New York State Senate Majority Coalition

Finance Committee / Counsel Staff Analysis of the FY 2015 Executive Budget

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January 27, 2014

Dear Senators:

Please find attached the ñStaff Analysis of the FY 2015 Executive Budget.ò 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.

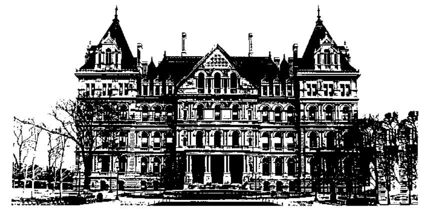
This analysis of the Executive Budget begins with a summary of the spending plan. It then examines an explanation of proposed changes that affect receipts and provides for Senate Issues in Focus. Finally, it provides a summary of the Executiveôs Article VII language bills submitted as part of the Executive Budget. The report provides an analysis of the appropriations recommended this year and an analysis of the Governorôs recommendations.

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

Sincerely,

John A. DeFrancisco

Report of the Senate Finance Committee



STAFF ANALYSIS OF THE FY 2015 EXECUTIVE BUDGET

As Prepared by the Senate Majority Coalition Finance Committee / Counsel Staff

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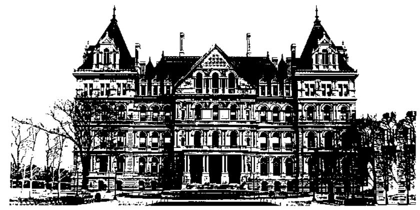

Staff Analysis Of The
FY 2015 Executive Budget

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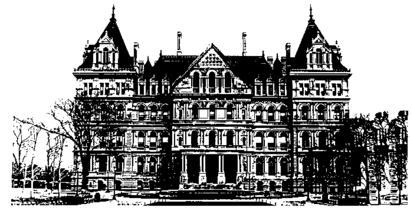

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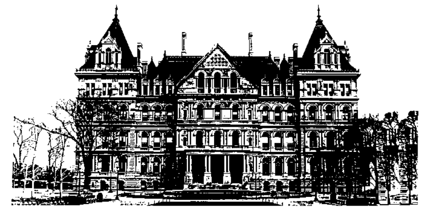


SECTION ONE

HIGHLIGHTS OF THE EXECUTIVE BUDGET

OVERVIEW

The FY 2015 Executive Budget financial plan reflects the results of spending restraint exercised over the past three years and proposes a fourth year of spending under the two percent growth benchmark pointing to the vital need for continued restraint to allow the State's economy to recover.

For years State spending outpaced growth in the State's economy. The disconnect between revenue growth and State spending drove the need for additional revenues and contributed to making New York less competitive. For the fourth straight year the Governor is proposing a budget that modestly increases spending. While controlling spending the proposed budget demonstrates that critical areas such as education could be funded with increases of four percent, double the benchmark and increases in funding for Pre-k, and investments in health care, the biggest drivers of State spending are supported.

The Executive uses the tax dollar dividends produced from the combination of an improving economy and controlled spending to begin modest tax reductions targeted towards businesses and property taxpayers.

In addition to holding the overall annual spending increase to below the two percent growth benchmark the assumption underlying the Executive's proposed $2.5 billion tax relief plan requires spending reductions of $1.7 billion in FY 2015 and more than $7.7 billion in additional reductions over the next three fiscal years. An added strain on the FY 2015 Executive Budget and risk in future years is the reliance on a $10 billion Medicaid Spending Waiver still pending approval at the Federal level.

Significant new State capital investments are proposed in the form of a $2 billion school technology bond act initiative, over $1 billion for SUNY and CUNY capital projects, health care facility capital restructuring funds of $1.2 billion and various economic development programs, and new public works capital projects.

The State and national economies are improving but slowly. Unemployment rates remain high and while job growth is slowly improving employment rates are impacted by a declining labor participation rate from those who are no longer looking for work. Uncertainty in Washington and competition for jobs globally and from neighboring states remain a reality. That New York continues to lose population to other States is a real challenge for the State's future growth potential.

While limiting overall annual spending to the two percent growth assumption requires significant restraint, it is attainable when viewed in terms of the actual growth in spending that has occurred over the last ten years. The annual spending increases projected within the FY 2015 Executive Budget are still 31 percent higher on average than State spending ten years prior.

State Operating Funds Spending Growth, 10 Year Perspective (Millions of $)

Fiscal Year	Historical Actual Vs. 2 % Projected Spending Levels	Spending Growth Comparison- Increase Over 10 Year Period (%)
FY5	$63,972	
FY6	$69,723	
FY7	$77,311	
FY8	$81,379	
FY15	$92,027	44%
FY16	$94,154	35%
FY17	$96,037	24%
FY18	$97,958	20%
Average Increase under 2 % Spending Growth		31%

The Executive Budget revenue outlook continues a conservative growth forecast returning FY 2015 tax receipt projections to two percent after the more robust tax receipt growth of 4.7 percent in FY 2014.

Tax Receipt Projections (Million of Dollars)					
	FY14	FY15	FY16	FY17	FY18
Tax Receipts	69,414	70,794	74,077	77,148	79,740
Growth	-	2.0%	4.6%	4.1%	3.4%

FINANCIAL PLAN

The Executive Budget financial plan projects a budget surplus prior to tax actions of $486 million in FY 2015, growing to a structural surplus of $6.8 billion by FY 2018. The FY 2015 surplus results from stronger than expected tax collections through January of 2014.

Proposed All Funds spending (excluding Extraordinary Federal Aid for Superstorm Sandy and the Affordable Care Act) totals $137.2 billion, an increase of $1.8 billion or 1.3 percent. Including Extraordinary Federal Aid brings the total All Funds FY 2015 spending level to $142.1 billion, an increase of $1.3 billion or 0.9 percent.

FY 15 ALL FUNDS SPENDING (Billions of Dollars)				
	FY14	FY15	Change	Percent
All Funds w/o Extraordinary Federal Aid	$135.4	$137.2	$1.8	1.3%
All Funds w Extraordinary Federal Aid)	$140.9	$142.1	$1.3	.9%

Proposed State Operating Funds spending totals $92 billion in FY 2015, an increase of $1.5 billion or 1.7 percent.

FY 2015 STATE OPERATING FUNDS SPENDING (Billions of Dollars)			
2014	2015	Change	Percent
$90.5	$92	$1.5	1.7%

BUDGET GAP CLOSING PLAN

The Executive estimates a FY 2015 budget surplus of $486 million before tax actions. The elimination of the FY 2015 gap of $1.7 billion reflects stronger than expected prior year tax collections combined with adjustments to current services spending to adhere to the two percent State Operating Funds spending benchmark. The Executive FY 2015 Gap Closing Plan is as follows:

FY 2015 Budget Gap	
Millions of Dollars	
Spending Reductions	
Agency Operations	$ 358
Local Assistance	$ 1,624
Debt Management	$ 116
Total Spending Reductions	**$ 2,098**
Surplus From FY 2014	$ 310
Other Resources	$ (24)
Proposed Investments	$ (156)
Proposed Tax Actions	$ (486)
Total Revenue/Other	**$ (356)**
Total Gap Closing Plan	**$ 1,742**

RECEIPTS

The Executive projects FY 2015 State Operating Funds receipts at $89.8 billion, an increase of $2.3 billion or 2.6 percent. FY 2015 All Funds receipts are projected to grow from $140.8 billion to $141.9 billion, an increase of $1.1 billion or 0.8 percent. All Funds receipt increases reflect the impact of Extraordinary Federal Aid.

The FY 2015 Executive Budget includes a proposed tax reduction package estimated to reduce tax receipts by nearly $2.5 billion by 2017. These tax receipt reductions are offset by $700 million in other tax modifications, including increases and cash flow modification proposals.

Proposed tax reductions center on corporate, property, manufacturing industry and estate tax reductions. Tax increase and cash modifications include eliminating the Securities Investment tax credit; narrowing Investment tax credit eligibility along with the definition of manufacturer; delaying payment of the Family Relief Tax Credit, eliminating the Senior STAR income threshold inflation adjustment and closing the Resident Trust tax advantage.

RESERVES:

The Executive Budget projects a FY 2015 General Fund closing balance of $1.7 billion, an increase of $60 million over the projected closing balance for FY 2014. Included within the FY 2015 reserve total is $1.3 billion for statutory reserves; $53 million for prior year labor agreements (2007-2011); and $363 million for debt reduction.

MAJOR SPENDING AREA HIGHLIGHTS

HEALTH - MEDICAID

The Executive Budget proposes spending within the Medicaid cap for FY 2015. The FY 2015 All Funds Medicaid spending, including the local share and mental hygiene agencies, is projected to be $58.2 billion, an increase of $2.6 billion, or 4.6 percent, this includes federal funds.

The Executive proposes to extend the State Medicaid cap provisions for one year to limit state Medicaid growth to 3.8 percent; restores the two percent across-the-board reductions made to all service sectors in FY 2012, and extends the elimination of institutional trend factors for hospitals and nursing homes. The net increase to all providers as a result of the restoration of the two percent reductions is estimated to be $323.8 million. The elimination of the institutional trend factors for hospitals and nursing homes is projected to provide cost avoidance totaling $607.4 million in FY 2015.

The Executive also recommends implementing Phase IV Medicaid Redesign Team proposals, and provides $308.7 million in State Medicaid funds to offset increased expenditures associated with the Home Care Worker Wage Parity Law enacted in FY 2012.

The FY 2015 Executive Budget recommends establishing a seven year $1.2 billion capital program with the Department of Health (DOH) to restructure and improve the financial stability and efficiency of New York's health care delivery system. Also included is a $4 billion, two-year appropriation related to the $10 billion Federal Medicaid Redesign Team waiver pending approval from the Federal government.

HUMAN SERVICES

The Executive Budget provides $9.2 billion for Human Service agencies, a reduction of $371 million or 3.9 percent. The net All Funds decrease can mainly be attributed to the Office of Temporary and Disability Assistance (OTDA) projected decreases in public assistance caseloads and Federal program funds, along with the decrease in the Supplemental Security Income (SSI) program due to the State administrative takeover. Increased capital funding of $33 million is provided for the Homeless Housing and Assistance Program.

Within the Office of Family and Children (OCFS) decreases are attributable to the Close to Home Phase I initiative and related facility closures. The Executive is proposing to delay Phase II of the Close to Home Initiative involving the transfer of young people in limited-secure placements. The OCFS two percent Cost of Living Adjustments for human service providers is also proposed for delay. Increased funding of $30 million is proposed for the Pay to Success program to attract private funding for child welfare and early childhood, healthcare, and public safety programs.

MENTAL HYGIENE

The Executive Budget proposes FY 2015 spending of $7.45 billion, an increase of $68 million or 0.9 percent for all mental hygiene agencies. Additional DOH Medicaid spending of $745 million, reflecting an increase of $15 million over FY 2014 levels, is also available for the Office of People with Developmental Disabilities (OPWDD).

The Executive proposes Mental Hygiene savings totaling almost $200 million by deferring the Cost of Living Adjustment for Human Services providers as well as the OPWDD Medicaid trend factor increase for one year; extending the statute related to representative payees; and closing the Office of Mental Health's Western New York Children's Psychiatric center and OPWDD's O.D. Heck facility. Increases in community service, capital and housing funds recommended for Mental Hygiene total slightly over $109 million.

SCHOOL AID

The Executive provides $21.9 billion in General Support for Public Schools (GSPS) in FY 2015, an increase of $807 million or 3.8 percent over FY 2014. This increase provides an additional $279.5 million for expense based aids including Transportation Aid, BOCES, Special Education and Building Aid for the 2014 School Year. Funding of $323.2 million is provided to reduce the Gap Elimination Adjustment. An undistributed allocation of $100 million is available for the expansion of universal full day pre-kindergarten. Fiscal Stabilization grants for school districts are funded at $74 million. The Executive's competitive grants for academic performance and management efficiency are funded at $50 million.

Multi-year initiatives proposed by the Executive include the Smart Schools Technology Bond Act ($2 billion); Statewide Universal Full Day Pre-Kindergarten ($1.5 billion); After School Programs Enhancement ($720 million); Teacher Excellence Fund ($20 million); and the Pathways in Technology and Early College High School Expansion ($5 million).

HIGHER EDUCATION

The FY 2015 Executive Budget provides funding of $10.3 billion for the State University of New York (SUNY) and $4.15 billion for the City University of New York (CUNY). This reflects an increase of 6.5 percent for SUNY and a 10.9 percent increase for CUNY over FY 2014 levels. Funding increases are attributable to additional tuition revenue and fringe benefit costs for both SUNY and CUNY, increased General Fund support for fringe benefit costs, and additional tuition assistance driven by higher costs.

The Executive proposes $767 million in FY 2015 capital funding for SUNY, an increase of $481 million or 168 percent. CUNY FY 2015 capital funding is proposed at $311 million, representing an increase of $266 million or 589 percent. Capital funding is principally directed to critical maintenance projects in both systems.

Article VII transfer language is proposed by the Executive for the teaching hospitals in Brooklyn, Stony Brook and Syracuse. This language pledges to increase State support from $60 to $69.3 million, with the added $9.3 million dedicated to Brooklyn Hospital. This increase is offset by the Executive elimination of $27 million in added FY 2014 support for SUNY Hospitals. Funding for the five SUNY statutory colleges remains flat with no change in distribution.

Currently, state aid to SUNY and CUNY community colleges is allocated based on the enrollment of full time equivalent students (FTEs). The Executive leaves this formula unchanged. Local assistance to SUNY community colleges decreases from $449.6 to $448.4 million, while support for CUNY community colleges increases from $199 to $201 million. Funding changes in both systems are based on enrollment.

The Executive proposes a new scholarship program for students in the fields of Science, Technology, Engineering, and Math (STEM). The Executive proposes $8 million for this program in FY 2015 and anticipates costs of $30 to $40 million in future years.

TRANSPORTATION:

The FY 2015 Executive Budget proposes an All Funds spending level of $8.97 billion, a $381 million or four percent increase over FY 2014. This increase is attributable to a shift in the CHIPS and Marchiselli funding source requiring new Department capital appropriations; transit funding increases reflecting projected dedicated transit revenues; and decreased capital project disbursements adjusting for prior year project accelerations.

The FY 2015 Executive Budget continues the second year of the Two-Year $7.1 billion Transportation Capital Plan enacted in FY 2014. In FY 2015, this includes the following new project obligations: $1.7 billion for Core Highway Program projects; $200 million for New York Works - Highway projects; $354 million for Preventive Maintenance projects; $54 million for Rail development; $37 million for non MTA transit; and $4 million for Aviation projects. An additional $25 million is reserved to address transportation priorities in FY 2015.

The FY 2015 Executive Budget recommends All Funds spending of over $4.8 billion in total transit operating assistance. The MTA would receive $4.3 billion, reflecting an increase of $85 million or two percent, while other systems would receive over $461 million, representing a $7.9 million increase, or 1.75 percent.

Under the Executive's proposal, funding for the Consolidated Highway Improvement Program (CHIPS) and the Municipal Streets and Highways Program ("Marchiselli") remains at the FY 2014 level of $478 million.

PUBLIC PROTECTION:

The Executive proposes FY 2015 spending of $6.9 billion for all Public Protection agencies, a decrease of 28 percent over FY 2014. While this decrease primarily reflects a reduction in spending related to Superstorm Sandy, the closure of correctional facilities also accounts for decreased Public Protection spending.

The Executive proposes to close four correctional facilities in FY 2014: Butler (Medium Security) in Wayne County; Chateaugay (Medium Security) in Franklin County; Mt. McGregor (Medium Security) in Saratoga County and Monterey Shock (Minimum Security) in Schuyler County. The Department of Corrections and Community Supervision (DOCCS) projects these closures to save $30 million and result in a reduction of 1,324 beds within the prison system.

Public Protection initiatives include; $15 million to create a SUNY College of Emergency Preparedness, Homeland Security and Cybersecurity; $15.2 million to fund a Gun-Involved Violence Elimination Program; $10 million for an Interoperable Communications

Grant Program and $10 million for a New York State Protection Cloud Program.

ECONOMIC DEVELOPMENT AND JOB CREATION

The Executive recommends FY 2015 spending of $972.1 million for all Economic Development agencies, an increase of $246 million or 33.9 percent from FY 2014.

The Executive continues the use of regional economic development regional councils as a means to distribute funding throughout the State. Funding of $220 million is proposed to be allocated by the councils with $150 million going to new capital projects and $70 million set aside for Excelsior Jobs Program tax credits.

In addition to this funding, the Executive proposes $680 million for the Buffalo Region Innovation Cluster; and capital funding of $467 million including $180 million for Nano Utica; $55.75 million for the New York Genome Project; $55 million for SUNY 2020; $55 million for CUNY 2020; $50 million for the SUNY College of Nanoscale Science Engineering; $30 million for Onondaga County revitalization projects; $24 for the Economic Transformation Program to provide funding to communities impacted by prison and youth facility closures; $10 million for the Clarkson-Trudeau Partnership; $5 million for the Cornell University College of Veterinary Medicine; and $2.2 million for Western New York football. Four new Centers of Excellence are also proposed to be designated at Stony Brook, Buffalo and two in Rochester.

AGRICULTURE/ENVIRONMENT/ HOUSING

The FY 2015 Executive Budget recommends $1.66 billion in spending for the State's Environmental Conservation, Energy, Agriculture and Housing agencies, and a reduction of $23.1 million.

The Executive is proposing major reform of the Brownfield Cleanup Program that would extend the credit program due to expire on December 31, 2015 for 10 years. Under the Executive's proposal remediation tax credits would cover actual cleanup costs and redevelopment credits would cover sites that have been vacant for over a decade, worth less than the cleanup costs, or deemed priority economic development projects.

The Executive proposes a $4 million increase for the Environmental Protection Fund (EPF) and provides $100 million in additional Superfund bonding authority and $40 million in New York Works capital funding to provide municipal grants for site remediation, wastewater infrastructure improvements, plugging of old gas wells, recreational facilities health and safety repairs, and e-business upgrades.

The Executive Budget provides no appropriations or authorizing language in FY 2015 to fund the staffing and oversight of high volume horizontal hydro-fracking natural gas extraction and distribution.

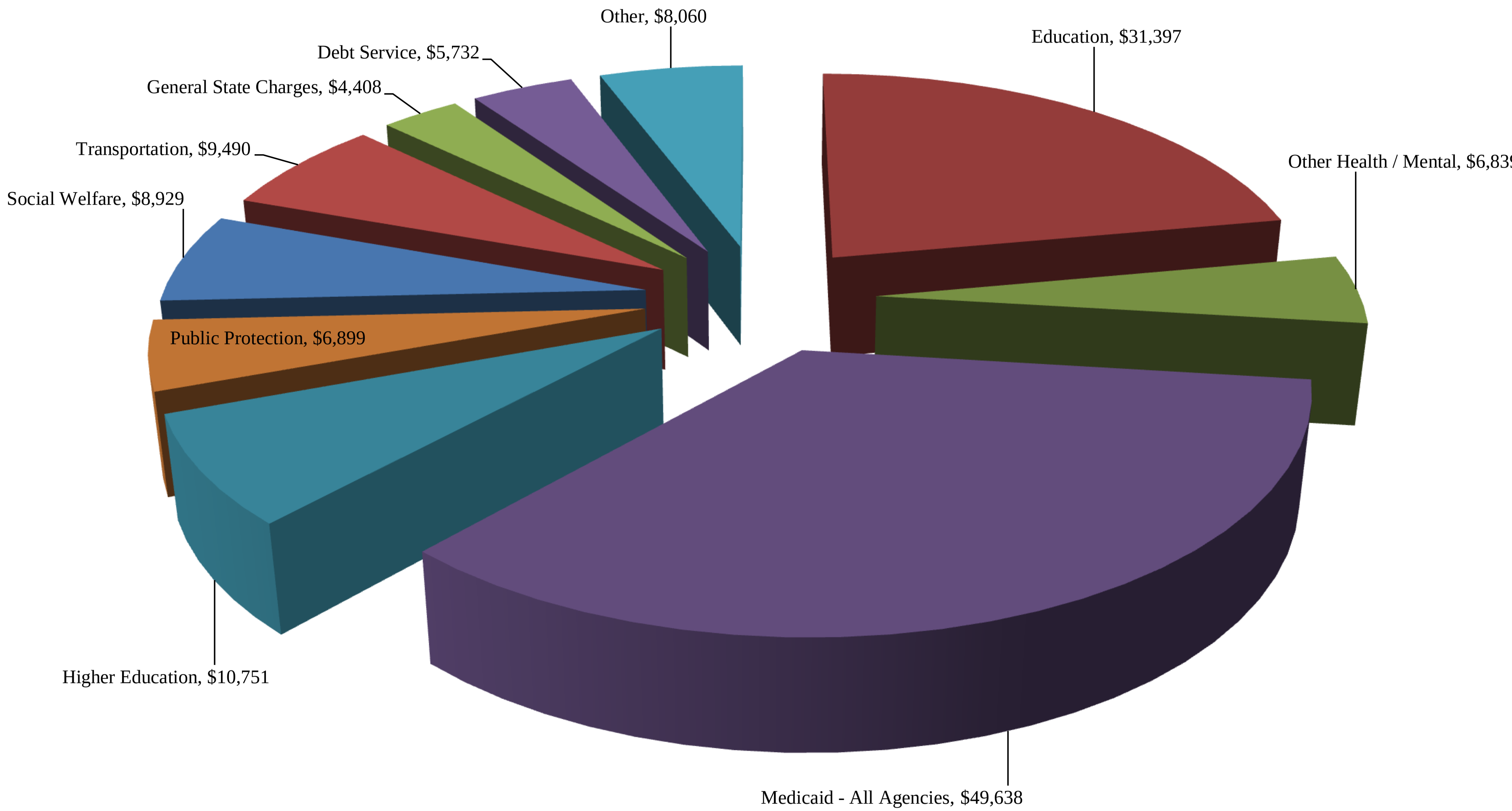
The FY 2015 Executive Budget includes $5.5 million in funding for a Long Island Office of the Department of Public Service; $9.2 million for Cornell University Veterinary, integrated pest, and agriculture related programs; $6.5 million for Agribusiness Child Development programs; $1.1 million for the "Taste NY" program; $713,000 for the Wine and Grape Institute, $400,000 for the Farm Viability Institute and $206,000 for the Apple Growers Association.

The FY 2015 Executive Budget expands the HouseNY program by adding $10 million in new capital resources for construction and renovation of affordable housing for low income individuals and families, coupled with an additional $30 million of in Homeless Housing and Assistance Program.

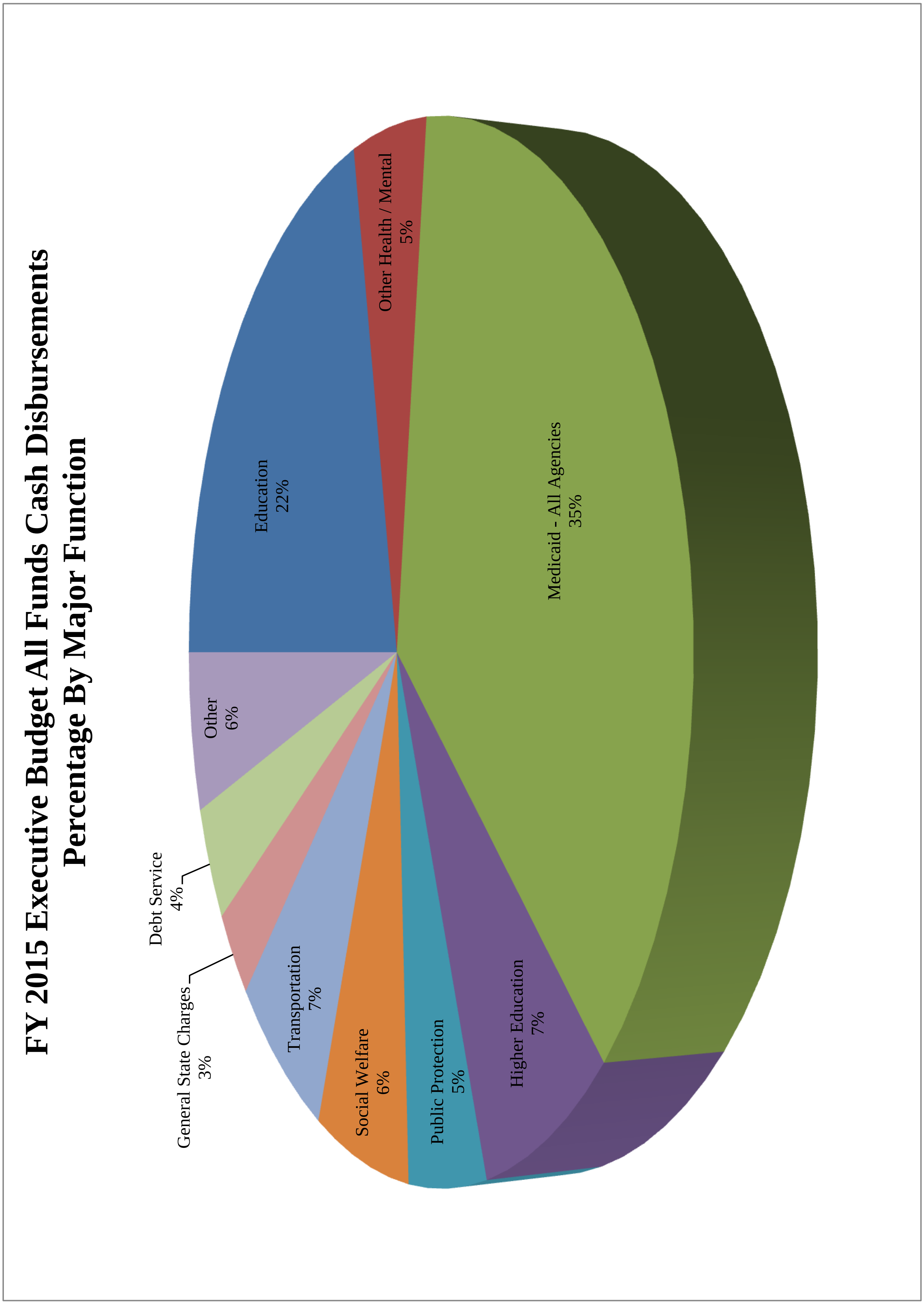
STATE OPERATIONS / WORKFORCE

The total State workforce subject to direct Executive control decreases by 260 full time equivalent positions (FTE) from 119,413 in FY 2014 to 119,153 in FY 2015. There are no anticipated layoffs in the FY 2015 Executive Budget. The potential does exist for job displacement related to facility restructuring. New hires to replace attrition or to fill new positions will add 3,058 positions to the State workforce subject to direct Executive control. Major workforce changes include a net decrease of 720 positions with the OPWDD and 234 positions with the OCFS offset by net increases of 323 positions with the DOH; 66 positions with the DOCCS and 59 positions within OTDA.

FY 2015 Executive Budget All Funds Cash Disbursements
(millions of dollars)



Notes. Totals may not foot due to rounding. Includes extraordinary federal funding related to Hurricane Sandy and the Affordable Care Act.


FY 2015 Executive Budget All Funds Cash Disbursements
Percentage By Major Function
Other Health / Mental
5%
Education
22%
Medicaid - All Agencies
35%
Other
6%
Debt Service
4%
General State Charges
3%
Transportation
7%
Social Welfare
6%
Public Protection
5%
Higher Education
7%

Executive's Tax and Revenue Action Proposals

(Millions of Dollars)

	FY 2015	FY 2016	FY 2017	FY 2018
Main Tax Reduction Proposals				
Real Property Tax Freeze	($400)	($976)	($475)	$0
Accelerate Article 18-A Temporary Assessment Phase-Out	($200)	($200)	($200)	$0
Estate Tax Reform	($33)	($175)	($371)	($612)
Zero Rate ENI for Upstate Manufacturers	($24)	($24)	($25)	($25)
Circuit Breaker	$0	($200)	($525)	($1,000)
Renter's Credit	$0	($200)	($400)	($400)
Manufacturers Real Property Tax Credit	$0	($136)	($136)	($136)
Corporate Tax Reform	$0	($205)	($346)	($346)
Enhance Youth Works Tax Credit	$0	($4)	($4)	($4)
Repeal the Boxing and Wrestling Exhibitions Tax	$0	$0	$0	$0
Repeal the Personal Income Tax Add-On Minimum Tax	$0	$0	$0	$0
Repeal the Franchise Tax on Agriculture Cooperatives	$0	$0	$0	$0
Repeal Stock Transfer Tax	$0	$0	$0	$0
Subtotal	**($657)**	**($2,120)**	**($2,482)**	**($2,523)**
Other Tax Reductions and Extensions				
Expand the Low Income Housing Credit	$0	($8)	($16)	($16)
Extend the Commercial Production Tax Credit for Two Years	$0	$0	($7)	($7)
Extend and Reform the Brownfields Clean-Up Program	$0	$0	$0	$0
Extend the Alternative Fuels Tax Exemptions For Two Years	($6)	($12)	($6)	$0
Extend the Non-Custodial Earned Income Tax Credit For Two Years	$0	$0	($4)	($4)
Extend certain Pari-Mutuel tax Rates and Authorization for Account Wageri	$0	$0	$0	$0
Extend Monticello Video Lottery Terminal Rates for One Year	($3)	$0	$0	$0
Subtotal	**($9)**	**($20)**	**($33)**	**($27)**
Tax Increases and Postponements				
Modify Delivery of the Family Tax Relief Credit After Tax Year 2014	$0	$410	$0	($410)
Repeal the Financial Services Investment Tax Credit	$30	$30	$30	$30
Reform the Investment Tax Credit	$65	$65	$65	$65
Close the Resident Trust Loophole	$75	$225	$150	$150
Eliminate the Income Threshold Inflation Adjustment for enhanced STAR	$0	$3	$3	$3
Subtotal	**$170**	**$733**	**$248**	**($162)**
Other Tax and Enforcement Actions				
Authorize a Professional and Business License Tax Clearence	$0	$3	$3	$3
Increase Personal Income Tax Filing Threshold	$0	$0	$0	$0
START-UP NY Technical Amendment for Section 186-e Excise Tax	$0	$0	$0	$0
Modify Signature requirements on e-Filed Returns Prepared by Tax Professionals	$0	$0	$0	$0
Align mobility and Personal Income Tax Filings for the self-Employed	$0	$0	$0	$0
Subtotal	**$0**	**$3**	**$3**	**$3**
Net Total	**($496)**	**($1,404)**	**($2,264)**	**($2,709)**

All Funds Cash Financial Plan

FY 2013 through FY 2015
(millions of dollars)

	2013 Results*	2014 Current	Change	Percent	2015 Proposed	Change	Percent
Opening fund balance	**3,360**	**3,877**	**517**	**15.39%**	**4,063**	**186**	**4.80%**
Receipts							
Taxes	66,302	69,414	3,112	4.69%	70,794	1,380	1.99%
Miscellaneous receipts	24,030	23,850	(180)	-0.75%	25,315	1,465	6.14%
Federal grants	42,843	47,506	4,663	10.88%	45,792	(1,714)	-3.61%
Total receipts	**133,175**	**140,770**	**7,595**	**5.70%**	**141,901**	**1,131**	**0.80%**
Disbursements							
Grants to local governments	95,429	101,936	6,507	6.82%	102,896	960	0.94%
Departmental Operations:							
Personal Service	13,012	13,035	23	0.18%	13,214	179	1.37%
Non-Personal Service	6,170	6,635	465	7.54%	6,566	(69)	-1.04%
General State charges	6,676	7,302	626	9.38%	7,668	366	5.01%
Debt service	6,138	6,061	(77)	-1.25%	5,688	(373)	-6.15%
Capital projects	5,672	5,896	224	3.95%	6,109	213	3.61%
Total disbursements	**133,097**	**140,865**	**7,768**	**5.84%**	**142,141**	**1,276**	**0.91%**
Net other financing sources (uses)	439	281			253		
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	517	186			13		
Closing Fund Balance	**3,877**	**4,063**	**186**	**4.80%**	**4,076**	**13**	**0.32%**

* FY 2013 data derived from the FY 2015 Executive Budget, T-18.

Notes
All Funds is the most comprehensive measure of State spending because it includes Federal transfer payments (or grants).

All Funds spending for FY 2015 is projected at $142.1 billion, an increase of $1.3 billion or .9 percent. This amount includes $2.4 billion in Federal Assistance for Superstorm Sandy and $2.6 billion in Federal funding related to the Affordable Care Act. Excluding extraordinary Federal Aid, All Funds spending is $137.2 billion, an increase of $1.8 billion or 1.3 percent.

State Funds Cash Financial Plan

FY 2013 through FY 2015
(millions of dollars)

	2013 Results*	2014 Current	Change	Percent	2015 Proposed	Change	Percent
Opening Fund Balance	**3,559**	**4,066**	**507**	**14.25%**	**4,278**	**212**	**5.21%**
Receipts							
Taxes	66,302	69,414	3,112	4.69%	70,794	1,380	1.99%
Miscellaneous receipts	23,855	23,664	(191)	-0.80%	25,129	1,465	6.19%
Federal grants	146	80	(66)	-45.21%	79	(1)	-1.25%
Total Receipts	**90,303**	**93,158**	**2,855**	**3.16%**	**96,002**	**2,844**	**3.05%**
Disbursements							
Grants to local governments	59,641	60,880	1,239	2.08%	62,530	1,650	2.71%
Departmental Operations:							
Personal Service	12,403	12,376	(27)	-0.22%	12,584	208	1.68%
Non-Personal Service	5,280	5,579	299	5.66%	5,583	4	0.07%
General State charges	6,437	6,976	539	8.37%	7,367	391	5.60%
Debt service	6,138	6,061	(77)	-1.25%	5,688	(373)	(0.06)
Capital projects	4,624	4,752	128	2.77%	5,122	370	0.08
Total Disbursements	**94,523**	**96,624**	**2,101**	**2.22%**	**98,874**	**2,250**	**2.33%**
Net other financing sources (uses)	4,727	3,678			2,836		
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	507	212			(36)		
Closing Fund Balance	**4,066**	**4,278**	**212**	**5.21%**	**4,242**	**(36)**	**-0.84%**

* FY 2013 data derived from the FY 2015 Executive Budget, T-52.

Notes
State Funds includes all State spending except Federal transfer payments.

The FY 2015 Executive Budget projects a State Funds spending increase of 2.3 billion or 2.3 percent, inclusive Executive Budget actions. On a current services basis, the Executive Budget projects an increase from $96.6 billion to $100.3 billion, an increase of $3.7 billion or 3.8 percent .

According to the Division of the Budget, the All Urban Consumer Price Index (CPI) for FY 2015 is 1.7 percent.

General Fund Cash Financial Plan

FY 2013 through FY 2015
(millions of dollars)

	2013 Results	2014 Current	Change	Percent	2015 Proposed	Change	Percent
Opening Fund Balance	**1,787**	**1,610**	**(177)**	**-9.90%**	**1,803**	**193**	**11.99%**
Receipts							
Taxes	43,283	42,496	(787)	-1.82%	43,205	709	1.67%
Miscellaneous receipts	3,504	3,251	(253)	-7.22%	3,857	606	18.64%
Federal grants	62	2	(60)	-96.77%	-	(2)	-100.00%
Transfers From Other Funds	11,934	15,904	3,970	33.27%	16,441	537	3.38%
Total Receipts	**58,783**	**61,653**	**2,870**	**4.88%**	**63,503**	**1,850**	**3.00%**
Disbursements							
Local Assistance Grants	39,760	40,383	623	1.57%	41,786	1,403	3.47%
Departmental Operations:							
Personal Service	6,130	5,704	(426)	-6.95%	5,879	175	3.07%
Non-Personal Service	1,726	1,950	224	12.98%	1,961	11	0.56%
General State charges	4,550	4,904	354	7.78%	5,265	361	7.36%
Transfers To Other Funds							
Debt service	1,647	1,628	(19)	-1.15%	1,119	(509)	-31.27%
Capital projects	916	1,078	162	17.69%	1,439	361	33.49%
State Share Medicaid	2,846	1,813	(1,033)	-36.30%	1,488	(325)	-17.93%
SUNY Operations	340	971	631	n/a	970	(1)	-0.10%
Other	1,045	3,029	1,984	189.86%	3,656	627	20.70%
Total Disbursements	**58,960**	**61,460**	**2,500**	**4.24%**	**63,563**	**2,103**	**3.42%**
Excess (Deficiency) of Receipts over Disbursements and Reserves	**(177)**	**193**			**(60)**		
Closing Fund Balance	**1,610**	**1,803**	**193**	**11.99%**	**1,743**	**(60)**	**-3.33%**

Notes

The General Fund is the major operating fund of the State and the traditional measure of State spending; however over the years it has become less reliable as a measure due to spending and taxes in other funds.

The Executive Budget projects FY 2015 General Fund Receipts (including transfers) to increase by $1.9 billion or three percent from FY 2014, this revenue growth is driven by higher than expected personal income tax receipts.

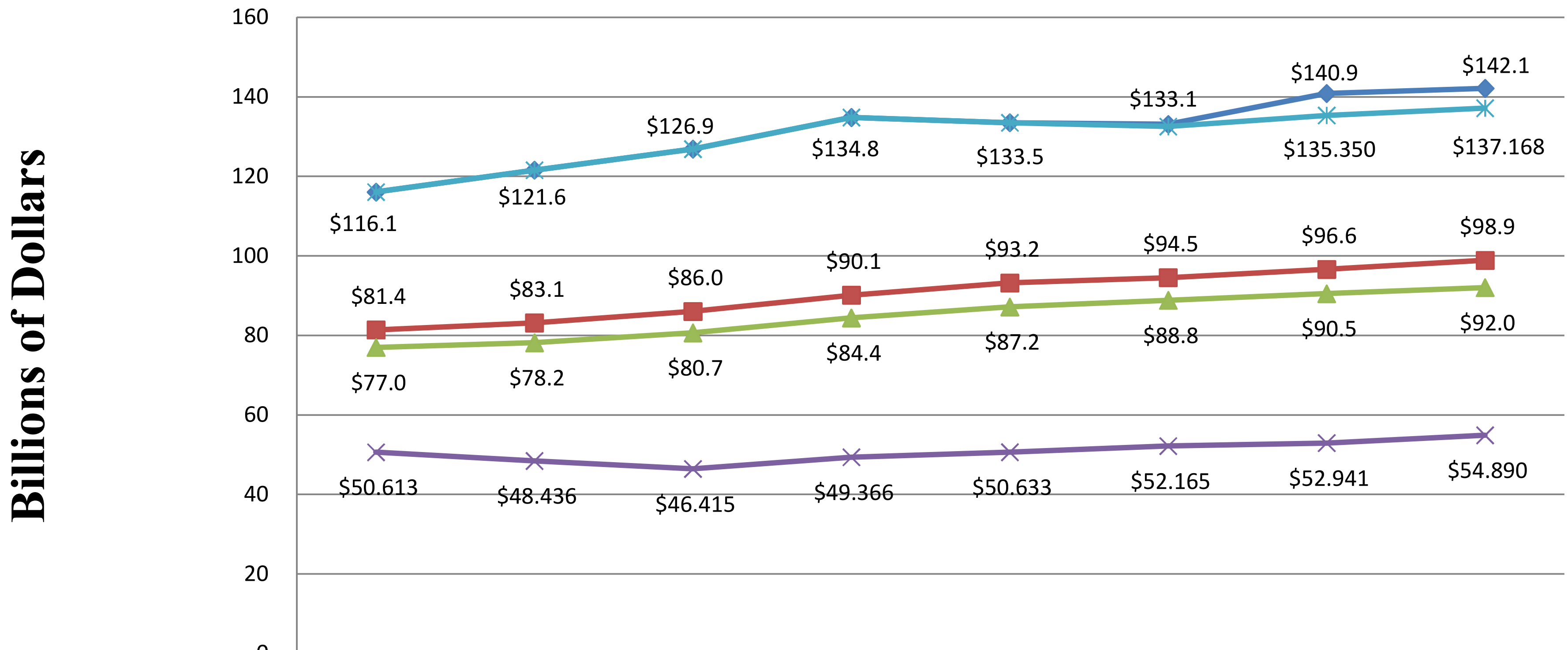
The Executive Budget projects FY 2015 General Fund Disbursements (including transfers) to increase by $2.1 billion or 3.4 percent from FY 2014.

The FY 2015 General Fund closing balance decreases by $60 million from $1.803 billion to $1.743 billion , or approximately 3.3 percent. This amount reflects an $8 million increase in reserves for prior year labor agreements offset by a $68 million reduction in the Community Projects Fund.

Cash Disbursements By Function	All Funds		State Funds		State Operating Funds		General Fund	
FY 2015 Executive Budget	Thousands ($)	Percent	Thousands ($)	Percent	Thousands ($)	Percent	Thousands ($)	Percent
Local Assistance								
Economic Development	886,541	0.86%	886,441	1.42%	390,466	0.64%	152,625	0.37%
Education, school aid	24,416,973	23.73%	21,468,673	34.33%	21,468,673	35.31%	18,253,069	43.68%
Education, STAR	3,429,375	3.33%	3,429,375	5.48%	3,429,375	5.64%	-	0.00%
Education, other	3,066,504	2.98%	2,101,779	3.36%	2,087,779	3.43%	2,074,768	4.97%
Health, other	3,601,504	3.50%	2,027,592	3.24%	1,827,592	3.01%	844,469	2.02%
Health, Medicaid (all components)	45,778,721	44.49%	18,281,623	29.24%	18,281,623	30.07%	13,166,410	31.51%
Higher Education	2,889,053	2.81%	2,881,112	4.61%	2,874,112	4.73%	2,842,006	6.80%
General Government	68,824	0.07%	13,017	0.02%	13,017	0.02%	12,478	0.03%
Local Government Assistance	763,665	0.74%	763,665	1.22%	763,665	1.26%	763,665	1.83%
Mental Hygiene (adjusted)	1,704,516	1.66%	1,569,007	2.51%	1,475,217	2.43%	4,898	0.01%
Parks and Environment	157,662	0.15%	66,392	0.11%	11,392	0.02%	6,542	0.02%
Public Protection	3,042,918	2.96%	254,219	0.41%	254,219	0.42%	90,569	0.22%
Social Welfare, other (adjusted)	3,876,839	3.77%	1,784,525	2.85%	1,672,148	2.75%	1,667,564	3.99%
Social Welfare, welfare asst	3,748,099	3.64%	1,121,373	1.79%	1,121,523	1.84%	1,121,523	2.68%
Transportation	6,175,698	6.00%	5,585,227	8.93%	4,832,772	7.95%	97,551	0.23%
All Other	(711,132)	-0.69%	295,858	0.47%	295,858	0.49%	687,558	1.65%
Total Local Assistance	**102,895,760**	**100.00%**	**62,529,878**	**100.00%**	**60,799,431**	**100.00%**	**41,785,695**	**100.00%**
Percent of Total Spending		**72.39%**		**63.24%**		**66.07%**		**76.13%**
State Operations								
Personal Services	13,214,125	48.22%	12,584,407	49.37%	12,584,407	49.37%	5,879,116	44.86%
Non Personal Services	6,523,260	23.80%	5,540,159	21.73%	5,540,159	21.73%	1,960,785	14.96%
General State Charges	7,667,004	27.98%	7,366,357	28.90%	7,366,357	28.90%	5,264,628	40.17%
Total State Operations	**27,404,389**	**100.00%**	**25,490,923**	**100.00%**	**25,490,923**	**100.00%**	**13,104,529**	**100.00%**
Percent of Total Spending		**19.28%**		**25.78%**		**27.70%**		**23.87%**
Capital Projects	**6,109,206**	**100.00%**	**5,122,438**	**100.00%**	**4,985**	**100.00%**	**n/a**	**n/a**
Percent of Total Spending		**4.30%**		**5.18%**		**0.09%**		
Debt Service	**5,731,762**	**100.00%**	**5,731,762**	**100.00%**	**5,731,762**	**100.00%**	**n/a**	**n/a**
Percent of Total Spending		**4.03%**		**5.80%**		**6.23%**		
Total FY 2015 Spending	**142,141,117**	**100%**	**$98,875,001**	**100%**	**92,027,101**	**100%**	**54,890,224**	**100%**

Notes: General Fund totals do not include transfers to other funds. All Funds totals include extraordinary federal aid related to Hurricane Sandy and the Affordable Care Act. The Medicaid All Components total includes Medicaid spending in other state agencies.

Multi-Year Cash Disbursements Trend



	2008	2009	2010	2011	2012	2013	2014	2015
All Funds	$116.058	$121.572	$126.877	$134.825	$133.504	$133.097	$140.863	$142.141
All Funds, adjusted*	$116.058	$121.572	$126.877	$134.825	$133.504	$132.520	$135.350	$137.168
State Funds	$81.379	$83.145	$86.044	$90.119	$93.2	$94.522	$96.623	$98.875
State Operating Funds	$77.003	$78.166	$80.659	$84.417	$87.181	$88.843	$90.498	$92.027
General Fund	$50.613	$48.436	$46.415	$49.366	$50.633	$52.165	$52.941	$54.890

*excludes extraordinary federal funding related to Hurricane Sandy and the Affordable Care Act

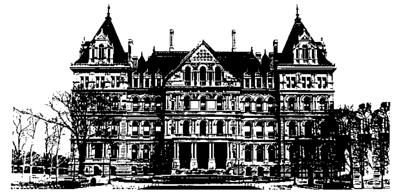
Workforce Impact Summary
All Funds
FY 2013 Through FY 2015

	FY 2013 Actuals (03/31/13)	Starting Estimate (03/31/14)	Attritions	New Fills	Net Change	Ending Estimate (03/31/15)
Minor Agencies						
Adirondack Park Agency	54	54	0	0	0	54
Aging, Office for the	89	90	0	5	5	95
Agriculture and Markets, Department of	467	486	(14)	14	0	486
Alcoholic Beverage Control, Division of	115	127	0	0	0	127
Alcoholism and Substance Abuse Services, Office of	765	762	(40)	40	0	762
Arts, Council on the	25	28	0	0	0	28
Budget, Division of the	268	276	(20)	20	0	276
Civil Service, Department of	299	350	0	0	0	350
Correction, Commission of	26	29	0	0	0	29
Criminal Justice Services, Division of	416	435	0	20	20	455
Deferred Compensation Board	4	4	0	0	0	4
Economic Development, Department of	141	152	0	0	0	152
Elections, State Board of	56	58	0	12	12	70
Employee Relations, Office of	38	37	0	0	0	37
Executive Chamber	111	136	0	0	0	136
Financial Control Board, New York State	14	14	0	0	0	14
Gaming Commission, New York State	365	420	0	10	10	430
Higher Education Services Corporation, New York State	422	304	(12)	0	(12)	292
Homeland Security and Emergency Services, Division of	368	396	0	17	17	413
Housing and Community Renewal, Division of	660	683	(65)	65	0	683
Hudson River Valley Greenway Communities Council	1	1	0	0	0	1
Human Rights, Division of	167	164	0	0	0	164
Indigent Legal Services, Office of	10	10	0	0	0	10
Inspector General, Office of the	62	65	0	0	0	65
Interest on Lawyer Account	8	8	0	0	0	8
Judicial Conduct, Commission on	46	50	0	0	0	50
Justice Center for the Protection of People with Special Needs	0	280	0	72	72	352
Labor Management Committees	63	77	0	0	0	77
Lieutenant Governor, Office of the	5	7	0	0	0	7
Medicaid Inspector General, Office of the	474	484	0	0	0	484
Military and Naval Affairs, Division of	367	387	0	0	0	387
Prevention of Domestic Violence, Office for	23	28	0	0	0	28
Public Employment Relations Board	30	33	0	0	0	33
Public Ethics, Joint Commission on	43	44	0	1	1	45
Public Service Department	477	523	(6)	10	4	527
Quality of Care and Advocacy for Persons With Disabilities, Commission on	76	0	0	0	0	0
State, Department of	544	564	(19)	0	(19)	545
Statewide Financial System	118	139	0	0	0	139
Tax Appeals, Division of	25	27	0	0	0	27
Veterans' Affairs, Division of	88	98	0	0	0	98
Victim Services, Office of	69	74	0	0	0	74
Welfare Inspector General, Office of	2	7	0	0	0	7
Subtotal - Minor Agencies	**7,401**	**7,911**	**(176)**	**286**	**110**	**8,021**

Workforce Impact Summary
All Funds
FY 2013 Through FY 2015

	FY 2013 Actuals (03/31/13)	Starting Estimate (03/31/14)	Attritions	New Fills	Mergers	Net Change	Ending Estimate (03/31/15)
Major Agencies							
Children and Family Services, Office of	3,068	3,030	(275)	41	0	(234)	2,796
Corrections and Community Supervision, Department of	29,443	29,001	(150)	216	0	66	29,067
Education Department, State	2,618	2,663	0	58	0	58	2,721
Environmental Conservation, Department of	2,901	2,916	(24)	25	0	1	2,917
Financial Services, Department of	1,242	1,337	0	0	0	0	1,337
General Services, Office of	1,306	1,553	0	8	0	8	1,561
Health, Department of	4,546	4,890	(17)	340	0	323	5,213
Information Technology Services, Office of	3,726	3,778	0	41	0	41	3,819
Labor, Department of	3,615	3,550	(456)	456	0	0	3,550
Mental Health, Office of	14,538	14,616	(709)	709	0	0	14,616
Motor Vehicles, Department of	2,243	2,215	(10)	0	0	(10)	2,205
Parks, Recreation and Historic Preservation, Office of	1,731	1,719	0	18	0	18	1,737
People with Developmental Disabilities, Office for	20,116	19,031	(1,080)	360	0	(720)	18,311
State Police, Division of	5,222	5,419	(189)	209	0	20	5,439
Taxation and Finance, Department of	4,352	4,368	0	0	0	0	4,368
Temporary and Disability Assistance, Office of	1,834	1,859	(232)	291	0	59	1,918
Transportation, Department of	8,687	8,337	0	0	0	0	8,337
Workers' Compensation Board	1,167	1,220	0	0	0	0	1,220
Subtotal - Major Agencies	**112,355**	**111,502**	**(3,142)**	**2,772**	**0**	**(370)**	**111,132**
Minor Agencies	**7,401**	**7,911**	**(176)**	**286**	**0**	**110**	**8,021**
Subtotal - Subject to Direct Executive Control	**119,756**	**119,413**	**(3,318)**	**3,058**	**0**	**(260)**	**119,153**
University Systems							
City University of New York	13,437	13,643	0	0	0	0	13,643
State University Construction Fund	150	152	0	0	0	0	152
State University of New York	43,243	43,342	0	0	0	0	43,342
Subtotal - University Systems	**56,830**	**57,137**	**0**	**0**	**0**	**0**	**57,137**
Independently Elected Agencies							
Audit and Control, Department of	2,476	2,609	0	34	0	34	2,643
Law, Department of	1,740	1,798	0	35	0	35	1,833
Subtotal - Independently Elected Agencies	**4,216**	**4,407**	**0**	**69**	**0**	**69**	**4,476**
Grand Total	**180,802**	**180,957**	**(3,318)**	**3,127**	**0**	**(191)**	**180,766**

Education: Fact Sheet



The FY 2015 Executive Budget provides $21.9 billion in education aid an increase of $806.98 million or 3.8 percent over FY 2014. This increase provides an additional $279.2 million for expense based aids including Transportation Aid, BOCES, Special Education and Building Aid for the 2014 School Year. Funding of $323.23 million is provided to reduce the Gap Elimination Adjustment (GEA). An undistributed allocation of $100 million is available for the expansion of universal full day pre-kindergarten. Fiscal Stabilization grants for school districts are funded at $74 million. The Executive's competitive grants for academic performance and management efficiency are funded at $50 million.

- Smart Schools Technology Bond ($2 billion): The Executive is proposing a statewide general obligation bond act of $2 billion to provide funding for education technology and the construction of new full day pre-kindergarten classroom space. Should the Legislature approve this proposal the bond act will be voted on statewide in November of 2014. The Executive proposes formulaically distributing the $2 billion based on a school district's current share of school aid (building aid and universal pre-kindergarten are netted out). The anticipated maximum funding for each school district has been calculated and is available on the 2014-15 Executive School Aid run under the heading "Smart Schools Allocation".

- *Statewide Universal Full-Day Pre-Kindergarten ($1.5 billion):* The Executive proposes phasing in statewide Full day universal pre-kindergarten programs over a five year span. In FY 2015 the program is funded at $100 million and is paid for with reapproriated competitive grants funds. The Executive proposal did not provide a mechanism to distribute the funding to school districts however language provided does require the first year of funding to target the expansion of programs to high needs students.

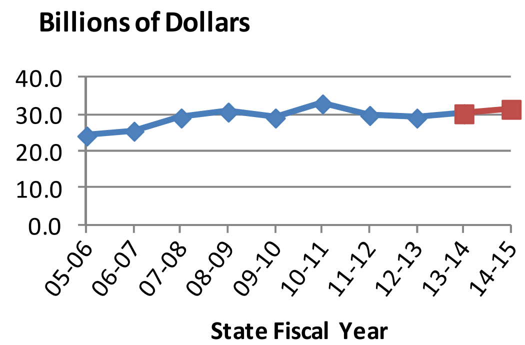
- *After School Programs ($720 billion):* The Executive proposes using commercial gaming revenue designated for school districts and tax relief to fund the addition or expansion of after school programs in future years. School districts will not receive any funding in the 2014-15 school year. Potentially an $160 million appropriation will be available in the 2015-16 school year and another $160 million appropriation in the 2016-17 school year.
- *Teacher Excellence Fund:* The Executive proposes $20 million in funding to provide supplemental income **up to** $20,000 for teachers rated as highly effective in their most recent teacher valuation.

- *Pathways in Technology and Early College High School Program (P-TECH) Expansion:* The Executive proposes $5 million in funding to expand programs in grades 9 to 14 that will focus on skills students need for Science, Technology, Engineering, and Mathematics careers. Students who complete the P-TECH program will graduate with a high school diploma and an associates degree.

Executive School Aid Proposal				
Category	School Year 2013-2014	School Year 2014-2015	Change	% Change
Foundation Aid	$15,182.12	$15,182.12	0	N/A
Expense Based Aids	$6,525.81	$6,805.34	$279	4.28%
High Tax Aid	$223.30	$223.30	0	N/A
Universal Pre-Kindergarten	$385.03	$385.03	0	N/A
Full-Day Universal Pre-k Undistributed	0	$100	100	N/A
Other Aid Categories/ Initiatives	$297.10	$351.26	$54.16	18.23%
Gap Elimination Adjustment	($1.638.78)	($1,315.48)	$323.30	-19.73
Performance grants	100	$150	$50	50
Total	$21,074.59	$21,881.57	$806.98	3.8%

EDUCATION

All Funds Disbursements (Millions of Dollars)	Estimated FF 2014	Projected FY 2015
Cash	30,139	31,354
Annual Growth Rate	4.0%	4.0%
5 Year Average Growth (Actual)		3.6%



The FY 2015 Executive Budget provides $21.9 billion in education aid, an increase of $806.98 million or 3.8 percent over FY 2014. This increase provides an additional $279.53 million for expense based aids including Transportation Aid, BOCES, Special Education and Building Aid for the 2014 School Year. Funding of $323.23 million is provided to reduce the Gap Elimination Adjustment. An undistributed allocation of $100 million is available for the expansion of universal full day pre-kindergarten. Fiscal Stabilization grants for school districts are funded at $74 million. The Executive's competitive grants for academic performance and management efficiency are funded at $50 million.

Fiscal Stabilization Grants

The Executive proposal includes an appropriation of $74 million for fiscal stabilization grants. The Executive provides no mechanism for the distribution of the grants.

Executive School Aid Proposal

Category	School Year 2013-2014	School Year 2014-2015	Change	% Change
Foundation Aid	$15,182.12	$15,182.12	0	N/A
Expense Based Aids	$ 6,525.81	$6,805.34	$279.53	4.28%
High Tax Aid	$223.30	$223.30	0	N/A
Universal Pre-Kindergarten	$385.03	$385.03	0	N/A
Full-Day Universal Pre-k Undistributed	0	$100	100	N/A
Other Aid Categories/ Initiatives	$297.10	$351.26	$54.16	18.23%
Gap Elimination Adjustment	($1.638.78)	($1,315.48)	$323.30	-19.73%
Performance Grants	100	$150	$50	50.00%
Total	$21,074.58	$21,881.57	$806.99	3.8%

State of the State Initiatives:

Smart Schools Technology Bond ($2 billion):
The Executive is proposing a statewide general obligation bond act of $2 billion to provide funding for education technology and the construction of new full day pre-kindergarten classroom space. Should the Legislature approve this proposal the bond act will be voted on statewide in November of 2014.

The Executive proposes formulaically distributing the $2 billion based on a school district's current share of school aid (building aid and universal pre-kindergarten are netted out). The anticipated maximum funding for each school district has been calculated and is available on the 2014-15 Executive School Aid run under the heading "Smart Schools Allocation". Capital projects to acquire learning technology equipment or facilities are allowable expenditures for Smart schools allocations. Eligible projects include but are not limited to whiteboards, computer servers, desk tops, laptops, tablets, broadband and wireless internet connectivity for schools and communities. Projects to construct or improve educational facilities to accommodate pre-kindergarten programs would also be eligible.

Statewide Universal Full-Day Pre-Kindergarten ($1.5 billion)
The Executive proposes phasing in statewide Full day universal pre-kindergarten programs over a five year span. In FY 2015 the program is funded at $100 million and is paid for with reapproriated competitive grants funds. The Executive proposal did not provide a mechanism to distribute the funding to school districts however language provided does require the first year of funding to target the expansion of programs to high needs students.

After School Programs ($720 billion)
The Executive proposes using commercial gaming revenue designated for school districts and tax relief to fund the addition or expansion of after school programs in future years. School districts will not receive any funding in the 2014-15 school year. Potentially an $160 million appropriation will be available in the 2015-16 school year and another $160 million appropriation in the 2016-17 school year.

The Executive proposes to repurpose $25 million in prior year competitive funding for the following two new initiatives.

Teacher Excellence Fund
The Executive proposes $20 million in funding to provide supplemental income up to $20,000 for teachers rated as highly effective in their most recent teacher valuation.

Pathways in Technology and Early College High School Program (P-TECH) Expansion
The Executive proposes $5 million in funding to expand programs in grades 9 to 14 that will focus on skills students need for Science, Technology, Engineering, and Mathematics careers. Students who complete the P-TECH program will graduate with a high school diploma and an associates degree.

The following aid formulas represent present law funding:

High Tax Aid:
The Executive maintains prior year funding at $223 million.

Building Aid:
The Executive increases building aid by $116.47 million for a total of $2.839 billion.

High Excess Cost Aid:
The Executive increases High Excess Cost aid by $16.77 million for a total of $547.09 million.

Private Excess Cost Aid:
The Executive increases Private Excess Cost aid by $41.41 million for a total of $372.34 million.

BOCES Aid:
The Executive increases BOCES aid by $26.03 million for a total of $761.45 million.

Transportation Aid:
The Executive increases Transportation aid by $89 million for a total of $1.725 billion.

Universal Pre-k
The Executive proposes $385 million for Universal Pre-kindergarten which is distributed by the current (UPK) formula. An additional $100 million in undistributed aid is provided for the expansion of Full-day universal pre-k programs targeted for high needs students. No mechanism is provided to distribute the new $100 million, which will be subject to language agreed to in the final enacted budget.

Supplemental Excess Cost Aid
The Executive maintains funding of $4.3 million

Academic Enhancement Achievement / Educational Improvement Grants
The Executive maintains funding at $8.32 million.

Gap Elimination Adjustment (GEA)
The Executive proposes $323.30 million in funding, for the 2014-15 school year to reduce the GEA to $1.315 billion. The aid restoration is calculated to take into consideration a district's extraordinary needs, enrollment, and wealth. The GEA is reduced from the original $2.8 billion cut in 2010-11.

Preschool Special Education
The Executive provides a $46.80 million increase for the 2013-14 school year. The Executive also proposes setting aside $1 million of this funding to be awarded through a competitive grants process to municipalities to enhance oversight of pre-school special education programs and providers.

Private Schools for the Blind and Deaf
The Executive proposes a $900,000 decrease related to decreased debt service.

Nonpublic School Aid
This program is increased by $5.3 million for a 3.8 percent increase.

Nonpublic Safety Grants
The Executive proposal reappropriates the FY 2014 allocation currently being dispersed by the State Education Department on the basis of $9.70 per pupil.

The Executive proposes a new appropriation of $4.5 million for non public safety grants.

Teachers of Tomorrow
The Executive maintains the prior year funding at $25 million and sets aside $15 million or 60 percent for New York City.

Teacher Mentor Intern
The Executive maintains funding at $2 million to continue allowing new teachers to be paired with experienced teachers

Math and Science High schools
The Executive maintains prior year funding at $1.382 million.

Smart Scholars Early College High School Program
The Executive provides a new appropriation of $2 million for early college high school programs. This program promotes the pairing of higher education institutions with high schools to allow students to participate in dual high school

and college level courses to increase graduation and college completion rates.

New York State Center for School Safety
The Executive proposal maintains prior year funding at $466,000. The center is responsible for disseminating information, providing training, and technical assistance on violence prevention to schools and communities.

Other Education Programs
In addition to funding for State Education Department agency operations, the Department's budget includes support for various aid programs in the areas of higher education, cultural education and vocational rehabilitation.

Major budget actions include:

Library Aid
The Executive proposal decreases library aid by $4 million from the prior year.

The Executive maintains $1.3 million for reimbursement of the MTA payroll tax to libraries.

Public Broadcasting Aid
State support for New York's nine public television stations and 17 public radio stations is maintained at $14 million.

Capital Projects
The Executive Budget includes $2.0 billion in new capital support for the implementation of The Smart Schools Bond Act.

Small Government Assistance to School Districts
The Executive maintains funding of $1.87 million.

National History Day
The Executive proposes eliminating funding of $100,000.

School Tax Relief Program
The Executive proposes to increase the STAR program by $40 million for a total program of $3.4 billion.

The Executive proposes to allow the Department of Taxation and Finance to make direct STAR payments to eligible property owners who register late. The real property tax law permits late registrations for STAR under certain conditions so it is possible that a limited number of property owners may seek to register for STAR after they receive their property tax bills. Under current law when a STAR exemption is restored after a school tax bill has been issued there is a lengthy process that forces the property owner to wait for a refund while local government and school district personnel process the necessary paperwork. This proposal would allow for a direct payment to reimburse the homeowners without delay.

The Executive proposes to amend section 425 of the real property tax law eliminating the annual cost of living adjustment made to the income standard for enhanced STAR eligibility beginning in the 2015-16 school year. This would ultimately freeze the eligibility income threshold at $81,900. This action is estimated to save $3.1 million in FY 2016.

E-Licensing
The Executive proposes requiring professional licensing that uses the electronic license application to determine whether or not an applicant has a State fixed and final tax liability of $500 or greater. The applicant will be notified of the rejection by the State Education Department. To receive a license the applicant will have to resolve the tax issue with the Department of Taxation and Finance.

Article VII:

Contracts for Excellence

School districts participating in the Contracts for excellence program would continue operating approved academic intervention programs consistent with Contract for Excellence requirements. However, the required investment in these programs would be permitted to decline by the same percentage the districts' formula based aid is reduced under the Gap Elimination Adjustment. This approach will ensure the continued participation of 15 school districts, including all 'Big Five" city school districts (New York City, Buffalo, Rochester, Syracuse and Yonkers).

School District Reorganization and Real Property Tax Rates

The Executive proposes allowing school districts that choose to merge and reorganize either a one year deferment of the new districts tax rate or a ten year phase-in of the new tax rate.

After Four Transportation

The Executive extends the transportation of students after four P.M. for the 2015 school year.

Special Education Waivers

The Executive proposes allowing districts to receive a waiver from the State Education Department for special education requirements that are in excess of Federal law.

Harassment, Bullying, or Discrimination

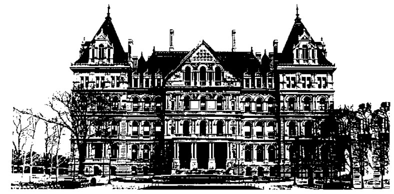
The Executive proposes requirements for principals and superintendents or their designees when a pattern of incidents of harassment, bullying or discrimination are identified. The proposal also requires the Commissioner of Education to develop intervention protocols to end the behavior if a pattern is identified. Failure to report patterns will initiate a removal proceeding by the Commissioner.

Education Aid FY 2014-15 (in millions)				
Formula Aids	**2013-14**	**2014-15**	**Change**	**Percent Change**
Foundation Aid	$15,182.12	$15,182.12	$0.00	0.0
Special Education – High Cost	$530.32	$547.09	$16.77	3.16
Special Education – Private	$330.93	$372.34	$41.41	12.51
Reorganization Operating Aid	$8.48	$8.20	($0.28)	-3.30
Textbook Aid	$177.22	$180.21	$2.99	1.69
Computer Hardware Aid	$37.63	$38.62	$0.99	2.63
Computer Software Aid	$45.69	$46.59	$0.90	1.97
Library Materials Aid	$18.88	$19.44	$0.56	2.97
BOCES Aid	$735.42	$761.45	$26.03	3.54
Special Services Aid	$199.13	$204.38	$5.25	2.64
Transportation Aid	$1,635.69	$1,724.99	$89.30	5.46
High Tax Aid	$223.30	$223.30	$0	0
Universal Pre-K	$385.03	$385.03	$0	0
Academic Achievement Grant	$1.20	$1.20	$0	0
Supp. Ed. Improvement Grant	$17.50	$17.50	$0	0
Charter School Transition Aid	$33.13	$29.24	($3.89)	-11.74
Full Day Kindergarten	$19.32	$2.35	($16.97)	-87.84
Academic Enhancement Aid	$8.32	$8.32	$0.00	0.0
Supplemental Special Education Aid	$4.31	$4.31	$0.00	0.0
Gap Elimination Adjustment (GEA)	($1,638.78)	($1,315.48)	$323.30	Na
Building Aid	$2,722.64	$2,839.11	$116.47	4.28
Formula Aid	**$20,677.49**	**$21,280.31**	**$602.82**	**2.92**
Statewide Universal Full-Day Pre-Kindergarten**	**0**	**$100**	**$100**	**100**
Formula Aid TOTAL	**20,677.49**	**21,380.31**	**702.82**	**3.40**
Categorical Aids				
Teachers of Tomorrow	$25.00	$25.00	$0.00	0.0
Teacher Mentor Intern	$2.00	$2.00	$0.00	0.0
School Health Services	$13.84	$13.84	$0.00	0.0
Roosevelt	$12.00	$12.00	$0.00	0.0
Urban Suburban Transfer	$2.73	$2.73	$0.00	0.0
EPE	$96.00	$96.00	$0.00	0.0
Homeless Pupils	$21.23	$22.23	$1.00	4.71
Incarcerated Youth	$21.00	$22.00	$1.00	4.76
Bilingual Education	$12.50	$12.50	$0.00	0.0
Education of OMH/OMR Pupils	$76.00	$78.00	$2.00	2.63
Special Act School Districts	$2.70	$2.70	$0.00	0.0
Chargebacks	($40.50)	($42.00)	($1.50)	N/A
BOCES Aid for Special Act	$0.70	$0.70	$0.00	0.0
Learning Tech Grants	$3.29	$3.29	$0.00	0.0
Native American Building	$5.00	$5.00	$0.00	0.0
Native American Education	$43.21	$45.87	$2.66	6.16
School Bus Driver Safety	$0.40	$0.40	$0.00	0.0
Fiscal Stabilization Fund	0	74	74	N/A
Use of Prior Year Competitive Grant Funding	0	(25.00)	(25.00)	N/A
Subtotal	$397.10	$501.26	$104.16	18.23
GSPS Total	**$20,974.59**	**$21,731.57**	**$756.98**	**3.61**
Performance Grants	$100.00	$150.00	$50.00	100.0
School Year Total	$ 21,074.59	$ 21,881.57	$ 806.98	3.83

** Statewide Universal Full Day Pre-K is undistributed

Education Proposed Disbursements - All Funds (Millions of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
School Aid FY	23,287	24,416	1,129	4.85%
STAR	3,389	3,429	40	1.18%
Programs for the Disabled	2,207	2,294	87	3.94%
All Other	1,256	1,215	(41)	-3.26%
Totals:	**30,139**	**31,354**	**1,215**	**4.03%**

Higher Education / Arts: Fact Sheet

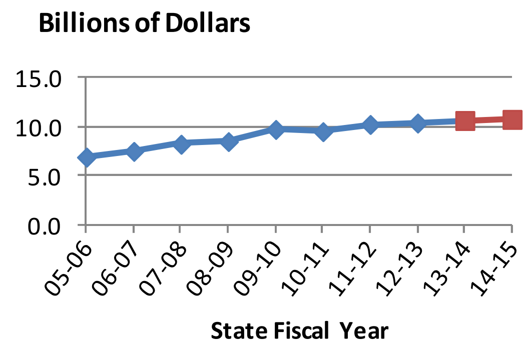


The Executive Budget provides All Funds appropriation increases to the State University of New York (SUNY) of $626 million and to the City University of New York (CUNY) of $408 million. The proposal also provides a $10 million All Funds increase to the Higher Education Services Corporation. Major actions are as follows:

- A $989,000 decrease in General Fund support to SUNY community colleges resulting from reduced enrollment.
- A $2 million increase in General Fund support to CUNY community colleges as a result of an increase in enrollment.
- A $481 million increase in capital for SUNY and $266 million increase in capital for CUNY.
- Provides $110 million in Challenge Grants split evenly between NY-SUNY 2020 ($55 million) and CUNY 2020 ($55 million) grant programs.
- Eliminates a $27 million SUNY Hospital subsidy (legislative add) for the three teaching hospitals in Brooklyn, Stony Brook, and Syracuse. Transfer language would increase General Fund support of the teaching hospitals from $60 million to $69.3 million, with the $9.3 million increase directed at the Brooklyn Hospital.
- Increase in TAP awards of $6.4 billion to reflect larger awards for community college students resulting from tuition increases. There is no change to the formula.
- Proposes a new scholarship program for New York students entering into a Science, Technology, Engineering, or Mathematics (STEM) program.
- Article VII language is included to expand options for supervision of nurse practitioners.
- Tuition would increase $300 for in-state residents and ten percent for out-of-state residents. Corresponding revenue increases total $60.8 million for CUNY and $95 million for SUNY.

HIGHER EDUCATION

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	10,642	10,750
Annual Growth Rate	2.5%	1.0%
5 Year Average Growth (Actual)		4.8%



The FY 2015 Executive Budget recommends All Funds cash disbursements of $10.8 billion for New York State public and private higher education programs. This represents an increase of $108 million, or one percent, from FY 2014. The funding increase is attributed to additional tuition revenue for the State University of New York (SUNY) and City University of New York (CUNY), increased General Fund support for fringe benefit costs, and additional tuition assistance. The budget provides an additional $9.3 million in General Fund support for the SUNY Downstate teaching hospital in Brooklyn ($29 million total), while support for the SUNY hospitals in Stony Brook and Syracuse remains flat at approximately $20 million each.

Cash spending at SUNY would increase $66 million, or 0.8 percent, from $8.07 billion to $8.13 billion. CUNY cash spending would grow $36 million, or 2.4 percent, from $1.49 billion to $1.53 billion. The Higher Education Facilities Capital Matching Grants Program would decrease from $10 million to $7 million in disbursements, and the Higher Education Service Corporation – which is responsible for providing tuition assistance for the state's scholarship programs - would increase $9.6 million, or 0.8 percent.

Higher Education State Support Appropriations (millions of dollars)

Category	FY 2014	FY 2015
SUNY Sr. Colleges (Excludes Fringe Benefits)	$2,297	$2,294
SUNY Statutory Colleges	$129	$129
SUNY Community Colleges Operating Assistance	$472	$469
SUNY Hospital Subsidy	$60	$69
CUNY Senior Colleges Operating Assistance	$1,146	$1,187
CUNY Community Colleges Operating Assistance	$201	$202
LI Veterans Home	$44	$45
Tuition Assistance Program	$950	$957

State University of New York (SUNY)

The Executive Budget recommends **$10.3 billion** in All Funds appropriations for SUNY, an increase of $625.5 million, or 6.5 percent above FY 2014 levels. The total consists of $3.1 billion in General Fund support and $767 million in capital funds.

State-Operated Senior Colleges

The Executive Budget recommends a total of $129.3 million in State support for the operations of the five statutory colleges at Alfred and Cornell Universities. This is identical to FY 2014 levels with no change in the distribution of funding. Of this amount, the four statutory colleges at Cornell (Agriculture and Life Sciences, Human Ecology, Veterinary Medicine, and Industrial and Labor Relations) would receive $78.9 million. The Executive also recommends $42.1 million to support the land grant mission of Cornell University and $8.1 million for the College of Ceramics at Alfred University. The SUNY system would generate an additional $95 million in revenues resulting from tuition increases authorized under the NY-SUNY 2020 legislation. This amount is $300 for in-state residents and $1,532-$1,781 for out-of-state residents.

SUNY Hospitals

The Executive Budget proposes an All Funds appropriation of $2.91 billion for the operations of the three SUNY teaching hospitals at Brooklyn, Stony Brook, and Syracuse. This amount includes revenues generated by the hospitals. The Executive would eliminate a $27 million appropriation included in FY 2014. In addition, Article VII transfer language would pledge to increase State support for SUNY hospitals from $60 to $69.3 million. The additional $9.3 million would be dedicated to SUNY Downstate in Brooklyn.

Community Colleges

SUNY's community colleges receive state aid allocated via formula based on the enrollment of full-time equivalent (FTE) students. The Executive Budget leaves this formula unchanged, and local assistance to community colleges would decrease $989,000, from $449.6 million to $448.4, million due to decreased enrollment.

The Executive would eliminate $653,000 for childcare centers, reducing the total available amount to $1 million. The Graduate Achievement and Placement Program would be eliminated. This program first appeared in the FY 2014 budget with the intention of improving graduation rates and reducing remediation costs. $1.7 million was previously appropriated for the program.

Capital

The FY 2015 Executive Budget provides a $767 million capital appropriation for SUNY. This represents a $481 million increase, or 168 percent, from FY 2014. Critical maintenance projects would receive the majority of this amount, increasing from $60 million to $500 million. The following schools would receive additional capital funding under the Executive's proposal:

SUNY Senior College Capital Funding
(Thousands of Dollars)

School	Amount
Albany	$28,595
Alfred Ceramics	$2,520
Alfred State	$6,753
Binghamton	$30,196
Brockport	$17,755
Brooklyn Health Center	$11,273
Buffalo College	$21,376
Buffalo University	$61,150
Canton	$5,818
Cobleskill	$6,178
Cornell	$29,967
Cortland	$14,771
Delhi	$6,083
Empire State	$1,183
Environmental Science and Forestry	$7,492
Farmingdale	$14,524
Fredonia	$12,161
Geneseo	$12,120
Maritime	$5,486
Morrisville	$7,336
New Paltz	$14,827
Old Westbury	$9,465
Oneonta	$12,784
Optometry	$2,693
Oswego	$18,628
Plattsburgh	$12,173
Potsdam	$12,132
Purchase	$15,913
State University Plaza	$4,400
Stony Brook (Including Health Center)	$64,659
Syracuse Health Center	$9,996
Utica-Rome	$3,093
University-Wide/Unspecified	*$16,500*
TOTAL	**$500,000**

An additional $10 million is dedicated to the construction of a new School of Pharmacy at SUNY Binghamton.

Community colleges are allocated $32 million for critical maintenance projects at community colleges. This represents a $6 million decrease from the FY 2014 Budget. These projects require a 1:1 dollar commitment from local governments.

SUNY Community College Capital Funding
(Thousands of Dollars)

Community College	Estimated State Share
Adirondack	$916
Broome	$10,400
Clinton	$275
Columbia-Greene	$60
Erie	$1,125
FIT	$4,500
Finger Lakes	$1,062
Fulton-Montgomery	$400
Genesee	$68
Herkimer	$10
Jamestown	$770
Mohawk Valley	$481
Monroe	$1,934
Nassau	$4,980
North Country	$200
Orange	$774
Schenectady	$450
Suffolk	$1,590
Sullivan	$1,600
Westchester	$534
TOTAL	**$32,129**

The five-year capital plan from FY 2009 to FY 2013 included a Strategic Initiatives proposal in FY 2009 for both the SUNY and CUNY systems. There was no plan for FY 2014.

	SUNY Senior Colleges	SUNY Community Colleges
2008-09	$2,675,613	$390,153
2009-10	$550,000	$45,700
2010-11	$550,000	$22,426
2011-12	$550,000	$831,321
2012-13	$550,000	$86,969
2013-14	No Approp	$38,499
2014-15	$500,000	$32,129

City University of New York (CUNY)

The Executive Budget recommends All Funds appropriations of **$4.15 billion**, an increase of $408 million, or 10.9 percent above FY 2014 levels. The increase is due to additional operating aid, enhanced local aid, and a $266 million increase in capital spending.

Senior Colleges

The Executive includes $2.26 billion in Fiduciary Funds for the operation of senior colleges. This represents an increase of $102 million, or 4.7 percent, from FY 2014. This allocation is driven by a $60.8 million increase in additional tuition receipts. This reflects anticipated revenues from the maximum allowable tuition authorized under the NY-SUNY 2020 legislation. This amount is $300 for in-state residents and $1,530 for out-of-state residents. The remainder of the increase is driven primarily by fringe employee benefits.

Community Colleges

CUNY's community colleges receive state aid allocated via formula based on the enrollment of full-time equivalent (FTE) students. The Executive Budget leaves this formula unchanged, and local assistance to community colleges would increase $2 million, from $199 million to $201 million resulting from increased enrollment.

The Executive would cut $554,000 for childcare centers, reducing the total available amount to $813,000. A $551,000 Legislative addition for SEEK is also eliminated. Funding for the Accelerated Studies in Associates Program is not included in the proposal. This program first appeared in the FY 2014 budget with the intention of improving graduation rates and reducing remediation costs. The program was previously funded at $1.7 million.

Capital

The FY 2015 Executive Budget provides a $311 million capital appropriation for CUNY. This represents a $266 million increase, or 589 percent, from FY 2014. A large portion of the increase ($258 million) is dedicated to critical maintenance projects. The FY 2014 Budget did not include any critical maintenance projects for CUNY's senior colleges. The following items are dedicated in the proposal:

CUNY SR College Capital Funding
(Thousands of Dollars)

School	Amount
Baruch	$14,000
Brooklyn	$12,500
City	$17,000
Graduate School & University Center	$2,000
Honors College	$1,000
Hunter	$1,000
John Jay	$5,000
Lehman	$10,000
Medgar Evers	$10,000
NYC College of Tech	$8,000
Queens	$17,000
Staten Island	$10,000
York	$12,000
University-Wide Improvement Needs	
ADA Compliance	$10,000
Asbestos Abatement	$1,500
Bathroom Facilities	$3,000
CUNY TV Renovation	$1,500
Ed. Technology Initiative	$15,000
Energy Conservation	$12,000
Health and Safety	$27,000
Mechanical & Infrastructure	$20,500
Occupancy/Public Assembly	$5,000
Preservation of Facilities	$30,000
Science & Tech Equipment	$5,000
Science Lab Upgrades	$8,000
TOTAL	**$258,000**

$16 million is appropriated for critical maintenance projects at community colleges. This represents an $8 million decrease from the FY 2014 Budget. These projects require a 1:1 dollar commitment from local support:

CUNY Community College Capital Funding (Thousands of Dollars)

Community College	2014-15
Borough of Manhattan	$1,750
Bronx	$1,100
Kingsborough	$1,500
LaGuardia	$3,000
Queensborough	$2,750
Unspecified/University-Wide Critical Maintenance Projects	*$2,728*
University-Wide Conservation/Efficiency	*$2,800*
TOTAL	**$15,628**

The five-year capital plan from FY 2009 to FY 2013 included a Strategic Initiatives proposal in FY 2009 for both the SUNY and CUNY systems. There was no plan for FY 2014.

Year	CUNY Senior Colleges	CUNY Community Colleges
2008-09	$1,619,186	$209,658
2009-10	$284,222	No Approp
2010-11	$284,222	$34,563
2011-12	$284,222	$31,239
2012-13	$284,222	$26,704
2013-14	No Approp	$8,100
2014-15	$258,000	$15,628

Higher Education Services Corporation (HESC)

The Executive Budget recommends All Funds appropriations of **$1.14 billion** in support of HESC. This is a net increase of $10 million, or 1 percent, from FY 2014 levels.

The budget provides $957 million for TAP, an increase of $6.4 million. The increase is driven by higher community college tuition costs, thereby increasing maximum TAP awards for community college students.

Article VII

Science, Technology, Engineering, & Math Scholarship

The Executive proposes a new scholarship program for students in the fields of Science, Technology, Engineering, and Math (STEM). The top 10 percent of graduates from New York High Schools would receive full tuition assistance to pursue a STEM degree from a New York State public institution of higher education. Graduates would then be expected to be employed in a STEM occupation and maintain residency in the State for five years. Noncompliance would convert the award into a loan, to be repaid in full with interest by the recipient.

The Executive provides $8 million for this initiative in the HESC budget, and anticipates costs of $30-$40 million in future years, with a participation rate of approximately 2,000 students in the first year of implementation.

Higher Education Capital Matching Grant Program (HECap)

The Executive Budget includes Article VII language to extend the New York State HECap program for three additional years. This extension would ensure that the remaining $13.7 million of the initial $150 million in FY 2006 would be available for capital projects at independent colleges and universities. Awards require a three-to-one non-state-to-state match from recipients. The program would sunset in March, 2017 under the proposal.

Council on the Arts

The FY 2015 Executive Budget provides $41.7 million in funding for arts and cultural grants administered by the New York State Council on the Arts. This represents the same level of funding in FY 2014. Funding of $100,000 is suballocated to the Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation, colloquially known as the "Egg".

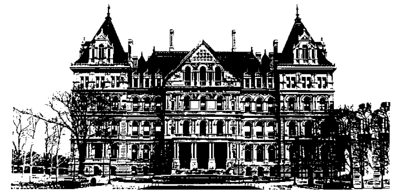
Article VII

Nurse Practitioners

The Executive includes language that would allow nurse practitioners to be supervised by another nurse practitioner with more than 3,600 hours of work experience, with the opportunity to extend for good cause. This would be implemented in those instances where nurse practitioners and physician written agreements are terminated or cannot be renewed through no fault of their own. Additionally, nurse practitioners with over 3,600 hours of experience could forego written collaboration agreements and written practice protocols with physicians.

Higher Education Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
SUNY	8,065,079	8,131,344	66,265	0.82%
CUNY	1,490,842	1,526,468	35,626	2.39%
Higher Education Services Corp.	1,075,164	1,084,771	9,607	0.89%
Other	11,300	8,300	(3,000)	-26.55%
Totals:	**10,642,385**	**10,750,883**	**108,498**	**1.02%**

Health – Medicaid: Fact Sheet



The FY 2015 Executive Budget recommends All Funds cash disbursements of $48.7 billion, a net increase of $2.2 billion or 4.8 percent.

Medicaid:

- Projects All Funds Medicaid spending, including the local share and other agencies, to be $58.19 billion, an increase of $2.59 billion or 4.6 percent.
- Extends the Medicaid State Global Spending Cap, currently calculated at 3.8 percent for an additional year.
- Projects State Medicaid spending for the Department of Health (DOH) to be $16.96 billion, the Global Spending Cap amount, an increase of $540 million or 3.3 percent. The Global Spending Cap includes Medicaid administrative costs for DOH and is not statutorily subject to annual growth, therefore the net increase to State Medicaid expenditures is not truly 3.8 percent.
- Restores the two percent across-the-board reductions made to all service sectors in FY 2012, and extends the elimination of institutional trend factors for hospitals and nursing homes. The net increase to all providers as a result of the restoration of the two percent reductions is estimated to be $323.8 million. The continuation of the elimination of the institutional trend factors for hospitals and nursing homes is projected to provide cost avoidance totaling $607.4 million in FY 2015.
- Implements Phase IV Medicaid Redesign Team (MRT) proposals. Proposals include the prohibition of spousal refusal, support of an All Payer Database and Statewide Health Information Network of New York (SHIN-NY), a Health Homes Criminal Justice Initiative, the Transition of Foster Care to Managed Care, an increase in Vital Access Program (VAP) Funding, the Office of Medicaid Inspector General (OMIG) Fraud and Abuse Integrity Initiative, and Behavioral Health Transformation Initiatives.
- Provides $308.7 million in State Medicaid funds to offset increased expenditures associated with the Home Care Worker Wage Parity Law enacted in FY 2012 to Certified Home Health Agencies (CHHAs), the Long Term Home Health Care Program (LTHHCP), and managed long care plans in New York City and Nassau, Suffolk and Westchester counties cost.

Public Health:

- Eliminates funding for 36 discrete programs and consolidates the associated funding for each into the following ten pools: HIV/AIDS/Hepatitis C Health Care Programs ($30.7 million); HIV/AIDS/Hepatitis C Prevention programs ($31.9 million); HIV/AIDS and STD Clinical Education Programs ($3.2 million); Maternal and Child Health Programs ($4.5 million); Public health Workforce Programs ($301,000); Infectious Disease Program ($36.2 million); Chronic Disease Prevention ($9.4 million); Minority Health and Health Disparity Programs ($478,000);

Local Health Department Public Protection ($14.1 million); and Community Laboratory Programs ($823,000). There are no State savings associated with this proposal, however there is no guarantee each program would be funded and at what level. DOH would have the authority to determine which contracts to maintain or eliminate.

- Transfers the rate setting process for the Child Health Plus (CHP) program from the Department of Financial Services to the Department of Health, sunsets the automatic 28 percent CHP subsidy payment reduction for all organizations providing CHP services above the 2010 statewide average beginning April 1, 2014. The proposal also freezes CHP rates in FY 2015 at their FY 2014 amounts. The net State savings associated with sunsetting the 28 percent reduction to payments and freezing rates in FY 2015 are projected to be $16.8 million in FY 2015 decreasing to $8.0 million in FY 2016.

- Increases total local assistance funds for Roswell Park Cancer Institute (RPCI) by $25 million to $102.6 million to offset the expiration of Health Care Efficiency and Affordability Law of New York (HEAL-NY) capital funds.

Health Care Restructuring:

- Establishes a new seven year $1.2 billion bonded capital program, under the joint administration of the Commissioner of Health and the President of the Dormitory Authority of the State of NY. Grants would be eligible to hospitals, residential health care facilities, diagnostic and treatment centers, and clinics for the purpose of restructuring and improving financial stability and efficiency of New York's health care delivery system.

- Includes a $4 billion, two-year appropriation for the pending Medicaid Redesign Team (MRT) 1115 Medicaid Waiver from the Federal government. If approved, this appropriation would provide the authorization to spend $2 billion annually pursuant to the State plan as approved by the Centers for Medicare and Medicaid services (CMS).

Health Care Reform Act (HCRA):

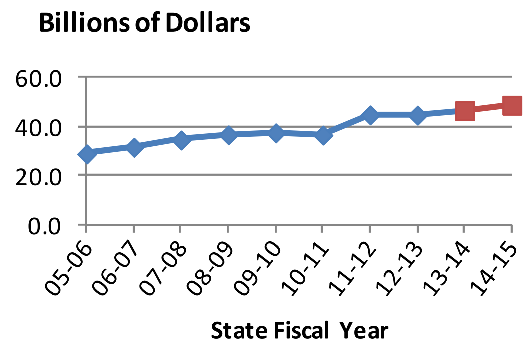
- Extends the Health Care Reform Act (HCRA), including HCRA surcharges and assessments, for three years to March 21, 2017, with the exception of the Excess Medical Malpractice Liability Coverage Pool which is extended for one additional year. In FY 2015 revenues and disbursements are estimated to be $5.52 billion, with a closing balance of zero.

Affordable Care Act (ACA):

- Funds New York's Health Exchange with $54.3 million in State funding ($262.5 million All Funds) in 2015 increasing to $148.3 million ($219.3 million All Funds) in FY 2016 to cover the costs associated with operating New York State of Health beginning January 1, 2015.

HEALTH - MEDICAID

All Funds Disbursements (Millions of Dollars)		
	Estimated FY 2014	Projected FY 2015
Cash	46,512	48,735
Annual Growth Rate	4.1%	4.8%
5 Year Average Growth (Actual)		5.7%



Department of Health (DOH)

The Fiscal Year (FY) 2015 Executive Budget recommends All Funds cash disbursements of $48.7 billion, a net increase of $2.2 billion or 4.8 percent.

Change in All Funds Cash Disbursements (*$$ in thousands*)	
Medicaid	2,794,701
Medicaid Administration	(46,300)
Public Health	(519,065)
Total Department of Health	**2,229,336**

MEDICAID

The FY 2015 All Funds Medicaid spending, including the local share and other agencies, is projected to be $58.19 billion, an increase of $2.59 billion or 4.6 percent.

The FY 2015 Department of Health (DOH) only All Funds Medicaid spending, excluding the local share, is projected to be $44.61 billion, an increase of $2.75 billion or 6.6 percent.

PROPOSED ALL FUNDS MEDICAID SPENDING
($$ in thousands)

	FY 2014	FY 2015	Change	Percent
Federal Funds	**$25,445**	**$27,653**	**2,208**	**8.7**
DOH State Share*	**$16,421**	**$16,962**	**540**	**3.3**
Other State Agencies				
Mental Hygiene	$4,875	$4,935	60	1.2
Foster Care	$87	$88	1	1.6
Corrections	$0	$12	12	
Total State Share (All Agencies)	**$21,383**	**$21,996**	**613**	**2.9**
All Funds Medicaid	**$46,828**	**$49,649**	**2,821**	**6.0**
Local Share	$8,779	$8,544	(235)	(2.7)
All Funds Including Local Share	**$55,608**	**$58,193**	**2,586**	**4.6**

*Represents the Medicaid Global Cap amount, currently indexed for 3.8 percent growth in FY 2015. In FY 2014 administration expenses for DOH were included within the Global Cap amount. Administrative expenses are not indexed for growth each year, therefore net State growth is less than 3.8 percent.

Global Spending Cap and Related Provisions:

The FY 2012 Enacted Budget included provisions to cap annual State Medicaid growth for DOH to contain Medicaid program growth and spending increases. The growth limit is indexed to the Medical component of the Consumer Price Index (CPI), which is estimated to be 3.8 percent in FY 2015. The Executive projects State Medicaid spending for DOH to be

$16.96 billion, the Global Spending Cap amount, an increase of $540 million or 3.3 percent over FY 2014. The Global Spending Cap includes Medicaid administrative costs for DOH which is not statutorily indexed to the Medical CPI; therefore the net increase to State Medicaid expenditures is not truly 3.8 percent.

The Executive proposes to extend the State Medicaid cap provisions for one year and to extend the authority of the Commissioner of Health to develop a Medicaid Savings Allocation Plan if State expenditures are projected to exceed the cap amount. The Executive proposes to make FY 2015 the second year of the current two-year Medicaid cycle.

<u>DOH State Medicaid:</u>
The year to year increase is primarily associated with program growth and the State takeover of the local growth of Medicaid spending, offset by savings from the State takeover of local Medicaid administration and additional Affordable Care Act (ACA) savings. The Federal increase is associated with State program growth and increased Federal Financial Participation (FFP) associated with certain initiatives and the ACA.

DOH State Medicaid Year to Year Change

($$ in millions)

FY 2014 Global Cap Amount	16,421
3.8 Percent Growth*	604
State Takeover of Local Growth	126
State Takeover of Medicaid Administration	(50)
Monroe County Adjustment (State Takeover)	(1)
Affordable Care Act Adjustments	(139)
FY 2015 Global Cap Amount	**16,962**

*The 3.8 percent growth figure of $604 million reflects the maximum annual growth under the Medicaid Global Cap. However, Medicaid spending is actually proposed to increase by $540 million, or 3.3 percent because Medicaid Administration is not subject to statutory Medicaid index.

<u>Proposed FY 2015 Medicaid Redesign Team (MRT) Phase IV Initiatives:</u>
Although the MRT and various work groups are no longer active, the final report issued in May 2012 serves as a multi-year blueprint of the Medicaid program going forward. The Executive proposes multiple initiatives that would implement FY 2015 Phase IV MRT initiatives. Many of the proposals require legislative action and others could be accomplished administratively, however each proposal with a fiscal impact is reflected in Medicaid appropriation spending. The net fiscal impact of the proposals are estimated to be State budget neutral within the cap in FY 2015. Major MRT IV initiatives include:

- *<u>Office of Medicaid Inspector General (OMIG) Fraud and Abuse Integrity Initiative</u>:* Requires the OMIG to use its contracted web based portal with Health Management Systems, Inc. (HMI) to oversee and coordinate reviews of nursing homes and audits for claims inappropriately billed for Office for People with Developmental Disabilities (OPWDD) recipients. The initiative would identify Medicare and Medicaid pharmacy savings. OMIG would also implement a Denied Claims Project to indentify partially denied Medicare claims that were crossed over from Medicare to Medicaid and were paid in full by Medicaid. Lastly, OMIG would review dual Medicare/ Medicaid eligibility for home health services to ensure Medicaid is the payer of last resort. Estimated State Medicaid savings of these initiatives are $15 million in FY 2015 ($30 million All Funds) and $15 million in FY 2016 ($30 million All Funds).

- *<u>Spousal Refusal</u>*: Prohibits the spouse or parent of a long-term care service recipient from refusing to contribute income or assets towards the cost of health care. Estimated

State Medicaid savings are $10 million in FY 2015 ($20 million All Funds) and $21 million in FY 2016 ($42 million All Funds).

- *Behavioral Health Transformation Initiatives*: Invests $60 million in State funds ($120 million All Funds) for behavioral health transformation initiatives, including investments for the implementation of managed care and health and recovery plans. This would include:
  - Facilitating the transition of behavioral health services for adults and children into managed care - $10 million State Funds ($20 million All Funds);
  - Integrating behavioral health and physical health - $7.5 million State Funds ($15 million All Funds);
  - Targeting behavioral health inpatient and other services through Vital Access Provider funding - $20 million State Funds ($40 million All Funds);
  - Providing funding for Office of Alcoholism and Substance Abuse (OASAS) residential restructuring - $2.5 million State Funds ($5 million All Funds);
  - Investing funding for health homes and for Assisted Outpatient Treatment - $5 million State Funds ($10 million All Funds); and
  - Funding new Medicaid Waiver services - $15 million State Funds ($30 million All Funds).

- *Health Homes Criminal Justice Initiative*: Authorizes Health Home infrastructure grants to be used for establishing improved linkages between Health Homes and the Criminal Justice system. Funding would be used to support and expand six existing demonstration programs that focus on pre-release planning and post-release care management. The estimated cost to the State is $2.5 million ($5 million All Funds) in FY 2015 and $2.5 million ($5 million All Funds) in FY 2016.

- *Transition of Foster Care to Managed Care*: Facilitates the transition of foster care children into managed care. This would be a joint initiative with the Office of Children and Family Services (OCFS) to assist foster care agencies with Managed Care readiness and to obtain encounter data in order to inform premium and rate setting for Managed Care, Health Homes, and Foster Care per diems. The estimated cost to the State is $2.5 million ($5 million All Funds) in FY 2015 and $7.5 million ($15 million All Funds) in FY 2016.

- *Increase Vital Access Program (VAP) Funding*: Increases the total amount of VAP funding to $92 million in FY 2015 and expands the allowable use of VAP funding to include long-term home health care providers. The increased State investment would be $20 million ($40 million All Funds) in FY 2015 and $152 million ($304.1 million All Funds) in FY 2016.

- *Financial Plan Relief*: The Executive proposes utilizing $300 million in projected savings under the Global Cap associated with a Medicaid re estimate to provide additional financial plan relief. These savings would be added to the mental health stabilization fund to provide offset costs associated with OPWDD services.

The following chart lists all proposed MRT Phase IV proposals that would require a fiscal investment or achieve State savings:

New FY 2015 Executive MRT Phase IV Proposals

Investments / (Savings)

($$ in millions)

Initiative	2014-15 Impact All Funds	2014-15 Impact State	2015-16 Impact All Funds	2015-16 Impact State
Affordable Housing				
Supportive Housing	$18.4	$18.4	$85.0	$85.0
Subtotal	$18.4	$18.4	$85.0	$85.0
Medicaid Redesign Team (MRT) Initiatives/Other Investments (includes delayed items from 2013-14)				
Start-up Investment for Implementation of Behavior Health Organizations (BHOs)/Health and Recovery Plans (HARPs)	$120.0	$60.0	$120.0	$60.0
Transition of Basic Health (BH) Services for kids into Managed Care	*$20.0*	*$10.0*		
Integration of Behavioral Health and Physical Health	*$15.0*	*$7.5*		
Targeted Behavioral Health IP rate increases	*$40.0*	*$20.0*		
OASAS Residential Restructuring	*$5.0*	*$2.5*		
Health Home Plus for AOT	*$10.0*	*$5.0*		
Funding new 1915(i) like services	*$30.0*	*$15.0*		
Increase Vital Access Program (VAP) Funding/Increase Provider Payments Linked to Performance (2015-16 initiative)	$40.0	$20.0	$304.1	$152.0
Conditions of Participation (CoP) Investment	$17.0	$8.5	$18.0	$9.0
Transition of Foster Care to Managed Care	$5.0	$2.5	$15.0	$7.5
Health Home Criminal Justice Initiative	$5.0	$2.5	$5.0	$2.5
MRT Waiver Implementation	$6.0	$3.0	$6.0	$3.0
Regional Health Planning	$7.0	$3.5	$16.0	$8.0
All Payer Database/Statewide Health Information Network of New York (SHIN-NY)	$30.0	$3.0	$30.0	$3.0
Various MRT Investments	$6.3	$3.1	$7.3	$3.7
Tobacco Cessation Counseling by Dentists	*$3.0*	*$1.5*		
Hepatitis C Treatment	*$2.1*	*$1.0*		
Harm Reduction Counseling	*$0.8*	*$0.4*		
Consumer Assistance Program	*$0.4*	*$0.2*		
Subtotal	$236.3	$106.1	$521.4	$248.7
Other Initiatives				
Reduce Inappropriate Prescribing and Align Point of Sale Editing Across Fee For Service and Managed Care	($7.3)	($3.7)	($13.9)	($7.0)
Eliminates Prescriber Prevails for brand name drugs with FDA A-rated generic equivalents	*($0.7)*	*($0.4)*		
Aligns statewide Drug Utilization Review programs	*($6.3)*	*($3.1)*		
Expands Clinical Drug Review Program (CDRP)	*($0.3)*	*($0.2)*		
Minimum Supplemental Rebate	($2.8)	($1.4)	($3.8)	($1.9)
Eliminate e-Prescribing Incentive Payment	($3.1)	($1.5)	($4.3)	($2.2)
Prior Authorization for Non-Medically Acceptable Indicators for Prescription Drugs	($19.8)	($9.9)	($39.6)	($19.8)
Basic Benefit Initiatives	($5.0)	($2.5)	($5.0)	($2.5)
Community First Choice Option	($27.6)	($27.6)	($21.3)	($21.3)
Children's Health Insurance Program Reauthorization Act (CHIPRA) Performance Bonus Award	($13.0)	($13.0)	$0.0	$0.0
Office of Medicaid Inspector General (OMIG) Fraud and Abuse Integrity Initiative	($30.0)	($15.0)	($30.0)	($15.0)
Audits & Reviews	*($20.0)*	*($10.0)*		
Denied Claims Project	*($5.0)*	*($2.5)*		
County Demonstration UMASS	*($5.0)*	*($2.5)*		
Program Integrity Initiatives	($4.0)	($2.0)	($4.0)	($2.0)
Spousal Support	($20.0)	($10.0)	($42.0)	($21.0)
Nursing Home Case Mix Cap Initiative	($42.9)	($21.5)	($32.2)	($16.1)
Reduce/Eliminate Accounts Receivable Balances (within 2 to 3 years)	($16.5)	($16.5)	$0.0	$0.0
Medicaid Reestimate	($600.0)	($300.0)	($450.0)	($225.0)
Financial Plan Relief	$300.0	$300.0	$300.0	$300.0
Subtotal	($492.0)	($124.6)	($346.1)	($33.8)
Federal Health Care Reform				
Basic Health Program	$0.0	$0.0	($300.0)	($300.0)
Subtotal	$0.0	$0.0	($300.0)	($300.0)
GRAND TOTALS	($237.3)	($0.1)	($39.7)	($0.1)

Other Significant FY 2015 Medicaid Proposals :

The Executive proposes the following changes or initiatives that are estimated to have no fiscal impacts to Medicaid in FY 2015, and are detailed further below:

- ✓ **Shared Savings Under the Medicaid Cap with Providers**
- ✓ **Nursing Home Standard Wage**

- *Shared Savings under the Medicaid Cap*: For the past two state fiscal years, State Medicaid spending has been, or is estimated to be, under the the State Medicaid global cap amount. Although under-spending in FY 2014 was, and estimated under-spending in FY 2015 is proposed to be, used for financial plan relief, there is no statutory mechanism to address savings under the cap. Beginning in FY 2015, the Executive proposes to share any State savings under the global cap with providers on an annual basis if available. The intent of the language is to distribute 100 percent of any savings as follows:

    - At least 50 percent would be distributed proportionally to providers and plans on a volume driven basis; and
    - No more than 50 percent would be distributed to financially distressed and "critically needed" providers.

  The proposal would authorize DOH to establish a shared savings allocation plan prior to January of each year based on the projected total savings at that time.

  In FY 2015, the Executive estimates projected savings under the global cap to total $375 million, however, the Executive proposes using $300 million to offset General Fund expenditures for OPWDD services and $75 million to pre-pay Medicaid bills for FY 2016. If enacted, this proposal would apply to savings projected above $375 million.

- *Nursing Home Standard Wage*: The Executive proposes requiring managed care contracts with nursing homes to support standard rates of compensation for employees, including: nurses, nursing aides, orderlies, attendants, and therapists. The rate of compensation would include a basic hourly cash rate of pay and a supplemental benefit rate which may be paid or provided, and would be determined annually by the Commissioner of the Department of Labor (DOL) pursuant to regulations in consultation with the DOH Commissioner. Nursing homes would be notified by DOL of the rates, and would be subject to the sanction and enforcement processes set forth by DOL if they fail to comply. The Commissioner of DOH would also be authorized to prohibit new admissions to nursing homes for non-compliance with this provision. There is no fiscal impact to the State associated with this proposal, and according to the Executive there is no fiscal impact to the nursing home industry either. The Executive's stated intent is to set a wage floor to prevent managed care companies from reducing payments. However, the language does not explicitly protect each individual nursing home from increased costs.

Prior Year Medicaid Actions with Current Year Impacts:

As a result of two-year Medicaid appropriations and the nature of multi-year MRT initiatives, many changes to the Medicaid program have out-year effective dates or impacts. This has financial implications to Medicaid, however, the impact of two year appropriations and MRT initiatives were built into outward year Medicaid spending under the Global Cap when they were enacted. The following are past year initiatives that are set to become effective, or have an impact to Medicaid spending in FY 2015, and are detailed further below:

- ✓ **Restoration of Two Percent Rate Restoration to Medicaid**
- ✓ **Financial Relief Associated with the Home Care Wage Parity Law**
- ✓ **Solution to offset OPWDD Medicaid Overpayments**
- ✓ **State takeover of Local Medicaid Growth**

- *Two Percent Across the Board Restoration and Continuation of Trend Factor Elimination*: The FY 2014 Enacted Budget included a restoration of the two percent across-the-board rate reductions made to all health care service sectors in FY 2012, effective April 1, 2014. The net restoration to all providers is estimated to be $323.8 million in FY 2015. When the reduction was made in FY 2012, savings totaled $357 million, however as sectors have transitioned from Medicaid Fee-For-Service into Medicaid Managed Care and rates have declined, savings associated with reduction have also declined.

  The continuation of the elimination of the institutional trend factors for hospitals and nursing homes achieves cost avoidance totaling $607.4 million in FY 2015.

- *Home Care Worker Wage Parity Law*: The FY 2012 Enacted Budget included a provision that requires Certified Home Health Agencies (CHHAs), the Long Term Home Health Care Program (LTHHCP), and managed long care plans in New York City and Nassau, Suffolk and Westchester counties to pay their home care services employees a living wage pay. In addition to paying a specific wage, employers are required to either offer individual health insurance or pay an additional supplemental benefit.
  The New York City living wage requirements are fully effective March 1, 2014, while wage requirements will not be fully effective until March 1, 2016 for Nassau, Suffolk and Westchester counties. New York City's total compensation living wage for home care workers was set at $14.09.

  The Executive's proposed budget includes language to authorize the Commissioner of the Department of Labor (DOL) to adjust rates of payment, to CHHA and LTHHCP providers (Fee-For-Service) to address cost increases under the existing home care worker wage parity laws. The rate adjustments would be determined by the Commissioner of DOH and would be based on a comparison of the hourly compensation levels for home health aides and personal care aides.

  Although there is no proposed language to provide additional compensation for Managed Long-Term Care (MLTC) plans to offset their costs associated with the wage parity law, the Executive has indicated this would be done administratively through a rate adjustment. $308.7 million is included within the State Medicaid cap to offset costs to CHHAs, LTHHCPs, and MLTCs effective March 1, 2014.

- *OPWDD Medicaid Overpayments*: In FY 2014, the State voluntarily reduced the reimbursement rates for OPWDD payment rates by $1.1 billion. The reduction was a result of conversations with the Federal government regarding New York's purported over-collection on Medicaid rates during the past two decades for OPWDD patients. The State was forced to develop a plan to mitigate the loss of $1.1 billion of Federal funding for OPWDD services. The FY 2014 Enacted Budget created the Mental Hygiene Stabilization Fund, which is partially supported by DOH Medicaid resources, to access savings under the Global Cap.

In FY 2014 the amount transferred into the Stabilization Fund to offset the Federal reductions was $730 million, and the FY 2015 proposed amount was $445 million. The Executive continues the stabilization fund and proposes to increase DOH Medicaid resources for OPWDD services to $745 million in FY 2015 using General Fund relief from inside the cap, as discussed in the MRT IV section of this report.

- <u>*State takeover of the Local growth of the Medicaid Program*:</u> The FY 2013 Enacted Budget included provisions to eliminate the growth of the local contribution of the Medicaid program over a three year phase-in period, as follows:

  - On January 1st, 2013 the capped rate of local growth decreased from three percent to two percent;
  - On January 1st 2014 the capped rate of local growth decreased from two percent to one percent; and
  - On January 1, 2015 the capped rate of growth will decrease to zero percent and be fully phased in.

The local savings to counties and the City of New York associated with decreasing the capped rate of growth will increase from $61.1 million in FY 2014 to $187 million in FY 2015. Conversely, the increased cost to the State associated with funding local growth will be $125.9 million in FY 2015.

THE AFFORDABLE CARE ACT (ACA), HEALTH EXCHANGE AND INSURANCE

The Executive Budget includes the following proposals relating to the ACA, the New York health exchange, and insurance provisions, and are further detailed in the Issues in Focus section of this report:

- ✓ **Basic Health Plan:**
- ✓ **Health Exchange State Operations**
- ✓ **Out of Network**

- <u>*Basic Health Plan:*</u> The Executive proposes to authorize the establishment of a Basic Health Program (BHP) in New York to provide health care coverage for citizens between 133 and 200 percent of the federal poverty level (FPL) and for legal aliens below 200 percent of the FPL. A BHP would be a separate program from plans offered on the health exchange. The proposal authorizes DOH to establish the BHP only if it is determined to be in the "best financial interest" of the State. This threshold is not defined, and federal regulations on BHP payments have not been finalized.

- <u>*Health Care Exchange "New York State of Health" Operations Funding:*</u> In total, New York received $429.1 million in planning, establishment, and early innovator grants in federal support that expires December 31, 2014. These funds have supported the establishment and operation of the "NY State of Health", the name of New York's ACA compliant health care marketplace, to date. The ACA requires all marketplaces to be self-sustaining by January 1, 2015, and the Executive Order that established the New York health exchange would impose no cost on the State, but would be funded entirely with Federal funds up until that date, at which time it would be wholly self-funded. The

Executive Order also clearly specified that no State or county taxpayer dollars would be used for such purpose.

According to the "NY State of Health" Blueprint application, operations of the exchange will cost $97 million in FY 2015; however the blueprint does not specify a funding source or revenue base.

The Executive budget includes $54.3 million in State funding ($262.5 million All Funds) in 2015 increasing to $148.3 million ($219.3 million All Funds) in FY 2016 to cover the costs associated with operating New York State of Health beginning January 1, 2015. The sources of funding for the costs of the exchange are as follows:

- $28.6 million-Health Care Reform Act (HCRA) Surcharge revenue;
- $24.9 million-State Medicaid; and
- $900,000- Department of Financial Services.

- *Out of Network:* The Executive proposes enhancing insurance coverage and establishing protections for consumers with respect to coverage for out-of-network health care services. The proposal would increase disclosures that must be made to consumers by insurers and HMO's regarding: in-network health care providers and hospitals; methods by which an insured can submit a claim; a description of the methodology used to determine reimbursement amounts for out-of-network providers; and other information that will assist an insured in determining anticipated costs of out-of-network health care services. A procedure would be established to appeal an out-of-network referral denial or an adverse determination by a utilization review agent.
Additional requirements would also be placed on both health care providers and hospitals to better inform consumers on the cost of procedures, services and items provided. Information regarding other providers (such as an anesthesiologist or laboratory) must be given to the insured in advance of any procedure during which the services of another provider are scheduled to be used.

The proposal would institute a dispute resolution process by which out-of-network claims can be mediated. Specific criteria is included which an independent dispute resolution entity must consider in determining a reasonable fee for the services rendered. The Superintendent of Financial Services would be given the authority to promulgate regulations affecting the dispute resolution process, including regulations to certify and select independent dispute resolution entities.

HEALTH CARE TRANSFORMATION

- ✓ **Capital Restructuring Program**
- ✓ **Regional Health Care Collaboratives**
- ✓ **Health Information Technology**
- ✓ **DASNY Revolving Loan**
- ✓ **Federal MRT Waiver Authority**
- ✓ **Private Equity Capital Financing**

- *Capital Restructuring Program:* The Executive proposes a new $1.2 billion bond capital program, under the joint administration of the Commissioner of Health and the President of the Dormitory Authority of the State of New York (DASNY), aimed at improving financial stability and efficiency of New York's health care delivery system through collaboration. Funds would be made available from FY 2014 to FY 2021 and would be distributed without a competitive bid or request for proposal process. Funds would be distributed at a rate of $200 million each year for the first five years and $100 million for the last two years of the program.

Grants would be eligible to hospitals, residential health care facilities, diagnostic and treatment centers, and clinics for the purpose of closing, merging, and downsizing or restructuring. DOH and DASNY would jointly award, distribute, and administer funds. The language specifies application preference would be given to approved Delivery System reform Incentive Payments (DSRIP) recipients through the State's Medicaid 1115 waiver. To date, the Medicaid waiver has not been approved by the Centers for Medicare and Medicaid Services (CMS).

- *Regional Health Care Collaboratives:* The Executive proposes the establishment of 11 Regional Health Care Collaboratives (RHICs), including the Finger Lakes Health Systems Agency. The RHICs would be tasked with achieving savings across the entire health care system, not just Medicaid, through collaboration and restructuring. The proposed regions, organized by population would be: Western; Finger Lakes; Southern Tier; Central; Mohawk Valley; Adirondacks; Tug Hill Seaway; Capital Region; Mid-Hudson; New York City; and Long Island.

  The Executive proposes investing $7 million in FY 2015, increasing to $16 million in FY 2016, to establish the health planning entities.

- *Health Information Technology:* The Executive proposes investing $95 million in Health information technology systems to continue operational support for the Statewide Health Information Network of New York (SHIN-NY) and to establish an All Payer Claims Database (APCD) in FY 2015.

  SHIN-NY is an existing network of information transmitted between healthcare providers which facilitates the sharing of health information (with patient consent) among healthcare providers that are in the network. The information is organized regionally and connected through SHIN-NY to create a network spanning the entire State of New York.

  The All Payer Claims Database (APCD) would store data which is collected from all major public and private payers, such as insurance carriers, third party administrators, Medicaid, health plans, pharmacy benefit managers, and Medicare. The information that would comprise the APCD includes commercial payer data, facility discharge data (from the Statewide Planning and Research Cooperative System), Medicaid and Medicare data, Public Health Repositories (such as cancer registry and immunization registry), and Lab and Electronic Health Record data.

  The intent of both systems is to collect and share health care data across providers and regions to improve the quality of health care. The Executive proposes using up to $65 million from Health Care Reform Act (HCRA) covered lives assessment revenues and $30 million in State and Federal Medicaid funds, subject to CMS approval, to support SHIN-NY and the APCD.

- *DASNY Revolving LOAN:* The Executive proposes expanding the use of Health Facility Restructuring Program loans to include not-for-profit nursing homes and not-for-profit diagnostic and treatment centers. Currently, the DASNY program is only authorized to provide loans to hospitals. The Executive does not include increased funding with the proposed expansion of use and maintains FY 2014 spending levels of $19.6 million.

- *Federal Medicaid Redesign Team (MRT) Waiver Authority:* In August of 2012, DOH submitted a proposed amendment to the

State's existing 1115 Partnership Plan, known as the MRT Waiver to CMS. The MRT Waiver requested that CMS authorize New York to reinvest $10 billion of the Federal savings associated with MRT phases 1 and II into various initiatives and programs over a five year period. CMS did not approve the waiver application in the format in which it was submitted. DOH had anticipated MRT Waiver approval by December of 2012 and has since been working with CMS to develop a new format and financing mechanism that will meet CMS approval.

On December 12, 2013 DOH submitted a revised draft application to CMS which contains a three-part approach:

1. A Delivery System Reform Incentive Payment (DSRIP) Plan ($8.4 billion)
2. A State Plan Amendment ($525 million)
3. Investments through Managed Care Contract Payments ($2.1 billion).

The proposed MRT Waiver is still a five-year plan totaling $10 billion, however, the purpose, focus areas, implementation mechanisms, and plan submission requirements have been revised.

The status of the waiver application is currently still pending, however, the Executive Budget includes a $4 billion two-year appropriation conditioned upon CMS' approval.

- *Private Equity Demonstration Program New Models of Hospital Financing:* The Executive proposes to authorize the Commissioner to establish a pilot program that would facilitate private capital investment in health care facilities, excluding investment from publically traded companies. As part of this pilot program, the Public Health and Health Planning Council (PHHPC) would approve the formation of up to five business corporations. The intent of the pilot is to bring in capital investment other than State dollars, to invest in facility infrastructure.

HEALTH CARE REFORM ACT (HCRA)

The New York Health Care Reform Act (HCRA) of 1996 was established to finance a portion of State health care activities and deregulate inpatient hospital rates paid by private insurers.

For FY 2014, the HCRA resources fund has an operating deficit of $18 million against estimated revenue of $5.33 billion, and disbursements of $5.35 billion. An opening fund balance of $18 million for FY 2014 allows HCRA to operate at a deficit, and the closing balance for FY 2014 will be zero.

The Executive Budget extends HCRA for three additional years to March 21, 2017, with the exception of the Excess Medical Malpractice Liability Coverage Pool which is extended for one additional year. In FY 2015 revenues and disbursements are estimated to be $5.52 billion, with a closing balance of zero. HCRA is projected to remain in balance over the multi-year projection period. Significant changes to the FY 2015 HCRA budget include:

Savings:

- $16.8 million associated with freezing the rates of the Child Health Plus program for one year and transferring the rate setting process from the Department of Financial Services (DFS) to DOH;
- $1.3 million associated with programmatic savings to the AIDS Drug Assistance Program; and
- $1.2 million associated with eliminating the requirement of DOH to audit hospitals working hours.

New Expenditures:

- Authorizing transfer authority of up to $65 million to provide financing from increased covered lives assessment revenue for capital costs associated with the new All-Payer Claims Database ($10 million) and Statewide Health Information Network for New York ($55 million);
- $28.6 million for costs associated with operation of the New York State of Health, the State's health benefit exchange; and
- $25 million in additional funding for the Roswell Park Cancer Institute to offset the expiration of a capital grant.

PUBLIC HEALTH

Projected FY 2015 Public Health Budget spending, excluding Medicaid, is $4.1 billion, a reduction of $519.1 million from current year levels. This net reduction is mainly attributable to the expiration of Health Care Efficiency and Affordability Law for New Yorkers (HEAL-NY) capital funds offset by funding re-estimates and new investments, and is detailed in the chart below:

Public Health All Funds Change *($$ in millions)*	
Expiration of HEAL/F-SHRP Capital Funding	(532.7)
Federal Re-estimates	(69.3)
Transfer to the Office of Information Technology Services	(15.2)
Elderly Pharmaceutical Insurance Coverage Program Re-estimates	(11.2)
All Other Re-estimates (Non-Federal)	(2.1)
General Public Health Work Program Re-estimates	17.0
New York State of Health Staff	28.6
Child Health Plus Re-estimates (All Funds)	72.4
Other Budget Actions (Detailed Below)	(6.5)
All Funds Year to Year Change	**(519.0)**

Public Health Proposal with Financial Plan Impacts ($6.5 million):

- ✓ **General Public Health Works Program**
- ✓ **Child Health Plus Rate Setting**
- ✓ **Roswell Park Cancer Institute**
- ✓ **Health Exchange State Operations**
- ✓ **Hospital Audits on Working Hours**
- ✓ **Human Services Cost of Living Adjustment**
- ✓ **Prior Year Legislative Additions**

- *General Public Health Works (GPHW) Program:* The GPHW provides Local Health Departments (LHDs) with State reimbursement for a core set of public health services including disease control, community health assessment, health education, environmental health, and family health, which includes prenatal care services. The Executive proposes eliminating State reimbursement for prenatal care services that are provided to women who are currently insured, effective July 1, 2014. Reimbursement would continue for uninsured women, however, the proposal requires municipalities to make efforts to assist such women in enrolling in a health insurance plan. If health insurance coverage is established, reimbursement for prenatal care services would terminate at that time. The State savings associated with this proposal are estimated to be $2 million in FY 2015 increasing to $4.3 million in FY 2016.

- *Child Health Plus (CHP) Rate Setting Transfer:* Similar to the FY 2014 budget proposal, the Executive proposes transferring the rate setting process for the CHP program from the Department of Financial Services to the Department of Health. The proposal also sunsets the automatic 28 percent CHP subsidy payment reduction for all organizations providing CHP services above the 2010 statewide average beginning April 1, 2014.
The intent of the proposal is to align the current prior approval methodology with Medicaid and Family Health Plus rate setting methodologies, which are risk-adjusted rates. The language requires DOH to establish rates

and to contract with an independent actuary who will review and make recommendations on the methodology. Lastly, the proposal freezes CHP rates in FY 2015 at their FY 2014 amounts. Net State savings associated with sunsetting the 28 percent reduction to payments and freezing rates in FY 2015 are projected to be $16.8 million in FY 2015 decreasing to $8.0 million in FY 2016.

- *Roswell Park Cancer Institute (RPCI):* Under the Health Care Efficiency and Affordability Law of New York (HEAL-NY) grant program RPCI received a two year $50 million capital grant distributed at $25 million each year. HEAL-NY grants expire on March 31, 2014. The Executive proposes increasing total local assistance funds for RPCI from $77.6 million to $102.6 million, or by $25 million, to offset the expiration of HEAL-NY funds.

- *Public Health Savings Associated with the Implementation of the New York State Health Exchange:* The Executive estimates new savings to the following programs associated with increased insurance coverage through the New York State of Health program and expanded access to Medicaid:

  - ($1.3 million)-Family Planning Services;
  - ($1.25 million)-AIDS Drug Assistance Program; and
  - ($1.1 million)-Cancer Services Program.

  Individuals currently receiving services through these public health programs will be eligible for health insurance coverage through qualified health plans or Medicaid upon enrollment. The proposal estimates savings will begin accruing in January of 2015. Total FY 2015 savings are estimated to be $3.1 million increasing to $12.8 million in FY 2016.

- *Hospital Audits on Working Hours*: Since 2000, DOH has been required to annually audit the number working hours for hospital residents. The State contracts with IPRO, a peer review organization, to perform the audits. The requirement is a duplicative effort of the Federal process used by the Accreditation Council for Graduate Medical Education (ACGME) to perform similar audits, and further creates additional administrative and financial burdens on hospitals. The Executive proposes eliminating the State's audit requirement which would achieve annual State savings of $1.1 million by eliminating the contract with ACGME.

- *Eliminate the Human Services Cost of Living Adjustment (COLA):* The Executive proposes eliminating the two percent COLA for Human Services Providers for an additional year. Savings to the State associated with DOH providers would be $6.7 million in FY 2015 increasing to $8.8 million in FY 2016.

- *Legislative Additions from FY 2014:* The Executive proposes reducing funding increases made by the Legislature in the FY 2014 enacted for the following programs:

  - ($750,000)-Family Planning Services;
  - ($525,000)-AIDS Community Based Organizations; and
  - ($525,000)-AIDS Community Services.

  Savings associated with reducing funding for the programs total $1.8 million annually.

Other Public Health Proposals with No Financial Plan Impact:

✓ **Life Pass It On Trust Fund**
✓ **DOH Tax Check-Off Accounts**

- ✓ **Prostate Cancer Research and Detection Fund**
- ✓ **Certificate of Need**
- ✓ **Public Health Care Programs**

- *Life Pass It On Trust Fund / New York State (NYS) Donate Life Registry:* The Executive proposes language to authorize DOH to contract out the operation and marketing functions of the NYS Donate Life Registry to a not-for-profit organization. Currently DOH operates the registry using existing agency resources. The new contract would be funded with monies made available from the Life Pass It on Trust Fund.

  The fund was established in 2003 to perform research and engage in education projects relating to increasing and promoting organ tissue donation awareness, however an appropriation to make expenditures from the fund was never established. The Trust Fund is comprised of monies donated by individuals obtaining or renewing their driver's license at the Department of Motor Vehicles (DMV) or by revenues associated with the purchase or renewal of specialty license plates through the DMV. The budget proposes to repurpose monies in the fund to include the NYS Donate Life Registry contract and includes a new $200,000 appropriation for the Life Pass It on Trust Fund in the State Operations Budget. There is no projected financial plan impact associated with the proposal.

- *Department of Health Tax "Check Offs":* The Executive proposes increasing expenditures from the three health-related tax check-off funds as follows:

Department of Health Tax Check-Off Accounts

Fund	FY 2014	FY 2015	Increase
Alzheimer's Disease Assistance Fund	$202,000	$452,000	$250,000
Breast Cancer Research, and Education Fund	$913,000	$2,113,000	$1,200,000
Prostate Cancer Research, Detection and Education Fund	$0	$750,000	$750,000
Total	$1,115,000	$3,315,000	$2,200,000

The tax "check-off" programs provide taxpayers with the mechanism to make voluntary contributions in whole dollar amounts for various causes as part of their State tax return filing. In 2015 New York will offer eight tax check-off options, including the three health related funds listed above.

The Alzheimer's disease Assistance Fund was created in 1999 to support services, education and technical assistance related to the disease. DOH is required to make grants to public and not-for-profit entities that serve persons with Alzheimer's disease. The FY 2012 Enacted Budget included provisions to require the State to provide to the fund an amount equal to the tax check-off contributions in the prior year.

The Breast Cancer Research and Education fund was established in 1996 to support breast cancer-related scientific and education projects. Funds in the account are distributed by DOH upon recommendation of the Health Research Science Board. A State matching component was also enacted for the Breast Cancer Fund in FY 2012. This fund also receives revenue from distinctive license plate sales.

The Prostate Cancer Research, Detection and Education fund was established in 2004, and legislation directed all funds into the New York State Coalition to Cure Prostate Cancer.

The FY 2012 Enacted Budget also included a State matching component for this fund as well. The not-for-profit listed above was never actually established; therefore the original structure of the fund never realized.

The Executive proposal to increase expenditures out of these three funds would have no financial plan impact, as monies spent will be funded by the revenues collected within the accounts.

- *Prostate Cancer Research and Detection Fund:* As mentioned above, the Prostate Fund never did function as intended. The Executive proposes amending the disbursement requirements of the fund so that monies would be made available to DOH to provide grants for the purpose of financing prostate cancer research, detection and support programs, and education projects. The funds would not be distributed pursuant to a request for proposal or competitive bid process, and allocations would be determined by the Commissioner.

- *Certificate of Need:* For a second consecutive year, the Executive proposes streamlining the planning process for the establishment and construction of health care institutions under the certificate of need process. Additionally, standards used by the PHHPC when considering prospective facility operators would be amended.

- *Public Health Care Programs:* The Executive proposes eliminating funding for 36 discrete programs and consolidates the associated funding for each into ten pools.

  There are no State savings associated with this proposal, however, there is no guarantee that each program would be funded and at what level under the proposed construct. The consolidations are reflected in the chart below:

FY 2015 Proposed Program Consolidations		
PROGRAM	**FY 2014 Enacted**	**FY 2015 Executive**
HIV/AIDS/STD/HEPATITIS C HEALTH CARE PROGRAMS	**$30,316,300**	**$30,673,000**
Health Care Supportive Services	$29,248,300	
Hepatitis C Programs	$1,068,000	
HIV/AIDS/STD/HEPATITIS C PREVENTION PROGRAMS	**$31,865,100**	**$31,858,000**
HIV STD Hepatitis C Prevention	$31,087,500	
Public Health Campaign (STD component only) *	$777,600	
HIV/AIDS and STD CLINICAL EDUCATION PROGRAMS	**$3,078,000**	**$3,196,000**
AIDS Clinical Education Programs	$2,598,000	
STD Center for Excellence	$480,000	
MATERNAL AND CHILD HEALTH PROGRAMS	**$4,511,100**	**$4,512,000**
Maternal Mortality Services	$31,300	
Prenatal Care Assistance	$2,296,400	
Safe Motherhood Initiative	$34,700	
Universal Prenatal/Postpartum Home Visiting	$1,847,000	
Maternity and Early Childhood Foundation	$283,300	
Sudden Infant Death Syndrome	$18,400	
PUBLIC HEALTH WORKFORCE	**$301,000**	**$301,000**
Public Management Leaders	$261,600	
Statewide Health Broadcasts	$39,400	
INFECTIOUS DISEASE PROGRAMS	**$7,438,700**	**$7,439,000**
Health Promotion Initiatives	$538,200	
Rabies	$1,456,000	
Tick-borne Disease	$69,400	
Public Health Campaign (TB only) *	$4,809,500	
Tuberculosis	$565,600	
CHRONIC DISEASE PREVENTION	**$9,445,300**	**$9,446,000**
Obesity and Diabetes	$6,803,300	
Childhood Asthma Coalitions	$1,163,300	
Hypertension	$232,300	
Children's Asthma	$213,400	
Hypertension Prevention	$631,700	
Adelphi University Breast Cancer	$283,300	
Eating Disorders	$118,000	
MINORITY HEALTH AND HEALTH DISPARITY PROGRAMS	**$477,200**	**$478,000**
Office of Minority Health	$266,000	
Latino Health	$36,750	
Minority Male Wellness	$26,950	
Racial Disparities	$147,500	
LOCAL HEALTH DEPARTMENT PUBLIC PROTECTION	**$14,061,400**	**$14,062,000**
Lead Poisoning Prevention	$275,700	
Tobacco Enforcement	$2,174,600	
Water Supply Protection	$5,017,000	
Healthy Neighborhoods	$1,872,800	
Childhood Lead Poisoning Prevention	$4,721,300	
COMMUNITY LABORATORY PROGRAMS	**$822,400**	**$823,000**
Sickle Cell Screening	$213,400	
Genetic Disease Screening	$609,000	
TOTAL OF ALL CONSOLIDATED APPROPRIATIONS	**$102,316,500**	**$102,788,000**

** FY 2014 Public Health Campaign appropriation of $5,587,100 is split in FY 2015 between the STD and TB portions.*

State Operations and Staffing

The Executive proposes a workforce of 5,213 Full Time Equivalents (FTEs), an increase of 323 over current year levels. Of this amount, 230 FTEs are associated with the phased-in takeover of the local administration of the Medicaid program. The remaining amount is primarily due to increased staffing associated with the NY State of Health.

Capital Funding

The DOH capital fund budget is proposed to increase from $85.6 million to $1.4 billion in FY 2015. The increase is cost neutral to the financial plan and is attributable to the following actions:

- $1.2 billion in DASNY capital bonding authority associated with the Capital Restructuring Financing program (detailed in the 'Health Care Transformation' section of this report);
- $55 million in funding for the establishment of Statewide Health Information Network of the NY (SHIN-NY) program funded by HCRA covered lives assessments;
- $10 million for the All Payer Claims Database (APCD) also funded by HCRA covered lives assessments; and
- $10 million for ongoing IT initiatives within DOH funded with existing DOH special revenue-other accounts. The proposal includes correlating transfers in the Sweeps and Transfers legislation.

Office of the Medicaid Inspector General (OMIG)

The FY 2015 Executive Budget recommends All Funds cash disbursements of $56.7 million, a net decrease of $6.6 million or 1.0 percent for OMIG. The decrease is attributed to a reduction in Federal funding and the realignment of IT staff with the Office of Information Technology Services (OITS).

The Executive proposes a workforce of 484 FTEs, consistent with current year levels.

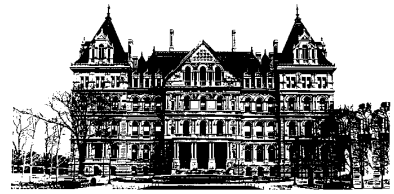
The audit target for FY 2015 increases from current year levels by $15 million, totaling $1.1 billion, as a result of the Executive's proposed OMIG Fraud and Abuse Integrity Initiative. The target includes $323 million in cash recoveries and $824 million in savings associated with cost avoidance.

The Executive's Fraud Abuse Integrity Initiative would include:

- Audits and Review: Includes HMS review of nursing homes not reviewed by OMIG for inappropriate reserved beds and a review of claims inappropriately billed for OPWDD recipients; Medicaid providers return of overpayments identified through self-review and its compliance program; and identification and recovery of prescription claims paid by both Medicaid and Medicare (FY 2015 $10 million in State savings);
- Denied Claims Project: Identifies partially denied Medicare claims that were crossed over from Medicare to Medicaid and were paid in full by Medicaid (FY 2015- $2.5 million in State savings); and
- County Demonstration UMASS: Review dual Medicare/Medicaid eligibility for home health services to ensure Medicaid is the payer of last resort (FY 2015- $2.5 million in State savings).

Health - Medicaid Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Medical Assistance	40,502,729	43,297,430	2,794,701	6.90%
Medicaid Administration	1,363,447	1,317,147	(46,300)	-3.40%
All Other Health	4,583,058	4,063,993	(519,065)	-11.33%
Medicaid Inspector General	63,366	56,718	(6,648)	-10.49%
Totals:	**46,512,600**	**48,735,288**	**2,222,688**	**4.78%**

Transportation: Fact Sheet



The Executive Budget proposes total All Funds spending for Transportation of $9.49 billion, **an increase of $307.7 million or 3.4 percent** from last year's level of $9.15 billion.

- **Transportation Capital Obligations.** The FY 2015 Executive Budget includes $3.7 billion in funding to continue the second year of the two year agreed upon Transportation Capital Plan. This funding is a portion of the total $7 billion in capital obligations agreed to over two-years for DOT. The total proposed capital obligations, including the current $3.7 billion two-year Capital Plan, amount to $3.6 billion in FY 2014 and $3.4 billion for FY 2015.

- **Local Roads.** The Executive Budget maintains CHIPS and Marchiselli funding at $438.1 million and $39.7 million, respectively. Article VII language is included to bring these appropriations on budget. Currently CHIPS and Marchiselli are paid through the Thruway Authority, and the debt service is paid through the State Budget. This proposal would authorize the payment of these programs through a State appropriation, to avoid the problem of late payments to local governments.

- **Transit.** The Executive Budget provides public transit operating assistance totaling $4.8 billion. The Metropolitan Transportation Authority (MTA) would receive $4.3 billion or $85 million over FY 2014. Other transit providers would receive $461 million or $7.9 million over last year. The Executive proposal allocates $40 million in downstate mass transit funds to pay a portion of the MTA debt service costs on existing State-issued service contract bonds, twice the amount that was approved last year.

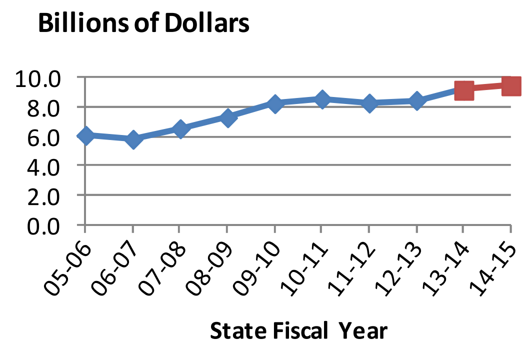
- **Department of Transportation.** The Executive Budget includes $2.5 million for the Department of Transportation to study the environmental impact of constructing a new bypass along State Route 11 in Canton and Potsdam.

- **Department of Motor Vehicles.** Under the Executive proposal, the Department of Motor Vehicles would receive $1.4 million to continue the Customer Service Initiative implemented last year, in an effort to reduce wait times.

- **Thruway Authority.** The Executive proposal provides approximately $86 million of State funding assistance for the Thruway Authority, maintaining the State takeover of the personnel costs of State Police Troop T and other expenses. The Thruway has begun construction of a $3.9 billion new Tappan Zee Bridge.

TRANSPORTATION

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	9,182	9,490
Annual Growth Rate	8.5%	3.4%
5 Year Average Growth (Actual)		4.9%



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. The FY 2015 Executive Budget proposes a spending level of $9.46 billion, an increase of $307 million, or 3.4 percent.

Department of Transportation

The Department of Transportation (DOT) maintains and improves the State's more than 38,000 highway lane miles and 7,500 bridges. In addition, the Department subsidizes locally operated transit systems and partially funds local government highway and bridge construction, and rail and airport programs. The Department's headquarters is in Albany, and DOT currently operates 10 regional offices in Utica, Syracuse, Rochester, Buffalo, Hornell, Watertown, Poughkeepsie, Binghamton, Hauppauge and New York City.

Workforce levels for DOT will remain flat at 8,337 Full-time equivalents (FTEs).

The FY 2015 Executive Budget proposes an All Funds cash spending level of $8.97 billion, an increase of $382 million, or 4 percent over FY 2014. This increase is attributable to:

- A $479 million increase associated with the Article VII legislation to bring CHIPS and Marchiselli on Budget.
- A $93 million increase due to increased transit revenues,
- A $26 million increase to reflect actual cash moving from the FY 2013 Amtrak appropriation.
- A $213 million decrease in capital payments, due primarily to the payout of the FY 2013 accelerated projects.
- A $3 million decrease due to the one-time FY 2013 payment of approximately $3 million to the NFTA transit system.

Workforce levels for DOT will remain flat at 8,337 Full-time equivalents (FTEs).

Two Year Capital Plan

The FY 2015 Executive Budget continues the second year of the $3.7 billion Transportation Capital Plan. This Plan is part of the total $7 billion in capital obligations committed over two-years for DOT. The total proposed capital project obligations, including the current $3.7 billion two-year Capital Plan, amount to $3.6 billion in FY 2014 and $3.4 billion for FY 2015.

This $3.7 billion Capital Plan includes project lists for FY 2014 and FY 2015, with proposed letting dates and reporting requirements. The plan also includes a commitment to submit a Five Year Capital Program for the years FY 2016 through FY 2020.

The current Two-Year Capital Plan includes:

- $3.3 billion in road and bridge projects throughout the State,
- $310 million for the Acceleration Initiative, wherein both Houses of the Legislature worked with the Executive to accelerate and advance shovel-ready projects of regional significance,
- $90 million to engineer out-year projects to address the shortfall in shovel-ready projects throughout the State,
- $10 million increase in Aviation spending, to be shared between the Airport Improvement Program (AIP) and AIR99,
- $10 million for rail freight. Prior to this Capital Plan, freight rail and passenger rail shared $10 million in capital funding.
- $5 million in additional capital for each of the non-MTA transit systems. The allocation of this additional non-MTA transit revenue was determined using the existing allocation formula.
- $25 million in reserve to address transportation priorities in FY 2015. This $25 million will be lined out as an amendment to the existing Two-Year Capital Plan prior to the passage of the FY 2015 Enacted Budget.

The following table includes the DOT capital plan obligations that reflect the Executive proposal. The year-to-year change in total capital obligations is largely attributable to a reduction in Core spending from last year, and the spend out of Federal program funds. There was a spin-up in FY 2013 to accelerate out-year projects, which explains the $191 million additional core funding for last year.

The following table details the entire DOT capital program expenditures.

OBLIGATIONS ($ millions)	Estimated FY 2014	Proposed FY 2015	YTY Change	% Change
Core Highw ay Program (including any Design / Build contracts)*	1925	1734	(191)	-10%
New York Works - Highw ay Program / Acceleration Initiative*	200	200	0	0%
Administration	89	76	(13)	-15%
State Forces Engineering / Program Mgmt	394	410	16	4%
Preventive Maintenance	322	354	32	10%
Maintenance Facilities	18	18	0	0%
Other Federal Programs	103	25	(78)	-75%
Rail Development ($10 million for passenger and freight rail, $44 million for Amtrak)	54	54	0	0%
Aviation Systems	4	4	0	0%
Non-MTA Transit	37	37	0	0%
New York Works - Other Modes*	25	25	0	0%
Capital Aid to Locals	478	478	0	0%
Total	3649	3416	(233)	6%

* Amounts reflect all phases of w ork: construction, consultant engineering, and right of w ay. Source: Division of the budget.

Canton-Potsdam Bypass

The Executive Budget includes $2.5 million for the first stage of an Environmental Impact Study to begin this year, to study the feasibility of constructing a new bypass along State Route 11 in Canton and Potsdam, located in New York's North Country region. This proposal is a scaled down version of the $6 billion Route 98 project that was mentioned in the 2014 State of the State address. The Canton-Potsdam Bypass environmental impact study would be paid for with existing DOT study dollars. This was not included in the two-year capital plan.

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At-Risk Bridge Replacement

The FY 2015 Executive Proposal includes a plan to spend $486 million in Federal Superstorm Sandy to replace 100 bridges at-risk for flooding across the State. The full list of bridges is publicly available. The Department of Transportation will be responsible for oversight of this initiative.

Transit Operating Assistance

DOT provides oversight and funding for more than 30 public transit operators, including the Metropolitan Transportation Authority (MTA), the four upstate regional transportation authorities (CDTA, RGRTA, NFTA, and CNYTRA), and other (usually county-sponsored) transit systems.

The Executive Budget provides $4.8 billion in operating assistance to the state's transit systems. The MTA would receive $4.3 billion, reflecting an increase of $85 million or 2 percent, while other systems would receive over $461 million, representing a $7.9 million increase, or 1.75 percent. Upstate transit providers, which did not receive an increase in operating assistance last year, would receive nearly $176 million, representing an increase of $2.3 million or 1.35 percent. All of these transit increases are attributable to growth in dedicated transit revenues.

The FY 2015 Executive Budget also includes a proposal to use $40 million of downstate Metropolitan Mass Transportation Operating Assistance (MMTOA) funds to pay a portion of the debt service costs of existing state-issued MTA service contract bonds. MMTOA is funded from a portion of the petroleum business tax (PBT), the MTA Corporate Surcharge, a regional sales tax, and transmission tax. The Public Transportation Operating Account (PTOA), which helps funds the upstate transit systems, receives only a portion of the PBT and the transmission tax. The FY 2014 Enacted Budget authorized using $20 million of MMTOA proceeds to pay a portion of the debt service costs of previously issued MTA service contract bonds.

	Enacted FY 2014	Proposed FY 2015	Difference
Downstate			
NYCTA	$1,719	$1,748	$29
MTA Commuter Rail	$635	$651	$16
MTA (Payroll & Aid Trust)	$1,907	$1,947	$40
MTA Total	**$4,261**	**$4,346**	**$86**
Rockland	$3	$3	$0.1
Staten Island Ferry	$30	$31	$0.6
Westchester	$51	$52	$1
Nassau - NICE Bus	$62	$63	$1
Suffolk	$24	$24	$0.5
NYC DOT	$81	$83	$2
Remaining Systems	$29	$30	$0.6
Non-MTA Total	**$280**	**$286**	**$6**
Subtotal Downstate	$4,541	$4,632	$91
Upstate			
CDTA	$31	$32	$0.4
CNYRTA	$28	$29	$0.4
RGRTA	$33	$33	$0.4
NFTA	$45	$46	$0.6
Remaining Systems	$36	$37	$0.5
Subtotal Upstate	$173	$176	$2
Program Totals	**$4,714**	**$4,808**	**$93**

**Due to rounding some amounts may vary*

Local Aid

Under the Executive's proposal, the Consolidated Highway Improvement Program (CHIPS) would receive $438.1 million, and the Federal Municipal Streets and Highways Program ("Marchiselli") would receive $39.7 million. This holds the funding for these programs at the FY 2014 levels. The FY 2014 Enacted Budget increased CHIPS allocations by $75 million statewide. This was the first increase since FY 2009. Increases per municipality were determined using the existing allocation formula.

The Executive Proposal includes Article VII language to bring CHIPS, Marchiselli, MultiModal, and the Suburban Highway Improvement Program (SHIPS) on-budget as Department of Transportation Capital appropriations, rather than off-budget directives for the Thruway Authority to issue Personal Income Tax (PIT) bonds. According to the Division of the Budget, this proposal is an effort to overcome bond sale timing and repayment issues that have led to late payments to local governments for their reimbursement of CHIPS and Marchiselli funds.

Department of Motor Vehicles

The responsibilities of the Department of Motor Vehicles (DMV) include administering the State's motor vehicle laws, promoting traffic safety, verifying identities and issuing secure documents, including driver's licenses and vehicle registrations, and collecting revenues. DMV has three regional headquarters and 27 district and branch offices. In addition, County Clerk offices act as DMV agents at 102 locations throughout the State. DMV served more than 20 million customers last year.

The FY 2015 Executive Budget recommends an All Funds cash spending level of $303.9 million for DMV, a $10.7 million or three percent decrease over last year. This decrease is primarily attributable to the following:

- An $7.1 million decrease for transferring technology functions and spending to the Office of Information Technology Services (OITS), as part of the Statewide transfer initiative, and the attrition of 10 full time equivalent employees,
- A $5 million decrease in capital expenditure for the Customer Service Initiative.
- An increase of $1.4 million to pay for the second year of Customer Service Initiative expenses.

The FY 2015 Executive Budget appropriates $1.4 million to continue the Customer Service Initiative that was implemented in the FY 2014 ($4.5 million was appropriated in FY 2014 for the first year of the Initiative). The Customer Service Initiative was the first substantive increase in DMV's budget in five years. The Initiative was created to reduce wait times, and implemented technological upgrades to improve customer service. Adjustments are being made this year based on customer feedback gathered last year to continue to improve the public's interaction with DMV.

DMV estimates its workforce for FY 2015 at 2,205 full time equivalent (FTE) positions, a net decrease of 10 positions. This decrease reflects attrition of window agents, due to staffing efficiencies resulting from the DMV's Customer Service Initiative, wherein many transactions are performed at automated kiosks.

The Executive Budget includes three DMV Article VII bills:

1. Make permanent the one-year authorization passed in FY 2014 allowing Saturday hours at certain DMV branch offices. Unless renewed, this authorization will expire on March 29th, 2015. This proposal is part of the Customer Service Initiative.
2. Make permanent the authorization of DMV to provide the Accident Prevention course Internet Program (also known as the Internet Point Insurance Reduction Program (IPRIP). This would allow motorists to take the accident prevention course online or other technologies for the purposes of granting point and insurance premium reduction benefits. Currently this authorization is set to expire on May 18, 2014.
3. Bring New York State into compliance with Federal regulations regarding up-to-date notice of all restrictions on a commercial driver's license, by all commercial driver's license holders in the State. This Part

preserves $64 million in Federal highway funding.

Airports

The FY 2015 Executive proposal includes over $200 million in federally funded capital projects to make JFK and LaGuardia airports more resilient against flooding damage. The proposal uses 100 percent of Federal dollars to install tide gates and drainage systems, new emergency generation capabilities, elevated fuel facilities, a new signage communications system, and a flood wall surrounding critical and vulnerable equipment.

These capital projects would be administered by the *Port Authority of New York and New Jersey*. The Federal dollars would flow directly to this bi-State Authority. The Division of the Budget has said that New York State will be project manager, in an effort to expedite this project, however, no Article VII or enabling legislation exists to allow or require the State to be project lead or manager of this bi-State Authority project.

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA), the largest transit provider in North America, is responsible for operating, maintaining and improving public transportation in the Metropolitan Commuter Transportation District (MCTD), which consists of New York City and the counties of Westchester, Nassau, Suffolk, Dutchess, Putnam, Orange and Rockland. The MTA's operations include subway and bus systems in New York City, the Long Island Rail Road, Metro-North Railroad, and Bridges & Tunnels (seven bridges and two tunnels).

State Operating Assistance

As part of the $4.3 billion in recommended MTA transit operating assistance discussed earlier, the FY 2015 Executive Budget also includes $309.2 million in General Fund support to continue to offset reductions in the payroll mobility tax (PMT) approved in 2011.

Other MTA Issues

Budget

In December 2013, the board of the MTA voted to approve a $13.6 billion 2014 operating budget, an increase of nearly $700 million or 5.4 percent. The MTA's 2014 budget includes $18 million in service improvements. At the same meeting the MTA board also approved an updated four-year financial plan covering 2014-2017.

The three key elements of the MTA's 2014-2017 Financial Plan include assumptions of three years of "net zero" wage growth for represented employees; achieving increased, recurring cost savings; and lower, biennial fare and toll increases. In March 2013, the MTA enacted 7.5 percent fare and toll revenue increases, the fourth increase in the past six years. The latest MTA Financial Plan reduces projected fare and toll increases for 2015 and 2017 from 7.5 percent to 4 percent over a two-year period, or approximately a 2 percent annual increase.

Based on current projections, the MTA Financial Plan is balanced through 2016, with a "manageable" deficit of $191 million in 2017. Still, the MTA stresses that significant budget risks remain. Most notably, the MTA's inability to achieve labor settlements with its represented employees that include three years of net-zero wage growth would increase costs by approximately $300 million per year. The MTA says this could lead to larger than planned fare and toll increases and/or a reduction in the funding it will be able to set aside for its upcoming 2015-2019 Capital Plan.

2015-2019 MTA Capital Plan

The MTA is required to submit a proposed 2015-2019 Capital Plan to the CPRB by October 1,

2014. Based on the MTA's Twenty-Year Capital Needs Assessment, 2015-2034, the MTA is forecasting a core program for the 2015-2019 Capital Plan totaling $26.6 billion, not including funding for system expansion projects. Since the MTA has indicated that it will recommend about $5 billion for system expansion projects in the next Capital Plan, including funding to complete the East Side Access project, the next proposed MTA Capital Plan may total close to $32 billion. Aside from planning to set aside $370 million annually in pay-as-you-go capital beginning in 2015, the MTA has not indicated how the 2015-2019 Capital Plan would be funded.

Payroll Mobility Tax

In January 2014, the Court of Appeals, the State's highest court, declined to consider an appeal led by Nassau County challenging the constitutionality of the MTA payroll mobility tax (PMT), thereby upholding the controversial tax. The PMT, which charges employers in the MTA region 34-cents for every $100 of payroll, was enacted in 2009 and then substantially reduced in 2011 to eliminate the tax for 80 percent of the businesses impacted, namely small businesses and self-employed individuals. The tax, which produces at least $1.3 billion annually, is the MTA's largest non-fare, operating revenue source.

Metro-North Railroad Derailment at Spuyten Duyvil

On December 1, 2013, a southbound Metro-North train from Poughkeepsie to Grand Central Terminal derailed at Spuyten Duyvil in the Bronx. This accident resulted in four fatalities and 59 passengers were injured. The National Transportation Safety Board (NTSB) is conducting an official investigation of the accident.

Last month, the Federal Railroad Administration (FRA) announced a review of Metro-North's operations and "safety culture." The FRA has said that a system called positive train control (PTC) would probably have prevented the crash, as PTC has the ability to slow a train that is going into a curve at an excessive speed. Under a federal mandate, PTC must be installed by the end of 2015. The MTA has estimated that PTC will cost about $1 billion. While the MTA had already begun to move forward with PTC before the derailment, the authority has indicated that technical issues may prevent it from meeting the required deadline.

Penn Station Access

In his recent State of the State address, the Executive strongly endorsed an expansion of the Metro-North Railroad that would add four stations in the Bronx and connect the New Haven Line to Pennsylvania Station. The plan would include new stations at Hunts Point, Parkchester, Morris Park and Co-op City in the Bronx. Since all Metro-North trains currently run into Grand Central Terminal, Penn Station Access is seen as a potential resiliency improvement. The Executive anticipates that federal disaster recovery aid could cover much of the estimated $1 billion cost, including the purchase of new railcars and track. No funding for Penn Station Access is contained in the current Executive Disaster Relief Plan. Implementation of the expansion would require an amendment to the existing MTA Capital Plan.

2010-2014 MTA Capital Program – Superstorm Sandy

The MTA estimates the total infrastructure damage from Sandy at $4.8 billion, which includes $778 million in MTA Bridges and Tunnels' projects that are not subject to Capital Program Review Board (CPRB) oversight.

The Executive FY 2015 Storm Plan includes $5.1 billion for reconstruction of the subway system to make infrastructure improvements to better withstand extreme weather. The $5.1 billion amount corresponds to only the CPRB approved mitigation or resiliency funding for planned subway and transit improvements, not commuter railroad resiliency projects ($537 million) or potentially Penn Station Access.

The MTA expects that federal disaster recovery funds, including funding from the Federal Transit Administration (FTA) will pay for the majority of the Sandy-related work and that its local share will be financed through borrowing and additional pay-as-you-go capital. The MTA estimates that it may ultimately be responsible for as much as $950 million.

Thruway Authority

The Thruway Authority operates a 570-mile highway system that includes the 426-mile mainline from Pennsylvania to New York City. Through its subsidiary, the New York State Canal Corporation, the Thruway maintains, operates, develops, and makes capital improvements to the 524-mile navigable waterway, which includes 57 locks, 20 lift bridges, dams, reservoirs, and water control structures. The Thruway is also responsible for building a new Tappan Zee Bridge, a $3.9 billion project that is now under construction, after receiving a $1.6 billion federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

The Thruway Authority and Canal Systems programs are primarily financed with Authority funds that are not part of the State Budget. The Thruway Authority's calendar year 2014 combined operating and capital budget, including the Canal Corporation, totals $2.1 billion, which represents an increase of $695 million or 49 percent over the revised estimate of $1.4 billion for calendar year 2013. Nearly all of the budget increase ($563 million) is due to advancing construction of the New NY Bridge that will replace the Tappan Zee Bridge.

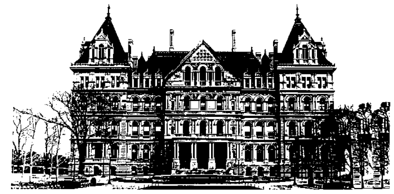
The Thruway Authority's 2014 Budget includes $339 million in Thruway and Canal operating expenses, the same level as last year. The Thruway Authority is continuing to implement its plan to achieve over $100 million in operational cost savings, including the elimination of vacant positions, departmental consolidations, operational streamlining, and employee benefit reforms. Eighty five million dollars in State aid include: the transfer of Troop T ($55 million), exempting the Thruway from certain cost recovery assessments ($5.2 million), and the assumption of certain expenses incurred on behalf of the State ($24 million). These expense transfers were done in support of an agreement to cancel a proposed 45 percent commercial toll rate increase.

The Executive Budget for FY 2015 provides ongoing assistance to the Thruway by continuing the expense transfers, now totaling approximately $86 million. In addition, the FY 2015 Executive Budget maintains a $2 million appropriation from the Canal System Development Fund, which receives canal tolls and user fees, for a portion of the Canal System's maintenance, improvement, and promotion costs.

The Thruway Authority's 2014 Budget does not include a toll rate increase. It is anticipated that the Thruway will eventually consider toll increases on the Tappan Zee Bridge as part of a financing plan for the $3.9 billion replacement bridge that is now under construction and is scheduled to be completed in 2018.

Transportation Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Department of Transportation	8,595,777	8,977,142	381,365	4.44%
Department of Motor Vehicles	314,647	303,934	(10,713)	-3.40%
Thruway Authority	25,800	25,800	0	0.00%
Metropolitan Transportation Authority	246,119	183,229	(62,890)	-25.55%
Totals:	**9,182,343**	**9,490,105**	**307,762**	**3.35%**

Environment, Agriculture and Housing: Fact Sheet



Adirondack Park Agency:

- All Funds appropriation of $5.1 million, same as in FY 2014.

Department of Agriculture & Markets:

- All Funds appropriation authority of $119.7 million, an increase of $215,000.
- $2.7 million reduction in local assistance programs, including the elimination of several legislative additions..
- New $1.1 million appropriation for the Taste New York program, formerly funded through the Department of Economic Development.

New York State Energy Research and Development Authority (NYSERDA):

- All Funds disbursements of $28.3 million for NYSERDA, a decrease of $24.9 million from SF 2014.
- Reduction largely reflects elimination of a new appropriation for the Cleaner / Greener Community program that received $25 million in capital funding in FY 2014.
- Executive proposes to expand to Upstate regions the back-up generation mandate for selected service stations. The mandate was limited to Downstate when the program was initiated last year.
- Executive proposes new off-budget programs for biomass heating and solar, and especially, the creation of the $1 billion New York State Green Bank.

Department of Public Service:

- All Funds appropriations of $89.3 million for the Department of Public Service (DPS), an increase of $3.7 million from the current fiscal year.
- Staffing levels for DPS are expected to increase to 527 FTE positions in FY 2015, an addition of four positions from the revised FY 2014 number.
- Reduce the “Temporary State Energy and Utility Service Conservation Assessment” (section 18-a of the Public Service Law) by $200 million of the estimated $432 million in anticipated receipts in FY 2015 primarily for large industrial scale customers.
- Legislation to streamline cable-tv franchises, certain telephone tariffs, and shared net meter disputes.

Department of Environmental Conservation:

- All Funds increase of $105 million to $1.0 billion in FY 2015

- Environmental Protection Fund would increase by $4 million to $157 million.
- Brownfield Cleanup Program would be converted to an Excelsior Credit model, extended for ten years, and targeted for planned community and low-income housing projects.
- Superfund would receive a one year, $100 million bonding authorization, and permission to do some projects based on the environmental restoration project model.
- Executive proposes changes to sporting and fishing licenses such as free days and no surcharges for special license plate, among other promotional activities, and to permit cross bow hunting.
- Changes the sunset provision on increased pesticide fees to make them permanent, preserving $8 million in revenue.
- New York Works Capital for DEC is increased by $40 million for environmental legacy, wastewater infrastructure improvements, plugging of old gas wells, recreational facilities health and safety repairs, and e-business upgrades.

Division of Housing and Community Renewal:

- Expands the HouseNY program by adding $10 million in new capital resources for construction and renovation of affordable housing for low income individuals and families, coupled with an additional $30 million in the Office of Temporary and Disability Assistance Homeless Housing and Assistance Program.
- Increases the aggregate amount of State Low Income Housing Tax Credit the Commissioner of Division of Housing and Community Renewal may allocate from $48 million to $56 million for FY 2015, and from $56 million to $64 million for FY 2016.
- Utilizes $75.4 million in surplus Mortgage Insurance Fund reserves, thereby providing General Fund savings to support: the Rural Rental Assistance Program; the Mitchell-Lama portfolio; Neighborhood Preservation Program; Rural Preservation Program; Rural and Urban Community Investment Fund Program; Low Income Housing Trust Fund Program; and Homes for Working Families.

Olympic Regional Development Authority:

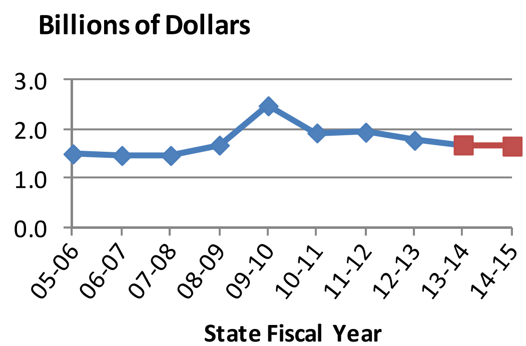
- All Funds appropriation increase of $5.8 million for ORDA from $5.4 million to $11.2 million. State Operation decrease of $1.1 million from FY 2014, but Capital spending for energy efficiency and rehabilitation projects would be increased by $6.9 million.

Office of Parks, Recreation and Historic Preservation:

- All Funds disbursements of $346.9 million, an increase of $38.8 million over the FY 2014 enacted budget. This increase results primarily from $92.5 million in 2015 New York Works Capital funding, a $45 million increase over FY 2014 levels.
- There is no project list associated with the increased capital request.
- 1,737 FTE positions, an increase of 18 FTE's from FY 2014, to accommodate OPRHP's expanded capital plans.

ENVIRONMENTAL CONSERVATION, AGRICULTURE, & HOUSING

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	1,680	1,664
Annual Growth Rate	-5.3%	-1.0%
5 Year Average Growth (Actual)		6.4%



Environment, Agriculture and Housing

The FY 2015 Executive Budget recommends All Funds disbursements of $1.66 billion, a reduction of $15.6 million for the State's Environmental Conservation, Energy, Agriculture and Housing agencies. Decreases in funding are recommended for the Department of Environmental Conservation ($43.5 million); the Division of Housing and Community Renewal ($3.4 million); and the Adirondack Park Agency ($149,000). In addition, the Executive recommends eliminating funding for the Hudson River Park Trust ($7 million). The Executive recommends increases in cash outlays for the Energy Research and Development Agency $15.7 million; the Olympic Regional Development Authority $6.3 million, the Office of Parks, Recreation and Historic Preservation $10.1 million. the Department of Agriculture and Markets $2.4 million; and the Department of Public Service $4.1 million.

Environmental Conservation (DEC)

The Executive recommends All Funds appropriations in the amount of $1.0 billion for the Department of Environmental Conservation in FY 2015. This is an increase of $105 million from FY 2014 largely reflecting a request for $100 million in additional Superfund bonding authority, and an additional $40 million request for New York Works Capital allocated to DEC. There are no new major programmatic initiatives in the Executive's proposed budget. The Executive is proposing $40 million in additional New York Works Capital to provide increased funding for grants to municipalities for site remediation, wastewater infrastructure improvements, plugging of old gas wells, recreational facilities health and safety repairs, and e-business upgrades.

The Executive is proposing to increase staffing levels for FY 2015 to 2,916 Full Time Equivalent (FTE) positions, one more than in FY 2014. The additional position will be used to expedite implementation of the Statewide e-licensing program.

Similar to the last three years' Executive Budget Proposal, there are again no appropriations or authorizing language to fund the staffing and oversight of high volume horizontal hydro-fracking natural gas extraction and distribution. Also, largely mirroring a proposal in last year's Executive Budget, the Executive is proposing to eliminate all re-appropriations older than five years. The Legislature has requested a full listing of the projects and initiatives that the Executive is looking to defund.

Environmental Protection Fund

The Executive is proposing to increase appropriations for the Environment Protection Fund (EPF) by $4 million over FY 2014 to a total of $157 million. The Executive has requested funds for the following new initiatives:

- $400,000 for Resiliency Planting under the Land Acquisition account. Resiliency is shore plant-life capable of lessening potential storm damages.
- $800,000 in directed Water Quality Improvement Program funds dedicated to projects in Suffolk County. (See EPF Chart following this section.)

Major Initiatives

Recharge Superfund

Capital authorization authority of $120 million a year for ten years expired on October 1, 2013. The Executive proposes a $100 million, one year bonded capital re-authorization. Of these funds, $10 million would be used to fund municipally owned remediation projects similar to the way sites were eligible under the old environmental restoration projects (ERP) funded by the $200 million ERP allocation under the 1996 Environmental Bond Act.

Reform of the Brownfield Cleanup Program

The Executive is proposing major reform legislation in the Revenue Article VII bill that would extend the credit program, due to expire on December 31, 2015 for 10 years, but would limit eligibility and scope of the credits to more closely conform the brownfield program to the Excelsior credit program.

Please refer to the State's Environmental Remediation Programs Senate Issues in Focus section of this report for a full discussion of these two initiatives.

Article VII Legislation

The Executive is proposing to permanently extend the pesticide product registration fees and review process, which are due to expire on July 1, 2014. The fees currently raise $8 million a year, $5 million of which are currently deposited to the credit of the EPF.

The Executive has also introduced a bill to authorize the use of crossbows, subcontract for hunting and fishing guides, create three and five year hunting, fishing and trapping licenses, reduce seven day fishing license fees, authorize the elimination of surcharges for certain promotional motor vehicle license plates, add six additional free fishing days in the State, and tightening potential liability risks for private parties allowing the use of their property for fish and wildlife or other sporting purposes on their property. These measures are designed to be revenue neutral, thereby minimizing exposure to the Conservation Fund operating balances.

Adirondack Park Agency (APA)

The FY 2015 Executive Budget recommends $5.1 million in All Funds appropriations for the APA, the same as FY 2014. Staffing levels for the APA are projected to remain at 54 FTE positions same as last year.

Agriculture and Markets

The FY 2015 Executive Budget recommends All Funds cash disbursements of $103.2 million for the Department of Agriculture and Markets (NYSDAM). This represents an increase of $2.4 million, or 2.4 percent, from the current fiscal year.

The proposal includes a new $1.1 million appropriation for the Taste New York program.

This program was first established as part of a larger appropriation in the Department of Economic Development budget in FY 2014. The Executive also recommends the elimination of $3.4 million in local assistance programs.

The Executive would include language in the State Operations budget instructing the Department to conduct retail food store inspections of businesses that "present a low risk to public health" every two years. The Executive also recommends eliminating many reappropriations, including most items older than five years.

Article VII Legislation

The Executive proposes language that would authorize NYSDAM to withhold food processing license renewals to establishments with outstanding penalties of $2,400 or greater. In the interim, a 60-day provisional license could be granted until payment is made or an administrative hearing is held. If full payment or a separate payment agreement is agreed upon and made, the temporary license would be converted into a two-year license. If a hearing is held and the applicant prevails, the temporary license would also be converted into a two-year license.

The Greenway Heritage Conservancy of the Hudson River Valley

The FY 2015 Executive Budget recommends All Funds appropriations of $166,000 for the Conservancy, the same as for FY 2012, FY 2013 and FY 2014. The Conservancy is tasked with promoting the preservation of natural and cultural resources in the Valley, serves as a land trust for acquiring lands important to the Greenway and developing the Hudson River Valley Greenway Trail. The Conservancy is funded entirely from the General Fund.

The Hudson River Valley Greenway Community Council

The FY 2015 Executive Budget recommends All Funds appropriations of $321,000 for the Council, the same as for FY 2013 and FY 2014. The Council is comprised of a 25 member advisory board and one staff member that promotes the preservation of natural and cultural resources in the Hudson River Valley. It is funded entirely from taxpayer dollars through the General Fund.

Division of Housing and Community Renewal (DHCR)

The FY 2015 Executive Budget provides $264.8 million in All Funds appropriations, an increase of $8.3 million, or 3.24 percent, from current levels. The net All Funds increase can mainly be attributed to an increase in capital funding, offset by a reduction in General Fund local assistance spending related to the movement of Neighborhood and Rural Preservation Programs and the Rural and Urban Communities Investment Fund program to off-budget funding sources.

The Executive anticipates no staffing changes, maintaining a level of 683 FTEs for FY 2015.

HouseNY

In FY 2014, the Executive initiated the HouseNY program to preserve and create affordable housing units statewide. The $1 billion (off-budget), five-year plan to preserve, repair, finance, and create an estimated 14,300 affordable housing units includes, among other initiatives, the acquisition and revitalization of 44 Mitchell Lama affordable housing projects, and the creation and preservation of 5,643 affordable housing units through various community development programs. The program is financed through a combination of bonding and Mortgage Insurance Fund (MIF) surplus money.

The FY 2015 Executive Budget expands the HouseNY program by adding $10 million in new capital resources for construction and renovation of affordable housing for low income individuals and families, coupled with an additional $30 million in the Office of Temporary and Disability Assistance (OTDA) Homeless Housing and Assistance Program (HHAP).

New York State Low Income Housing Tax Credit
The FY 2015 Executive Budget includes Article VII language to increase the aggregate amount of State Low Income Housing Tax Credit the Commissioner of DHCR may allocate from $48 million to $56 million for FY 2015, and from $56 million to $64 million for FY 2016.

Mortgage Insurance Fund (MIF)
The FY 2015 Executive Budget includes Article VII language that would utilize $75.4 million in surplus MIF reserves, to support the following programs while also providing for General Fund savings:

- Rural Rental Assistance Program ($20.4 million);
- Mitchell-Lama portfolio ($32 million);
- Neighborhood Preservation Program ($8.48 million);
- Rural Preservation Program ($3.54 million);
- Rural and Urban Community Investment Fund Program ($6.75 million);
- Low Income Housing Trust Fund Program ($2.5 million); and,
- Homes for Working Families ($1.75 million).

Olympic Regional Development Authority (ORDA)
The FY 2015 Executive Budget recommends an All Funds appropriation increase of $5.8 million. Support for ORDA would increase from $5.4 million to $11.2 million. State Operation appropriations are recommended to decrease $1.1 million from FY 2014, but Capital spending for energy efficiency and rehabilitation projects would be increased by $6.9 million.

Similar to last year, the Executive Budget includes an additional $2.5 million in New York Works capital sub-allocated through the Office of Parks, Recreation and Historic Preservation to ORDA for various capital improvements at ORDA's facilities.

Office of Parks, Recreation and Historic Preservation
The FY 2014 Executive Budget recommends All Funds disbursements of $346.9 million for the Office of Parks, Recreation and Historic Preservation (Parks), an increase of $38.8 million over the FY 2014 enacted budget. This increase results primarily from $92.5 million in additional FY 2015 New York Works Capital funding, a $45 million increase over FY 2014 levels, partially offset by a one-time $7 million retroactive collective bargaining payment that was paid during FY 2014.

The Executive Budget recommends a workforce of 1,737 FTE positions for OPRHP an increase of 18 FTE's over FY 2014. The increased staffing level results from increased Federal funding for OPRHP's historic preservation activities that will fund four FTE's and 14 FTE's will be hired in connection with OPRHP's expanded capital plans.

New York Energy Research and Development Authority (NYSERDA)
The FY 2015 Executive Budget recommends All Funds disbursements of $28.3 million for NYSERDA, a decrease of $24.9 million from FY 2014. This decrease reflects the elimination of a current appropriation of $25 million for the Cleaner / Greener Communities program slightly off-set by an anticipated need for an additional $100,000 to fully cover the required State match to federal funding for the nuclear waste cleanup activities at West Valley in Cattaraugus County.
The bulk of the estimated $870 million New York State sourced NYSERDA resources and spending in calendar year 2014 come from

completely off-budget programs funded through mandatory but unseen surcharges imposed upon ratepayers and utility companies. These funds are spent on programs, with no Legislative oversight or input, that were originally designed to foster renewable innovation, but have recently been increasingly used for energy related community and economic development and related academic research purposes.

Please refer to the Senate Issues in Focus on off-budget energy programs for a full discussion of this issue.

Article VII Legislation

The Executive Budget includes the annual provision to allow the Comptroller to transfer $913,000 from the unrestricted corporate funds of NYSERDA to the General Fund. These funds are used to offset New York's debt service requirements related to the Western NY Nuclear Service Center.

Additionally, the Executive Budget includes annual authorization for NYSERDA to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the DEC climate change program, from assessments on gas and electric corporations pursuant to section 18-a of the Public Service Law. Appropriations of $16.3 million are proposed to be allocated for these programs including a maximum of a $1 million sub-allocation to DEC for the climate change program.

Generator Mandate

The Executive proposes to expand the requirement that service stations on or near designated highways have backup electricity generation capacity in case of declared emergencies to Upstate. The generator requirement was imposed on Downstate stations in 2013 in response to recommendations from the Moreland Commission on utility preparedness that was invoked by the Executive in response to emergency responses to Superstorm Sandy. The Executive expects to provide $3.1 million in federal Sandy recovery funds to provide a $10,000 incentive for leases to install switches capable of turning on generators or $13,000 for purchased generators for the estimated 241 stations affected by this expanded mandate.

Department of Public Service

The FY 2015 Executive Budget recommends All Funds appropriations of $89.3 million for the Department of Public Service (DPS), an increase of $3.7 million from the current fiscal year. Staffing levels for DPS are expected to rise to 527 FTE positions in FY 2015, an increase of four positions from the revised FY 2014 number.

The establishment of the Long Island office to oversee the Long Island Power Authority will result in 29 additional hires by the end of the current fiscal year. Ten more hires are expected for the new office during FY 2015. These hires will be partially offset by the loss of six positions due to overall Department attritions. The Executive also is requesting an additional $5.5 million in appropriation authority to cover expenses of the new office.

The Executive also proposes a decreased appropriation of $1 million to cover anticipated local intervener fund and disbursements resulting from new high-capacity electrical power transmission expansions and upgrades in response to the Governor's Energy Highway initiative announced last year. The siting and construction of these expanded transmission lines and related facilities is moving at a slower pace than the Executive originally estimated.

Article VII Legislation

The Executive again proposes the annual authorization for the Department of Health to receive $484,000 to finance certain activities through a special assessment on cable television companies.

The Executive is also proposing legislation that would allow the Public Service Commission (PSC), the regulatory arm of the DPS, to streamline the process for overseeing telephone corporations, reviewing violations of the shared metering law, and confirming cable franchises. According to the Executive, adoption of this bill would produce efficiencies in the PSC, reduce spending by the DPS, and ease administrative burdens on all parties. The Executive estimates that adoption of this measure will result in annually recurring savings of $846,000 in needed outlays for the Department.

18-a Utility Assessment Phase-out Acceleration

The Department of Public Service, the State operations portions of the New York State Energy Research and Development Authority, and energy and communications related activities of other State agencies, traditionally have been funded through an assessment upon the State's private energy, water and telephone companies at a rate of one-third of one percent of adjusted gross revenues at a total of approximately $120 million a year on average. In April 2009, the Legislature authorized a temporary surcharge of one and two-thirds percent in the section 18-a assessment on all utilities except communications firms to provide General Fund support. This assessment has raised over $500 million in revenues each year since.

The Executive is proposing to reduce the "Temporary State Energy and Utility Service Conservation Assessment" (section 18-a of the Public Service Law) that was proposed by the Executive last year by $200 million of the estimated $432 million in anticipated receipts in FY 2015 primarily for large industrial scale customers. Specifically, the bill would eliminate the assessment for electric customer accounts with a monthly peak demand of one thousand kilowatts or more in the last preceding calendar year and gas customer accounts with an annual consumption in the last preceding calendar year of one hundred thousand dekatherms or more, and all customers of municipal electric and gas utilities and water works corporations. The tax for all other customers would also be slightly reduced.

Changes in Agriculture & Markets Local Assistance Programs			
PROGRAM	**FY 2014**	**FY2015**	**Change**
Ag in the Classroom	80,000	80,000	-
Ag. Child Development Program	6,521,000	6,521,000	-
Association of Ag Teachers	66,000	66,000	-
Center for Dairy Excellence	150,000	150,000	-
Cornell Avian Disease	252,000	252,000	-
Cornell Cattle Health Assurance	360,000	360,000	-
Cornell Johnes Disease	480,000	480,000	-
Cornell Quality Milk Program	1,174,000	1,174,000	-
Future Farmers of America (FFA)	192,000	192,000	-
Geneva Station - Hops Testing	40,000	40,000	-
Golden Nematode/Cornell	62,000	62,000	-
Integrated Pest Management	500,000	500,000	-
Local Fair Assistance	340,000	340,000	-
NYS Seed Lab	128,000	128,000	-
Pro-Dairy	822,000	822,000	-
Cornell Diagnostic Lab	3,750,000	4,425,000	675,000
Taste New York	-	1,100,000	1,100,000
North Country Lost Cost Vaccine	20,000	-	(20,000)
Island Harvest	25,000	-	(25,000)
Christmas Tree Farmers	100,000	-	(100,000)
Cornell Rabies	150,000	50,000	(100,000)
Genesee County Ag. Academy	100,000	-	(100,000)
Rabies - Long Island	100,000	-	(100,000)
Tractor Rollover Prevention	100,000	-	(100,000)
Maple Producers	125,000	-	(125,000)
Eastern Equine Encephalitis	150,000	-	(150,000)
Turfgrass Association	150,000	-	(150,000)
Berry Growers Association	200,000	-	(200,000)
Farm Net (Farm Family Assistance)	584,000	384,000	(200,000)
Long Island Farm Bureau	200,000	-	(200,000)
Farm Viability Dairy Profit Teams	220,000	-	(220,000)
Wine & Grape Foundation	1,000,000	713,000	(287,000)
Northern Ag Development	500,000	-	(500,000)
Apple Growers Association	1,000,000	206,000	(794,000)
Farm Viability Institute	1,500,000	400,000	(1,100,000)
TOTAL	**21,141,000**	**18,445,000**	**(2,696,000)**

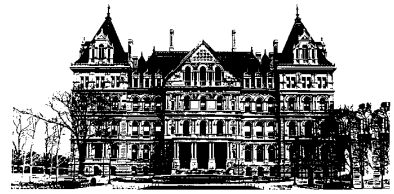
FY 2015 ENVIRONMENTAL PROTECTION FUND			
	FY 2014 Enacted	FY 2015 Proposed (000'S)	Yr to Yr Change
SOLID WASTE			
Landfill Closure/Gas Management	250	250	0
Municipal Recycling	7,000	7,000	0
Pollution Prevention Institute	3,250	3,250	0
Secondary Marketing	1,000	1,000	0
Natural Resource Damages	155	1,300	1,145
Pesticide Database	1,000	1,200	200
Subtotal Solid Waste	**12,655**	**14,000**	**1,345**
PARKS & REC			
Waterfront Revitalization	12,500	12,500	0
Municipal Parks	15,500	15,500	0
Hudson River Park (HRP)	3,000	2,000	(1,000)
Public Access & Stewardship	16,600	17,600	1,000
ZBGA	10,250	10,350	100
Subtotal Parks & Rec	**57,850**	**57,950**	**100**
OPEN SPACE			
Land Acquisition	20,000	20,150	150
Smart Growth (Quality Communities)	400	400	0
Farmland Protection	13,000	14,000	1,000
Agricultural Waste Management	1,000	1,500	500
Biodiversity Stewardship	500	500	0
Albany Pine Bush Commission	2,000	2,000	0
Invasive Species	4,600	4,600	0
LI Pine Barrens Commission	1,100	1,100	0
Oceans & Great Lakes Initiative	4,750	4,800	50
Water Quality Improvement Program	6,945	6,800	(145)
South Shore Estuary Reserve	900	900	0
Non-Point Source Pollution Control	18,700	18,700	0
Soil & Water Conservation District	3,500	4,500	1,000
Finger Lake-Lake Ontario Watershed	1,300	1,300	0
Hudson River Estuary Plan	3,800	3,800	0
Subtotal Open Space	**82,495**	**85,050**	**2,555**
TOTAL EPF	**153,000**	**157,000**	**4,000**

Environmental Conservation, Agriculture and Housing
Proposed Disbursements - All Funds

(Thousands of Dollars)

Agency	Estimated FY 2014	Proposed FY 2015	Change Amount	Percent
Adirondack Park Agency	4,790	4,641	(149)	-3.11%
Agriculture and Markets	100,771	103,193	2,422	2.40%
Department of Environmental Conservation	919,133	875,609	(43,524)	-4.74%
Energy Research Development Authority	25,017	40,757	15,740	62.92%
Department of Public Service	72,680	76,771	4,091	5.63%
Housing and Community Renewal	264,041	260,444	(3,597)	-1.36%
Olympic Regional Development Authority	4,259	10,601	6,342	148.91%
Parks, Recreation and Historic Preservation	281,886	291,936	10,050	3.57%
Hudson River Park	7,000	0	(7,000)	-100.00%
Totals:	**1,679,577**	**1,663,952**	**(15,625)**	**-0.93%**

Public Protection: Fact Sheet



The Executive Budget proposes total All Funds cash disbursements of $6.9 billion a decrease of 28 percent from Fiscal Year 2014. This decrease primarily reflects spending for Superstorm Sandy costs.

- **FY 2015 Executive Storm Plan:** The Executive FY 2015 State Storm Plan announced on January 7, 2014 includes $17 billion in Federal and State funding. State funding totals $26 million and includes: $15 million for the proposed new SUNY College of Emergency Preparedness, Homeland Security and Cybersecurity; $10 million for fuel reserves; and $1 million for Citizens First Responder Corps.

- **Prison Closures:** On July 26, 2013, the Executive, announced plans to close four correctional facilities: Butler (Medium Security) in Wayne County, Chateaugay (Medium Security) in Franklin County, Mt. McGregor (Medium Security) in Saratoga County and Monterey Shock (Minimum Security) in Schuyler County. The Department of Corrections and Community Supervision (DOCCS) expects a net savings of $30 million and a reduction of 1,324 beds within the prison system. Current State statute requires the Executive to provide a one-year notification prior to closing a prison. Since the Executive announcement was in July 2013, the facilities could be closed as early as July 2014.

- **Statewide Interoperable Communications Grant Funding:** The Executive proposes new funding of $10 million from the Statewide Public Safety Account for formula based grants to counties for operating costs of public safety dispatch centers in the Division of Homeland Security and Emergency Services.

- **District Attorney Salaries:** The Executive includes $4.2 million for District Attorney salary reimbursement and an additional $350,000 to fund the April 2014 increase related to Judicial salaries. The Executive modifies language associated with District Attorney Salaries to provide reimbursement to six counties not included in the original language. This additional funding provides mandate relief to these counties.

- **Alternatives To Incarceration Programs (ATI):** The Executive proposes combining two existing Alternative to Incarceration (ATI), Drug and Alcohol Treatment programs and one ATI contract totaling $5.5 million. The funding is combined under one appropriation through a competitive process to target high risk offenders. In addition, two existing programs, ATI/Employment and Demonstration funding of $5.1 million are being combined and allocated via a competitive process.

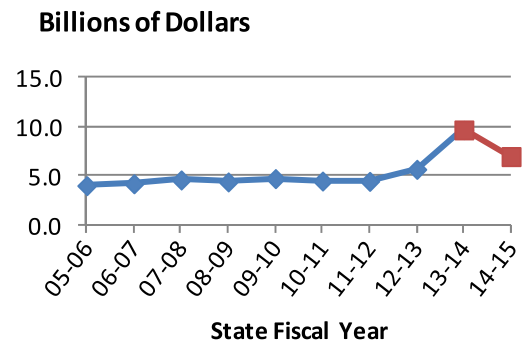
- **Judiciary:** All Funds total $2.03 billion, an increase of $53 million. The Judiciary Budget increases funding for:
    - $8.4 million for previously authorized judicial salary increases;
    - $17 million increase for indigent legal services, for a total of $57 million; and
    - $15 million increase for civil legal services, for a total of $55 million.

  The Judiciary extends courtroom hours from 4:30 p.m. to 5 p.m; and establishes 20 new Family Court Judge positions.

- **Department of Law:**
    - Increases General Fund appropriations by $3.3 million to hire an additional 34 FTE employees. Includes a capital appropriation of $9 million to improve phone systems, develop a mobile communications/disaster response van, and construct a new case management system.
    - New language is included to allow the Attorney General to be reimbursed up to $5.2 million for prior year costs.

PUBLIC PROTECTION

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	9,657	6,940
Annual Growth Rate	71.2%	-28.1%
5 Year Average Growth (Actual)		20.1%



The Fiscal Year 2015 Executive Budget recommends All Funds cash disbursements of $6.9 billion a decrease of 28 percent over FY 2014 for all public protection agencies. This decrease is primarily attributable to spending for Superstorm Sandy. A few of the Executive's recommendations associated in the area of Public Protection are highlighted in the table below:

Executive FY 2015 Public Protection Major Recommendations (in thousands) Cost/(Savings)	
Recommendations	**FY 2015**
Creation of a SUNY College of Emergency Preparedness, Homeland Security and Cybersecurity (Capital funds)	$15,000
NEW Gun-Involved Violence Elimination (GIVE) Initiative	$15,200
Interoperable Communications - annual formula driven grants to support ongoing operations of public safety communication centers utilizing E-911 surcharges	$10,000
NEW NYS Protection Cloud (capital - technology initiative)	$10,000
Prison Closures:	
Closure of four correctional facilities announced in July of 2013 (Butler, Chateaugay, Mt. McGregor, and Monterey Shock)	($30,000)

Department of Corrections and Community Supervision

The Executive Budget includes adjustments to the Department's FY 2014 Enacted Budget appropriations related to the transfer of $20.4 million to the Office of Information Technology Services (OITS). This funding is related to the Executive's FY 2014 proposal to consolidate information technology services into a single agency.

The Executive recommends $2.8 billion in All Funds appropriations for the Department, a decrease of $280 million from FY 2014 levels. Of the total decrease in State Operations Funding:

- $30 million in net savings for the closure of four correctional facilities: Butler (Medium Security) in Wayne County, Chateaugay (Medium Security) in Franklin County, Mt. McGregor (Medium Security) in Saratoga County and Monterey Shock (Minimum Security) in Schuyler County.

This decrease is offset by increases of:

- $35.4 million for adjustments in personal service costs associated with general salary, performance advances and longevity increases;

- $5.7 million associated with increases in health, food and utility costs; and

- $3.8 million for 66 Full-Time Equivalent Employees (FTEs) for the Department's updating of policies and programs regarding the supervision of inmates in Special Housing Units. The Executive provides no details on what policy/program changes are to be made and at what facilities.

The FY 2015 Executive Budget recommends a total decrease of $295 million in Capital Funding as a result of DOCCS's reevaluation of capital needs under the following accounts which are eliminated: Environmental Protection or Improvement, Health and Safety, Preservation of Facilities, Preservation of Maintenance of Assets, and Program Improvement or Changes. The Department would continue to fund capital needs from prior year spending authority (reappropriations) adequate to support continued capital operations.

The FY 2015 Executive Budget recommends an increase of $22,000 in Aid to Localities. The Executive recommends a transfer of $380,000 from the Division of Criminal Justice Services (DCJS) for two programs: Albion Family Tele-visiting ($130,000); and Queensboro Re-entry Services ($250,000). This increase is offset by a reduction of $358,000 for Residential Stabilization funding, (that assist inmate housing needs upon release) to adjust contract level spending.

<u>Prison Closure Savings</u>

On July 26, 2013, the Executive, announced plans to close four correctional facilities: Butler (Medium Security) located in Wayne County, Chateaugay (Medium Security) located in Franklin County, Mt. McGregor (Medium Security) located in Saratoga County and Monterey Shock (Minimum Security) located in Schuyler County.

The Department of Corrections and Community Supervision (DOCCS) net savings is estimated to be $30 million and achieve a reduction of 1,324 beds within the prison system. Total operating costs of these four correctional facilities total $48.9 million, however $5.3 million in inmate costs and $13.2 million from the reassignment of 200 correctional officers within the prison system results in a net savings of $30 million. Current State statute requires the Executive to provide a one-year notification prior to closing a prison. Since the Executive announcement was in July 2013, the facilities could be closed as early as July 2014. The chart at the end of this section provides the number of staff, inmates and bed capacity impacted.

Under the Executive plan some medium security dormitories, previously closed would reopen, only if needed. The Executive has not identified at this time which dormitories would reopen. The Executive further provides $24 million in Economic Transformation funding for the communities affected by prison or youth facility closures. *(further information on the Economic Transformation Program can be found under the Economic Development Section)*

EXECUTIVE ANNOUNCED PRISON CLOSURES (July 2013)					
FACILITY	COUNTY	TOTAL NUMBER OF JOBS IMPACTED	TOTAL NUMBER OF INMATES	BEDS	SAVINGS
Butler	Wayne	132	177	240	9,669,687.14
Chateaugay	Franklin	117	234	240	8,714,448.24
Monterey Shock	Schuyler	120	158	300	8,447,219.50
Mt. McGregor	Saratoga	321	455	544	22,019,039.98
TOTAL PERSONAL SERVICE AND NONPERSONAL SERVICE COSTS		**690**	**1,024**	**1,324**	**$48,850,394.86**
TOTAL INMATE DRIVEN COSTS					**$5,320,000.00**
REINVESTMENT OF 200 SECURITY POSITIONS @$65,300					**$13,060,000.00**
TOTAL SAVINGS					**$30,470,394.86**
INMATE POPULATION/BEDS As of July 22, 2013: Source DOCCS. NUMBER OF JOBS IMPACTED Source: Division of the Budget January 21, 2014. INFORMATION ON SAVINGS: Source DOCCS SEPTEMBER 25, 2013.					

Division of Criminal Justice Services (DCJS)

DCJS FY 2014 Enacted Adjustments

The Executive Budget includes the transfer of $20.4 million to the Office of Information Technology Services (OITS). This funding is related to the Executive FY 2014 proposal to consolidate information technology services into a single agency and transfer $567,000 from the Division of State Police associated with personal service (14 Full-Time Equivalent Employees (FTE) positions) and nonpersonal service costs associated with the Safe Act of 2013.

DCJS FY 2015 Executive Budget Recommendations

The Executive Budget recommends $242.6 million in All Funds appropriations for DCJS, an increase of $17.8 million from FY 2014 levels. This primarily reflects a decrease of $10.7 million in Aid to Localities Funding; $5.4 million in Special Revenue spending: and $1.7 million in Special Revenue spending from the Crimes Against Revenue Account.

Traditional Criminal Justice Aid to Localities Program Funding

The Executive proposes a decrease of $10.7 million in General Fund Local Assistance and Probation Programs, primarily from the elimination of $6.7 million in Legislative funding; $2 million for the DNA Crime Laboratories Program; $1 million for the New York Defenders Association; $1 million for the Executive's Law Enforcement initiatives; and a $380,000 transfer to the Department of Corrections and Community Supervision (DOCCS) associated with the Albion Family Tele-visiting and Queensboro Re-entry services contracts.

The Executive eliminates $15.2 million for the Operation IMPACT Program, which provides grants to 17 counties with the highest Crime Index. The Executive proposes a new $15.2 million initiative called Gun-Involved Violence Elimination (GIVE), which would be offered to the same recipients that received Operation IMPACT funding, focusing only on reducing gun violence.

These decreases are offset by an increase of $350,000 for District Attorney Salary Reimbursement. The Executive recommends technical language changes to the District Attorney Salary reimbursement to allow six counties (Essex, Hamilton, Lewis, Schoharie, Seneca, and Wyoming) that are not covered by section 183-a of the Judiciary Law be reimbursed.

The Executive recommends the following changes to Alternative to Incarceration funding:

- Existing Alternative to Incarceration (ATI), Drug and Alcohol Treatment programs and one ATI contract totaling $5.5 million would be combined and distributed through a competitive process to target high risk offenders;
- Two existing programs ATI/Employment and Demonstration funding of $5.1 million would be combined and allocated through a competitive process; and
- ATI contracts: Albion Family Tele-visiting ($130,000); and Queensboro Re-entry Services ($250,000) ATI funding would be transferred to the Department of Corrections and Community Supervision.

The changes to local assistance are outlined in the table on the following page:

FY 2015 Criminal Justice - Aid to Localities Programs			
Programs	FY 2014 Enacted Amount	FY 2015 Executive Proposed Amount	Change
Aid to Prosecution	$10,680,000	$10,680,000	***$0***
New York State Prosecutors Training Institute	$2,304,000	$2,304,000	***$0***
Witness Protection Program	$304,000	$304,000	***$0***
District Attorney Salary Reimbursement	$3,862,000	$4,212,000	***$350,000***
Special Narcotics Prosecutor	$825,000	$825,000	***$0***
Crime Laboratories	$6,635,000	$6,635,000	***$0***
Westchester County Policing Program	$1,984,000	$1,984,000	***$0***
Soft Body Armor	$513,000	$513,000	***$0***
Drug Diversion	$618,000	$618,000	***$0***
Re-entry Task Forces	$3,063,000	$3,063,000	***$0***
Operation IMPACT	$15,219,000	$0	***($15,219,000)***
NEW GIVE Program	$0	$15,219,000	***$15,219,000***
Aid to Defense	$5,507,000	$5,507,000	***$0***
New York State Defenders Association	$1,089,000	$1,089,000	***$0***
Additional New York State Defenders Association	$1,000,000	$0	***($1,000,000)***
Crime Laboratories - DNA Evidence Testing	$2,000,000	$0	***($2,000,000)***
Probation Aid	$44,876,000	$44,876,000	***$0***
Alternatives to Incarceration (ATI)	$3,245,000	$0	***($3,245,000)***
Drug and Alcohol Treatment	$1,914,000	$0	***($1,914,000)***
****NEW COMBINED ATI and Probation Drug/Alcohol and ATI 13-A**		$5,518,000	
ATI and Demonstration Programs	$11,442,000	$0	***($11,442,000)***
Alternative to Incarceration Not-for-Profit	$1,291,000	$0	***($1,291,000)***
****NEW COMBINED ATI/Demonstration/ATI Not-for-Profit**	$0	$11,994,000	***$11,994,000***
Temporary Assistance For Needy Families (TANF) 200%	$2,622,000	$2,622,000	***$0***
Probation Violation Centers	$1,000,000	$1,000,000	***$0***
SNUG: Bronx, Queens, Rockland, and Onondaga	$1,000,000	$1,000,000	**0**
SNUG	$2,000,000	$2,000,000	**0**
Law Enforcement Initiatives	$1,000,000	$0	($1,000,000)
*Law Enforcement Anti-Drug/Anti-Violence/Crime Control/Prevention	$1,891,000	$0	***($1,891,000)***
*Domestic Violence	$1,218,000	$0	***($1,218,000)***
*Finger Lakes Law Enforcement	$500,000	$0	***($500,000)***
*NYC CO Safety Equipment	$250,000	$0	***($250,000)***
*NYS Correctional & Police Officers Benevolent Association (NYSCOPBA) Safety Equipment	$250,000	$0	***($250,000)***
*NYC - DREAM Clinics	$150,000	$0	***($150,000)***
*NYS Immigration Action Fund	$150,000	$0	***($150,000)***
*Make the Road	$150,000	$0	***($150,000)***
*Community Service Society - Record Repair Counseling Corps	$250,000	$0	***($250,000)***
*Vera Institute of Justice: Common Justice	$200,000	$0	***($200,000)***
*Consortium of the Niagara Frontier	$150,000	$0	***($150,000)***
*John Jay College: Prison to College Pipeline	$100,000	$0	***($100,000)***
*Greenpoint Outreach Domestic and Family Intervention Program	$150,000	$0	***($150,000)***
*Friends of the Island Academy	$150,000	$0	***($150,000)***
*Brooklyn Legal Services Corp A	$250,000	$0	***($250,000)***
*Fortune Society	$100,000	$0	***($100,000)***
*Chinese-American Planning Council Youth Training Program	$165,387	$0	***($165,387)***
*Metropolitan Coordinating Council: All About Jobs 11	$76,000	$0	***($76,000)***
*Ohel children's Home and Family Services Drug Prevention Program	$76,000	$0	***($76,000)***
*United Jewish Council - East Side Community Crime Prevention	$142,613	$0	***($142,613)***
*Institute for the Puerto Rican / Hispanic Elderly	$100,000	$0	***($100,000)***
*Henry Street Settlement	$80,000	$0	***($80,000)***
*Education Alliance	$80,000	$0	***($80,000)***
*Asian Americans for Equality	$80,000	$0	***($80,000)***
TOTAL	***$132,702,000***	***$121,963,000***	***($10,739,000)***

*Legislative adds totaled $6.7 million in FY 2014.

**The Executive proposes combining various ATI programs listed above.

Federal local assistance funding is increased by $1 million for the Federal Edward Byrne Justice Assistance Grant (JAG) Program. The Executive's Law Enforcement Initiative has a corresponding decrease.

Legal Services Assistance Account

The Executive eliminates Legislative initiatives for civil and criminal legal services totaling $2.6 million; $650,000 for domestic violence civil or criminal legal services; $600,000 for Indigent Parolee Program; $1 million for Statewide Indigent Legal Services for Persons Leaving Prison Program; and $300,000 for Neighborhood Defense Services of Harlem. The Executive eliminates $180,000 for the Legal Action Center.

Level funding is included for Aid to Defense, Aid to Prosecution, the District Attorney and Indigent Attorney Loan Forgiveness Program, and Statewide Indigent Legal Services For Persons Leaving Prison Program. The Executive proposes a language change to the Statewide Indigent Legal Services for Persons Leaving Prison Program to read Prisoners Legal Services.

Proposed spending from the Legal Services Assistance Account is outline in the chart below:

FY 2015 Executive Proposed Funding Under the Legal Services Assistance Account

Programs	FY 2014 Enacted Amount	FY 2015 Executive Proposed Amount	Change
Aid to Prosecution	$2,592,000	$2,592,000	***$0***
Aid to Defense	$2,592,000	$2,592,000	***$0***
District Attorney and Indigent Legal Attorney Loan Forgiveness Program	$2,430,000	$2,430,000	***$0***
Statewide Indigent Legal Services for persons leaving prison	$1,000,000	$1,000,000	***$0***
Indigent Parole Program (Legislative Item)	$600,000	$0	***($600,000)***
Civil/Criminal Legal Services; Domestic Violence Civil/Criminal Legal Services (Legislative Items)	$3,300,000	$0	***($3,300,000)***
Statewide Indigent Legal Services for persons leaving prison (Legislative Item)	$1,050,000	$0	***($1,050,000)***
Neighborhood Defense Services of Harlem (Legislative Item)	$300,000	$0	***($300,000)***
Legal Action Center	$180,000	$0	***($180,000)***
TOTAL	$14,044,000	$8,614,000	($5,430,000)

Criminal Justice Improvement Account

The Executive proposes a transfer from the Special Revenue Criminal Justice Improvement Account (CJIA) to the General Fund of $8.9 million.

Article VII Provisions

The Executive also proposes the following Article VII legislation *(additional detail is provided under section three of this report)*:

Extends for one year the formula distribution of certain monies recovered by District Attorneys in New York City, which is set to expire on March 31, 2014.

Division of State Police

The Executive Budget includes adjustments to the Division's FY 2014 Enacted Budget to transfer funding of $4.2 million to the Office of Information Technology Services (OITS) for the continuation of consolidation of information technology into a single agency; $567,000 transfer to the Division of Criminal Justice Services (DCJS) for expenses associated with the NY Safe Act of 2013; and a $4.5 million transfer from the Indian Gaming Account to the General Fund to align appropriations with actual spending.

The Executive Budget recommends $691.3 million in All Funds appropriations for the Division, a decrease of $3.1 million from FY 2014 levels. This primarily represents a $9 million reduction in Capital, including $12.5 million in Aviation; $5.5 million in Maintenance and Improvement; and $7 million in New Facilities. These decreases are offset by an increase of $10 million for the proposed New York Cloud Initiative; and $6 million for the design and construction of a Forensic/Evidence Storage Facility at Troop K Headquarters in Dutchess County.

State Operations Special Revenue spending increases by $5.8 million, and reflects $6 million for the purchase of vehicles budgeted for in 2014. However this funding was never spent due to the length of the procurement process. This increase is offset by a reduction of $135,000 associated with the elimination of Federal funds under the Community Oriented Policing Program.

The Division's workforce would be increased by 20 Full Time Equivalent Employee (FTE) positions as a result of hiring delays from FY 2014.

Executive NY Cloud Initiative

The Executive recommends $10 million in Capital funds to support the development of a new technology initiative, New York State Protection Cloud. The program would provide shared technology for State and local law enforcement. This development of the project would occur over a three year period. A system for crime mapping and facial recognition would be created in the first year and a records management system would be developed within two years, to manage data for law enforcement functions such as calls for service, incident reporting, crime analysis and evidence tracking. The Executive anticipates that local law enforcement agencies would save $12 million annually once they opt into the system.

Article VII Provisions

The Executive also proposes the following Article VII Legislation *(additional detail is provided under section three of this report)*:

Article VII legislation is proposed to revoke driver's licenses for one year for drivers under the age of 21, who text while driving. The current revocation period is six months. The maximum fines for texting or cell phone use while driving would also be increased. The increased fines would be shared between the State, and the local government where the violation occurred. The precise revenue sharing depends upon where the violation takes place. The overall State fiscal impact is estimated to be nominal.

Article VII legislation is proposed to implement a 'Three-Strikes-And-You're-Out' penalty for drug and alcohol related driving convictions. Fines associated with DWI and drug convictions will also increase slightly. The overall State fiscal impact from this legislation is also estimated to be nominal.

Division of Homeland Security and Emergency Services

The Executive Budget includes an adjustment to the Division's FY 2014 Enacted Budget appropriation to transfer $2.9 million to the Office of Information Technology Services (OITS) for the continuation of consolidation of information technology into a single agency.

The Executive Budget provides $1 billion in All Funds support for the Division, a decrease of $13.2 billion, mainly attributable to changes in Aid to Localities funding. The Executive includes $12.6 billion in Federal Disaster funding authority from prior year authority (reapproriation) specifically to allow for reimbursement of costs associated with Superstorm Sandy. This includes funds that would flow through the State to public authorities, local governments and not-for-profit organizations. The Executive decreases an existing disaster assistance appropriation by $200 million proposing a total of $153 million for the State share of any future disaster.

The Executive includes $450 million in Capital Disaster Assistance prior year funding (reappropriation) for costs associated with restoring State properties damaged as a result of Superstorm Sandy.

This decrease in Capital funding is offset by the following increases:

- $100 million for bonding interoperable equipment through the Interoperable Communications Program (language is include to ensure spending from capital funds);

- $15 million in new capital bonding for anticipation of future awards in interoperable communication to close any gaps in the system (language is included to ensure spending from capital funds);

- $15 million in new capital funding for the proposed College of Emergency Preparedness, Homeland Security and Cybersecurity (*(further information can be found in the Issues in Focus section: Storm Disaster Recovery)*; and

- $7 million in funding to purchase the land the State Preparedness Training Center occupies in Oriskany, New York.

The Division's State Operations Funding is increased by $3.2 million, of which $2.2 million funds nonpersonal service costs attributable to leases and management of disaster stockpiles; and $1 million to prepare citizens for emergencies, an additional $2 million in funding will be provided through Federal homeland security grants for this initiative *(further information can be found in the Issues in Focus section: Storm Disaster Recovery)*.

<u>Interoperable Communications Grant</u>
The Executive proposes another $75 million in funding to support county public safety communications efforts under the Interoperable Communications Grant Program, allocated as follows:

- $50 million for new grants to continue support for county interoperable communications;

- $10 million for a new annual grant program to support operating costs, of public safety dispatch centers, factors such as population density and emergency call volume could be considered; and

- $15 million for potential interoperable projects to make the interoperable system statewide. This funding would be based on the results of a study expected in the Spring of 2014. Funding would be provided to close any existing gaps for the system to be operational statewide.

<u>Article VII Provisions</u>
The Executive also proposes the following Article VII legislation *(additional detail is provided under section three of this report)*:

<u>Suspending a Subsidy to the Emergency Services Revolving Load Fund</u>
The Executive proposes to suspend the annual transfer of $1.5 million from the Public Safety Communications Account to the Emergency Services Revolving Loan Fund for four years. This fund assists local governments, fire districts and not-for-profit fire/ambulance corporations in

financing emergency response equipment. The Executive would rely on a multi-year reappropriation balances in the fund of $10 million to sustain the fund.

<u>Public Security and Emergency Response (Formerly – Homeland Miscellaneous)</u>
The FY 2015 Executive Budget continues to fund Superstorm Sandy recovery expenses to mitigate the impact of future natural or man-made disasters. Monies would be made available, to implement Superstorm Sandy recovery or disaster mitigation and preparedness programs authorized by the State or Federal government, including payments to local governments, public authorities, not-for-profit corporations, businesses and individuals. Prior year spending authority would be utilized (reappropriation).

<u>Division of Military and Naval Affairs</u>
The Executive Budget recommends $116 million in All Funds support, an increase of $271,000 from FY 2014 levels. This increase is attributable to $171,000 for deployment of the NY National Guard for State activations that may be needed for future storms/disasters and $100,000 for enactment of certificates for Cold War Veterans legislation (Chapter 477 of the Laws of 2013).
The Executive recommends $39.2 million in Capital funding, the same as FY 2014. The Executive proposes technical corrections to align Capital appropriations between programs.

<u>Interest on Lawyers Account</u>
The FY 2015 Executive Budget proposes $46.8 million, the same as the FY 2014 levels. The Executive increased travel expenses by $12,000 and decreased contractual services by $12,000 to better reflect actual spending in those services.

The Executive Budget recommends level funding of $45 million in spending authority for local grants. The actual disbursement amounts depend on the interest generated by the trust accounts to fund the program. As of December 31, 2013 the account balance was $9.8 million. Grants totaling $22 million were disbursed in FY 2014, of which $15 million was transferred from the Office of Court Administration (OCA).

<u>Office for the Prevention of Domestic Violence</u>
The Executive Budget includes the transfer of existing funding of $17,000 to the Office of Information Technology Services (OITS) for the continued consolidation of information technology into a single agency. The FY 2015 Executive Budget recommends maintaining All Funds appropriations of $4.9 million.

The Executive also modifies the purpose of the appropriation by removing the name of the Western New York Family Violence Clinic and Regional Resource Center. Appropriation language would be changed to include the existing Capital District Domestic Law Clinic and to add other legal services and programs that prevent domestic violence.

<u>Office of Indigent Legal Services</u>
The Executive Budget recommends $82.8 million in All Funds support for the Office. This represents no growth in spending from FY 2014 levels. The Executive makes technical corrections in the Indigent Legal Services Program to align appropriations accordingly between personal service and non personal service. A Legislative addition of $4 million to provide additional funding specifically to upstate counties for case load relief associated with indigent legal services is eliminated.

<u>Office of Victim Services</u>
The Executive Budget includes the transfer of $737,000 to the Office of Information Technology Services (OITS) for the continuation of consolidation of information technology into a single agency. The FY 2015 Executive Budget recommends maintaining All Funds

appropriations of $75.6 million, same as FY 2014 levels.

State Commission of Corrections
The Executive Budget includes the transfer of $21,000 to the Office of Information Technology Services (OITS) for the continuation of consolidation of information technology into a single agency. The FY 2015 Executive Budget recommends maintaining All Funds appropriations of $2.9 million.

Department of Law
The FY 2015 Executive Budget proposes All Funds spending authority of $233 million, an increase of $12.3 million, or 5.6 percent, from FY 2014. The amount reflects an increase of $3.3 million in operating costs for 34 new FTEs and a $9 million capital appropriation.

The Department would allocate the new $9 million capital appropriation for three specific purposes. It intends to develop a new case management system, improve its phone system with VOIP-enabled technology, and develop a mobile communications van to provide assistance in disaster areas.

The Executive also includes language to allow the Department to apply up to $5.2 million in credits to appropriations in the Litigation Settlement Account. This would allow the Department to be reimbursed for expenses incurred from prior-year cases.

Judiciary
The FY 2015 Executive Budget proposes All Funds spending of $2.03 billion, an increase of $53 million, or 2.7 percent. Three anticipated phase-ins – increases in judicial salaries, indigent legal services, and civil legal services – help drive this appropriation.

The final phase of a three-year increase in judicial salaries would provide an additional $8.4 million in compensation to the State's judges. This action is the result of the recommendations of the Special Commission on Judicial Compensation.

A $17 million increase for indigent legal services represents the final year of statutorily mandated enhancements. Total cost of the program in FY 2015 would be $57 million, a 42.5 percent increase from FY 2014.

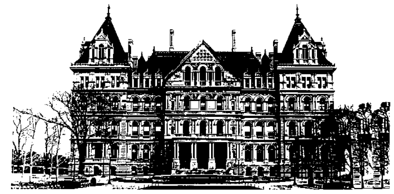
Judiciary Wide Maintenance Undistributed would increase by $15 million, from $40 million to $55 million, a 37.5 percent increase designated for additional resources to nonprofit organizations that provide civil legal services for indigent persons as part of the Civil Legal Services Program. A $2.6 million increase for overtime costs is intended to extend courtroom hours for the general public from 4:30 p.m. to 5 p.m.

An additional schedule of $5 million is included to establish 20 new Family Court Judges. There are currently 149 Family Court Judges, and this would represent a 13 percent increase. Separate legislation would be required to establish the new judgeships and their location. The new Judges would take the bench in January 2015, and would cost $20 million in FY 2016, their first full year of service. The remaining $5 million increase is attributable to a number of personal and nonpersonal service increases.

Judicial Commissions
The Executive Budget recommends the following amounts for the State's three judicial commissions: The Commission on Judicial Conduct ($5.4 million), Commission on Judicial Nomination ($30,000), and the Judicial Screening Committees ($38,000). Each program would receive the same level of funding as in FY 2014.

Public Protection Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Department of Corrections and Community Supervision	2,849,921	2,828,757	(21,164)	-0.74%
Division of Criminal Justice Services	261,281	226,280	(35,001)	-13.40%
Division of State Police	676,460	691,704	15,244	2.25%
Office of Victim Services	67,363	66,908	(455)	-0.68%
Commission of Correction	2,672	2,651	(21)	-0.79%
Judicial Commissions	5,344	5,452	108	2.02%
Division of Military and Naval Affairs	94,068	110,764	16,696	17.75%
Division of Homeland Security and Emergency Services (Public Security and Emergency Response)	5,630,370	2,937,593	(2,692,777)	-47.83%
Office of Indigent Legal Services	67,200	67,217	17	0.03%
Office for the Prevention of Domestic Violence	2,298	2,281	(17)	-0.74%
Totals:	**9,656,977**	**6,939,607**	**(2,717,370)**	**-28.14%**
Judiciary	2,646,700	2,723,103	76,403	2.89%
Department of Law	219,616	222,612	2,996	1.36%

Economic Development: Fact Sheet



- The FY 2015 Executive Budget proposes total All Funds spending of $972.1 million, an increase of 33.9 percent or $246 million over the current year.

- General Fund spending on traditional economic development programs would be decreased by $3.8 million, or 2.3 percent over FY 2014.
  - A portion of the decrease is attributable to the consolidation of IT services throughout all Executive agencies and the elimination of Legislative additions.

- General Fund Local Assistance spending would decrease by $3.4 million, or 2.6 percent over FY 2014
  - $12 million in funding for the Economic Development Fund would be shifted from capital to local assistance spending
  - The Gateway Information Centers in Binghamton and Beekmantown would be funded at FY 2014 levels of $196,000 each.

- Tourism funding would decrease by $2.05 million, or 10 percent over FY 2014
  - Funding for the I ♥ New York advertising program and the tourism matching grants program would remain at FY 2014 funding levels.
  - The Market NY program would decrease by $2 million to reflect the shift of Taste NY funding to the Department of Agriculture and Markets.

- The Executive Budget proposes an additional $220 million in funding to be allocated by the regional economic development councils as follows:
  - $150 million in new capital funding
  - A set aside of an additional $70 million in Excelsior Jobs Program tax credits ($7 million per year for ten years) and

- The Executive Budget proposes an additional $680 million in funding for the Buffalo Region Innovation Cluster:
  - Those funds would complete the remaining allocation of the "Buffalo Billion"
  - Total funding would be split as follows: $830 million in capital and $170 million in Excelsior Job Credits ($17 million per year over ten years).

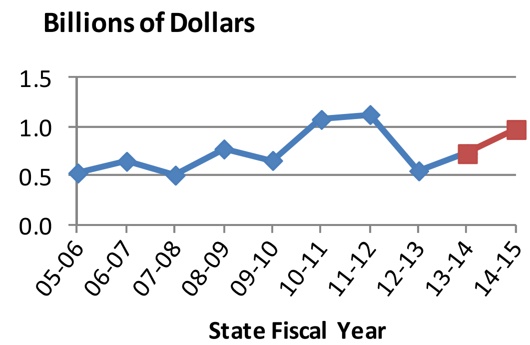
- An additional $467 million in capital spending is proposed for other capital programs, as follows:
  - $2.2 million for Western New York football,
  - $55 million for SUNY 2020,
  - $55 million for CUNY 2020,
  - $50 million for the SUNY College of Nanoscale Science Engineering,
  - $10 million for the Clarkson-Trudeau Partnership,

- $5 million for the Cornell University College of Veterinary Medicine,
- $24 for the Economic Transformation Program to provide funding to communities impacted by prison and youth facility closures,
- $180 million for Nano Utica,
- $55.75 million for the New York Genome Project, and
- $30 million for Onondaga County revitalization projects.

- Four new centers of excellence would be designated, bringing the total number of centers to ten.
  - The new centers would be:
    - The Center of Excellence at Stony Brook in advanced energy research,
    - The Center of Excellence at Buffalo in materials informatics,
    - The Rochester Center of Excellence in sustainable manufacturing, and
    - The Rochester Center of Excellence in data science.
  - Total funding for all the centers would be $5.23 million.
  - Funding for existing centers would be reduced by 25 percent, to $654,000 each.
  - Funding for the new centers would equal $327,000 each.

ECONOMIC DEVELOPMENT

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	726	972
Annual Growth Rate	32.0%	33.9%
5 Year Average Growth (Actual)		6.9%



The FY 2015 Executive Budget recommends an All Funds cash disbursement increase of $246.0 million or 33.9 percent for all economic development agencies over FY 2014. This increase is mainly attributable to increased spending from capital appropriations enacted in previous fiscal years including funding for the Buffalo Regional Innovation Cluster, the Regional Economic Development Council awards and the SUNY 2020 Challenge Grant Program.

General Fund spending for economic development is projected to decrease by $3.8 million, or 2.3 percent from FY 2014. This decrease is attributable to reduced spending due to IT efficiencies implemented in previous fiscal years, maintaining funding at FY 2014 levels, and the elimination of Legislative additions.

The FY 2015 Executive Budget proposes a reduction in appropriations across both economic development agencies totaling $14.2 million. This decrease reflects the elimination of new funding for Legislative additions as well as the elimination of new funding for university based matching grants. The following table shows all the eliminated funding.

ELIMINATED ECONOMIC DEVELOPMENT FUNDING (Thousands of Dollars)	
Department of Economic Development	
Nanoelectronics Discovery and Exploration	775
Center for Advanced Interconnect Technologies	713
RPI Smart Lighting Systems Engineering Center	500
Cornell University Nanotech Network	490
Cornell Science and Engineering Center	392
SUNY Fredonia Technology Incubator	100
Finger Lakes Tourism Alliance	75
Queens Tourism Council	70
Empire State Development Corporation	
Military Base Retention	2,000
NFL Super Bowl	5,000
Nanoelectronics Discovery and Exploration	1,012
Center State CEO	1,000
Bronx Overall Economic Development Corp.	600
Seneca Army Depot	600
Adirondack North Country Association	250
Long Island Regional Planning Council	250
EB-5 Immigrant Program	150
Nassau County Heritage Tourism	100
Western Erie Canal Alliance	75
Canisius College	50
Total Eliminated Funding	**14,202**

Department of Economic Development

The FY 2015 Executive Budget recommends All Funds appropriations of $74.6 million for the Department of Economic Development (DED), a decrease of $7.4 million, or 9.0 percent. This decrease is primarily the result of the elimination of legislative additions and $4.4 million in savings across all programs from IT efficiencies.

DEPARTMENT OF ECONOMIC DEVELOPMENT FUNDING (Thousands of $)			
Program	FY 2014 Funding	FY 2015 Funding	Difference
Administration	3,720	3,267	(453)
Economic Development	17,125	14,227	(2,898)
Marketing and Advertising	18,280	16,232	(2,048)
High Technology Program	34,687	32,717	(1,970)
Research Development	343	343	-
Training and Business Assistance	7,470	7,470	-
Clean Air	385	385	-
TOTAL DED FUNDING	**82,010**	**74,641**	**(7,369)**

All Funds appropriations for the Administration Program, which supports all of DED's administrative functions, are proposed to be reduced by approximately $0.5 million resulting from the IT efficiencies mentioned above. This program also provides funding support for the regional economic development councils. This funding would be maintained at $1 million.

As part of the FY 2014 Enacted Budget, $3 million was appropriated for the second MWBE disparity study which is statutorily due by February 15, 2016. To date, a request for proposals (RFP) has not been released for the completion of the study. This was a non-recurring cost which is reflected in the decrease in the Economic Development Program funding.

All Funds appropriations for the Marketing program are proposed at $18.4 million, a decrease of $2.05 million. Funding for the I ♥ New York advertising program and the local tourism matching grants would remain at FY 2014 funding levels of $2.5 million and $3.8 million, respectively. The reduction reflects a $2 million decrease in the Market NY program, which provides regional tourism funding through the regional economic development councils. As part of the FY 2014 Enacted Budget, $2 million in funding was added to the Market NY program (above the originally proposed $5 million) to fund the Executive's Taste NY program. This program would be transferred to the Department of Agriculture and Markets along with the funding.

All Funds appropriations for the High Technology program are proposed to decrease by $2.0 million, from $34.7 million to $32.7 million. This program is overseen by the Division of Science, Technology, and Innovation and includes funding for the Centers of Excellence and Centers for Advanced Technology (CATs).

The Executive Budget proposes to increase the number of designated Centers of Excellence from six to ten. The newly designated centers would be:

- Center of Excellence at Stony Brook in advanced energy research,
- Center of Excellence at Buffalo in materials informatics,
- Rochester Center of Excellence in sustainable manufacturing, and
- Rochester Center of Excellence in data science.

Although there are four new centers designated, the total amount of funding for the centers would remain at the FY 2014 level of $5.2 million. The six original centers would each receive $654,000 in funding, a decrease of 25 percent from FY 2014 funding levels. The four new centers would each receive $327,000 in funding.

The appropriations for the High Technology program also reflect a $2.5 million increase for the Innovation Hot Spots and the NYS Incubators program, from $1.25 million to $3.75 million.

The FY 2014 Enacted Budget created the New York State Business Incubator and Innovation Hot Spot program. Under this program, business incubators in the State apply to be designated at

New York State incubators and to receive grants to fund their operating costs. In addition, ten incubators – five in 2013 and five in 2014 – would be designated as Innovation Hot Spots. As Innovation Hot Spots, the incubator receives the operating funding and the businesses located in the incubator receive tax benefits.

Empire State Development Corporation (ESDC)

Local Assistance

As shown in the table on the following page, the FY 2015 Executive Budget recommends local assistance appropriations of $42.9 million, an increase of $0.4 million or 0.9 percent, from FY 2014. This increase reflects the shift of $12 million in Economic Development Fund funding from capital spending to local assistance offset by the elimination of legislative additions.

Capital Funding

The FY 2015 Executive Budget recommends $1.3 billion in new capital spending, an increase of $894 million from FY 2014 enacted budget. The majority of this increase encompasses the remainder of the State's commitment for the "Buffalo Billion". In the past two fiscal years, a total of $150 million was appropriated for the Buffalo Innovation Cluster. The Executive budget proposes to provide $680 million to the Buffalo Regional Innovation Cluster, providing a total of $830 million in capital funding. The remaining $170 million would be provided as a set aside of Excelsior Jobs Program tax credits.

The FY 2015 Executive budget also recommends an additional round of funding for the Economic Transformation Program. The Economic Transformation Program was established in FY 2012 to provide capital funding to communities impacted by prison and youth facility closures in 2011. At that time, $50 million in capital funding was provided.

With additional prison and youth facility closures recommended with the Executive Budget, additional capital funding of $24 million is proposed to help the communities impacted by these new closures. This funding would be subject to the regional economic development councils.

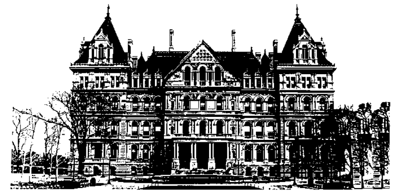
The Executive Budget continues capital funding for the Regional Economic Development Councils and the SUNY 2020 Challenge Grant Program at FY 2014 funding levels. The new capital funding would be allocated as follows:

- $10 million for the Clarkson-Trudeau Partnerhsip,
- $5 million for the Cornell University College of Veterinary Medicine,
- $180 million for Nano Utica project,
- $55.75 million for the New York Genome Project, and
- $30 million for Onondaga County redevelopment projects.

EMPIRE STATE DEVELOPMENT CORP. FUNDING (Thousands of Dollars)			
Program	FY 2014 Funding	FY 2015 Funding	Difference
Local Assistance			
Economic Development Fund	19,180	31,180	12,000
Military Base Retention	2,000	-	(2,000)
Community Development Financial Institutions	1,495	1,495	-
Entrepreneurial Assistance	1,764	1,764	-
Minority & Women Owned Business Development	1,000	635	(365)
Western NY Football	4,407	4,457	50
Urban and Community Development	3,404	3,404	-
INDEX	1,012	-	(1,012)
Other Local Assistance Programs	8,275	-	(8,275)
Total Local Assistance Funding	**42,537**	**42,935**	**398**
Capital			
SUNY 2020 Challenge Grants	110,000	110,000	-
SUNY College for Nanoscale and Science Engineering	-	50,000	50,000
Buffalo Regional Innovation Cluster	75,000	680,000	605,000
Western NY Football (Ralph Wilson Stadium)	56,057	2,195	(53,862)
Regional Economic Development	150,000	150,000	-
Economic Development Fund	12,000	-	(12,000)
Clarkson-Trudeau Partnership	-	10,000	10,000
Cornell University College of Veterinary Medicine	-	5,000	5,000
Economic Transformation Program	-	24,000	24,000
Nano Utica Project	-	180,000	180,000
New York Genome Project	-	55,750	55,750
Onondaga County Revitalization Projects	-	30,000	30,000
Total Capital Funding	**403,057**	**1,296,945**	**893,888**
TOTAL ESDC FUNDING	**445,594**	**1,339,880**	**894,286**

Economic Development Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Department of Economic Development	125,217	109,828	(15,389)	-12.29%
Empire State Development Corp	592,963	842,810	249,847	42.14%
Economic Development Capital - Other	5,500	18,000	12,500	227.27%
Regional Economic Development Program	2,500	1,500	(1,000)	-40.00%
Totals:	**726,180**	**972,138**	**245,958**	**33.87%**

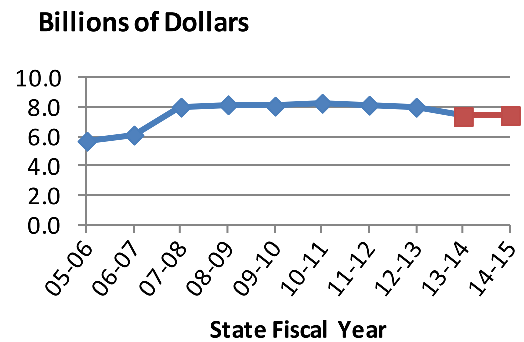
Mental Hygiene: Fact Sheet



- The FY 2015 Executive Budget proposes $7.45 billion All Funds cash disbursements, an increase of $68 million or 0.93 percent.
- The Department of Health (DOH) has assumed spending of $730 million in FY 2014 and it is expected to assume $745 million in FY 2015 for services provided to the Office for People with Developmental Disabilities (OPWDD).
- The Office of Mental Health (OMH) proposes closing the Western New York Children's Psychiatric Center and moving the inpatient population to Buffalo. The Executive would invest $25 million into community services by downsizing 399 beds in State-operated psychiatric centers, resulting in savings of $30 million. The Executive has stated that 100 percent of savings from bed closures would be reinvested in community services.
- The Executive proposes $21.5 million for OMH initiatives that include increased rental stipends for New York City and Nassau, Suffolk and Westchester counties; new housing opportunities for the homeless in New York City; and new supportive housing beds for individuals transitioning from nursing and adult homes.
- The Executive proposes $8.2 million in new funding to expand the Sexual Offender and Management and Treatment Act program.
- Effective April 1, 2013 the State lowered Medicaid developmental disability center payment rates by $1.1 billion, pursuant to discussions with the federal government. The federal government is now reviewing whether Medicaid should have paid for services provided in prior years for the developmentally disabled. The possibility exists that as a result of the review the federal government may seek to retroactively recover funds, of up to $1.1 billion from the State for any year reviewed.
- The Executive proposes the closure of inpatient services (47 beds) at O.D. Heck Developmental Center. OPWDD proposes to eliminate approximately 250 additional beds from the institutional system. The Executive estimates this would save an estimated $10.6 million, and proposes reinvesting $9.1 million in new community services.
- The Executive proposes to continue initiatives to move individuals in the OPWDD system into integrated settings for employment, saving $10.9 million.
- The Executive Budget proposal would achieve $7.7 million in savings by restricting payments for private residential schools for individuals in the OPWDD system who are over 21 years of age. This would apply to individuals who reside both in-state and out-of-state; however, the Executive believes that this proposal will be successful in relocating individuals back to the State.
- The Executive Budget proposal again defers the Human Services Cost of Living Adjustment for OMH, OPWDD, the Office for Children and Family Services, the Office of Alcoholism and Substance Abuse Services, DOH, and the Office for the Aging for one year. The Executive also proposes delaying Medicaid rate trend adjustments to OPWDD providers. These proposals would result in $106 million in savings.

MENTAL HYGIENE

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	7,378	7,446
Annual Growth Rate	-7.9%	0.9%
5 Year Average Growth (Actual)		-2.0%



The FY 2015 Executive Budget recommends All Funds cash disbursements of $7.45 billion, an increase of $68 million, or 0.93 percent for all mental hygiene agencies.

Proposed Changes in Mental Hygiene Spending FY 2015 ($ in millions)	
Recommendations	FY 2015
Increased Funding Related to Changes in Fringe Benefits, Collective Bargaining, Transfers, and Indirect Costs	$ 77.7
Annualization of Community Services	$ 49.0
New Community Services	$ 34.1
Increased Funding for Capital and Housing	$ 26.2
OMH SOMTA Growth	$ 8.2
Justice Center Full Annualization and Increased Federal Rewards	$ 4.5
Realization of Savings from Prior Year Census Decreases	$ (59.0)
Savings from Current Year Census Reductions	$ (40.9)
Savings Related to Integrated Employment Initiatives	$ (10.9)
Savings from Reducing Out-Of-State Placements	$ (7.7)
Discontinuation of Legislative Line Items and Replacement of CQCAPD by the Justice Center	$ (7.2)
State Operation Efficiencies	$ (5.5)
Total	**$ 68.4**

Department of Health (DOH) Medicaid spending includes $730 million in FY 2014 and $745 million in FY 2015 for Office for People with Developmental Disabilities (OPWDD) services, which is not reflected in the OPWDD Budget.

Department of Mental Hygiene

Human Services Cost of Living Adjustment

- The Executive proposes to again defer the Cost of Living Adjustment (COLA) for Human Service providers for one year, and defer the automatic OPWDD Medicaid trend factor increases.
- The COLA and the two percent deferment would save a total of $106 million, $76 million in the mental hygiene budget.
- Savings by each agency include:
  - OPWDD - $45 million ($3.5 million COLA, $41.5 million Medicaid trend deferral)
  - Office of Mental Health (OMH) - $23.3 million
  - Office for Children and Family Services - $19 million

- Office of Alcoholism and Substance Abuse Services (OASAS) - $7.3 million
- DOH - $6.7 million
- Office for the Aging - $4.7 million

Representative Payee

The Executive proposes continued savings of $90 million by extending the statute relating to representative payees. The Executive authorizes OMH and OPWDD facility directors to act as representative payees for individuals under their care and treatment, and use an individual's funds for the cost of their care and treatment. The extension of this law would ensure that facility directors do not violate current statute in regards to fiduciary obligations. This extension provides savings of $30 million for OMH and $60 million for OPWDD annually.

Office of Mental Health

Closures / Restructuring

- The Executive proposes to **close the Western New York Children's Psychiatric Center** and create a children's inpatient unit at the Buffalo Psychiatric Center. The Executive also proposes to close 399 State-operated inpatient beds, for a net reduction of 18 wards, in FY 2015.
- The Executive gave notice in July 2013 that the additional Psychiatric Centers and units would close under the Regional Center of Excellence Plan (RCE Plan) released by OMH:
  - The adult and children's units at Elmira Psychiatric Center;
  - The adult and children's units at Greater Binghamton Psychiatric Center;
  - The children's unit at Hutchings Psychiatric Center;
  - Manhattan Psychiatric Center;
  - Mid-Hudson Forensic Psychiatric Center,
  - Rochester Psychiatric Center;
  - Sagamore Psychiatric Center; and
  - The adult and children's units at St. Lawrence Psychiatric Center.
- The Executive has recently changed course from the original RCE Plan. The Executive announced December 19, 2013 that Elmira, Greater Binghamton, and St. Lawrence Psychiatric Centers will remain open. In addition to this announcement, the Executive has indicated that Sagamore Psychiatric Center will not close in FY 2015 as originally proposed. The Executive has stated, "No further implementation of the RCE Plan will take place until OMH … evaluates the effectiveness of the expanded community services on the need for inpatient beds". However, OMH has not rescinded the closure notices and OMH could implement any part of the plan after one year from the issuance of the notices.
- The closure of Western New York Children's Psychiatric Center and the reduction of 399 beds are dependent upon the Executive making a determination that existing community services are sufficient to meet the needs of the population. The Executive estimates that eliminating 399 beds would result in $30 million in savings. The Executive proposes that for every bed closed, on average, $110,000 would be invested into community services.
- Of the $30 million in savings from bed reductions, $25 million would be reinvested into the community. The Executive proposes to use the remaining $5 million for other reinvestment strategies, resulting in 100 percent reinvestment from closures.
- The $25 million reinvested into community services would serve approximately 3,000 individuals. These services will include additional crisis and respite beds, home and community-based waiver slots, supported housing, mental health urgent care walk-in centers, mobile engagement teams, first episode psychosis teams, peer-operated

recovery centers, family resource centers, evidence-based family support services, suicide prevention services, community forensic and diversion services, tele-psychiatry, transportation services, family concierge services, and greater integration of physical and behavioral health services. There are no details available at this point on the geographical location and the amount to be invested in each service.

- **For additional information regarding OMH closures, please refer to Senate Issues in Focus: Facility Closures and Mergers section of this report.**

Mental Housing Initiatives

- The Executive proposes utilizing $6.5 million from bed closure savings to fund a $550 individual rental stipend increase. This would include New York City and Nassau, Suffolk and Westchester counties.
- The Executive Budget provides $8 million for the development of community mental health residential programs, including 300 additional beds for the homeless in the New York-New York III program. The Executive Budget proposes 150 community residence opportunities and single room occupancies (SROs) statewide.
- The Executive proposes $2 million for 200 new supported housing beds for individuals in nursing homes and $5 million for 500 new supported housing beds for individuals in adult homes. The creation of the supported housing beds is pursuant to litigation (Joseph S. v. Hogan and O'Toole et al v. Cuomo). The Executive has stated that funding for these beds would be achieved through savings from inpatient bed closures.

Sexual Offender Management and Treatment Act Program

The Executive proposes an increase of $8.2 million to expand the Sexual Offender Management and Treatment Act program at Central New York Forensic Psychiatric Center. Two new wards would be created.

Exempt Incomes Recoveries

The Executive proposes annual cost savings of $3 million by permanently allowing OMH to recover Medicaid exempt income from the providers of community residences. This proposal has been extended on an annual basis since 2010.

Office for People with Developmental Disabilities

Closures and Downsizing

- The Executive proposal would remove the remaining inpatient capacity of 47 beds, at O.D. Heck Developmental Center in order for the facility to close by March 31, 2015. Approximately 250 additional beds would be eliminated from the institutional system. These bed reductions are expected to save an estimated $10.6 million. The Executive would reinvest $9.1 million in new community services in order to facilitate the planned downsizing.
- **For additional information regarding OPWDD closures, please refer to Senate Issues in Focus: Facility Closures and Mergers section of this report.**

Sheltered Workshops and Integrated Employment

The Executive proposes to continue the planned transition of individuals from sheltered workshops into more integrated settings. The Executive Budget estimates $9.8 million in savings from reforming day services to encourage integrated employment, and $1.1 million in savings from the reduction of costs to sheltered workshops. These savings are the result of OPWDD encouraging more integrated community employment opportunities for their clients.

Out-of-State Placements
The Executive proposes $7.7 million in savings, achieved by clarifying that private residential placements with developmental disabled individuals who have aged out of school (21 years or older) will only receive appropriate funding. Reimbursement would be applied to day, rehabilitation, and care management services, rather than tuition payments. The Executive proposes to ensure that Supplemental Security Income (SSI) payments are used as intended to cover costs for individuals in residential settings. This proposal would be applicable to both out-of-state and in-state placements. The Executive claims that individuals will be relocated back to New York from out-of-state placements as a result of this proposal.

Nurse Practice Act Exemption

- The Executive proposes $3.5 million in savings by extending the current exemption afforded direct care staff in certified settings to direct care staff in uncertified settings, which are funded, certified, or authorized by OPWDD.
- Currently, the Nurse Practice Act exemption allows for direct support staff in funded, authorized, or approved OPWDD certified settings, to perform certain tasks under the supervision of a registered professional nurse. This bill expands this exemption to direct care workers in OPWDD non-certified settings (individuals that live by themselves).

Federal Reimbursement

- The Enacted Budget for FY 2014 included a plan to address the loss of $1.1 billion in federal aid, which included $90 million in OPWDD savings associated with audit recoveries and targeted funding reductions. This plan is subject, in part, to approval from the federal government.
- The federal government is reviewing whether Medicaid costs for services should have been paid to New York State-operated Intermediate Care Facilities for the Developmentally Disabled for the period from April 1, 2010 to March 31, 2011. The possibility exists that as a result of the review the federal government may seek to recover funds for any payments that it determines are in excess of federal requirements. This amount could be comparable to the amount of federal aid disallowed in FY 2014, which is $1.1 billion annually. This matter has not been resolved; however, there is an expectation that the federal review will be completed soon.

Miscellaneous
The Executive proposes to explore new options for community-based services and housing opportunities by participating in New York State Money Follows the Person Demonstration Program and the Balancing Incentive Program. The Money Follows the Person Demonstration Program and the Balancing Incentive program involve transitioning individuals from institutional settings and emphasizing community services.

Office for Alcoholism and Substance Abuse Services

- The Executive Budget proposes to continue the current funding levels for programs for individuals with dependence on alcohol and chemical substances or problem gambling issues.
- The proposal contains $4.6 million for housing statewide, including 80 supportive housing opportunities for homeless families under New York - New York III, 24 adult supported housing opportunities throughout the State, as well as 25 treatment beds for veterans in Long Island.

Justice Center for the Protection of People with Special Needs

- Proposed Justice Center spending reflects an increase of $3.7 million, or 9.7 percent over the current year. The Justice Center absorbed core responsibilities from the former Commission of Quality of Care and Advocacy for Persons with Disabilities in June 2013. The Justice Center will experience its first full year of operation in FY 2015.
- The number of Full Time Equivalent positions (FTEs) will increase by 72 in FY 2015, from 280 to 352.

Developmental Disabilities Planning Council

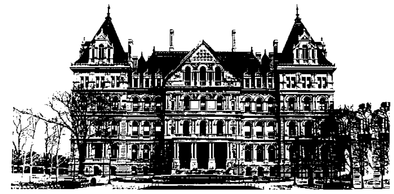
There are no funding changes proposed this year for the Council.

Department of Health Initiatives

- The Executive proposes $60 million in State funds, $120 million in All Funds, for behavioral health transformation initiatives, including investments for the implementation of managed care and health and recovery plans. This would include:
    - Facilitating the transition of behavioral health services for adults and children into managed care - $10 million State Funds, $20 million All Funds;
    - Integrating behavioral health and psychical health - $7.5 million State Funds, $15 million All Funds;
    - Preserving critical access to behavioral health inpatient and other services through Vital Access Provider funding - $20 million State Funds, $40 million All Funds;
    - Funding for OASAS residential restructuring - $2.5 million State Funds, $5 million All Funds;
    - Funding for health homes plus for Assisted Outpatient Treatment - $5 million State Funds, $10 million All Funds; and
    - Funding new Medicaid Waiver services - $15 million State Funds, $30 million All Funds.
- The Executive proposal in the DOH Budget is to reinvest Medicaid savings, resulting from the closure of non-State-operated inpatient psychiatric services or other reductions, into plans designed to meet service needs resulting from these reductions. There are no details on the methodology or potential distribution of funds.
- The Executive proposes to reinvest funds into community behavioral health services that would be generated through savings by the transition to managed care. The Executive has titled this initiative the "Community Based Behavioral Health Services Reinvestment Program". There are no details on the methodology or potential distribution of funds.

Mental Hygiene Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Office of Mental Health	3,263,981	3,316,131	52,150	1.60%
Office for People With Developmental Disabilities	3,483,245	3,499,483	16,238	0.47%
Office of Alcoholism and Substance Abuse	583,444	584,444	1,000	0.17%
Commission of Quality Care	4,723	0	(4,723)	N/A
Developmental Disabilities Planning Council	4,210	4,210	0	0.00%
Justice Center for the Protection of People with Special Needs	37,961	41,649	3,688	9.72%
Totals:	**7,377,564**	**7,445,917**	**68,353**	**0.93%**

Human Services: Fact Sheet



- The Executive Budget proposes All Funds spending of $9.2 billion, a reduction of $371 million or 3.89 percent from FY 2014.

Office of Temporary and Disability Assistance (OTDA)

- Increases funding for Summer Youth Employment by $2.5 million, from $25 million to $27.5 million.

- Proposes a “performance improvement initiative” to encourage local social services districts to improve their administrative fair hearings practices.

- Increases capital funding for the Homeless Housing and Assistance Program by $33 million, for a total of $63 million for the acquisition, construction or rehabilitation of housing for persons who are homeless.

- Fully implements State takeover of the State Supplemental Security Income program.

- Prohibits the use of Electronic Benefit Transfer Cards at automated teller machines or point of sale terminals in liquor stores, casinos, gaming establishments or adult-oriented entertainment venues.

Office of Children and Family Services (OCFS)

- Increases Child Care Block Grant funding by $21 million, for a total of $863.1 million to maintain current subsidies.

- Over 234,000 children receive child care subsidies annually.

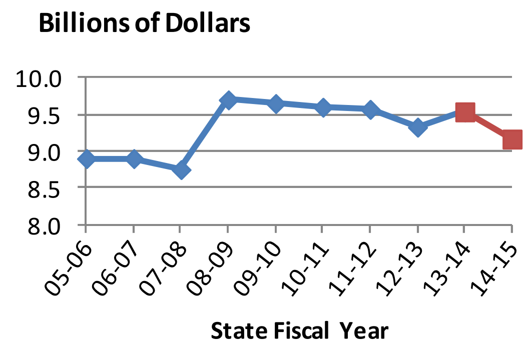
- Delays full implementation of Close to Home by postponing OCFS limited secure facility closures from September 1, 2014 to April 30, 2015.

- Delays the two percent Cost of Living Adjustments (COLAs) for Human Services programs. These programs include Foster Care, Adoption, Community Based Waiver Services, Medicaid Per Diem Services for Foster Children program, Bridges to Health, Committee on Special Education, and New York/New York III programs.

- Increases appropriation authority for the Pay for Success program by $95 million, to $125 million.

HUMAN SERVICES

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	9,536	9,165
Annual Growth Rate	2.2%	-3.9%
5 Year Average Growth (Actual)		-0.3%



The State Fiscal Year (FY) 2015 Executive Budget recommends a decrease in All Funds cash disbursements of $371 million, or 3.89 percent, for all human services agencies.

Office of Temporary and Disability Assistance (OTDA)

The FY 2015 Executive Budget provides $5.47 billion in All Funds appropriations, a decrease of $293.7 million, or 5.1 percent, from current levels. The net All Funds decrease can mainly be attributed to projected decreases in public assistance caseloads, a decrease in appropriation authority for Federal programs, and the decrease in the Supplemental Security Income (SSI) program due to the State administrative takeover. This decrease is partially offset by additional proposed funding for the Homeless Housing and Assistance Program (HHAP).

The Executive anticipates a net staffing increase of 59 Full Time Equivalent positions (FTEs), from 1,859 to 1,918. This reflects the addition of 54 staff related to the takeover of the SSI State supplementation program from the Federal government that was authorized in the FY 2013 Enacted Budget and the addition of five staff for the additional programming of the HHAP.

Temporary and Disability Assistance Program

New York State receives a $2.4 billion block grant allocation from the Federal government as a result of the 1997 Welfare Reform Act. The Executive utilizes Federal TANF funds to support the State's public assistance caseload and historically, to provide a variety of support services to eligible families.

Public Assistance Caseload

As a result of the sluggish economy, and increased unemployment rates, Public Assistance caseload began to increase in September of 2008. However, caseload is projected to decrease in FY 2015. The Executive Budget is projecting a reduction in caseload of 16,096 to 564,167, or 2.8 percent, from the current year estimate of 580,260 cases.

Eliminate Temporary Assistance for Needy Families (TANF) Funding for Certain Programs

The FY 2013 Enacted Budget began to phase in the final 10 percent increase to the public assistance grants by providing a five percent increase in July of 2012 and the remaining five percent increase in October of 2012, achieving full implementation of the grant increase at that time. Though caseloads continue to decrease, recovery is slow and when combined with basic grant increases and the continuing need for child care subsidies, available resources for other TANF programming is limited. The Executive proposes **eliminating** funding for the following TANF surplus initiatives:

- ACCESS-Welfare to Careers (-$800,000);
- ATTAIN (-$4.1 million);
- Advantage Schools (-$500,000);
- BRIDGE (-$102,000);
- Career Pathways (-$750,000);
- Caretaker Relative/Kinship Care (-$101,000);
- Centro of Oneida (-$25,000);
- Child Care CUNY (-$141,000);
- Child Care Demonstration Projects - Upstate (-$1.3 million);
- Child Care Demonstration Projects – NYC (-$4.59 million);
- Child Care SUNY (-$193,000);
- Community Solutions to Transportation (-$112,000);
- ESL/Adult Literacy (-$250,000);
- Emergency Homeless (-$500,000);
- Non-residential Domestic Violence (-$1.2 million);
- Nurse Family Partnerships (-$2 million);
- Preventive Services (-$610,000);
- Rochester-Genesee Regional Transportation Authority (-$82,000)
- Settlement Houses (-$1 million);
- Strengthening Families Through Stronger Fathers (-$200,000);
- Wage Subsidy (-$950,000); and
- Wheels for Work (-$144,000).

The Executive proposes to increase spending for the Summer Youth Employment program by $2.5 million, from $25 million to $27.5 million.

Establish a Fair Hearing Chargeback

The FY 2015 Executive Budget includes a "performance improvement initiative" to encourage local social services districts to improve their administrative fair hearings practices. If districts fail to meet performance criteria, the State would be authorized to chargeback the district for a portion of hearing costs, providing a potential $10 million savings to State.

Homeless Housing Capital Funding

The Executive proposes a $33 million increase to the Homeless Housing and Assistance Program, for a total of $63 million in capital funding for the acquisition, construction or rehabilitation of housing for persons who are homeless and are unable to secure adequate housing without special assistance. Projects eligible for HHAP funding may serve families, single persons, youth, the elderly, as well as a range of special needs groups such as the homeless mentally disabled, victims of domestic violence, veterans and persons with AIDS.

Take Over Administration of the State Supplemental Security Income Program

The FY 2012 Enacted Budget authorized a State takeover of the administration of the State Supplemental Security Income (SSI) program. Previously, the program was administered by the Federal Social Security Administration (SSA) and cost the State approximately $10.94 per benefit issuance. Full implementation of the State takeover is expected in October 2014 and will save the State $90 million in administrative fees.

Authorize Supplemental Security Income (SSI) Federal Cost of Living Adjustment (COLA) Pass-Through

The FY 2015 Executive Budget includes Article VII language that would authorize the Supplemental SSI Federal COLA pass-through. This language sets forth the actual dollar amounts for the 2014 Personal Needs Allowance, the standard of need for eligibility, and the payment of additional state disbursements. It also authorizes those amounts to be automatically increased by the percentage of any federal SSI COLA which becomes effective within the first six months of calendar year 2015. This COLA has been enacted each year since 1984.

Electronic Benefit Transfer Restrictions

The FY 2015 Executive Budget includes Article VII language that would prohibit electronic benefit transfers of public assistance benefits at automated teller machines or point-of-sale terminals in liquor stores, casinos, gaming establishments, and adult-oriented entertainment venues.

Office of Children and Family Services (OCFS)

The FY 2015 Executive Budget provides $3.84 billion in All Funds appropriation support, an increase of $30.8 million, or 0.81 percent. This net increase primarily reflects an increase in child care funding for subsidies, continued implementation of the Close to Home initiative, and other programmatic funding changes detailed below.

The Executive anticipates a net staffing decrease of 234 FTEs, from 3,030 to 2,796. This reflects the continued closing and downsizing of youth facilities associated with the current Close to Home Initiative (-275) and staff for the continued implementation of the Human Services Contact Center (+41).

Close to Home Initiative Delay

The Close to Home Initiative, enacted as part of the FY 2013 budget, required the transfer of custody of all New York City (NYC) youth placed in non-secure and limited secure facilities from OCFS to NYC, pursuant to plans developed by NYC and approved by OCFS. NYC youth placed in secure residential facilities remain in the custody of OCFS. NYC is responsible for developing their own juvenile justice system to provide a combination of community services, supervision, and residential placement to youth in their custody and OCFS is responsible for oversight, monitoring and licensing of the NYC system.

Close to Home Phase I, which is currently underway, involves the transfer of responsibility for young people in non-secure placements from OCFS to NYC.

Close to Home Phase II involves the transfer of young people in limited-secure placements. Though a draft plan for Phase II has been submitted to OCFS, final preparations for the transition of limited secure youth from OCFS to NYC has been delayed. The Executive proposes Article VII legislation to postpone any potential OCFS limited secure facility closures resulting from reduced capacity from September 1, 2014 to April 30, 2015. There are five limited secure facilities run by OCFS: Industry Residential Center (Monroe County); Taberg Residential Center (Oneida County); Finger Lakes Residential Center (Tompkins County); Highland Residential Center (Ulster County); and Sgt. Henry Johnson Youth Leadership Academy (Delaware County).

Child Care

The FY 2015 Executive Budget recommends $863.1 million for the Child Care Block Grant (CCBG), an increase of $21 million over FY 2014 spending. This increase is intended to maintain child care subsidies in the face of increased costs for services. It will not provide for additional child care slots. Over 234,000 children receive child care subsidies annually.

Family and Children's Services Program

Child Welfare Services

Child Welfare Services funding provides local districts with an open-ended 62 percent reimbursement for child preventive, child protective, and after care services to prevent or reduce foster care placements. The Executive recommends continued General Fund support of $635 million for child welfare services.

Foster Care Block Grant (FCBG)

The Executive Budget recommends $436 million, flat funding from FY 2014, for the Foster Care Block Grant, to provide State reimbursement to eligible social services districts that are not operating a juvenile justice services Close to Home initiative. Funding for Kinship Guardianship Assistance would continue through the FCBG.

Adoption Subsidies

The FY 2012 Enacted Budget reduced the State share of adoption subsidies from 73.5 percent to 62 percent. The FY 2015 Executive Budget maintains current year spending levels of $184.6 million in General Fund spending for adoption subsidies to continue to provide local districts with 62 percent reimbursement for expenditures.

Eliminate the Human Services Cost of Living Increase (COLA)

The Executive defers the two percent Cost of Living Adjustments (COLAs), originally scheduled to take effect in FY 2015, for a $19 million savings in Human Services programs. Affected programs include Foster Care, Adoption, Community Based Waiver Services, Medicaid Per Diem Services for Foster Children program, Bridges to Health, Committee on Special Education, and New York/New York III programs.

Educational Services at OCFS Youth Facilities

The FY 2015 Executive Budget includes Article VII language that would authorize OCFS to contract with the Boards of Cooperative Educational Services (BOCES) to provide any and all educational services at OCFS youth facilities that BOCES provides to school districts. Currently, OCFS may contract with BOCES for special education services only.

Commission on Youth, Public Safety and Justice

The Executive proposed the creation of a Commission on Youth, Public Safety and Justice, to make recommendations on how best to raise the age that youths may be charged as adults, improve outcomes for youth, and promote safety.

Division of Human Rights

The FY 2015 Executive Budget provides $18 million in All Funds appropriation support, flat funding from the current year. The Executive anticipates no staffing changes, maintaining a level of 164 FTEs for FY 2015.

The FY 2015 Executive Budget includes Article VII language that would extend anti-discrimination protections that currently shield members of protected groups from discrimination, harassment, and bullying in private schools to include public schools. This section will be discussed more fully within the Education section of this report.

Division of Veterans' Affairs

The FY 2015 Executive Budget provides $17.6 million in All Funds appropriation support, flat funding from the current year. While year to year funding has not changed, it reflects a net impact of the elimination of legislative supported initiatives ($250,000) and added funding for a new disparity study to examine the equity in State contracting for service-disabled veteran small business owners ($246,000).

The Executive anticipates no staffing level changes, maintaining 98 FTEs for FY 2015.

Office of the Welfare Inspector General

The FY 2015 Executive Budget provides $1.16 million in All Funds appropriation support, flat funding from the current year. The Executive anticipates no staffing changes, maintaining a level of seven FTEs for FY 2015.

Pay For Success

The FY 2015 Executive Budget expands the Pay for Success "Social Impact Bond" program which was enacted as part of the FY 2014 Budget. The Executive proposes a $95 million increase in appropriation authority, from $30 million to $125 million, in anticipation of new initiatives.

In December 2013, the Executive announced the first Pay for Success project, which will train and employ approximately 2,000 formerly incarcerated individuals. The Executive Budget proposal provides $100 million for additional projects in the areas of early childhood development and child welfare, health care or public safety, as well as continued support of the current program for the formerly incarcerated. In addition, $25 million would be made available for initiatives in the area of homeless housing and preventive services.

State Office for the Aging (SOFA)

The FY 2015 Executive Budget provides $241.6 million in All Funds appropriations, a decrease of $1.4 million or 0.6 percent. The net decrease is mainly attributed to a reduction in appropriation authority in State Operations to reflect current spending projections and to realign authority for Information Technology (IT) positions with the Office of Information Technology Services. These reductions are offset by a net increase of $50,000 in the Aid to Localities budget. The Executive proposes a workforce of 95 Full Time Equivalents (FTEs), an increase of five FTEs over FY 2014 levels supported with Federal Revenues.

Local Staff Training:

The Executive proposes investing $250,000 to train local Area Agencies on Aging (AAA) staff. The funds will be used for training, education, and technical assistance for the professional development of AAA staff.

FY 2014 Legislative Adds:

The Executive proposes continuing support for the following Legislative adds from FY 2014:

- $200,000- for Elder Supplemental Nutrition Assistance Program Outreach;
- $200,000 in additional funds for the Social Adult Day program;
- $200,000 in additional funds for the Senior Transportation program; and
- $500,000 in additional funds for the Elderly Abuse and Education program.

The Executive proposes eliminating $200,000 for the Lifespan program.

Elimination and Redistribution of Cost of Living Adjustment (COLA):

The Executive Proposes eliminating the COLA for the Expanded In-home Services for the Elderly Program (EISEP), the Wellness in Nutrition (WIN) program, and the Community Services Elderly (CSE) grant program, and redistributing the funds proportionately across each program. There is no net financial plan impact associated with this proposal.

Managed Care Consumer Assistance Program (MCCAP):

The MCCAP Program provides outreach and education to communities about the Medicare prescription drug benefits and provides technical and issue-specific guidance to elderly persons enrolled in managed care plans. In FY 2014 $1.8 million was provided to discretely fund the seven organizations providing MCCAP services below:

MCCAP Provider	FY 2014
Medicare Rights Center	$793,000
NYS Senior Action Council, Inc.	$354,000
New York Legal Assistance Group	$111,000
Legal Aid Society of New York	$111,000
Self-help Community Services, Inc.	$111,000
Empire Justice Center	$155,000
Community Service Society	$132,000

The Executive proposes eliminating the discrete funding for each organization and provides $1.8 million to be allocated to up to three MCCAP providers. There are no State savings associated with this proposal, however this proposal does not guarantee that each program would be funded under the proposed construct.

Eliminate the Human Services Cost of Living Adjustment (COLA):
The Executive proposes to eliminate the two percent COLA for Human Services Providers for an additional year. Savings to the State associated with SOFA providers would be $4.6 million in FY 2015 decreasing to $3.8 million in FY 2016.

Department of Labor

The FY 2015 Executive Budget recommends an All Funds spending amount of $638.7 million, which represents a decrease of $54 million or 7.8 percent from FY 2014. **This excludes disbursements from the Unemployment Insurance (UI) Benefit Fund.**

State Operations
The Executive Budget recommends an All Funds State Operations spending amount of $352 million, a decrease of approximately $28 million or 7.2 percent. Further details are pending.

Aid to Localities
The Executive Budget recommends an All Funds Aid to Localities spending amount of $153 million, a decrease of approximately $7.5 million or 4.7 percent.

Of this amount, $8.6 million reflects the elimination of the following FY 2014 Legislative initiatives:

- New York Committee on Occupational Safety and Health, $350,000;
- Displaced Homemaker Program, $1,354,456;
- Chamber On-The-Job Training Program, $750,000;
- Long Island Office on Occupational Safety and Health (NYCOSH), $155,000;
- Building Trades and Pre-Apprenticeship Program (BTPAP), Rochester, $200,000;
- BTPAP, Western New York, $200,000;
- Workforce Development Institute, $4,000,000;
- Rochester Tooling and Machining Institute, $50,000;
- Hillside Works, $100,000;
- Summer of Opportunity Youth Employment Program, Rochester, $250,000;
- Project Rise-Referral, Information, Services, Employment, $300,000;

- American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Cornell Leadership Institute, $150,000;
- AFL-CIO Cornell University Domestic Violence Program, $150,000;
- Labor and Industry For Education (LIFE), $20,000;
- Brooklyn Chamber of Commerce Neighborhood Development Project, $100,000; and,
- Brooklyn Chamber of Commerce Jobs 2013 Program, $500,000.

Unemployment Insurance Program

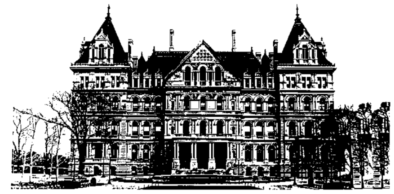
The Executive Budget includes appropriation authority for the UI Benefit Fund in the amount of $3.7 billion, which represents a decrease of $1.75 billion from FY 2014. This reflects an anticipated decrease in UI and Emergency Unemployment Compensation (EUC) payments. The UI Trust Fund has a deficit of $3.18 billion as of January 2014. The payment to the Federal government on the money borrowed to cover the UI Trust Fund deficit is referred to as the Interest Assessment Surcharge (IAS). The IAS is projected at $65 million for FY 2015. According to the Executive, the $3.15 billion deficit will be paid off by FY 2016 and the UI Trust Fund will become solvent. If this occurs, the IAS will no longer be assessed.

Workforce Impact

The FY 2015 Executive Budget recommends a workforce of 3,550 full time equivalents (FTEs).

Human Services Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Children and Family Services	2,949,557	2,989,846	40,289	1.37%
Temporary and Disability Assist.	5,446,377	5,099,209	(347,168)	-6.37%
Welfare Inspector General (1)	628	972	344	54.78%
Department of Labor	692,689	638,660	(54,029)	-7.80%
Workers' Compensation Board	200,937	191,247	(9,690)	-4.82%
Office for the Aging	216,530	215,671	(859)	-0.40%
Division of Veterans' Affairs	15,438	15,229	(209)	-1.35%
Division of Human Rights	13,967	14,284	317	2.27%
Totals:	**9,536,123**	**9,165,118**	**(371,005)**	**-3.89%**

General Government and Local Assistance: Fact Sheet



Overview

- The General Government area includes 18 agencies in addition to General State Charges and Local Government Assistance.

- The FY 2015 Executive Budget recommends All Funds cash disbursements of approximately $7.4 billion for General Government agencies, General State Charges and Local Government Assistance. This represents an increase of $593 million or 8.7 percent over the FY 2014 levels.

- The overall increase is primarily driven by increased employee health insurance due to the State transitioning to a self-insured health plan along with increased pension and workers compensation payments in General State Charges and a $231 million increase at the Department of Information Technology Services associated with centralizing the State's Technology services.

General Government and Local Government Assistance Budget Highlights

- The Aid to Municipalities (AIM) and Video Lottery Terminal Impact Assistance funding would remain the same as the SFY 2014 levels.

- The $1.5 million Village Per Capita Aid program added by the Legislature in the FY 2014 Enacted Budget is eliminated.

- A new $2.5 million Financial Restructuring Board contractual services appropriation is added to Local Government Assistance.

- The Department of Audit and Control is requesting 34 Full Time Equivalents (FTEs) positions to support the Comptroller's Preschool Special Education Audit Program.

- The Executive Budget includes a $200,000 increase to the Joint Commission on Public Ethics (JCOPE) for the establishment of the Sexual Harassment Hotline and website. There is one employee associated with this initiative.

- The Executive Budget includes $1 million to provide expert witnesses to the Attorney General's office in cases representing the State of New York.

- The Department of Financial Services is seeking to regulate title insurance agents, brokers and solicitors. The Department has also advanced legislation to combat no fault auto insurance fraud.

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GENERAL GOVERNMENT & LOCAL GOVERNMENT ASSISTANCE

All Funds Disbursements (Millions of Dollars)	Estimated FY 2014	Projected FY 2015
Cash	6,817	7,410
Annual Growth Rate	9%	8%

Summary

General Government consists of 18 agencies that provide a diverse array of services to the people of New York State in addition to General State Charges and Local Government Assistance.

The FY 2015 Executive Budget recommends All Funds cash disbursements of approximately $7.4 billion for General Government Agencies, General State Charges and Local Government Assistance. This represents an increase of $593 million or 8.7 percent over the FY 2014 levels. Most of the increase is related to the state workforce health insurance plan being transitioned from being administered by insurance carriers to one that is self-insured by the State. This is reflected in the $353.3 million increase in General State Charges. There is also a $231.6 million increase at the Office of Information Technology Services (OIT), reflecting the Executive's shared services program that consolidates most State Agency Technology Services in one centralized location instead of having a technology office inside each State Agency.

The Local Government Assistance Aid and Incentives for Municipalities (AIM) remains flat at FY 2014 levels for all localities. However, the $1.5 million Village Per Capita Aid program has been eliminated.

Department of Audit and Control

The FY 2015 Executive Budget recommends an All Funds spending amount of $175.1 million, an increase of $2.1 million or 1.2 percent from FY 2014. The increase reflects $2 million to support the Comptroller's Preschool Special Education Audit Program.

The Comptroller requests 34 additional full time equivalent positions to support the Preschool Education Audit Program.

Division of Budget

The Executive recommends All Funds spending of $30.3 million, this represents a decrease of $2.4 million, or 7.5 percent.

The Budget would eliminate $479,000 for membership dues to the Council of State Governments and the National Conference of Insurance Legislators. The Executive proposal includes a new $1 million appropriation for expert witnesses and legal services for the Attorney General's Office. The rest of the decrease is from reductions in personal and non-personal service spending.

State Board of Elections (BOE)

The FY 2015 Executive Budget proposes an All Funds spending level of $11.5 million, a $19.2 million or 62.3 percent decrease from last year. This decrease is attributable to the following:

- A decrease of $18.6 million due to payout of prior year Federal Help America Vote Act (HAVA) funds.

- A $3 million increase for the implementation of technology upgrades, and network system upgrades.

- A $3.6 million decrease due to payouts of the prior year Poll Site Accessibility Fund to aid disabled voters.

Spending in FY 2014 for the State Board of Elections was more than twice the five-year spending average as a result of the federal HAVA. The spending level proposed for FY 2015, while a decrease, represents an All Funds level in line with traditional allocations for BOE.

The Executive Budget recommends a workforce of 70 full time equivalent employees (FTEs), an increase of 12 FTEs from FY 2014. These 12 FTEs would be responsible for the increased election enforcement regulations.

Department of Financial Services

The Executive Budget recommends a Department of Financial Service (DFS) cash disbursement level of $501.4 million for FY 2015. This is a decrease of approximately $4.4 million or 0.87 percent percent over the current FY level of $505.8 million.

The $4.4 million decrease reflects the fringe benefit decreases and the expiration of the $750,000 New York State Health insurance continuation assistance project.

The Executive Budget includes Article VII legislation that:

- Allows the Superintendent to prohibit a provider of health services to demand payment if the provider is suspected of auto insurance fraud; levy civil penalties up to $10,000 for each fraudulent offense; and have unannounced examinations of providers who demand payment on the State's no fault insurance laws. *(Article VII S.6357-Part T)*
- Regulates title insurance agents, closers and solicitors. This will generate $80,000 in revenue from licensing fees for the State. *(Article VII: TED S.6357-Part V)*

Gaming Commission

The Executive recommends a Gaming Commission cash disbursement level of $184.8 million for FY 2015. This is an increase of approximately $14.5 million or 8.5 percent over the current fiscal year level of $170.3 million. The increase in spending is mostly attributable to increased costs associated with hiring 10 Full Time Equivalent (FTE) employees and consultants associated with the expansion of Casino Gaming.

The Executive proposes increasing the regulation of the racing regulatory fee from .005 percent of total racing bets to .006 percent of total handle for all in state tracks and Off Track Betting Corporations (OTBs). This would generate $1.6 million annually for the regulation of racing account. The purpose of the increase is to close a $1.6 million operating deficit the regulation of racing account has been experiencing in recent years. (*Article VII: REV S.6359-Part D*).

Joint Commission on Public Ethics (JCOPE)

The FY 2015 Executive proposal recommends an All Funds spending amount of $4.3 million. This represents an increase of $370,000 or 9.84 percent. This net $374,000 increase is attributable to:

- A $200,000 increase for the establishment of the Sexual Harassment Hotline and website. There is one full time equivalent (FTE) associated with this initiative.

- A decrease of $374,000 due to savings association with moving four FTE's to the Office of Information Technology Services

(OITS) from JCOPE as part of the statewide consolidation of IT services.

An increase of approximately $548,000 to partially fill eight existing vacant positions.

Office of General Services

The FY 2015 Executive Budget recommends an All Funds spending amount of $270.8 million, an increase of $27 million or 11.1 percent from FY 2014.

There is approximately $829 million is appropriation authority related to the strategic sourcing initiative and accounted for in an Internal Services Fund (ISF).

General Fund spending is reduced from $158.1 million to $137.5 million, a reduction of $20.6 million or 13 percent This reduction is primarily attributable to completion of Enterprise Service initiatives and completed contracts with McKinsey, Accenture and other consultants.

Internal Services Fund spending remains relatively flat with an increase of $3.2 million or .39 percent from $825.3 million to $828.5 million.

The Executive requests authorization for an additional eight full time equivalent (FTE) positions to bring the agency total to 1,561 FTEs. Five of the additional FTEs would be assigned to the stockpile warehouse which houses disaster response equipment. Three FTEs would be assigned as building maintenance staff at the new Department of Agriculture and Markets food lab.

Article VII. The Executive Budget proposes to extend through FY 2020 provisions of Chapter 410 of the Laws of 2009 which authorize state institutions and other state agencies to jointly purchase energy and fuel through OGS. The language would also extend through 2020, provisions of Chapter 97 of the Laws of 2011 which allows local governments and school districts to procure through OGS and piggyback onto various OGS contracts.

General State Charges (GSC)

The FY 2015 Executive Budget recommends an All Funds spending amount of $4.4 billion, an increase of $353.3 million or 8.7 percent over FY 2014.

The appropriation to the Employees Health Insurance Fiduciary Fund increases by $250 million or 167 percent, from $150 million to $400 million. There is no cash behind this appropriation. According to the Executive, the purpose for increasing the amount is to provide a safe guard against health insurance claims. This is the first year that the Empire Plan is entirely self insured. The medical component of the Plan became self insured on January 1, 2013 and the hospital, prescription drug, and mental health components became self insured on January 1, 2014.

Increases of approximately $160 million for pensions and $103 million for the New York State Health Insurance Plan are the main components of the GSC cash increase.

GSC appropriations do not fund fringe benefits for employees of the New York State Legislature, the Judiciary, certain positions within the State University of New York or positions funded through Special Revenue Funds. Those benefits are funded out of those respective budgets. Therefore GSC cash disbursements in the financial plan are higher than the recommended appropriations for GSC. All Funds cash disbursements, including the items listed above are projected at approximately $7.7 billion, an increase of $365 million or five percent.

There is a decrease of $7.85 million for the City of Albany South Mall PILOT payments, from

$23.3 million to $15.5 million. This corresponds to the amounts provided in section 19-a of the Public Lands Law.

Article VII. The Executive Budget proposes to eliminate State reimbursement of the Income Related Medicare Adjustment (IRMAA) for State retirees who exceed certain income thresholds and are enrolled in Medicare Part B. The full annual savings of this proposal is a reduction in General State Charges of approximately $1.7 million for FY 2015 and growing to $7 million on a full annual basis by FY 2018. Further details are available in the Article VII section (S.6355, Public Protection and General Government Part E).

Office of Information Technology Services (ITS)

The FY 2015 Executive Budget recommends an All Funds spending level of $509.3 million, an increase of $231.6 million or 83.4 percent.

The above cash spending is supported by $915.4 million in All Funds appropriation authority, which represents an increase of approximately $163 million or 21.7 percent from FY 2014. Of this amount $115.7 million is capital, against which the Financial Plan projects disbursements of $91.2 million.

The remaining appropriation authority of approximately $800 million reflects a $170 million or 68.5 percent increase from FY 2014. Approximately $347 is allocated to Internal Service Funds (ISFs). This reflects a $60 million or 14.7 percent decrease from FY 2014. The ISF decrease is offset by an increase in General Fund contractual services. Special Revenue Fund Other (SRO) appropriation authority increases by $25 million, from $5 million to $30 million. General Fund appropriations increase by $170.2 million, from $248.1 million to $418.3 million.

Overall, these spending increases are offset by decreases in other agencies resulting from transferring the personal services and non-personal services obligations to ITS to reflect the transfer of positions that occurred last year. Further details are pending, but overall the activity seems to be financial plan neutral.

The Executive proposes to transfer the Internal Services Fund (ISF) that controls the Statewide Learning Management System (SLMS) from the Office of Employee Relations (OER) to the Office of Information Technology Services (ITS). The Fund has $3.1 million in appropriation authority which is unchanged from FY 2014. SLMS monitors the training records for state employees and provides online training resources where applicable. It also supports first responders employed by both the State and local governments, by serving as a resource to obtain required federal training for disaster response and homeland security related matters. The staff supporting SLMS are currently ITS employees.

The Executive requests authorization for an additional 41 full time equivalents (FTE) positions to bring the agency to 3,819. Further detail on the additional FTE level is pending.

Article VII. The Executive Budget proposes to create term appointments in information technology positions. These would be temporary positions in State government that would not be subject to hiring and salary requirements in the Civil Service Law. The maximum period of time for such appointments would be 60 months and the number of slots is 300. Further details are available in the Article VII section (S.6355 Public Protection General Government Part F).

Local Government Assistance

Local Government Assistance includes traditional direct unrestricted aid programs and other program areas such grants to localities for consolidation and shared services, reimbursement to localities for cost of services related to Video Lottery Gaming facilities, and other miscellaneous assistance programs.

The Executive estimates that these changes to other program areas would positively impact municipalities and school districts by approximately $763.7 million in the local fiscal year ending 2015. (See table below)

The Executive Budget proposal includes a new $2.5 million State Operations appropriation for contractual services associated with the Financial Restructuring Board. However, there is no cash currently assumed in the financial plan for this appropriation.

Local Government Assistance ($ Millions of Dollars)	
Aid Category	**FY 2015**
Unrestricted Aid and Incentives to Municipalities	714.7
Unrestricted AIM - Cities (Outside NYC)	*647.1*
Unrestricted AIM - Towns & Villages	*67.6*
Citizens Empowerment Tax Credit & Grants	1.2
Local Government Performance and Efficiency Program	12.5
Local Government Efficiency Grants	5.2
Video Lottery Terminal Impact Aid	27.2
Small Government Assistance	0.2
Buffalo/Erie County Efficiency Grants	2.7
TOTAL	**763.7**

The Executive Budget proposal includes a new $2.5 million State Operations appropriation for contractual services associated with the Financial Restructuring Board.

Unrestricted Aid

The **Aid and Incentives for Municipalities (AIM)** program, created in 2005, consolidated several unrestricted aid programs referred to as revenue sharing for cities, towns and villages. The Executive proposes AIM funding of $714.7 million for FY 2015, no change from FY 2014 levels.

Video Lottery Terminal (VLT) Impact Assistance to the eligible host municipalities is recommended at $27.2 million for FY 2015, no change from FY 2014 levels.

Village Per Capita Aid ($1.5 million) to Villages is recommended to be eliminated. This program was added by the Legislative in FY 2014 enacted budget.

Small Government Assistance ($217,300) is also maintained at FY 2014 levels while Miscellaneous Financial Assistance ($1.96 million) has been reduced by $40,000. An additional $1.9 million of small government assistance is funded through the Education Department. Small Government Assistance was created in 2004 to provide partial relief for localities affected by State forest property tax exemptions.

Miscellaneous Financial Assistance ($3 million) was created in 2005 to provide assistance to Madison and Oneida Counties due to reductions in real property tax collections related to Indian land claims. This money will only be disbursed in FY 2015 if the Oneida Indian Compact revenue is not paid to the State. The Compact is currently awaiting approval from the Federal Government.
In addition, $353,000 was eliminated in Aid to the City of Syracuse & Onondaga Shared Services program ($250,000) and the Villages of Mastic Beach ($75,000) Sagaponic ($2,000), South Blooming Grow ($19,000) and Woodbury ($27,000).

Local Government Consolidation Programs

The FY 2015 Executive Budget includes $75 million in appropriations to encourage local government consolidation and shared services. Cash disbursements for the program are expected to total $13.7 million for FY 2015, of which $1.7 million will be spent on consolidation measures and $12.6 million on planning efficiencies. Some of this funding will be awarded by the Financial Restructuring Board for Local Governments.

The Executive claims that municipal consolidation is a lengthy process so that local governments would probably not access these funds for several years. Historically, there has been an insignificant amount of local government consolidation.

Department of State (DOS)

The FY 2015 Executive Budget proposes an All Funds cash spending level of $125 million, a decrease of $8 million or 6 percent from last year. This decrease is attributable to:

- A $3.5 million decrease for a reestimation of costs associated with the Office of New Americans. There will be no programmatic changes within the offices, but initial estimates were too high.
- A $3.4 million decrease in Local Waterfront Revitalization Funds as these funds spend down.
- $2.4 million in savings due to attrition, and efficiencies realized by bringing more DOS functions online.
- An increase of $1 million to implement new local law, Chapter 383 of 2013, requiring DOS to publish all local laws on their website.
- An increase of $350,000 for the Lake George Park Commission SRO to establish a boat washing program to reduce invasive species in State waterways.

The Executive proposal also includes the elimination of last year's one-time capital Brownfield Opportunity Areas Program (BOA) appropriation. A new $10 million appropriation for cleanup of statewide brownfield sites is provided in the Department of Environmental Conservation budget, within the Environmental Restoration Program.

The Executive Budget proposes a workforce level of 545, a decrease of 19 FTEs from last year. The total savings from the attrition of these 19 FTE's is estimated at $624,000. Under the Executive proposal, there would be an attrition of seven Administrative FTEs, and 12 Business and Licensing FTEs.

The Executive Budget includes four Article VII proposals as follows:

1) Extend for one year the authority of the Secretary of State to charge increased fees for expedited documents.

2) Allow DOS to electronically transmit copies of incorporation certificates to each County Clerk. The County Clerks would still retain their existing $4 share of all transactions. This part is estimated to result in a State savings of $194,000 annually.

3) Bring New York State into Federal compliance regarding the inclusion of real estate appraisers on the National Registry. This part keeps the fee flat at $25 per individuals who perform or seek to perform appraisals in federally related transactions, and now includes a reference to federal statute that New York State will be in compliance with.

4) Allow DOS to implement a tax clearance measure prior to issuing e-licenses to individuals. This program would have DOS deny a professional or business license to any taxpayer that has an outstanding tax liability greater than or equal to $500 that is fixed and final.

Statewide Financial System (SFS)

The FY 2015 Executive Budget recommends an All Funds spending amount of $29.7 million, a decrease of $25.3 million or 46 percent from FY 2014.

The above cash spending is supported by $29.7 million in All Funds appropriation authority, a decrease of $25.7 million or 46 percent. The reduction reflects the transfer of $21.8 million in debt service to the Debt Service Fund and a transfer of $1.5 million to the Office of Information Technology Services. Funding for SFS would also be transferred from a Special Revenue Fund to the General Fund.

Workforce Impact. The workforce remains unchanged at 139 full time equivalent (FTE) positions.

Department of Taxation and Finance

The Executive recommends a Department of Taxation and Finance cash disbursement level of $364.5 million for FY 2015, a decrease of $2.1 million or 0.5 percent over the current FY level of $366.6 million. This cash decrease is mainly attributed to the elimination of temporary STAR re-registration and the tax return preparer registration accounts.

Under the Executive's shared service plan, other agencies would use the Department's call center. This would be partially funded through a $5.9 million prior year spending authority (re-appropriation).

The Executive proposal also includes language in the appropriation for the Audit, Collection and Enforcement program appropriation that says the Department can stop other agencies that grant professional or business licenses to taxpayers that owe past due tax liabilities. This is a new Executive Budget proposal that will generate $3 million in additional revenue beginning in FY 2016 and annually thereafter.

General Government and Local Government Assistance Proposed Disbursements - All Funds (Thousands of Dollars)				
Agency	**Estimated FY 2014**	**Proposed FY 2015**	**Change Amount**	**Percent**
Alcoholic Beverage Control	17,884	17,537	(347)	-1.94%
Audit and Control	173,004	175,086	2,082	1.20%
Division of the Budget	32,786	30,345	(2,441)	-7.45%
Civil Service	12,817	12,980	163	1.27%
State Board of Elections	30,750	11,584	(19,166)	-62.33%
Office of Employee Relations	2,391	2,581	190	7.95%
Executive Chamber	13,578	13,578	0	0.00%
Financial Services	505,837	501,415	(4,422)	-0.87%
Gaming Commission	170,345	184,824	14,479	8.50%
Information Technology Services	277,751	509,366	231,615	83.39%
Office of the Lt. Governor	614	614	0	0.00%
Office of General Services	243,713	270,761	27,048	11.10%
General State Charges	4,054,781	4,408,050	353,269	8.71%
Office of the Inspector General	6,720	6,917	197	2.93%
Commission on Public Integrity	3,943	4,331	388	9.84%
Local Government Assistance	763,576	763,665	89	0.01%
Public Empl. Relations Board	3,562	3,731	169	4.74%
Department of State	133,125	125,076	(8,049)	-6.05%
Taxation and Finance	366,683	364,537	(2,146)	-0.59%
Division of Tax Appeals	3,174	3,174	0	0.00%
Totals:	**6,817,034**	**7,410,152**	**593,118**	**8.70%**

All Funds Receipts
(Millions of Dollars)

	Projected FY 2014	Proposed FY 2015	Change	Percent Change
Personal Income Tax	42,846	44,131	1,285	3.0%
User Taxes and Fees				
Sales and Use	12,595	12,988	393	3.1%
Cigarette and Tobacco	1,421	1,374	(47)	-3.3%
Motor Fuel Tax	500	502	2	0.4%
Alcoholic Beverage	251	256	5	2.0%
Highway Use tax	140	141	1	0.7%
Auto Rental Tax	114	119	5	4.4%
Taxicab Surcharge	86	100	14	16.3%
Total	15,107	15,480	373	2.5%
Business Taxes				
Corporation Franchise	3,561	2,911	(650)	-18.3%
Corporation and Utilities	794	814	20	2.5%
Insurance	1,457	1,541	84	5.8%
Bank Tax	1,189	1,418	229	19.3%
Petroleum Business	1,185	1,169	(16)	-1.4%
Total	8,186	7,853	(333)	-4.1%
Other Taxes				
Estate and Gift	1,220	1,175	(45)	-3.7%
Real Estate Transfer	815	855	40	4.9%
Pari-Mutuel	17	17	-	0.0%
Other	1	-	(1)	-100.0%
Total	2,053	2,047	(6)	-0.3%
Payroll Tax	1,222	1,283	61	5.0%
Total Taxes	**69,414**	**70,794**	**1,380**	**2.0%**
Miscellaneous Receipts	23,850	25,315	1,465	6.1%
Total Receipts	**93,264**	**96,109**	**2,845**	**3.1%**
Federal Grants	47,506	45,792	(1,714)	-3.6%
Total Receipts and Federal Grants	**140,770**	**141,901**	**1,131**	**0.8%**

Source: New York State Division of the Budget.

General Fund Receipts
(Millions of Dollars)

	Projected FY 2014	Proposed FY 2015	Change	Percent Change
Personal Income Tax				
Withholding	33,160	35,049	1,889	5.7%
Estimated Payments	14,727	14,274	(453)	-3.1%
Final Returns	2,378	2,316	(62)	-2.6%
Other Payments	1,217	1,261	44	3.6%
Gross Collections	51,482	52,900	1,418	2.8%
STAR Special Revenue Fund	(3,389)	(3,429)	(40)	1.2%
Refunds	(8,636)	(8,769)	(133)	1.5%
Revenue Bond Tax Fund	(10,712)	(11,033)	(321)	3.0%
Net Collections	28,745	29,669	924	3.2%
User Taxes and Fees				
Sales and Use	5,890	6,069	179	3.0%
Cigarette/Tobacco	384	389	5	1.3%
Alcoholic Beverage	251	256	5	2.0%
Total	6,525	6,714	189	2.9%
Business Taxes				
Corporate Franchise	3,078	2,424	(654)	-21.2%
Corporate Utilities	606	622	16	2.6%
Insurance	1,299	1,375	76	5.9%
Bank	1,005	1,209	204	20.3%
Total	5,988	5,630	(358)	-6.0%
Other Taxes				
Estate and Gift	1,220	1,175	(45)	-3.7%
Pari-mutuel	17	17	-	0.0%
Other	1	-	(1)	-100.0%
Total	1,238	1,192	(46)	-3.7%
Total Tax Collections	**42,496**	**43,205**	**709**	**1.7%**
Miscellaneous Receipts	3,253	3,857	604	18.6%
Total Receipts	**45,749**	**47,062**	**1,313**	**2.9%**

Source: New York State Division of the Budget.

All Funds Receipts
(Millions of Dollars)

	Proposed FY 2015	Proposed FY 2016	Change	Percent Change
Personal Income Tax	44,131	46,704	2,573	5.8%
User Taxes and Fees				
Sales and Use	12,988	13,470	482	3.7%
Cigarette and Tobacco	1,374	1,327	(47)	-3.4%
Motor Fuel Tax	502	504	2	0.4%
Alcoholic Beverage	256	261	5	2.0%
Highway Use tax	141	151	10	7.1%
Auto Rental Tax	119	124	5	4.2%
Taxicab Surcharge	100	101	1	1.0%
Total	15,480	15,938	458	3.0%
Business Taxes				
Corporation Franchise	2,911	3,029	118	4.1%
Corporation and Utilities	814	804	(10)	-1.2%
Insurance	1,541	1,600	59	3.8%
Bank Tax	1,418	1,564	146	10.3%
Petroleum Business	1,169	1,138	(31)	-2.7%
Total	7,853	8,135	282	3.6%
Other Taxes				
Estate and Gift	1,175	1,037	(138)	-11.7%
Real Estate Transfer	855	895	40	4.7%
Pari-Mutuel	17	17	-	0.0%
Other	-	-	-	0.0%
Total	2,047	1,949	(98)	-4.8%
Payroll Tax	1,283	1,351	68	5.3%
Total Taxes	**70,794**	**74,077**	**3,283**	**4.6%**
Miscellaneous Receipts	25,315	24,885	(430)	-1.7%
Total Receipts	**96,109**	**98,962**	**2,853**	**3.0%**
Federal Grants	45,792	46,887	1,095	2.4%
Total Receipts and Federal Grants	**141,901**	**145,849**	**3,948**	**2.8%**

Source: New York State Division of the Budget.

General Fund Receipts
(Millions of Dollars)

	Proposed FY 2015	Proposed FY 2016	Change	Percent Change
Personal Income Tax				
Withholding	35,049	37,260	2,211	6.3%
Estimated Payments	14,274	15,744	1,470	10.3%
Final Returns	2,316	2,478	162	7.0%
Other Payments	1,261	1,311	50	4.0%
Gross Collections	52,900	56,793	3,893	7.4%
STAR Special Revenue Fund	(3,429)	(3,473)	(44)	1.3%
Refunds	(8,769)	(10,089)	(1,320)	15.1%
Revenue Bond Tax Fund	(11,033)	(11,676)	(643)	5.8%
Net Collections	29,669	31,555	1,886	6.4%
User Taxes and Fees				
Sales and Use	6,069	6,290	221	3.6%
Cigarette/Tobacco	389	378	(11)	-2.8%
Alcoholic Beverage	256	261	5	2.0%
Total	6,714	6,929	215	3.2%
Business Taxes				
Corporate Franchise	2,424	2,506	82	3.4%
Corporate Utilities	622	607	(15)	-2.4%
Insurance	1,375	1,426	51	3.7%
Bank	1,209	1,331	122	10.1%
Total	5,630	5,870	240	4.3%
Other Taxes				
Estate and Gift	1,175	1,037	(138)	-11.7%
Pari-mutuel	17	17	-	0.0%
Other	-	-	-	0.0%
Total	1,192	1,054	(138)	-11.6%
Total Tax Collections	**43,205**	**45,408**	**2,203**	**5.1%**
Miscellaneous Receipts	3,857	3,072	(785)	-20.4%
Total Receipts	**47,062**	**48,480**	**1,418**	**3.0%**

Source: New York State Division of the Budget.

Summary of Statutory Tax and Fee Increases		
FY 2015 Executive Budget (thousands of dollars)		
	FY 2015	**Full Annual Impact**
General Fund Fee Increases	$0	$0
Special Revenue Fund Fee Increase	$8,000	$9,600
Fee Increases Total	**$8,000**	**$9,600**
Tax Increases	$170,000	$733,000
Sub-Total Tax and Fee Increases	**$178,000**	**$742,600**
Enforcement and Other Revenue Sources	$100	$175,100
Grand Total Revenue Increases	**$178,100**	**$917,700**
Tax Reductions	($666,000)	($2,550,000)
Net Total Revenue Increases Less Tax Reductions	**-$487,900**	**-$1,632,300**

Executive's Tax and Revenue Action Proposals

(Millions of Dollars)

	FY 2015	FY 2016	FY 2017	FY 2018
Main Tax Reduction Proposals				
Real Property Tax Freeze	($400)	($976)	($475)	$0
Accelerate Article 18-A Temporary Assessment Phase-Out	($200)	($200)	($200)	$0
Estate Tax Reform	($33)	($175)	($371)	($612)
Zero Rate ENI for Upstate Manufacturers	($24)	($24)	($25)	($25)
Circuit Breaker	$0	($200)	($525)	($1,000)
Renter's Credit	$0	($200)	($400)	($400)
Manufacturers Real Property Tax Credit	$0	($136)	($136)	($136)
Corporate Tax Reform	$0	($205)	($346)	($346)
Enhance Youth Works Tax Credit	$0	($4)	($4)	($4)
Repeal the Boxing and Wrestling Exhibitions Tax	$0	$0	$0	$0
Repeal the Personal Income Tax Add-On Minimum Tax	$0	$0	$0	$0
Repeal the Franchise Tax on Agriculture Cooperatives	$0	$0	$0	$0
Repeal Stock Transfer Tax	$0	$0	$0	$0
Subtotal	**($657)**	**($2,120)**	**($2,482)**	**($2,523)**
Other Tax Reductions and Extensions				
Expand the Low Income Housing Credit	$0	($8)	($16)	($16)
Extend the Commercial Production Tax Credit for Two Years	$0	$0	($7)	($7)
Extend and Reform the Brownfields Clean-Up Program	$0	$0	$0	$0
Extend the Alternative Fuels Tax Exemptions For Two Years	($6)	($12)	($6)	$0
Extend the Non-Custodial Earned Income Tax Credit For Two Years	$0	$0	($4)	($4)
Extend certain Pari-Mutuel tax Rates and Authorization for Account Wageri	$0	$0	$0	$0
Extend Monticello Video Lottery Terminal Rates for One Year	($3)	$0	$0	$0
Subtotal	**($9)**	**($20)**	**($33)**	**($27)**
Tax Increases and Postponements				
Modify Delivery of the Family Tax Relief Credit After Tax Year 2014	$0	$410	$0	($410)
Repeal the Financial Services Investment Tax Credit	$30	$30	$30	$30
Reform the Investment Tax Credit	$65	$65	$65	$65
Close the Resident Trust Loophole	$75	$225	$150	$150
Eliminate the Income Threshold Inflation Adjustment for enhanced STAR	$0	$3	$3	$3
Subtotal	**$170**	**$733**	**$248**	**($162)**
Other Tax and Enforcement Actions				
Authorize a Professional and Business License Tax Clearence	$0	$3	$3	$3
Increase Personal Income Tax Filing Threshold	$0	$0	$0	$0
START-UP NY Technical Amendment for Section 186-e Excise Tax	$0	$0	$0	$0
Modify Signature requirements on e-Filed Returns Prepared by Tax Professionals	$0	$0	$0	$0
Align mobility and Personal Income Tax Filings for the self-Employed	$0	$0	$0	$0
Subtotal	**$0**	**$3**	**$3**	**$3**
Net Total	**($496)**	**($1,404)**	**($2,264)**	**($2,709)**

Statutory Fee Increases					
FY 2015 Executive Budget (Fiscal Impacts inThousands of Dollars)					
Effective Date	Description	Current Fee	Proposed Fee	FY 2015	Full Annual Impact
General Fund Fee Increases					
Department of Tax and Finance					
4/1/2014	Extend Fees For the establishment of Oil and Gas Unit of Production Value	$25-$3,000	$25-$3,000	-	-
General Fund Fee Increase Total				$0	$0
Special Revenue Fund Fee Increases					
Gaming Commission					
4/1/2014	Require Regulatory Racing Fee to Cover Cost of Regulation	0.05%	0.06%	$0	$1,600
Environmental Conservation					
4/1/2014	Make Permanent the pesticide product registration fees, time frames for registration review and streamlines pesticide reporting requirements	-	-	$8,000	$8,000
Division of Housing and Community Renewal					
11/20/2013	DHCR HCA Binding Agreement Fee ($1,000 for each project for which project sponsor applies for a Binding Agreement) (Administrative)	$0	$1,000	-	-
Special Revenue Fund Fee Increase Total				$8,000	$9,600

Enforcement and Other Revenue Actions			
Effective Date	Description	FY 2015	Full Annual Impact
Department of Taxation and Finance			
4/1/2015	Streamline Corporate Audit Procedures (administrative)	$0	$172,000
Department of Motor Vehicles			
4/1/2014	Simplify the Distribution of Motor Vehicle Fee Receipts	$0	$0
Gaming Commission			
Various	Make Technical Amendments to the Commercial Gaming Statute	$0	$0
Agriculture and Markets			
4/1/2014	Suspend licenses of food processors with outstanding fines	$100	$100
Enforcement and Other Revenue Action Totals		$100	$172,100

RECEIPTS, TAXES AND FEES

The FY 2015 Executive Budget also contains a number of tax changes, both increases and decreases as well as other revenue changes. The following is a list of those changes:

Business Taxes

Corporate Tax/Bank Combination

The Executive proposes combining Article 9-A (Corporate Franchise Tax) of the tax law and Article 32 (Bank Tax) of the tax law. The Bank Tax would be eliminated and all Banks would be taxed under an amended Article 9-A.

The tax bases for Article 9-A would be amended as follows:

- Eliminate Article 9-A alternative minimum tax base and change entire net income base to a business income base.
- All Article 32 taxpayers will pay under one of the three Article 9-A tax bases: (1) new business income base; (2) business capital base; and (3) fixed dollar minimum tax base.
- The current 3-factor Bank Tax apportionment formula would change to the current Article 9-A single receipts factor using customer sourcing rules.

The tax rates for Article 9-A would be amended as follows:

- Business Income Base: Reduce the top tax rate for the business income base calculation from 7.1 to 6.5 percent starting in taxable year 2016. Small businesses will continue to have a business income base rate of 6.5 percent. Qualified New York Manufacturers, retain the current reductions in the business income base rate from 5.7 to 5.5 percent for taxable years 2016 and 2017 and to 4.875 percent for taxable years starting on and after 2018.
- Business Capital Base: Reduce business capital base rates and caps the tax at $350,000 for Qualified New York Manufacturers. However, proposed changes in the definition of manufacturer will exclude many current taxpayers from qualifying for these rate reductions. (See write-up below) For other business capital base taxpayers, the tax cap would be raised from the current $1 million cap in Article 9-A to $5 million. A $5 million cap could benefit current Article 32 taxpayers that are not subject to a cap on liability.
- Fixed Dollar Minimum: Provide a new fixed dollar minimum tax base schedule for C corporation taxpayers with a new top amount of $200,000 for any company with New York receipts over $1 billion. The previous top amount was $5,000 and applied to any company with New York receipts over $25 million.

Combined Reporting

This proposal will require filing a combined tax return for any related business that is a unitary business and the corporation owns more than 50 percent stock in the related business. Also provides an option to file a combined tax return for all related businesses that meet a 50 percent stock ownership rule. If a taxpayer elects this option, the election must be used for a 7-year period and cannot be revoked during that period.

Nexus

Existing nexus requirements will be expanded to include a new **economic nexus standard** that subjects corporations to New York's Corporate Franchise Tax to include corporations that make at least $1 million in receipts from activity in New York regardless of whether the corporation exercises a corporate franchise, does business, employs capital, owns or leases property or maintains an office in New York. This change also includes eliminating the exemption from nexus for those companies whose only business activity within the state is the use of a fulfillment service to process orders for the out-of-state company.

MTA Surcharge

Makes permanent the MTA surcharge and conforms the tax base and apportionment rules (single sales factor) for the surcharge to the new Article 9-a rules. To maintain revenue neutrality for the MTA, the surcharge rate would be increased from 17 to 24.5 percent to offset a narrowing of the base that occurs when the surcharge rules conform with the new State rules. However, the revenue neutrality is based on the 6.5 percent tax rate, at 7.1 percent MTA taxes will increase. Additionally, given single sales factor apportionment, upstate businesses that do business in the MTA region will likely be paying a larger portion of the surcharge than they currently are paying.

It is estimated that when fully implemented these changes will save businesses $346 million annually.

Upstate Manufacturing ENI Zero Rate/ Definition of "Manufacturer"/ ITC Restriction

The Executive proposes reducing the corporate tax rate on upstate qualified New York manufacturers (outside the MTA region) from 4.88 percent to zero for Entire Net Income (ENI) calculation only (manufacturers will still pay corporate taxes under the capital base or fixed dollar minimum). Upstate qualified New York manufacturer is defined as a qualified New York manufacturer with zero allocation percentage within the MTA region. This part of the proposal is expected to lower taxes by $25 million.

Contained within this proposal is a **change in the definition of "manufacturer"** (qualified New York manufacturer) which will effect:

1) the zero ENI rate upstate,
2) the 20 percent property tax credit,
3) the current statewide 25 percent lower tax rates, and
4) the current Investment Tax Credit (ITC).

The new definition of "qualified New York manufacturer" will include: 1) those manufacturers that have 100 percent of their business in this state or 2) have at least a *fair market value* of $10 million in assets in this state (up from $1 million on *an adjusted basis*) or 3) if a company does not have more than 50 percent of its business in manufacturing, then they must have at least 2,500 manufacturing employees and $100 million in manufacturing property in this state. Under the new definition, a company must manufacture property for sale, if it manufactures items for use within their own business they will no longer qualify (e.g. ski resorts that manufacture snow for their own use).

Agricultural businesses, mining businesses, industrial waste treatment facilities, electric and gas generation and transmission businesses, fuel mixing businesses, film/television production and qualified emerging technology companies will no longer qualify as a manufacturer and subsequently not qualify for the zero ENI rate for upstate manufacturers, the 20 percent property tax credit and the current statewide manufacturer's 25 percent tax reduction.

The "ITC reform" proposal will only allow companies that fall under the new definition of qualified New York manufacturer, agricultural business and mining business and research property to qualify for the ITC credit. This change will narrow the definition and eliminate large groups of taxpayers from qualifying for tax benefits. This part of the proposal is expected to increase taxes by $30 million.

Additionally, the proposal **eliminates the Securities Industry ITC** which is estimated to increase taxes by $65 million.

Accelerate 18-a Surcharge Reduction

The Executive proposes to Accelerate the phase-out of the 18-a surcharge by eliminating the surcharge for industrial customers in 2014 and lowering the rates for all other customers: from 2.0 percent to 1.89 percent for the year beginning April 1, 2014; from 1.75 percent to 1.13 percent for the year beginning April 1, 2015; and from 1.5 percent to 0.83 percent for the year beginning April 1, 2016.

This will also result in a reduction in the amount paid for the year beginning April 1, 2017 from the current 0.75 percent to 0.415 percent. The current law surcharge is one-half of what was paid in the year beginning April 1, 2016. This amount is reflected in the financial plan in FY 2017 because it is paid by the utilities to the state 6 months in advance.

18-A Surchage Estimates

(Millions of Dollars)

	FY 15	FY 16	FY 17
Estimate of 2% Surcharge as Enacted	$509	$509	$509
Reductions Enacted in FY 2014 Budget	($37)	($114)	($152)
Current Remainder of Surcharge	**$472**	**$395**	**$357**
Proposed Reductions in Executive Budget	($200)	($200)	($200)
Surcharge Remainder if Proposal is Enacted	**$272**	**$195**	**$157**

In FY 2018, customers will still see a surcharge on their bill due to the fact that the surcharge is paid by the utilities to the State 6 months in advance.

Manufacturers Property Tax Credit

The Executive proposes creating a corporate and income tax credit equal to 20 percent of real property taxes paid by the manufacturer during the tax year. This credit is refundable and will begin April 1, 2014. ($136 million in FY 2016 and annually after).

Youth Tax Credit

The Executive proposes to expand the current Youth Tax Credit program by increasing the cap from $6 million to $10 million annually, adding a second $1,000 credit for employers that keep a youth employed for an additional year (in addition to the current $4,000 potential credit for one year of employment) and lowers the number of hours to be considered part time to ten hours for high school students.

START-UP NY Excise Tax Credit

At the end of the 2013 Legislative session, the SUNY Tax-Free Areas to Revitalize and Transform Upstate (START-UP) New York program was enacted to create tax free areas around the State's colleges and universities. Under this program, businesses, as well as their employees, locating near and partnering with the State's colleges and universities are offered tax benefits which eliminate any New York tax liability. The tax benefits are available as credits or deductions under the corporate income tax, the personal income tax, and the sales tax. Those businesses locating on a college campus also benefit from real property tax exemptions.

When enacted, the START-UP NY program did not exempt the businesses locating in the tax free areas from the excise tax on telecommunication services. Although this tax is imposed upon the telecommunication service provider, it is passed through to the customer. The Executive proposes to provide businesses participating in the START-UP NY program to claim a refundable credit for the amount of any excise taxes that are passed through to the business. In order to claim the credit, the amount of the excise tax must be stated separately on the business' bill. There is no fiscal impact as the Executive assumed the impact was within the original impact of the program.

Brownfield Credit

The Executive proposes to extend the Brownfield Cleanup Program (BCP) tax credits for 10 years (until December 31, 2025), and mostly maintains the as-of-right and refundability of the credits. However the bill would make substantial modifications to the current market driven tax credit program. These major tax changes include:

- Limiting the current redevelopment credits to sites that have been abandoned for more than 15 years or that have not paid property taxes in more than ten years, are upside down (sites that are appraised less than estimated cleanup costs) or are considered regionally significant economic projects.
- Providing an extra five percent incentive for low-income housing projects, or conform with the goals of a Brownfield Opportunity Area plan.
- Amending the site preparation credit to eliminate costs related to getting a site ready for structure construction, and restricting this credit to actual remediation costs as determined by DEC.
- Limiting the period that development credits could be claimed from ten to five years, thus restricting the planning of projects over a phased-in period.
- Creating a new volunteer program without credits ("BCP EZ") that would allow these volunteers relief from remediation mandates under the current program if no credits are sought.
- Eliminating the current environmental insurance and property tax credits.

Other significant changes have been proposed to eligibility and process requirements under the BCP, and how the program handles various charges for oversight and the handling of hazardous materials. Refer to the environmental remediation program Senate Issue in Focus section of this report for an analysis of these non-tax issues.

<u>Commercial Production Credit Extension</u>
The Executive proposes to extend the Empire State Commercial Production Tax Credit for two years. This extension would preserve the current credit structure and regional pools. This is estimated to decrease revenues by $7 million annually.

<u>Property Tax Relief Residential</u>

<u>Property Tax Freeze Credit</u>
Under the Executive proposal, the State would essentially freeze real property taxes by allowing homeowners to claim a refundable personal income tax credit equal to the year-over-year increase in the homeowner's real property taxes. In order to qualify for the credit, the homeowner must meet the following criteria:

- Be STAR eligible – have total household income less than $500,000;
- Live outside New York City; and
- Reside in jurisdictions that abide by the 2 percent real property tax cap.

The credit would be available to homeowners for taxable years 2014 – 2016 and would apply to real property taxes as follows:
- 2014 - only school property taxes,
- 2015 – school and municipal property taxes, and
- 2016 – only municipal property taxes.

Similar to the current Family Relief Tax credit, the property tax freeze credit would be an advance refund of the credit to be paid in the fall in the form of a check.

While the first year of the credit would apply to homeowners in school districts and municipalities that stay within the tax cap, the second year of the credit would only apply to homeowners that reside in jurisdictions that abide by the property tax cap and those jurisdictions that take "meaningful" concrete steps toward finding permanent structural savings by sharing services with other jurisdictions or consolidating governments in their entirety.

Taxing jurisdictions would have to certify with the Tax Department and the Office of the State Comptroller that they comply with the tax cap. They would also have to submit efficiency plans to the Department of State which result in tax levy savings of at least one percent, two percent, and three percent in fiscal years 2017, 2018, and 2019, respectively.

Approximately 2.8 million homeowners would benefit from the credit, receiving an average benefit of $354. (total value of credits: 2014 - $400 million, 2015 - $976 million, and 2016 - $475 million)

Circuit Breaker

The Executive proposes a new circuit breaker income tax credit for homeowners with household incomes less than $200,000 and whose real property taxes exceed a certain percentage of their incomes. The tax credit would be phased in over three years and would be capped at $1,000. The credit would be calculated as follows.

- For homeowners with household incomes less than $120,000, the credit would be equal to 20 percent of the property taxes paid in excess of three percent of the taxpayer's income.
- For homeowners with household incomes between $120,000 and less than $150,000, the credit would be equal to 15 percent of the property taxes paid in excess of four percent of the taxpayer's income.
- For homeowners with household incomes between $150,000 and less than $200,000, the credit would be equal to 10 percent of the property taxes paid in excess of five percent of the taxpayer's income.

Similar to the property tax freeze credit, the homeowner must reside in a taxing jurisdiction that stays within the property tax cap. For New York City taxpayers, the property tax cap provision would not apply. In addition, a homeowner would be able to claim both the real property circuit breaker tax credit and the property tax freeze credit.

Approximately two million homeowners would benefit from this credit, receiving an average credit of approximately $500. The following table shows the distribution of homeowners and the average credit by region.

DISTRIBUTION OF CIRCUIT BREAKER RECIPIENTS		
	Percentage of Eligible Homeowners	Average Credit
New York City	15%	$425
Downstate Suburbs	48%	$740
Upstate	37%	$380

Renter's Credit

The Executive proposes a refundable personal income tax credit for renters, phased in over two years. In order to qualify for the credit, the renter must meet one of the following criteria:

- Single, age 65 or over,
- Married with one spouse age 65 or older,
- Married with at least one dependent, or
- Head of household with at least one dependent.

The income threshold to qualify for the credit would be $50,000 and $100,000 for single and married renters, respectively and would be based on the renter's federal adjusted gross income. Unlike the circuit breaker, the renter's credit would not be dependent upon the property tax cap.

The amount of the credit varies based upon income. For the single, senior renter, the credit would range from $140 to $220. For married, senior renters, the credit would range from $114 to $230. For renters with dependents, the credit would be at least $114 and increases depending on the number of dependents with no limit on the number of dependents that can be claimed.

The average benefit from the renter's credit would be approximately $300. The following table shows the distribution of homeowners and the average credit by region.

DISTRIBUTION OF RENTER'S CREDIT RECIPIENTS		
	Percentage of Eligible Renters	Average Credit
New York City	68%	$315
Downstate Suburbs	13%	$280
Upstate	19%	$285

Estate Tax

The Executive proposes increasing the exemption threshold for the estate tax to be phased-in from $1 million to the current Federal threshold of $5.25 million between 2014 and 2017. On January 1, 2019, the state threshold would be increased to equal the Federal threshold in effect for 2019 and will be indexed for inflation thereafter. In addition, the top estate tax rate would be reduced from 16 percent to 10 percent during that same time period. ($772 million in FY 2019)

Non-Custodial Parent EITC

The enhanced Earned Income Tax Credit (EITC) was enacted to ensure that non-custodial parents were meeting their financial responsibilities to their children. In order to qualify for this refundable credit, the non-custodial parent must: be over the age of 18, have a court order to make child support payments, and be current on those child support payments. In addition, the enhanced EITC is only authorized for non-custodial parents who meet the income threshold for a single taxpayer with no children, which is $14,340 or less.

When the credit was first enacted in 2006, it was authorized for six years. In 2012, the credit was extended for two years, until December 31, 2014. The Executive proposes to extend the credit for an additional two years, until December 31, 2016. This proposal would reduce revenues by $4 million.

Nuisance Taxes

The Executive proposes repealing several taxes that are either obsolete or collect little in the way of revenue.

Repeal Stock Transfer Tax

The Stock Transfer Tax (Article 12 of the Tax Law) was effectively repealed in October 1981. However, because a portion of the revenue from this tax was dedicated to the payment of Municipal Assistance Corporation (MAC) bonds, the tax could not be taken off the books without violating bond covenants. In order to circumvent violating bond covenants, a refund mechanism was implemented where the tax would be "paid" and a refund mechanism would return all the taxes paid to the taxpayer. Today, those transactions are primarily done "on paper" only; no money ever changes hands. The MAC bonds were retired in 2008.

Repeal Personal Income Tax Minimum Tax

The minimum tax in New York only applies to a small number of taxpayers, primarily fiduciary entities, such as estates and trusts. The State receives less than $1 million in collections from this tax.

Repeal Boxing and Wrestling Exhibitions Tax

The Boxing and Wrestling Exhibitions Tax imposes a three percent tax on a promoter's gross receipts from ticket sales to attend the event and on the promoter's sale of broadcast rights to the event. By repealing the tax, admissions would then become automatically **subject to state and local sales tax** at an average eight percent rate. (A minor increase for state and local revenue)

Repeal Tax on Agricultural Cooperatives

This tax collects almost no taxes and is paid by only 45 taxpayers.

Tax Simplification

The Executive proposes raising the personal income tax filing threshold from $4,000 to the standard deduction.

The proposal would also modify e-filing requirements for returns prepared by tax professionals by simplifying electronic signature provisions.

Additionally, the proposal would align the filings for the mobility tax and personal income tax for the self-employed so that they can be filed at the same time and paid with one check.

Low-Income Housing Credit

The Executive Budget would authorize an additional $8 million in low-income housing credits in FY 2015 and $16 million in FY 2016. The credit can be taken for ten years. This would allow the Commissioner of Housing and Community Renewal to allocate a total of $56 million in FY 2015 and $64 million in FY 2016. This bill would decrease revenues by $8 million in FY 2016 and $16 million annually through FY 2025.

Commercial Gaming Technical Amendments

The Executive proposal would allow revenue dedicated to support education to be distributed in the fiscal year in which the money is received. Currently, monies cannot be spent until the fiscal year following the collections of these receipts. Additionally, this bill fixes a sunset date in State Finance Law 99-H Tribal State Compact account that currently repeals the entire section of law. This fixes the sunset date so that only the 10 percent distribution of Indian Gaming revenues to counties within a region is repealed as intended. Finally, the bill extends the term of Video Lottery Gaming (VLG) licenses issued before July 30, 2013 until the applicant's next birthday following June 30, 2014. This is done to provide the Gaming Commission more flexibility in reviewing the renewal of each individual VLG licensee.

Lottery

Monticello Casino and Raceway Tax Vendor Fee Extender

This proposal would extend for one year the enhanced commission a Video Lottery Gaming (VLG) vendor may receive from VLG operations in Sullivan County (Monticello Casino and Raceway) at 41 percent of the total "net win".

Video Lottery Gaming (VLG) Vendor's Capital Awards Program Extender

This proposal would extend for one year, until April 1, 2015, the deadline to receive approval from the Gaming Commission and to complete capital projects that are reimbursed through the Video Lottery Gaming (VLG) vendor's capital award program. The proposal will also extend by one year, until April 1, 2017, the deadline to complete these approved capital projects. For VLG facilities west of Route 14, the deadlines are extended to April 1, 2019 for capital project approvals and April 1, 2021 for capital projects to be completed.

Pari-mutuel

Increase Racing Regulatory Fee

The Executive proposes to increase the racing regulatory fee on thoroughbred, harness, off-track pari-mutuel betting and simulcast racing from five hundredths of a percent to six hundredths of a percent. This proposal will generate an additional $1.6 million in revenue for FY 2015 to the regulation of racing account.

Pari-Mutuel Tax Rate and Simulcast Extender

The Executive proposes to extend lower **pari-mutuel** tax rates and rules governing simulcasting of out-of-state races. This proposal has no FY 2015 fiscal impact because the reduced rates are built into the base of the FY 2015 financial plan.

Revenue Raisers

The Executive has also proposed several revenue increases to partially offset the tax reductions. The manufacture's definition changes and ITC eliminations were mentioned above within the manufacturer's ENI rate elimination. Other changes of significance are as follows:

Taxation of Resident Trusts

In order to offset a portion of the revenue loss from the estate tax reduction, the Executive proposes changing the way certain trusts are taxed in New York. The change would impact how income accumulated is taxed in certain resident trusts, non-resident trusts, and incomplete, gift non-grantor trusts.

The definition of a resident trust is a trust where the person who created the trust is a resident; regardless of where the trust is located or where the beneficiaries reside. Similarly, a non-resident trust is one where the person who created the trust does not reside in New York. An incomplete, gift non-grantor trust is a trust established by the creator of the trust to transfer property to the trust as a gift and to avoid state income taxes.

All the income of a resident trust is subject to tax. However, certain resident trusts are exempt from the tax. These are trusts in which all the trustees, those who are administering the trust, are non-residents; the trust itself is located outside the State; and all income and gains from the trust are from non-New York sources. In the case of these exempt trusts, the beneficiaries of the trust can be residents.

Under the tax proposal, beneficiaries of exempt resident trusts and non-resident trusts would be required to increase their New York adjusted gross income for any accumulated income from the trust. For those taxpayers with incomplete, gift non-grantor trusts, any income earned on the property in the trust would be required to be added into New York adjusted gross income. (Increased revenues of $150 million)

Senior STAR Income Threshold Freeze

For FY 2015 the Executive proposes to eliminate the income threshold inflation adjustment for enhanced STAR recipients. This will permanently freeze the income threshold at $81,900. The income threshold has been increased annually since 2003-04 by a cost of living adjustment. (Revenue increase of $3 million annually)

Family Relief Tax Credit

The FY 2014 Enacted Budget created the Family Relief Tax credit which provided a refundable personal income tax credit equal to $350 for families with dependent children under the age of 17. The credit was made available to qualifying taxpayers in tax years 2014, 2015, and 2016.

Currently, the payment of the credit takes the form of an advance refund to be paid to qualifying taxpayers in the fall of the eligible tax years. For example, the credit available for tax year 2014 will be advance refunded to taxpayers in fall 2014. The Executive's tax proposal would eliminate the payment of the advance refund for tax years 2015 and 2016. For those tax years, qualifying taxpayers would claim the credit when they file their annual tax returns.

With the change in the method by which the credit will be made, how the taxpayer would qualify for the credit would change under the tax proposal. Currently, in order to claim the credit, the taxpayer must satisfy the following criteria: be a resident of the State, have one or more children under the age of seventeen, have income between $40,000 and $300,000, and have a personal income tax liability greater than zero. However, these criteria apply to the taxable year two years preceding. For example, in order for a taxpayer to qualify for the credit in 2014, he must have satisfied the above criteria in 2012. By eliminating the advanced payment of the credit, the proposal eliminates the "look back" to qualify for the credit. As a result, for tax years 2015 and 2016, the taxpayer would have to satisfy the criteria in the current tax year instead of tax years 2013 and 2014, respectively.

Compliance and Enforcement

Electronic Signature for E-filed Returns Prepared by Tax Professionals

The Executive proposes to allow taxpayers to use electronic signatures when authorizing their tax preparers to e-file their tax return and related documents. This proposal was recommended by the Executive's New York State Tax Reform and Fairness Commission.

Professional and Business Licenses Electronic Clearance

The Executive proposal would let any New York State government entity deny the issuance or renewal of a professional or business license to a person who applies online and has an outstanding tax liability equal to or in excess of $500 that is fixed and final. If the license applicant is denied a license because of an outstanding tax liability, the government entity must provide notice to the applicant to contact the Department of Taxation and Finance. This part will increase revenues by $3 million in FY 2016.

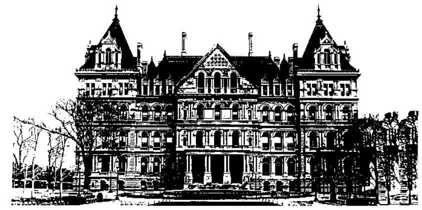
Extend the Alternative Fuels Tax Exemptions

The Executive proposes to extend the alternative fuels tax exemption from September 1, 2014 to September 1, 2016. The tax exemption is for E85, CNG, hydrogen and B20. Currently, E85, CNG and hydrogen are fully exempt from motor fuel, petroleum business, fuel use and sales tax; B20 is partially exempt as well.

These exemptions were enacted in the FY 2007 budget with a 2011 sunset; they were extended for one year in 2011 and two years in 2012. It is estimated the exemptions will reduce revenues by $6 million in FY 2015, $12 million in FY 2016 and $6 million in FY 2017.

Simplify the Distribution of Motor Vehicle Fees

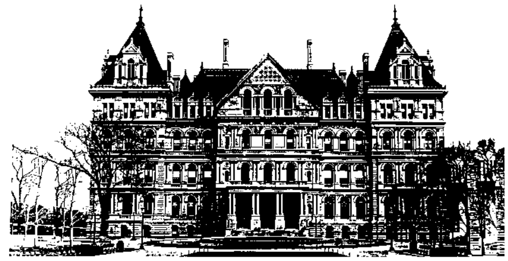
The Executive proposes making a technical change to the transfer of motor vehicle fees into the Dedicated Highway and Bridge Trust Fund (DHBTF), and the The Mass Transportation Trust Fund (MTTF). This change would direct the first $40.7 million of Driver Responsibility Act (DRA) receipts directly into the DHBTF, rather than into the General Fund as is current law. Currently, the first $169.4 million of non-dedicated Motor Vehicle Fee (MVF) receipts passes through the General Fund into the DHBTF and the MTTF in the amounts of $106.7 million and $62.7 million respectively. This proposal would reduce the transfer from the General Fund to DHBTF by $40.7 million to offset the additional transfer of DRA funds directly into the DHBTF. This proposal is financial plan neutral, as receipts of both the DHBTF and MTTF will be held consistent with the current levels of $106.7 million and $62.7 million respectively.



SECTION TWO

SENATE ISSUES IN FOCUS

STORM DISASTER RELIEF



Federal Year 2014 State Spending Superstorm Sandy Recap

New York State's (NYS) share of the $60 billion Federal Disaster Relief Aid Package is $30 billion (see table below). These Federal funds would support disaster relief related to Superstorm Sandy, Hurricane Irene and Tropical Storm Lee.

NEW YORK FEDERAL DISASTER RELIEF AID	
	Estimated Aid (in millions)
Federal Funding in State Budget	
Disaster Relief Fund	$6,000
Transportation / Roads	$1,600
Agriculture and Environment	$540
Employment and Small Business	$300
Public Health / Social Services	$350
Subtotal	**$8,790**
Federal Funding which Does Not Require Appropriation Authority	
Army Corps of Engineers	$2,900
Community Development Block Grant (CDBG)	$8,700
National Flood Program	$4,500
Transit	$5,100
Subtotal	**$21,200**
Grand Total	**$30,000**

The $30 billion would be disbursed over a ten year period from 2013 to 2022. The majority of the spending is expected to occur between 2013 to 2019 and total $27 billion.

The Department of Housing and Urban Development (HUD) will receive a majority of the funds, with a large portion dedicated to long term recovery, restoration, infrastructure, housing and economic revitalization in the most distressed areas of the State. Eligible projects include those caused by Superstorm Sandy and disaster events in calendar years 2011, 2012 and 2013 (including storms Lee and Irene).

Of the $30 billion in Federal assistance, $8.7 billion was appropriated in the State Budget (FY 2014), while $21.2 billion would flow directly to various recipients. In the Spring of 2013 HUD gave New York State $1.71 billion in the first round of the $8.7 billion Community Development Block Grant (CDBG) program. New York City received $1.77 billion in separate funding from HUD. The State and the City each had to submit an Action Plan as to how the funds would be used. The estimated Sandy relief spending through the State Budget for FY 2014 was $5.1 billion; and $2.4 billion is anticipated for FY 2015. At the end of this section there is a table which shows the commitments through the State Budget and direct awards out of the total $30 billion in Federal Disaster Aid. This does not include the CDBG directly provided to New York City.

Executive 2014-15 State Storm Plan

The Executive FY 2015 State Storm Plan announced on January 7, 2014 includes $17 billion in Federal and State funding. State funding totals $26 million and includes: $15 million for the proposed new SUNY College of Emergency Preparedness, Homeland Security and Cybersecurity; $10 million for fuel reserves; and $1 million for Citizens First Responder Corps. The table at the end of this section shows categories of the $17 billion plan.

The plan set forth includes the following components:

Housing Construction ($1.4 million)

The Executive plan includes ***$1.4 billion*** from CDBG funds for home construction. Housing reconstruction includes the following programs:

- $967 million for homeowner reconstruction;
- $368 million for home buyouts in areas vulnerable to repeated flooding;
- $99 million for multifamily reconstruction; and
- $35 million for mortgage assistance.

Expansion of NY Rising Community Reconstruction Program ($650 million)

The Executive proposal includes an expansion of the 2013 Community Reconstruction Program by including an additional 22 communities for a total of 124 communities, and total funding of $650 million. The communities (as experienced in the first round) would develop their own plans and apply for ***$80 million*** in Federal funds to implement the approved projects.

Establishment of a State of the Art Weather Detection System ($18.6 million)

Currently, New York State has 27 weather stations operated by the National Weather Service. Under the Executive's proposal ***$18.6 million*** would be used to create a weather system consisting of 125 advanced stations, utilizing $15 million in State Capital funds.

These stations would be capable of providing accurate, real time data of air, wind, soil and radiation conditions. The information would be available to the Division of Homeland Security and Emergency Services (DHSES), the State University of Albany, and the National Weather Service in order to communicate weather information to the public.

Creation of a College of Emergency Preparedness, Homeland Security, Cybersecurity ($15 million)

The Executive proposal includes $15 million in Capital Bonded Funds under the Division of Homeland Security and Emergency Services (DHSES) to create a College of Emergency Preparedness, Homeland Security and Cybersecurity (CEPHESC) through the State University of New York (SUNY) system. CEPHESC would be the first civilian degree-granting school in the nation to focus exclusively on these issues. It would integrate emergency preparedness, security and counterterrorism studies. Students would be able to earn certificates, bachelors and masters degrees.

Creation of a Citizen First Responder Corps ($5 million)

The Executive would set aside ***$5 million*** in funding for the National Guard to train approximately 100,000 New Yorkers. The New York National Guard and the Division of Homeland Security and Emergency Services (DHSES) would provide free emergency response training in communities statewide. Participants would also be provided with a NYS Disaster Preparedness Starter Kit. The Executive's FY 2015 Budget proposal includes $1 million in new General Fund spending under the DHSES and $2 million in Federal Homeland Security grants for the first year.

Creation of Special License Plates for First Responders ($50,000)

First responders would be provided with special license plates to identify their status and allowed access to sites during emergencies. Funding for this initiative would be provided through a General Fund transfer of at least $50,000 to the Correctional Industries Revolving Account. Details of this proposal are still being worked out.

Hardening Existing Electrical Grid / Creation of 10 Microgrids ($1.4 billion)

The Executive proposes ***$1.4 billion*** in Federal funds to harden the State's existing electrical grid. This proposal would include moving approximately 500 miles of overhead primary wire underground, elevating vulnerable substations, expanded tree-trimming, raised power lines for newly elevated homes and the creation of a new power outage response system.

The Executive announced a new program "NY Prize" that would launch a Statewide ***$40 million*** competition to build 10 microgrids, (independent community based electric distribution systems) designed to continue to generate and transmit power during periods or large-scale electrical outages.

Comprehensive Gas Station Backup Power ($45 million)

The State provided $25 million for gas stations related to the State FY 2014 requirement that every downstate gas station within a half-mile of a highway exit or a hurricane evacuation route have a generator in place within 24 hours of losing power. It is anticipated that 1,000 stations downstate will be equipped with backup power.

The Executive is expanding the downstate fuel service backup generation requirement to a statewide program. The 2013 enacted legislation specifically limited the generator requirement to stations on Long Island, New York City, and Rockland and Westchester Counties. The Executive action provides $47 million to expand the requirement Statewide. The State provides a maximum of $10,000 for leases connected with backup systems. Additional costs must be borne by the station owner. The Executive also intends to expand the State Strategic Fuel reserve, currently limited to Long Island to a statewide program.

Coastal Protection and Flood Control ($1.8 billion)

The Executive proposes ***$1.8 billion*** to protect 83 miles of exposed coastline. This project would be accomplished by the US Army Corps of Engineers, in conjunction with the NYS Department of Environmental Protection, and the NYS Department of Parks and Historic Preservation.

The Executive plan also proposes $147 million in funding for various flood control projects across the state. The proposed projects are listed below:

- Create natural barriers along Spring Creek and Jamaica Bay in Queens
- Establish a comprehensive flood management system for the Red Hook District in Brooklyn
- Buyout 321 Homes in the Oakwood Beach area of Staten Island; demolishing the structures and replacing them with a network of natural flood protections
- Reinforce the Troy Seawall in Rensselaer County and the Dove Creek Wall in Amsterdam, Montgomery County
- Create an $8.5 million flood warning system for the State's canal corridor
- Establish a $1 million flood protection system in Schoharie County

Reconstruction of the Subway System/ Strengthening Airports / Replacing Vulnerable Bridges ($5.8 billion)

The Metropolitan Transportation Authority (MTA) estimates $5.1 billion in property damage and other losses from Sandy including an estimated $350 million in operating losses and $4.8 billion in infrastructure damage.

The MTA may apply for federal resiliency funding for a project to allow Metro-North Railroad's New Haven Line to access Pennsylvania Station on the West Side of Manhattan. Metro-North currently operates only at Grand Central Terminal on the East Side. The project, referred to as Penn Station Access, was highlighted as a priority resiliency improvement in the Executive's recent State of the State address. It is estimated that Penn Station Access would cost $1 billion.

In addition, the Executive proposes ***$257 million*** in Federally funded capital projects to make JFK and LaGuardia airports more resilient to flooding damage. The proposal uses 100 percent of Federal dollars to install tide gates and drainage systems, new emergency generation capabilities, elevated fuel facilities, a new signage communications system, and a flood wall surrounding critical and vulnerable equipment.

These capital projects would be administered by the Port Authority of New York and New Jersey. The Federal dollars would flow directly to this bi-State Authority. The Division of the Budget has said that New York State will bring additional resources to expedite this project, however, no Article VII or enabling legislation exists to specifically designate New York State to be project lead or manager of this bi-State Authority project.

The Executive also provides $486 million to replace 100 at risk bridges across the State.

<u>Protecting and Improving the State's Wastewater Systems ($1.6 billion)</u>

The Executive proposes ***$1.6 billion*** in Federal funds to improve wastewater systems. This funding would allow communities to protect against future storms by constructing dikes, levees and movable floodwalls, including the Bergen Point Wastewater Treatment Facility in Suffolk County and the Bay Park Plant in Nassau County.

This funding would serve to repair and enhance waste treatment systems that have been substantially damaged by Superstorm Sandy, Irene and Lee. Announcements have been made to provide:

- $730 million to repair and improve the Bay Park Wastewater Treatment Plant in Nassau County. FEMA will provide $657 million and the Executive has pledged $73 million in CDBG funds to cover the remainder of this project;
- $600 million in federal funds will be used toward the $690 million estimated cost for construction of pipes to pump treated sewage from the Bay Park facility in East Rockaway; and
- $35 million to convert the existing Long Beach treatment plant into a sewage pumping station.

An estimated $500 million would be available for selective enhancements of other plants damaged by the storms.

<u>Health and Human Services ($446 million)</u>

The Executive plan provides ***$446 million*** in funding for over 600 healthcare and human services providers and organizations. The following funding and programs are listed below:

- $315 million for immediate emergency response, repair, rebuilding and renovation costs;
- $52 million for unreimbursed operating costs;
- $70 million for ongoing or new services; and
- $11 million for other eligible health and social services costs.

<u>Public Facilities Repairs ($2 billion)</u>

The Executive Storm Plan includes previously announced public facilities repairs totaling $2.1 billion, all funded by FEMA.

FY 2015 EXECUTIVE $17 BILLION ANNOUNCED STORM PLAN		
Programs	**Proposed Amount**	**Potential Funding Source**
Federal Funding in State Budget		
Weather Detection	$18,650,000	Disaster Relief / $3 million New Revenue Source
*FUEL NY /Backup Generators	$37,000,000	Disaster Relief
Flood Control	$147,167,550	Disaster Relief
Support to Health Services Institutions	$446,416,232	Public Health / Social Services
Public Facility Repair	$2,048,865,295	Disaster Relief
*Citizen First Responder Corps	$4,000,000	Disaster Relief
Roads and Bridges	$760,240,231	Transportation
Port Authority - WTC	$966,496,293	Disaster Relief
Subtotal	**$4,428,835,601**	
Federal Funding Outside State Budget		
MTA - Transit	$5,100,000,000	TRANSIT
Coastal Mitigation	$1,794,461,757	Army Corp of Engineers / CDBG
Homeowner Rehab and Reconstruction	$967,200,000	CDBG
Home Buyout	$368,000,000	
Multi-Family	$99,660,289	
Interim Mortgage Assistance	$35,000,000	
NY Rising CRZ Program	$650,000,000	CDBG
Electric Grid Resilience	$1,374,792,188	CDBG
Microgrid	$40,000,000	CDBG
Resilience Institute	$2,700,000	SUNY / PUBLIC AUTHORITIES
Airports	$257,221,646	PUBLIC AUTHORITIES
Subtotal	**$10,689,035,880**	
Combination of Federal Funding in and Out of State Budget		
Wastewater treatment, repair and mitigation	$1,620,737,493	Disaster Relief/CDBG
Subtotal	**$1,620,737,493**	
NEW State Funding		
SUNY College	$15,000,000	State General Fund (GF)
*FUEL Reserve	$10,000,000	State GF
*Citizen First Responder Corps	$1,000,000	$1 million GF / $2 million Federal HLS grants (First Year)
Special License Plates for First Responders	$50,000	GF transfer to Correctional Industries Revolving Account
Subtotal	**$26,050,000**	
TOTAL	**$16,764,658,974**	

The information in the table below was obtained from the Executive's *"New York Rising Website"*. The table categorizes by program area $8.7 billion in storm related aid for Superstorm Sandy, Hurricane Irene and Tropical Storm Lee. The $8.7 billion is assumed to be commitments to date. These commitments do not include any of New York City's $1.77 billion in CDBG funding received in 2013. This $8.7 billion in commitments leaves a remaining balance of $22.3 billion in Storm Relief. This regional breakdown may include portions of the Executive's $17 billion Storm Relief Plan announcement.

SUPERSTORM SANDY / HURRICANE IRENE / TROPICAL STORM LEE - COMMITMENTS
(NYC Direct CDBG Not Included)

	Long Island	NYC	Mid-Hudson	Capital	Southern Tier	Western NY	Finger Lakes	Central NY	Mohawk Valley	North Country
Residential Assistance										
FEMA Individual Assistance	$416,625,700	$609,050,785	$50,847,946	$16,276,117	$53,851,849	$0	$0	$0	$14,910,190	$2,887,642
National Flood Insurance Program	$2,524,933,724	$910,916,266	$80,624,356	$21,968,021	$103,294,380	$441,776	$1,125,650	$741,706	$26,020,965	$4,086,236
Small Business Administration	$570,756,370	$422,429,313	$24,853,700	$8,939,600	$27,898,700	$0	$0	$0	$13,602,954	$2,210,650
Homeownership Repair/ Rebuilding	$8,693,381	$14,609,602	$114,289	$0	$0	$0	$0	$0	$0	$0
Empire State Relief	$3,356,538	$5,794,245	$80,570	$0	$0	$0	$0	$0	$0	$0
Community Development Block Grant - Disaster Recovery	$445,841,495	$73,375,239	$11,822,731	$5,955,095	$3,853,756	$0	$0	$0	$9,285,007	$42,453
Residential Assistance Sub-Total	**$3,970,207,208**	**$2,036,175,449**	**$168,343,593**	**$53,138,834**	**$188,898,685**	**$441,776**	**$1,125,650**	**$741,706**	**$63,819,116**	**$9,226,980**
Business Assistance										
Small Business Administration	$109,764,300	$314,068,000	$35,038,420	$10,561,600	$26,903,900	$0	$0	$0	$6,638,300	$1,849,600
Community Development Block Grant - Disaster Recovery	$1,436,395	$40,000	$320,000	$60,000	$120,000	$0	$0	$0	$30,000	$0
National Flood Insurance Program	$124,796,287	$152,962,028	$37,690,185	$7,844,823	$55,016,777	$0	$0	$0	$8,402,722	$213,558
Business Assistance Sub-Total	**$235,996,982**	**$467,070,028**	**$73,048,605**	**$18,466,423**	**$82,040,677**	**$0**	**$0**	**$0**	**$15,071,022**	**$2,063,158**
Cleanup Funding										
FEMA Public Assistance	$432,385,944	$205,480,604	$58,067,783	$382,255	$0	$0	$0	$0	$0	$0
Federal Highway Administration - Emergency Relief	$190,089	$90,488,373	$0	$0	$0	$0	$0	$0	$0	$0
Social Services Block Grant	$37,876,617	$157,756,238	$3,904,620	$0	$0	$0	$0	$0	$0	$0
Cleanup Funding Sub-Total	**$470,452,650**	**$749,694,192**	**$61,972,403**	**$382,255**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Region Total	**$4,676,656,840**	**$3,252,939,669**	**$303,364,599**	**$71,987,513**	**$270,939,362**	**$441,776**	**$1,125,650**	**$741,706**	**$78,890,138**	**$11,290,138**

Grand Total All Regions	**$8,668,377,391**

Source: New York State Rising Website.

Regions by Counties:

Long Island: Nassau, Suffolk
New York: Bronx, New York, Queens, Kings, Richmond
Mid-Hudson: Westchester, Rockland, Putnam, Orange, Dutchess, Ulster, Sullivan
Capital: Columbia, Greene, Rensselaer, Albany, Schenectady, Saratoga, Westchester, Warren
Southern Tier: Delaware, Chenango, Broome, Tioga, Tompkins, Chemung, Schuyler, Steuben
Westchester: Allegany, Cattaraugus, Chautauqua, Erie
Finger Lakes: Orleans, Monroe, Ontario, Wayne
Central: Oswego, Onondaga, Cortland, Madison
Mohawk Valley: Oneida, Herkimer, Otsego, Fulton, Montgomery, Schoharie
North Country: Hamilton, Essex, Clinton, Franklin, Saint Lawrence

2013 MOHAWK VALLEY FLOODING

Mohawk Valley and Niagara County Disaster Declaration: On June 28, 2013 the Executive issued a Disaster Declaration in response to the floods in the Mohawk Valley and Niagara County that occurred between June 26, 2013 and July 4, 2013. The Federal Emergency Management Administration (FEMA) denied funding for Individual Assistance (IA) under this disaster declaration. FEMA issued a Request for Application for Public Assistance for 16 counties: Allegany, Broome, Chautauqua, Chenango, Clinton, Cortland, Essex, Delaware, Franklin, Herkimer, Madison, Montgomery, Niagara, Oneida, Otsego, and Warren. The application process was extended until September 10, 2013.

Mohawk Valley and 2013 Upstate Flood Recovery: On July 17, 2013 the Executive created the Mohawk Valley and 2013 Upstate Flood Recovery Program using State Emergency funds, enacted in the FY 2014 Budget. The program provides $16 million to homeowners, small business owners and farmers subject to the documentation of flood-related damage, documentation of uninsured losses and the availability of funds. The following chart is a breakout by county:

The Mohawk Valley and 2013 Upstate Flood Recovery Program ($$ millions)	
County	**Funding**
Herkimer	$4
Madison	$3
Montgomery	$4
Niagara	$2
Oneida	$3
Total	**$16**

Senate Upstate Flood Proposed Legislation:

Senate Members representing this region recognized the need for a more comprehensive approach to disaster funding and have proposed the following legislation:

- Creation of the "Mohawk Valley and Niagara County Assessment Relief Act". This bill would allow counties and local governments impacted by recent flooding to have assessments reduced between assessment cycles in flood damaged municipalities and allow locals to borrow to cover lost revenue. Similar bills were passed after Irene/Lee and Sandy (S.5931, Seward);
- A refundable state income tax credit against property taxes paid where homes and businesses have suffered damage that reduce their value (S.5985, Seward);
- Creation of the New York State Disaster Recovery Program, for prevention, response and recovery of natural and man-made disasters providing for State assistance when Federal assistance is unavailable (S.5987, Griffo);
- Establishment of prompt payment requirements for certain aid for local government units associated with storm relief and recovery funds (S.6003, Seward); and
- Creation of the Upstate Flood Mitigation Program within the Canal Corporation. This program would be focused on the prevention of flooding in Upstate New York (S.6345, Valesky).

FEDERAL AFFORDABLE HEALTH CARE ACT (ACA) / NEW YORK STATE OF HEALTH

ACA Background

The Federal Patient Protection and Affordable Care Act (ACA) of 2010 included healthcare and insurance reform provisions intended to fundamentally change how healthcare is paid for and delivered in every state. Many of the enacted provisions were slated to take effect in future years, including provisions requiring every state to establish health insurance exchanges. Full implementation of the ACA will not be completed until 2020.

Health Insurance Exchange Background

Under the ACA each State was required to establish and operate a health insurance exchange by January 1, 2014. Ultimately, states had the option to either establish their own state-run exchange or to access the exchange established by the federal government. In April of 2012, the Executive issued Executive Order No. 42 to establish the New York State Health Benefit Exchange which was to become operational January 1, 2014. Thirty-six other states chose not to establish their own exchange.

Leading up to January 1st, 2014 the federal government retracted several key ACA provisions including the partial individual mandate, which required individuals who are able to purchase qualifying insurance for less than eight percent of their income to enroll in either a public or private health care plan, or be subject to financial penalties. On December 19th, 2013 the Centers for Medicare and Medicaid Services (CMS) announced that individuals whose insurance coverage had been canceled would be temporarily exempt from the individual mandate. Nationwide, most plans did not include all of the Essential Health Benefits (EHBs) required by the ACA as of January 1, 2014 and were discontinued. Thus a large number of enrolled individuals had to choose new products.

The federal government determined in July to delay the employer mandate to 2015, which requires companies with 50 or more employees to offer insurance to their workers or be subject to penalties of up to $3,000 per employee.

New York State of Health

On October 1, 2013 New York opened its state-based marketplace, known as the "New York (NY) State of Health: The Official Health Plan Marketplace."

Plans: There are sixteen health insurers offering health plan coverage to individuals and ten offering coverage to small businesses. Insurers offering coverage to individuals through NY State of Health include:

- Affinity Health Plan
- BlueCross BlueShield of Western NY
- BlueShield of Northeastern NY
- CDPHP, Inc.
- EmblemHealth
- Empire Blue Cross
- Empire Blue Cross Blue Shield
- Excellus BlueCross Blue Shield
- Fidelis Care
- Health Republic Insurance of New York
- Healthfirst
- Independent Health
- MVP Health Care

- MetroPlus Health Plan
- North Shore-LIJ Insurance Company, Inc.
- Oscar
- Today's Options of New York
- UnitedHealthcare
- Univera Health Care.

According to the NY State of Health, as of December 30, 2013 six issuers offering individual coverage in the exchange had each enrolled 10 percent or more of enrollees into Qualified Health Plans (QHPs): Empire (18 percent), Health Republic (16 percent), Fidelis (14 percent), Emblem (12 percent), MetroPlus (11 percent), and MVP (10 percent). Excellus had enrolled six percent of individuals, and the remaining nine insurers each enrolled one or two percent of QHP enrollees.

Enrollment: As of December 24, 2013, the last day of open enrollment in order to receive coverage effective January 1, 2014, 230,624 New Yorkers had enrolled for coverage through NY State of Health. Of that amount approximately 66 percent, or 152,212, were enrolled in Qualified Health Plans (QHPs). Of the remaining enrollees, approximately 27 percent, or 62,268 enrolled in Medicaid and the remaining seven percent, or 16,144, in Child Health Plus.

- Of the 152,212 enrolled in QHPs, approximately 72,000 individuals were considered newly insured; and
- Of the 62,268 enrolled in Medicaid approximately 20 percent, or 12,000, of the enrollees were newly eligible as a result of Medicaid expansion authorized under the ACA.

Of the individuals enrolled in QHPs, 68 percent are expected to receive financial assistance through tax credits or cost sharing reductions, and the remaining 32 percent will be paying the full premium amount.

QHP Enrollment: Through NY State of Health, QHPs offer health insurance products in four different metal tiers: Platinum, Gold, Silver, and Bronze. There is also an option for Catastrophic coverage for adults under the age of 30 and for certain adults whose insurance policies have been cancelled. Platinum level plans typically have higher premiums and lower cost sharing requirements (e.g. deductibles or co-payments), while bronze level plans have lower premiums but substantial cost sharing. Bronze level participants are responsible for 40 percent of their costs.

According to the NY State of Health, as of December 24, 2013, enrollment was distributed among the tiers as follows:

Percent of Enrollment by Tier

Platinum:	17
Gold:	12
Silver:	51
Bronze:	18
Catastrophic:	2
American Indian/Alaskan Native:	>1

Lastly, the age of the individuals enrolled into QHPs were as follows:

Enrollment by Age Percent

<18	4
18-25	8
26-34	18
35-44	16
45-54	24
55-64	33
≥ 65*	0

*Individuals 65 years of age or older would be eligible for Medicare

Although the NY State of Health's enrollment is purportedly tracking projections, the rollout has not been without challenges. Reported issues include:

- **Information Technology (IT) systems:** NY State of Health relies on some federal IT capabilities, such as income verification and "lawfully present" eligibility determinations. Therefore, initial problems with the federal data hub resulted in problems early on for New York, and although these issues have since been resolved, NY State of Health encountered challenges of its own during peak enrollment periods at the close of open enrollment. These capacity issues resulted in delaying a consumer's ability to access the website.

- **Navigators**: The ACA authorized the training and certification of navigators to assist consumers in locating and understanding insurance coverage options available through the health benefit exchange in an unbiased manner. Navigators offer a free service to those interested in exchange products, and are paid through federal grants. The initial list of navigators available on the NY State of Health website had errors, and included many who were not actually participating navigators. Availability, competency and utility of navigator services, and their overlap with services provided by agents and brokers are topics that will likely warrant evaluation as the enrollment periods continue.

- **Failure to confirm enrollment**: According to a range of reports and testimony provided during January's Senate Hearing regarding the Exchange, many individuals and families who enrolled in coverage through NY State of Health did not receive an insurance card or any proof of coverage, even after paying their premium.

The rollout of the federal health exchange has had its own well publicized challenges:

- **HealthCare.gov Rollout**: The website for the federal health exchange had glitches from its inception. Many federal lawmakers, including those who voted in favor of the ACA, recommended delaying key provisions of the law because of the inability of the website to facilitate enrollment. Specific problems encountered by visitors of the federal website include:
    - Not enough capacity to handle volume;
    - Incorrect error messages, or no error message when an error does occur;
    - Lost applications for coverage;
    - Security concerns such as disclosure of user information and social security numbers; and
    - Failure of systems designed to deliver enrollee information to insurers.

- **Delay of Small Business Online Enrollment:** In November of 2013, online enrollment in health care for small businesses through the Small Business Health Option Program (SHOP) Marketplace on the federal Exchange was delayed one year. As a result, business owners will be forced to use paper applications to find coverage for their employees, or they will have to go directly through an insurance plan, agent, or broker. The decision to delay enrollment through the SHOP Marketplace is designed to limit traffic to the federal website.

Potential Issues of the New York State of Health to Monitor

While there have been challenges in the startup of the NY State of Health, there are also a number of issues going forward that will likely be an important part of the discussion regarding insurance coverage in New York, including:

Financing the Exchange: In total, New York has received $429.1 million in planning, establishment, and early innovator grants in federal support that expires December 31, 2014. To date, these grants have paid for all costs associated with implementing and operating the NY State of Health. The ACA requires all marketplaces to be self-sustaining by January 1, 2015. The Executive Order that established the NY State of Health stated that the Exchange would be self sufficient by that date, and would impose no cost on the State or county taxpayers.

According to the NY State of Health Blueprint application, operations of the exchange will cost $97 million in FY 2015:

- $30 million for IT Systems Contracts;
- $48 million for other contractual services; and
- $17 million to support 120 full-time equivalents (FTEs).

The blueprint does not specify a funding source or revenue base (See *FY 2015 Budget Actions related to the ACA and NY State of Health* below).

Out-of-Network and Network Adequacy: Qualified Health Plans in the exchange are not required to offer an out-of-network benefit to individuals purchasing coverage. While coverage requirements for policies offered in the exchange supposedly meet the State's adequate network requirements, it is not clear whether the coverage offered would prevent the necessity of offering out-of-network coverage. However, if the State does consider requiring plans to offer out-of-network coverage, the impact of premium costs associated with broadening networks would need to be evaluated.

Sole Proprietors: Historically, individuals who were sole proprietors were able to qualify for group health insurance coverage through mechanisms such as local chambers of commerce to benefit from lower premium costs. The ACA requires sole proprietors to be considered as individuals, even if they hire independent contractors. As a result, effective January 1, 2014, these individuals' group plans were terminated thereby forcing them into the exchange in order to maintain health care coverage. It is currently unclear how many self-employed individuals and couples have been impacted by this federal change, however there have been multiple reports of increased premium costs to these individuals.

Increased Costs: According to the NY State of Health, health plans within the exchange are on average 53 percent less expensive than coverage New Yorkers had purchased in the previous year. That claim is based on the average cost of direct pay policies compared to the average cost of plans with the cost sharing benefits of coverage through the Exchange. However, direct pay policies only represent the cost of health care for approximately 12,000 individuals, and do not reflect the experience of a majority of the individuals who may have previously purchased health insurance through their employer or other group. Thus it is possible that those purchasing coverage through the exchange may not see premiums that are as low when compared with the previous year's.

<u>FY 2015 Budget Actions related to the ACA and NY State of Health</u>

Basic Health Program: The Executive Budget proposes to establish a Basic Health Program (BHP) to provide health care coverage for citizens with household income between 133 and 200 percent of the Federal Poverty Level (FPL) and legal aliens with household income below 200 percent of the FPL. The ACA affords all states the option of creating a BHP to provide health care coverage to low income individuals who do not qualify for Medicaid. Creation of a BHP would allow New York to receive federal funding to pay for 95 percent of what the federal government would have spent if BHP enrollees had received tax credits and subsidies for out-of-pocket costs within the exchange.

A BHP would be a separate program from plans offered within the health exchange, and would result in individuals leaving their exchange plans to enroll in the BHP. The ACA requires individuals between 133 and 200 percent of the FPL, to enroll in the BHP, and not enroll in an exchange plan.

The Executive's proposal authorizes the Commissioner of Health to establish a BHP only if it is in the financial interest of the State. The “financial interest” of the State is not defined in the Executive’s proposed budget. The Commissioner of Health would determine premium rates, cost-sharing obligations, and application and enrollment procedures.

Financing: The FY 2015 budget includes $54.3 million in State funding ($185 million gross) in 2015 increasing to $148.3 million ($117.3 million gross) in FY 2016 to cover the costs associated with operating New York State of Health beginning January 1, 2015. The sources of funding for the costs of the exchange are as follows:

- $28.6 million-Health Care Reform Act (HCRA) Surcharge revenue;
- $24.9 million-State Medicaid; and
- $900,000- Department of Financial Services.

<u>ACA Related Tax Provisions:</u>

The ACA of 2010 included many new benefits and protections by expanding health insurance coverage availibility to all individuals, including those with pre-existing conditions. However, in order to pay for the costs associated with expanded coverage, the ACA includes several new taxes on individuals and businesses. Many of these taxes have been effectuated, however a number of new taxes became effective January 1, 2014. Some of the taxes include:

- **Individual Mandate:** The Individual Shared Responsibility provision requires each individual to either have minimum essential coverage for each month, qualify for an exemption, or make a payment of up to $285 per year when filing his or her federal income tax return. This provision was temporarily delayed for individuals whose health insurance plans were cancelled as a result of the ACA (Effective January 1, 2014).

- **Employer Mandate:** The ACA requires businesses with 50 or more employees to offer health coverage to their full-time employees or pay a per employee fee of up to $3,000 per employee per year. (Effective January 1, 2014, Delayed until January 1, 2015)

- **Annual Fee on Health Insurance Providers:** The ACA created an annual fee on certain health insurance providers beginning in 2014. The industry wide annual fee is estimated to generate $ 8 billion in 2014, gradually increasing to $14.3 billion in 2018. (Effective January 1, 2014)

- **Net Investment Income Tax:** The Medicare tax was amended to include its imposition upon investment income of taxpayers with incomes over $200,000 ($250,000 for married taxpayers). The tax is imposed at a rate of 3.8 percent and applies to income received from interest, dividends, annuities, royalties, rents, and capital gains. (Effective January 1, 2013)

- **Additional Medicare Payroll Tax:** the Medicare payroll tax is imposed upon an employee’s wages similar to Social Security taxes. Prior to ACA, both the employer and the employee paid the Medicare tax at a rate of 1.45 percent (a combined rate of 2.9 percent). For taxpayers with incomes over $200,000 ($250,000 for married taxpayers) an additional payroll tax of 0.9 percent, or $18,000, is imposed, a combined rate of 3.8 percent, resulting. The employee pays the tax at a rate of 2.35 percent while the employer’s rate remains at 1.45 percent. (Effective January 1, 2013)

- **Medical Device Excise Tax:** Manufacturers and importers pay a 2.3 percent medical device excise tax on their sales of certain medical devices. (Effective January 1, 2013)

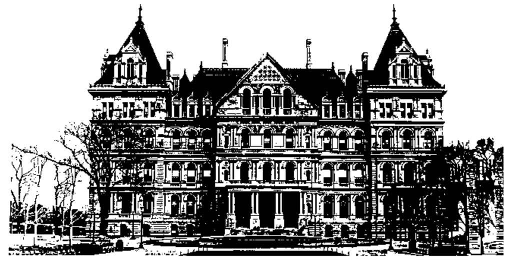
- **Annual Fee on Branded Prescription Pharmaceutical Manufacturers and Importer:** The ACA created an annual fee payable by certain manufacturers and importers of brand name pharmaceuticals. (Effective January 1, 2011)

- **Excise Tax on Indoor Tanning Services:** A ten percent excise tax on indoor UV tanning services went into effect on July 1, 2010. (Effective July 1, 2010)

Future Tax:

- **"Cadillac" Tax:** Imposes an annual 40 percent excise tax on health insurance plans, excluding vision or dental benefits, with premiums exceeding $10,200 for individuals or $27,500 for a family (Effective January 1, 2018).

EXECUTIVE'S TAX RELIEF PLAN



In October 2013, the Executive formed the Tax Relief Commission to explore ideas for a series of targeted tax cuts. In December 2013, the Commission published their results. The Executive adopted all of the recommendations from the report. In the Executive Summary, the report also made a recommendation to allow the Personal Income Tax rates to fall back to 6.85 percent in 2018. Although no legislation is needed to make that happen.

The tax plan is estimated to reduce taxes by $2.48 billion by FY 2017. However these cuts are offset by tax increases, modifications and a postponement in tax relief which total $733 million in FY 2016 and $248 million in FY 2017. In addition, the tax proposals for reducing manufacturers taxes also contain a narrowing of the definition of manufacturer so that fewer manufacturers can take advantage of not only the new tax reductions but also existing tax benefits.

The Executive proposal includes property tax relief, business and estate tax reductions as well as lowering the cost of operating local governments. The components of the plan follows:

Business Taxes

Corporate Tax/Bank Combination

The Executive proposes combining Article 9-A (Corporate Franchise Tax) of the tax law and Article 32 (Bank Tax) of the tax law. The Bank Tax would be eliminated and all Banks would be taxed under an amended Article 9-A.

The tax bases for Article 9-A would be amend as follows:

- Eliminate Article 9-A alternative minimum tax base and change entire net income base to a business income base.
- All Article 32 taxpayers will pay under one of the three Article 9-A tax bases: (1) new business income base; (2) business capital base; and (3) fix dollar minimum tax base.
- The current 3-factor Bank Tax apportionment formula would change to the current Article 9-A single receipts factor using customer sourcing rules.

The tax rates for Article 9-A would be amend as follows:

- Business Income Base: Reduce the top tax rate for the business income base calculation from 7.1 to 6.5 percent starting in taxable year 2016. Small businesses will continue to have a business income base rate of 6.5 percent. Qualified New York Manufacturers, retain the current reductions in the business income base rate from 5.7 to 5.5 percent for taxable years 2016 and 2017 and to 4.875 percent for taxable years starting on and after 2018.
- Business Capital Base: Reduce business capital base rates and caps the tax at $350,000 for Qualified New York Manufacturers. However, proposed changes in the definition of manufacturer will exclude many current taxpayers from qualifying for these rate reductions (See below). For other business capital base taxpayers, the tax cap would be raised from the current $1 million cap in Article 9-A to $5 million. A $5 million cap could benefit current Article 32

taxpayers that are not subject to a cap on liability.

- Fixed Dollar Minimum: Provide a new fixed dollar minimum tax base schedule for C corporation taxpayers with a new top amount of $200,000 for any company with New York receipts over $1 billion. The previous top amount was $5,000 and applied to any company with New York receipts over $25 million.

Combined Reporting

This proposal will require filing a combined tax return for any related business that is a unitary business and the corporation owns more than 50 percent stock in the related business. Also provides an option to file a combined tax return for all related businesses that meet a 50 percent stock ownership rule. If a taxpayer elects this option, the election must be used for a 7-year period and cannot be revoked during that period.

Nexus

Existing nexus requirements will be expanded to include a new **economic nexus standard** that subjects corporations to New York's Corporate Franchise Tax to include corporations that make at least $1 million in receipts from activity in New York regardless of whether the corporation exercises a corporate franchise, does business, employs capital, owns or leases property or maintains an office in New York. This change also includes eliminating the exemption from nexus for those companies whose only business activity within the state is the use of a fulfillment service to process orders for the out-of-state company.

MTA Surcharge

Makes permanent the MTA surcharge and conforms the tax base and apportionment rules (single sales factor) for the surcharge to the new Article 9-a rules. To maintain revenue neutrality for the MTA, the surcharge rate would be increased from 17 to 24.5 percent to offset a narrowing of the base that occurs when the surcharge rules conform with the new State rules. However, the revenue neutrality is based on the 6.5 percent tax rate, at 7.1 percent MTA taxes will increase. Additionally, given single sales factor apportionment, upstate businesses that do business in the MTA region will likely see be paying a larger portion of the surcharge than they currently are paying.

It is estimated that when fully implemented these changes will save businesses $346 million annually.

Upstate Manufacturing ENI Zero Rate/ Definition of ”Manufacturer”/ ITC Restriction

The Executive proposes reducing the corporate tax rate on upstate qualified New York manufacturers (outside the MTA region) from 4.88 percent to zero for Entire Net Income (ENI) calculation only (manufacturers will still pay corporate taxes under the capital base or fixed dollar minimum). Upstate qualified New York manufacturer is defined as a qualified New York manufacturer with zero allocation percentage within the MTA region.

Contained within this proposal is a **change in the definition of “manufacturer”** (qualified New York manufacturer) which will effect:

1) the zero ENI rate upstate,
2) the 20 percent property tax credit,
3) the current statewide 25 percent lower tax rates, and
4) the current Investment Tax Credit (ITC).

The new definition of “qualified New York manufacturer” will include: 1) those manufacturers that have 100 percent of their business in this state or 2) have at least a *fair market value* of $10 million in assets in this state (up from $1 million on *an adjusted basis*) or 3) if a company does not have more than 50 percent of its business in manufacturing, then they must have at least 2,500 manufacturing employees and $100 million in manufacturing property in this state. Under the new definition, a company must manufacture property for sale, if it manufactures items for use within their own business they will no longer qualify (e.g. ski resorts that manufacture snow for their own use).

Agricultural businesses, mining businesses, industrial waste treatment facilities, electric and gas generation and transmission businesses, fuel mixing businesses, film/television production and qualified emerging technology companies will no longer qualify as a manufacturer and subsequently not qualify for the zero ENI rate for upstate manufacturers, the 20 percent property tax credit and the current statewide manufacturer's 25 percent tax reduction.

The "ITC reform" proposal will only allow companies that fall under the new definition of qualified New York manufacturer, agricultural business and mining business and research property to qualify for the ITC credit. This change will narrow the definition and eliminate large groups of taxpayers from qualifying for tax benefits.

Additionally, the proposal **eliminates the Securities Industry ITC**. ($25 million reduction for the ENI, $30 million <u>increase</u> for ITC reform and an <u>increase</u> of $65 million for Securities ITC).

<u>Accelerate 18-a Surcharge Reduction</u>

This proposal will Accelerate the phase-out of the 18-a surcharge by eliminating the surcharge for industrial customers in 2014 and lowering the rates for all other customers: from 2.0 percent to 1.89 percent for the year beginning April 1, 2014; from 1.75 percent to 1.13 percent for the year beginning April 1, 2015; and from 1.5 percent to 0.83 percent for the year beginning April 1, 2016.

This will also result in a reduction in the amount paid for the year beginning April 1, 2017 from the current 0.75 percent to 0.415 percent. The current law surcharge is one-half of what was paid in the year beginning April 1, 2016. This amount is reflected in the financial plan in FY 2017 because it is paid by the utilities to the state 6 months in advance. ($200 million total impact beginning in FY 2015)

<u>Manufacturers Property Tax Credit</u>

This proposal creates a corporate and income tax credit equal to 20 percent of real property taxes paid by the manufacturer during the tax year. This credit is refundable and will begin April 1, 2014. ($136 million in FY 2016 and annually after).

<u>Estate Tax</u>

The exemption threshold for the estate tax would be phased-in from $1 million to the current Federal threshold of $5.25 million between 2014 and 2017. On January 1, 2019, the state threshold would be increased to equal the Federal threshold in effect for 2019 and will be indexed for inflation thereafter. In addition, the top estate tax rate would be reduced from 16 percent to 10 percent during that same time period. ($772 million in FY 2019)

<u>Local Government</u>

The FY 2015 Executive Budget proposal attempts to address New York's property tax burden by tying a "two year property tax freeze" credit to the property tax cap, consolidation and shared services.

In the first year of the credit, the homeowners local governments and school district must stay within the property tax for year one. To receive the credit for year two, the homeowners local governments and school districts must not only stay within property tax cap, but those municipalities must develop a plan for sharing or consolidating services that saves at least one percent of tax levy for participating entities for the following year. For the second year of the credit, two percent two years after the credit and three percent for three years after the credit.

The plan for sharing or consolidating services will be administered by the County Government for its local governments and dependent school districts. In the event the County abdicates their roll in administering the plan, the largest City, Town or Village in the County would be in charge of coordinating the plan.

For Independent school districts, the plan will be coordinated by the school district with the largest enrollment in the BOCES district. In the event the largest school district abdicates their roll in administering the plan, the next largest school in the BOCES district will administer the plan.

All savings achieved through a plan of action must then be applied to property tax relief. For school districts, a failure to fully implement the efficiency plan by the end of the 2016-17 school year and for local governments by the end of 2017 could result in the State withholding any aid payment to the local government or school district.

Property Tax Relief Residential

Property Tax Freeze Credit

Under the plan, the State would essentially freeze real property taxes by allowing homeowners to claim a refundable personal income tax credit equal to the year-over-year increase in the homeowner's real property taxes. In order to qualify for the credit, the homeowner must meet the following criteria:

- be STAR eligible – have total household income less than $500,000;
- live outside New York City; and
- reside in jurisdictions that abide by the 2 percent real property tax cap.

The credit would be available to homeowners for taxable years 2014 – 2016 and would apply to real property taxes as follows:

- 2014 - only school property taxes,
- 2015 – school and municipal property taxes, and
- 2016 – only municipal property taxes.

Similar to the current Family Relief Tax credit, the property tax freeze credit would be an advance refund of the credit to be paid in the Fall in the form of a check.

While the first year of the credit would apply to homeowners in school districts and municipalities that stay within the tax cap, the second year of the credit would only apply to homeowners that reside in jurisdictions that abide by the property tax cap and those jurisdictions that take "meaningful" concrete steps toward finding permanent structural savings by sharing services with other jurisdictions or consolidating governments in their entirety.

Taxing jurisdictions would have to certify with the Tax Department and the Office of the State Comptroller that they comply with the tax cap. They would also have to submit efficiency plans to the Department of State which result in tax levy savings of at least one percent, two percent, and three percent in fiscal years 2017, 2018, and 2019, respectively.

Approximately 2.8 million homeowners would benefit from the credit, receiving an average benefit of $354. (total value of the credit: 2014 - $400 million, 2015 - $976 million, and 2016 - $475 million)

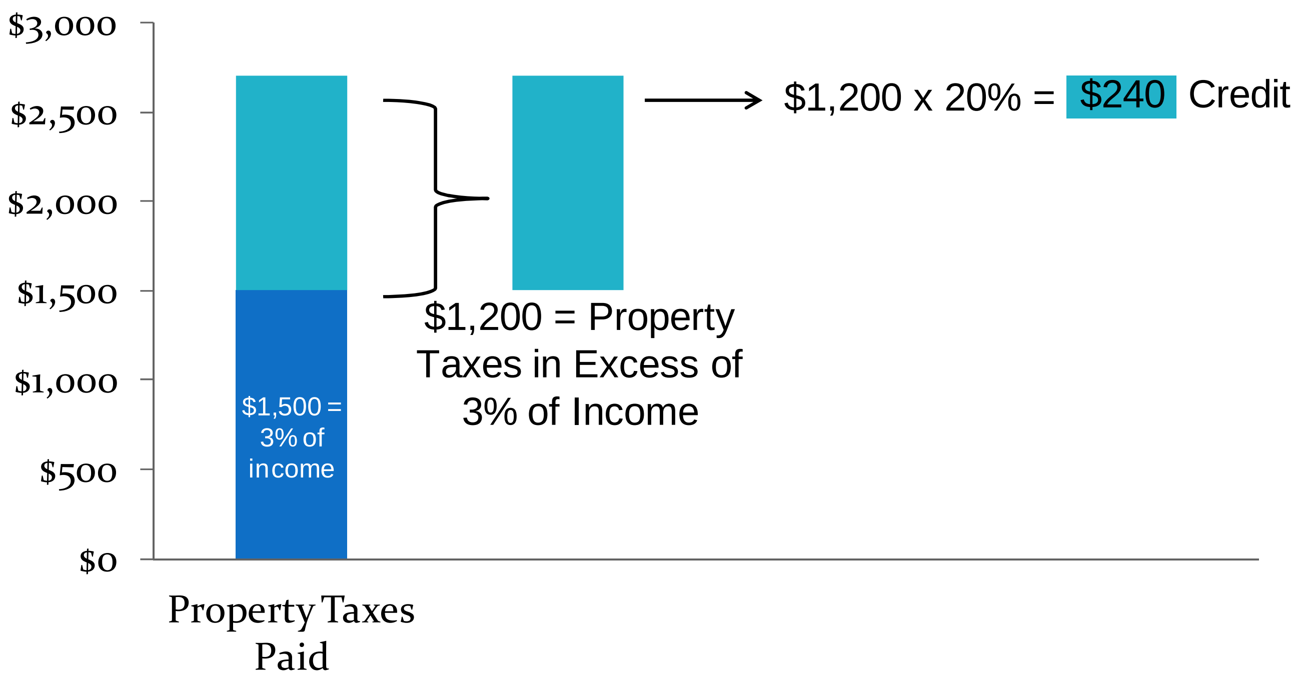
Circuit Breaker

The plan recommends a new circuit breaker income tax credit for homeowners with household incomes less than $200,000 and whose real property taxes exceed a certain percentage of their incomes. The tax credit would be phased in over three years and would be capped at $1,000. The credit would be calculated as follows.

- For homeowners with household incomes less than $120,000, the credit would be equal to 20 percent of the property taxes paid in excess of three percent of the taxpayer's income.

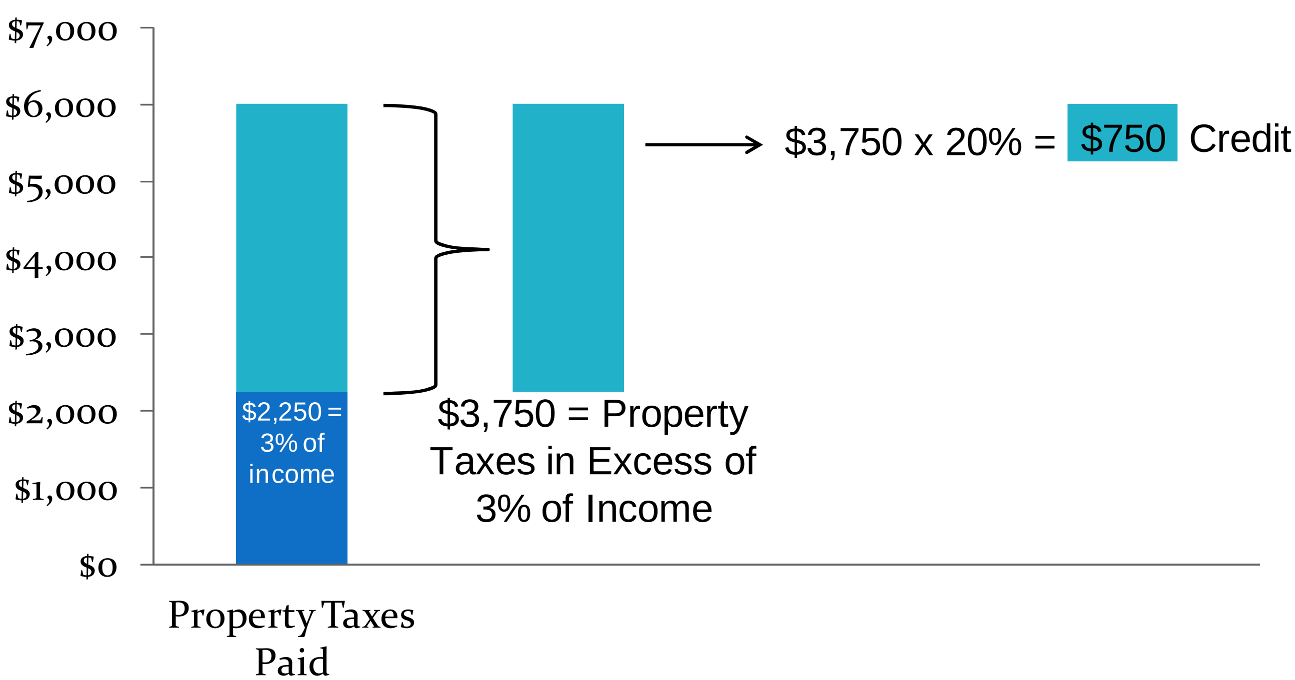
How a Circuit Breaker Credit Works

$50,000 Income with $2,700 Property Taxes Paid



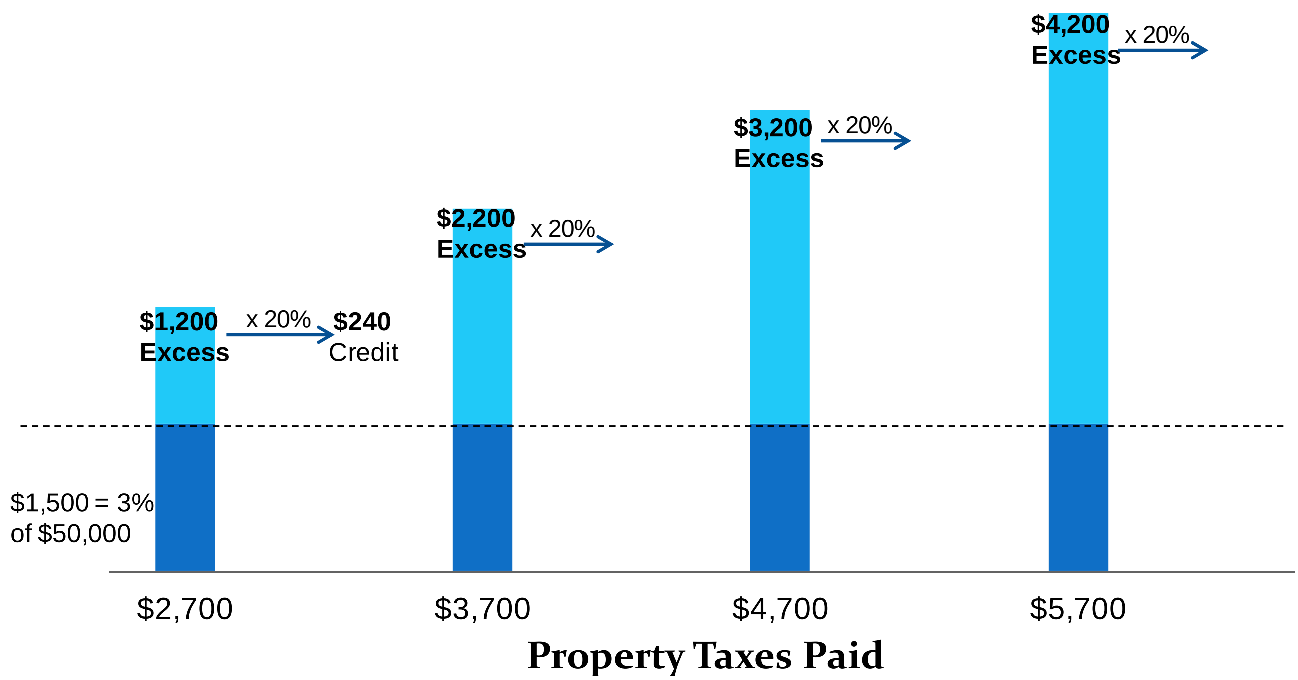
How a Circuit Breaker Credit Works

$75,000 Income with $6,000 Property Taxes Paid



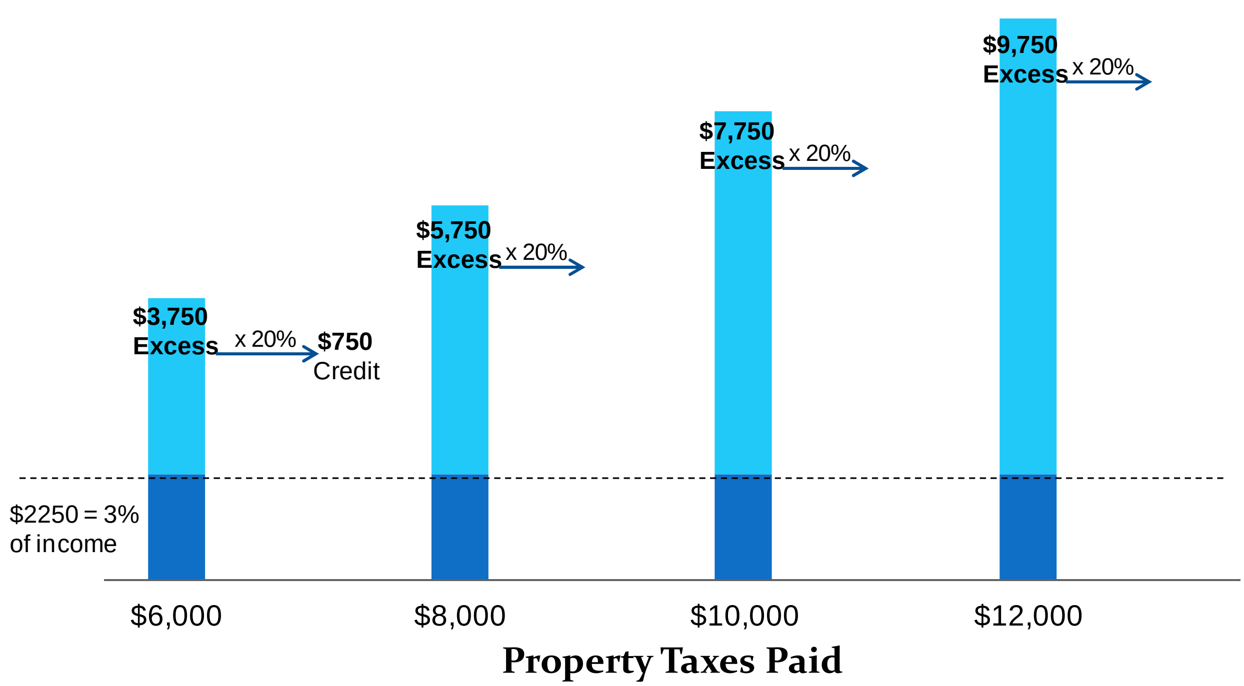
Circuit Breaker by Property Taxes Paid

(at $50,000 of Income)



Circuit Breaker by Property Taxes Paid

(at $75,000 of Income)



*Governor's Plan has a $1,000 cap on the credit that can be received

- For homeowners with household incomes between $120,000 and less than $150,000, the credit would be equal to 15 percent of the property taxes paid in excess of four percent of the taxpayer's income.
- For homeowners with household incomes between $150,000 and less than $200,000, the credit would be equal to 10 percent of the property taxes paid in excess of five percent of the taxpayer's income.

Similar to the property tax freeze credit, the homeowner must reside in a taxing jurisdiction that stays within the property tax cap. For New York City taxpayers, the property tax cap provision would not apply. In addition, a homeowner would be able to claim both the real property circuit breaker tax credit and the property tax freeze credit.

Approximately two million homeowners would benefit from this credit, receiving an average credit of approximately $500. The following table shows the distribution of homeowners and the average credit by region.

DISTRIBUTION OF CIRCUIT BREAKER RECIPIENTS		
	Percentage of Eligible Homeowners	**Average Credit**
New York City	15%	$425
Downstate Suburbs	48%	$740
Upstate	37%	$380

Renter's Credit

The plan recommends a refundable personal income tax credit for renters, phased in over two years. In order to qualify for the credit, the renter must meet one of the following criteria:

- Single, age 65 or over,
- Married with one spouse age 65 or older,
- Married with at least one dependent, or
- Head of household with at least one dependent.

The income threshold to qualify for the credit would be $50,000 and $100,000 for single and married renters, respectively and would be based on the renters federal adjusted gross income. Unlike the circuit breaker, the renter's credit would not be dependent upon the property tax cap.

The amount of the credit varies based upon income. For the single, senior renter, the credit would range from $140 to $220. For married, senior renters, the credit would range from $114 to $230. For renters with dependents, the credit would be at least $114 and increase depending on the number of dependents with no limit on the number of dependents that can be claimed.

The average benefit from the renter's credit would be approximately $300. The following table shows the distribution of homeowners and the average credit by region.

DISTRIBUTION OF RENTER'S CREDIT RECIPIENTS		
	Percentage of Eligible Renters	**Average Credit**
New York City	68%	$315
Downstate Suburbs	13%	$280
Upstate	19%	$285

Youth Tax Credit

This plan proposes to expand the current Youth Tax Credit program by increasing the cap from $6 million to $10 million annually, adding a second $1,000 credit for employers that keep a youth employed for an additional year (in addition to the current $4,000 potential credit for one year of employment) and lowers the number of hours to be considered part time to ten hours for high school students.

Nuisance Taxes

The plan proposes repealing several taxes that are either obsolete or collect little in the way of revenue. the tax on Agricultural Cooperatives;

the Stock Transfer Tax; and the "Add On" Minimum Tax in the Personal Income Tax.

Repeal Boxing and Wrestling Exhibitions Tax

The Boxing and Wrestling Exhibitions Tax imposes a three percent tax on admissions to Boxing and Wrestling events as well as a tax on the transmission of such events. By repealing the tax, admissions would then become automatically **subject to state and local sales tax** at an average eight percent rate. (A minor increase for state and local revenue)

Tax Simplification

The plan proposes raising the personal income tax filing threshold from $4,000 to the standard deduction.

The plan would also modify e-filing requirements for returns prepared by tax professionals by simplifying electronic signature provisions.

Additionally, the plan would align the filings for the mobility tax and personal income tax for the self-employed so that they can be filed at the same time and paid with one check.

The Executive also has several revenue increases to partially offset the tax reductions. The manufacture's definition changes and ITC eliminations were mentioned above within the manufacturer's ENI rate elimination. Other changes of significance are as follows:

Taxation of Resident Trusts

In order to offset a portion of the revenue loss from the estate tax reduction, the tax plan would change the way by which certain trusts are taxed in New York. The change would impact how income accumulated is taxed in certain resident trusts, non-resident trusts, and incomplete, gift non-grantor trusts.

The definition of a resident trust is a trust where the person who created the trust is a resident; not where the trust is located nor where the beneficiaries reside. Similarly, a non-resident trust is one where the person who created the trust does not reside in New York. An incomplete, gift non-grantor trust is a trust established by the creator of the trust to transfer property to the trust as a gift and to avoid state income taxes.

All the income of a resident trust is subject to tax. However, certain resident trusts are exempt from the tax. These are trusts in which all the trustees, those who are administering the trust, are non-residents; the trust itself is located outside the State; and all income and gains from the trust are from non-New York sources. In the case of these exempt trusts, the beneficiaries of the trust can be residents.

Under the tax plan, beneficiaries of exempt resident trusts and non-resident trusts would be required to increase their New York adjusted gross income for any accumulated income from the trust. For those taxpayers with incomplete, gift non-grantor trusts, any income earned on the property in the trust would be required to be added into New York adjusted gross income. (Increased revenues of $150 million)

Senior STAR Income Threshold Freeze

For FY 2015 the Executive proposes to eliminate the income threshold inflation adjustment for enhanced STAR recipients. This will permanently freeze the income threshold at $81,900. The income threshold has been increased annually since 2003-04 by a cost of living adjustment. (Revenue increase of $3 million annually)

Family Relief Tax Credit

The FY 2014 Enacted Budget created the Family Relief Tax credit which provided a refundable personal income tax credit equal to $350 for families with dependent children under the age of 17. The credit was made available to qualifying taxpayers in tax years 2014, 2015, and 2016.

Currently, the payment of the credit takes the form of an advance refund to be paid to qualifying taxpayers in the Fall of the eligible tax years. For example, the credit available for tax year 2014 will be advance refunded to taxpayers in Fall 2014. The Executive's tax plan would eliminate the payment of the advance refund for tax years 2015 and 2016. For those tax years, qualifying taxpayers would claim the credit when they file their annual tax returns.

With the change in the method by which the credit will be made, how the taxpayer would qualify for the credit would change under the tax plan. Currently, in order to claim the credit, the taxpayer must satisfy the following criteria: be a resident of the State, have one or more children under the age of seventeen, have income between $40,000 and $300,000, and have a personal income tax liability greater than zero. However, these criteria apply to the taxable year two years preceding. For example, in order for a taxpayer to qualify for the credit in 2014, he must have satisfied the above criteria in 2012. By eliminating the advanced payment of the credit, the proposal eliminates the "look back" to qualify for the credit. As a result, for tax years 2015 and 2016, the taxpayer would have to satisfy the criteria in the current tax year instead of tax years 2013 and 2014, respectively.

START-UP NY

At the end of the 2013 Legislative session, the SUNY Tax-Free Areas to Revitalize and Transform Upstate (START-UP) New York program was enacted to create tax free areas around the State's colleges and universities. Under this program, businesses, as well as their employees, locating near and partnering with the State's colleges and universities are offered tax benefits which eliminate any New York tax liability. The tax benefits are available as credits or deductions under the corporate income tax, the personal income tax, and the sales tax. Those businesses locating on a college campus also benefit from real property tax exemptions.

Tax Free Areas

The amount of space that can be designated as tax free areas depends upon where the partnering college or university is located and whether or not the partnering school is a public or private institution. In addition, business incubators affiliated with higher education institutions and strategic state assets can also be designated as tax free areas. The amount of eligible space is as follows.

SUNY schools and community colleges **outside** Long Island, NYC, or Westchester County:

- Vacant land or space on campus
- 200,000 square feet of property within a mile of the campus
- Property outside the one mile radius with approval of the Department of Economic Development

SUNY schools and community colleges in Westchester County, NYC, or on Long Island:

- Vacant land or space on campus
- Businesses locating in the space have to be high tech or bio tech or start-ups
- The business incubator at Downstate Medical Center
- 200,000 square feet for SUNY Maritime
- Community colleges located in NYC are excluded unless the college owns or leases property north of Westchester County

CUNY schools:

- Five campuses – one per borough – located in an economically distressed community and designated by the CUNY board of trustees
- Vacant land or space on campus

Private colleges or universities:

- Up to three million square feet statewide
- Vacant land or space on campus
- Vacant land or space outside of New York City and the counties of Nassau, Suffolk, and Westchester
- Of the three million square feet, 75,000 square feet per county will be allocated to Nassau, Suffolk, and Westchester counties and each of the five boroughs of New York City
- Private colleges downstate are subject to the same limits as the downstate SUNY campuses and community colleges
- Space is designated by the three member START-UP NY approval board comprised of appointees by the Senate, Assembly and Governor

Strategic State Assets:

- Property owned by the State that is closed or vacant such as the recently closed prisons, mental health institutions or youth facilities.
- Strategic assets would have to be affiliated with a college or university.
- The State would retain ownership of the land.
- Twenty strategic assets would be designated by Empire State Development Corporation (ESDC)
- Limited to 200,000 square feet of each strategic asset.

All business incubators would be eligible to be tax free areas as long as they are affiliated with a college or university.

Designation Process

In order to be designated a tax free area under the START UP NY program, the higher education institution must submit a plan to the Department of Economic Development (DED) for approval. The plan must include the following:

- The name and address of the land to be designated as a tax free area;
- A description of the physical characteristics of the space to be designated;
- The amount of land or space to be designated;
- A description of the businesses that may locate to the tax free area;
- A description of the academic mission of the higher education institution and how the businesses would align with the academic mission;
- A description of how the participant businesses would generate positive economic and community benefits;
- A plan for selecting the participating businesses;
- A copy of the Conflict of Interest guidelines; and
- Certification that no academic or administrative programs or any facilities of the institution have been relocated to create the tax free area.

A copy of the plan must also be submitted to the municipality in which the tax free area is to be designated. If the tax free area is to be located on land or space outside of the campus, the higher education institution must consult with the affected municipality.

For private colleges and universities, the plan for the tax free area will be forwarded from DED to the START UP NY Approval Board for approval. As mentioned above, the Approval Board is comprised of appointees of the Governor, the Temporary President of the Senate, and the Speaker of the Assembly. In order to receive an allocation of the three million square feet, the plan of the private college or university would have to receive a majority vote of the Board. Preference will be given to those plans locating in underutilized properties or in counties with a city with a population of 100,000 or more without a university center (i.e. those cities that do not have a SUNY campus within their boundaries such as Rochester and Syracuse).

Eligible Businesses

Upon approval of the plan for a tax free area, the higher education institution can solicit businesses to locate within the tax free area. New businesses to the State can locate in a tax free area. Businesses that are expanding can only locate in a tax free area if they have net new jobs in the State and if the expansion incorporates as a new business.

The following types of businesses are **not** eligible to participate in the START UP NY program:

- Retail, wholesale, or personal service businesses,

- Restaurants or hospitality businesses,
- Real estate brokers or real estate management companies,
- Law firms,
- Medical or dental practices,
- Finance and financial services,
- Accounting firms,
- Utilities, or
- Businesses providing administrative or support services, unless such business creates 100 or more jobs.

A business can also be excluded from the Program if it competes with other businesses in the same community.

Current Status of Program

Since enactment of START UP NY, ESDC completed regulations on the program which are currently in the public comment period and are due to be adopted by the end of February. ESDC also included a page on its website which identifies 108 properties within and around SUNY and community college campuses throughout the State that may be eligible for the program.

In relation to the submission of plans by the colleges and universities, approximately 25 of the State's public higher education institutions have submitted plans to DED. Of these plans, only a few are actual applications for approval; the remainder having been submitted solely for feedback from the agency. None of the private higher education institutions in the State have submitted plans since the START-UP NY Approval Board has yet to be appointed by the Executive.

NYS PROPERTY TAX CAP

New York State Property Burden Compared

Counties, towns villages, certain cities, special districts and school districts in the State of New York are now beginning their third year under the State's historic property tax cap relief legislation passed in 2011. The legislation was a response to growth in the local property tax burden across the State. According to the State Comptroller growth in property taxes skyrocketed by over 73 percent for school districts between 2001 and 2011 and by 53 percent in county property taxes. Counties across the State placed in the top ten nationally for highest tax burden. New York State property taxes increased at an average rate of nearly **six percent per year** – more than twice the rate of inflation over the same period[1]. When compared to roughly 2,700 counties nationally, all New York counties are in the top 24 percent of Median Property Taxes paid between 2006 and 2010[2]. Of that amount 39 counties fall within the top 10 percent of Median Property Taxes paid in the same comparison[3].

When comparing property taxes as percentage of home value 47 New York counties were in the top 10 percent nationally between 2006 and 2010[4]. Even when measuring property taxes as a percentage of income all New York counties were in the top 18 percent nationally between 2006 and 2010[5].

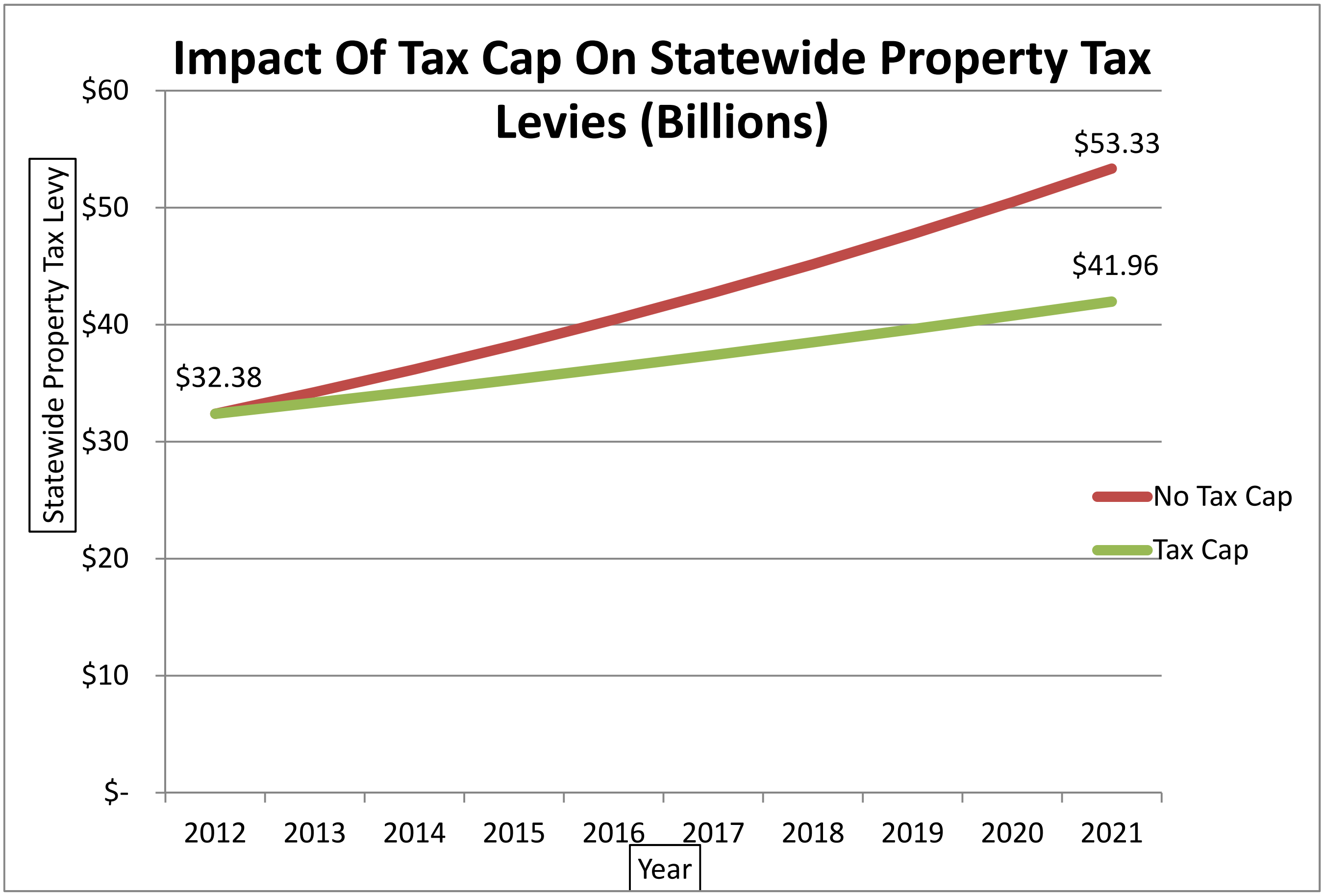
New York Property Tax Cap Enacted

The State's property tax cap was enacted in conjunction with a State commitment to enact meaningful mandate relief as well as a statutory commitment to annually increase state aid to schools in an amount equal to the annual growth in personal income across the State.

The State of New York's property tax cap focuses on the actual property taxes levied to support school district and local government expenses. The law became effective in local fiscal years starting on or after Jan. 1, 2012. The law limits the annual growth of property taxes levied by local governments and school districts to two percent or the rate of inflation, whichever is less. **In the first two years of the cap it is estimated that property tax payers saved approximately $1.2 billion[6].** As the following chart shows the cap is estimated to save taxpayers over $11.4 billion in the next ten years. Comparatively speaking the property tax cap has had the greatest effect on school district levies. The average increase in levy for school districts was 2.24 percent in FY 2012 and 3.07 percent in FY 2013. In the last year over 96 percent of all school budgets proposed passed in the State of New York.

[1] Annual Report on Local Governments 2011, NYS Comptroller.
[2] Based upon a Tax Foundation report analyzing and ranking property tax data of 2,773 counties within the United States through the years 2006-2010. Comparative data available from the Tax Foundation is limited through 2010.
[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] Estimate based on a 10 year average levy increase statewide (4.59 percent). Increase compared to actual school district increases from the NYS Property Tax Report Card (State Education Department).

A small percentage of schools attempted to override the property tax cap with a success rate of 23 percent. The practical effect of the property tax cap has been the altering of behavior in budgeting at the local level.



The cap was only one part of the State's commitment to school districts, local municipalities and property tax payers. Over the same two year period in which the property tax cap was in effect the State has increased aid to school districts by over $1.8 billion or 9.2 percent. The rate of inflation over that same period was 4 percent. The Executive has proposed a FY 2015 general support for public schools aid package of $802 million or 3.8 percent. This proposal is in line with the State's aggressive approach to providing substantial State aid increases while containing the largest component of local property tax levy growth.

In addition to a major infusion of additional state aid resources the State has committed to provide mandate relief to municipalities translates in to cost savings and budget relief for localities. Since January 1, 2011, the Senate has adopted a wide range of mandate relief proposals, of which over 63 have become law.

Major local savings initiatives in the FY 2014 Enacted Budget include:

- Beginning April 1, 2013 require the pre-payment of enhanced Federal Medicaid funds associated with the Affordable Care Act (ACA) that are scheduled to be paid to counties beginning January 1, 2014. This provides $80.6 million in county savings during Calendar Year 2013 and $107 million in county savings over the Fiscal Year 2014 time frame. Currently counties pay a local share of the federally mandated Medicaid program. Beginning in FY 2013, Counties will save roughly $1.2 billion over 5 years ($187 million in FY 2015) as a result of the State takeover of the growth in the local share of the Medicaid program. This amount was enhanced in FY 2014 by requiring that counties receive pre-payment of enhanced Federal Medicaid funds associated with the Affordable Care Act. This saves counties approximately $190 million over a two-year period beginning in 2013.

- Stable Pension Contribution System for municipalities and school districts ($6.4 billion in savings over 5 years).
- Increase collaboration between the Office of the Medicaid Inspector General (OMIG) and local social service districts by requiring the OMIG to develop training materials for identifying fraud and abuse, to meet quarterly with representatives of local service districts, and to develop a work plan for such collaboration. Increases from 10 percent to 20 percent the local share of savings resulting from Medicaid recoveries under the county demonstration program.
- Workers Compensation Reform that provides $45 million in annual savings to localities.

Mandate Relief for School Districts in the FY 2014 Enacted Budget includes:

- Provide relief by repealing the requirement for BOCES to perform special education space requirements every five years ($3.2 million in savings);
- Provide relief by permitting school districts to take their annual census biannually ($1.7 million in annual savings);
- Provide relief by exempting school districts with less than 1,500 students from the internal control audit requirement ($19.3 million in annual savings);
- Provide relief by permitting school districts that were unable to open due to an extraordinary circumstance, natural disaster or emergency to obtain up to a 10-day waiver to the 180 school day requirement (ensures no loss in State aid);
- Provide relief by limiting school districts expenditures by freezing the formula for Charter School basic tuition at school year 2010-11 levels instead of allowing the formula to be updated ($41.5 million in savings);
- Provide relief to over 500 school districts by enactment of a two-year moratorium on assumed amortization interest rates used to calculate Building Aid ($155 million in savings);
- Provide access to statutorily restricted reserve funds to maintain educational programming; and
- Provide targeted relief to various school districts facing penalties and exorbitant chargebacks ($4 million in savings).

Mandate Relief for School Districts in the FY 2013 Enacted Budget includes:

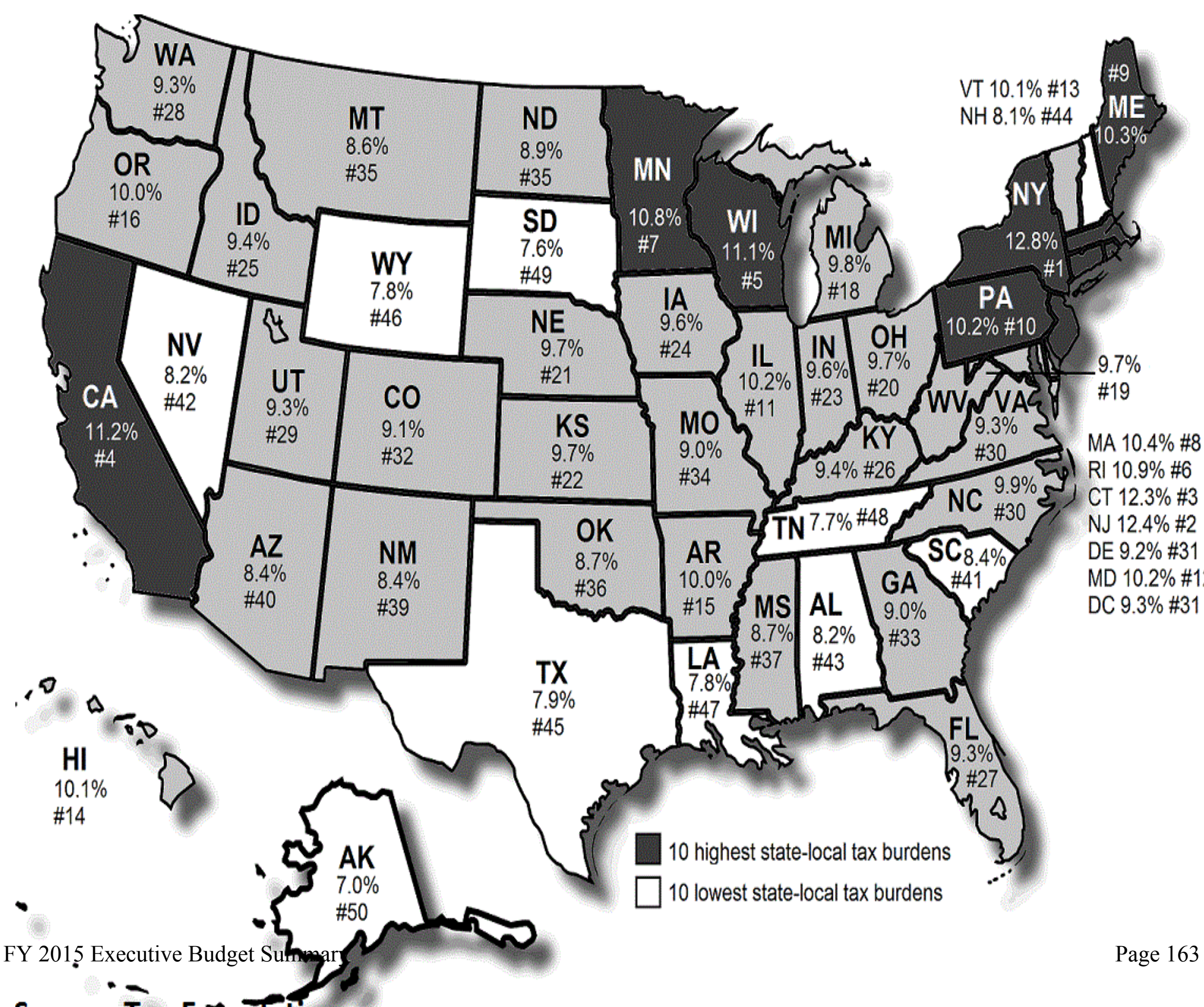
- State Takeover of Medicaid Growth Cap (2012-13 Enacted Budget) – Counties and New York City Savings: $1.17 billion over 5 years. Legislation phases in the full takeover of the county share of the cost of growth in the Medicaid program;
- Provided relief by enacting an amnesty provision (to reclaim previously denied and/or recovered State Aid) for school districts that failed to submit Transportation contracts and/or submitted contracts with errors and had State Aid denied ($10-12 million in savings);

- Provided relief by extending the provision for school districts to use excess Employee Benefit Accrued Liablity Reserve (EBALR) funds to maintain educational programs (Up to $118 million in excess funds is available for districts to access);
- Provided relief by enacting an amnesty provision for school districts that have late filed or unfiled final cost reports for building projects SED approved prior to July 1, 2011 (Over $100 million in final cost report penalty avoidance (savings) and additional prior year aid (funding); and Provided relief to school districts (on teacher disciplinary procedures) by requiring the parties to select a hearing officer within 15 days and limiting the submission of evidence within 125 days of filing. Savings will result from reduced expenditures for substitute teachers and administrators as well as a reduction in legal fees.

<u>The Full Impact of the roperty Tax Cap Takes Time to be Realized</u>

Massachusetts has the longest history with an enacted property tax cap. "Proposition 2½" both a levy cap and a rate cap, was a reaction to the fact that Massachusetts was among the highest taxed in the nation. The cap has been successful in lowering the property tax burden in Massachusetts. In the first 20 years following the passage of "Proposition 2½", the per capita residential property tax levy dropped 1.6 percent, after adjusting for inflation[i].

According to the Tax Foundation, since the enactment of "Proposition 2½", Massachusetts dropped from 3rd nationally in 1980 to a high of 17th in 2007 and as of 2010 they are 8th in the nation on the measure of state and local tax burden[ii]. Massachusetts business tax climate ranking, of which property taxes is a significant factor, was 25 is 2013, far below its geographic



Source: Tax Foundation

peer states of Rhode Island (46), Connecticut (42), New York (50) and New jersey (49). In 1980, the combined Massachusetts state-local tax burden was 11 percent of resident income, well above the national average and only behind New York and Wisconsin. As of 2010, the total Massachusetts tax burden was 10.4 percent slightly above the national average of 9.9 percent. New York's state and local tax burden was 12.8 percent in 2010 a full 2.9 percentage points or 29 percent above the national average. Over the same time period Massachusetts dropped in ranking in terms of state and local tax burden while New York maintained its number one position as the state with the highest state and local tax burden.

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[i] NYS Commission on Property Tax Relief. Final Report 2008.

[ii] The Tax Foundation State and Local Tax burden 2010.

LOCAL GOVERNMENT & MANDATE RELIEF

Throughout much of the past decade, the State placed much of its focus on reducing the property tax burden by providing local municipalities (Counties, Cities, Schools, Towns and Villages) with more State aid to help offset property tax increases. In New York State, Counties (17%) and Schools (62%) account for the majority of property tax increases in the State. As seen in the Local Government Total Spending, State Aid & Property Tax Growth Chart below the increases in state aid did very little to impact the growth of property taxes in Counties and School Districts. Since 2004, State Aid increased by approximately 29.49 percent for combined County and School property taxes. This increase in aid was below the approximate 37.14 percent increase in total government expenditures. During the same time period, New York State (Outside NYC) had an average increase of 4.14 percent per annum in Property Tax levied from 2003-2012. However, in the first year of the property tax cap, property taxes have increased by 2.16 percent.

County & School District Government* Total Spending, State Aid & Property Tax Growth

Local Fiscal Year	% Increase (State Aid)	% Increase (Expenditures)	% Increase (Property Tax)
2004	1.54%	4.46%	7.97%
2005	5.15%	5.15%	6.34%
2006	5.14%	5.50%	5.32%
2007	12.43%	7.86%	3.79%
2008	5.18%	4.97%	3.61%
2009	8.43%	3.79%	2.24%
2010	-7.28%	2.66%	2.78%
2011	-1.56%	1.03%	3.06%
*2012	0.07%	1.43%	2.16%
Increase Over 2004	**29.49%**	**37.14%**	**4.14%**

*First Year Of The Property Tax Cap

In addition to the property tax cap, in the last several years, the State has taken the following steps to reduce the property tax burden.

- 2010 - Changing the local government statutory consolidation and mergers procedures to encourage increased local government efficiencies.
- 2011 - $75 million local government consolidation aid program to encourage more mergers and sharing of services
- 2011 – 2013 Mandate Relief Legislation passed
- 2013 – State Takeover of the Local Growth of Medicaid.
- 2013 – Financial Restructuring Board
- 2013 – School Aid and other Local aid increases.
- 2013 – Local Aid from revenues derived from the Casino Gaming legislation

Local Government Consolidation

According to the latest New York State Comptroller data, New York has 3,984 local governments. This total includes Counties, Cities, Towns and Villages (1,602), Fire and School Districts (1,577) and Industrial Development Authorities, Local Public Authorities, Off Track Betting Corporations, Public Libraries, BOCES, Community Colleges, Consolidated Health Districts and Soil and Water Conservation Districts (805). The local government count does not include free association libraries, local development corporations, housing authorities, urban renewal agencies, community development agencies, joint activities, municipal hospitals, or regional planning boards. When these municipal entities are included, the State has upwards of 10,500 local government entities, however not all of these local units have the ability to levy property taxes.

In 2010, the procedure for local government consolidation was amended so that citizens could petition for a merger to occur. Prior to this the process requested the local governing body to put forth a petition. The Empowerment Act law requires signatures of 10 percent or 5,000 registered voters within the effected municipality, whichever is less, to initiate the process. If municipalities have a population less than 500, the law requires signature of 20 percent of the registered voters. The referendum would only approve the idea of dissolution or consolidation, and an actual plan will have to be formulated by the local government body, with input from the public.

Additionally, beginning in 2011, $75 million in local government consolidation and shared services aid was included in the FY 2012 enacted budget. Prior to this there was State funding in the budget for local government efficiency, mergers and shared services. The funding amount was $29 million in FY 2009, $13.5 million in FY 2010 and $6 million in FY 2011. In current FY 2014 and again in proposed FY 2015, the program is restructured so that a portion of the $80 million in the FY 2015 Executive Budget has to be approved by the Financial Restructuring Board. According to the Department of State website *"Overall, this program has been a great success and is expected to result in more than $418 million in savings to taxpayers from $46 million invested in 294 shared services and consolidation projects."*

These statutory amendments and new aid programs have had little impact on actual dissolution, consolidation and mergers of local governments. Since 2003, nine villages have dissolved and four new villages have been incorporated (a decrease of five villages since 2003), less than a one percent decrease.

Two other Northeast states, Massachusetts and New Jersey, instituted property tax caps before New York State. Both States have a lower overall number of local governments compared to New York State. According to the Census Bureau 2012 data, which calculates the number of local government units differently than the New York State Comptroller, New York State has 3,454 local government units, while Massachusetts has 852 and New Jersey has 1,344.

Nationally, there have not been a significant number of local government consolidations. According to 2012 census data, there were 89,004 local governments across the United States, a reduction of 472 since 2007, representing a small fraction of the total. Over the five year period, special districts accounted for most of the consolidation. Nationwide, the number of special districts declined by 345, compared to a reduction of 127 total counties, townships and other general-purpose governments.

The Massachusetts property tax cap was enacted in 1980. Massachusetts began abolishing (mostly through State statute) counties in the early 1990s when Middlesex County defaulted on some of its debt and was moving towards bankruptcy. Currently, there are a limited number of counties in Massachusetts. Most county responsibilities, liabilities and property were transferred to the state

Mandate Relief

In addition to the property tax cap, since 2011 New York State has enacted into law over 63 mandate relief initiatives. The goal is to enable local governments to stay within the property tax cap and provide further tax relief. These actions range from taking over certain local expenses to eliminating State requirements that result in lower costs for municipalities.

Currently counties pay a local share of the federally mandated Medicaid program. Beginning in FY 2013, Counties will save roughly $1.2 billion over 5 years ($187 million in FY 2015) as a result of the State takeover of the growth in the local share of the Medicaid program. This amount was enhanced in FY 2014 by requiring that counties receive pre-payment of enhanced Federal Medicaid funds associated with the Affordable Care Act. This saves counties approximately $190 million over a two-year period beginning in 2013.

Another major mandate relief initiative helps reduce pension costs for localities. In 2012 tier six was created within the pension system for new hires that included increased employee contributions, an increase in retirement age and other cost saving measures. It is estimated that the new tier will save pension systems $80 billion over 30 years. In addition, in 2013 localities and school districts can take advantage of a stable contribution rate that could provide savings of roughly $6.4 billion.

In FY 2013 and FY 2014 schools were provided enacted mandate relief by:

- Extending the provision for school districts to use excess Employee Benefits and Accrued Liability Reserve funds to maintain educational programs (Up to $118 million in excess funds is available for districts to access).

- Enacting an amnesty provision for school districts that have not filed or filed their final cost reports late for building projects SED approved prior to July 1, 2011 (Over $100 million in financial cost report penalty avoidance (savings) and additional prior year adjustments aid (funding).

- Enacting a two-year moratorium on assumed amortization interest rates used to calculate Building Aid ($155 million in savings to over 500 school districts).

- Exempting school districts with less than 1,500 students from the internal control audit requirement ($19.3 million in annual savings).

- Limiting school districts' expenditures by freezing the formula for Charter School basic tuition at school year 2010-11 levels instead of allowing the formula to be updated ($41.5 million in savings).

Mandate relief for localities was included in a 2011 omnibus package which provided over $127 million in potential savings for localities and school districts.

Financial Restructuring Board

In 2013, the Financial Restructuring Board for Local Governments was created to help fiscally distressed local governments find ways to improve their finances. Any county, city (except New York City), town, or village deemed a Fiscally Eligible Municipality by the Board may request, by resolution of its governing board with the concurrence of its chief executive, a Comprehensive Review from the Board. If the Board decides to undertake a Comprehensive Review of a municipality, it can request any information necessary to understand the municipality's finances and operations. Based on this information, the Board will make recommendations to that municipality on ways to improve its fiscal stability, management, and the delivery of public services.

In addition, the Board can offer grants and/or loans of up to $5 million through the Local Government Performance and Efficiency Program for undertaking certain recommendations. If the municipality agrees to undertake the Board's recommendations, it would be contractually bound to fulfill those terms in order to receive the aid.

The Board also serves as an alternative panel for binding arbitration. If a municipality is a Fiscally Eligible Municipality and eligible for binding arbitration with a municipal union (e.g. police, fire, or deputy sheriff union), the municipality, by resolution of its governing board with the concurrence of its chief executive, and the municipal union may jointly agree to have the Board serve as its binding arbitration panel. The Board can make a just and reasonable determination of the matters in dispute by majority vote. The determination will be final and binding on the municipality and municipal union.

Property Tax Freeze Executive Proposal

The FY 2015 Executive Budget proposal attempts to address New York's property tax burden by tying the property tax cap, consolidation and shared services together in the form of a property tax credit "two year property tax freeze".

In the first year of the credit, the homeowners local governments and school district must stay within the property tax for year one. To receive the credit for year two, the homeowners local governments and school districts must not only stay within property tax cap, but those municipalities must develop a plan for sharing or consolidating services that saves at least one percent of a participating entities tax levy in the year following the second year of the credit, two percent two years after the credit and three percent for three years after the credit.

The plan for sharing or consolidating services will be administered by the County Government for local governments and dependent school districts. In the event the County abdicates their roll in administering the plan, the largest City, Town or Village in the County would be in charge of coordinating the plan.

For Independent school districts, the plan will be coordinated by the school district with the largest enrollment in the BOCES district. In the event the largest school in the BOCES district abdicates their roll in administering the plan, the largest City in the County.

All savings achieved through a plan of action must then be applied to property tax relief. A failure to fully implement the efficiency plan for school districts by the end of the 2016-17 school year and for local governments by the end of 2017 could result in the State withholding any aid payment to the local government or school district. (For a more detailed description of the tax credit, please reference the Executive's Tax Relief Plan in the Senate's Issues In Focus Section, the Article VII and Receipts, Taxes, and Fees sections.)

This proposal in effect will penalize homeowners who live in municipalities that do not abide by the conditions laid out in the proposal or who fail to achieve the proper savings from their plan of action. There are also concerns about how this policy will be administered by the local government in charge of coordinating the efficiency plan and how the homeowner will know the exact amount of credit they are eligible for. As seen in New York and in other States, policy proposals to encourage local governments to consolidate and enter into shared services agreements do not have a strong history of success.

UNIVERSAL FULL-DAY PRE-KINDERGARTEN

Executive Proposal FY 2015

The Executive Budget proposes a $1.475 billion multi-year Pre-Kindergarten expansion similar to New York's existing Full-day Pre-kindergarten grant program enacted in FY 2014. The Executive would provide $100 million in additional funding beginning with the 2015 SY increasing by $100 million in each of the next four years. Unlike the existing grant program, funding for the proposed initiative is likely to be determined by a formula allocation. Although priority will first be given to phasing in funding for high needs school districts, the Executive's commitment is to make funding available for all school districts seeking to provide a full-day Pre-kindergarten program for all the State's four-year old children. As of this writing, the Executive has not indicated to what extent (if any) there is flexibility under this new Pre-kindergarten initiative for districts without a current Universal Pre-kindergarten program to establish a new half-day program or for schools with no full day kindergarten.

Current LawFunding

With the recommendation by the Executive's *New* New York Education Reform Commission, the Legislature provided in the FY 2014 Budget an appropriation of $25 million targeted for high needs school districts who sought to provide a new Full-day Pre-kindergarten program or convert an existing half-day Pre-kindergarten program by making it full-day. Twenty-five percent of the $25 million appropriation was also set aside to fund a limited number of new half-day placements. To date, out of 344 school districts that were eligible to apply, $18.0 million has been awarded to 27 school districts statewide. School district awards have ranged from a low of $60,180 up to almost $6 million.

Current law provides a separate funding stream for Universal Pre-kindergarten programs. Since FY 2012, the Legislature has provided approximately $385 million annually for 440 school districts delivering educational services to an average of 101,900 four year old children each year. Prior to FY 2012, authorized funding levels have averaged $429.3 million annually since FY 2008. In FY 2013, school districts received an average of $3,813 in aid per Pre-kindergarten pupil served. Although many school districts operate full-day programs, aid is calculated only on half-day programs. Aid is also limited to districts with an existing program since no new districts are eligible for funding.

As it relates to cost, it is estimated that districts are spending from local funds an additional 15 to 18 percent of their Universal Pre-kindergarten grant to supplement the cost of providing a program. This is likely the case for those districts that provide full-day programs. Therefore, it is estimated that school districts are spending close to $450 million annually.

The Executive is proposing, on a statewide basis, an appropriation of $1.475 billion for full-day Pre-kindergarten cumulative over five years. However, questions exist as to whether we have the capacity to accommodate such an expansion statewide and whether it is prudent unless school districts are given flexibility on how to use these funds given the fact that New York State's K-12 community overwhelmingly feels it is not adequately funded.

District Participation & Children Served

With the Executive proposing to make Universal Full-day Pre-kindergarten available for all districts and students, insight into the viability of such a proposition can be gained by looking at the distribution of Pre-k programs currently offered in school districts as of SY 2013. Table 1 below shows the number of school districts offering half-day programs, full-day programs, both half-day and full-day programs, and districts without a **Pre-kindergarten program**.

Table 1. Pre-K Options Offered by Region

Regions	Half-Day Pre-K	Full-Day Pre-K	Half & Full Day Pre-K	No Pre-K Option	Total
NYC	0	0	1	0	1
Long Island	46	10	8	57	121
Mid-Hudson	17	2	11	41	71
Rest of State	232	73	69	109	483
Statewide	295	85	89	207	676

Currently, 207 school district do not offer a Pre-kindergarten program. Further, under the current proposal school districts only have the choice of establishing new Full-Day programs or converting an existing half-day program to a full-day program. No options currently exist for districts that wish to establish a new half-day state-funded program since the Executive's new initiative lacks flexibility and the existing funding for Universal Pre-kindergarten programs is not available to new districts.

In terms of the number of Pre-k pupils served, 74,075 pupils are currently enrolled in half-day programs and 27,084 are enrolled in full-day programs. These enrollment figures do not include over 32,000 four year old students receiving special education services annually in Pre-K special education programs (Education Law §4410) and over 39,000 students annually enrolled in Pre-K programs in non-public schools. Approximately 75,000 to 80,000 four year old pupils remain unserved in a State sponsored Pre-k program.

Existing Kindergarten Programs

One question school districts will likely need to consider before applying for funds to establish or expand a Full-day Pre-kindergarten program is how such an expansion would align with the district's current Kindergarten program. That is, does the district currently offer a full-day kindergarten program or a half-day kindergarten program? To help answer such a question, it is useful to look at the distribution of Kindergarten programs currently offered in school districts as of SY 2013. Table 2 shows the number of school districts offering half-day programs, full-day programs, both half-day and full-day programs, and districts without a **Kindergarten program.**

Table 2.
Kindergarten Options Offered By Region

Regions	Half-Day K	Full-Day K	Half& Full Day K	No K Option	Total
NYC	0	1	0	0	1
Long Island	3	107	8	3	121
Mid-Hudson	1	61	9	0	71
Rest of State	6	466	11	0	483
Statewide	10	635	28	3	676

For the 10 districts shown in the table above who only offer a half-day Kindergarten program, it would seem inconsistent to establish or expand a Full-day Pre-kindergarten program.

SMART SCHOOLS BOND ACT OF 2014

The Executive is proposing a statewide general obligation bond act of $2 billion to provide funding for education technology and the construction of new full day pre-kindergarten classroom space. Should the Legislature approve this proposal the bond act will be voted on statewide at the general election in November of 2014. Because this is a general obligation bond debt that must be approved by the voters the $2 billion does not count against the State debt cap.

Executive Proposal

The Executive proposes formulaically distributing the $2 billion based on a school district's current share of school aid (building aid and universal pre-kindergarten are netted out). The anticipated maximum funding for each school district has been calculated and is available on the 2014-15 Executive School Aid run under the heading "Smart Schools Allocation".

Capital projects to acquire learning technology equipment or facilities are allowable expenditures for Smart schools allocations. Eligible projects include but are not limited to whiteboards, computer servers, desk tops, laptops, tablets, broadband and wireless internet connectivity for schools and communities. Projects to construct or improve educational facilities to accommodate pre-kindergarten programs would also be eligible.

A program funded through bonds requires a project to be useful for the life of the repayment. The Executive proposal states a range of useful life from thirty years for pre-kindergarten construction costs to eight years for classroom technology. The comptroller will use a weighted average of probable life to determine the repayment period for the bonds issued. The estimated total cost of the bond after debt service is paid would be $3.4 billion assuming a thirty year amortization.

Current Funding

Currently, multiple state funding streams are available to reimburse school districts for technology. Textbook aid, instructional computer hardware technology aid, computer software aid, and library material aid can be used to purchase new technology. Eligible technology expenditures include computer software, micro and/or mini computer equipment or terminals as well as technology equipment for instructional purposes used in conjunction with or in support of educational programs. These aids are calculated and distributed on a per pupil basis. At present the Executive school aid run for FY 2015 reflects a total of $284.9 million being dispersed to districts this school year.

Building aid can also be used as a resource for districts to fund technology infrastructure projects including servers, routers as well as other network needs as a part of a larger construction project. Building aid is reimbursed to districts based on their building aid ratio which is determined by wealth. The remaining portion of the cost is paid by the district as the local share. Pre-Kindergarten classroom construction is eligible to receive building aid under current law. The Executive school aid run for FY 2015 reflects a total of $2.8 billion in building aid being dispersed to districts.

The Executive proposal does not allow districts to receive any other State aid on Smart School projects. Districts would be prohibited from receiving building aid or any of the computer based aids for projects being paid for with their smart school allocation.

NEW CAPITAL SPENDING

The FY 2015 Executive Budget proposes approximately $5.4 billion in new capital spending. Combined with subsequent rounds of capital funding for regional economic development councils and the SUNY/CUNY 2020 Challenge Grant program, capital spending grows by $5.6 billion, as shown in the following table.

PROPOSED NEW CAPITAL FUNDING (Millions of Dollars)	
Smart Schools Bond Referendum	2,000.0
Health Care Restructuring	1,200.0
Economic Development	1,187.0
SUNY/CUNY Infrastructure	773.6
SUNY/CUNY 2020 Challenge Grant	110.0
Binghamton School of Pharmacy	10.0
Superfund	100.0
Homeland Security	122.0
Information Technology	85.7
Housing	40.0
TOTAL	**5,628.3**

Economic Development

The FY 2015 Executive Budget includes approximately $1.2 billion in new economic development capital spending, an increase of $784 million, or 194 percent, from FY 2014 spending. Of this new capital spending, over half, $680 million, is attributable to the appropriation of the remainder of the "Buffalo Billion" - $1 billion in economic development funding for the Buffalo area. The following table shows a breakdown of this funding.

ECONOMIC DEVELOPMENT CAPITAL (Millions of Dollars)	
Buffalo Regional Innovation Cluster	680.0
Nano Utica	180.0
Regional Economic Development Councils	150.0
New York Genome Center	55.8
College of Nanoscale Science and Engineering	50.0
Onondaga County Revitalization Projects	30.0
Economic Transformation Program	24.0
Clarkson- Trudeau Partnership	10.0
Cornell College of Veterinary Medicine	5.0
Western NY Football	2.2
Total	**1,187.0**

Buffalo Billion

In his 2012 State of the State address, the Governor announced $1 billion in economic development funding for the Buffalo area, also known as the Buffalo Regional Innovation Cluster. This funding was to be paid out over a period of ten years, $100 million per year, consisting of $750 million in capital funding and $250 million in Excelsior Jobs credits. The FY 2013 Enacted Budget included the first tranche of this funding - $75 million in capital funding and $25 million in Excelsior Jobs credits. The FY 2014 Enacted Budget included the second round of funding at the same funding levels as in FY 2013.

Of the $150 million in funding authorized in the past two fiscal years, only $6 million has been spent to date for the following projects:

- $1.5 million for the reconstruction of the Robert Moses Parkway and entry road to the Niagara Falls State Park and

- $4.5 million for Daemen College and Empire Visual Effects to create a post-production visual effects hub at the College.

Another $8 million will be disbursed by the end of the fiscal year to finance a portion of the costs of acquiring and renovating the Smart Pill Building by the Buffalo Niagara Medical Campus.

The FY15 Executive Budget appropriates an additional $680 million in capital funding for the Buffalo Regional Innovation Cluster. This appropriation would be the remainder of the capital funding portion of the $1 billion of economic development funding. However, the total amount of capital funding to be dedicated to this program would be increased by $80 million. In turn, the total amount of Excelsior Jobs tax credits would be reduced to $170 million. The reason for the change in the allocation is due to increased capital needs, especially in relation to the $225 million commitment for the Buffalo High-Tech Manufacturing Innovation Hub at Riverbend.

The other projects to be funded under this program are:

- $8 million - Advanced Manufacturing Institute
- $10 million - Rainbow Center Mall
- $20 million - Downtown Niagara Falls Development
- $50 million - Albany Molecular Research Inc. (AMRI)
- $50 million - University at Buffalo/NY Genomic Medicine Network

NEW AND DISCRETIONARY SPENDING

New Programs and Discrectionary Spending (in millions)			
	State and Federal Funds	New Programs/Redirected	Discrectionary
Storm Recovery	**12,000**	✓	✓
Health Total	**11,200**		
Medicaid Waiver	10,000	✓	✓
Provider infastructure improvements	1,200	✓	✓
Education Total	**4,245**		
Smart Schools Bond Act	2,000	✓	✓
After School Programs	720	✓	✓
Teacher Excellence Fund	20	✓	✓
P-Tech	5		✓
Full Day Pre-K	1,500	✓	
Environment/Energy/Agriculture Total	**1,432**		
New York Green Bank	1,000	✓	✓
NY Prize	40	✓	✓
Renewable Heat NY/Community Solar NY (off budget funding amount not determined)		✓	✓
Environmental Protection Fund	157		✓
Superfund	100		✓
NY Works	135		✓
Housing - House NY	**1,000**	✓	✓
Economic Development Total	**950**		
Onondaga Lake Communities Revitalization	30	✓	✓
Economic Transformation	24	✓	✓
Buffalo Regional Innovation Cluster	680		✓
Regional Economic Development Councils	150		✓
NY Open for Business	50		✓
ORDA Capital	6.9		
Market NY	5		✓
Innovation Hot Spots	4		✓
Higher Education	**141**		✓
SUNY 2020/CUNY 2020	110		✓
University Based Matching Grants	31		✓
Human Services - Pay for Success	**125**		✓
Public Protection - GIVE	**15**	✓	✓
Total of all Programs	**31,108**		

The FY 2015 Executive Budget includes roughly $31 billion in new programs and increases funding for existing discretionary programs throughout various agencies with significant funding amounts. Many of these programs, which are direct aid and grant programs, are in lump sum appropriations and are proposed to be distributed at the sole discretion of the Executive or through a formula derived by the Executive. In addition, most of these programs have multi-year fiscal impacts. The following summary lists out some of these new and discretionary programs.

Storm Recovery Aid - $12 Billion

The Executive recently announced $17 billion in projects and programs for Sandy, Irene and Lee storm recovery. This is a more detailed plan than was announced last year after the $30 billion in Federal disaster funding was approved. Of this $17 billion approximately $5.1 billion was allocated to the Metropolitan Transportation Authority, with the remaining funding allocated by the Executive. The remaining $13 billion out of the total $30 billion is discussed in the Storm Disaster Relief Issues in Focus.

Health - $11.2 Billion Agency Discretionary

The Executive proposes $11.2 billion in new discretionary funding in healthcare. Of this total $10 billion is dependent on the Federal government approving the 1115 Medicaid waiver associated with the Medicaid Redesign Team savings.

New discretionary funding includes:

- $10 billion - Medicaid Waiver
- $1.2 billion - Infrastructure improvements for healthcare providers

Education – $4.2 Billion Agency Discretionary and New Funding

The Executive proposes allocating $4.2 billion to new programs and one existing program over a multi-year period through a $2 billion bond act, an additional $1.5 billion for the phase-in of full day Universal Pre-Kindergarten and $720 million in additional funding for after school programs. Most of these programs would be discretionary either through a competitive grant system or through a formula created by the Executive.
New discretionary funding includes:

- $2 billion – Smart Schools bond act for education technology and construction of new pre-kindergarten classrooms
- $720 million – After school programs
- $20 million – Teacher Excellence Fund

Expansion of an existing program with discretionary funding includes:

- $5 million – Pathways in Technology and Early College High School Program (P-Tech)

New funding that the Executive proposes making available pursuant to a Chapter of the Laws of 2014 include:

- $1.5 billion – Statewide full-day Pre-Kindergarten

Environmental Conservation, Energy and Agriculture - $1.4 Billion Discretionary

The Executive Budget includes new discretionary funding for the following programs:

- $1 billion - New York Green Bank to provide funding for clean energy projects
- $40 million - NY Prize initiative, a competition to build “community grids” energy systems
- Renewable Heat NY and Community Solar NY - funding amounts to be determined for these new programs to reduce the State’s energy costs

The Executive Budget includes additional discretionary funding for existing programs:

- $157 million - Environmental Protection Fund which includes a $4 million increase
- $100 million - to extend the State Superfund cleanup program
- $135 million - New York Works capital program for environmental projects and parks
- $350,000 for the FreshConnect farmers' market program

Housing - $1 Billion

The Executive Budget adds $40 million to the existing House NY program to preserve and create affordable housing units Statewide.

Economic Development - $950 million Agency Discretionary

New discretionary capital programs include:

- $30 million - Onondaga Lake Communities Revitalization
- $24 million - Economic Transformation Program

The Executive Budget includes additional discretionary funding for existing programs:

- $680 million - Buffalo Regional Innovation Cluster to fulfill commitment to "Buffalo Billion" program
- $150 million - Regional Economic Development Councils (REDCs)
- $50 million - New York Open for Business marketing initiative
- $6.9 million - additional Olympic Regional Development Authority capital
- $5 million - Competitive funding for Market NY tourism marketing plans
- $3.75 million - Innovation Hot Spots and Incubators Program

Higher Education - $141 million Agency Discretionary

The Executive Budget includes additional discretionary funding for existing programs that is funded through the economic development authorities:

- $110 million - NYSUNY 2020 and NYCUNY 2020 competitive Challenge Grant programs ($55 million each)
- $31 million to support university-based matching grants and other high technology research and development programs

Human Services - $125 Million Discretionary

The Executive proposes increasing the Pay for Success Program from the $30 million allocated in FY 2014 to $125 million. This program was originally supposed to start receiving State funding in FY 2016 but the Executive has recommended pushing State funding out to FY 2017. This is a result based program that attempts to attract private funding into social programs such as child welfare and reducing homelessness.

Public Protection - $15.2 Million Discretionary

The Executive proposes a new $15.2 million initiative to assist Upstate local law enforcement in preventing gun violence called Gun Involved Violence Elimination (GIVE). This is reprogramming of Operation Impact funding.

NEW YORK STATE'S ENVIRONMENTAL REMEDIATION PROGRAMS

Background

The State has three major hazardous materials remedial and brownfield redevelopment programs, the State Superfund program (Superfund), the Brownfield Cleanup Program (BCP) and the Petroleum Spills Incident Program (Oil Spill). In addition, New York supports local investigation and planning efforts through the Brownfield Opportunity Area program (BOA). The Department of Environmental Conservation (DEC) has responsibility for the Superfund and BCP programs, while the Office of State Comptroller oversees the Oil Spill program and the Department of State administers BOA, both in cooperation with DEC.

Chapter 1 of the Laws of 2003 created the BCP, with the highest cleanup standards and most robust remediation and redevelopment incentives in the nation. In the same bill Superfund was given a consistent funding mechanism through an annual bonding authority of $100 million a year for ten years, and funding and programmatic guidance for BOA was established.

The Senate has annually urged adoption of legislation to improve each of the four programs. These bills include amendments to the BCP that would clarify eligibility and tighten the tax credits. Superfund grants would be offered for municipally owned contaminated sites, BOA plan implementation would be encouraged, and liability releases would be granted to true volunteers conducting cleanups under the Oil Spill program.

Superfund

The State Superfund program, first established in 1979, is New York's primary enforcement program to identify and classify inactive hazardous waste disposal sites and to address those sites that pose a significant threat to public health or the environment. Where a responsible party is identified and is willing to pay the costs of investigation, remediation and restoration, DEC's Division of Environmental Remediation (DER) oversees the environmental work.

Where a responsible party is not identified or challenges financial responsibility, the State uses cost recovery funds and bonded appropriations to perform the work, often utilizing outside consultants. Until 2003, major State funds for Superfund came from the 1986 Environmental Bond Act. The comprehensive environmental bill in 2003 authorized a total of $1.2 billion in State capital through Personal Income Tax bonds for Superfund related cleanups and enforcement actions.

Approximately 1,300 sites have gone or are currently going through the State Superfund program. Superfund has proven quite effective in remediating certain types of contaminated sites such as closed municipal landfills. However, the program has been much less effective in remediating industrial properties or returning sites to productivity. Superfund has also been plagued by protracted legal battles to determine degree and size of responsibility that have occupied many years and produced millions in legal and engineering fees not directly related to remediation efforts. Since

2003 through FY 2012, $642 million in State funds have been spent on Superfund.

State Superfund Spending FY 04 - FY12

Year	Capital	Non-Personal Service	Personal Service	Calculated Fringe Benefits	Total
2003-04	$ -	$ 509,377	$ 14,417,985	$ 5,225,078	$ 20,152,440
2004-05	8,196,593	745,626	17,293,017	7,261,338	33,496,574
2005-06	35,576,837	974,871	15,352,525	6,945,482	58,849,715
2006-07	43,401,878	1,355,279	17,162,141	7,861,977	69,781,275
2007-08	73,947,871	1,377,200	16,114,539	7,567,387	99,006,997
2008-09	64,899,221	1,506,229	21,485,756	9,786,762	97,677,968
2009-10	69,576,579	2,208,068	19,776,343	8,677,859	100,238,849
2010-11	54,227,696	843,160	18,712,361	9,062,396	82,845,613
2011-12	53,518,630	577,045	17,622,152	8,442,773	80,160,600
Totals	**$ 403,345,305**	**$ 10,096,855**	**$ 157,936,819**	**$70,831,052**	**$ 642,210,031**

Bonding authorization under the 2003 legislation expired in 2013. However, of the total of $1.2 billion that the Legislature authorized for the program, only $507 million was ever issued. Current estimates for debt outstanding are around $450 million.

The Hazardous Waste Remedial Account that contains the funds for Superfund has been repeatedly swept. In effect, long-term debt has consistently been used to fund current general fund obligations. Since 2008, over $258 million in Superfund resources have been diverted to the General Fund.

Sweeps From Hazardous Waste Remedial Account

Amount in millions of dollars

Year	Amount
2008	$27
2009	27
2010	50
2011	29
2012	35
2013	30
2014	30
2015	30
Total	$258

However, clearly Superfund's greatest shortcomings have been the extremely low number of sites that have been partially or completely remediated, and the mothballing of most Superfund sites. We have only been able to identify three of thirteen hundred sites that were abandoned and have been put to active private use. Also, the property tax liabilities at most sites have been drastically reduced meaning that sites have had a pattern of building demolition and keep out fences placed around the properties.

The Senate has consistently argued that the best solution for Superfund is to allow select sites into the BCP.

<u>Brownfield Cleanup Program</u>

The BCP was enacted in 2003 and contained two major parts. First were the most stringent cleanup standards and oversight in the Nation. Second, with the State's recognition that the redevelopment of major contaminated sites is by far the most difficult type of real estate project to undertake, came the nation's first as-of-right and market driven site preparation and redevelopment program along with the State's first complete liability release for volunteers that come in to do projects.

There were two major tax credits that began in 2005. First was a site preparation credit that was designed to cover all costs related to making a site "shovel ready". Second was a major redevelopment credit for building on the remediated and infrastructure ready location. The credits were designed for the largest and most difficult sites regardless of location and intended use.

Since that time the tax credit has proven to be the most successful remediation program in the nation. More private dollars have been invested in cleanups and redevelopment through the BCP than the rest of the nation combined. Over $6 billion in private dollars has been invested in these sites, bringing them fully back onto the tax rolls, and employing over 16,000 new permanent and over 20,000 construction and cleanup jobs in the 152 sites, of the 682 sites applications, that have made it through the program. The State has so far committed to paying $852 million in credits under the program, or approximately $53,000 per permanent job.

Critics argue that the credits have gone to sites that did not need incentives, that have been too large in scale, and that have not been targeted enough to low-income neighborhoods. However, the program was designed to encourage large development, and large and multiplying employment sites.

Critics of the program have also pointed out that the purported costs of the BCP are much higher than the original fiscal estimates. They, including two reports the State Comptroller, have relied on the annual Tax Expenditure reports. However, since 2008, these estimates have been widely off the mark. In fact, the Expenditure estimates have been off by nearly $1.2 billion dollars through FY 2012

Perhaps the most telling statistic of how much these as-of-right credits matter is that the development credits were generally capped at $35 million in 2008. Before that change the State saw 19 "mega" projects of $100 million or more go through the program, six of them North of Westchester. Once the credits were capped, the State has not seen one mega project proposed for inclusion in the BCP.

Brownfield Cleanup Program Tax Credits Estimates Versus Claims *

Tax Expenditure Report Year				
in millions of dollars				
	PIT	9-a	Bank	Total
2006	0.0	61.5		61.5
2007	58.0	58.0		116.0
2008	68.0	68.0		136.0
2009	153.0	102.0		255.0
2010	155.0	200.0		355.0
2011	465.0	158.0		623.0
2012	354.0	195.0		549.0
2013	320.0	178.0	5	503.0
				$ 2,537.0
Actual Credit Claims				
2006-08				243.1
2009				124.5
2010				196.7
2011				192.2
2012				95.5
				$ 852.0
Difference between estimates and claimed 2006-12				**$ 1,185.0**

* None of these claims account for the per project caps that were enacted in 2008 that limited projects to $35 million in credits (or 3x eligible cleanup costs whichever is less). The capped projects will not start making credit claims until the 2013 tax year, but are expected to reduce per project credit average by at least half. 2013 credit claims not yet available.

Oil Spill Program

Another criticism of the State's brownfield programs is that New York only cleans up an estimated 100 sites a year through Superfund and the BCP while other states remediated at least ten times that many. What the critics fail to point out is that vast numbers of cleanups in New York are handled under the Oil Spill program which currently investigates and oversees the cleanup of 14,000, mainly smaller, sites such as service stations, in the State.

The program in general works well. However, its current structure discourages volunteers from coming in to aid or solely take on remediation.

Brownfield Opportunity Areas

The 2003 omnibus bill also provided a new planning grant program for non-profit organizations to plan for the redevelopment of areas complicated by a large number of contaminated sites. The program has been quite successful in the development of plans, and over

$75 million in State funds has been committed for the creation of nearly 200 BOA plans throughout the State. However, not a single plan has been implemented. Since significant tax credits are now tied to implemented BOA plans, legislation is needed to encourage and fund timely implementation.

Executive Proposals

The BCP tax credits are due to sunset for any participant that does not complete required remedial work by December 31, 2015. The Executive Budget includes a proposal in the Revenue budget bill to extend the credits for ten years. However, the bill also contains provisions to largely eliminate the market basis for the program and the as-of-right development credits.

- The Executive proposes to limit redevelopment credits to sites that have been (a) abandoned for more than 15 years or that have not paid property taxes in more than ten years; (b) are upside down (defined as sites that are appraised less than estimated cleanup costs), or; (c) meet definitions of being regionally significant economic projects generally meaning developers that pledge to create over one hundred jobs at a site.
- The bill also would provide extra incentives for projects that are eligible for development credits is such projects that result in the production of low-income housing units, or conform with the goals of a Brownfield Opportunity Area plan.
- Certain Superfund sites could enter the program if no responsible party can be identified.
- The site preparation credit would be amended to eliminate costs related to getting a site ready for structure construction, and limiting this credit to actual remediation costs as determined by DEC.
- The bill would also limit the period that development credits could be claimed from ten to five years, thus restricting the planning of projects over a phased-in period.
- Other changes would be the creation of a new volunteer program without credits ("BCP EZ") that would allow these volunteers relief from remediation mandates under the current program if no credits are sought. In addition, the current environmental insurance and property tax credits would be eliminated.
- Finally, the bill would exempt hazardous waste fees from work contacted at brownfield sites, and allow Superfund bonding to be used for environmental restoration projects (State financed and managed cleanups of municipally owned sites at a municipality's request).

In summary, the major programmatic changes involve changing the tax credit program from a market driven approach overseen by DEC to one largely guided by Executive discretion through the Empire State Development Corporation, changing the site preparation credit away from a preparation to just cleanup costs, and discouraging complicated and phased-in projects. The Executive claims that this proposal would focus credits on Upstate sites, although it is not clear how these programmatic changes do not discourage Upstate projects more than Downstate.

There are no fiscal estimates provided for the bill. These credit changes would mostly take affect outside the scope of the State Fiscal Plan.

The Executive has also requested an additional $100 million in bonding for Superfund, carving out $10 million of that amount for environmental restoration projects. No reforms for Superfund have been offered by the Executive.

"OFF-BUDGET" ENERGY PROGRAMS

In his 2013 State of the State, Governor Andrew Cuomo announced that the State was expending $1.4 billion a year to help move New York State to a renewable energy future and rapidly grow the State's Green Economy. Although these goals are undeniably laudable, the resources that are being used all come from "off-budget" spending and rate payer charges exempt from Legislative oversight, and without regard for the Legislature's historic and constitutionally sanctioned policy determining functions.

It is not even exactly clear how much and where these non-appropriating spending channels come from and what projects do they exactly support. There are many helpful indications on reports posted by the Authority's Budget Office (ABO), the Department of Public Service (DPS), the New York State Energy Research and Development Authority (NYSERDA) and the Division of the Budget, but the Legislature, the Office of the State Comptroller and the Public have nowhere near the amount of insight, review and oversight compared with the transparency provided by the traditional budget categories.

Moreover, in recent years programs have been launched that do not strictly fit into energy categories, and fund efforts in areas like urban planning, base power and traditional power line construction, and "full spectrum" financial services.

Executive Authority to Impose Charges and Fees for Renewable Energy and Energy Conservation Purposes

Although there is no specific authorization in State statute or the State Constitution allowing the Executive of the State of New York to administratively impose what is, in essence, a tax without legislative authorization, successive Executives, since the imposition of the Systems Benefit Charge (SBC) in 1996, have used section 3-101 in the State Energy Law and Section 5 of the Public Service Law as justification to impose surcharges on rate payers bills and fees on power generators. Here are the main clauses Executives have relied on:

§ 3-101. State energy policy. It shall be the energy policy of the state: 1. to obtain and maintain an adequate and continuous supply of safe, dependable and economical energy for the people of the state and to accelerate development and use within the state of renewable energy sources, all in order to promote the state's economic growth, to create employment within the state, to protect its environmental values and agricultural heritage, to husband its resources for future generations, and to promote the health and welfare of its people;
§ 5 Paragraph 2. The commission shall encourage all persons and corporations subject to its jurisdiction to formulate and carry out long-range programs, individually or cooperatively, for the performance of their public service responsibilities with economy, efficiency, and care for the public safety, the

preservation of environmental values and the conservation of natural resources.

These sections do not specifically authorize taxes and fees, but starting from a beginning total through the SBC of $234 million (or an average of $38.5 million a year) for four years from 1998 through 2001 NYSERDA now raises and spends $850 million a year. NYSERDA's employment grew to 313 in 2012 from 231 in 2008. The New York Power Authority also now commits more than $550 million a year from revenues derived from "profits" generated from selling power to public customers.

NYS Energy Research and Development Authority	Annual Expenses
2008	$ 254,262,731
2009	306,539,870
2010	399,885,942
2011	459,422,000
2012	532,290,000
2013	841,778,000
(est) 2014	834,919,000
(proj) 2015	869,014,673
Total	$ 4,498,112,216
Percent Change	241.78%

Growth of NYSERDA's Programs

Starting with the original SBC, by early 2011 NYSERDA had added the following both spending and revenue programs utilizing "off-budget" fees and assessments, interest charges and application fees:

- **New York Energy Smart:** A program designed to support energy efficiency, environmental protection, and support for low-income households.
- **Energy Efficiency Portfolio Standard:** Authorizes additional SBC revenues and spending for certain energy efficiency programs.
- **Technology and Market Development Portfolio:** A program with a mission to test, develop, and introduce new technologies, strategies and practices that build the statewide market infrastructure to reliably deliver clean energy to New Yorkers.
- **Renewable Portfolio Standard:** Pursuant to an Executive Order issued in September of 2004, a program designed to increase the percentage of electricity used by retail customers in New York State generated from renewable sources to at least 30 percent by 2015.
- **Energy Efficiency Deployment:** A program with the goals of promoting energy efficiency, encouraging economic development, expand the use of New York's indigenous renewable energy sources, and reduce and mitigate the adverse effects associated with traditional energy use and generation especially as these effects relate to low-income residents. These funds come from federal grants and various third-party reimbursements.
- **Con Edison System-wide Demand Reduction:** $122 million was obtained from Con Edison to allow NYSERDA to oversee a 150 megawatt decline in demand in Con Edison's service territory.
- **Regional Greenhouse Gas Initiative (RGGI):** A nine state cap and trade program to cap and reduce the amount of carbon dioxide emitted by power generators in these states We now estimate that RGGI will provide New York with $133 million in carbon assessments in 2015 and growing at over 15 percent a year from there, compared to just $52.2 million last year.
- **Clean Air Interstate Rule (CAIR):** Another cap and trade program administered with DEC for capping and then trading nitrous oxide and sulfur dioxide emissions. Funds have been used to support the New York Battery and Energy Storage Technology Consortium (NY-BEST).
- **Green Jobs - Green New York:** A program designed to promote energy efficiency

retrofits, provide low-interest loans for financing projects and create opportunities for "green" jobs.

Because these programs are all off-budget fiscal figures by year and trend for the above listed programs are not readily available for review and time series tracking.

Current Executive Program Expansions:
Most recently, the administration has launched the following program through NYSERDA since taking office:

- **On-Bill Financing:** A program enacted through legislation in 2011 to allow credit worthy New York homeowners and small businesses the ability to finance energy efficiency projects through surcharges on their monthly energy bill, but that utilizes and raises off-budget revenues not subject to Legislative appropriation.
- **New York Sun:** A solar incentive program with a commitment of at least $216 million to provide grants for more photovoltaic systems in the State.
- **Cleaner / Greener Communities:** A sustainable communities program backed by a $100 million commitment for the planning and implementation of regional sustainability smart growth plans.
- **The New York Prize initiative:** A new in 2014 $40 million competition to build community micro-grids designed to maintain utility service during crises caused by natural and human-made emergencies. These funds come from Sandy related federal sources.
- **The Renewable Heat NY program:** Another new initiative designed to provide technical assistance, financing and incentives to grow the biomass heating industry and utilize advance biomass heating technologies.
- **The Community Solar NY program:** A third new initiative to expand the deployment of solar energy systems at schools.
- **The New York Green Bank;** Despite all of the above programs, New York State is falling far short of meeting its announced renewable "30 by 15" and efficiency standards "45 by 15" goals. The Executive in the 2013 State of the State pledged the creation a $1 billion New York Green Bank. The Green Bank is, the nation's second publically owned and operated full service financial lending institution since the shuttering of the Second Bank of the United States in January of 1836, and the formation of the Bank of North Dakota in 1904. In December of last year, Governor Cuomo announced that the bank would have an initial financing of $210 million in 2014 from "unallocated" off-budget energy fees. The Green Bank will provide now common financial products such as credit enhancements, loan loss reserves and securitization bundling (hedges and derivatives) as well as offering traditional loans for "economically viable clean energy projects" that currently have difficulty obtaining financing in private capital markets. It is anticipated that another $200 million will go into the bank in 2015, 2016, 2017 and 2018. The bank will not give direct subsidies and is designed to eventually become self sustaining through interest receipts, fees for services and possibly equity positions. The bank will be placed in NYSERDA and will only be subject to NYSERDA's existing internal controls, but with advice and quarterly monitoring from the Public Service Commission.

Finally, the Executive has announced that the New York Power Authority will lead the New York Energy Highway program designed to relieve power transmission jams and bottlenecks restricting the flow of electricity from the rest of the State to the New York City area. Although no fiscals have yet been announced, it is expected that NYPA will provide hundreds of millions in support for these projects. The Executive also announced that NYPA will commit at least $800 million in energy efficiency incentives during the next few years for State and local government facilities as part of the Build Smart NY initiative.

GAMING REVENUE IMPACT

Background

In November 2013, New York State voters approved a Constitutional Amendment authorizing Casino Gambling throughout the state of New York. The amendment authorizes "casino gambling at no more than seven facilities as authorized and prescribed by the legislature". The Legislature passed enabling legislation which sets up a regulatory, tax and revenue distribution structure for gaming in the State of New York.

In addition, after years of disputes, the State reached revenue sharing agreements with the State's Native American Tribes over Tribal State Compact treaties entered into by former Governors. Lastly, the State authorized two Video Lottery Gaming (VLG) facilitates on Long Island. All of these gaming initiatives are expected to bring in approximately $641 million in new revenue for state and local governments when Casinos and VLG facilities become operational and the Oneida Compact is approved by the Federal Government.

GAMING REVENUE SUMMARY*				
Gaming Revenue	**State Funds**	**Host Communities**	**Regional County Aid**	**Total Aid**
Casino Revenue	261.1	32.6	32.6	326.4
Indian Gaming	131.7	59	21.2	211.8
Long Island VLTs	68.3	34.4	0	102.7
Total Aid	**461.1**	**126**	**53.8**	**640.9**
*** Totals include revenue projections when fully implemented.**				

This estimate is before revenue decreases from existing VLG facilities that will experience gaming revenue shift from the existing facilities to new Casinos Upstate and VLG facilities on Long Island. When this is taken into account, the total amount of net revenue to the state is approximately $511 million.

Casino Gaming

The Upstate New York Gaming and Economic Development Act currently authorizes four casino licenses to be sited in Upstate New York. The eligible locations are in the Capital, Catskills and Southern Tier regions of the state where there are no Tribal State Compact zones of exclusivity. Each region would have at least one casino operator receiving a casino license, determined by regional competitive bidding. The New York State Gaming Commission, which was established as part of the FY 2013 Enacted Budget, will select a five member "New York state gaming facility location board" ("Board"). The Board will select up to four eligible applicants for casino gambling facilities.

The Executive Budget includes $200 million in the FY 2015 financial plan for revenue generated from upfront licensing fees from casino operators that are awarded licenses. No revenue is expected in FY 2016 because the financial plan assumes the Casinos will be in the building stage. In FY 2017, the Casino Gaming Facilities are expected to generate $236 million in revenue from games played and $326 million in FY 2018 and annually thereafter.

Pursuant to statute, all revenue generated from the Casinos will be deposited into the Commercial Gaming Revenue Account. Revenues from this account are dedicated as follows:

- 80 percent to the state for elementary and secondary education or property tax relief after holding video lottery terminal (VLT) education aid harmless;
- Ten percent to be split equally between the host municipality and the host county; and
- Ten percent to be split on a per capita basis amongst all the Counties in each region where the facility is located. The per capita formula will exclude populations in municipalities and county governments that receive host aid.

The Executive Budget has appropriated the state revenue deposited into the commercial gaming account for after school programs. The appropriation is for $720 million and will be disbursed over five years starting in FY 2016.

Indian Gaming

In 2013, the Executive resolved long standing disputes over Tribal State Compact agreements with the Seneca Indian Nation and the St. Regis Mohawk Nation. Also, for the first time, the State entered into a revenue sharing agreement with the Oneida Indian Nation which has been operating a Casino in Oneida County.

In current FY 2014, the State received approximately $303 million and host community governments received approximately $171.1 million in back payments from the Seneca Indian Nation and the St. Regis Mohawk Nation. In future FY's the distribution of Indian Gaming Revenue is shown in the chart below.

Tribal State Compact Revenue

Indian Casino	State General Fund	Host Communities	Regional County Aid	Total Aid
Seneca Niagara	49.7	19.1	7.6	76.4
Seneca Allegany	23.1	8.9	3.6	35.5
Seneca Buffalo	16.4	6.3	2.5	25.3
St. Regis Mohawk	15.9	6.1	2.5	24.5
Subtotal	**105.1**	**40.4**	**16.2**	**161.7**
Oneida*	26.5	18.5	5	50
Total Aid	**131.6**	**58.9**	**21.2**	**211.7**

*** Oneida Nation Compact has not been approved by the Federal Government Yet thus no revenue is in the financial plan at this time.**

In FY 2015 and annually thereafter, the State will receive $162 million from the Seneca and St. Regis Mohawk compacts to be divided up as follows:

- $105 million or 65 percent to the State General Fund;
- $41 million or 25 percent to municipalities that host Native American Casinos; and
- $16 million or 10 percent to Counties located in a region that has Native American Gaming Exclusivity.

The FY 2015 Financial Plan does not include revenue from the Oneida Nation Compact because it has not been approved by the Federal Government. If approved, the Compact will generate approximately $50 million for the State and local governments. This revenue would be broken down as follows:

- $31.5 million to the State
  - $25.2 million to the State General Fund;
- $18.5 million to municipalities that host Native American Casinos ($15 million) and to local governments to settle back property tax claims ($2.5 million annually to Oneida County and $3.5 million annually to Madison County; and

- $5 million or 10 percent to Counties located in the Oneida Indian Nation region of exclusivity.

Madison County will also receive a one-time payment of $11 million from the Oneida Nation to settle past property tax claims.

Video Lottery Gaming Expansion

The Upstate New York Gaming and Economic Development Act passed in 2013 authorized Video Lottery Gaming facilities for both Nassau and Suffolk Regional Off Track Betting Corporation.

LONG ISLAND VIDEO LOTTERY GAMING STATE REVENUE DISTRIBUTION (millions of dollars)			
Revenue Distribution	Nassau OTB	Suffolk OTB	Total
Net Machine Income	114.9	114.9	229.8
State Education (45%)	51.7	51.7	103.4
Commission* (35%)	40.2	40.2	80.4
Lottery Admin (10%	11.5	11.5	23
Marketing (10%)	11.5	11.5	23
Racing Support** (5%)	5.7	5.7	11.5

* Commission is before operating expenses are deducted.
** Hold Harmless Racing Support Payments from Aqueduct.

The Executive Budget estimates that these facilities will generate $103.4 million in revenue for education in FY 2016; However, when factoring in declines in VLT revenue at Aqueduct, the amount is a net increase of $68.3 million to the State. Nassau and Suffolk OTB will also send $17.2 million in unrestricted aid to Nassau and Suffolk Counties respectively.

LONG ISLAND VIDEO LOTTERY GAMING LOCAL AID IMPACT	
NASSAU COUNTY	$17.200,000
SUFFOLK COUNTY	$17.200,000
TOTAL	**$34.400,000**

Gaming Impact on Statewide Video Lottery Gaming Revenue

The statewide impact on VLT aid from new casinos when fully operational is estimated to decrease VLT revenues by $61 million when the four Upstate Casinos and two Long Island VLG facilities are fully operational. The decrease in VLG revenue from Upstate facilities ($129.4 million), which is a direct of the new Casino Facilities drawing revenue away from existing Video Lottery Gaming Facilities located in Upstate New York, is partially offset by the $68.3 million increase in VLT revenue from Long Island. The overall $61 million decrease in the Video Lottery Terminal Education Account will be made whole with Casino Gaming Revenues which is expected to generate $326 million annually when fully implemented.

FACILITY CLOSURES AND MERGERS

The FY 2015 Executive Budget proposal reflects estimated savings resulting from the closure of correctional and mental hygiene facilities throughout the State. The following facilities are slated for closure:

Corrections – Prison Closures
- Wayne County -- Butler Male Prison
- Franklin County -- Chateaugay Male Prison
- Saratoga County -- Mt. McGregor Male Prison
- Schuyler County -- Monterey Shock Male Prison

Mental Health - Closure
- Western New York Children's Psychiatric Center
- Other announced facility closure notices have not been withdrawn

Developmental Disabilities - Closure
- Schenectady County -- O.D. Heck Developmental Center

Facility Closures

Department of Corrections and Community Supervision

On July 26, 2013, the Executive announced plans to close four correctional facilities: Butler (Medium Security) located in Wayne County, Chateaugay (Medium Security) located in Franklin County, Mt. McGregor (Medium Security) located in Saratoga County and Monterey Shock (Minimum Security) located in Schuyler County. The Department of Corrections and Community Supervision (DOCCS) estimates savings of $30 million and a reduction of 1,324 beds within the prison system. Current State statute requires the Executive to issue a one-year notification prior to closing a prison. Since the Executive announcement was made in July 2013, the facilities could be closed as early as July 2014.

The Executive announcement estimates no layoffs from this proposal as employees would have the opportunity to transfer to vacant positions within DOCCS or other agencies. The closure of these four prisons will impact 690 Full-Time Equivalent employees (FTEs). The Executive claims the closure of these four facilities is necessary due to a continuing decline in the prison population.

Under the Executive plan some medium security dormitories that were previously closed would reopen, only if needed. The Executive has not identified at this time which dormitories would reopen. The Executive Budget provides $24 million in Economic Transformation funding for communities affected by prison or youth facility closures.

EXECUTIVE ANNOUNCED PRISON CLOSURES (July 2013)					
FACILITY	COUNTY	TOTAL NUMBER OF JOBS IMPACTED	TOTAL NUMBER OF INMATES	BEDS	SAVINGS
Butler	Wayne	132	177	240	9,669,687.14
Chateaugay	Franklin	117	234	240	8,714,448.24
Monterey Shock	Schuyler	120	158	300	8,447,219.50
Mt. McGregor	Saratoga	321	455	544	22,019,039.98
TOTAL PERSONAL SERVICE AND NONPERSONAL SERVICE COSTS		**690**	**1,024**	**1,324**	**$48,850,394.86**
TOTAL INMATE DRIVEN COSTS					**$5,320,000.00**
REINVESTMENT OF 200 SECURITY POSITIONS @$65,300					**$13,060,000.00**
TOTAL SAVINGS					**$30,470,394.86**
INMATE POPULATION/BEDS As of July 22, 2013: Source DOCCS.					
NUMBER OF JOBS IMPACTED Source: Division of the Budget January 21, 2014.					
INFORMATION ON SAVINGS: Source DOCCS SEPTEMBER 25, 2013.					

Office of Mental Health, Office of (OMH)

For several decades, New York State has followed a policy of reducing the inpatient capacity of State-operated psychiatric hospitals. This was accomplished by closing and merging existing facilities. Since 2011, the Executive has not reinvested savings achieved through closures or other actions into community services as required under community reinvestment statute. Executive actions closed the Hudson River Psychiatric Center in Poughkeepsie as well as the adult inpatient wards at Mohawk Valley Psychiatric Center in Utica. During the same period ward closures occurred in other facilities in the State.

Executive Plan – July 2013

On July 10, 2013 the Executive released the OMH Regional Center of Excellence Plan (*RCE Plan),* which would reduce the number of State-operated psychiatric centers over three years ending in Fiscal Year 2017. The State currently operates 14 adult and ten children and adolescent centers, four forensic centers, three sex offender treatment programs, and two research hospitals.

The *RCE Plan* would create 15 Regional Centers of Excellence by closing and merging the existing psychiatric programs. The *RCE Plan* would close the facilities at Elmira, Greater Binghamton, Manhattan, Mid-Hudson Forensic, Rochester, Sagamore (Dix Hills, Long Island), St. Lawrence (Ogdensburg), Western New York Children's Psychiatric Centers, and the children's unit at Hutchings Psychiatric Center. The population of these facilities would merge with other centers.

Executive Announcement – December 2013

On December 19, 2013, the Executive changed course and announced that the adult and children and adolescent units at Elmira, St. Lawrence, and Greater Binghamton Psychiatric Centers will remain open for now; however, the campuses would be downsized. The Executive did not withdraw the notice to close. Therefore, these facilities are still slated for closure.

The Executive creates Children's Behavioral Health Centers of Excellence in both Ogdensburg (North Country) and in Binghamton (Southern Tier). The Executive announced that "No further implementation of the Regional Centers of Excellence plan will take place until OMH, in consultation with community and mental health advocates, evaluates the effectiveness of the expanded community services on the need for inpatient beds". There was no clarification if this only applied to the

Elmira, Greater Binghamton, and St. Lawrence Psychiatric Center or if this was applicable to all facilities affected by the *RCE Plan*.

Current Status of RCE Plan Implementation

OMH has not rescinded the notices regarding the one year notification requirement issued concurrently with the July 10, 2013 release of the *RCE Plan*. **Therefore, OMH could implement any part of the plan in the future using the existing notification to close, merge or restructure psychiatric facilities.**

Fiscal Year 2015 Executive Budget

The Executive Budget includes $25 million for increased community services to reduce inpatient stays in State-operated psychiatric centers. The Executive Budget proposal would continue with the previously announced closure of the Western New York Children's Psychiatric Center and move the inpatient population to Buffalo Psychiatric Center. This is the only facility closure the Executive has identified in the proposed Budget.

The Executive Budget proposal reduces the number of beds in the State-operated inpatient system by 399. Both actions would be dependent upon the Executive determining that existing community services are sufficient to meet the needs of the population; the concept of what is sufficient is not defined. The Executive estimates $30 million in savings from bed reductions; and balanced against the $25 million in community reinvestment, resulting in $5 million in net savings to the State. The $5 million would be used in other reinvestment strategies, resulting in 100 percent reinvestment.

Office of Mental Health
Regional Center of Excellence (RCE) Plan Ward Reductions
and Executive Budget Ward Reductions Comparison

Program	Facility	County	FY 2014 Funded Wards	FY 2015 RCE Plan Changes	FY 2015 Executive Budget	Status
Adult	Bronx	Bronx	7	-1	-1	1 Ward Elimination Concurrent with RCE Plan Notice
	Buffalo	Erie	7	-1	-1	1 Ward Elimination Concurrent with RCE Plan Notice
	Capital District	Albany	6	+1	-	Expansion on Hold
	Creedmoor	Queens	14	-	-	Concurrent with RCE Plan
	Elmira	Chemung	3	-3	-1	**Closure on Hold - 1 Ward Elimination Concurrent with Executive Announcement**
	Greater Binghamton	Binghamton	3	-3	-1	**Closure on Hold - 1 Ward Elimination Concurrent with Executive Announcement**
	Hutchings	Onondaga	5	+3	-	Expansion on Hold
	Kingsboro	Kings	7	-	-	Concurrent with RCE Plan
	Manhattan	New York	9	-3	-2	**Planned Downsizing Partially Delayed, Closure on Hold**
	Pilgrim	Suffolk	15	-2	-2	2 Ward Elimination Concurrent with RCE Plan Notice
	Rochester	Monroe	5	-3	-2	**Planned Downsizing Partially Delayed, Closure on Hold**
	Rockland	Rockland	15	0	-1	Downsizing Not Concurrent with RCE Plan Notice
	S. Beach	Staten Island	12	-	-	Concurrent with RCE Plan
	St. Lawrence	St. Lawrence	3	-1	-1	**Closure on Hold - 1 Ward Elimination Concurrent with Executive Announcement**
	W. Heights	New York	1	-	-	Concurrent with RCE Plan
Children and Youth	Buffalo	Erie	0	2	2	**Merger Concurrent with RCE Plan Notice**
	Elmira	Chemung	1	-1	-	**Closure on Hold**
	Greater Binghamton	Binghamton	1	-1	-	**Closure on Hold**
	Hutchings	Onondaga	2	-2	-1	**Planned Downsizing Partially Delayed, Closure on Hold**
	Mohawk Valley	Oneida	2	+3	-	Planned Expansion on Hold
	NY City Children's	Queens, Bronx	11	-	-	Concurrent with RCE Plan
	Rockland	Rockland	4	-1	-1	Concurrent with RCE Plan Notice
	Sagamore	Suffolk	4	-4	-2	**Closure on Hold, 2 Ward Elimination**
	S. Beach	Staten Island	1	-	-	Concurrent with RCE Plan
	St. Lawrence	St. Lawrence	3	-	-1	**Closure on Hold, 1 Ward Elimination**
	Western New York	Erie	3	-3	-3	**Closure Concurrent with RCE Plan Notice**

Source - New York State Division of Budget and Office of Mental Health
These ward eliminations would result in the reduction of 399 beds.

Office for People with Developmental Disabilities (OPWDD)

The Executive Budget proposes closing the remaining 47 beds at O.D. Heck by March 31, 2015. Approximately 250 additional beds would be removed from the institutional system. These bed reductions would save an estimated $10.6 million. During the same time period, the Executive proposes to invest $9.1 million in new community services to facilitate the planned downsizing.

The Executive Budget does not address other scheduled closures in the OPWDD system beyond this fiscal year. The Executive previously announced the closures of the Brooklyn Disability Developmental Center by the end of 2015, Broome Disability Developmental Center by March 2016, and the Bernard Fineson Disability Developmental Center by March 2017. These closures would result in a decrease of 572 beds. Approximately 150 placements will remain open in the future in specialized units on two campuses, Sunmount in Tupper Lake and Norwich.

PUBLIC CAMPAIGN FINANCING

The Executive Budget proposes the *Campaign Finance Fund* for primary, general, and special elections, and establishes the *Income Tax Check-Off Box Program*. There would be no fiscal impact in 2014, due to the 4 year election cycle. The Executive estimates that the cost of publicly financing one election cycle would be $166 million, or $41.5 million per year.

<u>The Campaign Finance Fund</u>

The Executive Proposal includes Article VII language to establish a public donation program, that would first be available for the 2016 election for Senate and Assembly seats, and would be expanded to races for Governor, Lieutenant Governor, Comptroller, and Attorney General in 2018. This program allows residents to require that the State contribute State funds to campaigns, via a check-off box on their State Income tax return. For this fund to be solvent, resident taxpayers would need to voluntarily direct the State to contribute dollars to the fund, and candidates would need to choose to remain within the specified contribution limits.

The fund provides each participating candidates' authorized committee with $6 in funds for each $1 of matchable contributions, for the first $175 of eligible private funds per contributor. The table below details the maximum allowable receipt of public funds. There are additional restrictions imposed if candidates run unopposed. Unopposed candidates in primary elections will be eligible for half of the allotment specified in the table below. Unopposed candidates in a general election would be eligible for none of the public campaign dollars.

Election (Dollars in Thousands)	Governor	Lieutenant Governor	Comptroller / Attorney General	Senate	Assembly
Primary	8000	4000	4000	375	175
General / Special	10000	0	4000	375	175

Under this proposal, candidates are limited to a $6,000 contribution, of which $175 is eligible for the State 6-to-1 match. While there are no limits on what a participating candidate can spend above the public dollars on a race, there are strict limitations in place on what can be given to a candidate.

Donated funds, primarily derived from the Income Tax Check-off Box described below, can be used either as reimbursement, or to cover up-front costs of eligible campaign activities. All payments would be made to participating candidates' authorized committees as soon as is practicable, and would be submitted electronically from the receiving fund into the authorized committee's bank account.

If in any State fiscal year, the Campaign Finance Fund lacks the amount of money to pay all qualifying claims, all qualifying claims will be paid by the State Comptroller, directly from the General Fund, or the Abandoned Property Fund of the Comptroller. Assuming that candidates accept public financing, the impact to State revenues is estimated to be $166 million per election cycle, or $41.5 million per year.

<u>Income Tax Check-off Box</u>

Under the Executive proposal, beginning in 2014, the State would offer a Campaign Finance Fund Check-Off Box. Resident taxpayers who owe at least $40 in State taxes for that year could elect to contribute $40 to the New York State Campaign Finance Fund. Married couples who file jointly may each contribute $40 to the Fund.

There is currently a $3 Check-Off Box on Federal Income Tax returns. The Federal income tax return form asks: *Do you want $3 of your federal tax to go to the Presidential Election Campaign Fund?* The Federal Check-Off Box operates similarly to the Box proposed by the Executive, in that checking the box does not change the amount of an individual's tax or refund. The $3 is paid from the individuals tax liability. It functions similar to a tax credit. Each $3 contribution by the Federal Government can be used to pay for presidential primary and general election campaigns, and national party conventions. Candidates are required to opt-in to receiving these public funds. In the 2012 Presidential election, $0 were paid out from the Federal Income Tax Check-Off Box to both Democratic and Republican primary races, and to Democratic and Republican general elections[1].

As noted above, if implemented, the Check-Off Box would not change the amount of an individual's tax liability, or the amount of one’s refund. For instance, if a taxpayer is set to receive $100 from New York State as a tax return, and that taxpayer selects the Check-Off Box, he or she would still receive $100. This tax return would not be reduced to $60. **<u>In essence, the Check-Off Box functions as a tax credit for the amount contributed.</u>** This box directs New York State to allocate $40 of the individuals liability to the Campaign Finance Fund Special Revenue Account (SRO). If this box were not checked, these funds would go to the General Fund.

[1] Federal Election Commission

MORELAND ACT COMMISSION TO INVESTIGATE PUBLIC CORRUPTION

Background

On July 2, 2013 the Executive issued Executive Order # 106 which established a Moreland Act Commission to Investigate Public Corruption (hereinafter "The Commission.")

The Commission was tasked with investigating:

- Criminal statutes for corruption and misconduct by public officials
- Campaign financing law reforms;
- Compliance and effectiveness of existing lobbying laws;
- Adequacy and enforcement of the State's election laws.

The Commission is comprised of 3 co-chairs, Nassau County District Attorney Kathleen Rice; Onondaga County District Attorney William Fitzpatrick and Milton Williams, Jr. a partner at the law firm of Vladeck, Waldman, Elias & Engelhard, P.C. The Commission has 22 additional members, 1 Special Counsel and 3 Special Advisors, in addition to an unknown number of staff.

The Executive Order deputized the appointed attorneys as deputy attorneys general pursuant to Executive Law § 63 (8). Together with the power of Executive Law § 6, the Commission was granted the authority to issue subpoenas provided that the three Co-Chairs unanimously agreed, and as a condition precedent that the Commission adopted rules governing its processes and procedures.

The Commission issued a preliminary report on December 1, 2013.

A Moreland Act Commission is constrained by statute only to investigate Executive Branch agencies, departments, boards and commissions It does not have statutory authority to investigate the Legislature.

The legislative recommendations advanced by the Commission encompassed almost identical legislation that the Executive had already proposed.

The Preliminary Report

The Commission's Preliminary Report made findings that the Governor's proposed legislation, delivered to the Legislature late in the 2013 Legislative Session, comprised necessary changes in state laws related to public corruption, Election Law enforcement and Campaign Finance Reform including creation of a system of Taxpayer-funded Campaigns.

Additionally, the Commission recommended that there be additional requirements for public official's Annual Statements of Financial Disclosure.

The Preliminary Report further notes that the Commission has issued over 200 subpoenas. It is evident from a review of the Report that the scope of the investigations related to public officials are uniquely focused on the Legislature and not Executive branch public officers.

Moreland Proposed Appropriation

Despite persistent news reports demonstrating that a number of staff of the Executive Chamber and the Department of Law are being retained to carry out the purposes of the Executive Order #106, the State Operations appropriation for the Moreland Commission remains at the level appropriated in SFY 2013-2014 at $270,000 for "contractual services." (See, L. 2013 Ch. 50). In 2012, the Executive had appointed another Moreland Act Commission on Utility Storm Preparation and Response to investigate public utility responses to Superstorm Sandy, which did continue to operate in SFY 2013-2014 and would have utilized that appropriation authority.

The Department of Law has no corresponding appropriation for the deputies attorneys general assigned to the Moreland Act Commission or even more broadly any inquiry related to the "public peace, public safety and public justice" as required by Executive Law § 63 (8).

The lack of appropriated funding for this Commission continues to be a concern for the Senate as it eliminates the independence of this Commission. The Commission must rely on the discretion of the Executive and the Attorney General to fund staff and its investigative needs.

Litigation

The Senate and Assembly, together with employers of several members subpoenaed by the Moreland Commission, have filed suit to quash the Moreland Commission subpoenas which have been issued to employers of legislators without requisite authority, and for a declaration that the Commission as constituted violates the Separation of Powers of the New York Constitution. These cases, New York State Senate v. Commission to Investigation Public Corruption, 160935/2013, and New York State Senate v. Rice, 160941/2013, are currently pending in Supreme Court, New York County.

Moreland Proposed Legislation- Part H- S. 6355 Public Protection and General Government.

SUBPART A – "Public Trust Act"

- Proposes to make numerous changes to the laws relative to public corruption, including lengthening statute of limitations; eliminating transactional immunity for public corruption crimes; allows use of wiretaps for any public corruption crime; enhancing penalties while simultaneously lessening required standards of proof for existing crimes; creating permanent bars for holding civil or elective offices, or receipt of pension benefits, corporate or personal tax benefits or state contracts. Creates new crimes and penalty enhancements for any crime where a state entity is the victim. Proposes new language to require further disclosure of public official's outside clients, where the client, whether in representation by the firm or not has any nexus with the State.

SUBPART B – Independent Chief Enforcement Counsel

- Creates the position of chief enforcement counsel within the State Board of Elections (SBOE). The Governor alone[1] appoints the chief enforcement counsel to a fixed term of four years, who has sole authority to hire or fire personnel within the enforcement unit. The chief enforcement counsel may be removed by the Governor only for good cause.

- Grants the chief enforcement counsel the authority to investigate any matter related to

[1] The appropriation language in S.6350 State Operations Budget allows for the advice and consent of the Senate in this appointment although the Article VII legislation does not. The Enforcement Counsel Article VII legislation is incorporated into the appropriation of additional resources for the State Board of Elections; despite the findings of the Moreland Commission that the existing appropriations are inadequate to discharge existing statutory duties.

the election law, on his or her own initiative or upon complaint. Gives power to issue subpoenas, search warrants, attend a court or grand jury proceeding for a civil or crimial matter related to the election law.

- Allows the chief enforcement counsel to refer over-contribution for administrative assessment of civil penalties before a hearing officer by the SBOE, or to directly commence a special proceeding in supreme court. For criminal violations, the chief enforcement counsel to commence a criminal prosecution or refer to any other prosecutorial body.

SUBPART C – Election law clarification and decreasing donation limits

- Creates a new requirement to report the names of "intermediaries" on campaign finance filings, commonly known as "bundlers."

- Creates a definition for "independent expenditure," which includes any expenditure which unambiguously refers to and advocates for or against a candidate or ballot proposal. Provides exemptions for: news stories by broadcast stations, candidate debates, internet communications, or internal communications within membership organizations (such as labor unions). Any communications paid for by an independent expenditure must state the person or entity who paid for the communication and that it was not authorized by any candidate. Requires the registration and disclosure on an expedited basis for independent expenditure committees.

- Caps contributions to party housekeeping accounts at $25,000 per year.

SUBPART D – Public Financing

- Creates a new taxpayer-funded form of Campaign Finance. Creates an oversight unit within the State Board, which shall promulgate advisory opinions; create an electronic database of public information and shall develop education and guidance; audit all disclosures and require repayment of any excess funds.

- The Program would mirror the existing New York City program by providing a 6:1 taxpayer match for each contribution of up to $175 which will be funded by Abandoned Property Fund, or an additional tax-payer voluntary check-off of $40 each year. If these resources are insufficient, then the State's General Fund will backfill any necessary amounts.

- Imposes lower contribution limits than current law whether a candidate participates in the taxpayer financed system or not. Caps the amount of taxpayer matching funds at spending levels varied based on the office sought.

- Eliminates the CPI indexing for the current contribution limits except for the New York City offices.

- Limits transfers by party committees to candidates to $5,000 plus up to $500 received from each contributor, which are currently unlimited.

- Prohibits a candidate from contributing to their own campaign above a certain threshold; caps contributions to party committees are capped at $25,000.

- Limited liability companies (LLCs) are treated as corporations for purposes of contribution limits; and the annual maximum for any corporate entity is reduced from $5,000 to $1,000.

- Limits the personal use of campaign money for the exclusively personal benefit of the candidate, provides specific examples of prohibited personal uses.

WORKFORCE UPDATE

The FY 2015 Executive Budget proposes a net All Funds workforce reduction of 191 full time equivalent (FTE) positions from 180,957 to 180,766 positions. The decrease is net of 3,318 vacancies through attrition offset by 3,127 new fills. When adjusting to exclude 35 additional FTE requested by the Department of Law and 34 additional FTE requested by the Department of Audit and Control, the net workforce reduction for Executive controlled agencies is 260 FTE.

There are no layoffs anticipated.

Major Workforce Changes

Although the Executive Budget does not include "anticipated" layoffs, the extent of workforce displacement (if any), is undetermined.

The general trend of consolidation and reconfiguration in the Executive Branch has created circumstances in which employees have both changed jobs and work locations. The FY 2014 Enacted Budget provided five million dollars in appropriation authority to the Office of Employee Relations (OER) for a pilot program to provide job placement training for displaced employees in the Office of Children and Family Services (OCFS), the Office of Mental Health (OMH), the Office for People with Developmental Disabilities (OPWDD), and the Department of Corrections and Community Supervision (DOCCS). To qualify, an employee must not have been offered a comparable position within 25 miles of their current work location. According to the Executive, the funding was not used for FY 2014 because the vast majority of displaced workers found suitable positions. The full amount for the job training program has been reappropriated in the FY 2015 budget.

OCFS

The Executive anticipates a net staffing decrease of 234 FTEs, from 3,030 to 2,796. This reflects the continued closing and downsizing of youth facilities associated with the current Close to Home Initiative and staff for the continued implementation of the Human Services Contact Center.

Office of Temporary and Disability Assistance (OTDA)

The Executive anticipates a net staffing increase of 59 FTEs, from 1,859 to 1,918. This reflects an addition of 54 staff related to the takeover of the SSI State supplementation program from the Federal government that was authorized in the FY 2013 Enacted Budget and the addition of five staff for the additional programming of the Homeless Housing and Assistance Program (HHAP).

OPWDD

The Executive projects a net workforce reduction of 720 FTEs, based on 1,080 vacancies through attrition offset by 360 new hires. The Executive anticipates that most of the workers displaced from facility closures will be placed in other state positions.

DOCCS

DOCCS projects a net staffing increase of 66 FTEs from 29,001 to 29,067, resulting from 150 vacancies through attrition offset by 216 new fills.

Department of Health (DOH)
DOH projects a net increase of 323 FTEs, which reflects 230 FTEs requested to manage the State takeover of Medicaid administration. Most of the remaining 93 FTEs are allocated to the New York Health Insurance Exchange.

Collective Bargaining

The FY 2015 Financial Plan reflects a two percent general salary raise in FY 2015 and a second two percent general salary raise in FY 2016 for employees with five year collective bargaining agreements.

The State has settled collective bargaining agreements for the contract period commencing in FY 2012 with 90 percent of the State workforce.

Five year agreements were reached with the Civil Service Employees Association (CSEA), the United University of Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), and Council 82.

Four year agreements were reached with the Public Employees Federation (PEF) and the New York State Police Benevolent Association (NYSPBA).

The following unions still have unsettled contracts:

- Graduate Students Union;
- State Police Troopers, Investigators, and Commissioned/Non-Commissioned Officers; and,
- Employees represented by DC-37 (Housing) in the Division of Home and Community Renewal.

NYS SENATE REPUBLICAN CONFERENCE TAX POLICY REVIEW & REFORM INITIATIVE

State Senator John A. DeFrancisco, Chairman of the Senate Finance Committee, and Senator Carl L. Marcellino, Chairman of the Committee on Investigations and Government Operations, hosted five statewide public hearings on reforming New York's tax policies to help reduce the burden on taxpayers and spur job growth.

The hearings provided an opportunity for private sector leaders and concerned New Yorkers to express their views and share their ideas on ways to provide relief to overburdened taxpayers, while also improving the State's overall climate for economic growth and new job creation.

There were consistent themes that emerged from the participants:
- Broad-based tax reductions in both corporate taxes as well as personal income taxes, with the inclusion of some of the more effective tax credits and preferences;
- Simplicity in the tax code;
- Lowering the cost of complying with the tax laws; and
- Certainty and transparency in the administration of such laws.

These recurring themes illustrate the core impediments to our State's success:
- The cost of doing business or retiring in New York is too high;
- The tax code is too cumbersome;
- Basic compliance and filings are too costly and redundant; and
- The tax code has become an obstacle to growth.

The following outlines some of the Joint Committee's initial findings, and will be used to help guide the Senate Republican Conference's efforts in the 2014 Legislative Session and the 2014-15 State Budget process. The key initial recommendations and goals addressed are the following: Personal Income Taxes, Business Taxes, Estate Taxes and Local Property Taxes should all be reformed, simplified and reduced.

Budget Reforms

The underlying problem with our tax burden, and subsequently the solution, is restraint in State spending. Even though the past three budgets have kept State spending at or below two percent, a constitutional amendment limiting State spending to two percent is still needed in order to limit revenue increases in the future and provide a surplus for tax reductions.

Two Percent Constitutional Cap on State Spending: This should be achieved by the immediate passage of legislation, and then the passage of a constitutional amendment to make it permanent.

Create a "Tax Freedom Fund" (TFF): In conjunction with the two percent spending cap, any surplus revenues will be deposited into a TFF, which will serve as a lockbox to be used for specific tax cuts. When the amount of revenue in the TFF reaches pre-defined levels, it will trigger previously determined tax reductions focusing equally in both the Personal Income Tax and the Corporate Franchise Tax.

Require a Two-Thirds Legislative Majority for Approval of Tax Increases: This will ensure that only in times of extraordinary circumstances, tax increases can be incurred to ensure sufficient revenues will be available for necessary programs. This should be achieved by the immediate passage of legislation, and then the passage of a constitutional amendment to make it permanent.

Personal Income Tax Changes

Reduce Personal Income Taxes

The proposal for a Tax Freedom Fund (TFF) listed in the "Budget Reform" section should include automatic personal income tax reductions. As deposits are made to the TFF, there should be automatic reductions and simplifications focused on: reducing and then eliminating the myriad of tax benefit recaptures; allowing the temporary high rate surcharge to phase-out; and reducing the number of tax brackets.

Optional Simple Income Tax Calculation (SITC)

The New York State personal income tax code has become so mired with credits and extra (sometimes very complex) calculations, such as the tax benefit recapture, the average taxpayer cannot fill out his own taxes without the assistance of a tax professional or tax software.

In order to begin to address this problem, an optional Simple Income Tax Calculation (SITC) should be included as part of a taxpayer's annual income tax filing. If the taxpayer chooses to calculate their taxes under the SITC, the taxpayer would:

1. **Begin with his / her Federal Adjusted Gross Income (F-AGI);**
2. The only adjustment to F-AGI would be a **deduction for income from pensions,** for which government employees are constitutionally exempt from taxation under the Personal Income Tax;
3. To determine tax liability, a taxpayer would then **multiply this taxable income base by an "effective tax rate"** which would be provided in a table by the Department of Taxation and Finance. This table would report the historical average effective tax rates based on income brackets, the taxpayer's filing status, and the number of dependents claimed by the taxpayer; and
4. The taxpayer would then **subtract any withholding or estimated payments** to determine if a refund or payment is applicable.

There would not be any extra calculations or any additional credits. In short, in four easy steps the average taxpayer would realize approximately the same tax bill utilizing this calculation, with a lot less time, effort and cost than the current method. The State would also see a benefit of reduced paperwork and reduced audit expense.

Make Inflation Indexing Permanent

Under the Federal Personal Income Tax, the standard deduction, the personal exemption, the tax brackets, and the income threshold for the limitation on itemized deductions are all indexed to inflation, as measured by the annual percent change in the Consumer Price Index, reported by the U.S. Department of Labor. By indexing the tax brackets and other income related thresholds, a taxpayer's tax burden is not increased simply due to normal wage growth. In addition, the standard deduction and the personal exemption reduce a taxpayer's taxable income to reflect everyday cost of living expenses. Indexing the personal exemption and the standard deduction allows these tax benefits to keep up with rising costs of living.

As part of the Middle Class Tax Reform that was enacted at the end of 2011, inflation indexing was authorized for the tax brackets, the standard deduction and the rate recapture beginning in tax year 2013. The dependent exemption was excluded in the legislation. However, this indexing is only temporary and expires at the end of 2017. The current inflation indexing should be made permanent beginning in 2018 and allow for inflation indexing of the dependent exemption.

Treat All Retirement Income Fairly

Pensions of federal, state and municipal government retirees and retirees' social security income is exempt from tax, while a large portion of private pensions as well as distributions from individual retirement accounts (IRAs), 401(K) programs, and deferred compensation programs are not.

In 1982, a personal income tax deduction was authorized for a portion of a taxpayer's retirement income (other than government pensions and social security income) and only applies to retirement income received by the taxpayer in periodic payments. If the taxpayer receives this retirement income as a lump sum payment, the deduction cannot be taken. The maximum amount of retirement income that can be deducted is set at $20,000 and $40,000 for single taxpayers and married taxpayers, respectively.

The cap on the deduction has not been increased since its enactment in 1982. Since then, the Consumer Price Index has increased by 135 percent. Had the deduction for private retirement income been indexed to the rate of inflation, the cap would currently be $47,000 and $94,000 for single and married taxpayers, respectively.

Initially, the deduction should be raised to the inflation adjusted amounts of $47,000 and $94,000 and then exempt all periodic payments from retirement plans that are currently eligible for the partial deduction.

Eliminate Antiquated Adjustments to Federal Adjusted Gross Income

Under the current Tax Law, a taxpayer is subject to over 70 adjustments to his Federal adjusted gross income to determine his / her New York adjusted gross income. Of these adjustments, approximately half are additions to a taxpayer's Federal adjusted gross income which, in turn, increases his New York taxable income.

Many of these additions relate to the recapture of tax preferences, such as the add back for contributions to a college savings account if the contributions are not used for higher education purposes. However, some of these provisions are antiquated as a result of a change in the tax benefit or a change in tax policy. For example, a taxpayer is required to add back a federal deduction for special additional mortgage recording taxes paid if the taxpayer claimed a New York personal income tax credit for the taxes paid. However, this provision only applies to the special mortgage recording tax paid prior to January 1, 1988.

Many of these adjustments also impact businesses that pay under the personal income tax such as sole proprietorships, partnerships, and S-corporations and pertain to decoupling with federal provisions. In most of these instances, the business taxpayer is required to add back a federal deduction and calculate a different State deduction. This decoupling primarily occurs in the calculation of the depreciation of a business's assets.

The calculation of personal income taxes should be made less complex by repealing antiquated federal adjustments.

Eliminate the Minimum Tax

Under the New York State personal income tax, there is a minimum tax and a supplemental tax (also known as the tax table benefit recapture or rate recapture). Both of these are significantly different than the Alternative Minimum Tax (AMT) at the Federal level.

The minimum tax in New York only applies to a small number of taxpayers, primarily fiduciary entities, such as estates and trusts. The tax is imposed at a rate of six percent on the total amount of deductions claimed for: Accelerated Cost Recovery System (ACRS) depreciation on recovery property placed in service in New York in 1985 and 1986; ACRS depreciation on all Internal Revenue Code (IRC) section 280F recovery property placed in service prior to November 1, 1987; or intangible drilling costs; and qualified small business stock. The State receives less than $1 million in collections from this tax. For simplicity's sake and for administrative streamlining the minimum tax should be repealed.

Increase the Personal Income Tax Filing Threshold

Every year thousands of New York taxpayers are required to file an income tax form, even though they don't owe any taxes. The filing threshold in New York requires that every taxpayer having at least $4,000 of income file a return. The levels of standard deductions are $15,000 for married-joint, $10,500 for heads of household and $7,500 for single filers. At a minimum, every taxpayer will be able to earn up to the level of the standard deduction without owing any taxes.

The filing thresholds should be raised to the level of the standard deduction at each filing status.

Equalize the Treatment for Users of Fulfillment Services

Fulfillment services include: the acceptance of orders on behalf of another company, the shipment of orders, the billing and collection activities, or customer service. Currently, if an out-of-state business is formed as a C-corporation or an S-corporation, that out-of-state business is not subject to New York State tax under either the corporate franchise tax or the personal income tax if its sole contact with New York is its relationship with an in-state fulfillment service company. However, this exemption does not apply to out-of-state partnerships, which results in the non-resident partners being subject to the personal income tax on their entire income, as opposed to just the income that they earn from New York. This inequity is taking business away from New York's domestic fulfillment services by disincentivizing out-of-state partnerships from doing business with our domestic fulfillment service companies.

The Tax Law should clarify that non-resident partnerships would not have nexus in the State for the purpose of the personal income tax if their only contact in this State is the use of a domestic fulfillment service.

Estate Tax

Reform New York's Estate Tax

New York has the dubious distinction of being one of only 19 states that still levy a "death tax" and having one of the highest tax rates in the nation.

The estate tax is imposed upon the total value of the estate. For family farms, this includes the value of the farmland, the farm machinery, the farm buildings, and the livestock. In 2007, (the latest data available) the U.S. Department of Agriculture reported over 3,000 farms in New York had land and buildings with a market value over $1 million. When the value of machinery and equipment is included, the number of farms increases to 4,400 and that figure does not include the value of any livestock the farm may have.

In 2010, the Federal *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act* reinstated the Federal estate tax and increased the exemption threshold to $5 million for tax years 2011 and 2012. Subsequently, the $5 million exemption was made permanent and indexed to inflation by the American Taxpayer Relief Act (ATRA).

Although the state tax credit at the Federal level was eliminated, New York retained its estate tax due to it being tied to the Internal Revenue Code of 1998. In addition, although New York's exemption level was also pegged to the Federal exemption level, New York tax law caps this exemption at $1 million.

In order to remedy these inequities and to retain family farms, businesses and retirees in New York, the State estate tax should be coupled with the federal exemption threshold (currently $5 million) phased-in over four years. This action would also allow for immediate inflation indexing.

Business Tax Changes

Proportional Reduction in Corporate Franchise Tax

The Corporate Franchise Tax has 47 items of tax preference; of which 35 are tax credits. The value of the majority of these tax preferences totals over $1 billion (the exclusion of interest, dividends and capital gains from subsidiary capital is not included). Given the $3 billion collected by the State from the corporate franchise tax, those preferences represent nearly a 25 percent reduction in tax liability. If these tax preferences were converted into rate reductions, the top rate of 7.1 percent could be lowered to 5.3 percent with zero revenue impact to the State.

One option could include a reduction in corporate franchise tax (9-A) rates with a proportional reduction in tax credits across the board. For example, if rates are reduced by 25 percent, then all credits under Article 9-A would be reduced by 25 percent and so forth.

Reduce/Eliminate the Corporate Franchise Tax Through a Trigger

The corporate franchise tax rates should be reduced if funds are available in the future. A goal for complete elimination should be considered. The proposal for a Tax Freedom Fund listed in the "Budget Reform" section of this report should also include an automatic corporate tax rate reduction for increasing amounts that are added to the lockbox.

Eliminate Corporate Taxes on Manufacturers

The FY 2014 Enacted Budget included a 25 percent reduction in corporate taxes on manufacturers across all four calculations. Manufacturing is an important part of any strong economy. The corporate tax on manufacturers should be eliminated completely.

Eliminate the Corporate Alternative Minimum Tax (AMT)

A complete and immediate elimination of the AMT under any tax simplification/reduction scenario should be included.

Combine the Bank Tax and Corporate Franchise Tax

The Bank Tax and the Corporate Franchise Tax should be combined through an approach that will not result in any taxpayers paying more taxes. This approach should minimize the differences between the State tax base and the Federal tax base by repealing modifications to Federal income.

Recouple with Federal Tax Preferences

The State Tax Code should recouple with the Federal tax treatment of depreciation by allowing New York companies to enjoy special bonus depreciation and the Qualified Production Activities Deduction.

Couple More Closely with Federal Corporate Income Definition

New York currently has 38 modifications to Federal Entire Net Income (ENI). The State should explore the possibility of reducing the number of adjustments to Federal ENI with a goal of ensuring that these changes do not result in increased tax liability.

The State should also explore a State corporate tax that is based on a percentage of Federal corporate tax liability allocated to this State; much like the MTA surcharge is a percentage of State Corporate Tax liability allocated to the MTA region.

Brownfield Credit

The Brownfield Cleanup Program is an essential tool for redeveloping our industrial past and advancing smart growth redevelopment of our urban areas. The Brownfield Credit should be made permanent so businesses can depend on access to this successful economic development tool.

Angel Tax Credit

New York State's small businesses have long expressed a need for more access to both public and private investment dollars. One of the ways the Senate addressed this need was to expand the Excelsior Linked Deposit Program as part of FY 2014 Enacted Budget.

An Angel Investment Tax Credit should be adopted to help solve the problem of limited investment opportunities in small businesses by leveraging tax credits to create private investment pools, which would support both business development and business attraction efforts.

Film Tax Credit for Capital Projects

The interest in building more production facilities and expanding existing facilities within the State has increased. However, economic development dollars are limited and some potential projects have had a difficult time accessing economic development funds and investment capital.

The existing Film Tax Credit should be made available for capital investments in film production studios located in the State. The credit would equal 30 percent of qualified costs of construction of such buildings and equipment permanently housed in those buildings.

Sales Tax

Not-for-Profit Sales Tax Accountability

New York and the vast majority of other states offer sales tax exemptions to not-for-profits. One of the problems with New York's exemption is the lack of accountability. Sales to not-for-profits are exempt from sales taxes with no required record keeping of what or how much was purchased or the purpose for which items were purchased. The current exemption reduces State sales tax revenue by over $500 million annually.

The State should have a thorough review of the not-for-profit exemption for certain non-religious not-for-profits to require a filing with Tax and Finance to provide for accountability for this sales tax exemption.

Property Tax Relief

Make the Property Tax Cap Statute Permanent: Under current law, the New York State Property Tax Cap sunsets on June 15, 2015. From the Massachusetts experience, tax caps need time to provide property tax relief that is meaningful. Massachusetts was able to dramatically improve its state and local burden by maintaining its property tax cap over several decades. Making this provision in New York State law permanent would ensure that property taxpayers receive ongoing protection from unsustainable growth on local levies and would prevent a drag on local economies associated with high property taxes.

- **Reinstate STAR Rebate Checks** – Additional immediate temporary relief should be provided through the reinstatement of the STAR rebate checks. The STAR rebate check provided a direct benefit to property homeowners in the form of a wealth-adjusted amount built off of the homeowner's STAR benefit. In its last year, STAR rebate checks totaled $1.4 billion ($300 million in SENIOR STAR relief and $1.1 billion for the BASIC STAR recipients);
- **Standardize and Simplify Current Assessment System** – Localities are allowed to assess properties at different percentages of the market value, and total property assessments are not always kept up-to-date. Standardizing the assessment system would

eliminate some of the inequalities that exist between different municipalities. This change would not only create a more standardized system of assessment for this type of property but would eliminate costly litigation for localities; and

- **Mandate Relief** – Mandate relief initiatives would allow localities to pass on the savings to taxpayers through reduced property taxes. Since 2011, the State has enacted into law over 63 mandate relief initiatives. Major initiatives included Medicaid relief and pension reform. From FY 2013 to FY 2018, counties will save roughly $1.2 billion as a result of the State takeover of the growth in the local share program. This amount was enhanced in FY 2014 by requiring that counties receive a pre-payment of enhanced Federal Medicaid funds associated with the Affordable Care Act. This saves counties approximately $190 million over a two-year period starting in 2013.

Miscellaneous Taxes

Elimination of Additional 18-A Surcharge

The Senate fought for and won a significant victory in the FY 2014 budget by allowing the additional 18-A energy surcharge to be phase-down to elimination. That phase-out should be accelerated so that the surcharge is halved in FY 2016 and eliminated in FY 2017.

Eliminate Payroll Mobility Tax (PMT) on Governmental Entities

In 2009, the MTA Payroll Mobility Tax (PMT) was enacted to provide the MTA an additional source of revenue to eliminate a large budget gap due to mismanagement and the Great Recession. The PMT was imposed upon the total payroll expenses of all businesses within the MTA district, with limited exceptions, at a rate of 0.34 percent. The PMT was also extended to business income in excess of $10,000 of self-employed individuals at the same rate.

In 2011, the PMT was amended to eliminate the tax on businesses with annual payrolls of less than $1.25 million and for self-employed individuals with net earnings less than $50,000. The tax rate was also reduced for those businesses with annual payrolls between $1.25 million and $1.75 million.

The PMT is the only tax imposed in the State that is imposed upon state and local governmental entities. Even though the 2011 legislation eliminated the tax for the smaller municipalities, the tax is still imposed on the higher municipal levels, as well as the State. This essentially results in double taxation on the businesses and residents, since local property tax and local income tax revenues are used to pay this tax. In addition, since the State is liable for the tax, all State taxpayers are indirectly subject to the tax and not just those residing within the MTA district.

All governmental entities should be exempt from the PMT which would result in savings which could be mitigated by continuing cost efficiencies within the MTA. For municipalities, this elimination would result in local property tax relief.

Metropolitan Transportation Authority (MTA) Driver Surcharges

Similar to the payroll mobility tax, the MTA surcharge on automobile registrations and licenses was enacted in 2009 to provide the MTA an additional source of revenue. The surcharge increased the cost of automobile registrations by $25, nearly doubling registrations for many drivers. The license surcharge increased fees from 25 to 30 percent for licenses and permits. These surcharges should be eliminated.

Repeal the Stock Transfer Tax

The Stock Transfer Tax (Article 12 of the Tax Law) was effectively repealed in October 1981. However, because a portion of the revenue from this tax was dedicated to the payment of

Municipal Assistance Corporation (MAC) bonds, the tax could not be taken off the books without violating bond covenants. In order to circumvent violating bond covenants, a refund mechanism was implemented where the tax would be "paid" and a refund mechanism would return all the taxes paid to the taxpayer. Today, those transactions are primarily done "on paper" only; no money ever changes hands.

Since the MAC bonds were retired in 2008, there is no reason to keep this tax on the books. As such, there should be an immediate repeal of this tax.

Streamlining Tax Filings

Review the Administrative Cost of Taxation

The number of tax forms, the length of forms, filing requirements and payment requirements have increased over the years putting an ever-increasing burden on taxpayers to file and pay their taxes.

These issues with New York's tax system (as of 2010) have been identified:

- **Pay-to-Play:** All taxpayers in New York City, plus sales tax and corporate franchise taxpayers in New York State, must pay the tax in order to appeal to the Appellate Division of the Supreme Court;
- **Unequal Interest Rates:** Interest rates are much higher for assessments than they are for refunds by the Department;
- **Return Due Date:** Corporate tax return is not due until at least 30 days after Federal return and there is not an automatic extension when the Federal return is extended;
- **Filing of IRS Changes:** There is no definition of final determination. IRS and non-IRS changes must be reported within 90 days on an amended return where 180 days is suggested; and
- **Other issues:** Retroactive change in a controversial tax policy, presumption of nexus for soliciting sales.

The Department of Taxation and Finance should be tasked with reviewing all tax forms, filing requirements and payment requirements, with the goal of reducing redundant and overly burdensome filings, as well as improving their administrative procedures to make them more taxpayer friendly. The Department would then report back to the Legislature with recommendations.

AFFORDABLE NEW YORK:
THE INDEPENDENT DEMOCRATIC CONFERENCE'S 2014 INITIATIVE

Over the past year, the members of the Independent Democratic Conference have spoken to constituents in their districts and around New York about what concerns they have as they live, work and raise a family in New York. One overarching theme has permeated most of the conversations: New York needs to be more affordable.

On December 13th, 2013, the Independent Democratic Conference unveiled Affordable New York, a comprehensive plan that is focused on lowering the costs of basic services, such as child care, housing and utilities and making New York more affordable for all families.

The goal of the IDC's plan is to make it more affordable to raise a family, get an education, work, and rent or own a home in New York State.

Family Leave Insurance

Unlike other States such as California or New Jersey, New York does not have a paid family leave program to provide short-term wage replacement to enable workers to survive financially when they need to care for a new child or seriously ill family member, such as an aging parent.

In the case of disability, the State of New York offers partial wage replacement through its Temporary Disability Insurance Program. However, with benefits capped at $170 per week, New York's TDI program is below every other state program in the nation.

The IDC recommends the implementation of a statewide Family Leave Insurance Program (FLI), along with an enhancement to current Temporary Disability Insurance (TDI) benefits:

- The TDI program would be amended to allow for the collection of benefits for "family care", including leave to bond with a new child, and leave to care for a family member who is suffering from a serious illness or disability.

- Workers will be able to claim a weekly benefit for up to six weeks a year equal to half their weekly wage, up to a maximum benefit of 35% of the average weekly wage in the first year, which will grow to 50% when the program is fully phased-in.

- The maximum benefit allowed under Family Leave Insurance will extend to the current Temporary Disability Insurance system, raising it for the first time since 1989.

Childcare

The State of New York tops the U.S. list of least-affordable child day care centers. Given the high need in New York for affordable child care, the IDC recommends the following initiatives:

Increase the Child Care Block Grant
An increase of $182 million to the NYS Child Care Block Grant, surpassing its peak of nearly $1 billion in 2010-11. The block grant provides a series of child care subsidies to help parents afford to work while their children are in safe, quality child care settings, but those subsidies

have been cut to the bone over the years. Specifically, the IDC's plan would restore the $82 million in cuts to general child care subsidies of the past several years, and increase the Facilitated Enrollment subsidy program by $100 million, making it a permanent program on its way to becoming statewide.

Increasing General CCBG Subsidies

Economists estimate the rate of return for high-quality early intervention child care for low-income families to be about 6-10% per year. Restoring the general subsidies in the NYS Child Care Block Grant to their 2010-11 levels would cost the State about $82 million and open about 13,000 new child care slots statewide.

Expand Facilitated Enrollment

A $100 million expansion of the Facilitated Enrollment subsidy within the NYS Child Care Block Grant. The program would be targeted to those families who have household incomes up to 400% of poverty ($94,200/family of 4). The IDC will make the Facilitated Enrollment subsidy reachable to families up to 400% of federal poverty level by requiring a cap on family copays of 10% of a family's total household income.

Working Families Tax Credit

The new Working Families Child Care Tax Credit would provide a refundable credit of 10% of child care expenses up to $1,000 per eligible tax filer. Tax filers must have a household income up to $100,000 and at least one dependent child under 13. This credit would be for the purposes of allowing the parent to go to work, school, or time to look for work and will serve approximately 200,000 families.

Day Care Inspections Posting

Would require all child day care centers statewide to post their latest inspection report issued by the OCFS or DOHMH at a prominent location in the facility and on their website.

Education

Tuitions at both private and public colleges and universities grew an average of 4% between the 2011-2012 academic year and the 2012-2013 academic year. 60% of New York students graduating in 2011 left with debt, at an average of $25,850. The IDC recommends the following initiatives to make education more affordable:

Pre-paid College Tuition Plan

A new Pre-paid Tuition Plan that would allow parents to lock in current tuition rates at New York State public and participating private and independent institutions for their children. The fund into which money is deposited is then invested and the returns will allow the fund to pay the participating institutions the tuition rate at the time the beneficiary actually goes to college. This will save families thousands of dollars in lowered tuition rates while at the same time making sure that our institutions of higher learning receive the funds they need to continue educating our children.

Families would be able to choose from a number of plans depending on what their child's educational plans might be. Parents will be able to purchase smaller amounts of tuition or entire semesters and years of tuition. Deposits in the fund will get the same beneficial tax treatment we give deposits into the 529 College Savings Program.

Double the Tuition Tax Credit

Families in New York get a choice of applying for a credit or claiming a deduction for their tuition expenses. A student can deduct from his or her taxable income an amount equal to your tuition expenses up to $10,000 or can instead claim a tax credit equal to 4% of applicable tuition expenses up to $10,000 per student, with the minimum credit equal to the lesser of the claimed expense or $200. The IDC proposal would expand the maximum amount claimable in a deduction or credit to $20,000 in order to keep with rising tuition costs.

Expanding the 529 College Savings Program

New York State has not changed the maximum possible exclusion from New York State income taxes allowed for deposits made into a 529 College Savings Account since the program was instituted in the late 1990's. In order to keep up with the rising cost of tuition and to spur more parents to save up for their children's college expenses, the IDC recommends that the maximum possible exclusion for funds deposited into a 529 College Savings account be doubled to $10,000 for a single or head of household filer, and to $20,000 for a married couple filing jointly.

Education Investment Tax Credit

A new Education Investment Tax Credit (EITC) will provide an incentive in the form of a tax credit for donations to public schools, including charter schools, and ESOs. This program will establish a dollar-for-dollar credit of up to 75 percent of a donor's state tax liability by donations to these various entities. Up to $250 million in tax credits will be available on a first-come, first-serve basis from the Department of Taxation and Finance, divided evenly to public schools and ESOs for children to attend private school.

Transportation

Incentive for Qualified Transportation Fringe Benefits

In order to help pay for commuting expenses, federal tax law allows employers to offer a benefit that sets aside pre-taxable income with which employees can pay for eligible commuting expenses. The IDC recommends providing an incentive for businesses to offer this benefit by defraying the administrative costs to sign up employees. This initiative will offer employers who have not offered these benefits before a $50 tax credit for each new employee who signs up; up to a $50,000 maximum. $5 million will be set aside to ensure that 100,000 New Yorkers get access to these benefits for the first time.

New York State Toll Relief Tax Credit

A new income tax credit available for drivers who must pay a toll as part of their daily commute. Taxpayers would be able to claim a credit of up to $250 per commuter, providing the relevant documentation. For those married and filing jointly, the $250 credit maximum can be claimed for each spouse, as long as each spouse commutes separately and incurs these costs individually. The credit would be implemented beginning in the 2014.

Housing

35% of working households in the New York City area face severe housing costs. While New York City faces the highest housing costs, a fifth of working households in Rochester also face severe housing costs. According to the Office of the State Comptroller, by 2011 only 44% of households in NYC earning the median income had access to affordable rents, which equal 30% of monthly earnings. The IDC proposes the following initiatives to address housing affordability:

Mitchell Lama 2020 Plan

The IDC proposes to make hundreds of millions of new funding available to begin building middle-income affordable housing again. The Mitchell-Lama 2020 program would invest over $150 million in capital funding each year over five years to build new Mitchell-Lama housing statewide. The total new investment in middle income housing would be $750 million. This plan would start with developments in each of the 5 largest cities in the State.

Study and Stay Tax Credit

A new Study and Stay Tax Credit would be available to any graduate of a 4-year, New York college or university after January 1, 2015.

The tax credit would be up to $5,000 of one's state income tax liability for up to 10 years. Funds will be deposited into a Study and Stay account where they will accrue. At the end of this period, individuals would have a maximum of $50,000 to be used only toward the down payment of a home. The program will allow a maximum of $10 million in tax credits annually, and would help 2,000 graduates get on the path of homeownership.

Foreclosure Relief

In 2009, New York State adopted some of the toughest and most comprehensive foreclosure laws in the Country. The Mortgage Foreclosure Relief Bill required first time settlement conferences and adequate notice for tenants who were living in foreclosing homes. It also mandated that financial institutions maintain the properties they foreclosed upon.

The IDC recommends reauthorizing the 90 day notice requirement, which is sunsetting in 2015. Adequate Notice of foreclosure filings have allowed New York homeowners to secure reliable and affordable representation through our expert legal services and housing counseling associations throughout the state.

The IDC also proposes to reauthorize settlement conferences for all homeowners regardless of the type of loan they currently have for their home. Settlement Conferences have allowed New York homeowners to stay in the homes at affordable interest rates with affordable payments.

Foreclosures and Disaster Recovery

In addition to extending these much needed foreclosure protections, the State must also address the new threat to the New York housing market: natural disasters.

The IDC recommends legislation that will require that in any area declared a disaster pursuant to executive law all servicers or holders of home loans shall suspend all principal and contractually agreed-to interest payments due and owing on any home loan located in the disaster area for a one-year period from the date of the disaster. In addition no interest or fees shall be charged related to this one-year suspension of payments. In doing this, the terms of these loans shall be extended one additional year from the date of disaster declaration.

This legislation will additionally protect homeowners from any negative credit reporting impact as a result of forbearance. It would require that suspensions in accordance with this program will not result in any negative credit reporting and that homeowners will receive written notice of the payment suspensions along with information that no fees or costs will be charged during this time or as a result of the program.

Retirement

The current population of New Yorkers over 65, which stands at approximately 2.6 million today, is expected to rise to 4.6 million by the year 2040. Many seniors rely on fixed incomes, receiving on average $1,234 in Social Security benefits and $516.90 in Supplemental Security Income.

EPIC Expansion

The IDC proposes to expand the Elderly Pharmaceutical Insurance Coverage or EPIC program to ensure that seniors can afford and obtain necessary prescription drugs.

This proposal will expand the income eligibility threshold from $35,000 to $75,000 for an individual and from $50,000 to $100,000 for a couple. It will also exclude social security income from income thresholds. The IDC estimates this expansion will help thousands at a cost of $2.5 million.

In addition, this proposal would allow seniors to remain eligible for EPIC despite an increase in their pension or social security benefit. It would authorize also the Commissioner of Health to adopt policies to exempt some non-recurring income from the definition of income for the EPIC program.

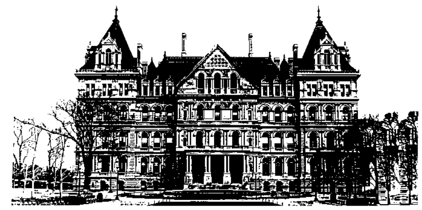
Utility Cost Relief for Seniors

The IDC proposes a 3-point proposal designed to deliver much needed relief to seniors struggling with the high cost of utilities. A $300 rate relief check; a rate-change rebate; and a new Utility Consumer Advocate Office

Relief Check: A new $300 rate relief check to each senior household making under $100,000 that is ineligible for existing utility & energy assistance programs (e.g., HEAP).

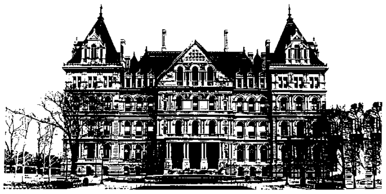
Utility Rebate: Allow seniors to get a rebate on their expenses due to utility rate increases if the increase is high enough that it disproportionately changes the amount of the household's income going towards utility expenses. The program would be income based, but tailored to benefit the vast majority of senior households. While those seniors with the lowest incomes would see the most relief, the vast majority of seniors would be eligible and would see some relief if they saw their utility rates explode from one year to the next.

Utility Consumer Advocate Office: The IDC believes that it is critical to create a Utility Consumer Advocate Office. S.4550 (Savino) is meant to give New York an independent advocate for consumers who would have a seat at the table when regulated utilities ask to raise rates.



SECTION THREE

SUMMARY OF ARTICLE VII LEGISLATION

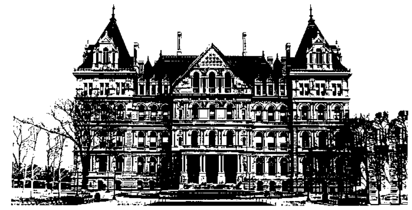


SCHEDULE FOR LEGISLATIVE REVIEW
OF THE FY 2015 EXECUTIVE BUDGET PROPOSAL

DATE	LOCATION	TIME	TOPIC	CONTACT
January 27	Hearing Room B	9:30 AM	Local/General Government	Clinton L. Freeman, Jr. (518) 455-5491
January 28	Hearing Room B	10:00 AM	Education	Clinton L. Freeman, Jr. (518) 455-5491
January 29	Hearing Room B	10:00 AM	Environmental Conservation	Dottie Pohlid (518)455-3511
January 30	Hearing Room B	10:00 AM	Transportation	Clinton L. Freeman, Jr. (518) 455-5491
February 3	Hearing Room B	9:30 AM	Health/Medicaid	Dottie Pohlid (518)455-3511
February 4	Hearing Room B	9:30 AM	Housing	Clinton L. Freeman, Jr. (518) 455-5491
	Hearing Room B	1:00 PM	Human Services	Clinton L. Freeman, Jr. (518) 455-5491
February 5	Hearing Room B	10:00 AM	Public Protection	Dottie Pohlid (518)455-3511
February 6	Hearing Room B	9:30 AM	Higher Education	Clinton L. Freeman, Jr. (518) 455-5491
February 10	Hearing Room B	9:30 AM	Taxes	Dottie Pohlid (518)455-3511
	Hearing Room B	1:00 PM	Economic Development	Dottie Pohlid (518)455-3511
February 11	Hearing Room B	9:30 AM	Mental Hygiene	Dottie Pohlid (518)455-3511
	Hearing Room B	1:00 PM	Workforce Development	Clinton L. Freeman, Jr. (518) 455-5491

Schedule as of January 21, 2014

APPENDIX



SUMMARY OF THE IMPLEMENTING BUDGET BILLS

This appendix contains a summary of the implementing legislation submitted with, and required to enact the FY 2015 Executive Budget. The Governor's presentation consists of ten total bills, five appropriation and five article VII bills. While this section provides a brief summary and highlights the fiscal impact for each of the five article VII bills, any questions or additional information on any of the provisions contained in these bills should be addressed to the appropriate Senate Finance Committee analyst or through reference to the Executive's more complete Memorandum in Support which provides additional detail.

FY 2015 EXECUTIVE BUDGET BILLS

Appropriation Bills

S.6350/ A.8550 State Operations
S.6351/ A.8551 Legislative & Judiciary
S.6352/ A.8552 State Debt Service
S.6353/ A.8553 Aid to Localities
S.6354/ A.8554 Capital Projects

Article VII Bills

S.6355 / A.8555 Public Protection & General Government
S.6356 / A.8556 Education, Labor & Family Assistance
S.6357 / A.8557 Transportation, Economic Development & Environmental
S.6358 / A.8558 Health & Mental Hygiene Conservation
S.6359 / A.8559 Revenue

FY 2015 NEW YORK STATE EXECUTIVE BUDGET
PUBLIC PROTECTION & GENERAL GOVERNMENT
ARTICLE VII LEGISLATION
[S.6355/A.8555]

<u>PART A</u> – Increase license sanctions for multiple alcohol- and drug-related driving offenses, and increase fines for certain alcohol- and drug-related driving offenses

- Revokes licenses for five years of drivers with two convictions in a three year period for driving while intoxicated (DWI) or driving while ability is impaired (DWAI) by drugs or alcohol.

- Provides for permanent revocation of a license for the third conviction – either in- or out-of-state - of DWI or DWAI by drugs or alcohol, regardless of the number of years between convictions.

- Increases the civil penalty from $750 to $1,000 for drivers who refuse to submit to a chemical test if they have previously had their license revoked for driving while intoxicated or for refusing to submit to a chemical test, and increases the fine from $500 to $1,000 for aggravated unlicensed operation of a motor vehicle in the first degree.

<u>PART B</u> – Increases license sanctions for texting and cell phone violations committed by persons under the age of 21, and increases the maximum fines for all texting and mobile phone use while driving violations.

- Imposes a one year suspension of a license if a driver under the age of 21 is convicted of a texting or mobile phone use violation, and requires that such license will be revoked for at least one year for a subsequent texting or mobile phone violation while under the age of 21.

- Increases the maximum fines that may be imposed for mobile phone use while driving and texting while driving violations, from $150 to $200 for the first violation, from $200 to $300 for the second violation in an eighteen month period, and from $400 to $500 for a third or subsequent violation in an eighteen month period.

<u>PART C</u> – Continue provisions relating to the disposition of certain monies recovered by county district attorneys.

- Proposes to extend for one year a program allowing District Attorneys in New York City to retain a portion of settlement recoveries prior to the filing of an accusatory instrument against a defendant. These recoveries provide the District Attorneys with additional resources to pursue investigations. The formula is based upon a cumulative amount of recoveries within a State fiscal year. The program is set to expire on March 31, 2014.

<u>PART D</u> - Suspend a subsidy to a revolving loan fund from cell surcharge revenues

- Suspends for four years, the annual transfer of $1.5 million from the Public Safety Communications Account (PSCA) to the Emergency Services Revolving Loan Fund (ESRLF).

- The PSCA is funded by a surcharge of $1.25 per month on all wireless communication devices, such as cellphones, used on publicly switched telephone networks.

- Monies from the PSCA are expended to support the operations of the state police, the ESRLF, and grants or reimbursements to counties for the development, consolidation, or operation of public safety communications systems or networks.

- As the ESRLF has a present balance of nearly $10 million, and provides an average annual loan amount of $3 million, it can continue to offer loans for a period of time without additional transfers from the PSCA.

- An identical suspension of this transfer was also done for the 2011-2012 and 2012-2013 budget years.

PART E – Amend the Civil Service Law in relation to the reimbursement of Medicare premium charges.

- Provides for the discontinuance of the reimbursement for Income Related Medicare
- Adjustment Amounts (IRMAA) premiums for high income retirees. New York currently reimburses retired state employees their out of pocket payments to the federal government for Medicare Part B and IRMAA premiums.

- Assumes savings of $1.7 million in FY 2014, but would grow to over $7 million on a full annual basis in FY 2018.

- Retroactive to January 1, 2014.

PART F – Support the previous consolidation of information technology staff and services within the Office of Information Technology Services.

- Creates three hundred new temporary term appointments without examination within the New York State Office of Information Technology Services (ITS). The appointments shall not exceed a term of sixty months.

- Creates an opportunity for current ITS staff to become eligible for term appointments without taking a civil service examination. After two years in a term appointment, employees would be eligible to compete in one promotional examination that is also open to employees who have permanent civil service appointments and appropriate qualifications.

- Amends the State Technology Law to provide technology services via agreements with municipal corporations, public benefit corporations, district corporations, political subdivisions, public authorities, soil and water conservations districts and certain units of the State University and City University of New York.

- Extends the authority until 2015 of State Agencies, officers or other public entities to enter into contracts with the not-for-profit corporation that operates the multi-state information sharing and analysis center for the purposes of cyber-security monitoring, detection and response.

- Allows the Department of Civil Service to reclassify employees in permanent, classified competitive positions prior to transfer to ITS to positions aligned with the duties and responsibilities of their former positions upon transfer. These transferred employees shall hold such positions without further examination and shall be added to and interfiled on promotion eligible lists as the Department of Civil Service deems appropriate.

- Amends the Public Officers Law to exempt from Public Officers Law Section §73 8(a)(i), (prohibiting certain employment for two years after separation from State service) former temporary employees or officers who were hired pursuant to Chapter 500 of the Laws of 2009 and who were terminated either because they did not receive a high enough score on a civil service exam, or no promotional exam was offered.

PART G – Extends the authorization of certain procurement options for local government entities

- Extends the authority of the Office of General Services (OGS) to make aggregate purchases of renewable energy on behalf of state agencies, institutions, local governments, public authorities and public benefit corporations.

- Extends the authority for local governments and school districts to directly purchase from Federal General Services Administration Schedule 70 (i.e., information technology, and telecommunications hardware, software and professional services), and the authority provided to local government to piggyback off of a competitively bid public works contract let by a county within which it is located.

PART H – The Public Trust Act, Campaign Finance Reform and Public Campaign Financing.

SUBPART A – Public Trust Act

- Proposes to extend of the statute of limitations for any person acting in concert with a public servant, for an offense involving misconduct in public office, to the same length of time a public servant themselves could be charged.

- Proposes that in the case of a legal proceeding that involves misconduct, nonfeasance or neglect in public office by a public servant, or any fraud upon the state, a political subdivision or governmental instrumentality, the witness would only be conferred "use" immunity. This is a narrower protection, as it only protects them from the use of their own testimony against themselves. Transactional immunity, the only type of immunity offered under current New York State law, would protect from any prosecution arising from an act about which the witness testified.

- Proposes to expand the current A-misdemeanor of Official Misconduct into three crimes: raising the original crime, which has no monetary threshold, to a class E felony; if the benefit is in excess of $1,000 a class D felony; and if the benefit is in excess of $3,000 a class C felony.

- Proposes for Bribe giving and Bribe receiving to a lower standard of proof. It eliminates the requirement that there be proof of an agreement or an understanding on the part of the giver and the receiver and focuses on the state of mind of the giver (for bribe giving) and the state of mind of the recipient (for bribe receiving). For any solicitation, attempt or receipt, it is enough to show that the person seeking the bribe did so for, because of, or as consideration for, a vote or decision. Provides specifically that a legal campaign contribution is not a bribe. Proposes to lower the value of benefit from over $10,000 to $5,000 (Second Degree) and to create a new First Degree crime if the benefit is in excess of $10,000.

- Proposes the new crime of bribe receiving and giving for public office which eliminates the requirement of an agreement or understanding and replaces it with the requirement that prosecutor prove that the bribe is given or received for, because of, or in consideration that, someone will provide another with a public office. In the case of receipt, the prosecutor must prove the recipient will appoint, designate or nominate someone for public office.

- Proposes new misdemeanor crime of "Failure to Report Bribery," for failing to actually report to a district attorney an attempt or commission of bribery of himself or another public servant.

- Proposes new crimes of "Corrupting the Government:" to engage in a scheme with intent to defraud the state or political subdivision by false or fraudulent pretenses – a class E felony; if the property, services or resources taken are valued in excess of $1,000 – a class D felony; valued in excess of $5,000 - a class C felony; and valued in excess of $10,000 – a class B felony.

- Proposes fines for Corrupting the Government be up to three times the amount of the defendant's gain.

- Proposes penalties of permanent disqualifications (lobbyist, civil office, property tax exemptions, empire zone designation, tax credits, and pension benefits), contract cancellation, and forfeiture for Corrupting the Government, Official Misconduct or Bribery involving Public Servants.

- Proposes a Public Corruption enhancement and sentence: where one commits a specified offense, and the victim is the state or political subdivision, the class of offense is raised one degree. The specified offenses are any larceny offense, unauthorized use of a computer offenses, unauthorized use of a motor vehicle offense, or a money laundering offense.

- Proposes expanding eavesdropping and video surveillance to be permitted in the investigation of the new crimes of Corrupting the Government, Official Misconduct and Failure to Report Bribery upon judicial order.

- This language mirrors the Program Bill #3 delivered to the legislature by the Executive in 2013.

- Proposes new language to require further disclosure of public official's outside income activities and clients. Requires that any public official who obtains $50,000 or more from any reportable activity or employment then the public official must identify each client or customer from whom the firm earned $10,000 or more in fees during the reporting period if the client has a pending matter with the state, defined as:

1. A proposed bill or resolution
2. A contract of $50,000 or more with the state
3. A grant of $25,000 or more from the state
4. A grant obtained by legislative initiative in any amount
5. A case, proceeding, application or other matter that is not a ministerial matter before a state agency

- Requires a public official to identify every client directly referred to the public official by a registered lobbyist or by the client of a lobbyist where the referral was by direct communication from the lobbyist or the client of the lobbyist to the public official. The disclosure must also include the identity of the lobbyist who made the referral together with the amount of the compensation received.

- Exempts from disclosure the names of clients if the public official provided medical, dental, mental health services, residential real estate or insurance broker services from the individual or his firm or if the representation involved investigation or prosecution by law enforcement, bankruptcy, or domestic relations matters. The Joint Commission on Public Ethics is further authorized to issue exemptions on good cause shown.

SUBPART B – Independent Chief Enforcement Counsel

- Creates the position of chief enforcement counsel within the State Board of Elections (SBOE). The Governor appoints the chief enforcement counsel to a fixed term of four years, the chief enforcement counsel would have sole authority to hire or fire personnel within the enforcement unit. The chief enforcement counsel may be removed by the Governor only for good cause.

- Grants the chief enforcement counsel the authority to investigate any matter related to the election law, on his or her own initiative or upon complaint. Upon receipt of a complaint, the chief enforcement counsel must determine whether it alleges an election law violation and whether it contains credible evidence. If the determination is that there is not a violation the complaint may be closed. If the determination is affirmative, then subpoenas and search warrants may be issued by the counsel for purposes of investigating the matter.

- Allows the chief enforcement counsel to attend a court or grand jury for the purpose of conducting a criminal matter related to the election law.

- Allows the chief enforcement counsel to refer over-contribution for administrative assessment of civil penalties before a hearing officer by the SBOE, or to directly commence a special proceeding in supreme court.

- Allows the chief enforcement counsel to commence a criminal prosecution or refer the matter to the Attorney General or a local District Attorney for prosecution.

SUBPART C – Election law clarification and decreasing donation limits

- Creates a new requirement to report the names of "intermediaries" on campaign finance filings. These are entities which deliver a campaign contribution from another entity to an authorized political candidate or committee. An exception is made for house parties costing less than $500.

- Creates a definition for "independent expenditure," which includes any expenditure which unambiguously refers to and advocates for or against a candidate or ballot proposal. The expenditure must be made without any cooperation of the candidate or coordination with his or her committee. Extends the definition of campaign expenditures to include those that expressly promote the success or defeat of a candidate if within one year but more 60 days prior to an election, where the communication can only reasonably be interpreted to advocate the election or defeat of a candidate. If the communication is made within 60 days of an election, the communication need only reference a candidate.

- Provides exemptions from "independent expenditure" disclosures for: news stories by broadcast stations, candidate debates, internet communications, and internal communications within membership organizations (such as labor unions). Any communications paid for by an independent expenditure must state the person or entity who paid for the communication and that it was not authorized by any candidate.

- Requires contributions over $1,000 be disclosed within 48 hours of receipt and if made by an independent expenditure committee within 30 days of an election, reported within 24 hours. Contributions over $1,000 made to non-independent expenditure committees will continue to be disclosed within 24 hours if made after the last filing before the election.

- Requires independent expenditure committees to include the name and employer of the person making the campaign finance filing as well as the name, occupation and employer of contributors of over $1,000, unless it is a contribution from a member of a union to the union independent expenditure committee. The name of the candidate or ballot referendum referenced in the communication must be identified in the campaign finance disclosure.

- Requires copies of all communications paid for by the independent expenditure be filed with the campaign finance statement.

- Caps contributions to party housekeeping accounts at $25,000 per year.

- Streamlines the levy of fines for the failure of a political committee to file their campaign finance forms or intentionally accepting an over contribution by allowing the SBOE to hold an administrative hearing to assess a fine, or allowing the chief enforcement counsel to commence a special proceeding unilaterally in supreme court. Failure to identify an independent expenditure or to falsely identify an independent expenditure is subject to a fine of $1,000 or the cost of the communication.

SUBPART D – Public Financing

- Creates a new public financing unit within the SBOE. The Unit shall promulgate advisory opinions; create an electronic database of public information and shall develop a program for education of candidates and the public as to the purposes and uses of the Public Financing system. The Unit will audit all disclosures and require repayment of any excess funds.

    - A Public Campaign Finance Fund is established in the State Finance Law, to receive funds from a New York State Campaign Finance Fund Check-Off, funds from the abandoned property fund, as well as a guarantee from the state General Fund in the event the funds in the account are insufficient, every four years after a gubernatorial election, if the surplus exceeds 25% of the funds disbursed in the prior year, then that surplus amount could be transferred back to the general fund.

    - The New York State Campaign Finance Fund Check-Off shall be on all forms promulgated by Department of Tax and Finance after January 1, 2014. An individual may designate $40 a married couple filing jointly may designate $80

- Requires any contribution or loan in excess of $1,000 to a political committee be reported within 48 hours of receipt.

- Imposes a $6,000 cap on political contributions to candidates for state-wide office participating in the public campaign financing system. Imposes a $4,000 cap on political contributions to participating candidates for state senate, and imposes a $2,000 cap on political contributions to participating candidates for the assembly.

    - For participating candidates, provided that an eligibility threshold is met, a contribution will be matched with $6 for each $1 contributed up to $175 of eligible private funds per contributor.

    - The maximum amount of public financing is capped as follows: For the Governor $8,000,000 for the primary election and $10,000,000 for the general election; for the attorney general and comptroller, $4,000,000 for the primary election and $4,000,000 for the general election; for the state senate, $375,000 for the primary election and $375,000 for the general election; and for the state assembly, $175,000 for the primary election and $175,000 for the general election.

  - A candidate must have an opponent, and can only use public funds for the reimbursement for eligible expenses to further the nomination of the candidate for election or the election of the candidate, or to repay loans incurred within one year prior to the election.

- Reduces limits for non-participating candidates for state-wide office: to $4,000 to $10,000 for the primary and $15,000 for the general election; for NYC city-wide office $4,000 to $12,000 for the primary and $25,000 for the general election; for state senate $5,000 for the primary and $5,000 for the general election; and for the assembly $3,000 for the primary and $3,000 for the general election.

- Eliminates the CPI indexing for the current contribution limits except for the New York City offices.

- Limits transfers by party committees to candidates to $5,000 plus up to $500 received from each contributor, which are currently unlimited.

- Prohibits a candidate from contributing more than three times the contribution limit to their own campaign and caps contributions to party committees at $25,000.

- Limited liability companies (LLCs) are prohibited from making contributions as individuals and instead are treated as corporations are for purposes of contribution limits; and the annual maximum for any corporate entity is reduced from $5,000 to $1,000.

- Limits the personal use of campaign money for the exclusively personal benefit of the candidate, provides specific examples of prohibited personal uses. Requires that the permissible use of campaign money be "directly related" to promoting a candidate or the holding of public office or party position. No contributions may be used for interest on monies loaned to the campaign by the candidate or their spouse. Property purchased by the candidate and leased back to the campaign is expressly allowed as long as it does not exceed the fair market value of the property.

<u>PART I</u> - Authorization for transfers, temporary loans, and amendments to miscellaneous capital/debt provisions, including bond caps

- Provides statutory authority for the administration of accounts and funds within the 2014/2015 state budget.

FY 2015 NEW YORK STATE EXECUTIVE BUDGET
EDUCATION LABOR AND FAMILY ASSISTANCE
ARTICLE VII LEGISLATION
[S.6356/A.8556]

PART A – Amend Education Law and make other changes necessary to authorize School Aid and implement education-related programs in the Executive Budget

- **Contract for Excellence:** requires school districts currently in the Contract for Excellence program to remain in the program, unless all of the schools within the school district are reported as "In Good Standing."

- **Gap Elimination Adjustment (GEA):** The GEA total reflects a $323.30 million reduction to the 2013-14 school year GEA.

- **State aid adjustments:** Freezes school aid claims and payments at the database level used to compute aid for the Executive Budget.

- **Teachers of Tomorrow:** Extends the program for the 2014-2015 school year at $25 million.

- **School District Reorganization:** Districts may opt to have the tax impact deferred for a one-year period and/or phased-in over a period up to ten years, as determined by the local boards of education.

- **Transportation after 4 pm:** For qualifying schools in New York City transportation after 4 pm is extended for the 2014-15 school year.

- **Teacher Excellence Fund:** Rewards "highly effective" teachers through a competitive grant program. Teachers selected will be eligible to receive up to $20,000 in annual supplemental compensation through the $20 million Teacher Excellence Fund.

- **Special Education Reform:** Allows school districts, BOCES and approved private schools to submit an application for a waiver from any requirement imposed on special education services. The waiver will be granted if the school provides an innovative special education program, consistent with federal requirements, that will enhance student achievement and/or opportunities for placement in regular classes and programs.

- **Preschool Special Education Reform:**
  - Limit reimbursement to services delivered – State law currently allows providers to be paid, even if services are not provided. The Executive limits payment to providers only for services provided.
  - Establish regional rate – Providers are currently reimbursed based on their historical costs and rates for services vary significantly within the same region. The Executive provides for a regional rate structure to be established.

- Allowing NYC to negotiate rates with providers – Authorizes New York City to establish reimbursement rates for providers in New York City within maximum rates set by the State.

- **Consortium for Workforce Education:** Extended through the 2014-2015 school year.

- **Bus Driver Safety:** Continued at a funding level of $400,000 for training purposes.

- **Employment Preparation Education Program:** Extended until 2014-2015.

- **Conditional appointment of employees:** Extends until July 1, 2015 the ability for boards of education to conditionally hire employees and continues the process for emergency conditional appointments.

- **Universal Pre Kindergarten**: Extends for one school year the Universal Pre Kindergarten program.

- **Magnet Schools**: Extends Magnet School funding for one year at the previous year level.

- **Public Libraries**: Extends public support for public libraries for one year.

<u>PART B</u> – Authorize the $2 billion Smart Schools Bond Act of 2014 to be submitted for voter approval in November of 2014

- Authorizes the creation of state debt, not to exceed $2 billion, to fund capital projects for:
  - learning technology equipment or facilities (e.g. interactive whiteboards, computer servers, desktop, laptop and tablet computers);
  - installation of high speed broadband or wireless internet connectivity for schools and communities; and
  - to construct, enhance and modernize educational facilities to accommodate pre-kindergarten programs.

- The bond is subject to the approval of a majority of the voters at the November 2014 general election.

<u>PART C</u> – Amend Education Law and State Finance Law as necessary to implement the Smart Schools Bond Act of 2014

- Provides a methodology for the allocation among school districts of the proceeds of the $2 billion bond act.

- Creates a three person review board consisting of the Commissioner of Education, the Chancellor of the State University and the State Budget Director who are directed to issue guidelines and approve plans submitted by school districts for the use of the funds.

- Establishes the Smart Schools Bond Fund to hold the bond proceeds and directs the Comptroller to issue bonds based on the projects' weighted average life.

PART D – Establish the Nurse Practitioner Modernization Act

- Authorizes a nurse practitioner whose written collaborative agreement with a physician terminates or cannot be renewed through no fault of the nurse practitioner, to enter a collaborative agreement with another nurse practitioner for up to six months, provided that the supervising nurse practitioner has had over 3,600 hours of practice experience and pursuant to the approval of the State Education Department. The six month period could be extended for an additional six months for good cause shown.

- Authorizes a nurse practitioner who has had over 3,600 hours of practice experience to enter into collaborative relationships with one or more physicians qualified to collaborate in a specialty area or with a hospital licensed under article 28 of the public health law, provided that the nurse practitioner documents the collaborative relationships as required by SED, which identifies the name and medical license number of each physician or hospital, and that the nurse practitioner attests that the physician or hospital is aware of and has agreed to maintain the collaborative relationship with the nurse practitioner.

PART E – Amend Education and Executive Law in relation to the investigation and reporting of patterns of harassment, bullying or discrimination and removal of school officers

- Requires school officials to determine whether a verified incident of harassment, bullying or discrimination is part of a larger pattern of behavior.

- School officials would be required to promptly report a pattern of harassment, bullying or discrimination to the State Education Department, the Division of Human Rights and the State Police. Failure to report would result in the commencement of a removal proceeding.

- Upon receipt of a report of a pattern of behavior, the State Education Department would direct the school district to implement intervention protocols.

- The Division of Human Rights is also responsible for reporting patterns of behavior of bullying, harassment or discrimination to the State Education Department where there has been a finding of probable cause.

PART F – Extends anti-discrimination protections to students who attend public schools

- Expands the term "educational institution," under the Human Rights Law, to mean any education corporation or association that is non-sectarian and tax-exempt or any public school, including school districts, BOCES, public college or public university.

- It shall be a discriminatory practice for any educational institution to deny the use of its facilities to any person otherwise qualified, or to permit the harassment of any student or applicant, by reason of race, color, religion, disability, national origin, sexual orientation, military status, sex, age or marital status.

- Institutions that maintain a policy of educating persons of one sex exclusively may continue to admit students of only one sex.

<u>PART G</u> – Establish the Science, Technology, Engineering and Mathematics Incentive Program for the top 10% of New York's high school students

- Establishes the Science, Technology, Engineering and Mathematics Incentive (STEM) Program to provide scholarships to eligible students in an amount equal to the cost of SUNY tuition, or actual tuition less all other grants or scholarships, whichever is less.

- To be eligible an applicant must: (i) graduate from a high school located in New York State during or after the 2013-2014 school year; (ii) graduate within the top ten percent of his or her high school class; (iii) enroll in full-time study each academic year in an approved undergraduate program at SUNY or CUNY in the STEM fields; (iv) sign a contract with the Higher Education Services Corporation (HESC) agreeing that his or her award will be converted to a student loan in the event the student fails to comply with the terms of this program; and (v) complies with all applicable provisions of the education law and all requirements promulgated by the corporation for the administration of the program.

- Awards shall not be granted for more than four years of academic study or five years, if the student is in a program normally requiring five years.

- HESC shall convert the award to a student loan if: (i) an award recipient fails to complete an approved undergraduate program in a STEM field; (ii) upon completion of such undergraduate degree program, an award recipient fails to either complete five years of employment in the STEM fields with a public or private entity within New York State or maintain residency in New York State for such period of employment; or (iii) an award recipient fails to respond to requests from HESC regarding the status of his or her academic or professional progress.

- An $8 million appropriation has been included in the Executive Budget to cover the costs of the first year of this program.

<u>PART H</u> – Extends the New York State Higher Education Capital Matching Grant Program

- Extends the New York State Higher Education Capital Matching Grant Program (HECap) for an additional three years.

- Grants are awarded on a competitive basis according to a formula requiring a three to one non-state to state dollar match.

- The program was originally enacted in 2006 with a state investment of $150 million. It is estimated that $13.7 million in unused funds remains.

PART I – Authorize the pass-through of any federal Cost of Living Adjustment in relation to Supplemental Security Income (SSI) which becomes effective on or after January 1, 2015

- Social Services Law establishes specific amounts for the monthly Personal Needs Allowance (PNA) and the monthly standard of need for SSI recipients in various living arrangements. The federal SSI benefit amount is increased annually, through a cost of living adjustment (COLA), and State Law must be amended accordingly to ensure accurate payments are made. Part I sets forth the actual dollar amounts for the 2014 PNA and the standard of need for eligibility and payment of additional State payments. It also authorizes those amounts to be automatically increased by the percentage of any federal SSI COLA which becomes effective within the first six months of calendar year 2015.

- Legislation effectuating the federal SSI COLA has been enacted every year since 1984. The pass-through authorized by this legislation would take effect on December 31, 2014.

PART J – Prohibit electronic benefit transfers of public assistance benefits at certain venues

- This proposal would amend the Social Services Law in relation to the use of an electronic benefit transfer (EBT) card. The provisions identified under this proposal are necessary in order for the State of New York to be in compliance with federal Public Law 112-96, which established the "Middle Class Tax Relief and Job Creation Act of 2012." Public Law 112-96 requires states to establish policies and procedures to prevent the use of temporary assistance for needy families (TANF) funds issued via an EBT card at automated teller machines or point-of-sale terminals in liquor stores, casinos, gaming establishments and adult-oriented entertainment venues.

- Any person who, as a member of a household receiving public assistance, is found to have violated the provisions of this proposal would be determined ineligible to receive public assistance benefits for one month upon the first offense, two months for the second offense, three months for the third offense; and six months for any subsequent offense.

- Unauthorized EBT transactions would subject liquor and/or wine stores; beer wholesalers who are also authorized to sell beer at retail; and adult entertainment facilities licensed to sell liquor, wine and/or beer to potential revocation, cancellation or suspension of a license issued pursuant to the Alcoholic Beverage Control Law. Gaming facilities found to be in violation would subject their license or authorization to operate such facility to potential revocation, cancellation or suspension. Additionally, adult entertainment venues would realize a penalty of up to one hundred dollars for violating the provisions of this proposal in the first instance; five hundred dollars in the second instance; and in the third instance a class B misdemeanor subject to a fine up to one thousand dollars.

- Establishes an exemption from the use of the card, or from the place being by authorizing the use of an EBT card at a grocery store that sells groceries including staple foods, which is located within the same building or complex as a gaming facility, an establishment which conducts pari-mutuel wagering, commercial charitable gaming facility, or video lottery facility.

- Provides for a 60 day effective date and authorizes the NYS Office of Temporary and Disability Assistance, State Liquor Authority and Gaming Commission to promulgate regulations on an emergency basis.

<u>PART K</u> – Mortgage Insurance Fund Utilization

- Utilizes for FY 2015 excess Mortgage Insurance Fund (MIF) reserves to fund specific affordable housing initiatives. The MIF is a division of the State of New York Mortgage Agency (SONYMA). Existing statute allows for excess revenue from the MIF to be returned to the State with SONYMA Board approval, as long as the reserves are sufficient to attain and maintain the State's credit rating.

- Allocates $75,418,000 in MIF reserves for housing related programs:

  - $20,400,000 for the Rural Rental Assistance Program;
  - $32,000,000 for the rehabilitation of Mitchell Lama housing projects (Note: year two of $700 million funding approved in SFY 2013-2014);
  - $8,479,000 for the Neighborhood Preservation Program;
  - $3,539,000 for the Rural Preservation Program;
  - $6,750,000 for the Rural and Urban Community Investment Fund Program;
  - $2,500,000 for the Low Income Housing Trust Fund Program;
  - $1,750,000 for the homes for Working Families Program.

<u>PART L</u> – Expand educational services at the Office of Children and Family Services juvenile justice facilities and extend the timeframe for facility closures under the Close to Home initiative

- Amends the Education Law to permit OCFS to contract with BOCES for the provision of any and all educational services that BOCES provides to school districts within OCFS juvenile justice facilities. Current law only permits OCFS to contract with BOCES for special education services.

- Extends the authority of OCFS to identify and close additional juvenile justice facilities under the Close to Home initiative from September 1, 2014 to April 30, 2015. Close to Home is the initiative approved in the 2012-2013 enacted budget which authorizes the City of New York to provide care in non-secure or limited secure juvenile justice settings for youth who reside within the five boroughs.

FY 2015 NEW YORK STATE EXECUTIVE BUDGET
HEALTH AND MENTAL HYGIENE
ARTICLE VII LEGISLATION
[S.6358/A.8558]

Part A - Changes the General Public Health Work program, improves HIV testing, restructures certain health research and education programs, promotes capital access to strengthen health care infrastructure and promote transformative health care projects, provides relief from unnecessary State requirements to expand primary care access and health care integration, and authorizes new health care service delivery models

- Amends the General Public Health Work (GPHW) program to restrict reimbursements to local health departments for prenatal care to instances where services were provided to uninsured women, and the municipality made good faith efforts to assist such women in insurance enrollment.

- Amends consent provisions for HIV testing to align with Centers for Disease Control (CDC) guidelines. Also allows providers and health departments share data so they may encourage individuals to receive continuous care.

- Focuses the Health Research Science Board (HRSB) on breast cancer research by: removing prostate or testicular cancer from the Board's purview; and amending the composition of the Board to eliminate requirements for regional representation and the potential appointment of a member who currently has, or has had, prostate or testicular cancer.

- Broadens the Scope of the Breast, Cervical and Ovarian Cancer Detection and Education Program Advisory Council to include prostate or testicular cancer within its scope. Remove "Breast, Cervical and Ovarian" from the Council's name and required the appointment of a member who currently has, has had, prostate or testicular cancer.

- Allows use of funds from a tax check-off and State match program by removing a requirement that the New York State Coalition to Cure Prostate Cancer, which was never legally established, be the sole recipient of monies from the New York State Prostate Cancer Research, Detection and Education Fund.

- Establishes a Capital Restructuring Financing Program to support bond financing of capital projects in the amount of $1.2 billion over the next seven years; $200 million per year for the first five years, and $100 million per year for the final two years. Funding would be utilized for capital grants to general hospitals, residential health care facilities, diagnostic and treatment centers, and clinics.

- Expands the Health Facility Restructuring Program to include assisting not-for-profit nursing homes, not-for profit diagnostic and treatment centers, and other not-for-profit health care entities in restructuring operations and finances. The program, operated through the Dormitory Authority of the State of New York (DASNY), which issues loans from the Health Facility Restructuring Pool, is currently limited to assisting general hospitals.

- Authorizes up to five business corporations, subject to approval by the Public Health and Health Planning Council (PHHPC), to participate in a private equity demonstration program to encourage the investment of private capital in health care facilities. Such business corporations would be eligible to participate in debt financing provided by the Dormitory Authority of the State of New York (DASNY).

- Streamlines the certificated of need (CON) process for hospitals and diagnostic and treatment centers that provide primary care or are undertaking limited construction projects.

- Reduces the look-back period for the character and competence review for Article 28 facilities from 10 to seven years if PHHPC has previously reviewed an individual.

- Reorganizes provisions regarding PHHPC's review of transfers of voting rights or ownership interest in operator entities established under Articles 28 or 36.

- Authorizes the establishment of limited health care services clinics in retail settings.

- Requires accreditation and registration of urgent care centers, and limits use of such terminology.

- Expands the scope of provisions regulating office-based surgery (OBS) to address procedures conducted under various types of anesthesia, and anesthesia-only services. Further, this proposal limits the length of OBS procedure to six hours; broadens the definition of "adverse event" in an OBS setting; requires registration with the Department of Health (DOH); and amends data reporting provisions.

- Repeals statute allowing the Commissioner to authorize upgraded diagnostic and treatment centers in rural areas to provide limited emergency services.

- Allows DOH to contract out the operation and marketing of the New York State Donate Life Registry (organ and tissue donor registry) to a not-for-profit organization.

- Authorizes DOH to utilize the "Life Pass It On" fund collected by the Department of Motor Vehicles (DMV) – currently designated to fund research and promote organ and tissue donation awareness – to fund the operation and marketing of the New York State Donate Life Registry by a contracted not-for-profit.

- Makes permanent "Lauren's Law," which requires all adults who obtain or renew a driver's license or non-driver identification card to check off a box declaring whether or not they want be an organ donor.

- Requires operators to notify DOH prior to transfers of interest or voting rights in adult care facilities and assisted living residences; and provides an expedited approval process for transfers of less than ten percent of such interests or rights, and for certain changes to the form of business organizations.

- Increases the maximum respite stays for temporary residential care from six weeks to 120 days; and provides than an operator may provide temporary residential care upon notifying DOH of its intent to do so.

- Reduces the look-back period for character and competence review for adult care facilities and assisted living residences from 10 to seven years.

- Requires DOH to establish an expedited review process for the approval of up to nine additional beds in existing enhanced assisted living residences (EALR) and special needs assisted living residences (SNALR).

- Repeals the Commissioner's authority to increase, decrease, or stipulate the number of individuals served by approved long term home health care programs (LTHHCP).

- Repeals provisions requiring DOH to audit the number of working hours for hospital residents. This function is currently supported with a State surveillance contract and duplicative of the Federal process used by the Accreditation Council for Graduate Medical Education (ACGME).

- Extends penalties for violations of Public Health Law by provider pharmacies for three years, until April 1, 2017.

Part B - Reauthorizes provisions of the Health Care Reform Act (HCRA) for three years

- Extends provisions related to the continuation of the Medicaid inpatient hospital reimbursement methodology and the collection of HCRA surcharges and fees through December 31, 2017

- Extends the authorization for the collection of the Covered Lives Assessment through December 31, 2017.

- Extends the authorization to allocate surcharge funds between various financing pools for hospital indigent care and other HCRA programs through March 31, 2017.

- Extends the allocation of funding to the Department of Health for implementation of HCRA programs through March 31, 2017.

- Permanently extends Health Care Initiatives and Tobacco Control and Insurance Initiatives Pools and funds programs by appropriation rather than by statute.

- Permanently extends the authorization for Area Health Education Centers (AHEC), the Empire Clinical Research Investigator Program (ECRIP) and the Doctors Across New York program and funds programs by appropriation rather than by statute.

- Extends authorization for a case-based payment methodology established to regulate cash flow to general hospitals, the Ambulatory Care Pilot Program, and the Council on Health Care Financing through March 31, 2017

- Extends authorization for the Upstate Personal Care Workforce Recruitment and Retention Program through March 31, 2017 at the current funding level.

- Suspends the reconciliation of collections for the Covered Lives Assessment in excess of the current statewide limit of $1.045 billion through December 31, 2017, authorizing the Commissioner to devote up to $65 million of those excess collections to support the Statewide Health Information Network of New York (SHINNY) and the All Payor Claims Database (APCD). Any amounts above the additional $65 million would be returned to payors.

- Extends authorization for clinic bad debt and charity care payments through March 31, 2017. Eliminates the requirement that hospitals receiving pool funds must comply with bad debt and charity care reporting requirements.

- Extends the Physician's Excess Medical Malpractice Program and the methodology for enrolling in such program through June 30, 2015.

Part C – Make statutory changes necessary to continue implementing Medicaid Redesign Team recommendations

- Eliminates prescriber prevail provisions in Medicaid fee-for-service and managed care programs for drugs that have available multi-source and generically equivalent drugs, as determined by the Federal Food and Drug Administration (FDA).

- Authorizes the Commissioner of Health to require prior authorization for fee-for-service drugs meeting the Clinical Drug Review Program (CDRP) criteria until the Drug Utilization Review (DUR) Board has an opportunity to evaluate the drug and makes recommendations to the Commissioner regarding prior authorization.

- Changes the threshold for early refill availability without prior authorization from when patient has less than 25 percent remaining (less than eight days for a 30 day supply) to when a patient has less than a six day supply remaining based on prescribed dosing.

- Eliminates State incentive payments to providers for e-prescribing.

- Authorizes the Commissioner to require manufacturers of brand name drugs utilized in Medicaid fee-for-service pharmacy program that are eligible for reimbursement to provide a minimum level supplemental rebate to the State. Further, the commissioner may to require prior authorization of a manufacturer's drugs if a minimum supplemental rebate is not provided.

- Allows the Commissioner or managed care provider to require prior authorization for certain drugs where there is evidence of significant prescribing for a non-medically indicated, or "off label," use.

- Limits the co-pay for managed care plan enrollees, for preferred brand name drugs on their Medicaid managed care plan's formulary, to one dollar.

- Authorizes the reinvestment of savings already generated by the closure of inpatient psychiatric services or other reductions in bed capacity at voluntary hospitals into inpatient and community-based programs.

- Authorizes reinvestment of savings resulting from the transition of behavioral health populations to managed care into community-based services.

- Authorizes the Commissioners of DOH and the Office of Mental Health (OMH) to establish by regulation, integrated mental health and physical health services in a primary care setting.

- Permits the Commissioners of DOH, OMH, the Office of Alcoholism and Substance Abuse Services (OASAS), and the Office of Persons with Developmental Disabilities (OPWDD) to promulgate emergency regulations regarding Medicaid coverage of outpatient services.

- Broadens existing authority that allows the Commissioners of OMH and OASAS to transfer funds to DOH for the purposes of reimbursing chemical dependency clinic to:
    - allow the Commissioner of OMH to make such a transfer; and
    - provide that funds may be used to increase managed care organization fees paid to ambulatory behavioral health providers.

- Authorizes the Commissioner to distribute appropriated funds for infrastructure, training, and other preparations for the transition of behavioral health services to Medicaid managed care without oversight by the State Comptroller's Office.

- Eliminates spousal impoverishment by requiring spousal support for the costs of community-based long-term care.

- Expands the definition of "participating provider" to include home care providers that are reimbursed through managed care, and authorizes the Office of Medicaid Inspector General (OMIG) and DOH to jointly develop pre-claim review requirements for certain home health care participating providers.

- Allows the Commissioner of the Office of Temporary Disability Assistance (OTDA) to allow contracted and State staff to conduct fair hearings procedures.

- Stipulates that in the event a nursing home patient is not covered by a Medicaid managed care plan, the default rate of payment to the nursing home will be the Medicaid fee-for-service rate; would not apply to time-limited rehabilitation services.

- Limits nursing home case mix increases to a maximum of two percent every six months. Case mix is a factor in determining rates of payments to nursing homes.

- Authorizes payments to Licensed Home Care Services Agencies (LHCSAs) - that provide home health services to Medicaid recipients - under the Vital Access Provider (VAP) program.

- Requires the adjustment rates of payment to Certified Home Health Agencies (CHHA) and Long Term Home Health Care Program (LTHHCP) providers to alleviate the impacts of current home care worker wage parity laws. This language only addresses providers reimbursed under Medicaid fee-for-service.

- Requires the Commissioner of Labor, in consultation with the Commissioner of Health, to determine standard rates of compensation to be paid to nursing home employees. Authorizes the Commissioner of Health to block admissions to nursing homes not in compliance with the statute.

- Eliminates Recruitment, Training and Retention rate increases along with attestation requirements for various home health and community based service providers. The proposal maintains funding levels, but moves that funding to the providers' base rates.

- Authorizes the Commissioner to adjust inpatient and outpatient Medicaid rates and methodology of payment for general hospital services to prevent a net growth in overall Medicaid expenditures due to the implementation of the International Classification of Diseases Version 10 (ICD-10) coding system.

- Allows the Commissioner to periodically update the base year for inpatient psychiatric facilities, specialty inpatient facilities, and inpatient detoxification units.

- Delays the effective date for the inpatient hospital base year update to a period after April 1, 2014 but not later than July 1, 2014.

- Extends the cap on Medicaid State fund spending (Global Cap) for one year, through March 31, 2016.

- Establishes a methodology for distributing available savings under the Medicaid State funds cap to eligible Medicaid providers. Distributions are made on a proportional basis and are subject to minimum thresholds for eligibility, as determined by the Commissioner. Up to 50 percent of distributions may be set aside for financially distressed providers.

- Broadens the authority of DOH to amend existing contracts without engaging in a competitive bid or request for proposal process by exempting contracts related to the Delivery System Reform Incentive Plan (DSRIP), Medicaid redesign team supportive housing initiatives, activities to facilitate the transition of vulnerable populations to managed care, and oversight, rate-setting and other program operations activities related to managed care plans..

- Restores the two percent Medicaid provider payment reduction (enacted in 2011) and allows providers who had chosen an alternative method to implement the reduction to choose the manner in which the reduction may be restored.

- Expands the existing Medicaid Managed Care Advisory Review Panel from 12 to 16 members by adding consumer representatives for individuals with behavioral health needs and for dually eligible (Medicaid & Medicare) individuals, as well as representatives of providers that serve both populations.

- Incentivizes public school districts to claim eligible Medicaid reimbursement for School and Pre-School Supportive Health Services programs by sharing statewide saving due to federal reimbursements proportionally with counties or school districts.

- Authorizes the Commissioner to distribute $5 million in health home infrastructure grants to establish better linkages between health homes and the criminal justice system, with the goal of promoting post-incarceration treatment and increasing utilization of outpatient judicial diversion programs without oversight by the State Comptroller's Office.

- Amends provisions relating to health homes to allow DOH to distribute funds for purposes including member engagement, workforce training, and implementation of health information technology systems without oversight by the State Comptroller's Office.

- Authorizes the Commissioner to distribute $5 million to promote the transition of children in foster care to Medicaid managed care programs without oversight by the State Comptroller's Office.

- Expands eligibility for voluntary transfers to Medicaid administration positions at DOH to currently appointed county employees who meet open competitive qualifications for these positions.

- Permits the Commissioner to take actions to review the eligibility of Medicaid recipients, including contracting to address duplicative client identification numbers issued as the State transitions Medicaid enrollment functions to the State health benefit exchange. The Commissioner would be authorized to contract with one or more entities without competitive bid or request for proposal processes.

- Gives the Commissioners of DOH, OMH, OASAS, and OPWDD authority to waive regulations to allow providers participating under Delivery System Reform Incentive Payments (DSRIP) program to avoid duplicative requirements.

- Allows DOH, without competitive bid or request for proposal processes, to authorize the negotiation of a contract extension for actuarial services with Mercer health and Benefit, LLC through December 31, 2016.

- Allows DOH, notwithstanding State Finance Law, to enter into contracts to implement Medicaid 1115 Waiver or Partnership Plan initiatives without competitive bid or request for proposal processes.

- Authorizes the Commissioner of Health to implement a Basic Health Program (BHP) to provide health insurance coverage to citizens and legal aliens with household income between 133 and 200 percent of the federal poverty level (FPL). Creates a Basic Health Program Trust fund under the State Finance Law to receive dedicated federal funds to pay for the BHP.

- Corrects a statutory cross-reference in State law related to income eligibility for Medicaid.

- Authorizes hospitals to presumptively enroll all modified adjusted gross income (MAGI) populations in Medicaid coverage.

- Authorizes the DOH to use a MAGI income standard in determining spend-down requirements under Medicaid long term care.

- Allows DOH to amend or enter into new contracts without a competitive bid or request for proposal process if enhanced federal financial participation is received by the state for integrating eligibility and financial management systems serving New York state health and human service systems.

- Transfers rate-making authority for Child Health Plus (CHP) from the Department of Financial Services to DOH. Sunsets the subsidy reduction for CHP payments insurers to March 31, 2014, implements a one year rate freeze, and allows DOH to contract with an independent actuary to determine future reimbursement methodologies.

- Eliminates CHP coverage waiting periods that are no longer necessary due to the Affordable Care Act.

- Permanently extends authorization for CHP income and benefit expansions enacted in 1998 and last extended in 2011.

- Extends the following for three years, through March 31, 2017:
  - authorization for the Adirondack Medical Home Multi-Payor Demonstration Program;
  - authorization for non-resident services within adult homes, residences for adults, and enriched housing programs;
  - authorization for the Commissioner to establish utilization thresholds for Medicaid services;
  - authorization for certain pharmacy dispensing fee rates; and
  - authorization for nursing home upper payment limits (UPLs) and intergovernmental transfers (IGTs).

- Provides that the Commissioner may authorize 6,000 assisted living program (ALP) beds pursuant to a seven year, as opposed to five year, plan.

PART D - Expand existing exemption in the Nurse Practice Act to direct care staff in non-certified settings funded, authorized or approved by Office for People with Developmental Disabilities (OPWDD)

- Expands the existing direct care staff exemption of the NPA to include non-certified settings.

- The NPA defines the scope of practice for nurses and dictates what tasks must only be conducted by a certified nurse. Section 6908 of the Education Law creates exemptions from the NPA's scope of practice. This provision adds an additional exemption that would allow direct-care staff in non-certified settings under the auspices of OPWDD to carry out certain tasks that are now required to be done by a certified nurse.

PART E - Extend for three years the clarification that Office of Mental Health (OMH) and OPWDD facility directors who act as representative payees may use a person's funds for their care and treatment consistent with federal law and regulations

- Extends for three years current provisions of law that stipulate a facility director, acting as a representative payee, may apply patients personal funds for care and treatment without violating the director's fiduciary obligation to the individual.

PART F - Authorize OMH to continue to recover Medicaid exempt income from providers of community residences

- Authorizes the Commissioner of OMH to recover 50 percent of Medicaid overpayments paid to providers of community residences.

PART G - One-year deferral of the human services "Cost-of-Living Adjustment"

- Defers the "Cost-of-Living Adjustment" (COLA) for designated human services programs for the fiscal year, and extends the adjustment for an additional year to SFY 2018.

FY 2015 NEW YORK STATE EXECUTIVE BUDGET TRANSPORTATION, ECONOMIC DEVELOPMENT & ENVIRONMENTAL CONSERVATION ARTICLE VII LEGISLATION [S.6357/A.8557]

PART A – Allow the Department of Transportation to make payments to municipalities from appropriations for the Consolidated Local Street and Highway Improvement Program (CHIPS), Suburban Highway Improvement Program (SHIPS), Multi-Modal, and Marchiselli programs.

- Allows the Department of Transportation (DOT) to make payments for capital aid programs to counties, cities, towns and villages in the first instance from a budget appropriation rather than from bond sales.

- Extends annual authorization for CHIPS at $438 million and for the Marchiselli program at $39.7 million. There is no change in funding from SFY 2013-2014, but previously authorized but unpaid amounts for CHIPS of $156 million and Marchiselli of $240 million will also be appropriated.

- Unpaid authorizations for the 1996 Multi-Modal program and SHIPS will be appropriated for $49 million and $1.7 million, respectively. Qualifying municipal projects under SHIPS will no longer be funded through bonds.

PART B – Makes permanent the authorization to utilize Design-Build procurement process for certain State agencies, and extends such authorization to certain local entities.

- Makes permanent the Design-Build authorization for the Thruway Authority, Department of Transportation, Office of Parks, Recreation and Historic Preservation, Department of Environmental Conservation, and the Bridge Authority, which otherwise would expire on December 9, 2014.

- Permits Design-Build to be utilized by any city, town, or village with a population of more than 50,000 people, or any county.

- Restricts the use of Design-Build by localities to only those capital projects that are not covered under Wicks Law, essentially only roads.

PART C – Consolidate two Special Revenue Funds with the Dedicated Highway and Bridge Trust Fund (DHBTF), and makes technical corrections to two expiration dates in existing law.

- Consolidates the Rail Safety Inspection Account and the Transportation Regulation Account into the Dedicated Highway and Bridge Trust Fund (DHBTF) by redirecting the revenues of those accounts into the DHBTF with the intent of funding rail inspections and truck inspections from DHBTF appropriations beginning in SFY 2014-2015.

- Authorizes the DHBTF to also cover non-personal services, rail safety inspection activities, and truck safety inspection activities.

- To align the expiration date with the fiscal year extends, by one day, the authorizations, for:
    - the DHBTF and Dedicated Mass Transportation Trust Fund (DMTTF) to continue to receive approximately $235 million annually from the Department of Motor Vehicles and other revenues; and
    - the DHBTF to continue to disburse funds for the expenses of the DMV.

PART D – Makes permanent the authorization of the Department of Motor Vehicles to keep certain branch offices open on Saturdays.

- Makes permanent the authorization of the Department of Motor Vehicles to designate certain branch offices, as part of a larger customer service initiative, to remain open for business on Saturdays. Such authorization would otherwise expire on March 29, 2015.

PART E – Makes permanent the authorization of the Department of Motor Vehicles to provide the Accident Prevention Course Internet Program.

- Makes permanent the authorization of the Department of Motor Vehicles to provide the Accident Prevention Course Internet Program, also known as the Internet Point Insurance Reduction Program (IPRIP), which allows motorists to take the accident prevention course via the Internet or other technologies, for the purposes of procuring point and insurance premium reduction benefits. Such authorization is due to expire on May 18, 2014.

PART F – Bring New York State into compliance with federal requirements relating to medical certifications of commercial driver's license holders.

- Requires holders of Commercial Driver's Licenses (CDLs) to keep their licenses updated to reflect all current restrictions in place, and allows such CDLs to be suspended for failure to comply after a 30 day notice.

- Brings the State into compliance with Federal rules requiring updated restrictions to be in place on all Commercial Driver's Licenses.

PART G – Strengthen enforcement measures against persistent toll violators.

- Increases penalties on toll violators for the Thruway Authority, the Metropolitan Transportation Authority, the Bridge Authority, and the Port Authority in the following manner:
  - Owners of vehicles that violate a toll collection requirement would be required to pay the full amount of any assessed tolls in addition to charges, administrative fees and penalties.
  - Graduated monetary penalties would be increased as follows:
    - First violation, $100 (currently $50) or twice the toll evaded, whichever is greater.
    - Second violation within 18 months, $200 (currently $100) or five times the toll evaded, whichever is greater.
    - Third violation within 18 months, $300 (currently $150) or ten times the toll evaded, whichever is greater.
  - Reduces the number of failures to appear or pay a penalty that trigger suspension of a vehicle registration from five times within 18 months to three times within 18 months, and includes failure to appear or pay with regard to a violation of toll collection regulations.
  - Allows the State to enter reciprocal agreements with other states and/or Canada so that violations which take place in those jurisdictions are factored in for suspension or denial of registration in New York.
  - Changes the standard of proof for violations of toll collection regulations from "substantial evidence" to "preponderance of evidence as submitted."
  - Allows the New York State Thruway and Bridge Authorities to create administrative tribunals to adjudicate the liability of owners for violation of toll collection regulations. The decisions of such tribunals with regard to failure to appear or pay can result in suspension of vehicle registration.
  - Increases the penalties for intentionally obscuring a license plate at a toll facility from a current range of $25-$200 to a range of $100-$500.
  - Makes the act of intentionally evading a toll the crime of "Theft of Services" under the Penal Law, which is a class A misdemeanor.

PART H – Make permanent the pesticide product registration fees and the timeframes for pesticide product registration review and streamline pesticide reporting requirements

- Makes permanent the pesticide product registration fee of $600 for each pesticide proposed to be registered, or $620 for each pesticide proposed to be registered by an applicant showing gross annual sales of $3,500,000 or more. Such fee is set to expire on July 1, 2014.

- Streamlines and alters pesticide reporting requirements, including requiring records be created immediately after application, and increasing the record retention period from three to five years for commercial applicators.

- Eliminates the prohibition against the Department of Environmental Conservation (DEC) using the annual reports required from sellers for enforcement purposes.

PART I – Enact Open for Fishing and Hunting II by enhancing New York's fish and wildlife program

- Allows for the use of crossbows for hunting in New York State, authorizes DEC to establish regulations for their use, and makes conforming changes.
- Reduces the minimum distance from an occupied structure within which a longbow or crossbow may be discharged from 500 feet to 150 feet.
- Clarifies the liability of owners, lessees and occupants whose property is used for recreational activities.
- Allows DEC to subcontract for the production of hunting and fishing pamphlets.
- Eliminates or reduces initial fees for distinctive license plates for the holders of certain sporting licenses and State Parks Empire passes for a defined period of time.
- Authorizes the Commissioner to offer for sale sporting licenses, privileges and permits at a reduced price for up to ten days per year to both resident and out-of-state hunters, trappers and anglers, and designate up to eight free sport fishing days per year.
- Creates three- and five- year hunting, fishing and trapping licenses, and reduces the price of a seven-day fishing license.

PART J – Permit the Department of Agriculture and Markets to deny renewal of food processing licenses to establishments that have outstanding penalties

- Authorizes the Department of Agriculture and Markets (Ag & Markets) to withhold the renewal of a food processing license to establishments that have outstanding penalties and/or judgments equal to or exceeding $2,400. Ag & Markets may, in its discretion, grant a provisional license good for sixty days to allow payment of the outstanding penalties and/or judgments without interruption of operation of the establishment.

PART K – Authorize the New York State Energy Research Development Authority (NYSERDA) to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the DEC's climate change program, from an assessment on gas and electric corporations.

- Authorizes NYSERDA to finance a portion of its research, development and demonstration, and policy and planning programs, and to finance the DEC's climate change program, from an assessment on gas and electric corporations collected pursuant to section 18-a of the Public Service Law.

- The subsection of 18-a used to fund these initiatives is not the same subsection of 18-a that is being proposed for phase out. The subsection that is being proposed for phase out is ultimately paid by the customer, whereas this subsection of 18-a is paid out by the utility.

PART L – Authorize and direct the Comptroller to receive for deposit to the credit of the General Fund a payment of up to $913,000 from the NYSERDA

- Authorizes the Comptroller to receive up to $913,000 from unrestricted corporate funds of NYSERDA to be deposited in the General Fund. This transfer would help offset New York State's debt service requirements relating to the Western New York Nuclear Service Center.

PART M – Require retail gasoline outlets located in strategic locations in upstate New York to have emergency back-up power capacity

- Requires upstate gas stations that are located within a half mile of exits of critical highways to have emergency back-up power capacity installed no later than April 1, 2015. The Executive estimates that this would affect approximately 241 upstate gas stations.

- Proposes similar requirement to the legislation in the enacted SFY 2013-2014 budget requiring certain downstate gas stations to have back-up power capacity. However, this proposal does not automatically require chain gas stations to have back-up power capacity.

- Authorizes NYSERDA to provide Federal Superstorm Sandy recovery funds and other available resources for the costs of pre-wiring transfer switches and generators. Stations are eligible for grant money: up to $10,000 for pre-wiring and up to $13,000 for pre-wiring plus on-site generation.

PART N - Extend for one year the authority of the Secretary of State to charge increased fees for expedited handling of documents

- Extends for one year the ability of the Department of State, Division of Corporations, to charge for expedited and special handling of documents. Current authority expires March 31, 2014.
  - o The Department is authorized to charge $75 for same-day expedited handling and $150 for two hour priority handling.

- This authority has been extended continually since 2003, and such charges provide an additional $4,500,000 for the State.

<u>PART O</u> - Authorize the Department of State to send copies of incorporation certificates to each county clerk electronically

- Authorizes the Department of State to electronically transmit to county clerks all corporate documents filings; currently, the Department must send hard copies of these documents to the counties. The proposal assume $200,000 in saving as a result of this change.

<u>PART P</u> - Authorize the State to charge the fee required by federal law for including real estate appraisers on the federal National Registry of real estate appraisers on the federal National Registry of real appraisers

- Authorizes the Department of State to charge a registry fee which is consistent with the fee allowed under federal law for real estate appraisers that perform or seek to perform appraisals in federally related transactions as defined in law.

- Current authority allows for collection of a $25 fee, while federal law allows – but does not require – the collection of up to $40.

<u>PART Q</u> – Authorizes the Department of Health to finance certain activities with revenues generated from an assessment on cable television companies

- Authorizes the Department of Health (DOH) to finance its public service education expenses with funding from the Department of Public Service (PSC's) assessment on cable television companies. The Executive's financial plan assumes that DOH would be able to recover costs of $454,000, which is included in DOH's budget for these activities.

<u>PART R</u> – Authorize the Department of Public Service to increase efficiencies, reduce spending, and ease the administrative burden for three programs: Telecommunication Regulations, Shared Metering, and Cable Franchising

- Authorizes the PSC, after notice and hearing, to waive certain regulatory provisions for telephone corporations and services if it is determined that such provisions are (i) not necessary to ensure just and reasonable rates; (ii) not necessary to protect the customers; and that, (iii) forbearance is in the public interest (e.g., increases competition among telecommunication companies).

- Amends the shared metering law to reduce the punitive assessment on landlords where a shared metering violation is discovered by a customer or the utility. Under current law, a landlord is required (i) to pay the tenant for the costs they incurred in paying for usage in a common area, and (ii) to pay the tenant 12 months worth of charges for service measured by the shared meter, including usage by the tenant. Executive proposes to require payment for (i) and only 25 percent of the 12 months of charges by such shared meter.

- Streamlines the confirmation of cable franchise and renewal petitions by merely requiring the cable company to show proof of conformity to the PSC minimum franchising standards. The PSC would not be required to individually confirm each petition; the petitions will be deemed approved in 45 days, unless the PSC makes a determination that a deeper analysis is needed.

<u>PART S</u> – Eliminate the assessment on industrial utility customers and accelerate the phase out for all other utility customers

- Proposes to immediately eliminate the section 18-a assessment on any entity that consumes 1,000 kilowatts (kW) or more of electricity monthly in the last preceding calendar year. It would also apply to consumers with an annual consumption of 100,000 dekatherms (Dth) or more of gas in the last preceding calendar year.

- The section 18-a assessment tax for all other customers will be phased out at an accelerated pace, to be concluded in the SFY 2016-2017 budget.

<u>PART T</u> - Enhance consumer protection through no-fault automobile insurance fraud reform

- Amends sections 308, 5102, and 5110 of the Insurance Law, to provide additional authority to the Superintendent of the Department of Financial Services (DFS), to combat no-fault automobile insurance fraud by health services providers.

- Specifically, this part defines the terms health services provider and health services, and would expressly authorize the Superintendent to:
  - Prohibit a health services provider from seeking payment, pursuant to the no fault insurance law (Article 51), if after notice and hearing, it is determined that the provider has engaged in fraudulent activities;
  - Assess civil fines against a health services provider, of up to $10,000 for each fraudulent offense, occurring under an Article 51 claim; and
  - Make an unannounced examination or audit of any health services provider that seeks payment in an Article 51 claim.

<u>Part U</u> – Enhance insurance coverage for out-of-network health care services.

- Establishes protections for consumers with regard to insurance coverage for out-of-network health care services.

- Increases disclosures to consumers that must be made by insurers and Health Maintenance Organizations (HMO) regarding in-network health care providers and hospitals, methods by which an insured can submit a claim, a description of the methodology used to determine reimbursement amounts for out-of-network providers, and other information that will assist an insured in determining anticipated costs of out-of-network health care services.

- Requires insurers and HMOs to disclose, when requested by an insured, whether a provider scheduled to perform a health care service is in-network, and the dollar amount an insurer will pay for a specific out-of-network health care service.

- Requires an insurer to accept claims in writing, or by electronic mail or by fax.

- Sets forth standards for network adequacy for insurers, HMOs, and other health plans.

- Requires insurers to provide access to out-of-network providers if the insurer does not have an in-network provider with the appropriate training and experience to meet the needs of the insured.

- Prohibits health care plans from charging an insured a greater cost for out-of-network emergency care than the insured would have incurred using in-network emergency care.

- Defines "out-of-network referral denial" and sets forth notifications and procedures utilization review agents must follow when determining whether services are considered in-network or out-of-network.

- Establishes an insured's right to appeal and procedures to appeal an adverse determination by a utilization review agent.

- Sets forth additional disclosure requirements from health care professionals to patients regarding plans in which the provider is a participant and hospitals with which the provider is affiliated.

- Requires a health care provider to inform a patient how much non-emergency services will cost prior to performing such services, if the provider does not participate in the insured's health plan network.

- Requires health care professionals to provide patients with names and contact information for any other provider scheduled to perform anesthesiology, laboratory, pathology, radiology, or assistant surgeon services in connection with care to be provided in the provider's office, or for scheduled hospital care.

- Requires a hospital to make public on its website a list of standard charges for items and services provided by the hospital.

- Requires a hospital to make public on its website the health care plans in which the hospital is a participating provider, as well as the physician groups that perform services in the hospital.

- Establishes a dispute resolution process by which out-of-network claims can be mediated. Sets forth criteria the dispute resolution entity must consider in determining a reasonable fee, and establishes guidelines regarding responsibility of payment for the dispute resolution entity.

- Establishes a "hold harmless" provision to protect consumers in emergency situations and in non-emergency situations where required disclosures were not made.

- Allows the Superintendent of DFS to promulgate regulations establishing a process for certifying and selecting independent dispute resolution entities, and any other regulations he deems necessary.

PART V - Provide for the licensure of title insurers doing business in New York State

- Provides for the licensure and regulation of title insurance agents, closers and solicitors by DFS.

- Specifically this part:
  - Defines the terms title insurance agent, title insurance closer, and title insurance solicitor;
  - Provides for the licensure by the superintendent, and the establishment of qualifications and standards of such licensure, for such agents, closers and solicitors;
  - Permits attorneys who passed the bar examination in New York, to obtain a license by registering with DFS (similar to the streamlined application to obtain a notary public or real estate license);
  - Authorizes the Superintendent to regulate the activities, conduct and compensation of, and establish the rates charged by, such agents, closers and solicitors; and
  - Authorizes the DFS to require the fingerprinting of such licensees.

PART W - Extend the authorization for the Dormitory Authority of the State of New York to enter into certain design and construction management agreements.

- Extends the authority of the Dormitory Authority of the State of New York (DASNY) to enter into a design and construction management agreement with the Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) for one year. DASNY was granted this authority as part of the SFY 2012-2013 Enacted Budget. The current authority is scheduled to expire on April 1, 2014 and this part would extend such authority to April 1, 2015.

PART X – Extends the authority of the Dormitory Authority of the State of New York (DASNY) to establish one or more subsidiaries.

- Extends authorization for DASNY to establish one or more subsidiaries, for the purpose of limiting the potential liability of the Authority, for two years until July 1, 2016. Chapter 561 of 2010 allowed DASNY to establish a subsidiary to take title to North General Hospital, which had closed and defaulted on loans backed by the State. By allowing a subsidiary to take title DASNY is insulated against liabilities that could arise in taking title to such property.

<u>PART Y</u> – Eliminate the fee charged for loans provided to certain health care facilities

- Eliminates statutory fees owed to the Department of Health (DOH) in connection with the issuance of bonds, notes, or other obligations issued by a public benefit corporation, including an industrial development agency, to finance the cost of a project involving certain health care facilities, approved by the Commissioner of Health, that are payable by the entity that owns or operates the facility.

- Prohibits the DOH from charging a fee for inspection, regulation, supervision, and audit of any hospital project or nursing home project financed through bonds on or after April 1, 2014.

<u>PART Z</u> - Extend the authorization of the New York State Urban Development Corporation to administer the Empire State Economic Development Fund.

- Extends the New York State Urban Development Corporation's (UDC) authority to administer the Empire State Economic Development Fund (EDF) for one year. UDC's authority is set to expire on July 1, 2014 and this part would extend such authority to July 1, 2015. The EDF provides financial assistance to businesses in the State.

<u>PART AA</u> - Extend the general loan powers of the New York State Urban Development Corporation.

- Extends for one year the general loan powers of the New York State Urban Development Corporation (UDC). UDC has had such power since 1994, and this authorization has been renewed annually thereafter. Currently, it is set to expire on July 1, 2014. Absent reauthorization, UDC's authority to make loans would be limited to certain State-funded economic development programs.

FY 2015 NEW YORK STATE EXECUTIVE BUDGET
REVENUE
ARTICLE VII LEGISLATION
[S.6359/A.8559]

PART A - Corporate Tax Reform

- Eliminates Article 32 of the Tax Law (Bank Franchise Tax) and subjects all Article 32 taxpayers to revised Article 9-A of the Tax Law (Corporate Franchise Tax). Part A also makes numerous changes to Article 9-A intended to simplify and, in some cases, reduce New York's corporate tax structure.

- Tax Bases:
  - Eliminates Article 9-A alternative minimum tax base and changes entire net income base to a business income base.
  - All Article 32 taxpayers will pay under one of the three Article 9-A tax bases: (i) the new business income base; (ii) the business capital base; and (iii) the fixed dollar minimum tax bases would remain as alternatives.
  - Conforms the current 3-factor Bank Tax apportionment formula to the current Article 9-A single receipts factor using customer sourcing rules.

- Tax Rates:
  - Business Income Base:
    - Reduces top tax rate for the business income base calculation from 7.1 to 6.5 percent starting in taxable year 2016.
    - Small businesses will continue to have a business income base rate of 6.5 percent.
    - For Qualified New York Manufacturers, this part retains current reductions in the business income base rate from 5.7 to 5.5 percent for taxable years 2016 and 2017 and to 4.875 percent for taxable years starting on and after 2018.
    - For Upstate Manufacturers, Part R reduces the business tax rate to 0 percent starting in taxable year 2015.
  - Business Capital Base:
    - Reduces business capital base rates and caps the tax at $350,000 for Qualified New York Manufacturers.
    - Proposed changes in the definition of manufacturer will exclude many current taxpayers from qualifying for these rate reductions. (See Part R)
    - For other business capital base taxpayers, the tax cap would be raised from the current $1 million cap in Article 9-A to $5 million.
    - A $5 million cap could benefit current Article 32 taxpayers that are not subject to a cap on liability.

- Fixed Dollar Minimum:
  - Provides a new fixed dollar minimum tax based schedule for C corporation taxpayers with a new top amount of $200,000 for any company with New York receipts over $1 billion.
  - The previous top amount was $5,000 and applied to any company with New York receipts over $25 million.

- Combined Reporting:
  - Requires filing a combined tax return for any related business that is a unitary business and the corporation owns more than 50 percent stock in the related business.
  - Provides an option to file a combined tax return for all related businesses that meet the 50 percent stock ownership rule.
  - If a taxpayer elects this option, the election must be used for a 7-year period and cannot be revoked during that period.

- Nexus:
  - Expands existing nexus requirement to include a new economic nexus standard that subjects corporations to New York's Corporate Franchise Tax if it makes at least $1 million in receipts from activity in New York regardless of whether the corporation exercises a corporate franchise, does business, employs capital, owns or leases property or maintains an office in New York.

- MTA Surcharge:
  - Makes permanent the MTA surcharge and conforms the base and apportionment rules for the surcharge to the new Article 9-a rules.
  - Maintains revenue neutrality for the MTA, by increasing the surcharge rate from 17 to 24.5 percent to offset a narrowing of the base that occurs when the surcharge rules conform with the new State rules.

<u>PART B</u> – Allow direct payment of STAR tax savings by the Department of Taxation for purposes of the STAR re-registration program in certain cases

- Allows the Department of Taxation and Finance to directly pay basic STAR benefits to late re-registrants under the STAR re-registration program if the STAR benefit had been removed due to a failure of the individual recipient to register in a timely manner.

<u>PART C</u> – Renew oil and gas producers fees

- Renews, for three years, fees paid by oil and gas producers for administrative costs associated with the setting of units of production by the department of taxation and finance.

<u>PART D</u> – Increase racing regulatory fee from 0.5 percent to 0.6 percent

- Increases the racing regulatory fee on thoroughbred, harness, off-track pari-mutuel betting and simulcast racing from 0.5 percent of the total handle to 0.6 percent of the total handle.

<u>PART E</u> – Modify signature requirements on E-filed returns prepared by tax professionals

- Allows taxpayers to electronically sign any return, statement or other document for a tax preparer when the tax preparer is filing the taxpayer's return electronically.

- Currently, the tax preparer must receive these documents in hard copy.

<u>PART F</u> – Eliminate the Income Threshold Inflation Adjustment For Enhanced STAR Benefits

- Eliminates the annual cost of living adjustment for the income standard applicable to the Enhanced STAR exemption effectively freezing the qualified income level cap at the 2014 level ($81,900).

<u>PART G</u> – Extend the noncustodial parent earned income tax credit for two years

- Extends for two years the enhanced earned income tax credit for noncustodial parents – this credit is set to expire January 1, 2015.

- The enhanced earned income tax credit allows a taxpayer who is the parent of a minor child with whom the taxpayer does not live and for whom the taxpayer is paying child support to claim an income tax credit against personal income taxes.

- This credit was first enacted in 2006 and included a 2013 sunset; In the SFY 2012-2013 enacted budget the credit was extended for two years.

- The Executive estimates that continuation of the credit will cost $4 million in SFY 2016-2017 and SFY 2017-2018.

<u>PART H</u> – Mandate for professional and business licenses electronic tax clearance upon application or renewal

- Authorizes agencies to prevent businesses and professionals with outstanding fixed and final tax liabilities greater than $500 from renewing business and professional licenses before the liability is satisfied or the entity has entered into payment plan.

- The Executive estimates that implementing this policy will increase revenue by $3 million in SFY 2014-2015 and thereafter.

<u>PART I</u> – Close the resident trust loophole

- Changes the personal income tax treatment of certain accumulated trust income:
  - For resident beneficiaries, taxes as income the distribution of accumulated trust income of non-resident trusts and exempt resident trusts.
  - For grantors, taxes as income the accumulated income of an incomplete gift, non-grantor trust established by a resident

- The Executive estimates these changes will increase revenue by $75 million in SFY 2014-2015; $225 million in SFY 2015-2016; and $150 million thereafter.

<u>PART J</u> – Repeal the additional minimum personal income tax

- Repeals the additional minimum personal income tax.
  - This tax applies to a small number of taxpayers, primarily fiduciary entities, such as estates and trusts.
  - The tax is imposed at a rate of 6 percent on the total amount of deductions claimed for:
    - Accelerated Cost Recovery System (ACRS) depreciation on recovery property placed in service in New York in 1985 and 1986;
    - ACRS depreciation on all Internal Revenue Code (IRC) section 280F recovery property placed in service prior to November 1, 1987;
    - Intangible drilling costs; and
    - Qualified small business stock.

- The Executive estimates the repeal of this tax will cost $200,000.

<u>PART K</u> – Establish the Residential Real Property Personal Income Tax Credit

- Establishes a new real property tax circuit breaker that would provide an income tax credit against the state's personal income tax. This credit would be made available to eligible households earning a combined income of less than $200,000 and would only be calculated against taxes paid on a primary residence. The credit would be available to all New York residents. For those municipalities outside of New York City the credit is available if the municipality within which the resident resides stays within their applicable levy limit. The credit would be capped at $500 in the first year, $750 in the second year, and $1,000 in all years thereafter.

Benefit Calculation Table (2014 taxable year (would only apply to school districts))

Income Level	Credit
$0 - $119,999	6.25% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 2.4% of the household gross income)
$120,000 - $149,999	4.75% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 3.2% of the household gross income)
$150,000 - $199,999	3.25% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 4.0% of the household gross income)

Benefit Calculation Table (2015 taxable year)

Income Level	Credit
$0 - $119,999	8.25% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 3.0% of the household gross income)
$120,000 - $149,999	6.00% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 4.0% of the household gross income)
$150,000 - $199,999	3.75% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 5.0% of the household gross income)

Benefit Calculation Table (taxable years thereafter)

Income Level	Credit
$0 - $119,999	20% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 3.0% of the household gross income)
$120,000 - $149,999	15.0% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 4.0% of the household gross income)
$150,000 - $199,999	10.0% of the excess real property taxes (excess real property taxes are determined by taking the qualifying real property taxes over 5.0% of the household gross income)

PART L – Establish a renter's personal income tax credit

- Creates a refundable personal income tax credit for certain renters. The credit will be phased in over two years, with credits doubling in the second year. Those that qualify include:
  - Persons 65 or older;
  - Married persons, one spouse over 65;
  - Heads of household;
  - Married persons, with one or more dependent; and
  - Surviving spouse, with one or more dependent.

- The federal adjusted gross income limit for the credit is $50,000 for single renters and $100,000 married renters.

- When fully phased in, credit ranges will be as follows:
  - Single, senior renter: $140 to $220;
  - Married, senior renters: $114 to $230; and
  - Renters with dependents: at least $114, increasing depending on the number of dependents.
  - The average benefit from the renter's credit would be approximately $300.

- The Executive estimates the cost of this credit at $200 million in SFY 2014-2015 and $400 million thereafter.

<u>PART M</u> – Modify delivery of the family tax relief credit after Tax Year 2014

- Changes the timing of the payment of the Family Relief Tax Credit.
  - The Family Relief Tax Credit is a refundable tax credit of $350 available to families with dependent children under 17. It was enacted SFY 2013-2014 budget and is available for tax years 2014, 2015 and 2016.
  - For 2014, the credit is available as an advance refund, offered in the fall of 2014. For 2015 and 2016, the Executive proposes making this a standard refund for, claimed on a taxpayer's annual tax return.

- The Executive estimates this change in implementation will increase revenue by $410 million in SFY 2015-2016 and SFY 2016-2017

<u>PART N</u> – Increase the personal income tax filing threshold to reduce the number of taxpayers who need to file personal income tax returns

- Raises from $4000 to the amount of the New York standard deduction the amount of income which triggers the requirement that an individual file a New York State tax return. Eliminates the requirement for approximately 270,000 taxpayers who have no tax liability to file a tax return.

<u>PART O</u> - Extend the Empire State Commercial Production tax credit for two years

- Extends the Empire State Commercial Production Credit for two years, through 2017.

- Expiring in 2015, the credit is equal to the sum total of 20 percent of the qualifying production costs incurred in the actual filming or recording of a qualified commercial that exceed the average cost of the previous year for which the credit was applied plus five percent of total costs if they exceed $500,000 in the calendar year in the Metropolitan Commuter Transportation District and (MCTD) or if they exceed $200,000 in the calendar year outside the MCTD.

- Implementation of this credit would reduce tax receipts by $7 million in each year.

PART P – Authorize additional credits of $8 million for the low-income housing credit for each of the next two fiscal years

- Authorizes eight million dollars in State Low Income Housing Tax Credit (SLIHC) for FY 2015 and an additional eight million dollars in FY 2016.

- Increases the aggregate dollar amount of credit the Commissioner of the Division of Housing and Community Renewal (DHCR) may allocate to $56 million in FY 2015 and $64 million in FY 2016.

PART Q – Extend and reform the Brownfield Cleanup Program

- Extends the Brownfield Cleanup Program (BCP) for ten years to expire December 31, 2025.

- Establishes new limitations for tangible property credit eligibility: (i) a site, or a building(s) situated on a site, must be vacant for fifteen or more years, or tax delinquent for ten or more years; (ii) the cleanup costs must exceed the value of the property minus contamination (an "upside down" property); or, (iii) the property is designated a "priority economic development project" by the department of economic development.

- Creates new requirements that applicants commence implementation within ninety days of approval of a work plan by the department, and must proceed on a department-approved work plan schedule.

- Limits the scope of the site preparation credit to cover only those costs associated with remediation.

- Establishes the BCP-EZ Program, which would exempt voluntary cleanup from procedural BCP requirements provided the applicant waives in writing any claim to tax credits.
- Removes from the program sites that entered the program before June 2008 that fail to complete cleanup by December 31, 2017, and sites that entered the program from June 2008 through July 1, 2014, that fail to complete cleanup by December 31, 2017.

- Decreases the length of time the tangible property tax credit can be claimed to five consecutive taxable years from the start of the development of the site provided that the redevelopment starts within ten years of the issuance of the certificate of completion.

- Eliminates the insurance remediation tax credit and the real property tax credit for new sites accepted into the program after July 1, 2014.

- Authorizes the DEC to undertake environmental restoration projects on behalf of a municipality upon request.

- Exempts hazardous waste generated at certain sites from fees and special assessments.

<u>PART R</u> - Establish a 20 percent real property tax credit for manufacturers; eliminate the net income tax on upstate manufacturers; reform the investment tax credit; and repeal the financial services investment tax credit.

- Reduces the corporate tax rate on upstate manufacturers (outside the MTA region) from 4.88 percent to zero for Entire Net Income (ENI) calculation only (manufacturers will still pay corporate taxes under the capital base or fixed dollar minimum). Defines upstate manufacturer as a qualified New York manufacturer with zero allocation percentage within the MTA region.

- Creates a refundable corporate and income tax credit equal to 20 percent of real property taxes paid by the manufacturer during the tax year.

- Changes the definition of "manufacturing" to include:
    - Those manufacturers:
        - That have 100 percent of their business in this state; or
        - Have at least a fair market value of $10 million in assets in this state (up from $1 million on an adjusted basis); or
        - If a company does not have more than 50 percent of its business in manufacturing, then they have at least 2,500 manufacturing employees and $100 million in manufacturing property in this state.
    - Eliminates agricultural businesses, mining businesses, industrial waste treatment facilities, electric and gas generation and transmission businesses, fuel mixing businesses, film/television production and qualified emerging technology companies as manufacturers and subsequently will not qualify for the zero ENI rate upstate, the 20 percent property tax credit and the current statewide manufacturer's 25 percent tax reduction.
    - Requires as part of the definition of manufacturer, that company must manufacture property for sale; if it manufactures items for use within its own business it is not a manufacturer (e.g. ski resorts that manufacture snow for their own use).

- Narrows the current Investment Tax Credit (ITC) only to companies that fall under the new definition of manufacturer, are an agricultural business or are a mining business.

- Repeals the current Securities Industry ITC.

PART S – Tax on agriculture cooperatives

- Repeals the state's franchise tax on agriculture cooperatives. These cooperatives are groups of farmers, fruit growers, and other agriculture groups formed for mutual aid and assistance and organized as cooperative corporations.

PART T - Provides a refundable credit for the excise tax on telecommunication services paid by START-UP NY companies

- Provides a refundable corporate and income tax credit for businesses located in a START-UP NY tax-free area equal to the excise tax on telecommunication services passed through to such business during the taxable year.

PART U - Enhance the Youth Works tax credit

- Expands the current Youth Tax Credit program by increasing the cap from $6 million to $10 million annually, adding a second $1,000 credit for employers that keep a youth employed for an additional year (in addition to the current $4,000 potential credit for one year of employment) and lowers the number of hours to be considered part-time to ten hours for high school students.

PART V – Extend the alternative fuels tax exemptions for two years

- Extends from September 1, 2014 to September 1, 2016 the tax exemptions for E85, CNG, hydrogen and B20 alternative fuels, which were originally enacted in SFY 2006-2007

- Currently, E85, CNG and hydrogen are fully exempt from motor fuel, petroleum business, fuel use and sales tax; B20 is partially exempt as well.

- The Executive estimates that continuation of the exemptions will cost $8 million in SFY 2014-2015, $16 million in SFY 2015-2016 and $8 million in SFY 2016-2017.

PART W – Replaces the current structure of the distribution of motor vehicle fee receipts.

- Modifies the current structure of the distribution of motor vehicles fee receipts in the following manner:
    - Creates a quarterly transfer into the General Fund such that:
        - The Dedicated Highway Bridge Trust Fund (DHBTF) will receive $16,498,255 (annual amount is $65,993,020)
        - The Mass Transportation Trust Fund (MTTF) will receive $15,665,245 (annual amount is $62,660,980).

- Ends the current transfer of the first $40.7 million of the Driver Responsibility Act (DRA) receipts to the General Fund and instead directs all revenues from the DRA to the DHBTF, alteration of the transfer does not overall affect State revenues or DHBTF revenues, and is therefore, fiscally neutral.

PART X – Comprehensive estate tax reform

- Raises the exemption threshold in a four year phase-in from the current $1 million New York State exemption to the current $5,250,000 federal exemption, after which the threshold will be raised to the then-current federal threshold and then indexed for inflation.

- Lowers the top estate tax rate in a four year phase down from the current 16 percent rate to 10 percent.

- The Executive estimates the cost of raising the exemption threshold and lowering the estate tax rate at $33 million in SFY 2014-2015; $175 million in SFY 2015-2016; $371 million in SFY 2016-2017; $612 million in SFY 2017-2018; and $757 million in SFY 2018-2019.

PART Y – Repeals the Boxing and Wrestling Exhibitions Tax

- Repeals Article 19 of the Tax Law, which imposes an exclusive tax on the gross receipts of boxing and wrestling exhibitions.

- Imposes a sales tax on boxing and wrestling exhibitions, bringing those events in line with other sporting events in New York and simplifying the tax code.

- Imposition of the sales tax alters who collects the tax, from event promoters under the Article 19 structure, to venues under the sales tax structure, which is estimated to generate $500,000 per year in revenue for local governments.

- This proposal is recommended by the New York State Tax Reform and Fairness Commission and would go into effect on September 1, 2014.

PART Z – Extend Monticello Raceway Video Lottery Terminal rates for one year

- Extends, for one year, the forty-one percent vendor fee paid to Monticello as a video lottery agent.

PART AA - Extends certain tax rates and certain simulcasting provisions for one year

- Extends certain provisions necessary to maintain the pari-mutuel betting and simulcasting structure in place in New York State. Makes other minor technical changes to incorporate the recently created gaming commission into the respective racing, pari-mutuel wagering and breeding law. These provisions have been extended numerous times since they were enacted in the early 1990s.

PART BB - Extends the Video Lottery Gaming (VLG) vendor's capital awards program for one year

- Extends, for one year, the deadline to receive approval and to complete capital projects that are reimbursed through the Video Lottery Gaming (VLG) vendor's capital award program.

PART CC – Repeal Article 12 of the Tax Law

- Repeals the stock transfer tax, which was dedicated to the payment of Municipal Assistance Corporation (MAC) bonds. While effective collection of the tax ended in 1981, the tax remained on the books to satisfy the bond covenants. A collection/refund mechanism was utilized instead. Since the bonds were retired in 2008 the collection/refund mechanism is no longer necessary.

PART DD – Align mobility and personal income tax filings for the self-employed

- Allows self-employed individuals to pay the Metropolitan Commuter Transportation Mobility Tax (MCTMT) returns at the same time as their personal income tax returns.

- Currently, self employed individuals must file quarterly MCTMT returns and quarterly personal income tax returns on separate dates (April 30, July 31, October 31 and January 31; and April 15, July 15, October 15 and January 15, respectively). This allows for a combined return.

PART EE – Makes a number of technical amendments to the commercial gaming law

- Allows for the distribution of moneys in the Commercial Gaming Revenue Fund for support of education to be made in the year received. Further provides that video gaming licenses issued to individuals before the effective date of the Upstate New York Gaming and Economic Development Act of 2013 would expire on the applicant's birthday following June 30, 2014.

PART FF – Would Create a Two-Year Real Property Tax Freeze Personal Income Tax Credit Program

- Creates a refundable personal income tax credit for homeowners outside of New York City that residents would receive if specific actions are taken by local governments and school districts. For the first year of the credit, it require only that both local governments and school districts enact budgets that are compliant with their respective real property tax levy limit.

- Dictates that for the second year of the credit, participating municipalities and school districts must, in addition to maintaining levy limit compliance, certify that the entities will enact specified efficiency or consolidation efforts. These efficiencies, when fully implemented, must in the aggregate create statutorily specified savings. For local governments, the base by which the savings is to be achieved from is determined by adding the 2014 tax levies of all participating taxing entities within each county. For local governments, the requisite savings to be achieved must amount to 1 percent of this aggregated amount to be achieved by 2017, 2 percent of this aggregated amount to be achieved by 2018, and 3 percent of this aggregated amount to be achieved by 2019 against the aggregate 2014 levy. For school districts the aggregate savings of all participating schools within a district must amount to 1 percent by the 2016-2017 school year, 2 percent achieved by the 2017-2018 school year, and 3 percent achieved by the 2018-2019 school year. Failure to comply with these savings measures could result in the withholding of state aid.

- Makes the credit available to residents of school districts in the fall of 2014-2015 and 2015-2016 school years and local government residents in the fall of 2015 and 2016. The individual credit so provided under this program would be the difference between a tax payers current and prior year's tax liability.

- Requires that in order for a tax payer to be qualified for the credit they must have a residence that qualifies for basic STAR (i.e. income must be less than $500,000, a taxpayer must own the home, and home must be the taxpayer's primary residence).