforcement of State restrictions on the disposition of infectious wastes, and to improve the response capabilities of the departments of Environmental Conservation (DEC) and Health, and the Office of Parks, Recreation and Historic Preservation (OPR&HP).

The 1986 Environmental Quality Bond Act (EQBA) provides $1.45 billion in new funding for the remediation of inactive hazardous waste sites, loans for municipal landfill closure, acquisition of unique and environmentally sensitive lands, protection of historic sites and development of municipal and urban cultural parks.

The sum of $1.2 billion will be available from EQBA to clean up hazardous waste sites across the State. EQBA funding, together with financing from the Federal Superfund and the private sector, will support a $4 billion commitment toward toxic waste site remediation. The $12.9 million current budget for the clean-up program includes 82 new positions which will enable DEC to proceed with the State's goal of remediating all sites by the year 2000.

EQBA authorized $250 million to acquire forest preserve and other environmentally sensitive lands, protect historic sites and develop municipal and urban cultural parks. A total of $125 million, including $60 million for DEC and $65 million for OPR&HP, has been appropriated in the last two years for these efforts. Thanks to DEC's streamlined land acquisition process, approximately one-half of its available appropriations have been committed. OPR&HP has already announced more than $30 million in grants for municipal and urban cultural parks and historic preservation projects.

Despite financial constraints, the State continues to make progress in preserving and expanding its extensive outdoor recreational resources. This includes improvement of State facilities at beaches, lakes and rivers as well as increased snowmaking capability at Belleayre Mountain.

The State Park Management and Research Institute, an international center for applied research in park, recreation and historic preservation problems, was dedicated in June. This cooperative venture with private-sector high-technology firms is the first of its kind in the United States.

TRANSPORTATION

HIGHWAYS AND BRIDGES

The State is in the fifth and final year of the Rebuild New York Program, which consists of an accelerated State highway and bridge program plus improvements to rail, transit, port, aviation and waterway facilities. The Department of Transportation (DOT) has achieved record levels of infrastructure construction and reconstruction, with projected contract lettings for the current year at approximately $1 billion.

The Rebuild New York Bond Act, and the Federal aid it leveraged, provided the State with the start it needed to attack the deterioration of its roads and bridges. As a result, 1,500 State and local bridges have been repaired or replaced and 2,100 miles of highways have been improved.

Despite this investment — which stemmed the rate of decline in the State's transportation infrastructure — new funding is needed to improve New York's roads and bridges. The State Legislature has approved inclusion of a $3 billion bond program on the November ballot and has advanced $470 million to begin this program during the current fiscal year. The bond act includes $1.912 billion for restoring State highways and bridge infrastructure, $831 million to expand the capacity of existing State highways and $257 million to rehabilitate or replace local bridges. Funds will be allocated geographically, with each region receiving funding to address its highest priorities. Upstate will receive $1.199 billion, primarily to improve roads and bridges; Long Island $690 million, largely to relieve traffic congestion; New York City $690 million, primarily to rehabilitate bridges; and the Hudson Valley $421 million, to relieve congestion and rehabilitate existing roads and bridges.

HIGHWAY MAINTENANCE

DOT spends more than $230 million annually to maintain State highways and bridges. A major emphasis is on preventive maintenance for bridges, which includes regular painting and cleaning of structural components and restoration and preservation of bridge decks. During 1988-89, DOT began a program of strategic maintenance directed at a select group of State bridges with the aim of maximizing bridge life

expectancy and averting costly reconstruction in the future.

Under the Consolidated Local Street and Highway Improvement Program (CHIPS), $215 million is distributed to municipalities for local transportation projects including work on structurally deficient local bridges.

To enhance highway and bridge safety, the Department conducts and contracts for bridge inspections and provides quality control over bridge inspection systems. It has also stepped up its inspection programs for buses and has expanded an "on the road" truck inspection program to enforce rigorous safety standards.

MASS TRANSIT

New York State has the country's largest and most diverse network of mass transit systems. The State's objectives are to preserve the enormous investment in capital facilities and to stabilize the finances of transit operations statewide, thereby increasing rider confidence and guaranteeing that mass transit will continue to play a central role in urban economic growth.

The centerpiece of this effort is a financing plan enacted in 1986 and 1987 for the Metropolitan Transportation Authority (MTA). Now in its second year, this plan eliminates operating and capital deficits, estimated at $6.5 billion through 1991, while freezing the subway, bus and commuter rail fares through 1990. More than 5.5 million daily riders and users of MTA facilities, the business community, MTA management and its workers, and State and local governments are all contributing to the effort to eliminate these deficits.

A significant benefit of the plan is the absence of the "crisis atmosphere" that has periodically clouded development of the Authority's $3.8 billion operating budget. Actual expenditures and revenues for the first two years are well within projected levels, with revenues modestly exceeding forecasts partly because of higher-than-expected ridership. Prudent management during the early years is critical to continuing service and productivity improvements, while preserving budget balance. It is also critical to maintaining a structurally balanced operating budget for the post-1991 period, thereby limiting future MTA funding needs to the capital program.

The Authority is in the second five-year phase of a ten-year $16.1 billion capital rebuilding program that began in 1982. A total of $7.8 billion was invested in MTA's capital assets through 1986, and $8.3 billion will be invested during the 1987-91 period. More than $2.4 billion has been committed since 1987.

The ten-year MTA capital program is designed to rehabilitate or replace its fleet of subway cars, buses and commuter rail cars, modernize maintenance facilities and rehabilitate track, signal and power networks. Through 1987, more than 3,200 new or rehabilitated subway and commuter cars were put in service, along with more than 1,800 new ıses In 1987 the Transit Authority awarded its largest rehabilitation ɔntract ever — $241 million for the Lexington Avenue subway line ɪe of the most heavily used lines in the system. The $200 million Senator ɔhn D. Caemmerer West Side Storage Yard was also completed in 1987. ɪcreasing the peak-hour capacity of the Long Island Rail Road's Penn ation.

The four upstate transit authorities located in the Albany, Buffalo, ɔchester and Syracuse metropolitan areas also provide important ansportation services. Stable ridership combined with revenues received ɔm a portion of the mortgage recording tax has left them in essentially und financial condition for this fiscal year. The one exception, the iagara Frontier Transportation Authority (NFTA), expects to continue incur substantial deficits for 1989-90 and beyond. Emergency State ɪd local operating assistance has stabilized the NFTA's finances for is year and provided a foundation for planning a longer-term solution.

AIL SERVICES AND WATERWAYS

New York State continues to support essential rail improvements stimulate economic development and enhance rail passenger service. is currently providing more than $37 million of a $40 million rail earance improvement project between Selkirk and Tarrytown to commodate shipments to a major production facility in Tarrytown. ɪe owner of the facility will, in turn, complete a major upgrading, ɪbilize employment levels and continue operations in Tarrytown for least ten years.

Rail passenger service is being enhanced by the construction of a rect rail link between upstate New York and Penn Station which will ve upstate rail passengers uninterrupted access to Amtrak's northeast rridor. This $85 million project, scheduled for completion in 1990, supported by $34 million of State resources and $51 million of Am- ɪk funds.

The New York State Barge Canal system has become a major ɛreational and tourism attraction. DOT maintains and operates 57 locks d 11 parks at lock sites and has stepped up its capital improvement ɔgram, thanks in part to increased funds made available through the 83 Rebuild New York Program and $5 million received from the deral government through the efforts of Senator Moynihan. The State o continues to harness the hydro-electric generating capacity of the ɪal and by the end of the century some 200 megawatts of power will generated annually.

EDUCATION

.EMENTARY AND SECONDARY EDUCATION

Financial assistance to New York's 696 major school districts ɪtinues to constitute the State's largest single spending program. This

substantial commitment is reflected in State aid and total expenditures per pupil, where New York consistently ranks among the top ten states in the country. Such a level of support has contributed to a reduction in the dropout rate in recent years, although a further reduction continues to be an important State priority. At the same time, New York State pupils lead the nation in Westinghouse Science Talent Search winners and score well above the national average on all College Board Achievement Tests.

School aid changes enacted in 1988 include:

—An increase in the equalized operating aid formula which allocates aid in inverse proportion to a school district's wealth;
—A new program for the education of homeless children;
—Increased support for attendance improvement and dropout prevention programs;
—Increased aid for the Excellence in Teaching program to improve starting salaries for teachers and increase teacher salaries generally, pursuant to collective bargaining;
—Increased supplemental support aid for general school district operations;
—Increased aid for districts with high tax rates;
—Increased aid to magnet schools;
—Increased aid for the mentor-intern teacher program;
—Increased support for the promotion of partnerships between schools and outside agencies to serve at-risk youth; and
—A $25 million program to assist public and nonpublic schools in meeting the cost of inspections for asbestos. This aid will be paid during the 1989-90 school and State fiscal years.

During the 1988-89 school year, the State will provide an estimated $8 billion, $611 million more than last year, to help operate classes for nearly 2.6 million public school pupils. State aid has grown 63.5 percent over the last five years, double the rate of growth of all other school revenue sources combined.

The State will also provide its school districts with:

—Reimbursement of 90 percent of approved transportation costs, including the transportation of children to and from day care centers;
—Special assistance for pupils with handicapping conditions, including learning disabilities;
—Reimbursement of a share of school construction costs;
—Increased assistance for prekindergarten education programs; and
—Funds to help districts identify pupils in need of special services as a result of particular gifts and talents, handicapping conditions or low levels of achievement.

These aid programs are administered by the State Education Department, with a 1988-89 State operations appropriation of $81.3 million.

HIGHER EDUCATION

New York State has a diverse and extensive network of higher education services and institutions. The State University of New York is the largest university system in the United States, with 369,300 students; the City University of New York, with 182,600 students, is the third largest. Additionally, the State's independent colleges and universities have a combined enrollment of 391,700, almost twice that of the next highest state.

This vast array of colleges and universities provides every New Yorker with the opportunity to benefit from a higher education. The State offers all levels of instruction through its network of public and private institutions from associate degrees and nonmatriculated studies through post-doctoral research.

Liberty Scholarship and Liberty Partnership programs, established by Chapter 425 of the Laws of 1988, will provide major incentives for New York students to complete high school and go on to college. Beginning in 1991-92, Liberty Scholarships will provide students from low-income families with funds for four years of full-time college study or equivalent part-time study at a public college, or a like amount toward study at a private college. To complement the financial incentives provided by Liberty Scholarships, Liberty Partnerships will provide counseling and other support necessary to help at-risk students remain in school.

In 1988-89, a total of $407 million was appropriated for the Tuition Assistance Program (TAP), the key State program for full-time undergraduate and graduate students in all postsecondary educational sectors. Chapter 425 also significantly enriched TAP award levels and broadened income limits for first-time recipients beginning in 1989-90. Even before these enhancements, New York State accounted for nearly 25 percent of national student aid expenditures.

A total of $38.7 million was appropriated in 1988-89 to support a variety of scholarship and fellowship programs. Many of the programs provide minority groups and economically disadvantaged students with access to professional education opportunities.

State University of New York (SUNY). SUNY continues to uphold New York State's objectives of access and quality in higher education at 34 State-operated campuses, including the statutory colleges at Cornell and Alfred universities and 30 community colleges. SUNY has completed its second year under the "flexibility" legislation of 1985 which has given it broad discretion in allocating funds among programs and campuses and managing its day-to-day operations.

The 1988-89 budget appropriated more than $2.2 billion to SUNY, an increase of 4.8 percent over 1987-88. This provided:

—$10 million to continue support for graduate and research programs to enhance SUNY's position as a leading public research university;

—$3.3 million to provide fellowships for minorities and underrepresented minority groups;

—$150,000 to double the number of minority honor scholarship recipients; and

—$500,000 to engage an external auditor to perform the first annual audit of the University's financial statements.

"Flexibility" has allowed SUNY to target program priorities during the current year; it has also facilitated absorption of a mandatory reduction of $10.6 million. SUNY is meeting its savings goal by opting to reduce the size of certain programs. Among the reductions are the following:

—$1.5 million in academic support services;

—$1.3 million in academic equipment replacement;

—$1 million in building repairs;

—$800,000 in administrative services; and

—$1.2 million in other types of support services.

In addition, one-time revenue from University hospital fund balances, support from Research Foundation reserves and a delay in the purchase of a building for the College of Optometry helped reduce SUNY's reliance on direct State revenues.

SUNY will continue to employ "flexibility" to meet its objectives of access and excellence.

City University of New York (CUNY). CUNY senior colleges and programs have been a direct State fiscal responsibility since 1982. In 1988-89, the State appropriated more than $1 billion to CUNY for operations and capital construction to benefit the 180,000 students enrolled in its ten senior and seven community colleges and its law and graduate schools. The 1988-89 budget includes increases of $54.6 million for negotiated salary enhancements, $2.2 million for new building positions and support, nearly $2.1 million for the CUNY/Board of Education Partnership and $2.3 million for graduate education and research.

As the result of cost cutting, CUNY will save $6.6 million in the General Fund this year to help offset the State's revenue shortfall. Each CUNY president has designed a savings plan tailored to the needs of the individual campus.

Graduate education continues to grow as an integral part of CUNY's curriculum. This year, $2.3 million in new funding has been provided for graduate education and research. Over the past two years a cumulative total of $16.9 million was made available for these programs.

The budget also supports child care services to students. Recently opened centers at the Law School and Queensborough Community College bring total expenditures for such services to $2 million for all CUNY campuses.

The 1988-89 capital appropriations make new funding available for rehabilitation of facilities and program improvements, including completion of an asbestos abatement study and master plan reviews for several colleges which have had significant enrollment changes. CUNY is now in the third year of its $1.325 billion comprehensive rebuilding program. In 1988, new buildings opened at John Jay College, Medgar Evers College and the Rosenthal Library at Queens College. Newly renovated and expanded facilities at the recently consolidated campus of New York Technical College opened this summer.

Community Colleges. The combination of State, local-sponsor and student tuition revenues will enable the State's 37 community colleges to provide a diverse array of educational services to more than 240,000 students in 1988-89. State appropriations of $312 million, an increase of $10 million, include funding for contract course, structural unemployment, youth internship and child care programs as well as general operating support. Funds from other sources include $232.3 million from tuition revenue and $284.6 million from local sponsors.

In addition to its mission of ensuring access to higher education, the community college system continues to strengthen its position as a primary provider of skilled personnel and of training and retraining services to New York State industry. Toward this end, State funding for the contract course program — which offers occupational training and educational assistance to business and industry — was increased from $4.9 million in 1987-88 to $9.1 million in the current year.

HUMAN SERVICES

MENTAL HEALTH/MENTAL RETARDATION/ALCOHOL AND SUBSTANCE ABUSE

Mental Health. The extensive State and local mental health system overseen by the Office of Mental Health (OMH) serves more than 500,000 New Yorkers annually at a cost approaching $3 billion. OMH provides direct inpatient services in adult and children's psychiatric centers and in forensic hospitals, along with a wide array of outpatient programs. In addition, OMH operates two major research institutes and provides policy direction, partial funding and regulatory oversight for an even larger network of mental health services provided by local governments and voluntary agencies.

OMH continues to reduce its reliance on institutional care. By March 31, 1989 the adult patient census at State psychiatric centers will be reduced to 17,600, approximately 400 below the forecast in the Executive Budget. This will enable OMH to surpass legislatively mandated staffing ratios and to enhance active programming for inpatients.

Several buildings on ten psychiatric center campuses are being renovated significantly. The renovations entail both major rehabilitation of mechanical and air conditioning systems and redesign of patient care

areas to meet modern standards of safety and efficiency. These projects and the rehabilitation of other campus facilities are being funded through the sale of revenue bonds.

In its continuing effort to expand the range and availability of community-based services, OMH has initiated an intensive case-management program for seriously and persistently mentally ill individuals who now rely heavily on costly emergency and inpatient psychiatric services. Approximately 1,200 beds in Community Residences and Residential Care Centers for Adults will open in 1988-89. Additional capital funding permits the development of 1,600 community-based residential beds, to be completed over the next two years. These will be operated by both OMH and not-for-profit providers. OMH's efforts are consistent with the premise underlying its community development program: treating the majority of mentally ill individuals in settings which do not isolate them from society.

Mental Retardation and Developmental Disabilities. The Office of Mental Retardation and Developmental Disabilities (OMRDD), with the cooperation of local governments and voluntary organizations, continues to reconfigure its former institution- based system into a statewide network of comprehensive community services.

During 1987-88, OMRDD closed the Staten Island Developmental Center (formerly Willowbrook State School), replacing it with an extensive array of community-based services. As previously announced, OMRDD plans to close six additional developmental centers (DCs) by 1991, with two of the six, Craig and Westchester, scheduled to close during the current fiscal year.

To ensure appropriate numbers and mixes of direct care, clinical, support and administrative staff at certain DCs, OMRDD has realigned and reduced its staff. Staff reductions, while largely mitigated by employment opportunities in other agencies and programs, have resulted in some layoffs during the current fiscal year.

OMRDD programs face more intensive scrutiny by Federal and State regulatory bodies. Of major importance are new Federal Intermediate Care Facility (ICF) standards that have just become effective. Although their full impact on the State is unclear at this time, the regulations could result in funding requirements above and beyond OMRDD's current levels.

OMRDD's efforts to expand community services have been enhanced by the State's introduction of alternative capital financing strategies and innovative approaches to overcoming obstacles to development in New York City and other urban areas. In 1988-89, OMRDD anticipates exceeding by 300 the level of new community residential beds developed in 1987-88, for a total of 1800 new beds. These will be complemented by 3,300 new day program slots and family support services for an additional 2,200 families. Such cost-effective programs as family care, vendor personal care, supportive work and transitional employment are also being expanded. By the end of 1988-89, OMRDD will serve fewer than 8,400 clients in DC's and more than 50,000 clients and families in the community.

Substance Abuse. The Division of Substance Abuse Services (DSAS) is expanding its community-based services to reach unserved and underserved individuals. Using $9 million in Federal anti-drug abuse funds and $27.5 million in new State commitments, DSAS will expand residential and ambulatory treatment capacity and increase financing for statewide prevention and education services. During 1987-88, the Division developed approximately 2,300 ambulatory treatment slots as part of the Governor's multi-year program to expand treatment for AIDS. In addition, $9 million in capital funds is being used to rehabilitate ten in rem buildings donated by New York City. This will add more than 1,000 slots to drug-free residential and ambulatory programs. DSAS continues its fight to reduce intravenous drug use and the spread of AIDS through an intensive media and training campaign which will complement additional ambulatory treatment slots slated to open during this fiscal year.

Both DSAS and the Division of Alcoholism and Alcohol Abuse participate with the State Education Department in a Task Force on Integrated Projects for Youth and Chemical Dependency. Created within the Department of Mental Hygiene, the Task Force will direct implementation of interagency programs for multidependent chemical abusers. This program will be financed using Federal funds made available by the 1986 Federal Omnibus Anti-Drug Abuse Act.

Alcoholism and Alcohol Abuse. The Division of Alcoholism and Alcohol Abuse (DAAA) operates 13 Alcoholism Treatment centers across the State and coordinates a network of local alcoholism services. A major priority is expansion of treatment capacity in community-based settings. Although local resistance to site selection continues to hamper community residential development, the Division has made significant progress toward its other major service objectives.

The Hospital Intervention Pilot Program is being installed in ten hospitals across the State. It will enhance screening and intervention services for alcohol-related admissions in hospitals and other health care settings.

To encourage development of residential chemical dependency treatment programs for youth, alcoholism crisis center programs and rural county initiatives, the State has assumed 100 percent of their net operating costs. DAAA will also provide alcoholism services to AIDS patients and their families by placing counselors in proprietary and not-for-profit hospitals in New York City.

SERVING THE HOMELESS

After a decade of rapid expansion, the rate of growth in the State's homeless shelter population has begun to decline. This change may not be permanent, given the continued shortage of affordable housing and increases in the homeless population in upstate counties, but it clearly reflects concerted State and local efforts to combat homelessness.

The State has worked closely with localities and nonprofit organizations to provide a continuum of services to prevent or reduce homelessness and improve the quality of life for those living in emergency shelters. To find new ways to prevent homelessness, the State is awarding almost $1 million to counties to fund early identification, referral and case management services for those at-risk. An additional $1.9 million will be available to local districts through the new Housing Demonstration Program to stimulate alternative approaches to maintaining and expanding local housing stock.

The foundation of the State's strategy is development of permanent affordable housing for homeless families and individuals who would otherwise be forced to live in undesirable but expensive emergency shelters. Since its inception in 1984, over one-half of the $90 million in total funding for the Homeless Housing and Assistance Program (HHAP) has been dedicated to providing more than 4,900 permanent housing beds. An additional 1988-89 HHAP investment of $20 million will be supplemented by $10 million in non-State resources to create an additional 1,100 permanent and temporary beds.

The joint State/New York City Facilities Development Plan is the primary vehicle for developing permanent single-room occupancy (SRO) housing for adults now forced to live in armories and other congregate shelters. Under the plan, the State will support 50 percent of the total debt service costs incurred in constructing more than 3,400 SRO units by 1992. Because homeless individuals often require assistance to live independently, the State has initiated the SRO Support Services Subsidy Program. SRO operators receive funding through this program for counseling, referral and other services. Without such services, many residents would suffer recurring homelessness or require placement in more expensive institutional care.

Despite efforts to increase permanent housing, there continues to be a need for safe, humane emergency shelter. In 1987, the State developed a new homeless family shelter model that incorporates the housing search and other support services that help families find permanent housing more effectively. Together with other permanent housing initiatives, these new shelters underpin State and local efforts to eliminate the use of overcrowded and often dilapidated welfare hotels. To improve the homeless adult emergency shelter network, the State is providing $3 million for 50 percent of the costs incurred by localities for shelter rehabilitation or construction. Notwithstanding recent gains, the State will continue refining its strategy to aid the homeless.

IMPROVING SOCIAL SUPPORTS

The State and its local governments will spend almost $1 billion in 1988-89 for supportive social services programs designed to safeguard vulnerable children and adults, preserve families and promote self-sufficiency. During the first six months of this year, the State has improved coordination and expanded the availability of critically needed intervention and remedial services.

Demands placed on the statewide child protective system have grown by 50 percent in the last three years. Increased reporting of child abuse and neglect requires additional investigations, expanded preventive support services to families and intensified work with children requiring out-of-home placement in foster care.

Through operation of the Child Abuse Hotline and the Central Register of Child Abuse and Maltreatment, the State is directly responsible for initial screening and referral of suspected cases of child abuse and neglect, including requests for emergency responses by local social services or police officials. To ensure continued responsiveness, the State is improving access to the statewide Hotline by establishing dedicated phone lines for those required to report instances of abuse or neglect. In addition, newly enacted legislation provides funding incentives for improvements in local child protective services. Effective October 1, State reimbursement at 75 percent has become available to help defray increased local costs necessarily incurred to improve local investigations and expand critical follow-up services for children who need protective services. Under this program, incentives have been provided to encourage greater interagency planning and coordination, while granting local governments maximum flexibility to address specific needs.

The basic obligation to protect the welfare of children also requires the development of more effective preventive measures. For this reason, preventive services — those designed to avoid foster care placements — now include rent subsidies to families whose children are at risk because of inadequate or unsuitable housing. In cooperation with local social services districts, the State is also beginning a two-year Optional Preventive Services demonstration program to test the effectiveness of more comprehensive preventive service delivery models. These models are aimed at treating multiple family needs, providing concrete supports and ameliorating conditions before a crisis occurs.

Effective crisis intervention strategies are also necessary to counter the destructive effects of family violence. The State continues to fund the start-up of community-based programs that provide emergency shelter, counseling and referral services to victims of domestic violence. For the first time, both residential and nonresidential service providers are receiving State operating assistance, and additional resources will be available to assist further development of these important services in unserved or underserved areas.

Several programs continue to focus on the special needs of children in foster care. To ensure least-restrictive placement opportunities for increasing numbers of infants and young children requiring out-of-home care, more than 3,000 new foster family homes have been located through intensified recruitment. Development of foster care programs for minority children is a continuing State priority, and these programs now serve more than 4,000 children each year. In addition, programs are being developed for adolescents who have emotional or behavioral difficulties. Enriched State funding supports both specialized group-care arrangements and foster parent homes serving this population of "hard-to-place" children. As a result of recent legislation, the State can now provide incentives beyond the monthly subsidy payment for adoption of "hard-to-place" or special needs children by ensuring reimbursement to adoptive parents for one-time expenses.

The availability of affordable child care is an important element in serving the needs of families at risk of social or economic dependency and several proposals to enhance programs are under consideration at the Federal level. Although these proposals are still under development, several State initiatives now under way increase the availability of day care services for these families. Effective April 1, 1988, income eligibility standards were liberalized to increase the number of low-income families granted access to subsidized child care, and procedures for local program administration have been streamlined to promote service accessibility. In addition, State start-up grants to new providers and continued expansion of the local Child Care Resource and Referral Center network both support improvements in the availability of day care.

The State continues to expand support services to help the frail elderly remain in their homes. Now in its second year, the Expanded In-Home Services to the Elderly Program (EISEP) has been increased to its maximum $13.8 million statutory funding level.

Through EISEP, 14,000 frail elderly will receive case management and home care services that are often essential in obviating costly institutional placements.

INCOME MAINTENANCE

Income Maintenance programs provide cash assistance to a diverse needy population that includes families, single adults, the elderly and the disabled. For those recipients who can work, the State provides an array of employment and related services designed to promote their self-sufficiency.

Spurred by a strong economy and low unemployment, the total public assistance caseload has declined dramatically and now stands at its lowest level in more than ten years. The rate of decline has lessened with the past year, however, indicating that those who are still on welfare face greater barriers to employment. Assuming economic conditions remain favorable, the overall caseload will continue to decline. However, this decline will not match the major reductions of the past several years.

The President has signed the Family Support Act of 1988, a long-awaited restructuring of Aid to Families with Dependent Children (AFDC). This landmark legislation, which turns AFDC into a child support and employment program, stresses the obligation of all parents to support their children and of all able-bodied welfare recipients to work.

Although Federal welfare reform will have a major nationwide impact, New York has already initiated many of its own reforms. The State's Comprehensive Employment Program provides job search, job training and other employment services that help approximately 31,800 recipients find jobs each year. Comprehensive Employment Opportunity Support Centers provide intensive employment and related services to more than 3,900 AFDC mothers with young children who face the highest risk of long-term dependency. The State has also received Federal authorization this year to implement the Child Assistance Program (CAP), an innovative five-year demonstration project that increases incentives for parents to obtain child support and find employment. Under CAP, AFDC recipients who have secured a child support order and who find work will be permitted to retain a much higher portion of their earnings than permissible under current law. If successful, this project could become the model for reforms even more fundamental than those contained in the Federal Family Support Act.

The emphasis on innovative employment programs has been extended to the State's Home Relief (HR) and Food Stamp (FS) caseloads through the Federal Food Stamp Employment and Training and Job Opportunity Demonstration programs. In addition to providing a broad range of services to 46,500 HR and Non-Public Assistance (NPA) FS recipients, the State has provided an additional $1 million this year to encourage local development of targeted employment and training services, with special emphasis on homeless HR recipients and noncustodial parents. Under the Job Opportunity Program, long-term HR recipients with a history of unsuccessful participation in regular employment-related activities will be placed in subsidized jobs in local public or nonprofit organizations where they will work at least 20 hours per week and will have net earnings at least equal to their grants. On-the-job experience should more effectively equip long-term recipients with the tools required to achieve self-sufficiency.

Well before Federal welfare reform, the Governor proposed legislation to authorize automatic wage withholding of child support payments and to establish clear statewide child support payment guidelines. The Family Support Act requires many similar changes and the Governor will again call upon the Legislature to enact improvements in the State's child support enforcement system.

As it strengthens employment and child support programs, the State will continue to preserve the purchasing power of cash benefits. Effective

January 1, 1989, Supplemental Security Income (SSI) monthly State payments will increase by almost 20 percent for individuals living alone. Coupled with the $35 increase in monthly State payments to Level II Residential Care Facilities which began earlier this year, the State's financial commitment to the needy aged, blind and disabled will grow by more than $50 million annually.

To offset inflation, the State has increased cash benefits for AFDC and HR recipients three times in five years. Although the State's benefit payment levels are among the highest in the country, total cash assistance payments still remain below the Federal poverty level. AFDC and HR benefits provide essential financial support to more than 700,000 children and their adequacy is continually reviewed by the State.

MEDICAL ASSISTANCE

New York State's Medical Assistance Program assists more than 2.2 million adults and children to obtain essential medical care. The State is committed to providing access to high quality care to those most in need while improving the cost-effectiveness of the Medicaid system.

Chapter 710 of the Laws of 1988, an integral component of the "Decade of the Child" agenda, expands Medicaid coverage to families whose gross household incomes are at or below the poverty level. On January 1, 1989, more than 230,000 additional New Yorkers, including 148,000 children, will qualify for governmental medical assistance with an estimated 88,000 taking advantage of the extended coverage. Moreover, adults in intact families — the working poor — will become eligible for Medicaid benefits for the first time.

The new legislation also authorizes local social services districts to develop managed-care demonstration projects for Medicaid recipients. A Medicaid client will be assigned a managed-care provider who will coordinate the provision of services available under Medicaid, emphasizing preventive health care such as periodic screening and early diagnosis and treatment. This will enable Medicaid recipients to maintain their health and reduce the incidence of more serious long-term illnesses.

Significant revisions to the State's Medicaid reimbursement methodology for acute hospital care were implemented on January 1, 1988. Hospitals were previously reimbursed on an average cost-per-day basis. Payment for Medicaid beneficiaries, Blue Cross and commercially insured enrollees is now made on a per-case basis, as determined by the patient's discharge diagnosis — the same approach used for Medicare beneficiaries in the State since 1986. The objectives of this new case payment system are to encourage shorter hospital stays and to establish clearer standards for the efficient provision of hospital services. To protect against the possible adverse consequences of a payment system which encourages earlier discharges, a patient appeals process was established concurrently. Cases of inappropriate or premature discharge have been minimal to date.

Another effort to improve the Medicaid payment system is the New York State Ambulatory Care Reimbursement Demonstration. Under the sponsorship of the Federal Health Care Financing Administration, the State Department of Health is implementing a demonstration program in selected outpatient hospital clinics and neighborhood health centers where Medicaid reimbursement varies according to the type of service provided. This innovative and experimental system is based on a pricing plan — Products of Ambulatory Care (PAC's) — which establishes differential prices depending on both patient characteristics and the intensity of services. The goals of the project are to develop a payment system which is equitable to both payor and provider, administratively simple, and promotes appropriate, efficient and effective use of resources. Providers in many parts of the State will participate in this demonstration during the current year.

Meeting the health care needs of the increasing at-risk elderly segment of the population is a concern that transcends state boundaries. Enactment of the Federal Medicare Catastrophic Act of 1988 represents the largest expansion in the 23-year existence of the Medicare program. The Act amplifies benefits for services provided by institutional health care providers, reduces the amount beneficiaries must pay for Medicare benefits and, for the first time, provides coverage for outpatient prescription drugs. Although this new Federal legislation will reduce Medicaid costs in instances where clients are eligible for both Medicare and Medicaid, the Act does not cover all types of catastrophic health expenses, most notably long stays in nursing homes and extended home health services. Such long term care comprises the largest portion of the State's Medicaid program. For this reason, the State must continue its efforts to encourage the development of alternative financing for long-term care services.

Through a grant awarded by the Robert Wood Johnson Foundation, New York is participating in a multistate study to determine the feasibility of long-term care insurance as an alternative financing mechanism. The study seeks to create a more rational way for consumers to protect themselves and their families against the high cost of long-term care and to assess the viability of reducing the role of Medicaid as the primary payor of these services. Current efforts center on the development of a long-term care data base which will provide cost and utilization information for the subsequent demonstration phase.

In recent years, the State has encouraged the development of home care services as alternatives to institutionalization. An essential component of the State's policy of providing health care in more appropriate, cost-effective settings is an adequate supply of qualified home care workers. In June 1988, a three-year labor agreement with the unions representing home attendants in New York City was negotiated and this wage settlement will help ensure that the home health care needs of the State's at-risk population will continue to be met.

Controlling the growth of Medicaid expenditures without jeopardizing necessary health care remains a high priority. The legislation expanding Medicaid eligibility also authorized demonstration programs aimed at controlling emergency room expenditures. The Department of Social Services (DSS) will develop up to 15 projects designed to encourage use of alternative service delivery settings and discourage emergency room use for routine, primary medical care. These projects would be carried out in accord with plans submitted by local social services districts and could include reimbursement and services methodologies that employ co-payments, increased payments for nonemergency physicians' services, and revisions to hospital emergency room fees to reflect pricing of specific emergency and nonemergency services.

Other measures to reduce inappropriate Medicaid billings are in place. The Recipient Restriction Program has been expanded. In June 1988, DSS promulgated regulations to strengthen the monitoring of Home Relief clients who incur aberrantly high Medicaid expenditures. Services to such clients would continue to be restricted even when they return to the Medicaid program. Other regulatory changes have authorized DSS to require all providers to submit applications for re-enrollment in the Medicaid program for departmental review, a process that will simplify the elimination of fraudulent and abusive providers from the program. This initiative is being phased in over a two-year period with an initial focus on providers of laboratory, pharmacy and physician services.

To control rapidly increasing costs, DSS has solicited competitive bids for laboratory services in the New York City area. Proposals from interested bidders are under review and implementation is scheduled for the end of the current fiscal year. DSS is also continuing to increase the efficiency of reimbursements for prescription drugs. In response to Federal regulations, it has promulgated maximum-payment limits for multisource drugs. A second initiative, designed to reduce the dispensing of an unnecessary quantity of drugs, limits the prescription authorization period for non-maintenance drugs to 30 days.

The search for new and creative ways to contain Medicaid costs will continue.

PUBLIC HEALTH SERVICES

Combating the Acquired Immune Deficiency Syndrome (AIDS) epidemic, reducing the incidence of both infant mortality and low birthweight babies, providing access to necessary health care for uninsured populations and addressing the shortages of critical health care professionals are the primary public health issues facing the State today.

A current-year appropriation of $30.4 million will enable the Department of Health to expand existing programs and initiate several new ones in its response to the AIDS crisis. Activities under development include: increasing the availability of community education and support for all HIV-infected individuals with an emphasis on minorities, substance abusers, women, adolescents and children; improving the accessibility of counseling and testing through family planning clinics and prenatal care programs; and meeting the needs of specific groups including the prison population, HIV-infected children and their families and persons at risk of HIV infection related to substance abuse.

The State is committed to providing high quality health care in appropriate and cost-effective settings tailored to the unique medical and psychosocial needs of persons with AIDS. The State has approved ten hospitals as Designated AIDS Centers responsible for comprehensive case managed care to hospitalized AIDS patients and HIV-infected persons living in the community. Designated AIDS Centers receive enhanced inpatient and outpatient reimbursement for additional costs associated with providing or arranging for a full array of services.

The State is also seeking to ensure access to previously unavailable institutional non-acute care by certifying and providing specialized reimbursement for Skilled Nursing Facility and Health Related Facility programs designed for AIDS patients. Applications for certification of approximately 400 beds have been received. To meet the needs of persons requiring home care, expansion of noninstitutional long-term care services is being encouraged through enhanced reimbursement of home nursing services provided to persons with AIDS by Certified Home Health Agencies and through the establishment of a discrete AIDS home care component under the auspices of the State's Long Term Home Health Care Program.

In September, the Governor signed landmark legislation in New York's fight against AIDS. The law, which takes effect February 1, 1989, requires a person's informed consent for testing for the AIDS virus and places strict limits on the disclosure of confidential HIV-related information. These protections are intended to encourage persons who may be at risk of contracting AIDS to seek counseling, testing and, if necessary, treatment. This law will ensure the confidentiality required to make voluntary testing successful.

HIV infection will continue for the foreseeable future to be a threat to the public health, with profound economic, psychosocial, legal and public policy implications. Accordingly, the State will soon issue a Five-Year Master Plan to help guide the fight against this public health menace.

Appropriate perinatal care is critical for reducing the number of low birthweight babies and the incidence of infant mortality. Although the Prenatal Care Assistance Program will enable nearly 30,000 medically indigent women to obtain prenatal care, the State is pursuing alternatives for improving access to more comprehensive health services for this population. The Department of Health is developing a pilot program to determine the feasibility of an innovative payment and comprehensive service delivery mechanism for prenatal, delivery, postpartum and

newborn care to the Medicaid and medically indigent populations. Scheduled to begin in March 1989, the pilot program is expected to serve 13,000 women in three areas of the State. The State is also committed to meeting the nutritional needs of this population. The Supplemental Nutrition Assistance Program (SNAP), in conjunction with the Federal Women, Infants and Children (WIC) program, will provide nutrition and nutrition education to more than 300,000 low-income women and children.

An estimated 2.5 million New Yorkers have no health insurance, and providing health care coverage to uninsured persons and families remains a high priority. To this end, the Governor signed into law the Expanded Health Care and Coverage Act of 1988 which will assess the feasibility of subsidizing health insurance for the working poor and protecting individuals and families from the financial burdens of catastrophic illness.

Shortages of qualified health care professionals are pervasive throughout the country. In New York State, however, with its extensive institutional and community-based health care industry, the lack of health care workers has become critical. In response, the New York State Labor-Health Industry Task Force has been created to define the problem and to identify possible solutions. The preliminary report of the Task Force released in March, recognized that the causes are complex, reflecting such interrelated factors as changing demographics, increasing requirements for credentials, and the lack of career opportunity and mobility. Solutions will require both commitment of significant resources and the cooperation of the health care industry, government and the educational system. The Task Force is preparing its final report.

HUMAN RIGHTS

The Division of Human Rights (DHR) has expanded its responsibilities to strengthen enforcement of the State's Human Rights Law and prevent discrimination. A Crisis Prevention Unit has been created to help reduce incidents of bias and racial tension and to intervene in situations that are rooted in racial, religious or other forms of prejudice. The Unit has established a hotline through which incidents of bias may be reported and referred for investigation, and its staff is meeting with groups in conflict in targeted communities to help resolve problems. The Unit is also developing a public awareness campaign to improve understanding of the causes of discrimination and to provide information on both the resources available to victims and the consequences of conviction for bias-related crimes.

These efforts are further supported by the computerization of the case tracking system begun this year. This system is critical to the improvement of DHR's response to all discrimination complaints and to the effective management of its growing caseload.

In conjunction with the AIDS Institute in the Department of Health, DHR is continuing to educate the public regarding unlawful discrimination against persons with AIDS or those perceived to have AIDS. The Office of AIDS Discrimination Issues (OADI) works with community organizations and is developing an education campaign that will include the use of subway posters and public service announcements.

JUVENILE JUSTICE

As part of its continuing management improvement program, the Division for Youth (DFY) has begun to install the Client Classification and Movement System (CCM). CCM provides DFY with an automated tracking system that monitors the client from intake through various placements through aftercare services.

CCM will help identify appropriate placements based on the nature of the services provided in specific facilities. In addition to the required level of supervision (secure, limited secure or community-based), a facility will be identified as an appropriate placement based on the availability of special services. For example, certain facilities offer special programs for substance abusers and sex offenders.

To enhance CCM, DFY is changing facility responsibilities from a geographic focus to one that emphasizes client programming through the various levels of care. CCM will also assist DFY in its adjustment of residential capacity to meet shifting population demands. Although the Limited Secure/Non-Community Based program continues to function at nearly full capacity, wings at several facilities have been closed in response to lower-than-anticipated juvenile offender placements in the Secure program.

DFY also provides services to youth not under its care as a means of preventing delinquency. Under the Runaway and Homeless Youth Act, DFY reimburses counties for 60 percent of their program costs. DFY is funding programs in 17 counties this year, increasing the number of youth served by 75 percent over those served in 1987-88. In addition, the Youth Development and Delinquency Prevention and Special Delinquency Prevention programs provide service and recreational projects for more than 4,000 youth.

CRIMINAL JUSTICE

PUBLIC SAFETY

The criminal justice system, which encompasses law enforcement, prosecution, the courts, prisons and alternative punishment, continues to experience a substantial increase in activity. During the first six months of 1988, felony arrests increased by almost 9 percent over the same period in 1987. Similarly, felony indictments rose by almost 3 percent, felony convictions by nearly 10 percent and State prison sentences by almost 9 percent. With regard to narcotics-related offenses, felony drug arrests increased by 14 percent during the first six months of 1988 over the same period last year, indictments by 11 percent and convictions by 32 percent.

The State's investment in criminal justice and other public safety programs remains responsive to the demands placed on the system despite its difficult financial situation. In 1988-89, General Fund appropriations total $1.4 billion, an increase of 6 percent over 1987-88. Capital appropriations add another $179 million. At the same time, however, current-year expenditure reductions of more than $19 million are planned because of the State's revenue shortfall. These decreases will not disrupt essential services or jeopardize the public safety.

The exchange of accurate and useful information is critical to the efficient operation of the criminal justice system. The current budget appropriates $11.6 million for the Systems Improvement for Enhanced Community Safety (SIFECS) program. The most significant SIFECS project is the Statewide Automated Fingerprint Identification System (SAFIS). Other SIFECS initiatives include Pathways, a system of long-distance circuits and high-speed lines which helps contain the costs of criminal justice data communications. Among other efforts to cut costs are development of standardized forms and common software, automated jail and probation department management systems, a pilot corrections history project and case-tracking programs. In addition, SIFECS improves planning, increases productivity and promotes more efficient information exchange throughout the criminal justice system.

Through a combination of State and Federal funds, the Crime Victims Board provides relief to eligible claimants who demonstrate financial difficulty caused by crime. As a result of recent legislation that expanded victim eligibility and increased outreach, victims' compensation claims have grown by more than 120 percent during the last three years and this trend is continuing.

PRISONS

Increased police and court activity continues to intensify the demand for space within the State prison system. The inmate population is expected to rise to 45,800 by March 31, 1989, an increase this fiscal year of nearly 8 percent. Despite budgetary constraints, the Department will continue to ensure the safe and humane confinement of offenders through its ambitious capacity expansion program. Five new facilities, with a total of about 3,050 beds, are opening in Cayuga, Chemung, Essex, Franklin and Oneida counties during 1988-89 and a new 250-bed shock facility in Wayne County will be completed in late spring. Construction to provide more than 2,300 additional beds is planned by January 1991. This includes conversion of an additional 1,100 beds at Rome Developmental Center in Oneida County, 1,000 beds in Chautauqua and Chemung counties and increased work release and mental health capacity at several sites.

Assistance has also been provided to New York City to relieve jail overcrowding. Two new 750-bed facilities in Jefferson and St. Lawrence counties, constructed and operated by the State to house City inmates, were opened in early September. New York City is responsible for all construction and operating costs of these facilities.

The Department of Correctional Services (DOCS) has enhanced health care services to inmates, particularly those afflicted with AIDS. Two new AIDS infirmaries, opened at Fishkill and Wende correctional facilities, provide AIDS inmates with the most current drug therapy available.

Despite the growing population demands, DOCS will achieve necessary savings through vacancy controls and reduced overtime.

COMMUNITY REENTRY

Concurrent with capacity expansion, programs continue to facilitate the reentry of inmates into the community. The Earned Eligibility Program (EEP) formalizes the link between an inmate's successful completion of work and treatment programs and the likelihood of parole at the end of the minimum sentence. In the first five months of 1988-89, 79 percent of those inmates participating in EEP were released by the Board of Parole.

Shock incarceration camps provide an opportunity for young, nonviolent, first-time felons to become eligible for parole by completing a six-month regimen of structured physical activity and therapeutic counseling. Nearly 200 inmates have successfully completed this program. Plans are under way to extend this program to eligible female inmates.

Federal funds, available through the Anti-Drug Abuse Act of 1986, will be used to expand alcohol and drug abuse programs to all correctional facilities.

ALTERNATIVE PUNISHMENT

Alternative punishment in a community setting provides support and reintegrative programming for those under supervision while reserving prison bed space for the most serious offenders.

State financial support for locally based programs includes $49.2 million in probation aid and $24.2 million in alternative sanctions. To this end, the Division of Probation and Correctional Alternatives (DPCA) has developed program standards to ensure managerial accountability and feasible caseloads. This effort has been most noticeable in New York City, which recently invested significant additional resources to upgrade its probation services. DPCA has also implemented an Intensive Supervision Program (ISP) aimed at diverting select offenders from incarceration. Legislation signed by the Governor extended the Classification/Alternatives Act which provides more than $3.6 million in local alternatives programming in exchange for a less restrictive jail classification system, and also expanded eligibility for participation. It is anticipated that four additional counties will participate in the program this year.

The State is entering the third year of the PINS (Persons-In-Need-Of-Supervision) Diversion Program which avoids unnecessary and costly foster care placement. The program currently involves 26 counties, including the City of New York, and will add eight counties on January 1, 1989. Pursuant to Chapter 411 of the Laws of 1988, DPCA will initiate a three-year pilot program designed to reduce the incidence of domestic violence through intervention and education services for batterers.

The Division of Parole continues to play an increasingly complex and critical role in assessing inmates' readiness for release, in supervising and assisting parolees in the community, and in revoking the parole of those who violate the conditions of their release. Important in effectively fulfilling these responsibilities are differential supervision and participation in EEP. Of particular significance during 1988-89 is a testing and treatment program for drug and alcohol dependent parolees being carried out with Federal Drug Enforcement funds.

LAW ENFORCEMENT

Notwithstanding a $9 million dollar reduction in Federal funds provided through the Anti-Drug Abuse Act of 1986, the State has continued to initiate programs to combat drug-related crime. Funds are being provided to support State Police narcotics investigators, regional drug enforcement task forces, and drug eradication efforts in parks, school playgrounds and other youth-oriented recreational areas. Newly enacted legislation will increase the penalty for the possession of 500 milligrams or more of cocaine (four to six vials of "crack") from a Class A misdemeanor to a Class D felony, and will provide $700,000 to assist local police narcotics laboratories in analyzing such drugs as cocaine and crack. Money laundering, frequently involving drug dealers, loan sharks and bookmakers, will be illegal in the State under legislation signed by the Governor this year and prosecutors will now have a weapon to attack the profits of these criminals.

In 1988-89, the overall strength of the Division of State Police is being maintained, with more than 40 investigators for drug enforcement being added. To ensure the most effective use of officers currently available for patrol, the Division is continuing to analyze deployment of its personnel. Emphasis has also been placed on achieving compliance with the 55-mile-an-hour speed limit and maintaining the State's high standards in enforcing laws for driving while intoxicated.

Throughout this difficult year, the Division has sought to contain costs without negatively affecting public safety. For example, personal service costs have been decreased without reducing patrol coverage through the elimination of selected details and freezes on nonessential civilian positions. Further reductions in nonpersonal service reflect controls on travel and telephone use and the elimination of clothing orders. For the first time, the Division will be fully reimbursed by proceeds from the State Fair for providing crowd-control and patrol services. Savings also will be realized through a reduced tariff rate for data communications as a result of the Division's participation in the exchange of crime data with other states and the Federal government.

Pursuant to recently enacted legislation, standards for local law enforcement agencies will be developed by a State Council on Law Enforcement Agency Accreditation which represents a broad consensus of the State's law enforcement community. In addition, support for local law enforcement activities through local assistance funding remains a priority. The Target Crime Initiative (TCI) Program funds local prosecution and defense activities aimed at the swift adjudication of cases involving habitual and violent offenders. In the first three months of 1988, TCI-supported prosecution staff accounted for 4,341 indictments, 3,429 convictions and 1,971 State prison commitments. In addition to TCI prosecution efforts, State funds support local police through the Major Offense Police Program (MOPP) and the Special Warrant Enforcement Enhancement Program (SWEEP). MOPP-funded officers were responsible for 3,870 arrests in 1987 and SWEEP funding resulted in clearing 7,173 outstanding warrants, including 4,696 for felonies.

TABLE I
STATE FINANCIAL PLAN
CASH BASIS OPERATING RESULTS
STATE FISCAL YEAR 1987-88
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	169	1,076	226	203	1,674
Receipts:					
Taxes	25,472	707	-0-	30	26,209
Miscellaneous receipts	1,174	2,048	463	1,288	4,973
Federal grants	68	8,766	603	15	9,452
Total receipts	26,714	11,521	1,066	1,333	40,634
Disbursements:					
Local assistance	16,616	8,912	-0-	-0-	25,528
State operations	6,624	2,905	4	-0-	9,533
General State charges	1,711	165	-0-	-0-	1,876
Debt service	136	-0-	-0-	1,009	1,145
Capital projects	-0-	4	1,810	-0-	1,814
Total disbursements	25,087	11,986	1,814	1,009	39,896
Other financing sources (uses)					
Transfers from other funds	161	2,621	486	1,481	4,749
Transfers to other funds	(1,258)	(1,041)	(23)	(1,777)	(4,099)
Bond and note proceeds	-0-	-0-	252	-0-	252
Transfer to the Infrastructure Trust Fund	(646)	-0-	-0-	-0-	(646)
Total sources (uses)	(1,743)	1,580	715	(296)	256
Increase (decrease) in fund balance	(116)	1,115	(33)	28	994
Closing fund balance	53	2,191	193	231	2,668

Table II
STATE FINANCIAL PLAN
GAAP-BASIS OPERATING RESULTS
STATE FISCAL YEAR 1987-88
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	24,985	672	-0-	31	25,688
Miscellaneous revenues	1,446	1,640	476	1,447	5,009
Federal grants	56	8,746	624	1	9,427
Total revenues	26,487	11,058	1,100	1,479	40,124
Expenditures:					
Local assistance	15,637	7,915	104	-0-	23,656
State operations	9,400	1,508	-0-	-0-	10,908
General State charges	2,013	90	-0-	-0-	2,103
Debt service	136	-0-	-0-	1,258	1,394
Capital projects	-0-	-0-	1,720	-0-	1,720
Total expenditures	27,186	9,513	1,824	1,258	39,781
Other financing sources (uses)					
Transfers from other funds	2,181	49	600	1,652	4,482
Transfers to other funds	(1,623)	(1,476)	(132)	(1,954)	(5,185)
Bond proceeds	-0-	-0-	180	-0-	180
Net other sources (uses)	558	(1,427)	648	(302)	(523)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(141)	118	(76)	(81)	(180)

TABLE III
1988-89 RECEIPTS ESTIMATES
CHANGE FROM APRIL PLAN
(millions of dollars)

	April	July	Mid-Year	Change from April
Personal income tax	15,132	14,014	13,535	(1,597)
User taxes and fees	7,221	7,201	7,096	(125)
Sales and use tax	5,675	5,650	5,550	(125)
Motor fuel tax	481	485	489	8
Cigarette tax	395	393	390	(5)
Motor vehicle fees	409	413	410	1
Alcoholic beverage taxes and license fees	178	177	176	(2)
Highway use tax	83	83	81	(2)
Business taxes	3,791	3,801	3,773	(18)
Corporation franchise tax	1,800	1,781	1,670	(130)
Corporation and utilities taxes	918	931	918	0
Insurance taxes	472	472	468	(4)
Bank tax	460	470	575	115
Petroleum gross receipts taxes	141	147	142	1
Other taxes	1,345	1,393	1,398	53
Real property gains tax	595	607	595	0
Estate and gift taxes	440	494	517	77
Real estate transfer tax	223	203	197	(26)
Pari-mutuel tax	86	88	88	2
Other taxes	1	1	1	0
Miscellaneous receipts and Federal grants	1,010	1,030	995	(15)
Total receipts	28,499	27,439	26,797	(1,702)

TABLE IV
GOVERNMENTAL FUNDS FINANCIAL PLAN
PREPARED IN ACCORDANCE WITH GAAP
STATE FISCAL YEAR 1988-89
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	26,868	694	-0-	32	27,594
Miscellaneous revenues	1,834	1,795	431	1,293	5,353
Federal grants	-0-	9,643	620	2	10,265
Total revenues	28,702	12,132	1,051	1,327	43,212
Expenditures:					
Local assistance	17,441	9,430	172	-0-	27,043
State operations	9,969	1,682	8	-0-	11,659
General State charges	2,102	117	-0-	-0-	2,219
Debt service	157	-0-	-0-	1,243	1,400
Capital projects	-0-	-0-	1,823	-0-	1,823
Total expenditures	29,669	11,229	2,003	1,243	44,144
Other financing sources (uses)					
Transfers from other funds	1,999	46	528	1,786	4,359
Transfers to other funds	(1,469)	(1,000)	-0-	(1,890)	(4,359)
Bond proceeds	-0-	-0-	330	-0-	330
Net other sources (uses)	530	(954)	858	(104)	330
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(437)	(51)	(94)	(20)	(602)

TABEL V
STATE GENERAL OBLIGATION DEBT
AS OF MARCH 31, 1988
(millions of dollars)

Purpose	Total Authorized	Authorized But Unissued	Amount of Debt Outstanding: Bonds	Notes	Total
Transportation capital facilities					
Highways	1,250.0	0.0	254.7	0.0	254.7
Mass transportation	1,000.0	0.1	587.8	0.0	587.8
Aviation	250.0	49.7	130.0	0.0	130.0
Pure waters	1,000.0	161.4	512.2	1.7	513.9
Low-income housing	960.0	7.9	408.7	0.0	408.7
Middle-income housing	150.0	0.5	115.1	0.0	115.1
Urban renewal	25.0	1.6	8.4	0.0	8.4
Mental health facilities	350.0	0.0	1.0	0.0	1.0
Higher education	250.0	0.0	85.3	0.0	85.3
Park and recreation land acquisition	100.0	0.9	7.5	0.0	7.5
Outdoor recreation development	200.0	2.3	59.9	0.0	59.9
Environmental quality					
Water	650.0	228.6	320.5	0.0	320.5
Air	150.0	74.2	42.1	0.0	42.1
Land	350.0	92.1	190.8	0.0	190.8
Rail preservation	250.0	0.0	184.9	0.0	184.9
Energy conservation through improved transportation					
Local streets and highways	100.0	0.0	45.7	199.9	245.6
Rapid transit and rail freight	400.0	11.8	312.2	0.0	312.2
Rebuild New York through transportation infrastructure renewal					
Highway related projects	1,067.5	522.9	308.5	0.0	308.5
Rapit transit, rail and aviation projects	111.3	62.8	45.9	0.0	45.9
Ports, canals and waterways	71.2	35.5	31.9	0.0	31.9
Environmental quality (1986)	1,450.0	1,450.0	0.0	0.0	0.0
Total	10,135.0	2,702.3	3,653.1	201.6	3,854.7