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OWEN H. JOHNSON  
CHAIRMAN OF THE FINANCE COMMITTEE

CHAIRMAN  
SUBCOMMITTEE ON L.I. MARINE DISTRICT

COMMISSIONER  
ATLANTIC STATES  
MARINE FISHERIES COMMISSION

**DISTRICT OFFICE:**  
23-24 ARGYLE SQUARE  
BABYLON, LONG ISLAND, NY 11702  
(631) 669-9200

**ALBANY OFFICE:**  
ROOM 913  
LEGISLATIVE OFFICE BLDG.  
ALBANY, NY 12247  
(518) 455-3411

**E-MAIL ADDRESS:**  
[ojohnson@senate.state.ny.us](mailto:ojohnson@senate.state.ny.us)

**WEBSITE:**  
[www.senatorowenjohnson.net](http://www.senatorowenjohnson.net)

December 22, 2008

Dear Senators:

Please find attached the "Staff Analysis of the SFY 2009-10 Executive Budget." It is intended to assist the members of the Finance Committee, and the Senate as a whole, in their deliberations. We hope that our readers find it useful.

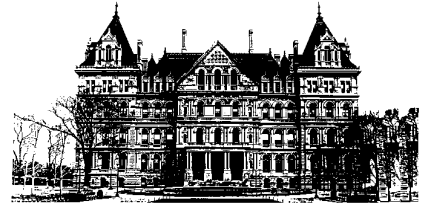
This analysis of the Executive Budget begins with a summary of the spending plan. It then examines an explanation of receipts and provides for Senate issues in focus. Finally, it examines appropriations and disbursements for each agency and program included in the budget. The report provides a comparison of the appropriations recommended this year with those approved last year, and an analysis of the Governor's recommendations.

Each member of the Senate Finance Committee devotes considerable time and effort to the passage of a budget that serves the interests of every New Yorker. I am most grateful for their cooperation. It is also my pleasure to thank the staff of the Senate Finance Committee, whose assistance has been invaluable.

Sincerely,

A handwritten signature in black ink that reads "Owen H. Johnson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Owen H. Johnson



# STAFF ANALYSIS OF THE SFY 2009-10 EXECUTIVE BUDGET

As Prepared by the Senate Finance Committee Staff

Robert F. Mujica  
Secretary to the Finance Committee

---

Michael Paoli, Managing Director of Budget Analysis  
Thomas P. Havel, Assistant Director  
Mary D. Clark, Assistant Director

Richard C. Mereday

Mary C. Arzoumanian

Shawn M. MacKinnon

Jacqueline Y. Donaldson

Steven A. Taylor

Maria A. LoGiudice

Ade Somide

Peter C. Drao

Dave King

Lauren E. King

Lillian Kelly

Mark S. Nachbar

Gerard Zabala

Kevin Bronner

Nicole Fosco

Eugene Sit

Megan Baldwin

Marcie Sorrentino

Ryan Spelman

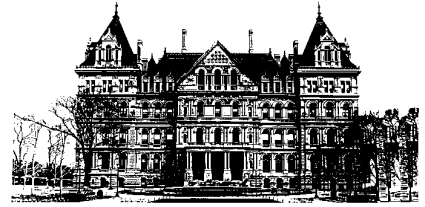
Assistant to the Secretary

David J. Natoli

Ann Shaw

Publication Editor

Jason P. Clark

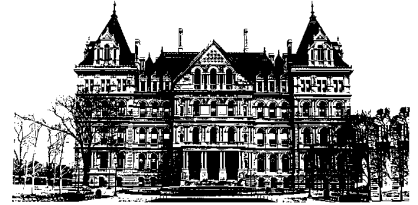


**STAFF ANALYSIS OF THE  
SFY 2009-10 EXECUTIVE BUDGET**

**VOLUME I**

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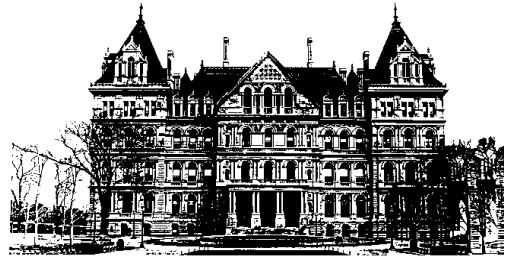
# SECTION ONE

## HIGHLIGHTS OF THE EXECUTIVE BUDGET



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# OVERVIEW



## OVERVIEW

The State's financial crisis is negatively affecting New Yorkers on many levels. Unemployment levels are rising, layoffs in New York City and around the state have begun, and working families are dealing with the inability to get loans for homes, college, and autos. Businesses are suffering as lines of credit are eliminated or reduced and working capital is difficult to access. With this backdrop, the Executive Budget Financial Plan for SFY 2009-10 reflects the crisis on Wall Street, the heart of the financial sector, and the overall national recession. These serious challenges present major opportunities, however, and with the right choices, New York can grow out of this crisis as the State has done many times before. It is critical therefore, that as we address the State's budget challenge, decisions are made that create opportunity and do not impede economic growth.

The Executive's SFY 2009-10 proposed budget actions can be divided into two discrete segments; **spending and revenue**. Spending increases have averaged, according to the Executive, 7.8 percent over the past five years. Moreover, current services spending for next year is estimated to grow by over 10 percent, if not reigned in. Although, the State faces declining revenues, the root cause of the State's financial challenge is unsustainable spending growth. The Executive Budget includes recommendations which significantly curtail spending next year. However, subsequent year spending increases

continue to be a concern. Structurally, the State budget is still driving unsustainable programmatic spending increases. And while Executive documents cite reductions in the five year accumulated gap of nearly \$60 billion, these numbers do not depict a meaningful measure of the year to year spending picture. Assuming enactment of all Executive recommendations, the State funds spending increase would be reduced to 1.7 percent.

### State Spending Growth

The Executive's financial plan documents reveal that spending growth for SFY 2010-11 (the year after next) is still expected to grow by nearly 6 percent after all of the Executive's proposed actions. This projected growth rate is **nearly triple** the projected rate of inflation. The large out year spending increase highlights the structural spending problem in the state budget and calls for more fundamental reform in controlling state spending. When taken in the context of the Executive budget proposals, the out year spending growth patterns are directly related to the Executive's over \$7 billion in increased tax and fees. If enacted, these tax and fee proposals would become permanent funding streams for future spending increases.

**Past spending patterns combined with the projected out year spending growth, lead to the conclusion that the increased taxes and fees being proposed this year will be used to finance continued high rates of spending in**

**future years.** Many of the spending reductions proposed for SFY 2009-10 are not permanent spending cuts. Many of the proposed reductions are simply delays in spending which would be pushed out of the current fiscal year, into the next, when the tax and fee increases proposed would be fully effective.

The Executive's financial plan overview highlights the out year spending concern: *"It is expected that once the immediate fiscal demands have been resolved and the long term operating outlook improves, the State may again be in a position to increase funding for high-priority programs, albeit at more sustainable levels."* Clearly, out year spending needs to be kept at a realistically **"sustainable level"** that does not require tax increases so that the state is in a position to grow out of the current recession and does not have to face multi-billion budget gaps annually.

This year, faced with the reality of declining revenues, important measures were taken mid-year to reduce spending in the current year. Recognizing the looming crisis, the Legislature partnered with the Governor in a special legislative session in August to enact over \$1 billion in spending cuts. In addition, the Governor took administrative actions to further reduce spending by administratively cutting agency spending by 10 percent. Even after these actions, the Executive projects a further slide in revenues. The Division of the Budget now estimates a \$1.7 billion current year deficit.

To address the current year \$1.7 billion gap, as well as the \$13.7 billion gap for SFY 2009-10, the Governor is proposing spending cuts and other financial plan actions. The Executive's budget proposal closes a \$15.4 billion two year budget gap through a combination of tax and fee increases, one shot revenues and spending cuts. The Executive Budget proposes an **SFY 2009-10 State Funds spending increase of 1.7 percent or \$1.4 billion.** For SFY 2009-10, the Executive

Budget proposes total **All Funds spending of \$121.1 billion, an increase of \$1.4 billion or 1.1 percent from the current year.**

### **The State Budget and Job Growth**

**The overall impact on the State's economy and job growth should be at the forefront of any analysis of the State Budget.** With over \$7 billion in tax and fee increases, the proposals lean towards the revenue side of the ledger to achieve financial plan balance. Thousands of businesses in New York State will see their taxes go up as a result of this and various economic development reforms. With profit margins small, as a result of the recession, businesses already operating on the margin are facing extreme pressure to survive and grow. As expenses go up, businesses will be forced to reduce costs and employment levels. Absent other economic development initiatives, tens of thousands of jobs could be lost as a result of the business tax increases.

Fifteen years ago, when the effects of a recession caused State revenues to fall dramatically, a 15 percent surcharge was implemented on business taxes, personal income taxes were raised and a real estate transfer tax was imposed. The original estimates on how much these tax increases would raise were quickly eclipsed, and while the rest of the nation emerged from that recession with renewed prosperity to seize opportunities, New York's economy languished.

The taxes on businesses drove investment and capital out of New York State. Increased personal income taxes made New York less attractive for the next generation and high real estate taxes stifled the real estate market by removing nearly one billion from real estate transactions through taxes. These moneys should have remained in the private sector creating new jobs. As a result of the combined effect of these factors, New York City lost over 360,000 jobs or one-tenth of its entire employment base. In 1995,



the State shifted course, cutting billions of dollars in business and personal income taxes. As a result, New York's private sector economy was rejuvenated, hundreds of thousands of new jobs were created and the State's fiscal integrity was dramatically improved.

### **Economic Development**

The Senate Republicans recently passed with bipartisan support, a plan to stimulate economic growth by reducing taxes for small business, manufacturers and technology companies in anticipation of the expiring Empire Zone program (see the economic development sections of this report). The Executive budget **takes a different approach**. Under the Executive plan, the Empire Zone program is reformed by eliminating \$310 million in tax incentives to over 2,000 businesses statewide. This action is essentially a tax increase for the affected businesses. Many businesses have based large investments on previous commitments by the state to provide specific benefits. This is especially true for manufacturing projects that are eligible for large incentives. Under this proposal, many of these businesses would have their benefits terminated which would not only negatively impact the effected business by not honoring previous commitments, but could also have a chilling effect on new businesses seeking to locate or expand in New York. Moreover, the \$310 million is not reallocated to spur job growth; instead the savings are taken largely for spending and General Fund financial relief of the State. Although a new grant program is created for businesses it is unclear who would be eligible to participate in the program or receive benefits. Lastly, the Executive is proposing to consolidate the three economic development related agencies into one agency. Under this proposal, NYSTAR and the Department of Economic Development would be merged into the Empire State Development Corporation (ESDC).

### **Education**

The Executive Budget proposes total school aid spending of \$20.7 billion for SFY 2009-10, an average decrease of 3.2 percent, or \$635 million from the current year. However, when all categories of aid are examined, school districts could receive as much as a 23 percent increase or as much as a 26 percent decrease in funding. This reduction is accomplished by allowing present law formulas to run for expense based aid categories and then applying a \$1.1 billion "Deficit Reduction Assessment." The net year over year school year decrease is \$635 million. Previous year commitments, on the foundation aid phase-in would be extended from four to eight years.

### **Higher Education**

The proposal for higher education funding includes a \$620 and \$600 increase for SUNY and CUNY respectively. In addition, State support for both systems senior college (including hospitals) and community colleges are reduced by hundreds of millions of dollars. A new student loan program is proposed to provide low interest higher education loans backed by SONYMA. Modest tuition assistance program reforms are also proposed to align aid with student work load, performance and ability to pay. Overall spending goes up to reflect the impact of the proposed tuition increases.

### **Property Taxes**

The Budget proposal eliminates funding for the middle class star rebate program. Rebate checks valued at \$1.43 billion which were scheduled to reach tax payers in the Fall of 2009, would be eliminated, as would the middle class rebate checks for 2010. Total property tax relief eliminated including the New York City personal

income tax credit would exceed \$3 billion over the next two years.

### **Health/Medicaid**

The Executive Budget proposes over \$3.5 billion in healthcare savings measures including proposals for saving in the current fiscal year through the deficit reduction plan for which the Executive requests for enactment by February 1, 2009. When you take into account lost Federal matching money, the cuts proposed exceed \$5.2 billion. The reductions proposed, significantly impact all healthcare sectors.

### **Transportation**

The Executive proposes \$569 million in reductions to the Highway and Bridge program letting levels as well as additional cuts to the CHIPS and Multi-modal programs. Funding for transit aid is also reduced. Most notable, however, is what is not included; there is no proposal to extend the Highway and Bridge plan which expires in 2009 and there is no proposal to extend the MTA capital plan or to address the Ravitch Commission MTA financing recommendations.

### **Environmental Conservation, Agriculture and Housing**

Various local assistance reductions are proposed, impacting \$13 million in agricultural programs and over \$13 million in housing programs. In addition, the Executive proposes a new expanded returnable container act "Bottle Bill" and reduces overall funding in the Environmental Protection Fund. Lastly, various local environmental commissions are consolidated or eliminated.

### **Public Protection**

In the area of Public Protection, the Executive Budget proposes new sentencing reforms and parole supervision modifications which would further reduce the State's prison population. In addition, four prison camps are recommended for closure and other actions will result in reductions of over 1,500 employees. Local assistance programs would also be eliminated in the Division of Criminal Justice Services.

### **Taxes**

The Executive Budget proposes \$6.8 billion in new taxes, including the elimination of the middle class property tax rebate check, and nearly \$800 million in new and increased General Fund and Special revenue fund fees. The taxes and fees are itemized in over 150 discrete proposals in all areas of the budget.

*Following this section, are summary and itemized tables listing each tax and fee increase. Tables on total spending, the regional impact of select reductions, and changes to the State workforce. Detail on each item can be found in the respective sections of this report.*

# General Fund Cash Financial Plan

*SFY 2007-08 through SFY 2009-10*

*(billions of dollars)*

	Actual 2007-08	Projected 2008-09	Proposed 2009-10	Proposed 2010-11	Proposed 2011-12
<b>Opening fund balance</b>	3.0	2.8	1.5	0.0	0.0
<b>Receipts</b>					
Taxes	38.4	38.6	39.8	42.4	44.5
Miscellaneous receipts	2.5	3.0	3.8	3.2	3.2
Federal grants	0.069	0.041	0.0	0.0	0.0
Transfers From Other Funds	12.2	12.5	11.5	11.7	12.2
<b>Total receipts</b>	53.1	54.1	55.1	57.4	59.9
<b>Disbursements</b>					
Grants to local governments	36.4	38.2	37.4	39.5	43.5
State operations	9.6	8.3	8.6	9.0	9.2
General State charges	4.6	3.1	3.5	4.0	4.2
Debt service	0.0	0.0	0.0	0.0	0.0
Capital projects	0.0	0.0	0.0	0.0	0.0
Transfers To Other Funds	2.8	5.7	5.9	6.8	7.0
<b>Total disbursements</b>	53.4	55.4	55.4	59.2	64.0
Tax Stabilization Reserve	1.0	1.0	1.0		
Statutory Rainy Day Reserve	.20	.20	.20		
Contingency Reserve	.02	.02	.02		
Community Projects Fund	.34	.13	0.0		
Debt Reduction Reserve	.12	0.0	0.0		
Labor Settlement Reserve	1.1	.10	0.0		
<b>Total Surplus / Reserves</b>	2.8	1.4	1.2		

Detail may not total due to rounding

## State Funds Cash Financial Plan

*SFY 2007-08 through SFY 2009-10  
(billions of dollars)*

	Actual 2007-08	Projected 2008-09	Proposed 2009-10	Proposed 2010-11	Proposed 2011-12
<b>Opening Fund Balance:</b>	6.7	6.4	3.5	3.1	1.1
<b>Receipts:</b>					
Taxes	60.9	60.8	61.4	65.0	68.1
Miscellaneous Receipts	19.4	19.7	22.8	22.9	23.0
*Federal Grants	0.1	0.0	0.0	0.0	0.0
<b>Total receipts</b>	80.4	80.5	84.2	87.9	91.1
<b>Disbursements</b>					
Grants to Local Governments	53.2	55.4	54.7	57.4	61.7
State Operations	15.1	15.1	15.7	16.4	16.7
General State Charges	5.3	4.6	4.6	5.2	5.5
Debt Service	4.1	4.6	5.1	5.7	6.1
Capital Projects	3.8	4.5	5.5	6.1	6.0
<b>Total Disbursements</b>	81.4	84.2	85.6	90.7	96.1
<b>Net Other Financing Sources (uses)</b>	0.7	0.8	1.0	0.8	0.7
<b>Total Surplus / Reserves</b>	6.4	3.5	3.1	1.1	(3.2)

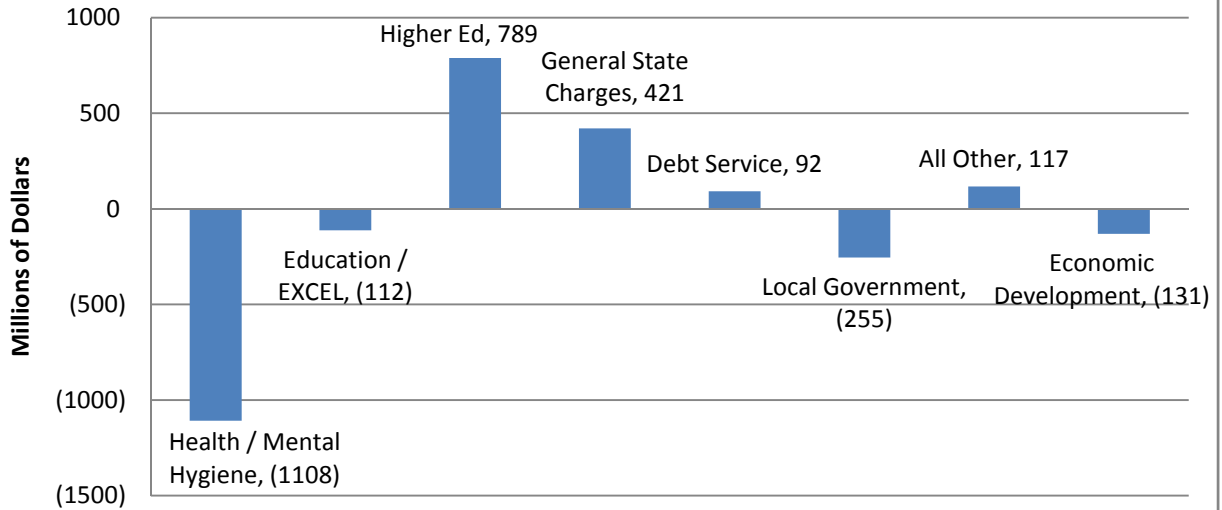
\* Federal Grants from 2008-09 to 2011-12 are each less than 50 million dollars.  
Detail may not total due to rounding.

## All Funds Cash Financial Plan

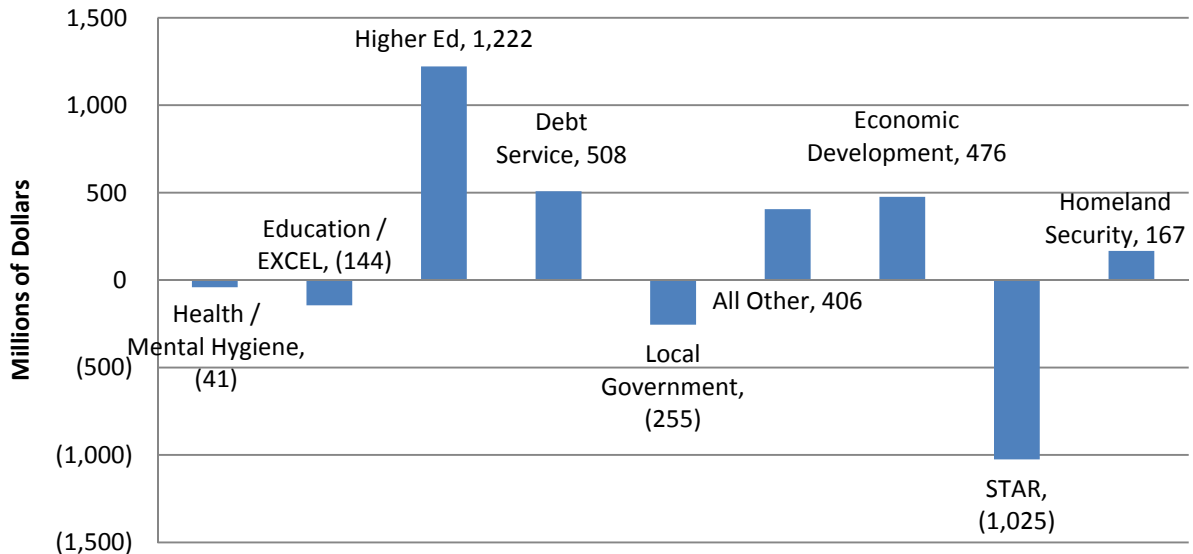
*SFY 2007-08 through SFY 2009-10  
(billions of dollars)*

	Actual 2007-08	Projected 2008-09	Proposed 2009-10	Proposed 2010-11	Proposed 2011-12
<b>Opening Fund Balance:</b>	6.9	6.5	3.6	3.1	1.1
<b>Receipts:</b>					
Taxes	60.9	60.8	61.4	65.0	68.1
Miscellaneous Receipts	19.6	19.8	22.9	22.9	23.1
Federal Grants	34.9	36.0	35.8	37.4	39.4
<b>Total Receipts</b>	115.4	116.6	120.1	125.4	130.6
<b>Disbursements</b>					
Grants to Local Governments	83.2	84.8	83.9	88.2	94.5
State Operations	18.2	18.6	19.4	20.2	20.6
General State Charges	5.5	5.5	5.5	6.1	6.4
Debt Service	4.1	4.6	5.1	5.7	6.1
Capital Projects	5.1	6.2	7.2	7.6	7.6
<b>Total Disbursements</b>	116.1	119.7	121.1	127.9	135.3
<b>Net Other Financing Sources (uses)</b>	0.3	0.3	0.5	0.5	0.4
<b>Total Surplus / Reserves</b>	6.5	3.6	3.1	1.1	(3.2)
Detail may not total due to rounding					

## General Fund Spending Changes \$187 Million



## All Funds Spending Changes \$1.3 Billion



## Summary of Statutory Tax and Fee Increases

SFY 2009-10 Executive Budget

(thousands of dollars)

	SFY 2009-10	Full Annual Impact
General Fund Fee Increases Total	\$140,195	\$309,221
Special Revenue Fund Fee Increase Total	\$293,230	\$463,438
<b>Fee Increases Grand Total</b>	<b>\$433,425</b>	<b>\$772,659</b>
<b>Tax Revenue Increase Total</b>	<b>\$5,767,800</b>	<b>\$6,756,500</b>
<b>Sub-Total Tax and Fee Increases</b>	<b>\$6,201,225</b>	<b>\$7,529,159</b>
Other Revenue Sources	\$693,000	\$293,000
<b>Grand Total Revenue Increases</b>	<b>\$6,894,225</b>	<b>\$7,822,159</b>
Tax Credits Total	(\$4,000)	(\$49,000)

<b>Tax Increases</b>		
<b>SFY 2009-10 Executive Budget</b>		
(millions of dollars)		
	<b>SFY 2009-10</b>	<b>SFY 2010-11</b>
Eliminate STAR Rebates	\$1,668.0	\$2,160.0
Increase Utility Assessment (18-A)	\$651.6	\$651.6
Eliminate sales tax clothing exemption on clothing and footwear under \$110 and replace with two one week exemptions of \$500	\$462.0	\$660.0
Additional Sales Tax (18%) on Soft Drinks for Health Care Programs	\$404.0	\$539.0
Reform the Empire Zones Program	\$272.0	\$309.0
Expand the Bottle Bill to non-carbonated beverage containers	\$118.0	\$118.0
Further Limit Itemized Deduction Limitation for Millionaires	\$140.0	\$150.0
Extend the Sales Tax to Cable and Satellite Television and Radio Services	\$136.0	\$180.0
Limit Capital Improvement Exemption to New Construction or Total Rehab	\$120.0	\$160.0
Repeal the Sales Tax Cap on Gasoline and Diesel	\$90.0	\$120.0
Extend NYC Personal and Credit Services Tax Statewide	\$78.0	\$104.0
Increase the Beer (\$0.11/gal to \$0.24/gal) and Wine (\$0.19/gal to \$0.51/gal) Tax Rate	\$63.0	\$63.0
Restructure the Insurance Tax to a premiums based tax	\$65.0	\$58.0
Expand Tax on Nonresident Hedge Fund Income	\$60.0	\$60.0
Extend Sales Tax to Entertainment Related Spending (Movies, Sporting Events, etc.)	\$53.0	\$70.0
Non-LLC Partnership Fee	\$50.0	\$50.0
Impose Sales Tax on Transportation Services (Limos, Taxis and Chartered Services)	\$45.0	\$60.0
Reinstitute Hospital Assessment	\$316.4	\$271.2
Reinstitute Home Care Assessment	\$19.1	\$21.8
Increase Hospital Surcharges	\$126.0	\$108.0
Increase Covered Lives Assessment from \$920 million to \$1.04 billion	\$240.0	\$120.0
Extend the Covered Lives Assessment	\$5.0	\$5.0
Establish Physical Procedure Surcharge	\$49.8	\$98.5
Increase Insurance Assessment for Public Health Programs	\$99.8	\$49.9
Establish Timothy's Law Insurance Assessment	\$179.0	\$91.0
Increase Insurance Assessment for Tobacco Control and Early Intervention	\$92.6	\$93.7
Extend Insurance Assessment to Foreign Insurers	\$0.0	\$134.8
Repeal Bad Debt Provisions	\$8.0	\$10.0
Change the Cigar Tax Base from a wholesale price to 50 cents per cigar	\$10.0	\$15.0
Create New Definition for Flavored Malt Beverages and increase tax	\$15.0	\$18.0
Eliminate Underutilized Tax Credits ( Automated External Defibrillator, Alternative Fuel Vehicle Refueling Property, Electric Generating Fuel Cell, Security Guards Training, QETC Capital, Transportation Improvement Contributions)	\$5.9	\$9.0
Tax coupon sales at the original price, not the coupon discount price	\$3.0	\$3.0
Increase Sales Tax on Luxury Goods	\$12.0	\$15.0
Tax Nonresident Gain From the Sale of Business Interests	\$0.0	\$10.0
Amend the Definition of Presence in New York	\$0.0	\$5.0
Tax Instate of Use of our State Vehicles	\$4.0	\$63.0
Expand Definition of Affiliate Nexus for Internet Sales	\$9.0	\$12.0
Tax Digital Property	\$15.0	\$20.0
Disallow Utility Definition as Manufacturers for Capital Base	\$18.0	\$16.0
Change Filing Requirement for Overcapitalized Captive Insurance Corporations	\$33.0	\$29.0
Eliminate Exemption for Large Cooperative Insurance Companies	\$19.0	\$15.0
Increase Auto Rental Tax	\$8.0	\$10.0
Increase Highway Use Tax Renewal Fees from \$2/\$4 to a \$15 fee	\$4.6	\$0.0
<b>Tax Increase Total</b>	<b>\$5,767.8</b>	<b>\$6,756.5</b>



# Statutory Fee Increases

## SFY 2009-10 Executive Budget

(thousands of Dollars)

Effective Date	Description	Current Fee	Proposed Fee	SFY 2009-10 (000's)	Full Annual (000's)
<b>General Fund Fee Increases</b>					
<b>Agriculture and Markets</b>					
3/1/2009	Food Safety Violation Penalties	Various	1st Offense: \$1000 2nd Offense: \$2000	\$1,200	\$1,200
<b>Insurance</b>					
4/1/2009	Violation of Insurance Law	\$500	\$10,000	\$90	\$90
4/1/2009	Failure to File Annual Statement	\$250	\$500	\$5	\$5
4/1/2009	Failure to Respond to Special Report	\$500	\$1,000	\$5	\$5
4/1/2009	Failure to Comply with Reporting Requirements of the Financial Security Act	\$500	\$1,000	\$5	\$5
4/1/2009	Doing Insurance Business Without a License	\$1,000	\$10,000	\$90	\$90
4/1/2009	Violation of Section 1222	N/A	\$10,000	\$90	\$90
4/1/2009	Violation of Insurance Law Article 15	\$500	\$1,000	\$1	\$1
4/1/2009	Doing Business as Agent, Broker, Adjuster or Reinsurance Intermediary Without a License	\$5,000	\$10,000	\$90	\$90
4/1/2009	Act as Agent for Unauthorized Insurer	\$500	\$10,000	\$90	\$90
4/1/2009	Penalty in Lieu of Revocation of License Issued under Article 21	\$500	\$5,000	\$20	\$20
4/1/2009	Violation of Article 23, Prior Arrival Not Required	\$1,000	\$5,000	\$20	\$20
4/1/2009	Violation of Article 23, Prior Arrival	\$25	\$100	\$1	\$1
4/1/2009	Violation of Article 2324	\$500	\$1,000	\$4	\$4
4/1/2009	Unfair Methods of Copetition, Power of the Superintendent	\$500	\$1,000	\$4	\$4
4/1/2009	Violation of Prompt Pay	\$500	\$1,000	\$4	\$4
4/1/2009	Failure to Comply with Workers' Compensation Law	\$2,500	\$10,000	\$90	\$90
4/1/2009	Violation of Holocaust Insurance Act	\$1,000	\$2,000	\$5	\$5
4/1/2009	Violation of Section 3216	\$100	\$5,000	\$20	\$20
4/1/2009	Violation of Section 3224	N/A	\$1,000	\$5	\$5
4/1/2009	Inspection and Coverage of Physical Damage for Private Passenger Auto	\$500	\$5,000	\$20	\$20
4/1/2009	Gap Insurance, Failure to Notify Lessee or Debtor	\$500	\$1,000	\$5	\$5
4/1/2009	Violation of Section 4224	N/A	\$5,000	\$20	\$20
4/1/2009	Violation of Section 4228	\$1,000	\$10,000	\$90	\$90

Effective Date	Description	Current Fee	Proposed Fee	SFY 2009-10 (000's)	Full Annual (000's)
<b>General Fund Fee Increases</b>					
4/1/2009	Violation of Section 4241	\$1,000	\$5,000	\$20	\$20
4/1/2009	Willful Failure to Comply with Article 44	\$2,500	\$10,000	\$90	\$90
4/1/2009	Failure to File per Section 4504	\$500	\$10,000	\$90	\$90
4/1/2009	Violation of Section 4228	\$1,000	\$2,000	\$5	\$5
4/1/2009	Soliciting Membership in Unauthorized Societies	\$100	\$1,000	\$5	\$5
4/1/2009	False Statements Filed with MVIAC	\$500	\$1,000	\$5	\$5
4/1/2009	Violation of Section 6409	\$1,000	\$2,000	\$5	\$5
4/1/2009	Alternate Penalty that can be Leveled Under Section 7711	\$100	\$1,000	\$5	\$5
4/1/2009	Failure to Comply with Reporting Requirements or Payments Listed in Section 9109b	\$100	\$500	\$1	\$1
<b>Department of Criminal Justice Services</b>					
3/1/2009	Expand Insurance Fingerprinting Fee	N/A	\$75	\$6,250	\$1,750
3/1/2009	Establish Security Guard Instructor	N/A	New: \$500 Renewal: \$250	\$120	\$120
3/1/2009	Establish Security Guard Training School Fee	N/A	New: \$1000 Renewal: \$500	\$326	\$326
<b>Department of Motor Vehicles</b>					
4/1/2010	Reissue License Plates	\$15	\$25	\$0	\$129,000
6/1/2009	Establish Fee for MV-278 Certificate	N/A	\$50	\$500	\$500
6/1/2009	Remove Cap on Surcharges	\$100 Cap	No Cap	\$9,900	\$9,900
6/1/2009	Increase Vehicle and Safety Fines for Repair Shops and Inspection Stations	Various	Various	\$395	\$395
6/1/2009	Increase Vehicle and Safety Fines for Dealers and Transporters	Various	Various	\$326	\$326
6/1/2009	Increase License Suspension Termination Fee	\$25	\$50	\$2,722	\$2,722
6/1/2009	Increase License Reinstatement Fee	\$50	\$100	\$747	\$747
6/1/2009	Increase Scofflaw Termination Fee	\$35	\$70	\$12,600	\$12,600
<b>Department of Labor</b>					
3/1/2009	Establish Explosives Fees and Penalties	N/A	Various	\$294	\$289
3/1/2009	Establish Uncertified Crane Operation Penalty	N/A	Various	\$436	\$436
<b>Office of Real Property Tax Services</b>					
6/1/2009	Increase Real Property Transfer Fee	Residential: \$75 Commercial: \$165	Residential: \$125 Commercial: \$250	\$14,250	\$19,250

Effective Date	Description	Current Fee	Proposed Fee	SFY 2009-10 (000's)	Full Annual (000's)
<b>General Fund Fee Increases</b>					
<b>Department of State</b>					
3/1/2009	Increase Cosmetology Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Esthetics Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Nail Specialty Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Natural Hair Styling Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Waxing Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Bail Enforcement Agent Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Barbering Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Hearing Aid Dispenser Fee	\$50	\$75	\$219	\$219
3/1/2009	Increase Home Inspector Fee	\$50	\$75	\$219	\$219
3/1/2009	Increase Notary Public Fee	\$50	\$75	\$219	\$219
3/1/2009	Increase Private Investigator Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Real Estate Appraiser Fee	\$50	\$75	\$219	\$219
3/1/2009	Increase Real Estate Broker Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Real Estate Salesperson Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Security or Fire Alarm Installer Fee	\$15	\$75	\$219	\$219
3/1/2009	Increase Watch Guard or Patrol Agency Fee	\$15	\$75	\$219	\$219
<b>Department of Taxation and Finance</b>					
3/1/2009	Establish Processing Fee for Paper Tax Returns	N/A	\$10	\$6,800	\$6,800
3/1/2009	Establish Bad Check Fee	N/A	\$50	\$1,500	\$1,500
3/1/2009	Establish Installment Payment Fee	N/A	\$75	\$4,500	\$4,500
3/1/2009	Establish Tax Preparer Fee	N/A	\$100	\$6,000	\$6,000
1/1/2009	Establish Cigarette and Tobacco Retail Registration Fee	\$100	Various	\$16,700	\$6,200
<b>Department of Housing and Community Renewal</b>					
3/1/2009	Allow Civil Penalties for Non-Housing Cases	N/A	Various	\$125	\$156
<b>State Police Department</b>					
3/1/2009	Automated Speed Enforcement Cameras	N/A	Speed Zone: \$50 Work Zone: \$100	\$50,000	\$100,000
<b>General Fund Fee Total</b>				<b>\$140,195</b>	<b>\$309,221</b>

Effective Date	Description	Current Fee	Proposed Fee	SFY 2009-10 (000's)	Full Annual (000's)
<b>Special Revenue Funds Fee Increases</b>					
<b>Agriculture and Markets</b>					
3/1/2009	Increase Feed Tonnage Fees	\$.05/ton	\$.10/ton	\$146	\$146
3/1/2009	Double Food Processor Licensing Fees	\$200 (Biennial)	\$400 (\$900 for larger, complex operations) (Biennial)	\$2,241	\$2,241
3/1/2009	Increase Retail Food Store Licensing Fees	\$100 (Biennial)	\$250 (Biennial)	\$663	\$663
3/1/2009	Increase Food Warehouse Licensing Fees	\$200 (Biennial)	\$400 (Biennial)	\$276	\$276
3/1/2009	Establish Seed Dealer Licensing Fees	N/A	\$100	\$500	\$500
<b>Child and Family Services</b>					
3/1/2009	Increase and Expand New Statewide Central Register Fees	\$0 and \$5	\$25	\$2,700	\$2,500
<b>Civil Service</b>					
3/1/2009	Expanded Local Centralized Written Exam Fees	Limited \$5, \$3	Expanded \$5, \$3	\$300	\$300
3/1/2009	Open Competitive Exam Fee Schedule	\$20, \$30, \$35, \$40	\$25, \$35, \$40, \$45	\$210	\$210
3/1/2009	Establish Promotion Exam Fee	N/A	\$10, \$15, \$20, \$25	\$850	\$871
3/1/2009	Establish a Local Fee for Hiring a Public Retiree	N/A	\$200	\$60	\$60
4/1/2009	Increase Public Management Intern Placement Fee	\$5,000	\$7,600	\$175	\$175
<b>Department of Military and Naval Affairs</b>					
3/1/2009	Increase Nuclear Power Plant Fee	\$550,000	\$1,000,000	\$2,700	\$2,700
<b>Department of Motor Vehicles</b>					
8/1/2009	Passenger Vehicle Registration Fee Increases	Various	Various	\$36,381	\$62,077
8/1/2009	Re- Registration Fee Increases	\$7.75	\$10	\$2,139	\$3,667
8/1/2009	Commercial Registration Fee Increases	Various	Various	\$12,010	\$20,589
8/1/2009	Trailer Registration Fee Increases	Various	Various	\$4,587	\$7,863
8/1/2009	Taxi and Bus Registration Fee Increases	Various	Various	\$2,395	\$4,106
8/1/2009	Motorcycle Registration Fee Increases	Various	Various	\$119	\$204
8/1/2009	Motorboat Registration Fee Increases	Various	Various	\$896	\$1,536
8/1/2009	All Terrain Vehicle (ATV) Registration Fee Increase	\$10	\$12.50	\$150	\$267
8/1/2009	Custom Vehicle Registration Fee Increases	Various	Various	\$1,520	\$2,606
8/1/2009	Intransit Permits Registration Fee Increases	\$10	\$12.50	\$116	\$198

Effective Date	Description	Current Fee	Proposed Fee	SFY 2009-10 (000's)	Full Annual (000's)
<b>Special Revenue Funds Fee Increases</b>					
8/1/2009	Heavy Vehicle Registration Fee Increases	Various	Various	\$187	\$320
8/1/2009	Original Motor Vehicle License Registration Fee Increases	Various	Various	\$2,165	\$3,712
8/1/2009	Renew Motor Vehicle License Registration Fee Increases	Various	Various	\$13,102	\$22,517
8/1/2009	Photo Document Motor Vehicle License Fee Increases	\$10	\$12.50	\$6,633	\$11,371
<b>Department of Environmental Conservation</b>					
3/1/2009	Increase State Pollutant Discharge Elimination System Fees: Phase II Storm	\$50	\$100	\$300	\$300
3/1/2009	Increase State Pollutant Discharge Elimination System Fees: SW Initial Authorization Fee & New General Permit	Various	Various	\$2,000	\$2,000
3/1/2009	Increase State Pollutant Discharge Elimination System Fees: GP for PCI & Industrial	Various	Various	\$2,700	\$2,700
3/1/2009	Establish New Marine Fishing License	N/A	Various	\$3,000	\$6,000
3/1/2009	Establish Trout and Salmon Stamp	N/A	\$10	\$3,000	\$4,000
3/1/2009	Increase Education Camp Fee	\$250	\$325	\$115	\$115
<b>Department of Health</b>					
3/1/2009	Increase Physician Fees	\$600	\$1,000	\$16,400	\$16,400
3/1/2009	Establish Early Intervention Parent Fee	N/A	\$15 - \$150	\$0	\$27,500
3/1/2009	Assess Early Intervention Provider Fee	\$0	Individual: \$270 Agency: \$345	\$1,700	\$3,600
3/1/2009	Restructure Clinical Lab Fees	Retrospective Flat	Prospective 1% of Gross Annual Receipts	\$36,500	\$36,500
3/1/2009	Increase Certificate of Need Fees	Various	Various	\$4,000	\$4,000
1/1/2009	Establish Third Party Administrator Fee	N/A	\$1	\$63,100	\$126,200
<b>Department of Labor</b>					
3/1/2009	Asbestos Handler Fee Increase	\$50	\$100	\$491	\$453
3/1/2009	Asbestos Air Sampling Tech Fee Increase	\$75	\$150	\$120	\$111
3/1/2009	Asbestos Inspector Certification Fee Increase	\$100	\$200	\$288	\$266
3/1/2009	Asbestos Management Planner Certification Fee Increase	\$150	\$300	\$107	\$99
3/1/2009	Asbestos Project Designer Certification Fee Increase	\$150	\$300	\$106	\$98
3/1/2009	Asbestos Project Monitor Certification Fee Increase	\$150	\$300	\$302	\$279
3/1/2009	Asbestos Supervisor Certification Fee Increase	\$75	\$150	\$378	\$349

Effective Date	Description	Current Fee	Proposed Fee	SFY 2009-10 (000's)	Full Annual (000's)
<b>Special Revenue Funds Fee Increases</b>					
3/1/2009	Asbestos Project Notification Fee Increase	\$1,000	\$2,000	\$6,988	\$6,450
3/1/2009	Asbestos License Fee Increases	Initial: \$500 Renewal: \$300	Initial: \$1,000 Renewal: \$600	\$372	\$343
3/1/2009	Boiler Inspection Fee Increases	\$75	\$150	\$1,076	\$993
3/1/2009	Insurance Company Boiler Inspection Report Fee Increase	\$50	\$100	\$1,091	\$1,007
<b>Parks and Recreation</b>					
3/1/2009	Parks Camping Fee Increases	Various	Various	\$1,200	\$1,200
3/1/2009	Parks Cabin Fee Increases	Various	Various	\$750	\$750
3/1/2009	Parks Golf Fee Increases	Various	Various	\$2,250	\$2,250
3/1/2009	Parks Marina Fee Increases	Various	Various	\$350	\$350
3/1/2009	Parks Empire Passports Fee Increases	Various	Various	\$400	\$400
3/1/2009	Parks Access Pass Fee Increases	Various	Various	\$1,000	\$1,000
3/1/2009	Parks Permit Fee Increases	Various	Various	\$300	\$300
3/1/2009	Parks Golden Park Fee Increases	Various	Various	\$250	\$250
<b>Racing Reform</b>					
3/1/2009	Establish Horse Entrance Fee	N/A	\$10	\$1,000	\$1,000
<b>State Police Department</b>					
6/1/2009	Increase in Surcharge on Auto Insurance	\$5	\$10	\$48,375	\$64,500
<b>Special Revenue Funds Fee Increases</b>				<b>\$293,230</b>	<b>\$463,438</b>

<b>Other Revenue Sources</b>					
<b>Department of Taxation and Finance</b>					
10/1/2009	Allow the Sale of Wine in Grocery Stores Registration Fee	N/A	Various	\$105,000	\$3,000
3/1/2009	Improve the Non-Voluntary Tax Collections	N/A	N/A	\$85,000	\$85,000
3/1/2009	Reciprocal Vendor Offset	N/A	N/A	\$5,000	\$30,000
3/1/2009	Increase Prepaid Sales Tax Rates on Cigarettes	7%	8%	\$14,000	\$0
3/1/2009	Allow Decals for TMT Carriers	N/A	N/A	\$0	\$0
1/1/2009	Increase Prepayment to 40%	30%	40%	\$351,000	\$0
3/1/2009	Pari-Mutuel Tax Extender	N/A	N/A	\$0	\$0
<b>Division of Lottery</b>					
3/1/2009	Eliminate Quick Draw Restrictions	N/A	N/A	\$40,000	\$59,000
3/1/2009	Extend VLT Hours of Operation	N/A	N/A	\$45,000	\$45,000
3/1/2009	Allow for Additional Multi-Jurisdictional Lottery Games	N/A	N/A	\$11,000	\$21,000
3/1/2009	Lottery Prize Fund Investment	N/A	N/A	\$37,000	\$50,000
3/1/2009	Authorize VLT's at Belmont Park	N/A	N/A	\$0	\$0
<b>Other Revenue Sources</b>				<b>\$693,000</b>	<b>\$293,000</b>

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<b>ESTIMATED LOCAL IMPACT OF SELECT SFY 2009-10 EXECUTIVE BUDGET CUT PROPOSALS BY REGION</b>						
<b>(millions)</b>						
<b>Region</b>	<b>AIM (for cities)</b>	<b>Hospital Reimbursement Reductions</b>	<b>Nursing Home Reductions</b>	<b>School Aid Reductions</b>	<b>Middle Class Property Tax Rebate Check Elimination</b>	<b>Total</b>
<b>New York City</b>	(\$328.00)	(\$691.49)	(\$67.98)	(\$361.86)	(\$187.96)	<b>(\$1637.29)</b>
<b>Long Island</b>	(\$.19)	(\$64.40)	(\$38.30)	(\$185.19)	(\$368.64)	<b>(\$656.72)</b>
<b>Hudson Valley</b>	(\$7.40)	(\$81.63)	(102.36)	(\$135.72)	(\$305.82)	<b>(\$632.93)</b>
<b>Capital Region/North Country</b>	(\$4.30)	(\$31.47)	(\$72.14)	(\$102.07)	(\$140.09)	<b>(\$350.07)</b>
<b>Central NY</b>	(\$11.56)	(\$30.42)	(\$85.38)	(\$118.95)	(\$177.76)	<b>(\$424.07)</b>
<b>Rochester Region</b>	(\$8.78)	(\$61.94)	(\$43.61)	(\$89.39)	(\$130.84)	<b>(\$334.56)</b>
<b>Western NY</b>	(\$18.99)	(\$57.72)	(\$15.98)	(\$104.75)	(\$141.56)	<b>(\$339.00)</b>
<b>Total</b>	<b>(\$379.22)</b>	<b>(\$1019.07)</b>	<b>(\$425.75)</b>	<b>(\$1097.93)</b>	<b>(\$1452.67)</b>	<b>(\$4374.64)</b>

**Regions:**

**New York City:** Bronx, Brooklyn, New York, Richmond, and Queens counties.

**Long Island:** Nassau and Suffolk counties.

**Hudson Valley:** Westchester, Rockland, Putnam, Dutchess, Ulster, Sullivan, and Orange counties.

**Capital Region/North Country:** Albany, Clinton, Columbia, Delaware, Essex, Franklin, Fulton, Greene, Hamilton, Montgomery, Otsego, Rensselaer, Saratoga, Schoharie, Warren, and Washington counties.

**Central New York:** Broome, Cayuga, Chenango, Cortland, Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, Tioga, Tompkins, and St. Lawrence counties.

**Rochester Region:** Chemung, Livingston, Monroe, Ontario, Seneca, Schuyler, Steuben, Wayne, and Yates counties.

**Western New York:** Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, and Wyoming counties.



**EDUCATION AID PROPERTY TAX EXECUTIVE BUDGET PROPOSAL REGIONAL IMPACT SFY  
2009-10**

	Deficit Reduction Assessment	School Aid	Rebate Check Amount Lost
<b>CAPITAL REGION/NORTH COUNTRY</b>			
Albany	\$	(17,571,284) \$	(24,541,392)
Rensselaer	\$	(11,262,178) \$	(15,760,697)
Saratoga	\$	(17,762,641) \$	(21,419,891)
Schenectady	\$	(10,084,014) \$	(16,840,421)
Greene	\$	(3,466,339) \$	(4,177,138)
Clinton	\$	(5,775,431) \$	(7,671,690)
Columbia	\$	(4,254,604) \$	(4,857,663)
Warren	\$	(4,860,803) \$	(5,838,692)
Washington	\$	(4,625,959) \$	(7,068,286)
Hamilton	\$	(215,104) \$	(303,955)
Fulton	\$	(3,856,943) \$	(5,485,610)
Essex	\$	(1,694,906) \$	(2,979,099)
Franklin	\$	(3,713,500) \$	(3,884,810)
Montgomery	\$	(3,070,509) \$	(5,839,200)
Delaware	\$	(3,183,836) \$	(3,977,568)
Otsego	\$	(4,077,080) \$	(5,831,896)
Schoharie	\$	(2,594,428) \$	(3,615,849)
<b>Region Total</b>	\$	(102,069,559) \$	(140,093,857)
<b>NEW YORK CITY</b>			
<b>Region Total</b>	\$	(361,867,141) \$	(187,961,933)
<b>LONG ISLAND</b>			
Nassau	\$	(66,910,498) \$	(174,162,916)
Suffolk	\$	(118,278,350) \$	(194,478,659)
<b>Region Total</b>	\$	(185,188,848) \$	(368,641,575)
<b>CENTRAL NY</b>			
St. Lawrence	\$	(7,072,255) \$	(11,224,617)
Jefferson	\$	(7,263,499) \$	(5,916,623)
Lewis	\$	(1,902,094) \$	(2,269,776)
Herkimer	\$	(4,124,187) \$	(6,833,908)
Oswego	\$	(9,352,801) \$	(14,446,099)
Oneida	\$	(15,125,403) \$	(25,435,238)
Onondaga	\$	(33,933,272) \$	(48,683,536)
Madison	\$	(5,399,848) \$	(7,643,506)
Cayuga	\$	(5,072,195) \$	(8,197,102)
Cortland	\$	(3,053,673) \$	(4,367,406)
Tioga	\$	(3,439,681) \$	(6,218,699)
Tompkins	\$	(6,180,692) \$	(7,127,428)
Broome	\$	(13,059,511) \$	(23,873,920)
Chenango	\$	(3,967,711) \$	(5,519,447)
<b>Region Total</b>	\$	(118,946,822) \$	(177,757,305)
<b>HUDSON VALLEY</b>			
Rockland	\$	(15,254,963) \$	(42,140,783)
Westchester	\$	(43,901,520) \$	(156,364,743)
Putnam	\$	(5,706,305) \$	(17,134,524)
Dutchess	\$	(21,390,365) \$	(27,768,949)
Ulster	\$	(13,388,414) \$	(17,017,810)
Sullivan	\$	(5,698,293) \$	(7,169,124)
Orange	\$	(30,381,384) \$	(38,219,495)
<b>Region Total</b>	\$	(135,721,244) \$	(305,815,428)
<b>ROCHESTER REGION</b>			
Monroe	\$	(51,811,835) \$	(73,821,118)
Ontario	\$	(8,581,020) \$	(10,972,680)
Wayne	\$	(7,289,534) \$	(11,588,026)
Seneca	\$	(2,215,395) \$	(4,047,166)
Livingston	\$	(4,459,555) \$	(6,742,326)
Yates	\$	(1,255,212) \$	(1,937,579)
Schuyler	\$	(998,062) \$	(1,998,077)
Chemung	\$	(5,245,457) \$	(9,188,680)
Steuben	\$	(7,530,855) \$	(10,552,659)
<b>Region Total</b>	\$	(89,386,925) \$	(130,848,311)
<b>WESTERN NEW YORK</b>			
Wyoming	\$	(2,443,144) \$	(3,958,619)
Niagara	\$	(15,100,323) \$	(24,216,365)
Orleans	\$	(2,968,778) \$	(5,258,989)
Cattaraugus	\$	(6,153,785) \$	(7,467,026)
Allegany	\$	(3,499,351) \$	(5,184,310)
Chautauqua	\$	(8,850,188) \$	(13,838,441)
Erie	\$	(61,391,006) \$	(74,055,220)
Genesee	\$	(4,340,373) \$	(7,576,264)
<b>Region Total</b>	\$	(104,746,948) \$	(141,555,234)
<b>State Total</b>	\$	(1,097,927,487) \$	(1,452,673,643)

**Executive SFY 2009-10 Local Assistance - AIM Impact  
(dollars)**

**NYC (328,000,000)**

**Long Island**

Long Beach (99,150)  
 Glen Cove (89,763)  
**Total (188,913)**

**Northern Metropolitan**

Beacon (48,635)  
 Middletown (140,896)  
 Newburgh (242,444)  
 Port Jervis (74,027)  
 Poughkeepsie (230,680)  
 Kingston (159,815)  
 Mount Vernon (372,607)  
 New Rochelle (194,951)  
 Peekskill (70,205)  
 Rye (38,213)  
 White Plains (171,732)  
 Yonkers (5,653,728)  
**Total (7,397,933)**

**Iroquois**

Plattsburg (143,842)  
 Glens Falls (83,679)  
 Mechanicville (33,436)  
 Saratoga Springs (52,185)  
 Gloversville (218,178)  
 Johnstown (73,113)  
 Amsterdam (210,710)  
 Schenectady (1,061,804)  
 Rensselaer (85,895)  
 Troy (904,959)  
 Hudson (138,055)  
 Albany (919,816)  
 Cohoes (144,387)  
 Watervliet (63,016)  
 Oneonta (164,481)  
**Total (4,297,557)**

**Iroquois-Central**

Rome (669,415)  
 Sherrill (19,406)  
 Utica (1,526,520)  
 Ogdensburg (160,392)  
 Watertown (356,312)  
 Little Falls (82,059)  
 Fulton (152,710)  
 Oswego (186,389)  
 Syracuse (6,757,566)  
 Oneida (89,535)  
 Auburn (365,946)  
 Cortland (105,097)  
 Ithaca (135,927)  
 Norwich (80,276)  
 Binghamton (876,416)  
**Total (11,563,967)**

**Rochester-Regional**

Rochester (7,970,360)  
 Canadaigua (35,407)  
 Geneva (147,686)  
 Corning (81,115)  
 Hornell (110,382)  
 Elmira (433,856)  
**Total (8,778,807)**

**Western NY**

Lockport (193,372)  
 Niagara Falls (1,686,079)  
 North Tonawanda (218,825)  
 Buffalo (15,212,471)  
 Lackawana (595,171)  
 Tonawanda (191,767)  
 Batavia (91,176)  
 Dunkirk (114,944)  
 Jamestown (446,920)  
 Olean (165,068)  
 Salamanca (70,560)  
**Total (18,986,353)**

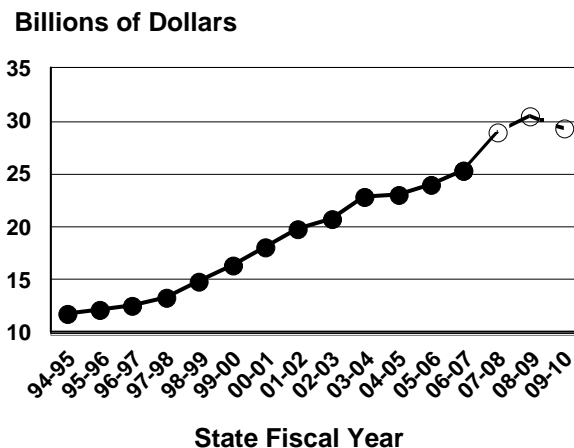
SFY 2009-10 IMPACT OF HOSPITAL REIMBURSEMENT REFORM								
Regions	Medicaid	GRT	Other	Rebasing	Transition	Outpatient	GME to BDCC HMO Flow through	Total
New York City	(\$295,164,162)	(\$164,219,263)	(\$46,184,662)	(\$202,144,053)	\$56,767,501	\$86,503,409	\$20,633,735	(\$691,494,062)
Long Island	(\$21,206,789)	(\$42,539,646)	(\$9,561,911)	(\$514,959)	\$423,418	\$6,786,142	\$2,768,098	(\$64,400,966)
Northern Metropolitan	(\$21,515,638)	(\$29,102,967)	(\$5,843,260)	(\$13,097,486)	\$5,632,399	\$5,707,398	(\$7,093,799)	(\$81,627,202)
Iroquois - Northeastern	(\$11,015,452)	(\$20,393,395)	(\$735,227)	\$182,183	\$2,608,913	\$8,521,924	(\$4,801,977)	(\$31,472,179)
Iroquois - Central	(\$11,920,315)	(\$22,347,041)	(\$3,583,184)	\$1,610,351	\$2,113,415	\$9,968,263	(\$993,022)	(\$30,420,287)
Rochester Regional	(\$11,374,199)	(\$19,358,977)	(\$1,422,872)	(\$15,793,021)	\$4,294,085	\$6,774,870	(\$12,864,658)	(\$61,939,479)
Western New York	(\$11,504,463)	(\$18,090,505)	(\$4,310,541)	(\$18,515,001)	\$3,160,267	\$6,663,340	\$2,351,623	(\$57,723,422)
<b>Total</b>	<b>(\$383,701,018)</b>	<b>(\$316,051,796)</b>	<b>(\$71,641,656)</b>	<b>(\$248,271,986)</b>	<b>\$75,000,000</b>	<b>\$130,925,347</b>	<b>\$0</b>	<b>(\$1,019,077,597)</b>

2009/10 IMPACT OF NURSING HOME REFORM (GROSS DOLLARS)								
NYPHRM Region	NH Beds	Medicaid Occupancy %	Value Based Regional Pricing Compared to the Current 2008 Rate - (Effective 03/01/09)	Reduce Payments for Lower Acuity Patients - Year 1 (25%) (Effective 03/01/09)	Quality Pool \$50M	Transition Pool \$75M	2007 Financially Disadvantaged Pool \$40M	Total Impact Reform
Long Island Northern	16222	53.26	\$9,381,338	(\$1,372,074)	\$7,837,999	\$17,797,950	\$4,659,629	\$38,304,842
Metropolitan Iroquois - Northeastern	14539	63.60	\$84,463,891	(\$1,464,689)	\$6,689,112	\$9,082,390	\$3,590,928	\$102,361,633
Iroquois - Central	8211	37.21	\$65,463,852	(\$874,767)	\$3,654,925	\$0	\$3,900,018	\$72,144,028
Rochester Regional	8122	33.39	\$36,252,220	(\$797,308)	\$2,819,957	\$2,475,930	\$3,288,509	\$44,039,309
Western New York	7428	33.74	\$39,204,815	(\$554,879)	\$2,368,001	\$0	\$2,589,590	\$43,607,527
Utica	11666	53.89	\$7,228,735	(\$452,444)	\$1,451,723	\$4,191,680	\$3,557,967	\$15,977,661
<b>Total</b>	<b>116750</b>	<b>56.93</b>	<b>\$272,412,248</b>	<b>(\$10,695,490)</b>	<b>\$49,907,114</b>	<b>\$75,099,749</b>	<b>\$39,033,964</b>	<b>\$425,757,584</b>

<b>PROPOSED WORKFORCE CHANGES FOR SFY 2009-10</b>	
<b>Work Force Summary</b>	<b>FTE</b>
<b>March 31, 2009 Starting Estimate</b>	<b>199,400</b>
<b>New Fills</b>	<b>1,618</b>
<b>Separation Through Attrition</b>	<b>(4,205)</b>
<b>Separation Through Layoffs</b>	<b>(521)</b>
<b>March 31, 2010 Ending Estimate</b>	<b>196,292</b>
<b>Net Workforce Change</b>	<b>(3,108)</b>
<b>AGENCY WORKFORCE INCREASES</b>	
Alcoholic Beverage Control	50
Labor Management Committees	28
Medicaid Inspector General	81
Mental Health	56
Motor Vehicles	15
Public Employee Relations Board	1
Public Service	20
Quality of Care and Advocacy for the Disabled	2
Taxation and Finance	300
Transportation	28
Veterans Affairs	4
<b>Total Agency Workforce Increases</b>	<b>585</b>
<b>AGENCY WORKFORCE REDUCTIONS</b>	
Agriculture and Markets	(5)
Alcoholism and Substance Abuse Services	(47)
Arts Council	(3)
Children and Family Services	(288)
Civil Service	(16)
Correctional Services	(1,342)
Criminal Justice Services	(10)
Economic Development	(200)
Education	(21)
Elections	(20)
Employee Relations	(5)
Environmental Conservation	(40)
Executive Chamber	(5)
Homeland Security	(6)
Housing and Community Renewal	(17)
Hudson River Greenway	(3)
Inspector General	(3)
Insurance	(12)
Labor	(15)
Lottery	(3)
Mental Retardation	(53)
Northeastern Queens Nature and Historical	(2)
Parks, Recreation, and Historic Preservation	(12)
Parole	(24)
Racing and Wagering	(17)
Real Property Services	(30)
Regulatory Reform	(12)
Tax Appeals	(1)
Welfare Inspector General	(10)
<b>Total Agency Workforce Reductions</b>	<b>(2,222)</b>
<b>UNIVERSITY AND OFF BUDGET AGENCY CHANGES</b>	
City University	0
Industrial Exhibit Authority	0
Roswell Park Cancer Institute	78
State University Construction Fund	0
State Insurance Fund	0
Science, Technology, and Innovation	(26)
State University	(23)
<b>Total University and Off Budget Reductions</b>	<b>29</b>
<b>Hiring Freeze Adjustment</b>	<b>(1,500)</b>
<b>Net Workforce Change</b>	<b>(3,108)</b>

# EDUCATION

<b>All Funds Disbursements</b> (Millions of Dollars)		
	Estimated SFY 08-09	Projected SFY 09-10
Cash	30,607	29,449
Annual Growth Rate	9.4%	4.9%
5 Year Average Growth (Actual)		5.1%



The SFY 2009-10 Executive Budget reduces General Support for Public Schools by \$698 million. This proposal provides \$20.7 billion for school year 2009-10 a decrease of 3.2 percent. The Executive proposes to maintain Foundation Aid, High Tax Aid and Universal Pre-K at 2008-09 levels as well as providing present law funding for Building Aid, Transportation Aid, BOCES and special education funding. A school district's overall formula aid (excluding building aid and EXCEL) is reduced by a formulaic Deficit Reduction Assessment (DRA) applied to all school districts totaling \$1.098 billion. The net result of the DRA and present law funding for expense base aids is a reduction of \$635 million from the current year. Categorical grants are reduced by \$62.7 million.

This year to year reduction halts progress toward the expected third year of a four year phase in plan that was expected to provide an additional \$7.6 billion increase in school aid by the 2010-11 school year. School aid was expected to grow by \$1.7 billion in 2009-10 with the largest component of that Foundation Aid at \$1.37 billion.

Categorical programs are also reduced by \$62.7 million by the Executive school aid proposal

including several teacher program eliminations, several math and science initiatives and a Rochester Community School Pilot Project.

**Foundation Aid:** Foundation aid as enacted in the SFY 2007-08 Budget was expected to fully phase-in by the 2010-11 school year. In 2007-08, school districts were provided with 20 percent of total additional Foundation aid generated by the new formula and 37.5 percent in the 2008-09 school year, a projected 67 percent in 2009-10 and fully phased-in by 2010-11.

The Executive is proposing to alter the phase-in of the aid formula by freezing the formula for two years. After the two year freeze the Executive proposes to extend the phase-in period to 2014-15. This would **extend the 2007-08 agreed upon phase-in period from 4 to 8 years**. As a result, the SFY 2009-10 Executive Budget proposal provides **\$1.37 billion less in Foundation aid** than present law would drive. There is no minimum increase for 2009-10 or 2010-11 provided in the proposal advanced by the Executive. Foundation aid totals \$14.87 billion under the Executive's proposal for 2009-10.

**Building Aid:** The Executive proposal fully funds the \$211.76 million present law increase for Building aid in the 2009-10 school year. In addition, Expanding our Children's Education and Learning (EXCEL) funding is increased by \$63 million over the 2008-09 allocations.

**BOCES Aid:** BOCES aid is increased by \$33.3 million above 2008-09 levels which represents present law levels.

**Transportation Aid:** The Executive proposes to fully fund at present law levels transportation aid at \$1.6 billion. This represents a \$92.9 million increase over the 2008-09 school year.

**Universal Pre-k:** The Executive proposes to maintain Universal Pre-kindergarten at \$401.23 million for the 2009-10 School Year. The Executive proposes to extend the phase-in period for this program from 4 to 8 years. One-third of all the school districts in the State have not opted into this program.

**High Tax Aid:** The Executive maintains funding at \$205 million for the 2009-10 school year.

**Supplemental Excess Cost aid:** The Executive maintains funding at \$4.3 million for the 2009-10 school year.

**Academic Achievement/Educational Improvement Grants:** The Executive maintains these grants at \$27 million for the 2009-10 school year.

**Additional Formula School Aids:** The Executive proposes to fund present law for private excess cost aid (+\$37.84 million), high cost excess cost aid (+\$52.01 million), reorganization operating (+\$0 million), charter school transition aid (-\$1.87 million), textbook aid (-\$1.18 million), software aid (+\$237,559), Library materials (-\$109,992), and hardware aid (+\$256,071).

**Deficit Reduction Assessment (DRA):** The amounts to be received by school districts in the 2009-10 school year will be reduced by a deficit reduction assessment of \$1.098 billion. The DRA is calculated to distribute the reduction considering school district pupil need, wealth and tax effort. The minimum reduction proposed is three percent with a maximum reduction of 13 percent. High need districts are capped at a percent reduction that will not be more than 2.5 percent of their total general fund expenditures. Building aid, EXCEL and Building Reorganization Incentive are not included in the calculation of the DRA.

**Preschool Special Education:** The Executive is proposing to reduce the State's liability for Preschool costs borne by the counties and shift certain costs to school districts.

Currently, the State Pays 59.5 percent of the costs of this program and counties contribute the remaining 40.5 percent. The Executive's plan reduces the State's share by 12.5 percent and County's share by 2.5 percent. Under the proposal advanced by the Executive school districts would be required to make up the difference amounting to a 15 percent share in the costs. The cost of this unfunded mandate to school districts is \$113.5 million for State Fiscal Year 2009-10. In addition, the Executive proposes to amend Section 4410 of the Education Law providing funding for special education itinerant services based upon actual services rendered and the full time equivalent attendance of preschool children receiving such services.

**Nonpublic School Aid:** This program is reduced by \$44 million. This action is taken in conjunction with statutory changes lifting the Commissioner's regulations requiring participation in the comprehensive attendance taking program.

**Public Library Aid:** Library aid is reduced by \$18 million. Library construction capital is maintained at \$14 million as in previous years.

**Public Broadcasting:** Aid is reduced by 50 percent for a program total of \$9.4 million.

**Afterschool Programs:** The Executive Budget proposes to eliminate all \$9.8 million for the 21<sup>st</sup> Century Community Learning Centers while maintaining current funding levels for the Extended Day/School Safety afterschool programs (\$27.8 million).

**Contracts for Excellence:** For 2009-10 the Executive is proposing to keep all 39 currently in the program subject to the program requirements unless all school buildings in a school district are reported as in “good standing” as identified by the State’s accountability system. School districts Contracts for Excellence programmatic financial constraints are reduced under the proposal by the percentage of their respective DRA.

**Mandate Relief:** the Executive includes a number of Article VII provisions intended to provide mandate relief to school districts including the following:

**Wicks Law:** the Executive proposes to eliminate for a five year period, the current Wicks threshold of \$50,000 which requires multiple bid contracting for school districts.

**Paperwork Reduction:** This proposal streamlines existing reporting requirements and eliminates required reports deemed to no longer be necessary or duplicative. In addition the Commissioner is required to develop one consolidated reporting system.

**Mandates with Fiscal Implications:** This proposal delays the effective dates of mandates imposed in the middle of the school year until the following school year.

**Employee Accrued Liability Benefit Reserve Fund Access:** Consistent with the Comptroller’s recommendations this proposal allows school districts to access funds within this reserve fund in excess of their current liability but no more than their deficit reduction assessment.

**School Property Tax Initiatives:**

**STAR and Rebate Checks:** In the SFY 2007-08 Budget a three year expansion of the school property tax rebate check program was enacted.

Based upon this three year agreement the total value of the rebate checks in SFY 2007-08 increased from \$775 million to \$1.2 billion in SFY 2008-09. Current law provides that the rebate checks increase to over \$1.43 billion in 2009-2010.

The Executive is proposing to eliminate the Middle Class Star rebate checks (\$1.43 billion) and reduce the New York City Personal Income Tax Credit 2008-09 (\$112 million). The Executive is reducing the NYC Personal Income Tax Credit for persons who earn less than \$250,000 to 2005 levels of \$125 for married couples filing jointly and \$62.50 for single filers.

The Executive proposes to modify the traditional STAR program by allowing STAR exemptions to decline by as much as eighteen percent, currently they cannot fall by more than ten percent. This action provides \$109 million less in property tax relief than is generated under the current STAR program.

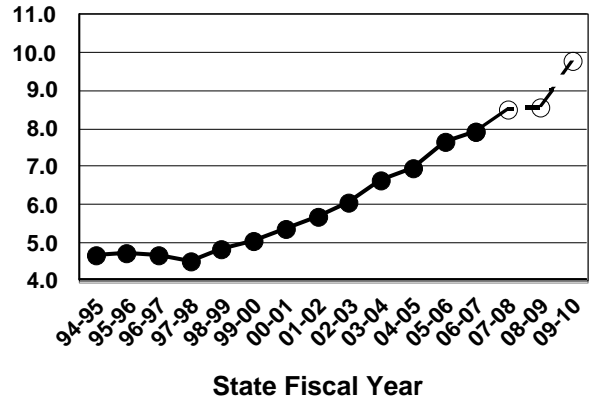
**In total \$1.7 billion in property tax relief is eliminated under the Executive’s proposed Budget.**

# HIGHER EDUCATION

## All Funds Disbursements (Thousands of Dollars)

	Estimated SFY 08-09	Projected SFY 09-10
Cash	8,543,026	9,776,863
Annual Growth Rate	0.2%	14.4%
5 Year Average Growth (Actual)		5.1%

Billions of Dollars



The SFY 2009-10 Executive Budget recommends All Funds disbursements of \$9.7 billion for New York State public and private higher education programs, an increase of \$1.23 billion or 14.4 percent over current funding levels. The funding increase is almost entirely induced by mandatory and collectively bargained agreements and growth in non-General Fund spending. Spending within key programs such as the Tuition Assistance Program (TAP) and SUNY and CUNY operating actually experience reductions. Some of the significant proposed changes in higher education include:

- SUNY and CUNY tuition increase.
- Reductions in State Operating Aid.
- Cuts to Community Colleges' Aid
- A new higher education loan program.
- TAP (Tuition Assistance Program) Reforms.
- Cuts to financial aid and opportunity programs.
- SUNY Hospital funding cuts.
- SUNY capital projects.

The rising costs of college education, student indebtedness and access to higher education remain a major concern to New York State citizens. In an effort to address these concerns,

the Senate Republicans passed several pieces of legislation intended to enhance higher education quality and promote college affordability and access for New Yorkers (see the *Issues in Focus* section of this publication for greater details). In addition, in 2007, the Executive established the Commission on Higher Education (CHE). The CHE was charged with performing a thorough evaluation of the higher education sector and making recommendations for improvement. The CHE final report, submitted in June 2008, contained numerous recommendations, including the establishment of a State-supported low-cost student loan program, implementation of a rational tuition policy for SUNY and CUNY, and academic research and infrastructural investments.

The Executive SFY 2009-10 higher education spending plan does not sufficiently address the challenges and recommendations contained in the CHE report, nor does it adequately deal with the challenges faced by middle class New Yorkers in financing a college education.



## Overview of SUNY and CUNY Budgets

The Budget recommends combined disbursements of \$8.75 billion for the two State public university systems - SUNY and CUNY - reflecting an increase of \$1.2 billion or 15.8 percent from the current year level. All Funds disbursements for CUNY are expected to increase by \$847 million or 92 percent, and for SUNY by \$346.1 million or 5.2 percent. The increase in disbursements at CUNY is mainly attributable to a deferral into SFY 2009-10 of \$429 million in current year Senior College operating payments, while the bulk of disbursement increases at SUNY is related to non-General Fund moneys.

## General Fund Support

Approximately \$2.8 billion in General Fund support is recommended for the SUNY system, a decrease of \$201.2 million or 6.7 percent over the current year adjusted level. General Fund support of \$2.36 billion is recommended for the SUNY State-operated and statutory colleges, a decrease of \$2.1 million or 0.1 percent from the current year. General Fund support of \$1.25 billion is recommended for the CUNY system, a decrease of \$36.2 million or 2.8 percent. Additional program details are presented in the attached year to year comparison chart and in the agency detail section of this publication.

## Tuition Increase

The recommended operating appropriation levels for SUNY State-operated and CUNY Senior colleges reflect a substantial decrease in General Fund support, which is being offset partially by revenues from a tuition increase. The Executive recommends **increasing resident undergraduate tuition at SUNY by \$620** or 14.2 percent, from \$4,350 to \$4,970 in AY 2009-10. The Executive further recommends implementing half of the proposed tuition

increase, \$310, in the Spring of 2009, immediately raising tuition to \$4,660. The remaining half will be implemented during the Fall of 2009. Non-resident undergraduate, graduate, and professional tuition rates would also rise by 21 percent. **Tuition rates for a resident undergraduate at CUNY are proposed to increase by \$600** or 15 percent, from \$4,000 to \$4,600 in AY 2009-10. Unlike SUNY, CUNY is not expected to implement any portion of the proposed increases in the Spring of 2009. CUNY's non-resident undergraduate, graduate, and professional tuition rates would also be increased by 20 percent during the 2009-10 academic year.

In November 2008, the SUNY Board of Trustees adopted a resolution to implement a rational tuition policy that would raise yearly tuition rates based on an inflationary index, the Higher Education Price Index (HEPI). The resolution also increased resident undergraduate tuition by \$620. However, SUNY's 2009-10 Budget request assumes that the University would retain 100 percent of new tuition revenues to mitigate the impacts of Executive spending reductions on SUNY totaling \$146 million. While the CUNY Board of Trustees also adopted a resolution to increase tuition rates by \$600, CUNY's budget request reflects the University's full use of increased tuition revenue. CUNY has also sustained reductions totaling \$68.2 million in its 2008-09 operating budget.

**Under the Executive proposal, SUNY would only be allowed to retain \$7.6 million or 10 percent** of the \$76 million in revenue related to tuition increases in the Spring, while 90 percent or \$68.4 million is expected to relieve the General Fund. For the tuition revenues associated with the proposed tuition rate increases in SFY 2009-10, the Executive recommends that both SUNY and CUNY be allowed to retain 20 percent, while 80 percent would be used for General Fund relief.

SUNY and CUNY have not been authorized to raise their tuition rates since 2003-04 academic year. In 2003, SUNY's resident undergraduate tuition rate was increased by \$950 or 28 percent, from \$3,400 to \$4,350. CUNY's rate was increased by \$800 or 25 percent, from \$3,200 to \$4,000. The last time tuition rates were increased at SUNY prior to the 2003 action was in 1995-96, when tuition rose by \$750 or 28.8 percent. Prior to that time, tuition was increased by \$500 or 23.3 percent in 1992-93. To avoid these kinds of **sporadic and large tuition increases**, the CHE and the SUNY and CUNY Boards have called for a predictable, modest annual tuition increases. **The SFY 2009-10 Executive Budget is silent on the issue of long-term tuition policy for CUNY and SUNY.**

### **Community Colleges Base Aid**

The SFY 2009-10 Executive Budget reduces CUNY and SUNY community college base operating aid per full-time equivalent student (FTE) by an average of \$270 or 10 percent, from \$2,675 to \$2,405. The proposal would reduce base aid funding for SUNY community colleges by \$22 million in the 2009-10 academic year. This is a tiered reduction under which base aid per FTE in community colleges with less than 3,000 FTE enrollment would be reduced by \$160; those with enrollment of between 3,000 and 6,000 would be reduced by \$230, while those with enrollment of more than 6,000 would be reduced by \$300. As part of the Executive Deficit Reduction Plan, the remaining payments in 2008-09 are also being reduced by \$11 million, equivalent to an average of \$270 reduction per student.

The proposed SFY 2009-10 State operating support for CUNY Community Colleges' base aid totals to \$159.7 million, a decrease of \$2.1 million or 1.3 percent, reflecting a \$270 reduction in base aid rate per student, partially offset by enrollment growth. As part of the SFY

2008-09 DRP, the remaining payments in 2008-09 are also being reduced by \$4.2 million, equivalent to an average of \$270 reduction per student (*see SUNY and CUNY in agency detail section for other community college programs*).

### **New York State Higher Education Loan Program (NYHELPS)**

In response to the June 2008 report of the Commission on Higher Education (CHE), the Executive is proposing to establish a state-supported student loan program that would provide New York State residents with low cost student loans. The proposed low cost student loan program would be administered by the Higher Education Services Corporation (HESC) in conjunction with the State of New York Mortgage Agency (SONYMA), which will be authorized to issue \$350 million in tax-free bonds to finance fixed rate loans of up to \$10,000 per borrower. The State will provide \$50 million in initial default reserve funds in 2009-10 and \$10 million annually thereafter. There is no additional cost to the State beyond the default reserve fund. The program will be supported by interest and fees paid by borrowers. Participating institutions would also be assessed fees equivalent to one percent of their students' loan dollar volume. In addition, the program is authorized to provide separate variable rate loans through private lending partners.

### **Tuition Assistance Program (TAP)**

The SFY 2009-10 Executive Budget recommends \$789 million for the Tuition Assistance Program, an increase of \$9 million from the current year. The recommended amount includes additional costs associated with the impact of increased tuition at SUNY and CUNY (\$44 million) and enrollment growth (\$10.6 million), offset by \$65 million in savings achieved through the following TAP reforms advanced by the Executive.

## ***TAP Reform Proposal***

The SFY 2009-10 Executive Budget advances TAP reform legislation to:

- (1) Increase TAP full-time eligibility threshold to 15 credit hours** per semester in order for a student to be considered for full TAP award. The TAP lifetime eligibility limit would also be converted from a semester limit (8) to a maximum credit limit (120). A pro-rated award would be available for students taking between 10 and 14 credits. For example, currently, a student taking 12 credits is eligible for up to \$5,000 in TAP award. Under this new proposal, the student taking 12 credits would receive approximately \$4,000. Those taking below 10 credits would be able to receive part-time TAP. This proposal would achieve a **savings of \$31 million** in SFY 2009-10.
- (2) Strengthen academic standards** by requiring that non-remedial students achieve a minimum of 18 credits and 1.8 Grade Point Average (GPA), approximately a C- average, after two semesters of study, instead of the current 15 credits and 1.5 GPA, approximately a D+ average. This proposal would produce a **savings of \$6.5 million** in SFY 2009-10.
- (3) Include public pension income in TAP award eligibility determinations.** Currently, only private sector pension incomes are considered. This proposal would result in a savings of \$15 million.
- (4) Eliminate TAP awards for graduate study, generating \$3 million in savings in SFY 2009-10.**
- (5) Eliminate TAP award enhancements for multiple family members.** Enhanced TAP awards are currently provided for a family

with multiple family members in college. This measure is expected to generate \$6 million in savings.

- (6) Establish default parity** which would disqualify students who are in default on federal and any other educational loans from receiving TAP. Currently, only those in default of HESC loans are disqualified from receiving TAP. This proposal is expected to generate \$3.7 million in savings to the General Fund in the first year of implementation.

The Executive TAP proposal continues the current maximum award of \$5,000 and minimum of \$500 for qualified students in full-time attendance. TAP expenditures and TAP recipients have decreased over the past three years owing to accountability reforms enacted to prevent abuse. This year, approximately 312,000 students are projected to receive an average TAP award of \$2,591. Last year, 312,000 students received an average of \$2,578 in awards.

## **Financial Aid and Opportunity Programs**

While funding for most higher education scholarship and grant programs would remain level in SFY 2009-10, there are some noteworthy program reductions and eliminations. The Direct Institutional Aid for the Independent colleges and universities (**BUNDY Aid**), is being reduced by \$2.6 million, from \$44.2 million to \$41.6 million, while funding for the **CSTEP** is reduced to \$4 million from \$7.63 million. Funding for the Senator **Patricia K. McGee Nursing Faculty Scholarship** and Nursing Faculty Loan Forgiveness Programs is reduced from \$3.9 million to \$2.5 million. The **Regents Health Care Opportunity and Regents Professional Opportunity** Scholarship Programs would be allowed to sunset at the end of the current year. The **Volunteer Recruitment Scholarship** program, currently funded at \$3.9 million, is also

being discontinued, along with the **Maritime Cadet Appointment Program** at SUNY Maritime, currently funded at \$250,000 (See *Summary of Proposed Spending* chart for year to year changes in other programs at the back of this section).

### **SUNY Hospitals**

The SFY 2009-10 Executive Budget maintains the existing appropriation structure (instituted in SFY 2001-02), under which the SUNY Hospitals' finances are separated from SUNY system finances. This structure allows the hospitals to pay their own operating and debt service costs. In accordance with this arrangement, the Executive Budget proposal provides for a subsidy of \$129 million, **a decrease of \$25 million or 16.2 percent, for the three teaching hospitals** at Stony Brook, Syracuse and Brooklyn.

### **SUNY and CUNY Capital Plans**

In SFY 2008-09, the Legislature enacted a new \$6 billion five-year capital plan for SUNY and CUNY. The plan provided \$4.1 billion for strategic initiative and critical maintenance projects at SUNY campuses, SUNY Hospitals, SUNY Dormitories, and SUNY Community Colleges. The CUNY system was provided \$1.8 billion. The SFY 2009-10 Executive Budget recommends \$550 million in new capital appropriations for the SUNY State-operated and Statutory campuses to continue addressing the accumulated backlog of critical maintenance projects. The Executive proposal also includes \$41 million in capital appropriations to support projects at SUNY community colleges.

### **Administrative Flexibility for SUNY and CUNY**

The Executive Budget proposal includes a series of Article VII provisions intended to provide SUNY and CUNY greater flexibility in the areas of procurement, contracts, and property management. This proposal reflects aspects of the recommendations contained in the report of the Commission on Higher Education.

The deregulation provisions would amend the education, public authorities and the State finance law to:

- Permit SUNY and CUNY to purchase goods and services without prior approval, subject to post-audit review by the Comptroller.
- Allow not-for-profit organizations affiliated with SUNY to participate in Office of General Services-maintained centralized contracts.
- Indemnify students who are enrolled in required academic residency and internship programs.
- Authorize the State University Construction Fund (SUCF) to adopt their own procurement guidelines, pursuant to Article IX of Public Authorities Law.
- Permit SUNY Healthcare centers to enter into contract and participate in joint ventures, subject to annual reporting.
- Increase the threshold from \$50,000 to \$250,000 for projects that require performance bonds.
- Permit the SUCF to establish standards and guidelines for procurement consistent with

that of public authorities, and to use alternative construction methods.

- Authorize SUNY to establish differential tuition rates for non-resident students.
- Expand investment choices for the Optional Retirement Program for the State University of New York to include corporations that manage or invest in mutual funds.

### **Council on the Arts**

The Executive Budget recommends All Funds appropriations of \$49.7 million for SFY 2009-10, a decrease of \$8.3 million or 14.4 percent from current levels. Grant funding for NYSCA decreases by \$7 million in SFY 2009-10 for a total of \$38.9 million. In addition, the Executive recommends merging the New York State Theatre Institute (NYSTI) with the Empire State Plaza Performing Arts Center Corporation (The Egg) to achieve administrative efficiencies and savings of \$274,000 to further the advancement of their shared missions to bring affordable cultural activities to the citizens of New York State.

**SUMMARY OF PROPOSED SPENDING IN HIGHER EDUCATION - SFY 2009-10  
EXECUTIVE BUDGET  
(dollars)**

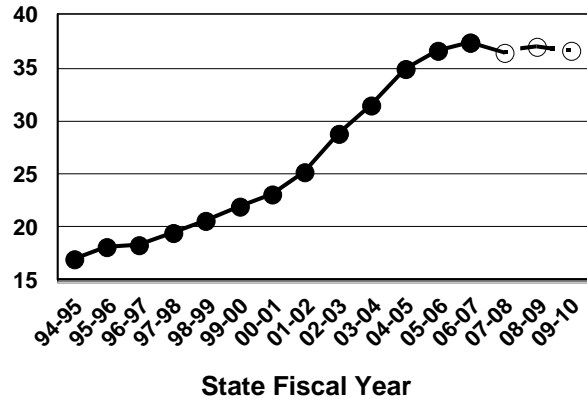
<b><u>PROGRAMS</u></b>	<b><u>2008-09 ADJUSTED</u></b>	<b><u>2009-10 PROPOSED</u></b>	<b><u>CHANGE</u></b>	<b><u>% CHANGE</u></b>
Direct Institutional Aid (BUNDY AID)	44,200,000	41,600,000	(2,600,000)	-5.9%
Tuition Assistance Program (TAP)	811,583,000	789,066,000	(22,517,000)	-2.7%
Aid For Part-time Study (APTS)	14,357,000	14,357,000	0	0.0%
Higher Education Opportunity Programs (HEOP)	23,752,000	23,752,000	0	0%
Independent Colleges Nursing Programs	941,000	941,000	0	0%
Educational Opportunity Program (EOP)	20,643,600	20,428,000	215,600	-1.1%
Search for Education, Elevation and Knowledge (SEEK)	16,398,000	17,100,000	702,000	4.2%
College Discovery (CD)	828,390	828,300	0	0%
STEP	10,283,000	10,283,000	0	0.0%
C-STEP	7,633,000	4,000,000	(3,633,000)	-48%
Liberty Partnerships	11,817,000	11,817,000	0	0%
Native American Postsecondary Aid	598,000	598,000	0	0.0%
Vietnam/Persian Gulf/Afghan Veterans Tuition Award	5,760,000	8,000,000	2,240,000	38.8%
American Airlines Flight 587 Scholarship Program	200,000	355,000	155,000	77.0%
World Trade Center Memorial Scholarship Program	5,080,000	7,000,000	1,920,000	37.8%
Volunteer Recruitment Service Scholarship Program	3,920,000	0	(3,920,000)	-100%
Teacher Opportunity Corps	671,000	671,000	0	0%
Senator McGee Nursing Faculty Scholarship/Loan Forgiveness Program	3,933,000	2,500,000	(1,433,000)	-36.4%
Math, Science and Engineering Teaching Incentive Program	5,115,000	2,500,000	(2,615,000)	-51%
Social Worker Loan Forgiveness Program	978,000	978,000	0	0%
Maritime Cadet Appointment Program	250,000	0	(250,000)	-100%
New York Higher Education Loan Program (NYHELPS)	55,000,000	0	55,000,000	New
<b><u>SUNY/CUNY Operating and Capital Budgets</u></b>				
<b><u>SUNY</u></b>				
SUNY State-operated Campuses	2,362,181,500	2,360,069,000	(2,112,500)	-0.1%
SUNY Tuition/Fees Revenues	1,126,110,000	1,281,784,000	155,674,000	13.8%
SUNY Empire Innovation	12,000,000	9,412,000	(2,588,000)	-21%
SUNY Community College Aid	433,350,525	416,120,000	(17,230,525)	-4.0%
SUNY Rental Aid	8,767,000	8,633,000	(134,000)	-1.5%
SUNY Capital Plan	4,138,766,000	591,965,000	(3,546,801,000)	-85%
<b><u>CUNY</u></b>				
CUNY Senior Colleges	1,837,206,000	1,961,627,000	124,420,000	6.7%
CUNY Tuition/Fees Revenues	609,117,000	761,117,000	152,000,000	24.9%
CUNY Community College Aid	161,912,550	159,762,230	(1,564,550)	-1.0%
CUNY Capital Plan	1,828,844,000	284,222,000	(1,544,622,000)	-84.4%
CUNY Rental Aid	7,231,280	7,209,280	(22,000)	-0.3%

# HEALTH - MEDICAID

## All Funds Disbursements (Millions of Dollars)

	Estimated SFY 08-09	Projected SFY 09-10
Cash	37,023	36,665
Annual Growth Rate	1.3%	-1.0%
5 Year Average Growth (Actual)		3.3%

Billions of Dollars



Proposed Department of Health (DoH) disbursements for SFY 2009-10 are recommended at \$36.7 billion, which represents a decrease of \$358 million or about one percent from the current year.

The proposed net decrease of \$358 million includes reductions of \$384 million for various Public Health programs. These reductions are achieved through decreases of \$814 million for various programs including Elderly Pharmaceutical Insurance Coverage Program (EPIC), Early Intervention (EI), Child Health Plus (CHP), and Health Care Reform Act (HCRA) supported programs. This \$814 million in reduced Public Health spending is offset by increases of \$430 million in spending for such initiatives as Healthcare Efficiency and Affordability Law (HEAL NY) and the human services cost-of-living adjustment.

The overall reduction of \$384 million for Public Health programs is offset by \$26 million in increased services under the Medicaid program.

### Health Care Cost Saving Measures

The SFY 2009-10 Executive Budget includes Medicaid, HCRA and Public Health cost savings proposals that would result in State savings of \$3.5 billion, including the Deficit Reduction Bill savings of \$1.669 billion

For **Hospital Services**, the SFY 2009-10 Executive Budget includes several restructuring and reallocation actions that would result in \$699.7 million in savings, including proposals to:

- Continue the implementation of a new funding formula that shifts the focus on out-patient services from inpatient service;
- Accelerate the implementation of the detoxification reimbursement reform from four years to two years;
- Review inpatient admissions for medical necessity;
- Implement a new inpatient reimbursement methodology (All Patient Refined Diagnosis Related Groups) to better define the intensity of service;

- Provide new funding for hospitals to offset the cost of the transition to the new Medicaid pricing system;
- Transfer State-only Graduate Medical Education funding to the indigent care pool for the purpose of supporting those teaching hospitals that serve uninsured patients;
- Invest in community based detoxification clinics;
- Establish a new in-home service for children at risk of psychiatric hospitalization;
- Provide funding for clinics that fall under the purview of the Offices of Alcohol and Substance Abuse Services, Mental Health, and Mental Retardation and Developmental Disabilities;
- Provide increased funding for primary care centers and physicians who focus on primary care; and
- Provide greater funding for cardiac rehabilitation services, abuse and smoking counseling for post-partum women, children, and adolescents.

For **Nursing Homes**, the Executive Budget recommends \$420.2 million in savings, including initiatives to:

- Implement Long Term Care Reform, which will shift payment towards regional pricing that takes into account the case mix of each facility as well as the needs of the patient;
- Convert 6,000 nursing home beds to assisted living beds;
- Eliminate rate adjustments for AIDS focused nursing homes;
- Reduce assisted living reimbursement;
- Transfer lower acuity patients to assisted or community living programs;
- Reduce bed hold payments in nursing homes;
- Provide funding to nursing homes to assist with the cost of the transition to the new Medicaid pricing system;

- Provide funding for a falls prevention program and assistance to financially disadvantaged nursing homes for restructuring; and
- Create a Long Term Care Nursing Scholarship and Loan Repayment program.

For **Home Care**, the Executive Budget recommends \$189.4 million in State savings, including initiatives to:

- Implement Home Care Reimbursement Reform;
- Implement a .7 percent assessment on the total home care providers' revenues;
- Require the creation of a Uniform Assessment Tool to determine the quality of home care;
- Establish Long Term Care Assessment Centers; and
- Provide funding for certain quality home care programs; and provide funding for demonstration programs and counseling to support personally directed home health care.

For **Pharmaceutical**, the Executive Budget recommends \$111.4 million in State savings, including initiatives to:

- Lower reimbursement rates to pharmacies for brand name drugs under the Medicaid and EPIC programs;
- Remove New York from participation in the National Medicaid Pooling initiative so that the state can negotiate directly with drug manufacturers;
- Eliminate the wrap around coverage under the Medicare Part D prescription drug program;
- Discontinue the financial exemption for EPIC enrollees, and require those individuals to also enroll in Medicare Part D;
- Implement limitations on the quantity, frequency and duration of certain medication,



where there has been high incidences of fraud;

- Eliminate EPIC coverage of “lifestyle drugs”;
- Enhance the Drug Utilization Review (DUR) Program;
- Allow denial of drugs when medical necessity cannot be proved;
- Require the use of brand name drugs when they are less costly than generic drugs;
- Provide incentives for physicians and pharmacists to participate in e-Prescribing;
- Establish “Step Therapy for Certain Drugs”;
- Allow EPIC to cover drugs purchased through an out-of state mail order provider;
- Discontinue a specialty pharmacy program for HIV drugs; and
- Require all Eligible EPIC Seniors to enroll in a Medicare Savings Program.

For Insurance, the SFY 2009-10 Executive Budget includes \$855.3 million in State savings, including initiatives to:

- Expand the Department of Insurance Assessment to include insurers from out-of-state. This would also expand the Covered Lives Assessment to out-of-state insurers;
- Establish a fee for third party claims administrators;
- Expand the HCRA surcharge on select surgery and radiological procedures performed in private ambulatory care centers, physicians offices, and urgent care centers; and
- Finance the cost of tobacco control and early intervention programs through the Insurance Industry Assessment.

For Medicaid Fraud Cost Recovery, the SFY 2009-10 Executive Budget includes \$125 million in State savings.

For Utilization Management, the SFY 2009-10 Executive Budget includes \$24 million in State savings, including initiatives to:

- Establish limits on case management services;
- Require updated coding for both procedures and diagnosis, to ensure effective billing;
- Require prior-approval for specific radiological procedures;
- Establish contracts between the Department of Health (DOH) and external organizations to manage non-emergency transportation services; and
- Establish controls on practitioners, laboratory providers, and durable medical equipment to reduce inappropriate payments.

For **Managed Care**, the SFY 2009-10 Executive Budget includes \$83.7 million in State savings, including initiatives to:

- Maximize Federal reimbursement for family planning services;
- Limit Managed Long Term Care administrative costs;
- Limit marketing costs under Family Health Plus, Child Health Plus, and managed care;
- Shift the rate setting authority for Child Health Plus from the State insurance Department to DOH;
- Encourage the dual enrollment of those eligible into managed care plans that participate in both Medicare and Medicaid;
- Increase monthly family contributions for Child Health Plus;
- Establish sliding scale premiums for the Medicaid Buy-in program for the working disabled.

**Other cost saving actions** or reductions totaling \$555.9 million, including the following:

- Delay 53<sup>rd</sup> weekly Medicaid Cycle Payment; due in SFY 2009-10 to SFY 2010-11;

- Reduce HCRA spending for AIDS Drug Assistance Spending;
- Eliminate funding for anti-tobacco programs at Roswell Park Research Center;
- Eliminate funding for telemedicine programs;
- Reduce funding for long term care restructuring initiatives; and
- Limit to ten percent the amount of funds that can be held in a supplemental trust upon the death of a disabled Medicaid beneficiary.
- Allow 19 and 20 year olds who do not live with their parents to enroll in Family Health Plus (FHP).
- Expand eligibility coverage in the FHP program to 200 percent of the Federal Poverty Level (FPL) or an annual income of \$20,800 a year for an individual; and
- Allow Public Employees who are eligible for Family Health Plus to enroll in the FHP program.

The SFY 2009-10 Executive Budget proposes the following fees and taxes totaling \$434 million as follows:

- State Tax on Select Beverages;
- Retail Tobacco Fee;
- Early Intervention Parental Fee;
- Early Intervention Provider Fee;
- Clinical Lab Fees; and
- Physician Registration Fee.

The SFY 2009-10 Executive Budget proposes the following cost saving measures totaling \$93 million:

- Eliminate the SFY 2009-10 Human services Cost-of-living Adjustment;
- Require Early Intervention Providers to bill third party payers;
- Modify Early Intervention Speech Eligibility Standards;
- Restructure General Public Health Work Program Reimbursement; and
- Recoup New York City Overpayments.

### **Family Health Plus**

The SFY 2009-10 Executive Budget proposes to:

- Eliminate the requirement that a face-to-face interview; finger imaging and asset test be required before enrollment;

### **Public Health and Nutritional Investments**

The SFY 2009-10 Executive Budget proposes a total of \$60 million in additional spending in the following critical investments:

- Extend HEAL NY, for two-years at \$350 million per year, which would include the capital financing for Roswell Park Cancer Institute;
- Provide additional assistance towards seniors applying for Medicare Part D;
- Reduce the out of pocket expenses of seniors through a reduction in EPIC Cost Sharing; and
- Provide additional funding towards food banks, lead poisoning prevention, increased cancer screening, and obesity prevention.

<b>Health - Medicaid</b>				
<b>Proposed Disbursements - All Funds</b>				
<b>(Thousands of Dollars)</b>				
<b>Agency</b>	<b>Estimated 2008-09</b>	<b>Proposed 2009-10</b>	<b>Change</b>	
			<b>Amount</b>	<b>Percent</b>
Medical Assistance	31,395,627	31,380,779	(14,848)	-0.0%
Medicaid Administration	853,000	895,500	42,500	5.0%
All Other Health	4,774,562	4,389,318	(385,244)	-8.1%
<b>Totals:</b>	<b>37,023,189</b>	<b>36,665,597</b>	<b>(357,592)</b>	<b>-1.0%</b>

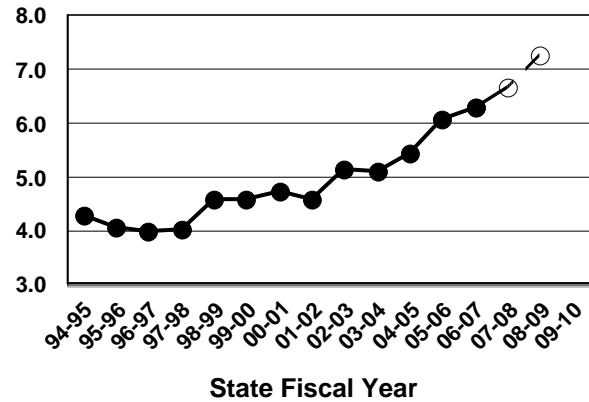
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# TRANSPORTATION

## All Funds Disbursements (Millions of Dollars)

	Estimated SFY 08-09	Projected SFY 09-10
Cash	7,004	6,966
Annual Growth Rate	7.2%	-0.6%
5 Year Average Growth (Actual)		229.0%

Billions of Dollars



The functional area of Transportation includes the Department of Motor Vehicles (DMV), the Department of Transportation (DOT), the Metropolitan Transportation Authority (MTA) and the Thruway Authority.

Major Transportation related Executive Budget issues include:

- Continued diversion of Dedicated Highway and Bridge Trust Fund (DHBTF) resources to finance DMV operational expenses
- Increased fees for driver's licenses and registrations
- Requiring new replacement license plates for all cars
- No proposal to reauthorize or finance a new five-year highway and bridge capital plan (the current plan expires in 2010)
- No proposal to reauthorize or finance a new five-year MTA capital plan (the current plan expires in 2009)
- Cuts to the CHIPS and Multi-Modal Programs and transit aid
- \$569 million in cuts to the Highway and Bridge Capital Plan

### Department of Motor Vehicles

**The Executive Budget continues the practice, begun in 2002, of funding the Department of Motor Vehicles out of the Dedicated Highway and Bridge Trust Fund. This practice diverts dedicated funding away from roads and bridges to fund personal service operations previously funded through general revenues.**

The SFY 2009-10 Executive Budget recommends \$358 million in funding for the Department of Motor Vehicles, a \$20 million decrease. No funding would come from the General Fund (GF), while \$219 million would be appropriated from the DHBTF.

The Executive Budget proposes to raise General Fund and DHBTF revenues through fee increases for a number of common DMV services. The total effect in SFY 2009-10 would be to increase GF receipts by \$27.2 million, and DHBTF receipts by \$82.4 million. The changes in the Executive Budget include **raising the cost of most registrations by 25 percent (\$60.5**

million in SFY 2009-10, \$103.7 million annually); **increasing driver's license fees by 25 percent** (\$21.9 million in SFY 2009-10, \$37.6 million annually); and implementing a **required license plate reissuance program** raising \$25 per vehicle (\$129 million in SFY 2010-11).

Other budget actions include replacing the written exam for obtaining a learner's permit with a requirement to complete either a five-hour pre-licensing course or driver education course. DMV estimates this action would save \$1.4 million.

The Executive Budget recommends a DMV staffing level of 2,876 full-time personnel, an increase of 15 from the SFY 2008-09 budget. The added personnel are required to service an expected tripling in the number of driver license renewals in SFY 2009-10, which will increase revenue collection.

### **Capital – Overview**

#### **2005-2010 Capital Plan**

A five-year \$35.8 billion state transportation capital plan for highways, bridges and mass transit was approved in 2005, splitting funding evenly between the Department of Transportation (\$17.9 billion) and the Metropolitan Transportation Authority (\$17.9 billion). In addition to providing sufficient resources for infrastructure investments, an effort was made to maintain equity between the two capital spending programs. The \$2.9 billion 2005 Bond Act was equally split between the two capital programs.

#### **No New Capital Plan is Proposed**

Next year will be the last year of the current five-year transportation capital plan. Prior to the current budget proposal, the DOT program totaled about \$18.52 billion. To decrease the need for subsidies and to lower bonding levels,

the Executive proposes reductions of \$569 million to the Capital Plan. With these changes, the five-year plan would total \$17.95 billion, close to the initial program total in 2005. The MTA will be requesting modifications to its 2005-2009 Capital Program in the upcoming months (described below).

Both DOT and the MTA will be working on developing new five-year capital spending programs to commence in 2010. To support these plans, additional funding sources will need to be identified. In early December 2008, the state commission headed by former MTA chairman Richard Ravitch issued its report with recommendations on how to finance the authority's capital and operating budgets, constituting a starting point for these discussions. The recommendations included a new MTA region payroll tax, new tolls on the free East River crossings, and a transit fare increase.

While no specific information is available to the Legislature, the MTA has indicated it has "shovel ready" projects if new federal stimulus or infrastructure funding becomes available. DOT has not provided the Legislature with a reported list of over 40 shovel-ready bridge and highway projects.

#### **Department of Transportation**

The SFY 2009-10 Executive Budget removes \$569 million from the DOT Capital Plan. The construction contract level for state-owned roads and bridges (letting level) would go from \$1.891 billion to \$1.617 billion, a \$274.3 million reduction. The Executive also proposes to eliminate \$100 million in multi-modal project funding, \$50 million in both SFY 2008-09 and SFY 2009-10.

There will be a proposed decrease in the CHIPS capital program that provides funding to localities for highway improvements. Under the

Executive proposal, CHIPS funding would go to \$250.9 million in SFY 2009-10 from \$363.1 in 2008-09, a \$112.2 million reduction. The Marchiselli program would remain unchanged at \$39.7 million.

For SFY 2009-10, there is an estimated \$308 million funding shortfall in the Dedicated Highway and Bridge Trust Fund (DHBTF) that will be addressed by a cash transfer from the General Fund. The shortfall amount already takes into account a number of transportation-related tax and fee increases included in the SFY 2009-10 Executive Budget. In addition to the vehicle registration and driver's license fee increases described in the DMV section of this report (\$82.4 million in SFY 2009-10), the auto rental tax would increase from 5 percent to 6 percent (\$8 million), and the truck registration component of the highway use tax would rise from \$2 or \$4 to \$15 (\$4.6 million).

### **DOT - Transit Operating Assistance**

The SFY 2009-10 Executive Budget provides \$2.68 billion for transit operating assistance. This reflects a decrease of \$285 million from the amended SFY 2008-09 levels. The decrease represents the impact of declining dedicated transit revenues. The MTA portion of the total \$2.68 billion in transit operating aid is \$2.26 billion, reflecting a \$256 million or ten percent decrease. This amount meets the level anticipated in the MTA's financial plan for 2009, and includes \$634 million from the Dedicated Mass Transportation Trust Fund. Non-MTA transit systems would receive \$414 million in operating aid (\$162 million for upstate, \$252 million downstate), a decrease of \$29 million from the amended budget level for this year. DOB states that the reductions in transit assistance were distributed by system in proportion to amended SFY 2008-09 aid levels.

### **MTA Capital Plan**

During 2009, the MTA is expected to submit a 2005-2009 Capital Plan amendment to the MTA Capital Program Review Board to incorporate project changes and update the program. The MTA has been adversely affected by significant increases in construction and material costs. An amendment will also add promised federal funding for two major system expansion projects, East Side Access and the first phase of the Second Avenue Subway project. East Side Access is a \$7.2 billion project that will connect the Long Island Rail Road to Grand Central Terminal on Manhattan's East Side. The first phase of the Second Avenue Subway (\$4.3 billion) will result in a new subway line and stations between 96th Street and 63rd Street, where it will connect to existing service; future phases of the Second Avenue Subway will continue building the new line to the Financial District in Lower Manhattan. Both expansion projects are slated for completion in 2015. The total federal funding for East Side Access and the Second Avenue Subway is expected to total nearly \$3.5 billion.

### **MTA Operating Budget Gap - Fare and Toll Increases; Service Cuts**

The MTA is proposing a major increase in transit fares and bridge and tunnel tolls, along with service reductions, for next year to help close a budget deficit that has widened to \$1.2 billion. The MTA's financial condition has significantly worsened as a result of the financial crisis, the continued fall-off in receipts from taxes on real estate transactions and corporate activities, the increase (until recently) in fuel and energy prices, and the inability to obtain a pledge of additional state or city assistance. In July 2008, the MTA hoped to obtain a commitment of \$300 million in additional state and city assistance in 2009. The MTA's current plan no

longer includes the assumption that it will receive \$300 million in additional state or city assistance in 2009 or a total of \$600 million per year beginning in 2010.

In its final budget plan for 2009, the authority recommended a 23 percent revenue increase in subway, bus and commuter fares, bridge and tunnel tolls, as well as significant service cutbacks and layoffs to help fill the \$1.2 billion gap. The MTA has characterized the possible actions as regrettable, painful and “draconian.” The MTA board has advocated for the Legislature to authorize new capital and operating revenues that would allow it to adopt an eight percent fare increase (as proposed in July 2008), and avoid the proposed service cuts and layoffs.

The fare and toll increases would take effect next June and would follow upon the four percent fare and toll yield increases that occurred in March 2008. In the more than 100-year history of the subway, the fare has gone up only once before in consecutive years, in 1980 and 1981. Under the MTA’s plan, transit and commuter rail fares would rise to produce a 23 percent revenue increase or yield. Fares on Long Island Bus could increase by as much as 43 percent due to a longstanding funding controversy. The base subway and bus fare in New York City would increase from the current \$2.00 level, to an estimated \$2.50. A monthly MetroCard currently costing \$81 could increase to more than \$100. The MTA will be developing fare options or scenarios over the next couple of months.

The MTA’s plan also recommends charging more for the Access-A-Ride program, which provides transportation for the disabled within New York City. The Access-A-Ride fare is now equal to the current base fare, \$2. The MTA is proposing to increase the passenger rate to twice the base fare, the legal limit under federal law.

The MTA’s deficit-closing plan involves eliminating nearly 3,000 jobs in 2009 and 2010. The proposed budget also includes the closing of some token booths and the elimination of the Station Customer Assistant program. The program has moved approximately 600 station agents out of their booths to assist customers with questions and directions.

Other transit service cuts include elimination of the W and Z subway lines, shortening service on the G and M lines, the elimination of some overnight and weekend bus routes, and less frequent service. The planned service reductions total \$154 million on an annual basis.

The MTA has emphasized that the authority is legally required to pass a balanced budget in December for its fiscal year which begins on January 1, 2009. The MTA also points out that it only has two remedies at its disposal to deal with its budget crisis, fare increases and/or service cuts, in the absence of new revenue streams such as those suggested by the Ravitch Commission.

### *Ravitch Commission on MTA Financing*

In April 2008, the Executive announced that he had selected Richard Ravitch to head the newly formed Commission on Metropolitan Transportation Authority Financing. Mr. Ravitch is a former chairman of the MTA, and a widely respected civic and business leader. The 13-member Ravitch Commission was tasked with recommending strategies to fund MTA capital projects and operating needs over the next 10 years.

In early December 2008, the Ravitch Commission released its final report. The **commission recommends a new “mobility tax”** of one-third of one percent on business payrolls in the MTA’s service region, and instituting **tolling on the free East River and Harlem River bridges into Manhattan.** The new



payroll tax is estimated to generate \$1.5 billion annually, and the bridge tolls would raise approximately \$600 million (net) annually.

While not included in the Executive Budget, the commission's payroll tax and bridge toll recommendations would require approval by the Legislature. Assuming its funding recommendations are adopted, the commission proposes an eight percent fare and toll revenue increase in 2009, as opposed to the MTA's current plan for a 23 percent hike in June, large service cuts and layoffs.

The Executive has indicated his support for the Ravitch Commission's plan. The MTA also strongly supports the recommendations.

The Authority, in conjunction with DOT and MTA, is also studying alternative configurations and financing mechanisms for a replacement bridge to be built starting in 2012.

### **Thruway - Toll Increase**

As part of actions that were approved earlier this year, Thruway Authority toll rates will increase by an average of five percent in January 2009. E-ZPass discounts have already been reduced, and an additional five percent toll increase is scheduled for January 2010. These toll increases are on top of the ten percent cash rate increase that took effect in January 2008.

The Thruway Authority has experienced a decline in traffic due to high gasoline prices in the first half of the year and the weak economy.

Due to rising construction costs, the Thruway has had to scale back the number of projects in its \$2.1 billion 2005-2011 Capital Program. Due to increased material costs, in August 2008 the Authority deferred or re-scoped \$250 million in projects.

The Thruway is proceeding with its Tappan Zee Bridge deck replacement project, the largest maintenance project undertaken on the bridge.

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## Tax Changes

The SFY 2009-10 Executive Budget also contains a number of tax increases and revenue changes. The following is a list of those changes:

### Personal Income Tax

- The Executive proposes to eliminate itemized deductions for taxpayers with incomes over \$1 million. However, these taxpayers would still be allowed a deduction for charitable contributions. This proposal would increase taxes by approximately \$140 million in SFY 2009-10.
- The Executive proposes imposing a filing fee on non-LLC partnerships with New York gross income over \$1 million. Currently LLC's and LLP's are subject to this filing fee. This proposal would increase personal income tax receipts by \$50 million in SFY 2009-10.
- The Executive proposes requiring nonresidents to report the gain on the sale of an interest in a partnership, LLC, or S-corporation as New York source income if the sale of such interest entails the sale of real property and the value of the real property comprises over 50 percent of the value of the business' interest. This proposal would increase revenues by \$10 million in SFY 2010-11.
- The Executive proposes amending the definition of a New York State resident to include those taxpayers who are living in a foreign country for at least 450 days but whose spouses and/or minor children are living anywhere in New York for more than 90 days. This proposal would increase revenues by \$5 million in SFY 2010-11.
- The Executive proposes giving the Tax Department the authority to enter into reciprocal agreements with the federal government or other states to "intercept" nontax payments (e.g. vendor payments) paid by these entities to taxpayers who owe outstanding New York State taxes. This proposal would increase revenues by \$2.5 million in SFY 2009-10.
- The Executive proposes reforming the Empire Zones program to ensure that benefit recipients have passed the 20:1 investment to benefit test outlined in regulations. This proposal would increase receipts by \$118 million in SFY 2009-10.
- The Executive proposes eliminating the Middle Class STAR rebates and the corresponding increase in the New York City personal income tax credit. This proposal would decrease the deposit to the STAR fund by \$1.7 billion in SFY 2009-10.
- The Executive proposes treating income earned by nonresidents performing investment management services in New York as New York source income. Currently, this income is treated as a capital gain and not as compensation. This proposal would increase the revenues by \$60 million in SFY 2009-10.

### Corporate Franchise Tax

- The Executive proposes requiring Corporate taxpayers whose preceding years tax liability is in excess of \$100,000 to remit 40 percent (instead of 30 percent) of its preceding years bank tax and 40 percent of their Metropolitan Commuter Transportation (MCTD) surcharge as its mandatory first installment.

This bill would provide a \$165 million in one time revenue in SFY 2009-10.

- The Executive seeks to clarify that electric generation facilities do not meet the definition of “manufacturer” for taxpayers paying under the capital base. Capital base limits were increased from \$1 million to \$10 million a year in SFY 2008-09, but manufacturers have their tax liability under this base currently capped at \$350,000. This proposal would raise an estimated \$17 million in SFY 2008-09 and \$14 million in SFY 2009-10.
- The Executive proposes that captive insurance companies which receive less than 50 percent of their gross receipts from qualifying insurance premiums will no longer meet the definition of an insurance company, and would instead be forced to file a combined return with its parent entity. This measure is expected to raise \$31 million in SFY 2009-10 and \$25 million each year thereafter.
- The Executive seeks to eliminate several tax credits that the Executive feels are being underutilized. The affected credits are the automated external defibrillator credit, the alternative fuel vehicle refueling property credit, the electric generating fuel cell credit, the security guards training credit, the Qualified Emerging Technology Company capital credit and the transportation improvement contributions credit. These eliminations are expected to save the State \$5.9 million in SFY 2009-10 and \$9 million each year thereafter.
- The Executive Budget would authorize an additional \$4 million in low-income housing credits for ten years. This would allow the Commissioner of Housing and Community Renewal to allocate a total of \$24 million in these credits per year.
- The Executive proposes a series of modifications to the Empire Zone program (see the Empire Zone section for more detail). These measures would reduce tax expenditures by \$132 million in SFY 2009-10, \$137 million in SFY 2010-11 and \$145 million a year when fully effective.
- The Executive wishes to enact a reciprocal program with the U.S. Treasury to intercept vendor payments to satisfy State tax debts. This measure is estimated to increase State receipts by \$2.5 million in SFY 2009-10 and \$15 million each year thereafter.
- The Executive creates a new Research and Development Credit program to be administered by Empire State Development Corp. The credit can be earned either from qualifying activities of the taxpayer or by private grants awarded to New York State research laboratories for the support of qualifying activities. The credit would amount to ten percent of qualifying expenditures. The total credit would be capped at \$20 million for SFY 2009-10, \$33 million for SFY 2010-11 and \$45 million for each year thereafter. No credits would be awarded unless reforms are made to the State Empire Zone program resulting in a tax increase of \$100 million during SFY 2009-10.
- The Executive proposes adjustments to the current Qualified Emerging Technology Company Facilities, Operations and Training Credit to encourage firms to add more employees after they are first eligible for the credit, and to support alien firms to come to New York by exempting the alien firm’s employees from counting toward the employment limitation in the current program. An estimated \$5 million in additional annual incentives would begin in SFY 2011-12.
- The Executive seeks to clarify that income from digital products shall be sourced by the ultimate destination of the delivered digital product. This measure is designed to ensure that anticipated revenue collection levels can be met.

## Corporations and Utility Taxes

- The Executive proposes requiring Article 9 taxpayers whose preceding years tax liability is in excess of \$100,000 to remit 40 percent (instead of 30 percent) of its preceding years bank tax and 40 percent of their Metropolitan Commuter Transportation (MCTD) surcharge as its mandatory first installment. The imposition of the accelerated payment would result in a \$51 million All Funds “one-shot” for SFY 2009-10 (+\$48 million for the General Fund).
- The Executive seeks to modify the Empire Zone program (see the Empire Zone section for more detail).

## Highway Use Tax

- The Executive Budget proposes increasing the replacement fee for a certificate of registration from \$4 to \$15 for a motor vehicle and from \$2 to \$15 for a trailer, semi-trailer, dolly or other drawn devices. This measure is estimated to increase revenues by \$4.6 million in SFY 2009-10.
- The Executive seeks to reauthorize the Commissioner of Tax and Finance to re-require vehicle decals (at a cost of \$4 per decal) rather than the current registration system due to a clarification provided by recent Federal legislation. This measure is intended to be revenue neutral.

## Bank Tax

- The Executive proposes requiring bank taxpayers whose preceding years tax liability is in excess of \$100,000 to remit 40 percent (instead of 30 percent) of its preceding years bank tax and 40 percent of their Metropolitan Commuter Transportation (MCTD) surcharge as its mandatory first installment.

(\$45 million revenue spin up for SFY 2009-2010)

## Insurance Tax

- The Executive proposes that captive insurance companies, that receive 50 percent or less of their gross receipts from insurance premiums, would have to file a combined return with their closest affiliated taxpayer or parent company. This proposal will increase insurance tax revenue by \$2 million SFY 2009-10 and \$4 million in SFY 2010-11.
- The Executive proposes limiting the exemption provided for town or county cooperative insurance companies that existed before 1937 on the insurance franchise tax. The exemption will now only apply to corporations that have direct written premiums of \$25 million or less for the taxable year. This proposal is expected to generate \$19 million for SFY 2009-10 and \$15 million annually thereafter.
- The Executive proposes changing the franchise tax on Life Insurance companies so that all insurance companies are taxed in a uniformed manner by paying a tax based on premiums. The tax rate on premiums will be 2 percent. This proposal also increases the premiums tax rate for Accident and Health Insurance from 1.75 percent to 2 percent. This proposal will increase insurance taxes by \$62 million in SFY 2009-10 and \$50 million in SFY 2010-11.
- The Executive proposes requiring insurance franchise taxpayers whose preceding years tax liability is in excess of \$100,000 to remit 40 percent (instead of 30 percent) of its preceding years insurance tax and 40 percent of their Metropolitan Commuter Transportation (MCTD) surcharge as its mandatory first installment. This proposal will spin up \$75 million in for SFY 2009-2010.

## Sales and Use Taxes

- Eliminate the year round \$110 Clothing exemption, replacing it with two one week periods with an exemption level of \$500. This would also require that all localities “opt-out” through local law, resolution, or ordinance if they do not want to exempt sales tax during those two week periods: generates \$462 million in 2009-10 and \$660 million thereafter;
- Extend the New York City tax on personal and credit services statewide. Currently New York City taxes services such as barbering, manicures, massages and gymnasium services, as well as credit rating and reporting services. These would become taxable statewide: generates \$78 million in 2009-10 and \$104 million thereafter;
- Extend sales tax to cover all admission charges into places of amusement, including, but not limited to: theaters, fairs, golf courses, swimming pools, and bowling alleys. This proposal would expand taxation with regards to club dues and fees to use equipment and facilities, as well as expand the cabaret charges to include any hotel, restaurant, or public hall where music and dancing or other entertainment is provided and food is served: generates \$53 million in 2009-10 and \$70 million thereafter;
- Extend sales tax to transportation related services including taxi-cab, limousine, intra-state charter bus, fishing, sight-seeing service. Travel services that begin and end inside New York State will also be included. This includes all receipts, including those for baggage handling, booking service, or other charges made in conjunction with the transportation service. Commuter services (mass transportation), ambulances services, and transportation to and from school are exempt: generates \$45 million in 2009-10 and \$60 million thereafter;
- Repeal the state’s tax cap on fuel and restore the four percent rate of tax on these fuels. This legislation would preserve the current exemption taxing only 80% of the cost of B20 (Biodiesel fuel) for both state and local sales tax. This would also restore all local sales tax to the local sales tax rate: generating \$90 million 2009-10 and \$120 million thereafter;
- Extend sales tax to cable and satellite television and radio. The legislation will impose both state and local tax on cable services, and where federal law prohibits local sales tax on satellite service, will increase state sales tax to equal the combined state and local tax and remit the difference to the locals: generates \$136 million in 2009-10 and \$180 million thereafter;
- Impose a new tax on digital products, including all digital music, books, games, and other retail products. This tax would also include digital media and entertainment services that are provided or offered over the internet. The tax would be assessed on those individuals who purchase, download, or use the product: generates \$15 million in 2009-10 and \$20 million thereafter;
- Increase the rate of the prepaid sales tax on cigarettes from seven percent to eight percent: spins-up cash flow by \$14 million in 2009-10;
- Creates an additional five percent sales tax on select luxury goods. The tax would be assessed on the amount of the sales price above the threshold: \$60,000 for passenger cars, \$200,000 for vessels, \$500,000 for aircraft, and \$20,000 for jewelry, fur clothing and footwear: generates \$12 million in 2009-10 and \$15 million thereafter;
- Impose a special 18 percent state sales tax on select beverage products (the “Obesity Tax”). All non-diet soda drinks and those fruit drinks that contain less than 70 percent juice will be taxed. Water, tea, coffee, and cocoa would be exempt. The funding from

this state sales tax would be dedicated to health care: generates \$404 million for 2009-10 and \$539 million thereafter;

- Change the law to treat all coupons the same. This would impose the sales tax on the sales price, prior to the discounted price: generates \$3 million in 2009-10;
- Require businesses that own planes, vessels or motor vehicles which are purchased out of state but are used in state for carrying employees, affiliates, partners or stock holders to be charged a use tax: generates \$4 million in SFY 2009-10 and \$6 million in SFY 2010-11;
- Repeal the credit card bad debt refund provisions, enacted in 2006, which currently allow lenders issuing credit cards on behalf of New York State vendors to apply for a refund for sales taxes paid on debts that have been deemed uncollectable: generates \$8 million in 2009-10 and \$10 million thereafter;
- Expand the definition of vendor to now include the online affiliates of brick and mortar companies that operate in New York: generates \$9 million dollars in 2009-10 and \$12 million thereafter;
- Narrow the definition of the capital improvement sales tax exemption to only include new construction, an addition to, or a total reconstruction of existing construction: generates \$120 million in 2009-10 and \$160 million thereafter;
- Repeal the Empire Zone sales and use tax exemption and replace it with a tax credit/refund. See the Empire Zone section for details.

### **Compliance and Enforcement**

The Executive proposes new compliance and enforcement measures to encourage taxpayers to comply with the tax law. The legislation

would require banks and other financial institutions to report annually the gross amount of bank settlements, cash deposits, and check deposits into accounts of registered sales tax vendors. There are also provisions authorizing the Department of Tax and Finance to use sophisticated statistical models while performing audits on sales tax, place penalties on people required to keep sales tax records for failure to provide records in a proper format to the Tax Department, and for not providing electronic records to the Tax Department when required. The legislation also has increased penalties for tax preparers that knowingly participate or encourage false or fraudulent return and increases penalties for those who evaded tax so that they are comparable to grand larceny. In enforcing these new penalties, the Tax Department would be able to provide their own criminal enforcement attorneys to act as assistant district attorney's in the cases involving tax fraud. The proposal also provides incentives for people to point out tax fraud or evasion by offering rewards for whistleblowers. These provisions effect several state taxes: the fiscal tax impact is \$85 million in SFY 2009-10.

### **Auto Rental Tax**

- The Executive Budget proposes increasing the auto rental tax from five percent to six percent. This proposal will increase auto rental tax revenue by \$8 million SFY 2009-10 and \$10 million thereafter.

### **Alcohol Beverage Tax**

- The SFY 2009-10 Executive Budget includes legislation to increase the beer tax from 11 cents per gallon to 24 cents per gallon; and the wine tax from 19 cents per gallon to 51 cents per gallon. This proposal will increase Alcohol Beverage Tax Revenue in SFY 2009-10 by \$63 million annually.

- The Executive proposes allowing the sale of wine in grocery and drug stores. This is expected to increase revenue by \$2 million as a result of increased sales. The vast majority of the revenue associated with this proposal will come from franchise fees.
- The Executive also proposes to impose certain reporting requirements on wholesalers who must report the total value of sales made to vendors, operators or recipients whom did not pay the sales tax upfront to the Wholesaler. The Wholesaler must also provide each entities state liquor authority license number.
- Lastly, the Executive looks to create a new classification for flavored malt beverages and impose the excise tax on this category at the low liquor tax rate. Flavored malt beverages would be taxed at the rate of \$2.54 per gallon increased from their current beer rate of 11 cents per gallon. As a result, Alcohol and Beverage Taxes will increase \$15 million in SFY 2009-10.

### **Cigarette and Tobacco Tax**

- The Executive proposes legislation that would amend the definition of “cigarette” for both New York State and New York City taxes to include “little cigars”. The same legislation also changes the tax on cigars from 37 percent of the wholesalers price to a flat rate of 50 cents per cigar. This proposal would increase receipts by \$10 million in 2009-10.
- The Executive proposes legislation that enhances penalties on people who violate the law with regards to tobacco products and cigarette taxes. This legislation would authorize the Department of Taxation and Finance to revoke a retailer’s certificate of registration if the retailer is found to possess or sell unstamped tobacco products. The legislation also places more stringent civil

penalties on those found to be evading the tax on loose tobacco. The Penalty would be up to 200 percent of the amount of the tax owed when the amount of tobacco exceeds 5 pounds.

### **Motor Vehicle Fees**

- The Executive proposes increasing most registration fees by 25 percent; increasing all original and renewal license fees by 25 percent; and raising the license plate reissuance fee from \$15 to \$25. Please see the miscellaneous receipt fee table for specifics on the individual fees.

### **Lottery**

- The Executive proposes legislation to permanently extend the Division of Lottery’s authority to operate Quick Draw, presently scheduled to sunset on May 31, 2009 and eliminate the restrictions on the Game relating to food sales, hours of operation and the size of the facility, as well as, authorizing a video lottery game at Belmont Park, and permitting the State to participate in more than one multi-jurisdictional lottery game. Additionally, the Executive Budget proposes to expand the investment options available to the Lottery Prize Fund.

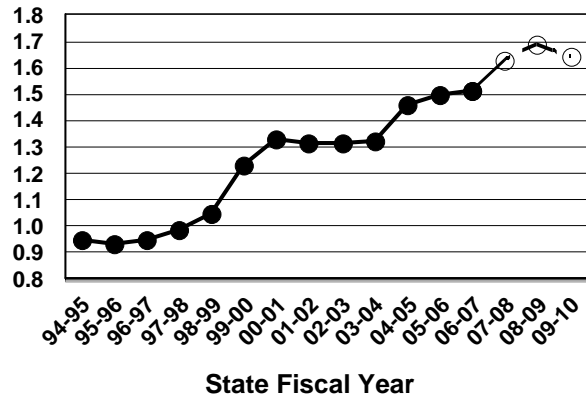
### **Pari-mutuel**

- Extends lower pari-mutuel tax rates and rules governing simulcasting of out-of-state races. This proposal has no SFY 2009-10 fiscal impact because the reduced rates are built into the base of the SFY 2009-10 financial plan.

# ENVIRONMENTAL CONSERVATION, AGRICULTURE AND HOUSING

All Funds Disbursements (Thousands of Dollars)		
	Estimated SFY 08-09	Projected SFY 09-10
Cash	1,686	1,644
Annual Growth Rate	3.7%	-2.5%
5 Year Average Growth (Actual)		5.0%

Billions of Dollars



The (SFY) 2009-10 Executive Budget recommends a net decrease in cash disbursements of \$41.9 million for agencies within the Environmental Conservation, Agriculture and Housing area. Specifically, the Department of Environmental Conservation (DEC) budget is recommended to increase by a net \$7.8 million; the Department of Agriculture and Markets budget decreases by a net \$621,000; the Office of Parks, Recreation and Historic Preservation (OPRHP) budget decreases by \$48.8 million; the Division of Housing and Community Renewal (DHCR) decreases by \$3.7 million; the Adirondack Park Agency (APA) budget decreases by \$99,000; the Environmental Facilities Corporation (EFC) budget decreases by \$1.1 million; and the Olympic Regional Development Authority (ORDA) budget decreases by \$2.0 million.

**Environment, Parks and Adirondack Park Agency**

**Workforce**

The SFY 2009-10 Executive Budget recommendations include reductions of 297 positions for DEC and OPRHP. The Executive recommends reductions of 240 positions for DEC and 57 position for OPRHP. These position reductions reflect the impact of the State agency hiring freeze implemented during SFY 2008-09 as well as Executive mandated mid-year State agency spending reduction plans. The Executive recommends no change to APA's workforce of 72 FTE's.

**Environmental Protection Fund (EPF)**

The Executive recommends an appropriation of \$205 million for programs supported by the EPF. This is a \$50 million reduction from the \$255 million appropriated to the EPF in SFY 2008-09. The EPF has been traditionally supported by revenues from the



Real Estate Property Tax (RETT), sale or lease of State property and by EPF interest earnings. The Executive recommends transferring \$157 million in RETT support to the General Fund and substituting such revenues with \$118 million generated from an expanded Bottle Bill. Under the Executive's new EPF revenue formula, the EPF would be supported by \$80 million from the RETT, \$118 million from an expanded Bottle Bill and the remainder through State property sales, leases and interest earnings.

The Executive recommended EPF funding reductions will reduce or eliminate funding for many programs including: elimination of funding for zoos, botanicals and aquaria; a reductions of \$1.1 million for the Finger Lakes, Lake Ontario Watershed program and a \$12.5 million reduction in farmland protection.

**Greenway Eliminations**

The Executive recommends the following: eliminating the Hudson River Valley Greenway Communities Council and the Hudson River Valley Greenway Heritage Conservancy (transferring liabilities, assets and responsibilities of those entities to the Department of State); and eliminating the Northeastern Queens Nature and Historical Preserve Commission. The Executive recommendation estimates savings of \$1.04 million.

**New Environmental and State Parks Fee Increases**

The SFY 2009-10 Executive Budget includes various new and increased environmental and State park fees. The Executive recommends new fees including: a new marine fishing license for \$19; a new trout

and salmon stamp for \$10 to be possessed in addition to the standard fishing license; and an increase in the DEC education camp tuition from \$250 to \$325. The tables below illustrate the various increases recommended for the State Pollutant Discharge Elimination System (SPDES) program as well as the increased fees recommended for the State parks system.

SPDES	Current Fee	Proposed Fee
Increase SPDES Fees:		
Phase II Storm	\$50	\$100
Increase SPDES Fees:		
New General Permit	n/a	\$100
Increase SPDES Fees:		
PCI & Industrial	Various	Various
GP for PCI & Industrial	\$50	\$100

SPDES Industrial	Current Fee	Proposed Fee
<10,000 gpd	\$475	\$600
10,000 - 99,999 gpd	\$1,575	\$2,000
100,000 - 499,999 gpd	\$4,750	\$6,000
500,000 - 999,999 gpd	\$15,750	\$20,000
1,000,000 - 9,999,999 gpd	\$23,500	\$30,000
10,000,000 gpd or more	\$47,000	\$50,000

<b>PARKS</b>		
	<b>Current Fee</b>	<b>Proposed Fee</b>
Camping Fees	base rate - \$13; weekend surcharge	\$15
Cabin Fee Increases (19 different rates)	\$140 to \$470 / week	\$160 to \$550
Golf Fee Increases (18 holes / weekends)	\$19 to \$41	\$21 to \$47
Marina Fee Increases	\$22 to \$65 per foot	\$27 to \$81 per foot
Empire Passports Fee Increases	\$59	\$65
Access Pass (conform to statute)	Various	Various
Permit Fee Increases	Various	15% increase
Golden Park Fee Increase (Increase eligibility age to 65)	Various	Various

**The “Bottle Bill”-Water and Juice**

The SFY 2009-10 Executive Budget proposal includes legislation to expand the State’s Returnable Container Act, also known as the Bottle Bill, to include non-carbonated beverage containers. The proposal is expected to generate \$118 million in SFY 2009-10 and will be used to support the programs funded through the EPF.

**Agriculture and Markets**

The SFY 2009-10 Executive Budget for the Department of Agriculture and Markets proposes an All Funds decrease of \$26.8 million. Included is a reduction in funding of \$13.4 million for local initiatives and \$10 million for capital projects.

The Executive Budget includes fee increases for food inspection penalties, food safety inspection and licensing fees. These fees would generate \$5.3 million in revenues for SFY 2009-10. These fees are explained in the Department of Agriculture and Markets Agency Detail section of this report.

**Housing and Community Renewal (DHCR)**

The Executive recommends eliminating the requirement for (DHCR) to maintain local rent offices at DHCR operated housing developments and recommends the closure of three of its eight offices, located Hempstead, Spring Valley and Staten Island.

The SFY 2009-10 Executive Budget recommends a reduction of \$13.2 million in Aid to Localities funding for local housing programs, including elimination of the Lead Poisoning Prevention Program. The Executive also recommends reductions in funding for the Neighborhood Preservation and the Rural Preservation Programs of \$8.5 million and reducing legislative additions to housing programs by 50 percent.

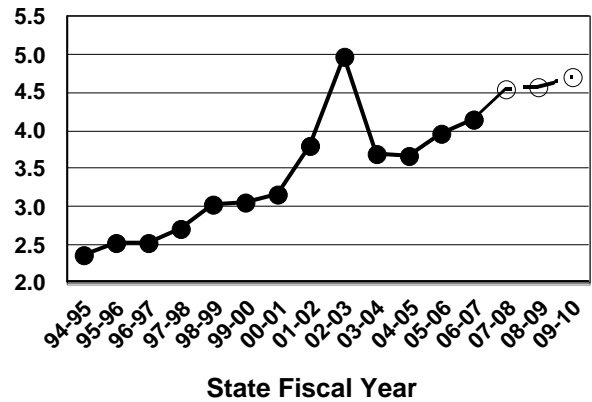
**Environmental Conservation, Agriculture and Housing**  
**Proposed Disbursements - All Funds**  
**(Thousands of Dollars)**

Agency	Estimated	Proposed	Change	
	2008-09	2009-10	Amount	Percent
Adirondack Park Agency	5,703	5,802	99	1.7%
Agriculture and Markets	103,084	102,463	(621)	-0.6%
Department of Environmental Conservation	883,502	891,394	7,892	0.9%
Environmental Facilities Corporation	11,417	10,272	(1,145)	-10.0%
Housing and Community Renewal	348,220	351,980	3,760	1.1%
Olympic Regional Development Authority	11,559	9,509	(2,050)	-17.7%
Office of Parks, Recreation and Historic Preservation	322,939	273,084	(49,855)	-15.4%
<b>Totals:</b>	<b>1,686,424</b>	<b>1,644,504</b>	<b>(41,920)</b>	<b>-2.5%</b>

# PUBLIC PROTECTION

<b>All Funds Disbursements</b> (Thousands of Dollars)		
	Estimated SFY 08-09	Projected SFY 09-10
Cash	4,575	4,708
Annual Growth Rate	1.2%	2.9%
5 Year Average Growth (Actual)		-1.7%

Billions of Dollars



The SFY 2009-10 Executive Budget recommends an All Funds cash disbursement increase of \$132.8 million or three percent for all public protection agencies. This increase is primarily the result of a \$163 million increase in Federal funding for the Office of Homeland Security, and a \$35.8 million increase in the Division of State Police, offset by a decrease of \$79.4 million in the Division of Criminal Justice Services.

The following narratives focus on major budget proposals included in agencies under the Public Protection Conference Committee (further information can be found under the Agency Detail Section of this report).

**Department of Correctional Services:**

***Prison Population Decline Sentencing and Parole Changes:***

The State prison population is projected to total approximately 61,100 by the end of SFY 2009-10, a decline of 10,100 inmates from the high of 71,600 in December, 1999. The Executive projects that the inmate population will

continue to decline, by an additional 1,600 inmates at the end of SFY 2009-10 resulting from various sentencing modifications and parole changes proposed in the Executive SFY 2009-10 budget.

This decline in the prison population reflects the drastic reduction in crime rates and efforts by the Senate Majority to keep violent criminals behind bars for longer periods of time, while providing alternative programs for nonviolent offenders such as the Road to Recovery Program. Since 1995 new laws have resulted in lengthening prison terms for violent criminals and limiting parole and work release participation to non-violent offenders.

While efforts to “right size” the State’s Correctional system have shown results, the number of violent inmates in correctional facilities has increased to 57.9 percent of all inmates, up from 51.3 percent in 1996. The number of nonviolent and drug offenders in the system has continued to decline, to 21 percent of all inmates by the end of 2007 from 35 percent at the end of 1994. This reduction is the result of

sentencing reforms and programs that help to rehabilitate nonviolent inmates.

**Prison Closure Recommendation:**

The SFY 2009-10 Executive Budget includes a proposal for the closure of four minimum security facilities: Camp Pharsalia located in Chenango County; the Camp at Mount McGregor located in Saratoga County; Camp Gabriels located in Franklin County and Camp Georgetown located in Madison County. In addition, the Executive proposes the closure of various annexes, yet to be determined by the Commissioner of the Department of Correctional Services (DOCS). The proposed closures of the annexes would affect 232 Full Time Equivalent (FTE) positions. The Executive’s principal rationale for the closures is the declining prison population. However it should be noted that proposed sentencing and parole changes would result in diverting 1,600 felony offenders from prison.

The following table outlines the DOCS’ facility closure plan:

<b>SFY 2009-10 Executive Proposed Correctional Facility Closures</b>			
<b>Facility</b>	<b>Total Number of Beds</b>	<b>Total Number of Inmates*</b>	<b>Number of Employees Effected</b>
<b>Camp Pharsalia (Chenango)</b>	258	107	79
<b>Camp at Mt. McGregor (Saratoga)</b>	300	69	50
<b>Camp Gabriel (Franklin)</b>	336	132	104
<b>Camp Georgetown (Madison)</b>	262	124	89
<i>*Source: Department of Correctional Services - Daily Population Capacity Report as of 12/11/08.</i>			

Under the Executive plan, the DOCS workforce would be reduced to 30,331 from

32,202. This reduction of 1,342 Full-Time Equivalents (FTEs) is primarily due to the proposed facility closures and various operational cost saving measures offset by an increase in housing sex offenders under the civil confinement process, and Corcraft license plate reissuance. The following table lists staffing level changes occurring within DOCS:

<b>Department of Correctional Services SFY 2009-10 Full-Time Equivalents (FTEs)</b>	
<b>Program Description</b>	<b>Changes</b>
<b>Delay Mental Health Program (Amend Special Housing Unit Exclusion Bill)</b>	(388)
<b>Prison Camp Closures</b>	(322)
<b>Closing Facility Annexes</b>	(232)
<b>New Sentencing and Parole Changes</b>	(750)
<b>Re-Evaluation of Sex Offender Management Treatment Act</b>	(28)
<b>Security Staff Efficiencies</b>	(75)
<b>Curtail Existing Programs for Inmates</b>	(6)
<b>Closure of 12 Farm Facilities</b>	(90)
<b>Housing of Sex Offenders During Civil Confinement Process</b>	10
<b>Corcraft License Plate Reissuance</b>	10
<b>Total Change in FTEs</b>	<b>(1,342)</b>

The Executive also proposes the discontinuation of Prison Farm Operations. Farms at 12 correctional facilities which employ inmates would be closed for a reduction of 90 positions, of which 48 are non-security. The Executive’s principal rationale for the closure of these farms is the diminished value of these programs as a vocational tool. It is estimated that this would save \$4 million in SFY 2009-10 and \$4 million in SFY 2010-11. DOCS will work with the New York State Department of

Agriculture and Markets to assist in decommissioning the farms.

**Division of Criminal Justice Services:**

**Local Assistance:**

The SFY 2008-09 Executive Budget proposes the elimination of all Local Assistance program initiated by the Legislature, totaling \$8.1 million (see Table A). In addition the Executive eliminates funding of \$2.6 million for the Westchester County Policing Program, \$4.1 million for the Road to Recovery Program and \$1.8 million for the Innovative Neighborhood Based Strategies to promote Youth Redirection and Empowerment (NSPYRE) project. The SFY 2009-10 Executive Budget proposes a total decrease of \$32.3 million in funding for General Fund, Aid to Localities appropriations. This decrease is primarily the result of the Executive shifting funding from the General Fund to other Special Revenue Aid to Localities Accounts. *Further details can be found under the Division of Criminal Justice Services Agency Detail Section of this report.*

**Division of State Police:**

The Executive Budget recommends shifting 30 Troopers from Patrol Activities currently funded by the General Fund to the Thruway Account funded through toll revenues.

The Executive Budget proposes Article VII Legislation which would increase the Motor Vehicle Law Enforcement (MVLE) Fee, a surcharge on vehicle insurance policies, from \$5.00 to \$10.00, and makes the fee and related programs that are scheduled to expire in 2009 permanent. The Executive proposes that additional revenue (\$43.7 million) be dedicated to the State Police Motor Vehicle Law Enforcement Account after \$4.7 million has been allocated to the Motor Vehicle Theft and

Insurance Fraud Prevention Fund. This fee increase is expected to generate \$48.4 million in SFY 2009-10, and \$64.5 million annually. *Further details can be found under the Department of Transportation Agency Detail Section of this report.*

In addition, The Executive proposes authorizing the Division of State Police to establish a photo monitoring speed enforcement program in work zones and designated stretches of highway. A total of 60 cameras would be deployed with 50 placed in work zones and ten placed on designated stretches of highway. Signs alerting motorists would be placed 300 feet in advance of the work zone and a fine of \$100 would be imposed on the registered owners of vehicles caught speeding through a photo monitored work zone, while \$50 would be imposed on those speeding in designated stretches of highway. It is estimated that these fines would generate \$42 million in State revenue in SFY 2009-10 and \$84 million when fully annualized. *Further details can be found under the Division of State Police Agency Detail Section of this report.*

**Division of Military and Naval Affairs (DMNA):**

The SFY 2009-10 Executive Budget recommends All Funds appropriations of \$582 million, an increase of \$455 million from the SFY 08-09 Budget. This increase includes \$16 million to support Empire Shield, which conducts random missions with flexible threat based, rapid response units in the new York City metro area and \$50 million for establishment of the Enterprise Fund to allow the NY Alert emergency notification system to be used by other entities across the Northeast. The New York Alert account, as established in the SFY 2008-09 Enacted Budget, provides state of the art rapid emergency notification in “real time”. The largest portion of the increase stems from \$412

million in new State and Federal disaster assistance funds in the event of future disasters. The Executive increases the annual Radiological preparedness fee assessed on nuclear power plants for disaster preparedness planning from \$550,000 to \$1 million. This would generate \$2.7 million in increased revenue.

<b>TABLE A</b>	
<b>Local Assistance Programs for which the Executive Eliminates Funding</b>	
<b>Program</b>	<b>Amount</b>
Indigent Parolee Program	(\$545,000)
Education and Assistance Corporation Alternatives to Incarceration	(\$580,000)
Erie County District Attorney (Comprehensive Assault Abuse Rape Program)	(\$71,000)
Finger Lakes Law Enforcement	(\$470,000)
Onondaga County Project PROUD	(\$47,000)
Onondaga County Information Technology	(\$173,000)
Westchester County District Attorney Youth Violence Gang Intervention Program	(\$188,000)
Mercy College Bachelor of Science Degree in Homeland Security	(\$94,000)
Catholic Family Center of Rochester	(\$235,000)
CopsCare Safety Means Abduction Registration and Training SMART Program	(\$282,000)
Homeland Security Consortium at Schenectady County Community College	(\$517,000)
Dutchess County Sheriff Department Law Enforcement	(\$71,000)
Nassau County District Attorney Medicaid Fraud Unit	(\$705,000)
Southern Tier Regional Drug Task Force	(\$282,000)
New York Association for New Americans (NYANA)	(\$188,000)
Putnam County Sheriff's Department	(\$24,000)
Village of Brewster Police Department	(\$94,000)
NADAP	(\$94,000)
Osborne Association – Court Advocacy Services	(\$383,000)
Neighborhood Defender Service of Harlem	(\$276,000)
Indigent Parolee Representation Program	(\$614,000)
The Legal Aid Society – Queens Point of Entry (state) – Legal Aid Adjudication	(\$38,000)
The Legal Aid Society – Mentally Ill Inmate Project	(\$257,000)
The Legal Aid Society	(\$456,000)
Center for Alternative Sentencing and Employment Services (CASES)	(\$128,000)
Center for Employment Opportunities	(\$24,000)
Education and Assistance Corporation – Brooklyn TASC	(\$121,000)
Legal Action Center	(\$134,000)
Oneida County District Attorney	(\$92,000)
New York County District Attorney – Construction Industry and Bid Rigging Prosecution	(\$123,000)
Queens County District Attorney – Point of Entry (State) Prosecution	(\$132,000)
Queens County District Attorney – Early Case Intervention System	(\$24,000)
Sanctuary for Families	(\$72,000)
Simon Wiesenthal Center	(\$160,000)
Vera Institute of Justice – Adolescent Re-Entry Initiative	(\$46,000)
The Bard Prison Initiative	(\$71,000)
Vera Institute of Justice – Services for Justice System – Involved Youth	(\$87,000)
CEO – Neighborhood Work Project	(\$70,000)
New York County District Attorney – Crimes Against Revenue Program	(\$186,000)
<b>Total Reduction</b>	<b>(\$8,154,000)</b>



**Public Protection  
Proposed Disbursements - All Funds**

(Thousands of Dollars)

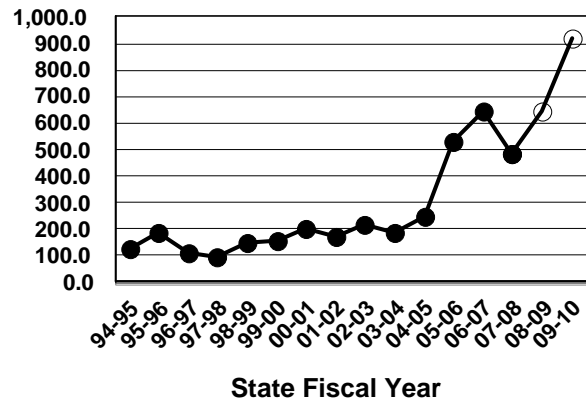
Agency	Estimated 2008-09	Proposed 2009-10	Change Amount	Percent
Department of Corrections	2,747,532	2,769,318	21,786	0.8%
Division of Criminal Justice Services	313,794	234,370	(79,424)	-25.3%
Division of Parole	196,122	190,652	(5,470)	-2.8%
Division of State Police	690,401	726,217	35,816	5.2%
Crime Victims' Compensation Board	63,033	65,430	2,397	3.8%
Capital Defender's Office	361	0	(361)	-100.0%
Judicial Commissions	5,075	5,214	139	2.7%
Military and Naval Affairs	279,501	285,673	6,172	2.2%
Division of Probation and Correctional Alternatives	76,716	69,253	(7,463)	-9.7%
Homeland Security Office	196,611	359,617	163,006	82.9%
Misc. Public Protection Agencies	6,532	2,785	(3,747)	-57.4%
<b>Totals:</b>	<b>4,575,678</b>	<b>4,708,529</b>	<b>132,851</b>	<b>2.9%</b>
Judiciary	2,433,666	2,505,026	71,360	2.9%
World Trade Center	60,000	50,000	(10,000)	-16.7%

# ECONOMIC DEVELOPMENT AND TAXES

## All Funds Disbursements (Thousands of Dollars)

	Estimated SFY 08-09	Projected SFY 09-10
Cash	644,760	917,669
Annual Growth Rate	124.9%	142.4%
5 Year Average Growth (Actual)		28.5%

Millions of Dollars



The major themes advanced by the Executive's SFY 2009-10 economic development budget proposals are cutting costs through program elimination or reduction of the number of participants, centralizing control, and targeting investment and incentives to key industries and major projects, **while eliminating previously committed tax incentives to thousands of current businesses.**

## AGENCY CONSOLIDATION

One of the Executive's major economic development initiatives is the consolidation of the State's three economic development entities, the Urban Development Corporation, d.b.a. Empire State Development Corporation (ESDC), the Department of Economic Development (DED), and the Foundation for Science, Technology and Innovation (d.b.a. NYSTAR). In this proposal (Part EE, S. 59) both NYSTAR and DED would be eliminated and their core programs assumed by ESDC. Currently, each of the three agencies has its own administrative staff for functions such as human resources, legal review and grant contracting. Consolidation is expected to save \$11.1 million annually due to the elimination of

the costs associated with 114 full-time equivalent (FTE) positions including all 26 FTEs at NYSTAR and 88 FTEs at DED.

The plan does not call for reassignment of existing staff but instead will allow ESDC management discretion in filling 116 positions to maintain programs and service transferred from NYSTAR and DED. The Executive projects that ESDC will have a workforce of 364 FTEs in SFY 2009-10. **The headquarters of the State's consolidated economic development agency will be located in New York City.**

Staffing levels and assignments at public authorities, including ESDC, are not under the oversight of the Legislature or Executive and are not subjected to the current hiring freeze. ESDC was not required to respond to the Executive's call to reduce spending by 10.35 percent and there has historically been insufficient information and transparency concerning ESDC operations for the Legislature to determine whether ESDC deploys its resources efficiently or effectively.

Core programs that will be transferred from the Department of Economic Development to ESDC include the following:

- I ♥ NY tourism promotion;
- Local tourism matching grants;
- Empire Zones;
- Procurement opportunity newsletter;
- Pollution prevention and compliance assistance; and
- Linked Deposit program.

Core programs that will be transferred from NYSTAR to ESDC include the following:

- Faculty development program;
- Technology transfer program;
- Science and technology Law Center;
- Centers for Advanced Technology (CATs); and
- Regional Technology Development/Manufacturing Extension Partnership program.

### **Marketing State Assets**

The Executive proposes a 45 percent reduction in funding for programs that promote the State's businesses and attractions. Total funding for these programs would be reduced from \$30.2 million to \$16.7 million. All funding has been eliminated for the popular Explore New York tourism matching grants program, as well as the Business Marketing Program that was created last year. Funding for tourism promotion based on the "I ♥ NY" brand would be reduced by \$6 million to \$11 million, and promotion of New York businesses abroad would be reduced by \$2 million to \$1.5 million. In addition, the Executive does not maintain funding for Legislative program initiatives associated with business or tourism promotion and marketing.

### **Research and Technology**

The Executive proposes reducing funding for all current university-based or high technology programs by 40 percent, from \$28.9 million to \$17.2 million. The Executive's proposal would reduce funding for both the Faculty Development Program and the Technology Transfer program by more than 25 percent. Funding for the College Applied Research Center (CART) program, with Centers at Marist College and CUNY Staten Island, would be eliminated. The Executive proposal also calls for a 20 percent reduction in operating support for 13 CATs and for eventually phasing out all operating funding for individual CATs as their designations expire. (see ESDC Agency Detail for additional information.) This year two CATs, one located at RPI and one at Stony Brook, would no longer receive operating funds because their designations expire in 2009. Only the Centers of Excellence would see funding for operations at prior year levels as well as those centers or programs where ongoing funding is required by contract.

The Executive's proposal includes a single new initiative (Part CC, S.59), the Growth, Achievement and Investment Strategy Fund (GAINS) that would provide \$50 million in discretionary grants for capital or operating support targeted towards investments in businesses in the manufacturing, financial services, agribusiness, high technology and biotechnology industries. The language proposed is not specific with respect to the structure of the program and does not explicitly tie the funding to job creation goals. Requirements and criteria for the program will be established at the discretion of ESDC.

The Executive's proposal includes several enhancements to tax based incentives designed to stimulate investment in university industry

collaborative efforts and investment in research and development (refer to tax section, also Article VII).

### **Small Business Programs**

The Executive proposal includes a total of \$31.2 million for ESDC's core Empire State Economic Development Fund (EDF) programs that provide grants and loans to programs that support small businesses and directly to small businesses that are creating jobs. In addition, proposed funding for the Minority and Women-Owned Business Development and Lending Program and Urban and Community Development programs remain at prior year's levels.

### **Capital**

The Executive advances legislation (Part DD, S.59) that would require the Executive, Senate and Assembly to work together to identify and eliminate spending totaling \$375 million in unused or low priority capital allocations. The potential spending reductions would be drawn from a set of capital programs with appropriations totaling \$6.9 billion, although most of these funds have been committed or spent. Under this proposal ESDC and the Dormitory Authority would not be allowed to approve pending capital projects until a three-way agreement on a \$375 million capital allocation reduction plan is reached. A significant provision of the legislation is that of the \$375 million identified in savings, \$200 million in capital spending authority would be reprogrammed for discretionary use by the Executive for creation or retention of jobs.

The Executive proposal provides \$50 million for an IBM electronics packaging center and \$25 million for Albany Nanotech; however, funding for these projects is contingent on agreement on a capital spending reduction plan as described above.

ESDC, in conjunction with the Dormitory Authority, will continue to administer and finance AMD development, the Restore NY Communities program, plus other capital projects included in the SFY 2008-09 Adopted Budget.

### **EMPIRE ZONE REFORM**

#### **Cost Reduction Strategy**

The Executive's Empire Zone program reform proposal (Part K, S.60) focuses on reducing the cost of the program by \$272 million in SFY 2009-10 reducing the number of participating companies, while maintaining the same suite of benefits currently offered through the program. The number of companies would be reduced in the following two ways:

***Eliminate companies currently in the program.*** Although previously deemed qualified for the program through a certification process, businesses will be "retested" to determine if they meet a **higher benefit to cost ratio**. They must show that they have spent 20 dollars in wages and capital investments for each 1 dollar that they receive in tax benefits. Note that this new test does not require the creation or retention of jobs. One dollar spent on wages would be considered equal to one dollar spent on capital investments.

***Restrict the types of companies eligible for certification in the future.*** Only high-tech, bio-tech, clean-tech, financial services, manufacturing, agri-business enterprises, and extraordinary projects (not high technology or

manufacturing-based) would be eligible for the program after March 31, 2009. Note that since early 2008 new company applicants **currently** have to meet the 20:1 cost-benefit standard.

Currently, 9,800 New York State businesses, employing more than 380,000 people, participate in the Empire Zone program. These businesses, most of which are located in one of 85 Zones, receive tax benefits for a ten-year period in return for creating jobs and making capital investments in facilities. For SFY 2009-10 the program is expected to provide \$610 million in benefits to participating businesses.

In SFY 2009-10, of the 8,600 firms certified prior to 2005 that would be reviewed, **2,100 businesses are expected to be dropped from the program, resulting in a projected \$272 million increase in tax receipts.** The fully annualized increase in tax revenues from these changes would be **\$310 million in SFY 2011-12**, the fiscal year that the Empire Zone program sunsets.

### **EZ Administration Changes**

The Executive's proposal would also eliminate two major features that characterize the structure of the Empire Zone program: local partnership in decision making and location-based benefits. The Commissioner of the Department of Economic Development (DED) would serve as the sole certification officer, thus eliminating the role of the Local Empire Zone certification officer and administration board in the current certification process. Local Empire Zone Coordinators and Zone Boards would still be responsible for administrative functions. The Executive's proposed legislation would **terminate authority to designate new Empire Zones** and to increase the area of existing zones after April 1, 2009. **Zone boundaries would be eliminated; however, to receive benefits, a company would be required to create jobs**

**and/or make investments "at the location or locations approved by the commissioner."**

### **Impact on EZ Certified Businesses**

The proposal would have the most immediate impact on approximately 8,600 businesses certified prior to April, 2005. In 2009, these businesses would be required to be recertified by the Commissioner of DED by demonstrating that they meet or exceed a 20:1 ratio of the investment made by the business versus the value of the State tax benefits the business claimed and used over at least a three year period including the 2008 tax filing year. For example, a company that receives \$50,000 in State tax benefits would have to show that the total for wages and benefits paid and capital investments was at least \$1 million.

Participants certified from 2005 to early 2008 met or exceeded a 15:1 benefit to cost standard. The Executive proposal would require that they pass the higher 20:1 test for the three year period since obtaining their original certification. In 2010, businesses certified in 2006 would be re-examined and the process would continue until all businesses in the Empire Zone program have undergone review.

**The final determination as to whether a business stays in the Empire Zone program would rest with the Commissioner of DED.** Ultimately, the Commissioner of the DED would be authorized to consider other economic, social and environmental factors when evaluating the costs and benefits of a project to the State.

**If a business fails to meet the cost benefit test then they would be decertified and would lose the Empire Zone benefits that they expected to receive for the 2008 tax filing year**

and any carry-over benefits allowed from prior years. The proposed legislation includes an appeals process in which a business would have to notify the Commissioner in writing of their intent to appeal within ten business days following receipt of the revocation notification. Within sixty days the business requesting an appeal would be required to provide an explanation of the extraordinary circumstances that resulted in the business failing the cost-benefit test or provide evidence to demonstrate that they should pass the cost-benefit test. Note that companies may also be decertified for making any misrepresentation on their business annual report or failing to make the investment in a facility that they indicated in the application.

**Impact on New Empire Zone Applicants**

Only businesses that are manufacturing enterprises (including high-tech, bio-tech, clean-tech, and agri-business), financial service enterprises, or extraordinary projects would qualify to apply for benefits. Applicants would have to show through estimates that they can meet the 20:1 ratio of estimated value of wages, benefits and capital investments versus the estimated value of State tax benefits that the business might claim for the first three years of certification at locations approved by the Commissioner of DED.

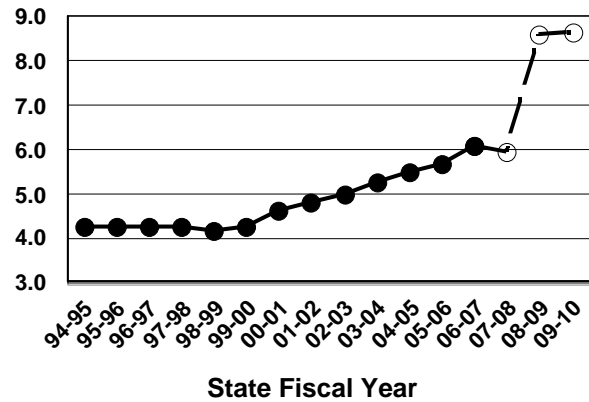
<b>Economic Development Proposed Disbursements - All Funds</b>					
<b>(Thousands of Dollars)</b>					
<b>Agency</b>	<b>Estimated 2008-09</b>	<b>Proposed 2009-10</b>	<b>Change</b>		
			<b>Amount</b>	<b>Percent</b>	
Department of Economic Development	103,055	97,937	(5,118)	-5.0%	
Empire State Development Corporation	498,648	775,703	277,055	55.6%	
Economic Development Capital-Other	18,500	27,300	8,800	47.6%	
Foundation for Science Technology and Innovation	24,557	16,729	(7,828)	-31.9%	
<b>Totals:</b>	<b>644,760</b>	<b>917,669</b>	<b>272,909</b>	<b>42.3%</b>	

# MENTAL HYGIENE

## All Funds Disbursements (Thousands of Dollars)

	Estimated SFY 08-09	Projected SFY 09-10
Cash	8,594,271	8,649,795
Annual Growth Rate	30.9%	0.6%
5 Year Average Growth (Actual)		6.0%

Billions of Dollars



New York State’s system of Mental Hygiene serves those affected by mental illness, mental retardation, developmental disabilities, alcoholism and chemical dependency. The system’s primary goals are aimed at helping individuals cope with these disabilities and preventing dependencies through examination, diagnosis, care, treatment, rehabilitation and training services.

### Executive Budget Proposals:

The proposed SFY 2009-10 Executive Budget for the Mental Hygiene system will total approximately \$8.7 billion, an increase of \$56 million or 0.6 percent. Included in the SFY 2009-10 Executive Budget is a *2008-09 Deficit Reduction Plan* to close an anticipated current-year shortfall of \$1.7 billion.

The SFY 2008-09 deficit reduction plan includes a proposal to reduce the Office of Alcoholism and Substance Abuse Services (OASAS) funding for **school-based prevention services** in New York City schools, saving \$3 million in the current fiscal year. In addition, the proposal reduces the SFY 2008-09 **Human**

**Services Cost of Living Adjustment (COLA)** from 3.2 percent to 2.2 percent effective January 1, 2009.

### OASAS

The SFY 2009-10 Executive Budget proposes the closing of the 52 bed state operated **Manhattan Addiction Treatment Center (ATC)**, saving \$4.6 million annually. In addition, the Executive recommends restructuring the delivery of **prevention services** to school-aged children in New York City by directing funding to providers who utilize programs predicated on evidence-based practices. This recommendation reduces funding to the New York City Department of Education (NYCDOE) by \$10 million and reinvests \$8 million of these funds to community-based organizations.

### OMRDD Revenue Maximization

The SFY 2009-10 Executive Budget proposes to ensure families and individuals with developmental disabilities apply for all of the Medicaid and Medicare benefits to which they are entitled. Under this initiative, OMRDD would provide education and assistance to families and individuals with developmental

disabilities in an effort to increase the utilization of Medicare and Medicaid as a funding source. Additional efforts to maximize non-State revenue include recognizing increased Food Stamp benefits and increasing utilization of the **Home and Community-Based Services (HCBS) Waiver program**.

#### OMRDD Local

The SFY 2009-10 Executive Budget provides \$22.2 million to support **530 new residential opportunities** for individuals seeking out of home services through the New York State-Creating Alternatives in Residential Environments and Services (**NYS-CARES program**). In addition, funding is recommended to support 138 new in-State residential opportunities that will continue the commitment established under **Billy's Law**.

#### Rationalize Reimbursement

The SFY 2009-10 Executive Budget continues current year efforts to rationalize, reform and restructure Medicaid funding of services for the Mental Hygiene agencies. OMRDD will be implementing regional rates based on actual costs for **Day Habilitation services**, reducing reimbursement for less intensive case management services, and eliminating enhanced funding to certain **Article 16 and Article 28 clinics**.

#### Downsizing Institutional Capacity

Beginning in the current fiscal year, OMRDD initiated a multiyear plan to downsize and eventually close all developmental center units. The SFY 2009-10 Executive Budget provides funding to continue the State's commitment to deinstitutionalize those individuals who can benefit from an integrated community-based environment.

#### Unified Services Funding

The SFY 2009-10 Executive Budget eliminates **Unified Services** funding of \$1.7 million, which provides enhanced rates of reimbursement to five counties – **Rensselaer, Rockland, Westchester, Washington, and Warren**.

#### Reducing Cost-of-Living Adjustments

In addition to the 1 percent COLA as proposed in the 2008-09 deficit reduction plan, the Executive Budget proposes additional savings by recommending **no COLA** for SFY 2009-10, generating savings of \$13 million.

#### OMH – State Operations

The SFY 2009-10 Executive Budget proposes cost savings measures by reducing staff for the **Sex Offender Management and Treatment Act (SOMTA)**. In addition, the Executive Budget recommends a 3 year delay in the implementation of the Special Housing Units bill while an assessment of the effectiveness of the recently added programs serving this population is conducted, saving \$8.6 million in SFY 2009-10.

The SFY 2009-10 Executive Budget also recommends closing 450 adult inpatient beds, shifting the staffing resources associated with 150 beds to less costly programs, and converting 300 adult inpatient beds to a less intensive outpatient level of care. This initiative is anticipated to save \$6.1 million in SFY 2009-10.

**Senate Finance Contact:  
David K. King ext. 2937**



<b>Mental Hygiene</b>				
<b>Proposed Disbursements - All Funds</b>				
<b>(Thousands of Dollars)</b>				
<b>Agency</b>	<b>Estimated 2008-09</b>	<b>Proposed 2009-10</b>	<b>Change</b>	<b>Percent</b>
Office of Mental Health	3,136,245	3,303,547	167,302	5.3%
Office of Mental Retardation	4,149,566	4,272,660	123,094	3.0%
Office of Alcoholism and Substance Abuse	625,541	646,189	20,648	3.3%
Commission of Quality Care	17,227	17,169	(58)	-0.3%
Developmental Disabilities Planning Council	4,150	4,150	0	0.0%
Department of Mental Hygiene	661,542	406,080	(255,462)	-38.6%
<b>Totals:</b>	<b>8,594,271</b>	<b>8,649,795</b>	<b>55,524</b>	<b>0.6%</b>

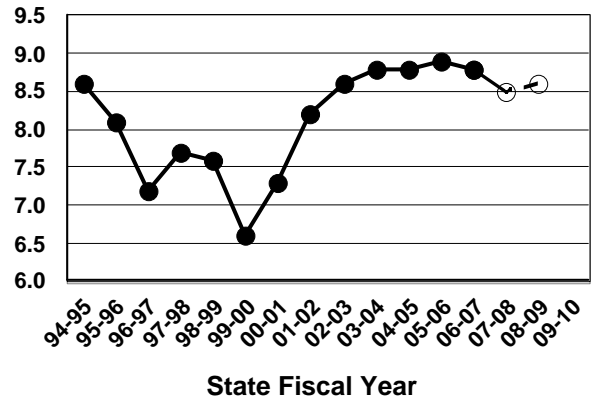
## HUMAN SERVICES

### All Funds Disbursements

(Thousands of Dollars)

	Estimated SFY 08-09	Projected SFY 09-10
Cash	8,778,501	8,751,759
Annual Growth Rate	2.80%	-3.06%
5 Year Average Growth (Actual)		1.40%

Billions of Dollars



The SFY 2009-10 Executive Budget proposes \$8.8 billion in spending for the nine agencies that are included in the Human Services area. This reflects a net spending decrease of \$26.7 million, or 3.1 percent below the current year.

#### **Public Assistance Grant Increase:**

The monthly public assistance grant is comprised of a shelter allowance and a basic allowance. The grant amount varies based on the county of residence and the composition of the family. The Executive proposes to increase the basic allowance portion of the public assistance grant by ten percent per year for three consecutive years impacting approximately 200,000 households. This proposal would also increase the income threshold by approximately five percent a year for three years because the amount of income a household may earn and still qualify for public assistance is statutorily linked to the amount of the basic allowance.

Currently, the monthly basic allowance grant is fixed at \$307 for a family of four

and would increase to \$345 in January 2010, \$386 in January 2011, and to \$432 in January 2012. If fully implemented, the average public assistance family would be eligible for approximately \$100 in additional monthly benefits. The shelter allowance, home energy grant, and supplemental home energy grant will remain the same. The SFY 2009-10 cost of increasing the non-shelter portion of the public assistance grant is \$7.7 million, increasing to \$40.5 million in SFY 2010-11. The SFY 2009-10 local government cost of implementation would be \$5.3 million, increasing to \$27.9 in SFY 2010-11.

#### **Facility Closures:**

Based on underutilization of several non-secure and limited secure youth residential facilities resulting from population decline and Executive policy changes, closures are proposed. The SFY 2009-10 Executive Budget proposes to reduce statewide vacancy rates from 33 percent to 24 percent by closing or downsizing eight residential facilities and three evening reporting centers (ERC) as of June 1, 2009.

**How were facilities selected to be slated for closure?**

The Executive states that the facilities proposed to be closed or downsized were selected because of high vacancy rates. However, vacancy rates can be manipulated by the agency through the placement and transfer of youths.

The agency is in the process of transforming New York’s juvenile justice system from a corrections based, punitive model to a trauma-informed, community model. The intent is to keep youth placed in facilities located near their homes in order to encourage family engagement from the time a youth enters the system to the time they are discharged.

All but one of the facilities proposed to be closed are located in rural and suburban areas. The effects of closing these facilities could in turn place youth in such areas in facilities in distant locations from their homes.

The proposal includes closing the following facilities:

- Adirondack Residential (Clinton County)
- Cattaraugus Residential (Cattaraugus County)
- Great Valley Residential (Cattaraugus County)
- Pyramid Reception Center (Bronx County)
- Rochester Community Residential (Monroe County)
- Syracuse Community Residential (Onondaga County)
- Capital District ERC (Albany County)
- Buffalo ERC (Erie County)
- Syracuse ERC (Onondaga County)

The proposal includes downsizing the following facilities:

- Allen Residential by 25 percent (Delaware County)

- Tryon Residential by 28 percent (Fulton County)

Savings from the proposed closures and downsizings would total \$12.4 million in SFY 2009-10, as a result of the elimination of 255 full time equivalent positions (FTEs), of which 164 positions (65 percent) are located in Upstate. Savings would increase to \$17.8 million in SFY 2010-11, reflecting the full annual cost of the reductions. The closures will remove 214 beds from the juvenile justice system. In order for the closures and downsizings to take place in June 2009, the Executive proposes legislation to remove the statutory 12 month notification requirement prior to closing a youth facility. **No alternative use plans are proposed for any of the facilities.**

**Youth Program Block Grant**

The SFY 2009-10 Executive Budget creates a \$90 million **Youth Program Block Grant** with the intention of providing local districts with increased flexibility to fund their youth programs based on local priorities. The following programs, previously funded through discrete appropriations totaling \$118 million in SFY 2008-09, are included in the block grant: Detention Services, Youth Development and Delinquency Program (YDDP), Special Delinquency Prevention Program (SDDP), Runaway Homeless Youth Act (RHYA), Alternatives to Detention, and Alternatives to Residential Placement. Funding for the new Youth Program Block Grant represents a \$28 million reduction in funding from the current year’s discrete appropriation level, or 31 percent

Under existing law, local districts pay 51 percent and the State pays 49 percent of detention services costs. Local youth bureaus pay 50 percent and 41 percent of costs associated with YDDP and RHYA, respectively. If the new Youth Block Grant is enacted there would be no

local or municipal matching requirement for any block grant programs. An allocation formula based on claims and youth population figures, would be determined by the Office of Children and Family Services (OCFS), **however the allocation formula was not included in the Executive Budget and is not available for legislative review.**

**Reduction to the Supplemental Security Income (SSI) State Benefit:**

The Federal SSI program provides cash assistance to the blind, aged and disabled in six different living categories. New York State provides a flat State benefit to supplement financial support to its SSI recipients. The SFY 2009-10 Executive Budget proposes to reduce the 2009 State monthly benefit, for SSI recipients living in the community effective June 1, 2009.

Recipients would receive a 5.8 percent cost of living increase to their Federal benefits portion in January 2009 increasing their State and Federal combined total benefit by between \$24 to \$55 depending on their living arrangement. However, recipients would see a decrease of between \$16 and \$28 in their monthly benefits beginning on June 1, 2009 due to the proposed reduction in the State monthly benefit for SSI recipients. SSI recipients would receive an average increase of 3.2 percent in calendar year 2009.

Recipients would need to effectively manage their benefits in the first five months of the year in order to account for the proposed decrease in the latter seven months of 2009. A slight increase to the State's 2010 monthly benefits is included in the proposal but this would not restore total benefit amounts for SSI recipients to the January 2009 level.

**Public Assistance and Temporary Assistance to Needy Families (TANF):**

The SFY 2009-10 Executive Budget projects a public assistance caseload of 503,751, a 1.7 percent increase from the current year estimate of 494,961 cases. The caseload is down from 523,411 in SFY 2007-08 and from an all time high of 1.7 million in 1994.

**TANF Spending**

The SFY 2008-09 Executive Budget proposes \$663.1 million in TANF spending on required benefits for eligible families.

New TANF surplus spending is proposed at \$1.84 billion, an increase of \$15.8 million from SFY 2008-09 spending levels. TANF surplus funding is allocated as follows: \$441.1 million for the Earned Income Tax Credit (EITC), a decrease of \$261.7 million from the current year level; \$1.3 billion for the Flexible Fund for Family Services (FFFS), an increase of \$666.9 million over the current year; and \$73.8 million on various support programs, a decrease of \$390.3 million from the current year, due primarily to the Executive eliminating allocations for various programs.

**Elimination of the 2009-10 Human Services Cost of Living Adjustment (COLA):**

In SFY 2005-06 a three year COLA based on the Consumer Price Index was enacted to support counties and New York City's recruitment of foster and adoptive parents. The COLA was later extended to include the Bridges to Health Medicaid Waiver program and New York/New York III initiatives. In SFY 2008-09 the Human Services COLA was extended for an additional three years. The Executive's proposed Deficit Reduction Plan would eliminate the COLA in SFY 2009-10 for a one time savings of \$5

million and would extend the COLA for a third year in SFY 2012-13.

**Aging:**

The SFY 2009-10 Executive Budget proposes the reduction or **elimination of 12 programs** generating \$8.1 million in General Fund savings and a **onetime discontinuation of the COLA** for aging providers in SFY 2009-10, generating \$7.1 million in General Fund savings.

The Executive proposes to **increase** funding to the **Elderly Pharmaceutical Insurance Coverage program (EPIC)** by \$2 million to assist seniors in selecting appropriate Medicare Part D plans.

**Labor**

The SFY 2009-10 Executive Budget appropriates \$4.5 billion for unemployment insurance, an increase of \$1.5 billion from SFY 2008-09. This increase is based on estimates that project higher claim levels in the upcoming year as a result of current economic conditions.

In June 2008, the Federal Extended Unemployment Compensation Program (EUC08) was enacted, providing an additional 13 weeks of benefits to eligible claimants whose regular unemployment benefits expired. In addition, Federal legislation was passed in November 2008 to extend unemployment benefits by seven weeks for eligible claimants. The EUC08 program would continue into the first quarter of SFY 2009-10, and possibly beyond June 2009 based on current Federal legislation.

**Human Services**  
**Proposed Disbursements - All Funds**

(Thousands of Dollars)

Agency	Estimated 2008-09	Proposed 2009-10	Change Amount	Percent
Children and Family Services	3,123,976	3,087,147	(36,829)	-1.2%
Temporary and Disability Assist.	4,591,345	4,541,429	(49,916)	-1.1%
Welfare Inspector General	1,476	0	(1,476)	5.2%
Department of Labor	593,616	650,260	56,644	9.5%
Prevention of Domestic Violence	2,471	2,439	(32)	-1.3%
Workers' Compensation Board	203,807	214,070	10,263	5.0%
Office for the Aging	225,774	217,368	(8,406)	-3.7%
Division of Veterans' Affairs	16,268	17,481	1,213	7.5%
Division of Human Rights	19,768	21,565	1,797	9.1%
<b>Totals:</b>	<b>8,778,501</b>	<b>8,751,759</b>	<b>(26,742)</b>	<b>-0.3%</b>

**Higher Education  
Proposed Disbursements - All Funds**

(Thousands of Dollars)

Agency	Estimated 2008-09	Proposed 2009-10	Change Amount	Percent
SUNY	6,633,687	6,980,050	346,363	5.2%
CUNY	918,936	1,766,118	847,182	92.2%
Higher Education Services Corp.	947,591	994,380	46,789	4.9%
Office of Science, Technology & Academic Research	24,557	16,729	(7,828)	-31.9%
SUNY Construction Fund	18,255	19,586	1,331	7.3%
<b>Totals:</b>	<b>8,543,026</b>	<b>9,776,863</b>	<b>1,233,83</b>	<b>14.4%</b>

# GENERAL GOVERNMENT AND LOCAL GOVERNMENT ASSISTANCE

## All Funds Disbursements (Thousands of Dollars)

	Estimated <u>SFY 08-09</u>	Projected <u>SFY 09-10</u>
Cash	5,961,877	6,480,151
Annual Growth Rate	8.0%	8.7%
5 Year Average Growth (Actual)		n/a

General Government includes 24 agencies providing a diverse array of services to the people of New York State, in addition to general state charges and local government assistance. The SFY 2009-10 Executive Budget recommends **All Funds cash disbursements of \$6.48 billion** for general government agencies, general state charges and local assistance, an increase of \$518.3 million or 8.7 percent from SFY 2008-09 levels. The most significant increases in spending are reflected in the Division of Alcoholic Beverage Control, the Division of the Budget, the Insurance Department and the Office for Technology. These increases are slightly offset by decreases in the Consumer Protection Board, Office of the Lieutenant Governor, local government assistance, the Office of Real Property Services and the Governor's Office of Regulatory Reform.

### Division of Alcoholic Beverage Control

There is a Special Revenue Fund increase of \$3 million over current levels in the Division's SFY 2009-10 budget. This increase reflects additional funds for 50 new

full time equivalent positions. The additional personnel would be used to facilitate the anticipated increase in license applications from the Executive's proposal to sell wine in grocery stores and drug stores. Once the initial increase of applications has slowed, the license inspectors would be used to decrease the current backlog of applications.

### Division of the Budget

There is a \$16.3 million increase in cash disbursements for SFY 2009-10. This increase evinces the Division's continued efforts to implement the Statewide Financial System in concert with the Comptroller's Central Accounting System in 2011. Approximately \$129.7 million in reappropriations are included in the Division's budget from prior year's support of the project.

### Insurance Department

The Executive Budget recommends shifting certain Department of Health programs and Health Care Reform Act (HCRA) funding, as well as funding for Timothy's Law from the General Fund to the **insurance industry taxes for a total increase of approximately \$192 million.**

### Office for Technology (CIO/OFT)

Under the Executive proposal, projected cash disbursements for CIO/OFT increase by \$119.5 million or over 240 percent in SFY 2009-10. This increase is primarily due to augmented capital spending of \$118.9 million to address the State's need for a Consolidated State Data



Center, Interim Data Center Space and construction of a Disaster Recovery facility.

### **Consumer Protection Board**

The Executive Budget recommends a cash disbursement decrease of \$1.5 million or 32 percent from current levels. The Board's funding decrease is the result of shifting fringe benefit and indirect costs in the amount of \$1.2 million to a different account, general state charges, and eliminating \$320,000 in funding for the Office of the Airline Consumer Advocate, as a recent Federal ruling determined establishment of the Office was unconstitutional.

### **Office of the Lieutenant Governor**

The Executive Budget recommends the elimination of all funding for the office as the position of the Lieutenant Governor is currently vacant. This action would result in General Fund savings of \$1.37 million in SFY 2009-10.

### **Local Government Assistance**

The Executive Budget includes the following major revenue sharing proposal reductions:

The **scheduled increase for Aid and Incentives to Municipalities (AIM)** funding would be **repealed** and aid funding for municipalities outside of NYC would remain unchanged from SFY 2008-09 levels at \$755 million. New York City however, which is scheduled to receive \$328 million in SFY 2009-10 would not receive AIM funding next year under the Executive proposal. Municipalities that received additional per capita aid in comparison to peer municipalities or special legislative discretionary aid would not receive any supplemental AIM funding in SFY 2009-10.

The Executive Budget also proposes to permit municipalities to collect a utilities gross

receipts tax worth an estimated \$12.5 million on mobile telephone services.

Additionally, the Executive Budget would permit the cities of Buffalo, Yonkers, Rochester, Syracuse, as well as Nassau and Suffolk counties to establish red-light enforcement camera programs which are projected to raise \$48 million.

### **Video Lottery Terminal Local Impact Assistance**

The Executive recommends reducing by 50 percent the current Video Lottery Terminal (VLT) Local Impact Assistance payments to host municipalities from \$14 million to \$7 million. **Projected savings in SFY 2009-10 are \$29 million** and \$30 million in SFY 2010-11.

The Executive also proposes to extend the hours of daily operations of existing VLT facilities, and to authorize the establishment of a new VLT facility at the Belmont Park thoroughbred race track, which is expected to generate no money for the State SFY 2009-10 and a franchise payment of \$370 million in SFY 2010-11.

### **Mandate Relief and Government Efficiency Promotion**

The SFY 2009-10 Executive Budget proposes scaling back the prior year's program of financial incentives for municipalities to implement consolidation and sharing of services funded by the Local Government Efficiency Grant Program by 50 percent with projected savings of \$14 million, while simultaneously advancing several recommendations of the Commission on Local Government Efficiency to simplify the consolidation process.

The budget also promotes increased local procurement flexibility and provides additional Wicks Law relief by suspending thresholds upstate and increasing caps in NYC. In addition, reductions in local government litigation costs are sought through collateral source reform awarded in civil judgments.

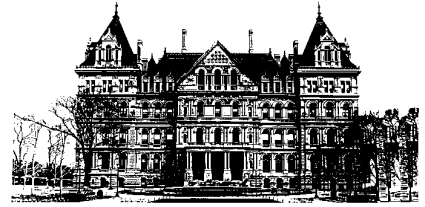
### **Office of Real Property Services**

The Executive proposes elimination of \$4.1 million in local discretionary grants and a multi-year phase out of STAR administrative aid. In addition, the Executive Budget proposes that the Department of Taxation and Finance become the host agency for the Office of Real Property Services (ORPS) and that ORPS reduce its central office lease for a combined savings of \$1.7 million.

The Executive recommends targeted increases in the real property transfer fee and redirect the deposit of these fees from ORPS to the General Fund. The Executive Budget also proposes to extend authorization for property valuation assessment fees levied upon oil and natural gas producers.

### **Governor's Office of Regulatory Reform**

The Executive Budget recommends a single General Fund appropriation of \$3.07 million in SFY 2009-10, a decrease of approximately 18.6 percent from current levels. The proposed decrease results from the elimination of 13 full time equivalent positions for a savings of \$254,650 and a reduction in nonpersonal service spending of \$445,829 due to administrative efficiencies.



# SECTION TWO

SENATE ISSUES IN FOCUS



# NEW YORK STATE SPENDING GROWTH: THE CASE FOR CONSTITUTIONAL SPENDING LIMITATIONS



By all measures, the tax burden on New Yorkers is among the highest in the nation. **Unchecked growth** in spending from one fiscal year to the next has served only to increase this burden. New York State’s All Funds spending has grown from \$25.9 billion in 1982-83 to \$120.8 billion in 2008-09—an increase of **more than 400 percent**.

The most accurate measure of State Budget growth is State Funds spending, which includes all spending supported by State revenues; these amounts are exclusive of spending supported by Federal revenues. New York’s State Funds spending has grown from \$47.9 billion in 1998-99 to \$85.6 billion in 2008-09, an increase of 78.6 percent.

In 2008, the New York State Senate Republicans passed a Resolution with bipartisan support to enact this spending cap on all state funds. This Resolution was not acted upon by the New York State Assembly.

The 2009-10 Executive Budget increases State Funds spending by 1.7 percent or \$1.4 billion. If the cap were in place for 2009-10, the State Funds spending increase would be capped at \$1.2 billion or \$190 million less than the Executive proposal.

If spending growth was constitutionally capped as late as 1998-99, today’s 2009-10 State Funds Executive Budget would be less than \$68 billion – **creating a surplus of \$4.6 billion rather than the current deficit of \$13.7 billion**.

SFY 2009-10 State Funds Spending Per Executive Budget	\$85,631
SFY 2009-10 State Funds spending w/cap since 1998-99	\$67,333
Amount of State savings with cap since SFY 1998-99	\$18,298
SFY 2009-10 Gap	\$13,678
Net surplus if spending cap was in place since SFY 1998-99	\$4,620

By limiting the amount of annual growth in the state's budget, New York can check the growth of government and the attendant tax burden on its citizens.

New York’s **state and local tax burden** is the **highest** in the nation. Yet the proposed 2009-10 state budget increases taxes and fees by **\$7.1 billion** and shifts costs to localities which will lead to further local tax increases.

	Ratio of Tax Collections to Personal Income
New York State	14.61
National Average	10.89

A Constitutional Spending Limitation Amendment would require the Governor to submit a budget to the Legislature at or below the cap. Year-to-year State spending increases proposed by the Governor would be limited to

120 percent of the Consumer Price Index (CPI) or 4 percent, whichever is less. Emergency authority to exceed the cap in the event of a fiscal emergency or other extraordinary circumstances would be provided given independent certification of the crisis by the Comptroller.

Additionally, the amendment would change the Constitution to require that in any given year where total state revenues are in excess of the state spending limitation, fifty percent of tax revenue that exceeded the cap would be placed in a tax stabilization reserve fund and fifty percent would be returned to taxpayers in the form of direct tax rebates.

Fiscal Year	State Funds Spending (millions of \$)	Actual Percent Increase	Percent Increase With Cap	Funds For Tax Relief (millions of \$)
1998-99	\$47,948	n/a	n/a	n/a
1999-00	\$49,796	3.85%	2.52%	\$593
2000-01	\$54,183	8.81%	4.00%	\$2,220
2001-02	\$56,978	5.16%	3.36%	\$881
2002-03	\$58,963	3.48%	1.92%	\$853
2003-04	\$61,332	4.02%	2.76%	\$676
2004-05	\$63,972	4.30%	3.24%	\$567
2005-06	\$70,353	9.97%	4.00%	\$3,567
2006-07	\$77,311	9.89%	3.84%	\$3,989
2007-08	\$81,379	5.26%	3.96%	\$845
2008-09	\$84,208	3.48%	4.00%	\$0
2009-10	\$85,631	1.69%	1.44%	\$190
Unadjusted Cap Savings*				\$14,381
Adjustment For Spending Base Reduction				\$3,917
<b>Aggregate Cap Savings</b>				<b>\$18,298</b>

\* based on actual data, does not include spending base reduction that would accrue from implementing a spending cap in SFY 1998-99

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# JOB CREATION AND ECONOMIC STIMULUS



The SFY 2009-10 Executive Budget proposes legislation that would **dramatically alter the participation rate in the Empire Zones program** and slash the amount of zone benefits granted to New York's businesses. The Executive achieves this goal by retroactively resetting certification criteria which thousands of businesses in the program will not be able to achieve resulting in the **revocation of benefits**. The Executive's economic development plan entails taking away benefits from companies that have been promised a stream of incentives when they entered the program based on the criteria available at the time. The Executive Budget wants to change the rules halfway through the game which will have businesses throughout the country and the world crying "foul".

Under the Executive's plan, taxes on businesses in Empire Zones will go up by **\$247 million** in 2009-10. These tax increase could have the result of increasing the cost of doing business in New York State and eliminating jobs. The Executive does not replace any of these benefits with commensurate benefits from either broad based tax reductions or a program to grant tax relief for growth activities.

The Senate Republicans has a plan to create new job opportunities and keep current jobs from leaving New York (S. 8798 - 2008).

## Jobs and Economic Growth Agenda

In the current national economic crisis it is more important than ever to reduce the cost of doing business to free up capital to invest and create jobs. The cost of doing business in New York State is impacted by disparate taxes and high energy costs. Compounding this is the credit crisis

that is limiting businesses ability to invest and grow. The Senate's new economic development plan will reduce the cost of doing business and stimulate the creation of new jobs. This plan will also revitalize communities and encourage young people to stay in New York State.

The Senate plan will create broad base statewide tax reductions and redirected state investments that will lower the cost of doing business, level the playing field for existing businesses and help small businesses and manufacturers grow and create new jobs.

An immediate 50 percent reduction in the corporate franchise tax would be implemented for businesses with 20 employees or less or not more than \$1 million in net income. The following year the business tax would be completely eliminated for small manufacturers. This tax cut would primarily benefit main street businesses, existing small manufacturers, small start ups and high technology companies. New York State has 18,500 technology companies with an average of 16 employees. This will reduce corporate taxes for all small businesses by \$25 million the first year and for all manufacturers by an additional \$15 million for following year.

## **IMAJIN Credit (Integrated MANufacturing Jobs and INvestment Credit) and Expanded Qualified Emerging Technology Company (QETC) Credits**

New York State once a leader in traditional manufacturing, has the resources and the workforce to be a leader in the manufacturing of emerging technologies, such as nanotechnology, biotechnology, cognitive science, robotics, military technologies, and artificial intelligence, or the manufacture of green technologies such

photovoltaic, biofuels, and fuel cells, or the manufacture of value added consumer foods such as yogurt, baby food, apples or sauerkraut, or the manufacture of pharmaceuticals and cosmetics.

Manufacturing is considered by most economists to be the wealth producing sector of the economy, each manufacturing job supports as many as four other jobs, providing a boost to local economies. For example, every 100 steel or every 100 auto jobs create between 400 and 500 new jobs in the rest of the economy. This contrasts with the retail sector, where every 100 jobs generate 94 new jobs elsewhere, and the personal and service sectors, where 100 jobs create 147 new jobs.

In the past ten years, 11 auto assembly plants opened in the United States. These auto plants are estimated to create 18,000 direct new jobs and \$9 billion in direct investments. Included in this list are new auto plants for Toyota, Honda and Mercedes. Moreover, a recent study estimates that auto workers in Western Europe were earning \$10 per hour more than their American counterparts.

The Senate Republicans would like to see manufacturing prominence return with a credit that offers manufacturers incentives for new investment, new employment and training credits and if the investments accompany employment and/or training, refundability as well. In addition, the IMAJIN credit will integrate a way to use prior years unused investment credits with new investments to generate refundable credits.

The Integrated Manufacturing Jobs and Investment Credit (IMAJIN) initiative would provide a four part benefit integrated into one potentially refundable credit:

- The first part would give a payroll tax credit based upon a manufacturer's creation of new jobs equal to 90 percent of the amount of personal income taxes generated from those new jobs;
- The second part would give a 15 percent manufacturers investment tax credit (MITC);
- The third part would give a 50 percent training credit; and

- The fourth part would allow new MITC credits to be combined with payroll or training credits to generate an integrated refundable tax credit.

The new 15 percent MITC could be combined with either the new employees credit or the training credit to get a refundable credit. The real innovation in the refundable payroll credit is that part of the revenue generated by the new increased employment taxes pays for the credit at no additional cost to the state. Additionally, the State collects the remaining 10 percent of withholding to help pay for the cost of the MITC and training credits.

The new MITC will offer a 15 percent manufacturers investment tax credit (MITC) for manufacturing businesses that bring new investment into New York. The new payroll tax credit will offer a credit for new employees equal to 90 percent of the withholding generated from each new employee for the first 3 years of employment. The training credit will offer a credit equal to 50 percent of the cost of training employees if done through a qualified institute of higher learning. If the new investment is accompanied by new employment or new training the manufacturer will be able to receive a portion of the credits as a refund.

The refundability will be calculated based on both the amount of the investment credit and the total amount of either the new payroll credit or training credit or a combination of both. If a manufacturer earns both investment credits and employment credits they may combine equal amounts of both credits and turn them into a refund at the rate of 50 percent. For example: if a manufacturer earns \$50,000 in MITC and \$5,000 in payroll credits, they may take \$5,000 of the MITC and the \$5,000 in employment credits and receive a \$5,000 refundable credit leaving the manufacturer \$45,000 in MITC credit to carryover.

The IMAJIN credit should save manufacturers \$130 million annually.

### **Expanded Investment Benefits**



The existing QETC is an innovative and very successful support for cutting edge high technology businesses. This proposal would remove the December 31, 2011 sunset date and increase the maximum credit that a company can claim for capital investment and research support from \$250,000 to \$400,000 per year. It would also separate the calculation of the science and engineering training credit from the equipment and soft cost bases to make it easier for employees to obtain and maintain state-of-the art skills. Emerging technology firms would receive an additional \$20 million a year in reimbursed grants from the State.

### **Small Business Loans to Create Opportunity**

In order to remain competitive in today's global market, established companies, regardless of their industry, must think like start-ups, designing cutting edge products, seeking new markets or overhauling inefficient processes. The current credit crisis is making it more difficult than ever for businesses to get the capital needed to grow and remain competitive. To assist businesses in getting the loans that they need, the Senate would work with the Executive to determine the best method to accomplish this goal.

### **Easing Small Business Health Insurance Costs**

The high cost of providing health insurance to employees is a primary concern of small businesses. The Senate plan includes four reforms that would employ a market-based approach to expand access to affordable quality health care by reducing the cost of health insurance policies for small businesses by circumventing costly State mandates

1. Expand Healthy NY from 208 percent of the Federal Poverty Level (FPL) to 250 percent of the FPL. This would make a family of four with annual net income of approximately \$60,000 per year eligible for the program.
2. Make Healthy NY available to all, but at an unsubsidized rate. Doing so would reduce health insurance costs for small businesses at

no cost to the State because qualified businesses would be able to purchase less comprehensive health insurance policies, which should result in lower premiums.

3. Exempting high deductible health plans from State mandates would have the same effect as allowing insurers to offer Healthy NY at an unsubsidized rate.
4. Require the Department of Labor and the Department of State to study the costs and benefits of cafeteria plans available under Federal Statute. The cost of this would be minimal.

### **Commission to Review Regulations, Reduce Paperwork & Cut Red Tape**

The Senate is proposing the creation of a Regulatory Reform and Competitiveness Commission to review all state regulations for their impact on the State's businesses. The Commission would include representatives from the large and small business community, as well as local government and labor, and, similar to the Berger Commission, make a recommendation to the State Legislature of regulatory revisions that would become law on a date certain, unless the State Legislature passed superseding legislation.

In addition, all agencies would be required to identify the economic impact and cost to business of any proposed new regulations.

### **Community Revitalization**

History, beautiful architecture, and breathtaking locations are among the assets of our State's small towns and old industrial cities. Look around your city or town and pick out places that have endured over time, perhaps a little worn around the edges, perhaps abandoned. Now visualize these buildings revived and the areas around them vital, safe places where people come together on a warm evening to socialize with friends and family, where home is a short walk away.

To encourage private sector investment in community revitalization, the State would authorize municipalities to exempt designated improvements from real property taxes. Localities could determine what works to meet their community's needs. Municipal governing bodies and effected school district would be authorized, with public input to adopt a local law, ordinance or resolution that would determine those areas of the community and taxes that would be exempt and the duration and additional conditions of the exemption.

Without specific State authorization, municipalities cannot encourage the redevelopment of real property through tax abatements. This program would be similar to Chapter 370 of the Laws of 2008 which empowered the City of Syracuse to offer real property tax exemptions as a catalyst for residential new construction and the rehabilitation of hazardous vacant residential structures, and would encourage "green" design and construction through enhanced exemptions.

### **Tax Incremental Financing**

To allow the private sector and municipalities the flexibility to build projects and the infrastructure that accompanies major housing projects, this plan would authorize municipalities to utilize tax increment financing as a method to finance affordable housing and infrastructure improvements necessary for the development of affordable housing. It is based upon a belief that new development creates higher property tax values in the developed area and, thus, collections from that area. To the extent that a community attaches a high priority to the development of affordable housing, the use of tax increment financing represents an acceptable method of reducing the housing costs imposed on developers and home buyers.

### **Stop the Brain Drain - Encourage Children to Build Their Future in New York by Helping Families Afford College and Giving Graduates an Incentive to Stay**

This initiative would provide low interest student loans to New York State residents attending an institution of higher education in New York. It would cover the cost of tuition once federal or state financial aid and all additional institutional scholarships or grants are deducted. Because the loans would be financed with tax-exempt bonds, interest rates would be reduced by roughly 50 percent. Borrowers would cover administrative costs for the program, while still benefiting from competitive interest rates. Thus, the program would have no cost for state taxpayers and would benefit approximately 95,000 students in the first year. At present, New York is the only state in the northeast that does not offer students a low-cost student loan program. With the costs of higher education rising, along with the overall cost of living, more and more families are looking for loans and financial assistance of any kind to afford the cost of a college education.

Graduates who are residents of New York State and are employed in the State would benefit from a Loan Forgiveness/personal income tax credit Program equal to 10 percent of their cumulative loan balance plus any interest for ten consecutive years immediately following graduation. This program would provide an investment of \$70 million annually, beginning in SFY 2013-14. The Senate Republican plan would provide state subsidized, low-interest loans to help families and young people achieve their dreams of a college education, while also providing incentives for them to remain in New York State.

### **Change the Representation of the Urban Development Corporation Board**

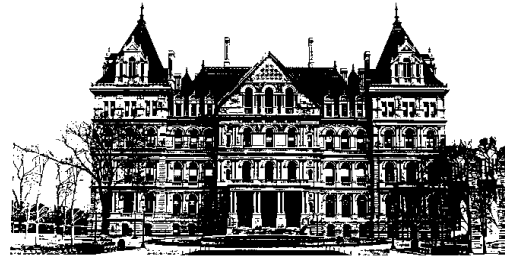
Restore New York, Jobs Now, military base redevelopment and retention are just three of the many economic development programs and projects managed by the Urban Development Corporation. As a Public Benefit Corporation, a board of directors is responsible for the entity's governance, which includes approval of projects, policies and expenditures that form the backbone of the State's economic development and job creation strategy. As recent events in the corporate world have reinforced, an effective, active Board

of Directors is essential to an organization's stability and reputation. In order for the UDC Board to work effectively, it must include representation from the business community, agencies and entities that are its partners in economic development. Most importantly in order to guarantee transparency it's critical that the Board include representatives appointed not only by the Governor, as it does currently, but by both Houses of the Legislature.

The Senate Republican's proposal modernizes the UDC Board of Directors in order to enhance the Corporation's effectiveness, inclusiveness and accountability. The new Board would consist of 13 members. Six directors will be leaders of key state agencies including the Commissioner of Economic Development, Executive Director of NYSTAR, Commissioner of Taxation and Finance, President of NYSERDA, Superintendent of Banks, and Chair of the New York State Power Authority (NYPA). Seven additional directors, three appointed by the Governor, two by the Senate, and two by the Assembly, would come from the private sector, and include representatives of the business and organized labor communities, with demonstrated leadership and experience in management and/or finance.

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# PROPERTY TAX RELIEF



According to the final report of the Commission on Property Tax Relief, New York State local taxes are 78 percent higher than the national average. The Senate passed legislation to cap Property Taxes (S.8736) in the 2008 Extraordinary Session in addition to mandate relief initiatives (S.8737) to provide property tax relief to homeowners while giving school districts more flexibility to control costs.

**The Executive Budget proposal would eliminate over \$3.6 billion dollars in property tax relief** over the next two years by eliminating the middle-class STAR Rebate Check and New York City property tax relief. The Rebate check program was created in order to provide immediate property tax relief while a longer term solution such as a school property tax cap could be enacted. Under the Executive proposal critical property tax relief is eliminated while no long term solution to the challenges New Yorkers face with high property taxes is proposed.

The Executive advanced a limited number of mandate relief proposals including school district paperwork reduction, Wicks law repeal and deferring the effect of new mandates until the following school year. Limited mandate relief, a \$698 million reduction in school aid, elimination of the Middle Class STAR Rebate checks and a reduction in the STAR exemption “floor” makes it clear the Executive is shifting \$1.7 billion of the State’s fiscal problems to the property taxpayers across New York State. While publicly supporting the Commission on Property Tax

Relief the Executive included only a few of the recommendations in the 2009-10 Executive Budget proposal.

## **I. Executive Proposal for SFY 2009-10:**

The SFY 2009-10 Executive Budget **eliminates the middle-class STAR rebate** program for both the senior and basic exemption homeowners. The chart at the end of this section illustrates the proposed loss to individual property owners. The elimination of the STAR Rebate would provide saving to the State of approximately \$1.4 billion in SFY 2009-10 and \$1.7 billion in SFY 2010-2011. In addition, the Executive proposes to decrease the New York City Personal Income Tax (PIT) refundable credit from \$310 to \$125 for married couples and from \$155 to \$62.50 for single households. This PIT credit reduction would return the credit to the amounts that were in place prior to the Rebate program. The reduction in the PIT credit would save the State \$112 million in SFY 2009-10 and \$379 million in SFY 2010-11.

The Executive also proposes increasing the maximum reduction in STAR benefits (from 11 percent to 18 percent) that can occur from changes in market or assessed value. This reduces the floor to 82 percent from 89 percent, decreasing the STAR benefit for roughly 1.6 million homeowners, providing a State savings of \$109 million in both SFY 2009-10 and SFY 2010-11.

In addition, the Executive proposes permanently shifting the December New York City STAR payment to June. This payment shift would provide a \$20 million savings to the State in SFY 2009-10 and a \$27 million savings in SFY 2010-11. This saving is achieved because the payment is shifted from one State fiscal year to the next. As a portion of the December payment was shifted from December to June in SFY 2008-09 the total payment would be \$93 million. Under current law, the Executive does not need Legislative approval to shift this payment. New York City would receive their payment in the same City fiscal year but would be paid in the last quarter as opposed to the City's third quarter.

### **I. Property Tax Relief History:**

**The School Tax Relief (STAR) program** provides a partial property tax exemption from school taxes for all New Yorkers who own and live in their home. There are three parts to the STAR property tax program:

- The **Basic STAR** exemption is available for owner-occupied, primary residences regardless of the owners' ages or incomes. Basic STAR works by exempting the first \$30,000 of the full value of a home from school taxes with upward adjustments for high property value areas.
- The **Enhanced STAR** exemption is available for the primary residences of senior citizens (age 65 and older) with yearly household incomes not exceeding \$73,000. For qualifying senior citizens, the Enhanced STAR program works by exempting the first \$60,100 of the full value of their home from school property taxes with upward adjustments for high property value areas.

- The **STAR Rebate** provides property tax relief in the form of a direct payment to homeowners that receive the STAR exemption. In 2008 the average Basic STAR Rebate was **\$386** and the average Enhanced STAR rebate was **\$458**. Under current law this benefit was expected to grow to **\$450** in 2009 for Basic recipients and remain **\$458** for Enhanced recipients. New York City residents receive a portion of their benefit in the form of a personal income tax credit because the City funds a portion of education through the City Personal Income Tax.

STAR, as enacted in 1997, began as a program to provide homeowners with much needed aid to help reduce the burden of school property taxes. The regular STAR program (including the Rebate) grew from \$582 million in SFY 1998-99 to \$4.4 billion (estimated) in SFY 2008-09.

In SFY 2006-07 the Legislature and Executive enacted the STAR Rebate program to enhance the state aid provided for school property tax relief. This new property tax relief program was distinct from the regular STAR program in that the relief was provided directly to the homeowner. As enacted this program provided \$675 million in Rebate checks to homeowners across the State on top of their continued STAR exemption. Rebate checks were sent directly to STAR eligible homeowners providing additional relief in an amount worth approximately one-third of the benefit received through the regular STAR exemption or approximately \$2.9 billion in SFY 2008-09.

In SFY 2007-08 the Executive proposed to eliminate the rebate checks and instead provide for a wealth adjusted enhancement to the STAR exemption program. Under the Executive's plan the existing Rebate plan would have been eliminated for one that was income based and reflected regional cost differences. The Senate

was successful in the SFY 2007-08 Enacted Budget in its efforts to continue a plan that provides direct financial relief to the school property taxpayer via a Rebate check. This program provides rebate checks based on income and region. In 2008 the Legislature accepted the Executive's proposal to maintain rebate checks for non-seniors at the 2007 levels. The Senior Rebate checks for 2008 were increased from 25 percent of the Enhanced STAR benefit to 35 percent.

### **III. Property Tax Cap Proposal and Senate Response:**

Governor Patterson sent Program Bill #62 (S.8736) to the Legislature calling on the Assembly and the Senate to provide significant reform to escalating school property tax bills. The Program bill provided for a cap on school property tax levy growth at the **lesser of four percent or 120 percent of C.P.I.** This is a similar calculation that currently exists for the contingency budget cap for schools. If this proposal were in effect now the school tax levy cap would be 3.36 percent for 2008-09.

Voters could exceed the tax cap provided that 55 percent of voters approve any tax levy increase over the cap. This override vote would require 60 percent of the voters to approve if the school district received an increase in State aid of five percent or more. Also, if a school district proposed a tax increase below the maximum allowable level than the district could "bank" this extra taxing authority (up to 1.5 percent) for future year tax increases.

In addition, the Governor's bill would authorize voters to place a stricter tax cap on their local school district than the statewide cap. This "underride" proposal would be placed on the ballot by voters if they wish to adopt a tax levy

increase less than the cap (or no tax increase at all) for their local district.

The Senate Republicans brought the tax cap bill to the floor and passed it with bipartisan support. In addition the Senate brought S.8737 to the floor during a special legislative session in conjunction with a comprehensive set of proposals intended to help school districts control costs and share services. The set of proposals in this omnibus legislation is discussed in the following sections.

### **SENATE OMNIBUS MANDATE RELIEF S.8737**

#### **PART A Building Energy**

**1] Energy Audits:** this bill requires energy audits for each eligible school building. All schools will be required to undergo energy audits by New York State Research and Development Association and New York Power Authority. The cost of the audits would be 100 percent eligible for State aid via changes to current statute (building condition surveys). Every school district shall receive an energy audit over a three year period. Audits will include recommendations for alternative energy plans they may include but are not limited to solar, wind and biomass alternatives to provide energy to the district. Any district that opts to implement the recommendations will receive 65 percent reimbursement on costs through building aid. If a recommendation is currently building aidable and the school district implements the recommendation they will receive the greater of their selected building aid ratio or 65 percent. If a school district chooses to not implement the recommendations of the energy audit they will be required by law to hold a public hearing to explain to the taxpayers the reasons why; and

**21 Green Buildings:** this Part also increases the building aid maximum cost allowance to reflect the construction of high performance “green” schools based upon the NY-CHPS (Collaborative for High Performance Schools) high performance schools guidelines. The purpose of NY-CHPS is to provide a framework that helps school districts and their design teams design and build sustainable school buildings that enhance the educational environment and facilitate learning. High performance schools optimize resources over the life of the facility, are less expensive to operate than standard buildings, and help to ensure healthy, safe, and high quality learning environments for all occupants.

NY-CHPS was developed as part of a collaborative effort between the New York State Education Department and the New York State Energy Research and Development Authority. An Advisory Council was created to inform and guide the process consisting of members of the following groups: Superintendents of Buildings and Grounds Association, Association of Educational Safety and Health Professionals, Association of School Business Officials, Council of School Superintendents, New York State Department of Health, a Teacher, the Healthy Schools Network, ASHRAE, Association of Energy Engineers, and the American Institute of Architects. NY-CHPS is built from a Massachusetts version of the guidelines of the Collaborative for High Performance Schools, Inc. (CHPS). CHPS was originally developed as part of a collaborative effort in California.

*A high performance school is designed with durable materials and uses high-efficiency, “correctly-sized” heating, ventilating, and air conditioning (HVAC) equipment and lighting systems. Appropriate amounts of glare-free daylight are brought into the school to enhance the learning environment and reduce lighting costs. The building shell integrates the most*

*effective combination of insulation, glazing, and thermal mass to ensure energy efficiency. Plumbing fixtures are specified to reduce water consumption. Together, these measures significantly reduce the operational costs of running the school building. Based on recent research completed around the country, **20% - 40%** cost savings in utility bills are common versus a non-high-performance building of the same size and shape. A high performance school is also thermally, visually, and acoustically comfortable. Thermal comfort means that teachers, students and administrators are neither hot nor cold as they go about their daily activities. Visual comfort means that the quality of lighting makes visual tasks, such as reading and following classroom presentations, easier. Acoustic comfort is achieved when students and teachers can easily hear and comprehend each other, and are not impeded by loud ventilation systems or noise from adjoining spaces or the outdoors.*

## **PART B**

### **1] BOCES Business Management of School Districts/Consolidate Central Services:**

Incentives are provided to districts to utilize shared services to help contain taxpayer costs. Items currently prohibited will now become aidable services within Section 1950 of the Education Law. These services identified in statute include but are not limited to any cooperative maintenance service or municipal service such as:

- Lawn mowing;
- Heating, venting and air conditioning; and
- Repair, maintenance or trash collection.

Furthermore, the Commissioner of Education must approve these cooperative services based on

the demonstration that they will result in a cost savings to participating school districts.

## **PART C**

This Part contains three components to limit the ability of the state to impose mandates and removes various paperwork requirements on schools.

**1] Ban Unfunded mandates:** The first component prevents the Legislature from imposing a mandate on localities or school districts which cost an individual municipality \$10,000 or more, or in aggregate, over \$1 million statewide. Exceptions are made for mandates that result from federal law compliance, court orders, municipal opts in to permissive law, results from a home rule message and emergency situations.

**2] Delay Effectiveness of Regulations with Fiscal Implications:** The second component delays the effectiveness of any agency regulation with a fiscal implication that is adopted after school budgets are voted on (third Tuesday of May). The delay would be until the school year for which the next school budget is approved. For example, if the Education Department adopted regulations after May 20, 2008 they would not take effect until July 1, 2009.

**3] Paperwork Reduction:** This provision eliminates numerous statutorily required reports that are no longer relevant or serve a public policy purpose.

This Part also contains two components to provide cost savings to schools’:

**4] Enhanced Consolidation Incentives:** School districts currently are given financial incentives to consolidate, but those incentives phase out after five years and entirely disappear after

fifteen years. This is a major disincentive for schools to consolidate. This component would make permanent an operating incentive for those districts that merge. In addition, language is added so that in the first two years consolidated school districts must show cost savings to the commissioner as well as keep the reorganized tax levy lower than the tax levy of the two school districts combined in the year prior to reorganization. After year three the reorganized school district would be required to use 50 percent of the reorganization incentive operating aid to reduce the tax levy of the reorganized school district.

**5] School Superintendent Sharing:** Currently each school district is required to appoint their own Superintendent. However, many small districts could share a single Superintendent. This proposal would allow school boards to share a single superintendent across a maximum of three districts. This would be allowed in districts with an enrollment of less than 1,000 pupils. About 200 of the 682 school districts statewide have fewer than 1,000 pupils enrolled.

## **PART D Teacher Pension Costs**

The State will provide relief with pension costs by providing a \$100 million program to aid for costs in excess of four percent outside of NYC. Up to 40 percent of this program will be used to pay for NYC pension costs in excess of four percent.

## **PART E Municipal Building Sharing**

Authorizes school districts to construct joint facilities with schools and other municipalities as well as public benefit corporations. School districts would receive aid on their portion of the construction.



## **PART F Transportation Contracts**

Current law restricts school districts from extending transportation contracts beyond CPI growth. Most transportation contractors refuse to extend because CPI is not reflective of true transportation cost inflation. Amending the statute to allow schools to use a transportation CPI for two years. This change would dramatically decrease contractual costs.

## **PART G Blue Ribbon Commission On Mandates**

One of the recommendations of the Property Tax Commission was to create a task force to review school district mandates. This proposal states that mandates on school districts create costs which ought to be examined to determine possible changes that would result in significant property tax relief. The commission would be directed to identify all mandates on school districts by the State Board of Regents, the State of New York and the Federal government. Within this mandate the commission would be directed to (a) determine costs associated with the mandates of the three entities (b) establish alternative solutions to costly mandates, (c) identify duplicative mandates that can be consolidated and (d) determine true fiscal savings of mandate relief.

The composition of the committee will be eleven members, three of which are appointed by the Governor (one each of which will be an expert in the field of municipal education and finance, education administration and assessment administration), three appointments each by the temporary president of the senate and speaker of the assembly and one appointment each by the minority leader in each house. The commission is required to report its findings to the governor and the Legislature on or before May 1, 2009.

## **PART H Foundation Aid Four Year Commitment**

Affirms the State's commitment to fund school Foundation –Aid according to a plan approved in 2007-08 to increase this aid by \$5.5 billion over four years. The first two years, Foundation –Aid increased by \$2.2 billion. This bill, by committing to an \$18.046 billion funding level in the 2010-2011 school year, affirms the promise on the remaining \$3.3 billion.

Since the 2005-06 school year the State has increased school aid by \$4.9 billion or 30 percent. CPI over this same period increased by only 12 percent.

## **IV. New York State Commission on Property Tax Relief:**

The Commission on Property Tax Relief Chaired by Nassau County Executive Tom Suozzi submitted a final report in December of 2008 providing 32 reforms that in their analysis will work towards containing escalating property tax growth in the State of New York.

In addition to recommending the implementation of a property tax cap and a new STAR circuit breaker tax credit the following is a list of reforms submitted by the Commission:

### **A. New and Existing State Mandates and Requirements**

1. There shall be no new legislative mandates without a complete accounting of the fiscal impact on local governments, which must include full documentation, local government input and proposed revenue sources to fund the new mandates.
2. No new regulatory mandates without a complete accounting of the fiscal impact on local governments, which must include full

documentation, local government input and proposed revenue sources to fund the new mandates.

3. The Office of the State Comptroller should produce an annual report, which should include the cumulative cost to localities of complying with all new regulatory and legislative mandates.
4. Adopt regional or statewide collective bargaining agreements negotiated by BOCES which school districts could voluntarily adopt.
5. Increase health insurance premium contributions by school district employees consistent with State contribution rates
6. Encourage health benefit trusts.
7. Study the implementation of a new Tier 5.
8. Require school district reporting on collective bargaining outcomes.
9. Amend the Triborough provision of the Taylor Law to exclude teacher step and lane increments from continuation until new contracts are negotiated.

### **B. Limit Other School District Operational Costs**

10. Repeal Wicks law or significantly increase its threshold limits.
11. Increase threshold amounts for purchasing under competitive bidding requirements.
12. Increase participation in statewide energy efficiency programs.

13. Centralize and streamline school district compliance reporting.

14. Simplify or eliminate other individual education mandates

### **C. Improve Special Education**

15. Shift the emphasis of the State Education Department from regulatory enforcement to outcome-based accountability through targeted intervention to promote best practices in school districts.

16. Dramatically accelerate the integration of special education with general education, improving and increasing opportunities to benefit students who need extra help within the general education setting.

17. Decrease special education classification rates by requiring the State Education Department to review those school districts with classification rates 20% higher than the state average and determine whether assistance is needed.

18. Reduce the cost of litigation by promoting alternative dispute resolution, improving the consistency and effectiveness of hearing officers, and by shifting the burden of proof back to the plaintiff except when the family is unable to afford counsel.

19. Increase collaboration to enhance local and regional service delivery to students.

20. Secure additional federal funding for special education to reduce the pressure on the property tax.

**D. Seek Economies of Scale and Enhanced Educational Opportunities**

**School District Consolidation**

- 21. Require consolidation of school districts with fewer than 1,000 students and grant the Commissioner of Education discretionary authority to order consolidation of school districts with fewer than 2,000 pupils to achieve economies of scale and to increase educational opportunities through expanded course offerings.
- 22. Restructure state reorganization aid to ensure that it is used predominantly to pay for reorganization expense or to provide needed services, and temporarily suspend building aid for districts being consolidated.
- 23. Amend State law to simplify consolidation by removing anachronistic distinctions between, union free, central and city school districts.

**Shared Service Delivery**

- 24. Eliminate State Education Department approvals for participation by BOCES in agreements with other local government entities to provide non-instructional services.
- 25. Remove the BOCES district superintendent salary cap to ensure qualified candidates for this leadership position.

**E. Grant Mayoral Control and Provide Funding Flexibility in the “Big Four” Cities**

- 26. Exempt the Big Four city school districts from the proposed property tax cap.
- 27. Adjust the maintenance of financial effort requirements to reflect declining student populations.

- 28. Grant mayoral control for the Big Four school districts, with a sunset provision.

**F. Encourage Efficient Delivery of Social Services**

- 29. Provide social services to students in schools by directing appropriate agencies to collaborate and coordinate with each other and with school districts.

**G. Address Other Equity Concerns for Property Taxpayers**

- 30. Create countywide property tax assessment and uniform statewide assessing standards.
- 31. Eliminate statutory requirements for school district collections that prevent functional consolidation.
- 32. Establish uniform statewide assessing standards. New York is one of only three states that do not have clear statewide valuation standards and is one of the few without periodic revaluation of all properties.

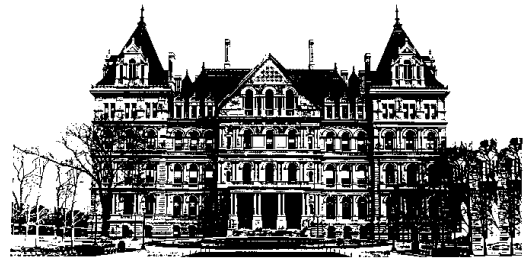
Many of the recommendations of the Commission on Property Tax Relief are consistent with the Senate omnibus mandate relief bill S.8737 and S. 8736 which includes but is not limited to the following:

- Property Tax cap;
- Mandate relief;
- School district consolidation incentives;
- Green school incentives;
- Pension cost relief;
- BOCES shared services utilization;
- Paperwork reduction;
- Energy reforms; and
- Intermunicipal cooperation.

**Property Tax Rebate Comparison of Executive and Senate  
Average Rebate Savings by County**

County	BASIC						ENHANCED	
	2008 and 2009 CURRENT LAW BASIC STAR REBATES						2008 ENHANCED STAR REBATES	
	Upstate Up to \$90,000 Income		Upstate \$90,000-\$150,000 Income		Upstate \$150,000 + Income		Upstate	
	Downstate Up to \$120,000		Downstate \$120,001-\$175,000 Income		Downstate \$175,001 + Income		Downstate	
2008	2009 Projected Statutory Average Check Amount	2008	2009 Projected Statutory Average Check Amount	2008	2009 Projected Statutory Average Check Amount	2008	2009 Projected Statutory Average Check Amount	
Albany	\$ 373	\$ 435	\$ 279	\$ 326	\$ 186	\$ 217	\$ 410	\$ 410
Allegany	\$ 379	\$ 442	\$ 284	\$ 331	\$ 190	\$ 222	\$ 434	\$ 434
Broome	\$ 466	\$ 544	\$ 350	\$ 408	\$ 233	\$ 272	\$ 512	\$ 512
Cattaraugus	\$ 318	\$ 371	\$ 239	\$ 279	\$ 159	\$ 186	\$ 371	\$ 371
Cayuga	\$ 376	\$ 439	\$ 282	\$ 329	\$ 188	\$ 219	\$ 423	\$ 423
Chautauqua	\$ 368	\$ 429	\$ 276	\$ 322	\$ 184	\$ 215	\$ 413	\$ 413
Chemung	\$ 388	\$ 453	\$ 291	\$ 340	\$ 194	\$ 226	\$ 426	\$ 426
Chenango	\$ 383	\$ 447	\$ 287	\$ 335	\$ 191	\$ 223	\$ 427	\$ 427
Clinton	\$ 371	\$ 433	\$ 279	\$ 326	\$ 186	\$ 217	\$ 414	\$ 414
Columbia	\$ 323	\$ 377	\$ 242	\$ 282	\$ 161	\$ 188	\$ 347	\$ 347
Cortland	\$ 370	\$ 432	\$ 278	\$ 324	\$ 185	\$ 216	\$ 413	\$ 413
<b>Dutchess</b>	<b>\$ 424</b>	<b>\$ 495</b>	<b>\$ 318</b>	<b>\$ 371</b>	<b>\$ 212</b>	<b>\$ 247</b>	<b>\$ 462</b>	<b>\$ 462</b>
Delaware	\$ 304	\$ 355	\$ 228	\$ 266	\$ 152	\$ 177	\$ 333	\$ 333
Erie	\$ 316	\$ 369	\$ 237	\$ 277	\$ 158	\$ 184	\$ 349	\$ 349
Essex	\$ 260	\$ 303	\$ 195	\$ 228	\$ 130	\$ 152	\$ 312	\$ 312
Franklin	\$ 302	\$ 352	\$ 226	\$ 264	\$ 151	\$ 176	\$ 356	\$ 356
Fulton	\$ 346	\$ 404	\$ 259	\$ 302	\$ 173	\$ 202	\$ 385	\$ 385
Genesee	\$ 450	\$ 525	\$ 338	\$ 394	\$ 225	\$ 263	\$ 491	\$ 491
Greene	\$ 345	\$ 403	\$ 259	\$ 302	\$ 173	\$ 202	\$ 364	\$ 364
Hamilton	\$ 152	\$ 177	\$ 114	\$ 133	\$ 76	\$ 89	\$ 179	\$ 179
Herkimer	\$ 363	\$ 424	\$ 272	\$ 317	\$ 182	\$ 212	\$ 409	\$ 409
Jefferson	\$ 242	\$ 282	\$ 182	\$ 212	\$ 121	\$ 141	\$ 280	\$ 280
Lewis	\$ 271	\$ 316	\$ 203	\$ 237	\$ 135	\$ 158	\$ 315	\$ 315
Livingston	\$ 382	\$ 446	\$ 287	\$ 335	\$ 191	\$ 223	\$ 426	\$ 426
Madison	\$ 395	\$ 461	\$ 296	\$ 345	\$ 197	\$ 230	\$ 437	\$ 437
Monroe	\$ 403	\$ 470	\$ 302	\$ 352	\$ 202	\$ 236	\$ 454	\$ 454
Montgomery	\$ 436	\$ 509	\$ 327	\$ 382	\$ 218	\$ 254	\$ 483	\$ 483
<b>Nassau</b>	<b>\$ 587</b>	<b>\$ 685</b>	<b>\$ 441</b>	<b>\$ 515</b>	<b>\$ 294</b>	<b>\$ 343</b>	<b>\$ 725</b>	<b>\$ 725</b>
<b>New York City</b>	<b>\$ 127</b>	<b>\$ 148</b>	<b>\$ 95</b>	<b>\$ 111</b>	<b>\$ 64</b>	<b>\$ 75</b>	<b>\$ 134</b>	<b>\$ 134</b>
Niagara	\$ 404	\$ 471	\$ 303	\$ 354	\$ 202	\$ 236	\$ 426	\$ 426
Oneida	\$ 424	\$ 495	\$ 318	\$ 371	\$ 212	\$ 247	\$ 463	\$ 463
Onondaga	\$ 418	\$ 488	\$ 314	\$ 366	\$ 209	\$ 244	\$ 459	\$ 459
Ontario	\$ 382	\$ 446	\$ 286	\$ 334	\$ 191	\$ 223	\$ 423	\$ 423
Orleans	\$ 448	\$ 523	\$ 336	\$ 392	\$ 224	\$ 261	\$ 480	\$ 480
<b>Orange</b>	<b>\$ 479</b>	<b>\$ 559</b>	<b>\$ 359</b>	<b>\$ 419</b>	<b>\$ 239</b>	<b>\$ 279</b>	<b>\$ 542</b>	<b>\$ 542</b>
Oswego	\$ 425	\$ 496	\$ 319	\$ 372	\$ 213	\$ 249	\$ 505	\$ 505
Otsego	\$ 353	\$ 412	\$ 265	\$ 309	\$ 177	\$ 207	\$ 392	\$ 392
<b>Putnam</b>	<b>\$ 676</b>	<b>\$ 789</b>	<b>\$ 507</b>	<b>\$ 592</b>	<b>\$ 338</b>	<b>\$ 394</b>	<b>\$ 732</b>	<b>\$ 732</b>
Rensselaer	\$ 416	\$ 485	\$ 312	\$ 364	\$ 208	\$ 243	\$ 452	\$ 452
<b>Rockland</b>	<b>\$ 712</b>	<b>\$ 831</b>	<b>\$ 534</b>	<b>\$ 623</b>	<b>\$ 356</b>	<b>\$ 415</b>	<b>\$ 792</b>	<b>\$ 792</b>
St. Lawrence	\$ 365	\$ 426	\$ 274	\$ 320	\$ 182	\$ 212	\$ 413	\$ 413
Saratoga	\$ 384	\$ 448	\$ 288	\$ 336	\$ 192	\$ 224	\$ 410	\$ 410
Schenectady	\$ 442	\$ 516	\$ 332	\$ 387	\$ 221	\$ 258	\$ 482	\$ 482
Schoharie	\$ 395	\$ 461	\$ 296	\$ 345	\$ 197	\$ 230	\$ 438	\$ 438
Schuyler	\$ 337	\$ 393	\$ 252	\$ 294	\$ 168	\$ 196	\$ 385	\$ 385
Seneca	\$ 426	\$ 497	\$ 320	\$ 373	\$ 213	\$ 249	\$ 470	\$ 470
Steuben	\$ 376	\$ 439	\$ 282	\$ 329	\$ 188	\$ 219	\$ 414	\$ 414
<b>Suffolk</b>	<b>\$ 572</b>	<b>\$ 667</b>	<b>\$ 429</b>	<b>\$ 501</b>	<b>\$ 286</b>	<b>\$ 334</b>	<b>\$ 612</b>	<b>\$ 612</b>
Sullivan	\$ 418	\$ 488	\$ 314	\$ 366	\$ 209	\$ 244	\$ 456	\$ 456
Tioga	\$ 385	\$ 449	\$ 289	\$ 337	\$ 193	\$ 225	\$ 456	\$ 456
Tompkins	\$ 377	\$ 440	\$ 283	\$ 330	\$ 188	\$ 219	\$ 412	\$ 412
Ulster	\$ 411	\$ 480	\$ 308	\$ 359	\$ 206	\$ 240	\$ 437	\$ 437
Warren	\$ 322	\$ 376	\$ 241	\$ 281	\$ 161	\$ 188	\$ 351	\$ 351
Washington	\$ 407	\$ 475	\$ 305	\$ 356	\$ 203	\$ 237	\$ 447	\$ 447
Wayne	\$ 423	\$ 494	\$ 317	\$ 370	\$ 212	\$ 247	\$ 459	\$ 459
<b>Westchester</b>	<b>\$ 1,094</b>	<b>\$ 1,276</b>	<b>\$ 820</b>	<b>\$ 957</b>	<b>\$ 547</b>	<b>\$ 638</b>	<b>\$ 1,162</b>	<b>\$ 1,162</b>
Wyoming	\$ 338	\$ 394	\$ 254	\$ 296	\$ 169	\$ 197	\$ 370	\$ 370
Yates	\$ 266	\$ 310	\$ 200	\$ 233	\$ 133	\$ 155	\$ 302	\$ 302

# Increased Annual Family Expenses Due to Proposed Budget Tax & Fee Increases



The proposed 2009-10 Executive Budget increases taxes and fees by **nearly \$7 billion**. With the Executive proposing more than 154 new revenue actions including numerous new fees and taxes, virtually every aspect of a family's budget will see expenses increase.

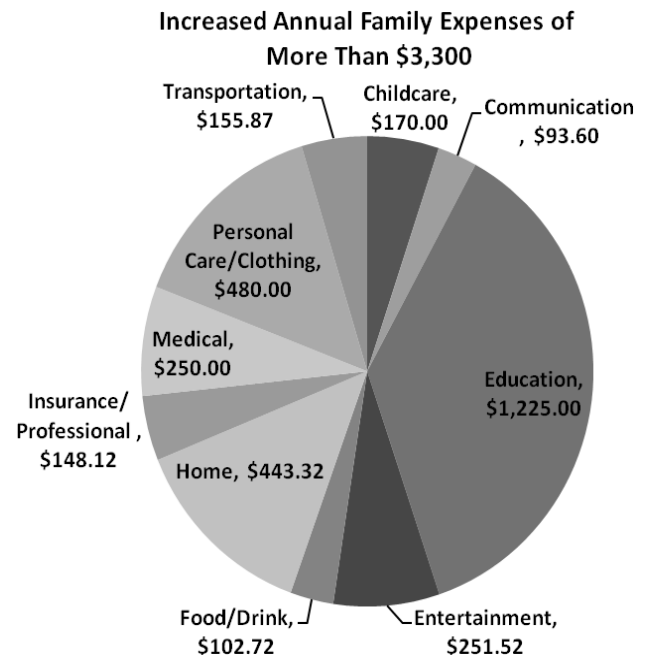
In fact, for an average family of four, the impact of these spending increases will not only exhaust any monthly set aside of emergency funds, but require families to reduce spending in other areas to pay the additional taxes and fees.

The average family budget is far from extravagant and the spending decisions forced by these new tax and fee increases will be very difficult if not impossible to achieve.

Annual family expenses will rise by more than \$3,300 for New York State families living outside of NYC. The impact in NYC will be even greater – almost \$4,000-- due to higher health and transportation costs as well as the impact of the Ravitch Commission's recommendations.

Annual family expense impact calculations utilized within this analysis are derived from an analysis of an average family of four's monthly itemized budget.

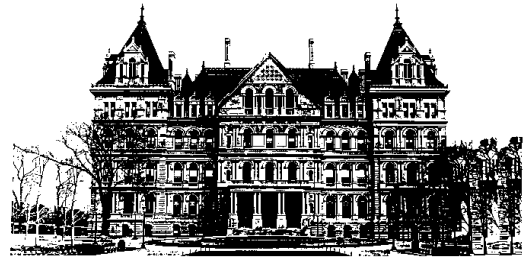
Expenses were itemized to build a balanced monthly budget and then each proposed new tax or fee increase was applied to the appropriate itemized budget line.



Spending Category	Increased Annual Family Expenses of More Than \$3,000
Childcare	\$ 170.00
Communication	\$ 93.60
Education	\$ 1,225.00
Entertainment	\$ 251.52
Food/Drink	\$ 102.72
Home	\$ 443.32
Insurance/ Professional	\$ 148.12
Medical	\$ 250.00
Personal Care/Clothing	\$ 480.00
Transportation	\$ 155.87
<b>Total Annual Increased Family Expenses- Non NYC</b>	<b>\$ 3,320.15</b>
Additional NYC Tax & Fee Expenses	\$ 670.00
<b>Total Annual Increased Family Expenses- NYC</b>	<b>\$ 3,990.15</b>

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# Health Care Reductions



The SFY 2009-10 Executive Budget includes the unprecedented amount of \$3.5 billion in reductions to all aspects of the health care industry, including hospitals, nursing homes, home care services and insurance. When you take into account lost Federal matching money, the cuts proposed exceed \$5.2 billion. No sector of the health care industry was spared from the potentially destabilizing measures that the Executive advances as reform aimed at improving quality of care and creating a patient-centered approach to health care policy. However, without real fundamental innovative and comprehensive reform the Medicaid cuts and proposed health care taxes may inflict financial hardships on institutions and providers that are needed to provide patient care.

## Hospitals

Under the Executive's health care reduction, hospitals face more than \$699.7 million in reductions to their reimbursement rates through a proposal that continues to shift funding from inpatient services to outpatient clinics and services. These reductions total over \$1 billion when you take into account lost Federal matching funds. This shift in funding for services does not take into account that not all hospitals across New York State have the capacity to provide outpatient services, and could result in many hospitals being forced to close or reduce their existing services. Such extreme changes in the operation of many of these hospitals absent new reforms could lead to

employee reductions and less access to hospital care in some communities. It should be noted that the reductions in the hospital reimbursement system are inclusive of a deficit reduction plan that calls for additional across the board rate reductions, increased assessments, and the elimination of inflationary increases.

## Nursing Homes

The Executive Budget includes proposals to cut nursing home funding without new fundamental reforms. In 2005, the Legislature enacted sweeping reimbursement reform for a financially distressed industry to ensure that the residents of New York State would have access to quality nursing home services. Under the legislative reform package, the rates paid for nursing home services were updated based on data from more recent years, and to include payments to nursing home facilities based on the type of patients being served and acuity of care being provided. The Executive, without ever implementing the 2005 legislative reforms, now proposes reductions to those reimbursement rates. These funding reductions will reduce funding for an extremely troubled industry. In fact, when all is counted, the SFY 2009-10 Executive Budget would eliminate \$420.2 million in funding for nursing homes. These reductions are doubled to \$840.4 million when you take into account lost Federal matching funds. This level of cuts would force many nursing homes to close and leave many families without quality care options for their elderly members.

## Home Care

The SFY 2009-10 Executive Budget also includes major reimbursement reductions to the home care industry which would result in reductions totaling more than \$189.4 million. Industry experts conclude that home care services provide quality long term care services in the community, at lower a cost than institutions. Extreme reductions in home care contradict the goal of improving access to home and community based long term care. For an industry that operates on slim profit margins, it can be assumed that the Executive's proposal if enacted, would reduce the number of home care providers available in communities, particularly in some of the more rural areas of the State.

Finally, the SFY 2009-10 Executive Budget not only included extreme cuts to providers, there are fees imposed on every aspect of the health care industry and the residents of New York State. The Executive Budget includes \$1.59 billion in fees, such as increasing the covered lives assessment on health insurance policies and the insurance industry assessments, imposing gross receipts taxes on health care providers, and establishing a non-diet soda tax. Although these increased fees generate additional revenue for New York State, they also increase the cost of health care, increase the cost of residing in New York State, and increase the number of New York residents that cannot afford health insurance due to the high cost of premiums.

The SFY 2009-10 Executive Budget does not fundamentally reform the healthcare delivery and reimbursement system. As such the proposals to cut reimbursements and increase taxes may diminish the quality and access to health care.

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# HIGHER EDUCATION AFFORDABILITY AND ACCESS



## Overview

The SFY 2009-10 Executive Budget fails to address the critical issue of affordability and access in higher education. While the cost of a college education continues to skyrocket, Tuition Assistance Program (TAP) awards, designed to help families cope with rising college costs, have remained unchanged since the 1999-2000 academic year. Increasingly, New Yorkers have turned to student loans to help finance the cost of a college education. Many states and the Federal government have recently introduced measures to ensure greater affordability and access in higher education. For example, the Federal government increased the maximum Pell Grant awards from \$4,050 to \$4,310 for the 2007-08 academic year in order to mitigate the impact of inflation and lessen the burden of education debt. For the 2008-09 academic year, the maximum Pell Grant is \$4,731.

The Senate Republicans Higher Education Affordability and Access initiative, which passed the Senate in 2007 includes provisions to provide relief to alleviate the financial burden borne by hardworking New York State taxpayers and to strengthen the higher education sector. Below are several of the Senate higher education initiatives.

## Expanding the Tuition Tax Credit/Deduction Program

The current tax deduction/credit limits have remained unchanged since 2000. The Senate Majority plan raises the amount of deductible tuition expenses for New York families from \$10,000 to \$14,000. The tuition tax credit would increase from four percent to five percent of eligible tuition expenses, or a maximum of \$700 instead of the current \$400. The initiative would require approximately \$5 million in new State investment in the first year and \$65 million thereafter.

## Establishing the Student Loan Debt Relief Program

Student indebtedness is becoming a national crisis affecting many New York State college graduates. The average college graduate from a public institution now owes \$15,000 in student loan debt, or \$21,000 if they attended a private university. The New York State Student Loan Debt Relief Program would provide a tax credit of up to 50 percent (or up to \$1,000 annually) toward student loan payments for those earning \$50,000 or less. The tax credit would be available for five years. This program would substantially reduce the default rate on student loans, while providing an incentive for college graduates to remain in New York State after graduation. The plan requires a State investment



of \$30 million in the first year, with an estimated full annual investment of \$275 million thereafter.

Cognizant of the deteriorating economy and the implications for higher education affordability, as well as the need to address the State's budgetary shortfall, the Senate on December 15, 2008, passed legislation establishing the **I live New York Student Loan and Loan Forgiveness Program**. This initiative would provide low interest student loans to New York State residents attending an institution of higher education in New York who apply for a loan. The low interest loan would cover the cost of tuition once federal or state financial aid and all additional institutional scholarships or grants are deducted.

In addition, the program would provide a tax credit equal to 10 percent of the loan balance plus interest for graduates that receive loans through this program and are employed in New York for ten years. After ten years, the tax credits would offset the loan balance for graduates who have met the residency and employment requirements. This program would provide an investment of \$70 million annually, beginning in SFY 2013-14.

Because the loans would be financed with tax-exempt bonds, interest rates would be reduced by roughly 50 percent. This would benefit approximately 95,000 students in the first year.

“At present, New York is the only state in the northeast that does not offer students a low-cost student loan program.” Senator Kenneth LaValle, Chairman of the Senate Higher Education Committee, said “With the costs of higher education rising, along with the overall cost of living, and the declining state of the economy, more and more families are looking for loans and financial assistance of any kind to afford the cost of a college education.”

This legislation would provide state subsidized, low-interest loans to help families and young people achieve their dreams of a college education, while also providing incentives for them to remain in New York State.

The SFY 2009-10 Executive Budget recommendation includes a proposal to establish the New York Higher Education Loan Program (NYHELPS), which would accomplish one of the objectives of the I Live New York Student Loan program – providing state-supported low-cost student loans for New Yorkers. The Executive's plan, however, does not have a loan forgiveness component.

#### **Expanding the Math, Science & Engineering Teaching Incentive Program - Retaining Scientists in New York State**

Over the past two decades, there has been a steady decline in the number of degrees conferred in math, science, and engineering. In order for New York State to maintain a competitive advantage in a technology-driven global economy, our workforce needs to be proficient in math, science and technology fields. Enacted in 2006, the program was designed to increase the number of certified middle and high school math and science teachers by providing tuition reimbursement of up to the amount of SUNY tuition for each year completed in an approved teachers' certification program. Recipients must agree to teach math and science on a full-time basis for five years in New York State after graduation. This expansion would increase the number of annual awards from 500 to 750 under the New York State Math, Science and Engineering Teaching Incentive Program. The expansion would be fiscally neutral in the first year and require an investment of \$1.1 million in the following year.

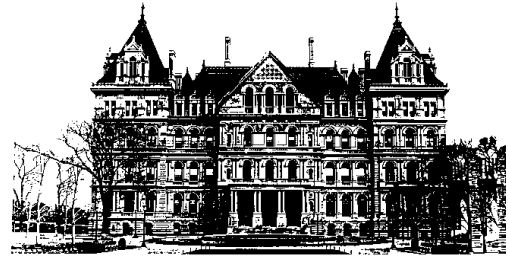
In an effort to retain a science- and technology-oriented workforce in New York State, the new Senate initiative also provides \$1,000 in State grant money in the first year to 1,000 eligible New York residents with a degree in math, science or engineering technology for each year of employment in any science, engineering or technology field (other than teaching) in New York State for up to five years. Under the proposal, 1,000 new undergraduate and graduate grants will be awarded each year for five years, for a total of 5,000 grants. The program is fiscally neutral in the first year, with State funding rising to \$5 million when fully phased.

### **Enhancing Tuition Awards for Veterans**

Currently, veterans who risk their lives to defend America's future are provided only \$2,000 in State grants per academic year if they enroll in an approved vocational, undergraduate or graduate program. The Senate's proposal would more than double the maximum tuition assistance grant to veterans of all wars from \$2,000 to \$4,350 or the equivalent tuition rate at SUNY State-operated colleges, with an estimated State investment of approximately \$2 million in the first year. The SFY 2008-09 Executive Budget includes a similar proposal to raise tuition benefits for combat veterans to the level of the SUNY tuition rate. This proposal was adopted by the Legislature and is now law.

<b>Tuition Assistance Program and Tuition and Fees Charges</b>					
<i>Year</i>	<i>TAP Expenditures (Millions \$)</i>	<i>TAP Recipients</i>	<i>Average TAP Expenditure per Recipient (\$)</i>	<i>SUNY 4-Yr Average Tuition Fee (\$)</i>	<i>CUNY 4-Yr Average Tuition Fee (\$)</i>
2000-01	634.7	289,157	2,242	4,517	3,328
2001-02	673.4	298,812	2,299	4,681	3,336
2002-03	726.0	312,547	2,324	4,785	3,486
2003-04	845.0	328,094	2,577	5,595	4,286
2004-05	874.0	335,513	2,606	5,738	4,286
2005-06	863.0	330,393	2,612	6,025	4,309
2006-07	831.0	320,930	2,590	5,939	4,320
2007-08*	807.0	312,779	2,582	N/A	N/A
2008-09*	780.0	311,036	2,588	N/A	N/A
2009-10**	789.0	312,000	2,591	N/A	N/A
*Estimated, **Projected					
Source: Higher Education Services Corporation 2009-10 Budget Request, The 2009-10 New York State Executive Budget, and NYS Education Department website.					

# IMPACT ON LOCAL GOVERNMENTS



The SFY 2009-10 Executive Budget proposal negatively impacts all local governments by \$233.5 million. Without the Executive's proposed tax and revenue actions, local governments outside of NYC would have a net loss of \$631.5 million. Aid reductions to NYC, are detailed separately within this report.

Local assistance payments to municipalities comprise over 70 percent of the State budget, and the aid payments are primarily allocated to education and local government assistance. The SFY 2009-10 Executive Budget also includes the **elimination of the Middle class STAR Rebate** (\$1.4 billion in SFY 2009-10). Although this does not have an impact on local governments, it directly impacts local property taxpayers.

## Education

(Millions of dollars)	
	<u>SFY 2009-10</u>
Net Impact	(\$398)

The major component of the \$398 million education aid reduction is a reduction in school aid (-\$415 million) offset by savings to counties (+\$17 million). The Executive proposes to shift the cost of local preschool special education costs from the State and counties outside of New York City to school districts. School districts would be assigned 15 percent of the cost of preschool education costs, reducing the State's share from 59.5 percent to 47 percent and the **counties share from 40.5 percent to 38 percent**. Projected savings total \$17.5 million to counties for SFY 2009-10, with \$70 million in costs shifted to school districts.

**Impact of 2009-10 Executive Budget on Local Governments**

(\$ in Millions)	<u>Total</u>	<u>School Districts</u>	<u>Counties</u>	<u>Other Cities</u>	<u>Towns &amp; Villages</u>
School Aid / Education	(398)	(415)	17	0	0
Revenue Actions	398.2	11.2	283	62.2	41.8
Municipal Aid (includes statutory scheduled AIM)	(94.5)	0	(8.4)	(77.3)	(8.8)
Transportation	(56.2)	0	(23.1)	(4.7)	(28.4)
Human Services / Welfare	(55.4)	0	(55.4)	0	0
Health Care	(11.5)	0	(11.5)	0	0
Public Protection	(10.9)	0	(10.9)	0	0
Mental Hygiene	(7.5)	0	(7.5)	0	0
All Other Impacts	2.5	13	(6.1)	(1.4)	(3)
<b>Total 2009-10 Executive Budget Actions</b>	<b>(233.5)</b>	<b>(390.8)</b>	<b>177.1</b>	<b>(21.2)</b>	<b>1.6</b>

### Revenue Actions

(Millions of dollars)

	<u>SFY 2009-10</u>
Net Impact	\$398.2

The Executive proposes multiple increases in existing fees as well as the adoption of new fees and taxes in this budget that are projected to raise over \$398 million in local revenues. These include: the restructuring or removal of various sales tax exemptions, permitting the cities of Buffalo, Yonkers, Rochester, Syracuse, as well as Nassau and Suffolk counties to establish red-light enforcement camera programs, limiting itemized deductions for gross incomes over \$1 million and closing Utility GRT loopholes. A detailed list of all fees can be found in the fee section of this report.

### Local Government Assistance

(Millions of dollars)

	<u>SFY 2009-10</u>
Net Impact	(\$94.5)

The SFY 2009-10 Executive Budget recommends foregoing the statutorily scheduled increases for Aid and Incentives to Municipalities (AIM), holding AIM at current levels for all local governments except NYC. This proposal also includes eliminating all additional per capita aid adjustments and all special supplemental AIM targeted toward financially distressed municipalities and local governments. As required by current law, AIM payments would not be increased to local governments by \$53.9 million; (cities by \$51.2 million, towns by \$1.8 million and villages by \$0.9 million). (The Municipal Aid line of the chart at the bottom of the first page of this Local Government Impact section includes the estimated loss of the AIM

funds proposed by the Executive). In addition, the end of this section lists the proposed reductions to AIM for individual cities and aggregate totals for towns and villages.

The SFY 2009-10 Executive Budget proposes to scale back the Local Government Efficiency Grant Program, and the City of Buffalo and Erie County Efficiency Incentive Grants. This results in a reduction of available grant funds to eligible local governments of \$14 million in SFY 2009-10.

### Transportation

(Millions of dollars)

	<u>SFY 2009-10</u>
Net Impact	(\$56.2)

The SFY 2009-10 Executive Budget reduces transportation aid to municipalities by lowering transit aid \$10 million and CHIPS funding by \$59 million.

### Human Services

(Millions of dollars)

	<u>SFY 2009-10</u>
Net Impact	(\$55.4)

The SFY 2009-10 Executive Budget proposes an increase in the basic public assistance grant, but also reduces funding for some programs as well as lowering reimbursements for other programs. A cost of living adjustment for Human Services Programs would be eliminated and multiple youth services programs would be grouped together into a Youth Programs Block Grant and total funding is reduced. Reimbursement for non-mandated community optional preventative services are proposed to be

eliminated and reimbursements for administrative costs shall also be reduced. (See the Human Services Section for more detail).

**Healthcare**

(Millions of dollars)	
	<u>SFY 2009-10</u>
Net Impact	(\$11.5)

The SFY 2009-10 Executive Budget proposes to lower reimbursements and replace existing General Public Health Works optional reimbursements with price structures more in line with other states, and discontinue Emergency Preparedness funding to counties. Both proposed actions lower payments to local governments by \$18.4 million. The Executive Budget also proposes to adjust hospital, nursing home and home care reimbursements to be structured at lower or standard insurance industry rates. Additionally, supplemental services above the required mandatory level will not be funded by the State. Shifting Early Intervention services to insurance assessment payment standards and eliminating cost of living adjustments will produce savings of \$6.9 million to counties in SFY 2009-10.

**Public Protection**

(Millions of dollars)	
	<u>SFY 2009-10</u>
Net Impact	(\$10.9)

The SFY 2009-10 Executive Budget proposes to **eliminate board of prisoner payments** of \$37.50 per diem to local jails for housing “state-ready” inmates ( awaiting transfer to State prison from local jails) for the first 10 days of incarceration, reducing reimbursements to the

counties by \$5.4 million. The Executive Budget also recommends the **reduction of aid to most local criminal justice programs by six percent**, resulting in payment reductions to the counties by \$2.2 million in SFY 2009-10. State funding of \$3.4 million for Westchester police patrols on certain parkways and other programs is also eliminated.

**Mental Hygiene**

(Millions of dollars)	
	<u>SFY 2009-10</u>
Net Impact	(\$7.5)

The SFY 2009-10 Executive Budget promotes spending reductions (\$2.4 million) by adopting multiple strategies such as reducing current year cost of living adjustments (COLAs) and eliminating COLAs in 2009-10. The Executive seeks to reduce 2008-09 Office of Alcoholism and Substance Abuse Services (OASIS) prevention funding and eliminate Mental Health United Services Article 28 Funding, shifting these (\$3.3 million) costs to counties. The Executive Budget seeks to maximize the use of non-state revenues or client benefits, such as food stamps or nutrition programs and employment benefits. Additional cost management strategies will also shift \$1.8 million in costs to local governments.

**Other Impacts**

(Millions of dollars)	
	<u>SFY 2009-10</u>
Net Impact	(\$2.5)

For SFY 2009-10, the Executive proposes a 50 percent reduction, (\$7 million) in Impact Aid payments to local governments from revenue

generated by Video Lottery Terminals (VLT) facilities within the municipality. Impact Aid for Yonkers, which obligates its aid to the local city school district, is scheduled to remain the same.

The Executive also recommends the reduction of property tax payments on State owned land to localities by \$8.5 million.

To offset these reductions, the Executive Budget proposes the shared provision or procurement of services among similar or closely situated municipalities. Eligible items include public employee health care insurance, common procurement of regularly purchased materials and services, and the use of the internet for competitive procurement.

The Executive also proposes modifying the Wicks Law bidding requirements for construction contracts to increase the current \$3 million threshold to \$10 million for NYC, \$1.5 million for Nassau, Suffolk and Westchester Counties, and \$500,000 for all other counties. School construction would be exempt from Wicks requirements and localities would be exempt from the Wicks requirements by entering into “project labor agreements.”

## IMPACT ON NEW YORK CITY

### Promises Denied

The State's history of partnering with New York City, which has significantly strengthened the resurgence the metropolis has experienced in the last thirty-three years, has largely become a victim of the proposed SFY 2009-10 Executive Budget due to the collapse of the financial industry and the general weakness of the State's economy. The historical pattern of ever increasing State support for New York City has come to an end in this proposed budget.

#### *Recent New York State Executive Proposed Support for New York City*

New York State Executive Budgets have consistently proposed substantial aid increases for New York City in this decade during good and bad financial circumstances. The incredibly difficult period following September 11, 2001 saw a SFY 2003-04 Executive Budget that contained a proposed \$79 million increase. The SFY 2004-05 Executive Budget sought an increase in State support for the City of \$305 million, which increased to \$756.4 million in SFY 2005-06. The SFY 2006-07 Executive Budget proposed the largest increase in State support of \$897.8 million. This number declined to \$374.3 million in the SFY 2007-08 Executive Budget, but rose again to \$508.4 million in the SFY 2008-09 Executive Budget. These proposals do not include the thirty year commitment of \$170 million a year to defease the remaining \$2.5 billion in MAC bonds, and the State takeover of all Family Health Plus costs or the cap on City Medicaid payments which will relieve New York City of \$501.6 million in liabilities the City would otherwise have incurred.

#### *State Economic Development Aid*

Despite billions of State capital commitments for New York City, **all major restoration and expansion projects have been substantially delayed or cancelled.** In December of 2007, the Executive announced the planned \$1.8 billion expansion of the Javits Center was being scuttled in lieu of a proposed emergency rehabilitation effort of the existing inadequate structure. This action was taken despite the bonding of \$700 million backed by revenues from a \$1.50 per room hotel tax surcharge (approved specifically for and dedicated to the expansion) and an additional City and State capital commitment of \$700 million. Progress at Ground Zero in Lower Manhattan has been critically encumbered by delays in the demolition of the former Deutsche Bank building and lack of progress at the Fulton Transit Hub. No meaningful progress on the Atlantic Yards project, including the erection of a new arena for the NBA's Nets move to Brooklyn has been seen in the last twenty-five months. The transformation of Moynihan Station has been repeatedly deferred. In addition, the redevelopment plans for Governor's Island and Roosevelt Island have repeatedly been sent back to the drawing board. The SFY 2009-10 Executive Budget **does not contain any significant new development proposals for New York City or initiatives to jumpstart the stalled projects.**

#### *State Actions Outside of New York City Budget*

The Executive Budget proposes various adjustments to commitments made last year for STAR relief that will cost New York City taxpayers at least \$250 million. The Executive proposes to transfer \$270 million from the

Battery Park City Authority and \$68 million in funds from the Urban Development Corporation to the General Fund. Traditionally, any excess Battery Park revenues have been used to fund low-income housing programs in New York City.

***New York City CFY 2008-09 Budget Update***

The Mayor’s First November Financial Plan Update enacts \$462 million in recurring spending cuts and a seven percent property tax increase that is estimated to raise \$576 million a year. The CFY 2009-10 Executive Budget is due to be released in January and is expected to contain major new cuts and revenue proposals. Any reductions in State support will result in even larger cuts and tax proposals unless the City’s economy demonstrates a rapid turnaround.

**IMPACT OF SFY 2009-10 EXECUTIVE BUDGET ON NYC**

	(Millions of dollars)
	<u>SFY 2009-10</u>
Net Impact	(224.9)

The SFY 2009-10 Executive Budget’s proposed impact on New York City estimates a 2009-10 CFY increase of \$240.3 million. However, this figure is hundreds of millions of dollars below what was already authorized in statute. The major reductions in prior year commitments to New York City to be realized in CFY 2009-10 include a \$206 million decrease in education aid, and elimination of New York City’s unrestricted local aid from the \$327 million in SFY 2009-10 that was already authorized in enacted statute. The education aid net decrease of \$206 million is achieved through a \$361 million deficit reduction assessment which is offset by increases in expense based aids. These major cuts are partially offset by new tax and fee increase initiatives proposed by the Executive.

**Education**

	(Millions of Dollars)
	<u>SFY 2009-10</u>
Net Impact	(277.0)

The SFY 2009-10 Executive Budget proposes a 2.29 percent decrease in formula based school aid. This proposed decrease is coupled with doubling the period from four to eight years for realizing the commitment the State made in 2007 to satisfy the State Court of Appeals’ decision calling on New York State to supplement New York City’s school aid. If the existing schedule is kept to supplement the aid levels, State support for City education would be \$1.0 billion higher than the proposed levels in the SFY 2009-10 Executive Budget. State aid would be cut by an additional \$72 million in CFY 2009-10 by increasing the share the City must provide for preschool programs.

**Revenue**

	(Millions of dollars)
	<u>SFY 2009-10</u>
Net Impact	(280.5)

The SFY 2009-10 Executive Budget proposes to allow New York City to increase a large number of fees and prohibit taxpayers with adjusted gross income of over \$1 million to itemize deductions (+\$54.4 million for CFY 2009-10). New York City would receive an estimated \$201.5 million in SFY 2009-10 by the State imposing sales taxes on previously untaxed goods and services (however the City will not be required to re-impose sales taxes on clothing as the Executive has proposed for the rest of the State), and the proposed unlimited expansion of



red light cameras is estimated to increase City revenues by \$100 million in CFY 2009-10. All of these revenue measures will produce an estimated total of \$356.3 million in CFY 2009-10.

**Human Services**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	(62.3)

The SFY 2009-10 Executive Budget proposes a series of cuts to various welfare and other social service programs that will produce a negative \$67.4 million impact for CFY 2009-10. Local Administration Fund support will be reduced by \$40.2 million. Certain community optional or alternative preventive services will be eliminated (\$11.9 million). Youth services block grants will be reduced by \$10.1 million. Matching the proposed increase in the basic public assistance grant will cost the City an estimated \$10.1 million in CFY 2009-10. The Adult Shelter Reimbursement will be reduced by \$8.2 million. The fair hearing chargeback will cost the City \$1.5 million.

Two proposed measures will produce some small savings for the City. The freeze on maximum State aid rates will reduce the matching mandate on the City by \$6.7 million. Finally, the reduction for the personal needs allowance for substance abuse program recipients will reduce anticipated City commitments by \$2.8 million in CFY 2009-10.

**Health**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	(1.4)

The SFY 2009-10 Executive Budget again proposes that Early Intervention Services be shifted to private insurance assessments which would save the City \$6.5 million in CFY 2009-10, and the cost of living adjustment for Office of Aging supported employees be reduced by one percent for CFY 2008-09 and eliminated for CFY 2009-10 which produces an estimated \$1.8 million savings. The General Public Health Work Program reimbursement rate would be reduced costing the City \$12.1 million for CFY 2009-10.

**Mental Hygiene**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	(15.7)

The Executive proposes to restructure school based prevention services which will cost the City \$10.2 million in CFY 2009-10. The cost of living adjustment for Office of Mental Retardation and Development Disabilities and Office of Alcohol and Substance Abuse Services (OASAS) supported workers would be reduced by one percent in CFY 2009-10 and eliminated for CFY 2009-10 (\$1.3 million). State support for OASAS prevention programs would be reduced by \$3.1 million and other miscellaneous services would be reduced by \$1.1 million.

**Transportation**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	(12.8)

The Executive proposed to reduce CHIPS funding by \$8.2 million and reduce transit aid by \$4.6 million for CFY 2009-10.

**Municipal Aid**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	(265.5)

The SFY 2009-10 Executive Budget proposes to permanently eliminate the Aid and Incentives for Municipalities (AIM) program payments for New York City which will reduce City revenue sharing by \$245.9 million in CFY 2009-10 from the SFY 2008-09 enacted appropriation level. The Executive also again proposes to eliminate New York City from Video Lottery Terminal in-kind payments (\$19.6 million).

anticipated to save the City \$18 million in CFY 2009-10. These pension and other measures are expected to produce exponentially growing relief for the City budget in future years. Special accidental death benefit reimbursements are to be reduced by \$7.7 million a year and other proposed small State measures are anticipated to cost the City \$800,000 in CFY 2009-10.

**Public Protection**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	(7.2)

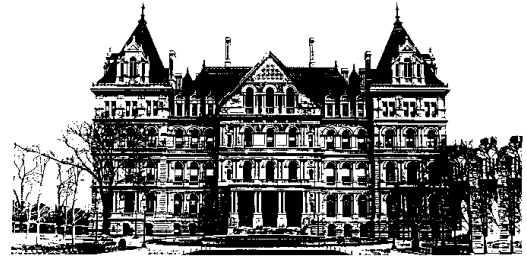
The Executive proposes to eliminate board of prisoner payments to local jails (\$6.3 million in CFY 2009-10) and reduce support for local probation programs and other local public protection programs (\$2.2 million)

**Miscellaneous**

(Millions of Dollars)	
	<u>SFY 2009-10</u>
Net Impact	49.5

The SFY 2009-10 Executive Budget proposes a new Tier V pension system and is supporting a Mayoral initiative to reign in benefits for uniformed service personnel in the City (+\$40 million savings estimated for CFY 2009-10). The Executive is also again proposing various Wicks Law relief measures, local litigation cost reductions, local procurement flexibility, and increased Transitional Finance Agency and Bond Anticipated Note flexibility which is

# PROPOSED PRISON AND YOUTH FACILITY CLOSURES



## Proposed Prison Closures:

The SFY 2009-10 Executive Budget includes a proposal to close four minimum security correctional facilities: Camp Pharsalia located in Chenango County; the Camp at Mount McGregor located in Saratoga County; Camp Gabriels located in Franklin County, and Camp Georgetown located in Madison County. In addition, **the Executive proposes the closure of several annexes, however to date the Commissioner of DOCS has not determined which annexes would close.**

The Executive's proposal includes modifying the current prison notification statute by permitting the Commissioner of DOCS to eliminate excess prison capacity with only a 90-day notice in times of financial crisis and authorize DOCS to house local inmates and Federal prisoners.

The principal rationale for the closures cited by the Executive is the declining prison population. Since 1999, the State's prison population has decreased from a high of almost 71,600 inmates to a population below 61,100, a

decrease of 10,500 inmates. However, the Executive projects that the inmate population will continue to decline, by an additional 1,600 inmates at the end of SFY 2009-10 resulting from various sentencing and parole modifications proposed in the Executive SFY 2009-10 budget to provide for early release and shorter prison sentences.

According to DOCS, employees affected by the proposed prison closure would be afforded an opportunity to transfer to other facilities. However, these alternative facilities may be geographically distant.

The Executive anticipates that the **closure of the four correctional facilities would generate operating savings of \$26.3 million** in SFY 2009-10 and \$6.5 million in capital savings.

The following tables list the number of employees affected; the estimated cost/savings achieved by the closure; cost/savings in capital needs and, the number of inmates/capacity levels at each of the facilities proposed for closure:

SFY 2009-10 Executive Proposed Correctional Facility Closures – Employee Impact					
Employee Impact:	Camp Pharsalia (Chenango)	Camp at Mt. McGregor (Saratoga)	Camp Gabriels (Franklin)	Camp Georgetown (Madison)	Total
Security	55	45	73	60	233.0
Program	7	1	8	9.5	25.5
Support	16	3	21	18	58.0
Health	1	1	2	1.5	5.5
<b>Total</b>	<b>79</b>	<b>50</b>	<b>104</b>	<b>89</b>	<b>322.0</b>

**Note: The number of FTE associated with the proposed annexes closure amounts to 232 for a total FTE impact of 554. To Date the Commissioner of DOCS has not determined which annexes would close.**

Prison Closure Cost/Savings SFY 2009-10/SFY 2010-11		
Cost/Savings		
Facility	SFY 2009-10	SFY 2010-11
Camp Pharsalia	\$4,690,000	\$5,628,000
Camp at Mt. McGregor	\$2,365,000	\$2,838,000
Camp Gabriels	\$5,768,000	\$6,921,000
Camp Georgetown	\$4,293,000	\$5,152,000
<b>Camp Total</b>	<b>\$17,116,000</b>	<b>\$20,539,000</b>
<b>Annexes Subtotal</b>	<b>\$9,253,000</b>	
<b>Total</b>	<b>\$26,369,000</b>	

Prison Closure Capital Five-Year Cost/Savings	
Facility	Capital Costs/Savings
Camp Pharsalia	\$775,000
Camp at Mt. McGregor	\$520,000
Camp Gabriels	\$4,600,000
Camp Georgetown	\$654,000
<b>Total</b>	<b>\$6,549,000</b>

SFY 2009-10 Executive Proposed Correctional Facility Closures - Capacity/Inmate Impact				
Facility	County	Total Number of Beds	Total Number of Inmates	Capacity Level
Camp Pharsalia	Chenango	258	107	41.47%
Camp at Mt. McGregor	Saratoga	300	69	23.00%
Camp Gabriel	Franklin	336	132	39.29%
Camp Georgetown	Madison	262	124	47.33%

Source: Department of Correctional Services - Daily Population Capacity Report as of 12/11/08.

**Current One Year Notification and Adaptive Re-Use Plan Statute:**

The intent of the Prison Notification and Adaptive Reuse Plan enacted by the Legislature was to give ample time for employees to either

choose a different position within the system or relocate if necessary. In addition, the Adaptive Reuse Plan was intended to lessen the economic impact from the potential closure of any correctional facility.

The SFY 2009-10 Executive Budget proposes legislation that would amend the Prison Notification Statute to expedite the prison closure process in times of economic crisis. Under the proposal the closure notification of the four minimum security camp facilities and various annexes would be made in March 2009 with closure expected in June 2009. The bill would allow the Commissioner to consider the prompt closure of one or more correctional facilities in the wake of an economic downturn. An economic downturn is defined as two consecutive quarters of decline in gross domestic product as reported by the Bureau of Economic Analysis of the United State Department of Commerce.

**Section 79-a Notification Requirements:**

- One year notification of the Department of Correctional Services intention to close any facility to: all local governments in which the correctional facility is located; all employee labor organizations operating with or representing employees of the correctional facility; and managerial and confidential employees within the correctional facility.
- Confer with the Department of Civil Service, the Governor’s Office of Employee Relations and any other appropriate State agencies to develop strategies which attempt to minimize the impact of the closure on the State work force.
- Consult with the Department of Economic Development and any other appropriate State agencies to develop strategies which attempt to minimize the impact of such closures on the local and regional economies.

**Section 79-b Adaptive Reuse Plan Requirements:**

- A report in consultation with the Commissioners of Economic Development, Civil Service, the Division of Criminal Justice Services and the Director of the Governor's Office of Employee Relations on a reuse plan for any facility slated for closure.

This report would evaluate community impact, including the potential to utilize the property for a new purpose as part of the State Criminal Justice System; the potential for sale or transfer of the property to a private entity or local government for development; community input for local development; and the condition of the facility and the investment required to keep the structure in good repair.

Under the Executive proposal, the one-year notice requirement is suspended (under certain conditions) and the Commissioner is authorized to close a facility upon 90 days notice. The expedited process would remain in effect until the third fiscal year immediately following the fiscal year in which the economic downturn occurred.

The Commissioner would only be allowed to invoke the expedited prison closure process when the following terms and conditions are met:

- There are more than 300 vacant general confinement beds in existing cell blocks or housing units;
- DOCS is in compliance with all court orders governing the acceptance of state-ready inmates;
- DOCS would continue to have at least 300 vacant general confinement beds within existing housing units or cell blocks; and,

- DOCS would not have to increase the number of variance beds (temporary beds) needed for general confinement.

In determining which prisons would be closed the Commissioner must take into account:

- The bed need of the Department in relation to the overall demands for prison capacity;
- The specific use of the facility;
- The age and condition of the facility's infrastructure; and,
- The degree to which facility staff would be offered alternate positions with the Department.

In addition, **correctional facility annexes and Special Housing Units (SHUs) would be eliminated from all closure notice requirements.** The Commissioner would have the authority to use unneeded prison space and generate revenue by entering into agreements to **accept sentenced inmates in a local correctional facility and Federal prisoners.**

**Youth Facility Closures:**

Currently, there are 38 facilities in the State's juvenile justice system, including residential centers and group homes. The SFY 2009-10 Executive Budget proposes to **close six facilities and three Evening Reporting Centers (ERCs), and downsize two additional facilities.** The Executive's proposal would eliminate 204 beds from the juvenile justice system, and 255 Full Time Equivalent (FTEs), of which 164 (65 percent) would be from Upstate.

The Executive proposal is expected to save the State \$12.4 million in SFY 2009-10, including fringe benefit costs from the jobs being eliminated, growing to \$17.8 million in SFY 2010-11, when fully annualized.

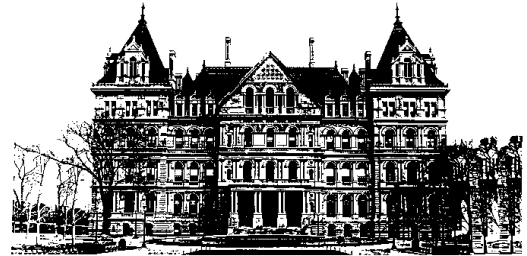
The tables below outline the facilities to be closed or downsized, along with the number of positions at each facility to be eliminated and the estimated savings.

<b>Recommended OCFS Youth Facility Closures/Downsizing Employment and Capacity Impact</b>			
<b>Facility (County)</b>	<b>Positions Eliminated</b>	<b>Beds to be Closed</b>	<b>Population 10/6/08</b>
<b>Adirondack (Clinton)</b>	24	25	9
<b>Cattaraugus (Cattaraugus)</b>	26	25	9
<b>Great Valley (Cattaraugus)</b>	25	25	0
<b>Pyramid (Bronx)</b>	90	47	42
<b>Rochester Community (Monroe)</b>	8	10	0
<b>Syracuse Community (Onondaga)</b>	8	7	1
<b>Capital District ERC (Albany)</b>	8	N/A	N/A
<b>Buffalo ERC (Erie)</b>	7	N/A	N/A
<b>Syracuse ERC (Onondaga)</b>	7	N/A	N/A
<b>Allen(Delaware)*</b>	13	15	37
<b>Tryon (Fulton)*</b>	39	50	47
<b>TOTAL</b>	<b>255</b>	<b>204</b>	<b>145</b>
<b>* Denotes Youth Facility Downsizing</b>			

<b>Recommended OCFS Youth Facility Closures/Downsizing Proposed Savings</b>		
<b>Savings (\$000s)</b>		
<b>Facility (County)</b>	<b>SFY 09-10</b>	<b>SFY 10-11</b>
<b>Adirondack (Clinton)</b>	1,386	1,975
<b>Cattaraugus (Cattaraugus)</b>	1,517	2,159
<b>Great Valley (Cattaraugus)</b>	1,515	2,143
<b>Pyramid (Bronx)</b>	3,359	4,826
<b>Rochester Community (Monroe)</b>	458	656
<b>Syracuse Community (Onondaga)</b>	501	712
<b>Capital District ERC (Albany)</b>	417	602
<b>Buffalo ERC (Erie)</b>	386	554
<b>Syracuse ERC (Onondaga)</b>	382	550
<b>Allen (Delaware)*</b>	623	895
<b>Tryon (Fulton)*</b>	1,868	2,685
<b>TOTAL</b>	<b>12,412</b>	<b>17,757</b>
<b>* Denotes Youth Facility Downsizing</b>		

All closures would be effective June 1, 2009. The Executive has included language to remove the requirement that OCFS provide a 12 month closure notification in order to implement the closures and downsizing. No alternative use plans are proposed for any of the facilities slated for closure.

# Executive Proposes 2008-09 Deficit Reduction Plan Totaling \$ 1.7 Billion In Savings



In addition to the SFY 2009-10 Executive Budget, the Governor submitted a SFY 2008-09 Deficit Reduction Plan (DRP). This stand-alone legislation includes proposals to close the State's current-year projected shortfall.

The SFY 2008-09 DRP relies on savings in the three-month period from January 1, 2009 through March 31, 2009 and assumes enactment of the DRP no later than February 1, 2009. The DRP consists of actions that require legislative approval (\$1.3 billion) and actions that can be accomplished administratively (460 million). Actions primarily include:

- Statewide spending controls
- Existing fund balance sweeps
- Timing of the NYC Star Payment
- Manhattan DA Settlements, and
- Rescinding the Vacation Exchange.

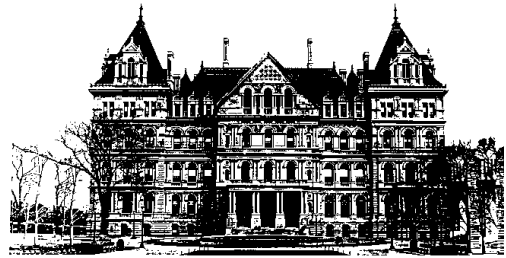
The \$1.7 billion DRP contains many of the same proposals as the \$2.0 billion plan presented to the Legislature by the Governor in November. However, more than \$1.0 billion of the previously proposed savings measures have been withdrawn including the \$560 million mid-year school aid reduction, and replaced with \$771 million in new actions.

In addition to the \$1.7 billion savings in SFY 08-09, the DRP is estimated to produce close to \$2.0 billion in SFY 2009-10 savings to help address next year's State budget gap. Details on the individual proposals can be found under the respective subject matter sections of this report.

2008-09 Deficit Reduction Plan (\$ in millions)	2008-09	2009-10
<b>Medicaid/HCRA/Insurance (Includes Deferrals)</b>	<b>500</b>	<b>1240</b>
Pharmacy	0	25.2
Hospital/Clinics/HCRA	55.2	535.2
Insurance	0	644.8
Nursing Homes	4.2	252.4
Home Care	0	142.3
Other Actions	11.1	69.6
CUNY Payment Deferral to realize 08-09 Savings	429	-429
<b>Higher Education</b>	<b>68</b>	<b>162</b>
Increase SUNY Tuition \$620 per SUNY Board	62	122
TAP Award Increases	-9	-25
Reduce SUNY/CUNY Community College Base Aid	15	65
<b>Other Education</b>	<b>7</b>	<b>7</b>
Reduce Arts Grants	7	7
<b>Local Governments</b>	<b>93</b>	<b>20</b>
Change Timing of NYC STAR Payment	93	20
<b>Human Services</b>	<b>15</b>	<b>49</b>
Reduce Human Service COLA by 1% effective 1/1/09	5	23
Delay Foster Care Bridges to Health Implementation to 2011-12	1	15
Reduce Prevention Funding	3	3
Eliminate Unified Services Enriched Funding	1	3
Eliminate NYCHA Operating Subsidy	3	3
Reduce Neighborhood and Rural Preservation	2	2
<b>Other Actions</b>	<b>244</b>	<b>226</b>
Reduce New 2008-09 Legislative Additions 50 Percent	30	5
EPF Reduction	50	89
Expand Bottle Bill and Sweep EPF	25	118
Housing Bond Financing (SONYMA/MIF)	25	0
Reduce Economic Development Programs	8	9
Other General Fund Transfers	106	5
<b>Workforce</b>	<b>9</b>	<b>38</b>
Rescind Vacation Exchange Program	5	0
Medicare Part B Premiums	3	30
Modify Retiree Contributions for Health Care	1	8
<b>New Actions</b>	<b>771</b>	<b>214</b>
NYPA Payments	306	170
Department of Law Litigation Settlements	91	5
Manhattan District Attorney Settlements	75	25
WCB Recalculation	50	0
Existing Fund Balances/Debt Reduction	100	0
No Member Item Transfer	45	0
Reduce Local Incentive Grant Programs	2	14
Transfer Accumulated Balance Volunteer Recruitment Scholarship	2	0
Statewide Spending Controls	100	0
<b>Total Savings Measures:</b>	<b>1,707</b>	<b>1,956</b>

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# Executive Pension Reform Proposal - TIER V



The SFY 2009-10 Executive Budget proposes to create a new tier of pension benefits for public employees (Tier V). Accompanying the State Tier V plan is a separate proposal to establish a new tier of pension benefits for newly hired New York City uniformed employees. Tier V would apply to New York State and civilian employees of New York City hired after March 1, 2009. The New York City pension bill for uniformed employees must be passed by the City Council and enacted by the New York State Legislature pursuant to a Home Rule message.

**The Executive Budget does not include an early retirement proposal.**

## STATE TIER V

The Executive submits that starting around 1990; various enhancements to Tier IV of the State pension plan have increased costs and are currently one of the fastest growing cost drivers at the local level. Hence, the Executive proposes to create a new Tier V that would, over time, substantially reduce both State and local government pension liabilities.

Tier V, as it would apply to New York State public employees provides for the following:

- The minimum age for retirement is increased from age 55 to age 62;
- Restores the three percent contribution requirement for employees who have more than ten years of service;

- Increases threshold for two percent multiplier from 20 years of service to 25 years of service (an employee with thirty years of service would get an additional ten percent of their final average salary as opposed to 20 percent, per current law);
- Increases the minimum time of service requirement to qualify for pension benefits investing period from five years to ten years; and,
- Excludes the use of overtime when calculating the final average salary to determine the pension benefit.

## NYC UNIFORMED EMPLOYEES

Additionally, there is a separate pension reform bill that would apply to **New York City uniformed employees** (police officers, firefighters, corrections officers, and sanitation workers). It would provide for the following:

- Creates Tier V for New York City;
- Extends minimum years of service from 20 to 25 years and provides that employees who retire early (with 20 to 25 years of service) will be penalized at the rate of 5 percent per year (assuming 50 percent pension at 25 years, an employee who retires with 23 years would only be eligible for a 40 percent pension);



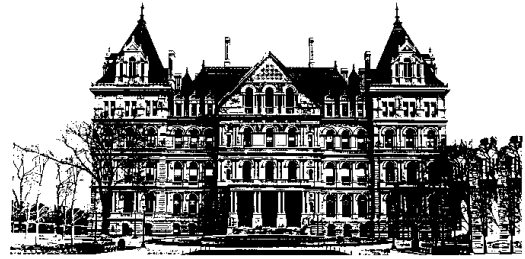
- Establishes a minimum age of 50 to receive pension benefits (currently there is no minimum age);
  - Provides for a five percent employee contribution as opposed to the various constructs that currently exist for New York City Tier IV employees;
  - Eliminates the Variable Supplement Fund (VSF), a benefit that becomes effective on retirement and provides police and fire employees, with an additional \$12,000 per year and correction officers a benefit based on performance (similar to a 401k);
  - The pension benefit increases at a rate of two percent per year beyond 25 years (an employee with 30 years of service would receive a benefit equal to 60 percent of final average salary as opposed to 50 percent, which is the pension benefit that would accrue to the same employee with 25 as opposed to 30 years of service);
  - The calculation of final average salary is based upon the average of three years earnings (including overtime but subject to certain caps);
  - Provides that an employee must have ten years of service to qualify for a retirement benefit as opposed to the current five years; and,
  - Eliminates the pension cost of living adjustment for employees hired after the effective date of Tier V.
- Ten year vesting; and,
  - Three percent employee contribution to the pension system.

**Senate Finance Contact:  
Peter Drao ext. 2918**

New York City civilian employees are covered by some of the State pension reforms, not the New York City reforms. **The State pension reforms that apply to New York City civilian employees are as follows:**

- Overtime is excluded from the calculation of final average salary (if the City version of Tier V is not enacted, this provision would be applied to the correction and sanitation employees of New York City, but not police and fire);

# Executive Proposes Over \$8 Billion in New Discretionary Capital Spending



The Executive Budget for SFY 2009-10 includes over **\$8 billion** in new discretionary capital appropriations. In many instances the Executive proposes that he be given sole **discretion to allocate** funds and select projects after the budget has been enacted, **without Legislative input or public scrutiny.**

The appropriation of large non-itemized lump sums contradicts the spirit of the 2007 Budget Reform Act which was crafted to provide transparency and accountability. As part of the Budget Reform Act, the Legislature agreed to subject all funding added to the Executive Budget to public scrutiny. However, **the act did not go far enough in constraining the Executive's ability to propose lump sum appropriations.**

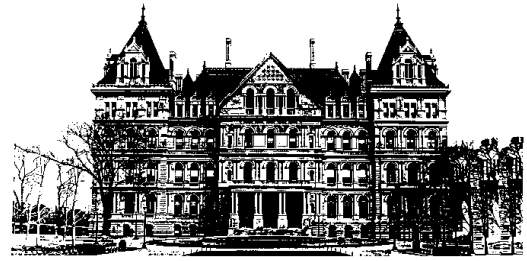
Strides have been made through the insistence of the Legislature. The largest amount of new capital appropriation is provided within the transportation area where a memorandum of understanding process exists to delineate specific projects. Additionally, new State University capital funding is provided with specificity as required by the Legislature when negotiating the State University's new capital plan in 2008-09.

But large lump sums remain in almost every other agency listed in the following chart. **Itemization of all agency capital appropriations in clear language is necessary to provide for a truly transparent budget process.**

Sources of New Capital Spending (millions of dollars)	New Capital Appropriations All Funds
Agriculture & Markets	4
Alcoholism & Substance Abuse	99
City University of New York	284
Correctional Services	320
Economic Development Capital	0
Education	21
Empire State Development Corporation	100
Energy Research & Development Authority	14
Environmental Conservation	586
Family & Childrens Services	38
Health	351
High Technology & Development Program	0
Higher Education Facilities Capital Matching	0
Housing & Community Renewal	105
Hudson River Park Trust	6
Mental Health	577
Mental Retardation	127
Military & Naval Affairs	31
Motor Vehicles	219
MTA	82
Office of General Services	98
Parks & Recreation	56
Regional Economic Development Program	0
Roosevelt Island Operating Corporation	4
State	3
State Equipment Finance Program	130
State Police	12
State University of New York	592
Strategic Investment Program	0
Technology	80
Temporary & Disability Assistance	30
Thruway- Canal	2
Transportation	4,305
<b>Total New 2009-10 Executive Budget Capital Spending</b>	<b>8,276</b>

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# METROPOLITAN TRANSPORTATION AUTHORITY FINANCING



In April 2008, the Executive announced the formation of a new commission that would look at methods to fund the capital needs of the Metropolitan Transportation Authority (MTA). The Commission on MTA Financing was headed by Richard Ravitch, a former chairman of the MTA. The 13-member commission reviewed the authority's finances and developed strategies to fund MTA capital projects and operating needs over the next ten years. The Executive also wanted the commission to revisit the elements of congestion pricing, a major component of PlaNYC 2030, Mayor Michael R. Bloomberg's long-term sustainability plan.

In his announcement, the Executive acknowledged that financing downstate mass transit related to a broader statewide transportation strategy, and that the commission should serve as a model for how the state handles its responsibility for funding other transportation needs, including highways and bridges, rail, ports and aviation.

In early December, the Ravitch Commission issued its final report. To produce new revenues for the MTA, **the Commission recommends instituting a new one-third of one percent "mobility tax" or payroll tax on businesses in the MTA service area; tolling the free East River and Harlem River bridges; and having the MTA adopt an eight percent fare and toll increase (instead of 23 percent) for 2009.** (See "Ravitch Commission Recommendations" on the following pages.)

In addition to Richard Ravitch, the following members served on the commission:

- Elliot G. Sander - Executive Director and CEO of the MTA
- Laura L. Anglin – Director, New York State Division of the Budget
- Mark Page – Director, New York City Office of Management and Budget (OMB)
- Father Joseph McShane – President, Fordham University
- Robert B. Catell – Chairman, National Grid, U.S.
- Kim Paparello Vaccari – Transportation Group, Bank of America Securities
- Steven Polan – Partner, Manatt, Phelps & Phillips, LLP
- Peter Goldmark – Environmental Defense Fund. Former Chairman & CEO, International Herald Tribune
- Douglas Durst – The Durst Organization
- Mysore L. Nagaraja – Former President, MTA Capital Construction
- Kevin Burke – Chairman, Con Edison and Con Edison New York
- Bernard Beal – Founder and CEO of M.R. Beal & Co.

## Transportation Capital Funding Needs

During 2009, both the MTA and New York State Department of Transportation (DOT) will be in the last year of their current five-year capital plans. It is evident that both the MTA and DOT will need new or additional revenue sources to support their next capital spending plans.

The capital funding issue came to light when both the MTA and DOT, as required under the 2007 legislation that established the New York

City Traffic Congestion Mitigation Commission, submitted new proposed multi-year capital programs prior to March 31, 2008, over one year ahead of schedule. Congestion pricing (in this case requiring drivers to pay to enter all or parts of Manhattan during certain hours) was seen as a potential funding source for transportation capital projects. It was therefore decided that the Legislature should be able to review new proposed Capital Plans while considering congestion pricing legislation. Congestion pricing was not approved, and remains a controversial subject. Given that the current five-year capital plans for the MTA and DOT plans are good through at least 2009 and the new capital plan proposals were largely unfunded, the accelerated proposals were not acted upon.

Nevertheless, the MTA's proposal provides a good example of the basic funding problem facing both the MTA and DOT. Each agency's capital needs are substantial.

### **MTA Capital Plan**

In early 2008, the MTA proposed a new \$29.5 billion 2008-2013 capital program containing **three tiers**. The **first tier** was a core or base program valued at **\$20.8 billion**, including a contingency reserve of \$800 million. The core program consisted of projects needed to bring the system to a state of good repair, normal replacement, and system improvements. The MTA included **\$5.5 billion in the second tier** of the Plan to complete system **expansion projects**, such as East Side Access and the first phase of the Second Avenue Subway, both of which are now underway.

The final piece of the MTA's proposal was grouped under "**new capacity expansion investments**." Since the metropolitan region is expected to experience significant population growth by 2030, the MTA recommended a total of **\$3.2 billion** in additional investments in regional transit. This amount includes \$1.4 billion for subway signal work and \$1 billion for the second phase of the Second Avenue Subway.

The MTA's proposed 2008-13 Capital Plan provides a good indicator of the plan it will propose to succeed its current 2005-2009 Capital Plan (valued at between \$18 billion and \$20 billion). The MTA's 2008-13 proposed plan has very little identified funding to support such an ambitious program. Even with the assumption that congestion pricing would finance \$4.5 billion of bonds for a new MTA capital program, there would have been a remaining funding gap of at least \$9.5 billion. The MTA would need much more than congestion pricing to fund its next capital spending program.

Since the Department of Transportation proposed a \$25.7 billion 2009-2014 capital program in March 2008, and acknowledged a total cash need of at least \$4.9 billion, funding the next DOT plan will involve similar issues. This is especially true considering that construction costs have increased substantially due to rising material and commodity prices. Inflation has already led to project cost increases, delays, and scope changes for both the current DOT and MTA capital plans.

### **MTA Operating Budget Deficit**

Throughout 2008, the MTA's forecasted budget gap for 2009 worsened. The deterioration in the Authority's financial condition is a result of the current financial crisis and troubled economy, the continued fall-off in receipts from taxes on real estate transactions and corporate activities, the increase in fuel and energy prices, and the inability to obtain a pledge of additional state or city assistance.

In July, the MTA estimated the 2009 deficit at about \$900 million (already much larger than the \$215 million deficit projected in February). At the time, the MTA said that it expected to end 2008 with a \$344 million surplus. The MTA indicated it would seek additional aid from the city and state (\$300 million in additional assistance in 2009 and a total of \$600 million per year beginning in 2010). In addition, the MTA

recommended an eight percent increase in fares and tolls in July 2009.

By December, the MTA's projected budget gap for 2009 had increased to \$1.2 billion, including a nearly \$300 million surplus carried over from 2008. The Authority's budget no longer assumes any additional operating aid from the state or city. Unless additional funds become available, the **MTA's 2009 budget now includes a proposed 23 percent revenue increase in subway, bus, and commuter fares and bridge and tunnels tolls; significant service cuts; and layoffs.**

Under the MTA's latest financial plan, the **fare and toll hikes would take effect in June of 2009**, and would follow upon the four percent increases that occurred in March of 2008. In the more than 100-year history of the subway system, the fare has gone up in consecutive years only once before, in 1980 and 1981. The base subway and bus fare in New York City would likely increase from the current \$2.00 level to \$2.50. The MTA is developing several fare options or scenarios for discussion.

The MTA's deficit-closing plan also involves eliminating nearly 3,000 jobs in 2009 and 2010. For example, by 2010 the Long Island Rail Road and New York City Transit will lose 327 and 2,276 positions, respectively. For 2009, budget actions at the LIRR include: cutting 173 positions, including ticket-selling agents; a reduction in service on weekends and off-peak periods; the cancellation and combination of trains; and less station maintenance. The LIRR recently announced that it will not defer completion of its platform gap remediation plan, as initially proposed last month.

The MTA's plan also calls for charging more for Access-A-Ride, the program which provides transportation within New York City to the disabled at an annual cost of \$360 million (2009 forecast). The Access-A-Ride fare is now equal to the current base transit fare, \$2. The MTA is proposing to increase the passenger rate to twice

the base fare, the legal limit under federal law. The proposed MTA budget also includes the closing of selected token booths and the elimination of the Station Customer Assistant program. The program has moved approximately 600 station agents out of their booths to assist customers with questions and directions.

Other transit service cuts include elimination of the W and Z subway lines, shortening service on the G and M lines, and the elimination of some overnight and weekend bus routes. For the LIRR, weekend service on the West Hempstead branch would be discontinued. In addition, selected trains would be cancelled and combined to increase capacity utilization.

The MTA board voted in mid-December 2008 to approve the authority's 2009 budget. The MTA will be holding a series of public hearings in January 2009 on the proposed tariff and service changes. The board plans to vote on the actions in February 2009.

While some news reports have referred to the financial plan as the "Doomsday" budget, **the MTA points out that it only has two remedies at its disposal to deal with its budget crisis, fare increases and/or service cuts.** In order to reduce the size of the fare increase and avert the service reductions, the MTA is encouraging quick adoption of the recommendations contained in the Ravitch Commission report.

#### **Ravitch Commission Recommendations**

In early December, the Ravitch Commission on MTA Financing issued its final report. To produce new revenues for the MTA, **the Commission recommends instituting a new one-third of one percent "mobility tax" or payroll tax on businesses in the MTA service area; tolling the free East River and Harlem River bridges; and having the MTA adopt an eight percent fare and toll increase (instead of 23 percent) for 2009.** As proposed by the Commission, the proceeds from the new payroll

tax would go into a “lockbox” to help finance the MTA’s capital program. However, for 2009 and 2010 some funds would be used to provide sufficient operating assistance to eliminate the need for service cuts and layoffs.

According to the Ravitch Commission, the mobility tax would raise \$1.5 billion annually to cover the debt service payments for the next MTA Capital Plan (2010-2014), and the bridge tolls would generate \$600 million for mass transit. The commission also recommends increased bus service and new Bus Rapid Transit routes, as well as the creation of a Regional Bus Authority within the MTA that would expand and rationalize bus service within the region.